

Political Science
Sociology

THE DEVELOPMENT OF WELFARE STATES IN EUROPE AND AMERICA

Edited by Peter Flora and
Arnold J. Heidenheimer

"This is a significant work on the welfare state. Scholars and students will find this a major source of reference for many years." – John W. Critzer, *The American Political Science Review*

"Perhaps the options surveyed in the Flora and Heidenheimer book will help these governments escape the limited choices among welfare policies that characterize current policy studies and political rhetoric." – Michael S. Lund, *The Political Interest*

This volume seeks to contribute to an interdisciplinary, comparative, and historical study of Western welfare states. It attempts to link their historical dynamics and contemporary problems in an international perspective.

The experience of all the presently existing Western European systems except Spain and Portugal are systematically encompassed, with comparisons developed selectively with the experiences of the United States and Canada. The development of the social security systems, of public expenditures and taxation, of public education and educational opportunities, and of income inequality are described, compared, and analyzed for varying groupings of the Western European and North American nations.

This volume addresses itself mainly to two audiences. The first includes all students of policy problems of the welfare states who seek to gain a comparative perspective and historical understanding. A second group may be more interested in the theory and empirical analysis of long-term societal developments. In this context, the growth of the welfare states ranges as a major departure, along with the development of national states and capitalist economies.

About the Editors

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The Development of Welfare States
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Europe. These considerations make it more understandable that the welfare state should have become more vulnerable to attack in Britain than in most other countries.

For those who seek to predict the future, as for those who want to understand better the past, this volume seeks to distill some answers from the century that has elapsed since the German emperor delivered his social message in 1881. But to encompass the broad analyses required by such a task makes it necessary to incorporate the experiences of individual nations—be it Germany the innovator, or Britain the adapter and propagator—into the larger body of experience.

II. The Welfare State as an Answer to Developmental Problems

We can try to define the core of the welfare state and to delineate its changing boundaries by seeing it as a more or less conscious or reactive response to long-term processes and basic development problems. But what were these developments and problems? To this fundamental question of classical macrosociology we of course find different answers in the works of de Tocqueville or Weber, Marx or Durkheim. But they would agree that, in the context of European history, the growth of the modern welfare state can be understood as a response to two fundamental developments: the formation of national states and their transformation into mass democracies after the French Revolution, and the growth of capitalism that became the dominant mode of production after the Industrial Revolution.

The prehistory of the modern welfare state, the "Poor Law Period,"¹⁶ was closely related to the early state building efforts of fifteenth- and sixteenth-century Europe. The later consolidation of the absolutist state was accompanied by a gradual, though by no means continuous, "nationalization," differentiation, and extension of welfare institutions. National differences within Europe in the creation of absolutist states with strong bureaucracies and paternalistic traditions may explain the earlier or later beginnings of the welfare states (for example, Germany versus Great Britain or Sweden versus Switzerland).

The real beginning of the modern welfare state, however, had to await the transformation of the absolutist state into mass democracy in the last third of the nineteenth century, after a variable intermediary period of liberal democracy with restricted suffrage. In thus linking welfare state development with the evolution of mass democracy, one may interpret the welfare state as an answer to increasing demands for socioeconomic equality or as the institutionalization of social rights relative to the development of civil and political rights.¹⁷

But the welfare state is far more than the mere product of mass democ-

racy. It implies a basic transformation of the state itself, of its structure, functions, and legitimacy. In a Weberian tradition, the growth of the welfare state may be understood as the gradual emergence of a new system of domination consisting of "distributing elites," "service bureaucracies," and "social clientele."¹⁸ With the structural transformation of the state, the basis of its legitimacy and its functions also change. The objectives of external strength or security, internal economic freedom, and equality before the law are increasingly replaced by a new *raison d'être*: the provision of secure social services and transfer payments in a standard and routinized way that is not restricted to emergency assistance.

At this point, however, the welfare state is no longer primarily interpreted as a response to the demand for socioeconomic equality, but to the demand for socioeconomic security. We turn from the evolution of mass democracy and the transformation of the nation state to the second fundamental development in modern European history: the growth of capitalism. In the Marxist tradition, the welfare state is seen as an attempt to deal with specific problems of capitalist development, class conflict and recurring economic crises: welfare measures represent an effort to integrate the working classes without fundamental challenge to the institution and distribution of private property. As with the early state building efforts, the prehistory of the welfare state is also tied to the emergence of capitalism in sixteenth-century Europe—to a growing labor market, agrarian capitalism, rural unemployment, and overpopulation. And as with the democratic transformation of the state, the creation of the modern welfare state did not precede the aggravation of business cycle effects and the intensification of organized class conflict in the last decades of the nineteenth century.

Both perspectives—that of political sociology in the tradition of de Tocqueville and Weber, and that of political economy in the tradition of Marx and others—do not necessarily contradict one another and may in fact be complementary. They are an expression of the historical constellation in which the European welfare state emerged, a constellation of growing mass democracies and expanding capitalist economies within a system of sovereign national states.

In Chapter 2, it will be shown, however, that the most democratic and capitalist of the European societies at that time were not the first to develop the institutions and policies of the modern welfare state. Furthermore, the fascist states after World War I did not completely change these institutions and even developed them to some extent. Finally, the experience of Russia after 1917¹⁹ illustrates that nondemocratic and noncapitalist societies have established very similar institutions. Thus, the welfare state seems to be a far more general phenomenon of modernization, not exclusively tied to its "democratic-capitalist" version.

The generality of this phenomenon may be illuminated by some of

Durkheim's ideas and concepts. Using his perspective, the welfare state may be understood as an attempt to create a new kind of solidarity in highly differentiated societies and as an attempt to respond to problems in the division of labor, which for him is the basic process of structural change in modernizing societies. Division of labor weakens old associations and intermediary powers and thus increases the opportunities for individualization. Responding to the need to regulate the manifold new exchange processes, social life is centralized. These fundamental processes are reflected in the institutions of the welfare state; public bureaucracies take over many of the functions formerly filled by smaller social units, and their services and transfer payments tend to become more and more individualized.

In Durkheim's view, the integration of highly differentiated societies is threatened by two main problems: anomie and inequality. His famous concept of anomie refers to a lack of normative or moral regulation that manifests itself on two levels: social relationships and individual personalities.²⁰ He first applied this concept to the unregulated socioeconomic relationships produced by the growth of the capitalist market economy that resulted in recurring economic instability and increasing industrial conflict. He later extended it to define an imbalance between individual needs and wants and the means of satisfying them.

From a Durkheimian point of view, the contemporary welfare state represents only a partial, and to some extent inadequate, answer to the problems of anomie. The democratic welfare states have met with only limited success in attempting to institutionalize industrial relations and conflicts and to stabilize markets. Although they have developed institutions of income maintenance and tried to secure the provision of specific services, they still respond primarily to material needs and have remained somewhat helpless in shaping and defining those needs themselves. Thus the welfare state would here represent an answer not to the more general problem of anomie in modern societies, but rather to the limited problem of economic insecurity. This limitation may explain some of the more recent problems of the welfare states in creating feelings of security and satisfaction.²¹ The fact that economic security is usually called social security is perhaps a hint of this underlying difficulty.

For Durkheim, the answer to the problem of anomie was normative regulation. In order to create solidarity, however, such regulation had to be considered just, which for him meant equality of opportunity and just contract on the basis of an equality of exchange conditions. In the Western cultural tradition as a whole, however, the concept of equality is broader, and has two different meanings that are at least partially contradictory.²² The first is a major component of the socialist ethic, often called equality of result. It implies an equalization in the disposal of resources, commodities,

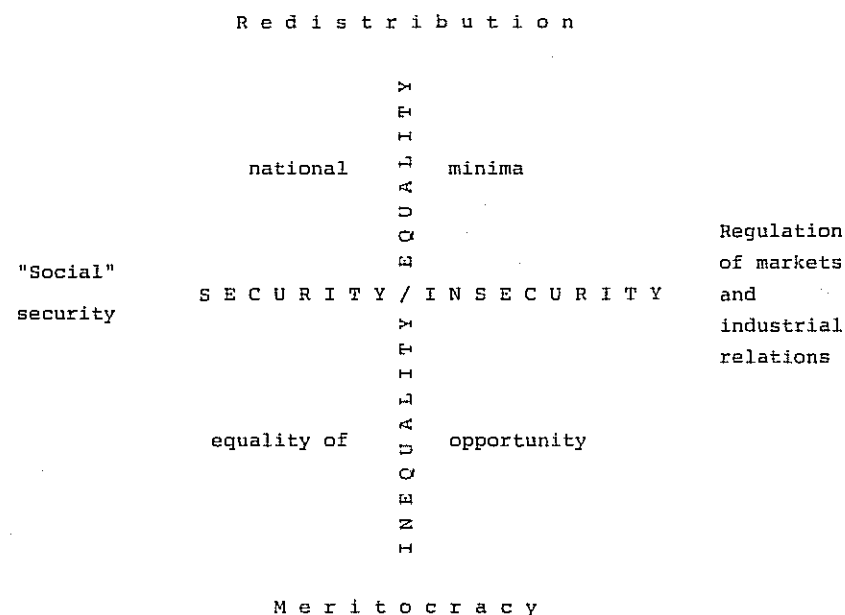
and services, a redistribution according to needs. In interpreting the welfare state as a response to equality demands of this kind, one must distinguish between efforts to establish national minima (poor relief, minimum wage, national pensions, compulsory education, certain social services) and efforts at redistribution in a stricter sense (above all, progressive income taxation). This distinction has been of great historical importance and still has institutional consequences. The second meaning, a major component of liberal ethic, is equality of opportunity and is most relevant in the field of public education. The development of comprehensive secondary education would be an example of an attempt to realize this principle. In its emphasis on merit, however, equality of opportunity inherently legitimizes inequality, mainly in the form of income and status differences. This is most obvious in income-related social insurance programs and the higher levels of public education financed by general taxes.

Security and equality are here seen as the two fundamental dimensions of the welfare state. These dimensions may be shown graphically, in Figure 1.1. This schematic view, however, does not answer empirical questions about the relative importance of these two objectives or the degree to which they have been realized. Has the goal of security always been more important than the goal of equality? What were the different priorities among the Western nations and how have they changed over time? Furthermore, both objectives may interact to supplement as well as contradict one another. Thus, as soon as social security develops into a security of social status, it contributes to the stabilization of inequality. But in so doing, even such a stabilization modifies inequality in that the poorer parts of the population have usually been the most insecure.

There are three basic means by which the welfare state pursues its goals: the direct payment of cash benefits, the direct provision of services in kind, and the indirect extension of benefits through tax deductions and credits. The essential function of transfer payments, the first of these means, is income maintenance for typical phases of nonemployment in the life cycle (maternity, childhood/parenthood, education and training, old-age, widowhood), typical situations of employment incapacity (sickness, injuries, invalidity), and unemployment among the active labor force. These benefits may be financed either with earmarked taxes or general revenues. In addition, benefits in cash and kind such as public assistance may be given in less standardized situations of need that are not covered by differentiated income maintenance schemes. An analysis of transfer payments must also take into account family allowances and subsidies for specific goods and services ("vouchers").

The direct public provision of services in kind is the second basic instrument of the welfare state. In interpreting and evaluating this means, one has to see it in close connection with governmental intervention in

Figure 1.1
Dimensions of the Welfare State



private markets, like the housing market, and subsidization of market goods, like food supplies. Today, four such services predominate: education, medicine and medical care, social care and advisory services, and housing. Of course, the "social service basket" varies a good deal among the Western welfare states, and it has naturally changed in the process of political and economic development. The regulation of food supply was formerly an essential public function,²³ and in the future new services, such as recreational facilities, may be more important on a continuing basis.

Finally, tax credits, the third and often neglected method, may serve as a functional equivalent to direct benefits in cash or kind.²⁴ In a still broader perspective, the more indirect instruments of economic policy and protective legislation would have to be added to these three basic tools, insofar as they are concerned with security and equality.

The objectives and instruments discussed above provide the conceptual elements and coordinates for a definition of the welfare state. In themselves, however, they do not define the historical core of the welfare state or describe how its boundaries change in the process of development. It has become usual to identify the beginning of the modern welfare state with the

innovation of social insurance. Should we therefore define the historical core of the modern welfare state by its attempt to "insure" the working classes against the danger of losing their income through industrial injuries, sickness, or old age?

Let us look at the case for doing so. In comparison with earlier poor relief, social insurance had several new traits:

- its main intention was not to help destitute people in cases of emergency, but to prevent destitution through routine measures;
- it was a differentiated institution aiming at the maintenance of earned income in specific situations;
- it focussed on the male laborer rather than on women and children, the main beneficiaries of previous poor relief;
- it usually compelled potential beneficiaries to contribute to its financing, thus strengthening their legal claim to benefits.

A major distinction of the social insurance mechanisms, however, lay in how the internal dynamics of its routine procedures differed from those of poor relief. By its very nature poor relief covered only a small part of the population, although it could be extended and become more widespread. Social insurance, on the other hand, is characterized by a double dynamic. One tendency has been to extend income maintenance schemes to additional contingencies, most obviously to unemployment. These extensions may also have contributed to generalizing demands for public income guarantees through other methods, such as price regulations for agricultural products.

Probably even more important, is that social insurance resembles suffrage to some extent. Once the right to vote is given to one population group, other groups will sooner or later also be enfranchised; usually, in the modern context, there is no way back other than to abolish elections altogether. The extension of social insurance is a similar process, though differing in two respects. Whereas the right to vote was extended from the top to the bottom of the social ladder, social insurance usually was broadened in the other direction. And whereas elections have been abolished in modern societies, social insurance institutions scarcely have.

But one can entertain reservations about regarding social insurance as the historical core of the welfare state. From the very beginning it was surrounded by other institutions and policies, both old and new. Some of these became more and more important and certainly have changed the boundaries of the welfare state; they may even have shifted its core. For example, the old institution of poor relief remained significant, even though it changed its nature and name. Protective legislation and factory inspection preceded social insurance in many countries, as did the freedom of association and the development of trade unionism and collective bar-

gaining. Furthermore, the institution of other policies with related objectives fall into the same period as social insurance legislation: the introduction of income taxation for higher income levels; the extension of public primary education in some countries and reform of secondary education in others. National policies dealing with housing and employment usually did not develop before World War I, but communal efforts started much earlier.

III. Changing Welfare State Boundaries

The difficulty in defining the boundaries of the welfare state lies at least as much in how to formulate the question as it does in how to interpret measurements that would provide a tangible answer. Should the question be posed in terms of the goals of policies and programs, the reach of bureaucratic institutions, the magnitude of budgets or of the needs of social groups and their power to elicit governmental response to them?

This problem came to be faced in Germany in the 1920s, after the core institutions had been established and legitimated through the inclusion of social rights in the Weimar constitution. In 1929, shortly after the last of the four basic social insurance programs had been put into place, the economist Eduard Heimann addressed himself to the question of defining the boundaries of what he called social policy. He answered that there could be no such boundaries: "The diminution of capitalism which social policy brings about does not create a vacuum, but the creation of something new and different in those areas which are extricated from the sphere of pure capitalism. But everywhere these structures attach themselves to the remaining capitalist institutions. . . . In general, the boundaries of social policy can only be related to the existing boundaries of social power, but this sentence is itself tautological if one refers not to the institutions as such, but to the social forces that operate through them."²⁵

Up to 1914, and to a large extent through the interwar period, the social forces most relevant to welfare state development were those of the working class. But in the post-1945 period the benefits of both social insurance and social services were extended on a massive scale to increasing proportions of the middle classes. This was done either by universalizing income transfer programs and public services or by adding middle-class beneficiaries in incremental steps. The main instruments for this expansion were mass political parties, and Wilensky demonstrates in Chapter 10 that European Catholic parties competed very effectively with Social Democratic ones in "blanketing" these strata into the security guarantees of public programs.

The social insurance mechanisms that buttressed the security goals of the working class had by the 1950s become institutionalized, with the support

of unions, so as to constitute a sphere distinguishable from the core capitalistic institutions. But the inclusion of middle class beneficiaries again complicated the boundary questions, especially as regards the relationship between public and private programs. The affluent middle classes already possessed extensive security supports, and their organizations were frequently sharply divided over how the private and public programs should complement each other. Where middle class providers and client organizations were relatively stronger, as in the United States, the share of many education, health, and income maintenance guarantees supplied through private organizations remained larger. This complicates the boundary questions because functionally similar structures may be classified as belonging, or not belonging, to the welfare state complex, depending on the degree of public control, which is usually clear-cut, but sometimes a matter of degree.

In 1961, after the middle classes in Britain and elsewhere had become beneficiaries of many welfare state guarantees, Asa Briggs ventured a definition of what a welfare state is:

A "Welfare State" is a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions—first, by guaranteeing individuals and families a minimum income irrespective of the market value of their property; second by narrowing the extent of insecurity by enabling individuals and families to meet certain "social contingencies" (for example, sickness, old age and unemployment) which lead otherwise to individual and family crises; and third by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services.²⁶

This definition can be used to delineate more clearly the question of welfare state boundaries.

The attempt to circumscribe more precisely the kind of governmental activities encompassed by the welfare state has provoked two kinds of border disputes, one related to definitions of minima, the other related to range of services. The disputes over minima flared up as the consequence of the redefinitions of poverty that were articulated in all countries during the late 1960s and early 1970s. Critics applied concepts like relative deprivation to identify demands for equalization of resources for much larger population groups than those who had up to then benefited from the implementation of national minima, as established in the Beveridge and similar plans.

This led proponents of the older, more limited definitions of poverty and welfare state goals to expostulate heatedly that

the new formulation appears to be that everyone who is not able to enjoy middle-class standards is assumed to be living in poverty and must be rescued from his state of relative deprivation. . . . The new definition makes inequality

Chapter 2

Modernization, Democratization, and the Development of Welfare States in Western Europe

Peter Flora and Jens Alber

Introduction

The evolution of the welfare state is obviously related to a great variety of social developments and changes. One of our main tasks thus consists in attempting to construct a theoretical framework that systematizes and relates these processes. In Part I of this chapter the concept of modernization is examined since it emphasizes the multidimensionality and interrelatedness of developmental processes. From this analysis of modernization, a sectoral model is developed that poses some relationships among socioeconomic and political developments and the evolution of welfare state policies and institutions. More specific hypotheses are then elaborated on the basis of Stein Rokkan's theory of European political development.

The modern European welfare states really began in the last two decades of the nineteenth century. Part II of this chapter describes these beginnings through examining the introduction of social insurance systems throughout Europe and the growth and structural change of public social expenditures in three countries. The later growth of the European welfare states is compared mainly through the evolution of the social insurance systems that are of central fiscal and institutional importance.

Finally, Part III here attempts to explain the emergence of these systems through the socioeconomic processes of industrialization and urbanization as well as through the political developments of suffrage extension and parliamentarism. In addition, the possibility of diffusion processes, an idea studied in more detail in Chapter 4, is analyzed.

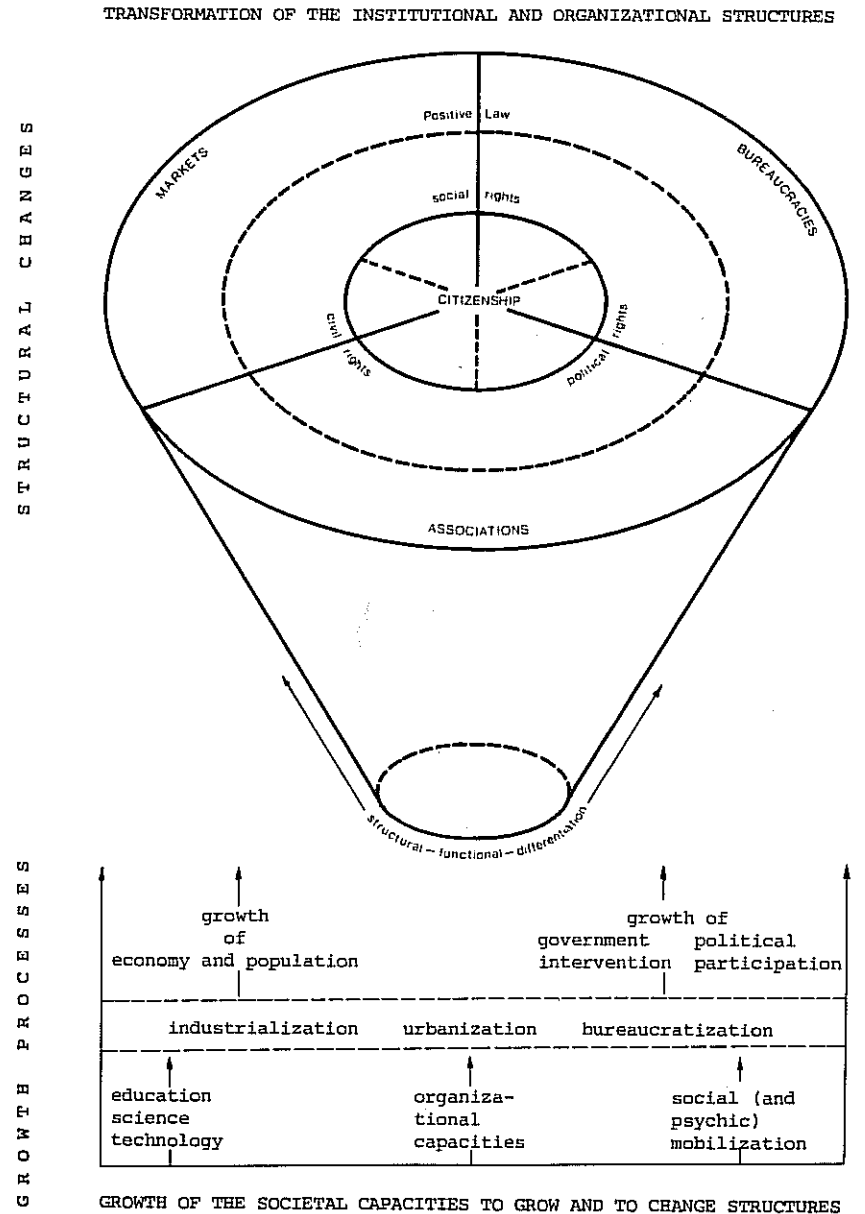
I. Theoretical Considerations in the Development of the Welfare State

A. Classical Concepts and an Analytical Framework of Modernization

The concept of modernization has largely replaced the traditional concept of development as well as superseded more specific concepts such as industrialization and democratization.¹ Despite its vague and ambiguous meaning, modernization has one salient characteristic that makes it interesting for our analysis: an emphasis on the multidimensionality of societal development, or the assumption of causal interrelationships among economic and population growth, social and psychic mobilization, political development, cultural change, and the transformation of the international economic and political order. Figure 2.1 illustrates the relationships among some of the basic concepts of modernization. The main distinction is between general growth processes and structural changes, which are institutional as well as organizational. Growth processes are related to two different capacities: the capacity to grow, the core of which is the economy, and the capacity to change structures, the core of which is the polity. This may be understood as a generalization of Marx's distinction between the growing and relatively flexible forces of production and the relatively inflexible relations of production. The rigidity of social organization may either encourage or impede the growth of the productive forces, thus producing strains and conflicts.

In the tradition of Durkheim, structural-functional differentiation is the fundamental process characterizing modernization. This increasing specialization and fragmentation is intimately related to the processes of growth and affects all social structures, activities, and individual lives. Fundamentally, differentiation involves a loosening of ascriptive bonds and a growing mobility of men, goods, and ideas. It leads to the development of extensive networks of exchange and greater disposable resources.² As differentiation advances and breaks down traditional forms of social organization, it changes and exacerbates the problem of integration, which was Durkheim's main interest. He suggested two types of solutions to this problem: integration through mechanical solidarity based on affinity of values, beliefs, and sentiments and through organic solidarity that simultaneously weakens the impact of social segmentation and strengthens the impersonal interdependence of individuals. We follow here Parsons' cri-

Figure 2.1
An Analytical Framework of Modernization



tique of Durkheim³ that these two solutions to the problem of integration do not represent two distinct stages of development, but coexist in modern societies.

In modern, highly differentiated societies the mechanical element of integration lies in the core institution of citizenship. This has been formulated most clearly by T. H. Marshall: "Citizenship is a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed."⁴ Marshall distinguishes between three elements of citizenship: a civil element, providing the rights to ensure individual freedom; a political element, centered in the right to participate in the exercise of power; and a social element, primarily constituted by the right to share a minimum level of economic welfare, social security, and cultural heritage. The process of differentiating the basic rights and the institutions giving access to them has been accompanied by geographical integration, or a "nationalization" of the specialized institutions. "Citizenship is by definition national."⁵ Of course, the sequence, form, and degree of institutionalization of citizenship rights have varied widely from country to country and still do.

Besides the core integrative institution of citizenship, modern Western European societies have developed three regulating organizational structures: markets, which organize the exchange of economic resources and commodities; associations, which organize the articulation, aggregation, and representation of interests; and state bureaucracies, which organize the fulfillment of collective tasks. There are specific relationships between these three organizational sectors of modern societies and the basic rights of citizenship (see Figure 2.1). Civil rights are related to markets (the right to own property and to enter valid contracts, free choice of work and residence) as well as to associations (freedom of speech, thought and faith, right to assemble, and freedom of association). They guarantee a sphere of public opinion, that together with political rights forms the legal basis for the development of interest groups and political parties and for the evolution of parliaments symbolizing the associative character of society itself. But political rights are also related to state bureaucracies, since the right to participate in the exercise of political power only has meaning when the governing power of parliament is established. Finally, social rights are also related to state bureaucracies and to markets. Originally, they were provided through membership in local communities or functional associations. On the national level, the right to a minimum level of economic welfare and social security developed successively through the regulation (labor legislation), supplementation (social security systems), and replacement (social services) of markets by state bureaucracies. With respect to the social right to share in the cultural heritage market elements usually were

replaced much earlier through the establishment of public schools and the institutionalization of compulsory education.

Within this framework then, the development of the welfare state may be analyzed according to at least the following three aspects:

1. the processes of differentiation (the differentiation of individual and household income, of working and living place) creating specific labor market problems that must be solved by the state;
2. the evolution of social rights as a consequence of (or compensation for) the institutionalization of political rights;
3. the increasing control, substitution and supplementing of markets (and to some degree of associations) by state bureaucracies.

B. Modernization and the Welfare State: A Sectoral Model

1. Problem Pressure: Changing Socioeconomic Conditions and Political Mobilization

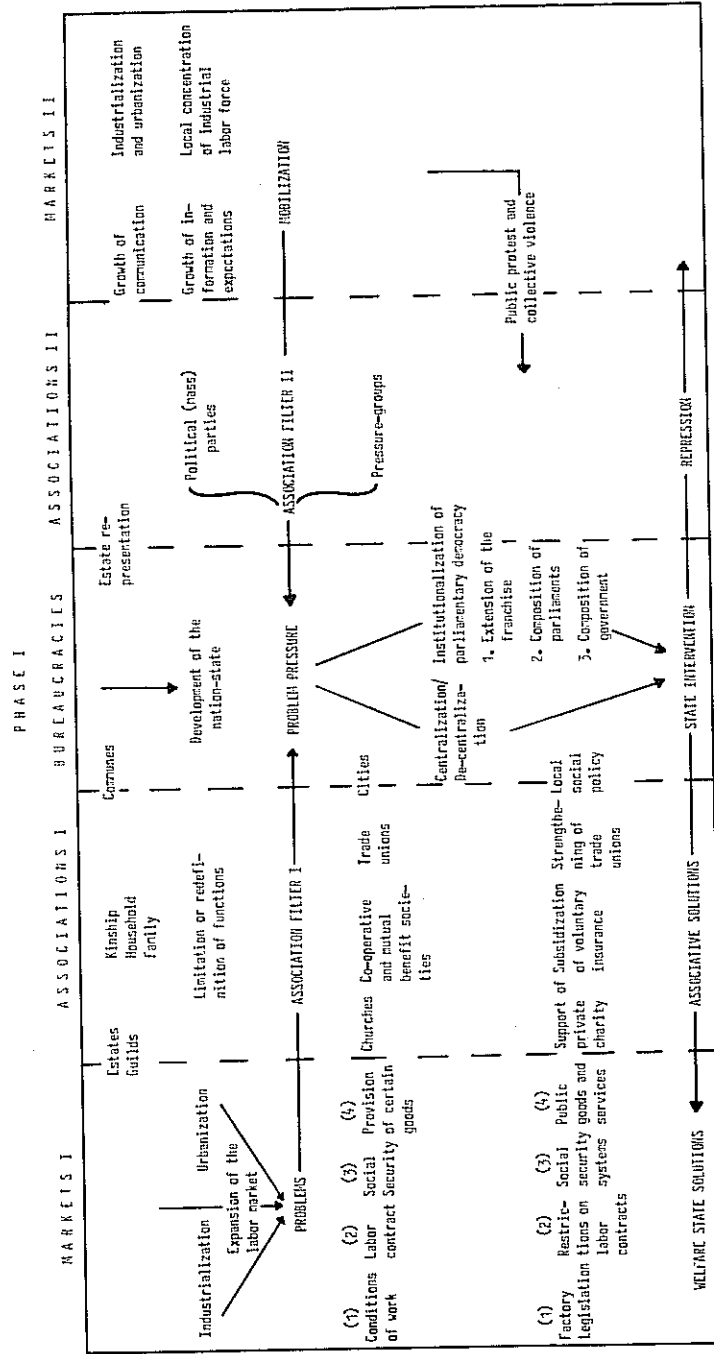
The distinction between markets, associations, and state bureaucracies as the three main organizational sectors of society is used now to draft a sectoral model of the development of welfare states (see Figure 2.2). In the model, markets and associations are further divided into two subsectors. In the first subsector of markets (I) those developmental aspects creating specific welfare and security problems are summarized. The second subsector of markets (II) includes the developmental aspects assumed to lead to social mobilization processes. In the first associative subsector (I), associations in the widest sense are included that are concerned with welfare and security problems independently of the state. The second subsector (II) embraces those associations that mobilize political support and articulate demands for welfare assurances from the state.

Under Markets I four main problems generated by industrialization and urbanization and affecting the immediate associations of family and household are specified:

1. changing working conditions (for example, industrial accidents);
2. the development of a free or unrestrained labor contract (for example, child labor, working hours);
3. income security for disabled persons without property (sickness, invalidity), for those not or no longer engaged in the productive process (children, housewives, old persons) or for the unemployed;
4. the provision of certain (public) goods by controlling, supplementing or substituting for private markets (housing, health, to some degree education).

These problems are in turn assumed to create an objective problem pressure. To assess the intensity of the pressure directly exerted on the government, however, the activities of those associations that respond to

Figure 2.2
A Sectoral Mode of the Development of Welfare States



these problems, such as churches and private charity organizations (poor relief), mutual benefit and cooperative societies (insurance, housing) and trade unions (unemployment assistance) must be considered. This association filter will often greatly modify and typically diminish the objective problem pressure. For example, the countries with strong Protestant state churches developed early a notion of state responsibility for public welfare, whereas in the religiously mixed and Catholic countries the tradition of private charity and the principle of subsidiarity, giving priority to the responsibility of smaller collectivities, remained strong. Thus, differences in the existing associative structures and their historical development may explain some of the differences in the development of the welfare state.

Under Markets II, at least two developments may have been responsible for mobilizing major parts of the population: (1) the concentration of the labor force in cities, industries, and enterprises as a consequence of industrialization and urbanization and (2) the growth of information and expectations as a consequence of expanding communication. This social mobilization may find its political expression in various unstructured forms such as public protest and collective violence or in institutionalized forms like voting, unionization, and the creation of political parties and interest groups.

Since the origins of the modern welfare states are closely related to the "social question" and the labor movement, differences in the strength and coherence of working class parties and trade unions are most important for explaining variations in welfare state developments. To some extent, differences in the strength of labor movements are a function of religious, linguistic and/or ethnic cleavages that might have deflected attention and support from class issues and retarded the development of welfare states. Alternatively, strong working class internationalism may have also impeded welfare state developments by factionalizing the working class movement, above all by dividing socialists and communists and thus decreasing opportunities to gain executive power.

The problem pressure thus consists of two elements: the objective problem pressure and the pressure generated by social and political mobilization. The distinction between these two aspects is not merely analytical, since the effects of both can vary widely as discussed in Part III. Nor does this suggest that governments simply act in response to pressures; they may not act at all or they may anticipate some of the problems and act to prevent their full realization.

2. The Shaping of State Intervention: Bureaucracy and Democracy

The intervention of governments in response to or in anticipation of the problem pressure historically involved several alternatives. One concerned the relationship between welfare state policies directed toward solving

social problems and police state policies designed to repress political mobilization processes. In practice, of course, these alternatives were often combined. Their clear differentiation is possible only with the establishment of modern welfare and police institutions compared to the earlier institutions of a poor police and a health police. A second major alternative lies in the way governments tried to solve social problems. They could choose between direct intervention through labor legislation, factory inspection, the establishment of compulsory insurance systems, and the provision of public goods (housing, health, education) on the one hand and associative solutions through subsidizing private charity and voluntary insurance and strengthening trade unions on the other. The result was probably greatly influenced by the political strength of existing associations and the efficiency of their programs.

At a more general level, government intervention has probably been shaped predominantly by two basic developmental processes: first, the creation of state bureaucracies and thus administrative capacity. An early and strong bureaucratization and centralization may have promoted welfare state development because of greater government resources and strong paternalist traditions. It may also have thwarted efforts to institutionalize democracy and thus impeded welfare state development. Second, the creation of mass democracies reflected by constitutional developments (the introduction and extension of suffrage and the legal or de facto enactment of parliamentary responsibility) and power shifts (composition of parliaments and governments) are of major importance in the development of government intervention. Of course, additional factors to explain differences in the development of welfare states could be cited, particularly cultural values underlying the definition of welfare responsibilities and standards and the long-term growth and cyclical fluctuations of economic resources and public revenues.

In following sections, we are primarily concerned with the relationship between the growth of mass democracies and welfare state policies, since sufficient information on the growth of state bureaucracies is still largely missing for most European countries. Furthermore, it is important to note that while this model points to possible relationships between factors influencing the development of the welfare state, it does not sufficiently specify their extent and character. This is especially true for the relationships between the objective problem pressure and the associative structures, and their combined impact on government responses. There is hardly any theory from which to formulate a systematic set of hypotheses about the relationships between socioeconomic development and the evolution of welfare states. With respect to the processes of political mobilization, organization and institutionalization (see columns 3 and 4 in Figure 2.2),

however, we can utilize Stein Rokkan's theory of European political development to formulate more specific hypotheses.

C. Rokkan's Stage Model and the Evolution of the European Welfare States

Stein Rokkan's theory⁶ attempts to integrate various approaches to the study of political development to explain the growth of the European national states, their external consolidation, and their internal restructuring (or consolidation). It essentially consists of two parts: first, a theoretical conception of stages of political development; second, empirical typologies which try to explain variations in these respective stages (for example, in territorial consolidation, the introduction and extension of suffrage, cleavages, and party systems).

1. Stages of Political Development

Rokkan distinguishes four stages or problems of political development that may form relatively distinct phases or may coincide and even cumulate to cause developmental crises. The first two phases are primarily thrusts from the center toward the periphery, attempting to subject it to military-economic (state formation) and cultural (nation building) control and to create subjects (of the king and later the state). The last two stages originate predominantly from the periphery toward the center and are aimed at an internal restructuring through the extension and redefinition of citizenship (participation and redistribution):

1. *State Formation* or the development of fiscal and military states. This phase involves political, economic and cultural unification at the elite level, the creation of organizations for the mobilization of resources (tax bureaucracies), the consolidation of the territory (armies) and the maintenance of internal order (police and army).
2. *Nation Building* or the building or growth of national states. This phase refers to the establishment of direct contacts between the elite and larger sectors of the peripheral population through conscript armies, schools, mass media, religious and linguistic standardization.
3. *Participation* or the development of mass democracies and the establishment of citizenship through the equalization of political rights. This phase includes growing participation of the peripheral population, the institutionalization of civil and political rights (franchise, parliaments), and the creation of political parties.
4. *Redistribution* or the development of welfare states and the establishment of social citizenship through the redistribution of resources, goods and benefits. This phase involves the creation of public welfare systems (social security, health, education, housing) and public policies for the equalization of economic conditions through progressive taxation and transfer payments.

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Chapter 11

Toward a New Welfare State?

Hugh Hecló

... recent writings from all sides make it abundantly clear that the ideals which inspired the achievement of a "welfare state" are now no longer universally shared. Comprehensive notions of a "welfare state" based on complete "equality of citizenship" no longer receive universal assent (or lip service). Against a background of recurring fiscal crises, "paying for services" has replaced "fair shares for all" as a current political slogan.

The preceding comment epitomizes much of the current feeling that basic changes are underway in democratic government and social policy. Yet the writings to which this author refers are not part of the present "crisis of the welfare state" literature. Professor Asa Briggs was, in fact, describing the situation at the end of the 1950s—a period of time that many observers now identify as marking the outset of a new and enthusiastic burst of welfare spending and programming.¹ If nothing else, glancing over one's shoulder in this way may help temper some of the assumptions about the uniqueness of our own times. Perhaps it is a natural vanity for every writer to see himself as standing on the edge of a decisive historical moment. Every now and then it is useful to imagine that the opposite may be true. Perhaps there is no wave of future, only many small ripples; no decisive watersheds, only a variety of slippery slopes. The incrementalism that we see everywhere in public policy may actually be one of the most radical forces for change.

This chapter tries to look at our present circumstances in light of the past, hoping in this way to gain some perspective on what the future of the welfare state might portend. Have we in some sense reached the end of that

familiar if muddled line of development that has characterized postwar social policy in the democracies? Have the customary forces so changed or the regenerative powers of our normal social politics become so depleted that present problems point toward a new kind—or perhaps no kind—of welfare state in the future?

My answer to the question of whether or not there is a movement toward a new welfare state is yes and no. The following pages develop four main arguments:

1. Democratic welfare states have moved through three general stages in the last 100 years, each with somewhat different ways of relating politics, the economy and social policy.
2. Because of unexpected circumstances, particularly postwar economic growth, the welfare state in its most recent phase took on a peculiar and unsustainable quality.
3. Consequently, some redefinition of the democratic welfare state is inevitable.
4. Yet changes will not be simple or unidirectional. In particular, changes will not merely reflect the currently fashionable theories of overloaded government, fiscal crisis, welfare backlash, and tax revolts. Rather, the emerging reformulation will involve a struggle to find new means of pursuing those basic values that have always underlain development of the democratic welfare state.

Table 11.1 presents the basic points in schematic form. Inevitably, an account of this nature does much injustice by simplifying many variations among countries and policies. Since a good deal of the texture of this variation is described in earlier chapters, attention here will focus on what seem to be the broad, widely shared features of development.

I. Stages of Welfarism

The historic record of welfare states during the last 100 years suggests three somewhat overlapping phases, each building on what had gone before. The first period can best be described as an era of *experimentation*. Beginning in roughly the last third of the nineteenth century, there occurred an unprecedented upsurge in national legislation directed at one or another kind of social betterment. As we have seen in preceding chapters, the most obvious example was the invention and diffusion of a new technique called social insurance. However, there were also manifestations of a new policy activism in areas such as public education, hospital organization, mental treatment, unemployment relief, and many others. Without being too doctrinaire about the exact time limits of this phase in each country, it appears that social policy experimentation continued into the World War I years (when many programs were disrupted and reformu-

lated) and on into the 1920s (when demobilization and economic dislocations precipitated any number of new collective provisions).

Experimentation was reflected in several ways. More than at any time since, there was a good deal of chopping and changing in programs. The number of those entitled to a particular benefit went not only up but also occasionally down; major programs were started with high hopes, only to be abandoned. In Germany, for example, the proportion of the labor force covered by work injury insurance reached over four-fifths in the early 1890s but was under three-fourths in the early 1900s; the proportion covered by sickness insurance was higher in the period from 1910 to 1912 than it was in the crisis period of 1932 to 1933. In Britain the 1908 pension system was created and hailed as a major breakthrough, only to be substantially abandoned in later years. In Scandinavia a host of official commissions proposed pushing social insurance programs first this way and then that. Comparable shifts took place at the state and local government level in the United States when progressive reformers initiated their own varying versions of the welfare-state-in-embryo.

Experimentation was also indicated by the abundance of arguments and counter-arguments over fundamentals. Should policies inquire as to whether those in need are deserving or underserving, or just poor? Are compulsory government programs legitimate? Where are the proper boundaries of public activity? Is social policy a temporary expedient for relieving particular, disadvantaged groups or is it an enduring feature for the nation at large? If policy can be thought of as having a constitution (rules identifying basic parts and their relation), then the years from 1870 to 1930 mark the period of great constitutional debate for the modern welfare state.

I am not suggesting that these questions were ever fully resolved, then or now, but in the era of experimentation the basic premises of government action were open to a relatively great deal of wide-ranging and interminable argument. More than that, there was a sense of excitement. It is impossible to read in the early literature of the welfare state without catching the flavor of this excitement—the enthusiasm with which social insurance developments in other countries were reported, the fascination with the technical details of various proposals, the assurance that fundamental changes were about to take place in government's impact on society.

In essence, what was occurring amid all these arguments, tentative commitments, and false starts was an effort to move beyond established ways of thinking about the economy, social responsibility, and democratic politics. In economic terms, experimentation coincided with a spreading and periodically intensifying international business cycle. Social and economic disruptions were immense and nationwide throughout the Western

Table 11.1
Stages of the Welfare State

	Experimentation (1870s-1920s)	Consolidation (1930s-1940s)
<u>Economics:</u> events	international diffusion of business cycle; dislocations of industrialization	depression, wartime planning, destruction, reconstruction in austerity setting
reactions	relief of distress via ad hoc exceptions to 'laws' of political economy	integration of social expenditures with doctrines of demand management
<u>Politics:</u> events	workers movements, suffrage extensions, growth of mass parties	discrediting opponents of national government activism
reactions	policy innovations seeking to accommodate Liberal, Conservative and Socialist principles	all-party governments in war; emerging consensus on postwar reconstruction
<u>Social Policy:</u> form	innovation and volatility in programming; 'constitutional' argument on boundary problems	unification of previous experiments
contents	dispensations for the deserving poor and working class; social insurance invented	remedies for risks shared by all citizens
value choices	attempts to reconcile liberty, equality, and security	demonstrations that the 3 values are mutually-reinforcing

Table 11.1
(Continued)

	Expansion (1950s-1960s)	Reformulation (1970s-?)
	unexpected, sustained economic growth	unexpected combinations of recession and inflation
	intensified commitment to full employment; growthmanship as solvent of economic tradeoffs	ad hoc attempts to subordinate social policy to a new sense of scarcity
	political bidding and group competition for painless policy growth	political disaffection; electoral volatility; distrust in traditional appeals
	declining necessity for political commitment and consensus building; 'end of ideology' ideology	competition to reduce expectations and avoid unpopularity; neo-liberal attacks on tax, spending and bureaucracy issues
	filling gaps and extending inherited approaches	reopening 'constitutional' issues; inadvertent extension in boundaries of social policy
	compensations to preserve rising living standards; group struggle for relative shares of increases	marginal slowdowns in spending and programming; low-cost substitute means to seek same social goals
	denial that important value choices are at stake	new recognition of 'tragic' choices; search for positive-sum relationships