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Sociology



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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 student 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.

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overtaken Sweden as the biggest European spender, but those who are can find an explanation in Wilensky's analysis. He also shows that left party governments spent more if subjected to intense Catholic competition, but where left parties were more continuously in power they tended to "slow the adoption of new programs or the rapid expansion of the old, while simultaneously keeping high hopes in check."

The author of the concluding Chapter 11, Hugh Heclo, seeks to pull together many of the broader themes and questions that have been addressed in more limited contexts in preceding sections. Does the current situation, seen in the light of historical developments as well as today's debate about policy, represent a threshold and different stage for the welfare state? Or is it one of the recurrent phases in a basically continuous line of development? To help answer these questions, Heclo assesses the current situation in the light of several common stages through which most Western welfare states appear to have passed during the last century. He argues that while a redefinition of the democratic welfare state is likely, the result will probably bear little relationship to the currently fashionable emphasis on "democratic excesses" and "overloaded governments." Rather, he predicts that Western nations are entering a new period of experimentation in which many of the traditional aims of the welfare state will be pursued by novel means. During the coming decades we may well experience a situation mirroring that prevalent in the late nineteenth century. He foresees a situation in which defenders of the status quo will be aligned behind an activist social policy, while the advocates of radical change will demand dismantled programs and limited government.

Part One

What Is the Welfare State?

Chapter 1

The Historical Core and Changing Boundaries of the Welfare State

Peter Flora and Arnold J. Heidenheimer

I. British Experience and the History of the Concept

The question of the nature of the welfare state can be related to the process of its "discovery" and labelling. In one way it is strange that, according to the chronology which has now become conventional, the welfare state should have been growing for several generations before it was recognized and labelled by this name. But from a broader perspective on the historical introduction of new political concepts it is not so strange. Even an entity with seemingly clear-cut delineations, like the British Empire, took several centuries to become recognized and labelled for what mapmakers then informed all school children it had come to be.

The German Empire, by contrast, appeared on maps rather suddenly in 1871, largely as the culmination of several successful European wars. In 1878 it initiated a governmental campaign to destroy the growing social democratic movement, and then the emperor, in his Social Message of 1881, laid the basis for the subsequent innovative social security legislation. Reviewing this accomplishment in a 1915 volume celebrating the five hundredth anniversary of the establishment of the Hohenzollern rule in Brandenburg-Prussia, Otto Hintze admitted that it had not succeeded in shifting working class loyalties, as Bismarck and Emperor William had hoped. Still, he concluded, "it provides the government with a good conscience, and enables it to take a strong and decisive position vis-à-vis

the lower classes and their demands, as is befitting the traditions of the Hohenzollern state."¹

It would have been very dissonant with those traditions if the Prussians had referred to their creation as a "Wohlfahrtstaat." The terminology they employed was strictly bureaucratic and by implication reserved to the emperor the power of setting larger national and societal goals. Thus, the German Interior Ministry mounted an exhibition at the 1904 St. Louis World's Fair under the title, "The German Worker Insurance as a Social Instrumentality." When conservatives depreciated it as a "social-political carnival," German officials pointed out that their pioneering effort had won not only worldwide attention, but also widespread imitation. They claimed that "imitation would doubtless have been even more widespread had not initiatives in various states been retarded by prevailing social political ideas—and, as in Switzerland, France and England, by far-reaching concessions to the attitudes of the voting masses. What this illustrates are the advantages of the monarchical government in Germany, which provides the strength for the resolute implementation of necessary social reforms despite the opposing powers of political shortsightedness, heartless insensitivity, sluggish routine or economic recklessness."²

Empirical analyses pertaining to the diffusion or imitation of the German model will be presented below, particularly in Chapters 2 and 4. Our concern here, however, is to identify divergences and convergences between the growth of social security institutions and their recognition in political vocabulary and symbolism. For this purpose we will contrast developments in Germany—the institutional innovator—with those in Britain, the country from which the term welfare state came to be diffused around the world in the 1940s. One can see how overseas recipients who did import terms like "kindergarten" might boggle at adopting Wilhelmine concepts like "social monarchy" or other terms that draped citizen entitlements with hierarchical condescension. But why was the term, which has come to be generalized, coined in Britain, and why in the 1940s?

A good scout to follow in this quest is Winston Churchill, who in 1906 entered the Liberal cabinet to help prepare the initial British social insurance laws. In those years he was telling the voters that, "In Germany they have a very much wider national system of safeguards, of bulwarks against accidents and against all the dangers and all the chances of those who are engaged in industry. . . ." We find Churchill the wordsmith avoiding bureaucratic terminology, and attempting to coin political phrases which will catch on. One term that recurs is that of the need for "averaging machinery"; another is that of "the left out millions" who are "miserable," even as the fortunate in Britain are "more happy than any other equally numerous class have been in the whole history of the world." Assisted by experts like William Beveridge, Churchill and Lloyd George prepared the

Liberal government's National Insurance Act. By the time of its passage in 1911, Churchill was talking of "bringing in the magic of averages to the aid of the millions."³

It was to be another thirty years until the insurance metaphors were replaced by the "welfare state" metaphor. Again the stimulus came from Germany, but this time the causal chain followed a more complex dialectic. The Germans had pioneered again in 1919 by anchoring social rights in the Weimar Constitution. But their experiences in the 1920s did not invite replication elsewhere. In 1930 deep divisions over the magnitude of unemployment and other benefits led directly to the fall of the last democratic government based on a parliamentary majority. In Britain the unions also failed to prevent cutbacks in unemployment insurance. But then they helped depose Ramsay MacDonald and salvaged the Labour party, whereas the German unions sought to avoid repression by adopting a lower political profile. They were unable to counterattack when Chancellor von Papen prepared the ideological transition to fascism by sharply attacking the Weimar Republic "Wohlfahrtstaat" in June 1932.⁴ He accused his predecessors of inducing the "moral exhaustion" of the German people by "creating a kind of welfare state" that burdened the state with tasks which were beyond its capability.⁵ When they took power the next year, the Nazis cleaned out the union-supported sickness funds even before they dissolved the unions themselves. Then they reduced unemployment problems by initiating an armaments drive.

Public usage of the "welfare state" term in Britain began in 1941, during a period when Britain was holding out virtually alone against threats from the German war machine. While Churchill was heading the wartime coalition government, a clergyman, Archbishop Temple, coined the phrase in an attempt to characterize a polar contrast to the "power" and "warfare" state of the Nazis.⁶ Thus launched to sustain morale and discipline during a period of wartime crisis, the term subsequently came to be more closely associated with the social benefits that democratic governments hoped to offer once the war was over. It was after the publication of the Beveridge Report in 1942 that the term became increasingly linked to the kinds of definitions employed in this book. This linkage was to the liking of neither Churchill nor Beveridge, who had gone different ways since their collaboration in the period from 1908 to 1911.

World War II reinforced these differences, "for it confirmed Churchill in his fundamental commitment to traditional values, whereas it induced in Beveridge an almost extra-sensory consciousness of revolutionary change." Accepting advice to give his report a Messianic tone, Beveridge aimed his proposals at promoting solidarity and "bringing institutions and individuals into partnership with the state, in a common condemnation of 'the scandal of physical want.'" In lecture tours he promoted his plan as a

practical embodiment of the Atlantic Charter's guarantees of freedom from want, but Churchill and other ministers refused to commit themselves to its implementation. Later, as a Liberal member of the House of Lords, Beveridge was embarrassed by his reputation as "chief architect of the welfare state in the English-speaking world." He disliked the phrase and never used it because of what he called its "Santa Claus" and "brave new world" connotations, preferring the term "social service state."⁷

Britain in the 1940s and 1950s was exceptional in the history of European welfare state development in that intellectual conceptions formulated primarily by academic social scientists had an important impact on the development of social policy institutions. Especially important were the contributions of T. H. Marshall and Richard Titmuss, both affiliated with the London School of Economics and Political Science, of which Beveridge had been director in the interwar period. In his famous lecture on "Citizenship and Social Class," Marshall argued that political development in Britain had induced the realization of increments of citizenship rights, with civil rights becoming universalized in the eighteenth century, political rights in the nineteenth, and social rights in the twentieth.⁸

Marshall also elucidated why the convergence between institutional development and conceptual change occurred in that particular decade. He argued that in certain periods in the history of a society an exceptionally strong consensus may develop with regard to "key points" of the social system—a consensus favoring the growth of collective self-awareness. For Marshall, the 1940s in Britain were such a period, and the term "welfare state" took shape also as the antithesis to the old poor law situations in which "welfare" recipients, the paupers, lost their personal freedom and their right to vote because social dependency implied the sacrifice of citizenship rights.

For Marshall, the growth of the new consensus was explained by the coincidence of repudiation of a discredited past, with a specific historical constellation containing two interrelated elements. Firstly, the war created a national solidarity that formed the foundation for new institutions—and at the same time was strengthened by it. Secondly, the social reforms were carried out in a time of economic austerity, when public regulation of consumption and control of markets was commonplace and when society felt committed to "fair shares" in redistributing real income. "It [the welfare state] was born at a time when the sense of national solidarity created by the war coincided with the enforced restraints on consumption and the régime of sharing imposed by post-war scarcity. . . . the Welfare State reigned unchallenged while linked with the Austerity Society and was attacked from all sides as soon as it became associated with the Affluent Society."⁹

Janowitz acknowledges that British social historians "have produced a richer and more interpretative analysis of the expansion of the welfare state

than have American specialists."¹⁰ Indeed, the detailed and sensitive studies produced by British writers about their own society may be unmatched in quality in other European countries as well. But many readers familiar with this rich literature can agree with an Indian critic who has noted that

English analyses, in spite of their descriptive richness, are in a curious sense, "culture-bound." In emphasizing the unique British historical development in the matrix of which the British welfare state was born, they help us little in understanding developments in the direction of welfare states elsewhere. Most of the definitions of the welfare state are heavily overlaid with facts and circumstances peculiar to British historical development.¹¹

Indeed, it would appear that the conceptual and ideological problems encountered by this generation of British social historians and analysts in critically probing their own society may have limited the energy they devoted to comparative studies. The fruits of such efforts are a small number of incisive essays, several of them devoted to particular subaspects of welfare state development.¹² Representative of the way in which the British scholars circumscribed their efforts may be the fact that Richard Titmuss' only large-scale attempt at cross-national institutional analysis was his brilliant study of the operation and financing of blood banks.¹³

The assumptions and methodologies of contributors to this volume are in contrast with some of the tentative conclusions articulated on the basis of this British corpus of analysis. Thus we deviate from Marshall's Britain-centered conceptualization when he wrote that "perhaps we should conclude that France and Germany pressed on into the Affluent Society without ever pausing to establish a Welfare State."¹⁴ Also we lay the basis for questioning assertions, like that by Janowitz, that "British experience can be taken as the prototype of welfare institutions under parliamentary governance."¹⁵

Experiences since Marshall wrote have reinforced the impression that intensive study of the British case is not the optimal way of starting to grasp the general characteristics of welfare state development. With regard to many important determinants, the British experience is unrepresentative of Western Europe as a whole. The labor relations and management traditions shaped in the course of its longer antecedent industrialization experience have proved more resistant to change. The tempo with which social security measures were extended between 1909 and 1946 was quicker than in countries like Germany and Sweden, as is shown in Chapter 2. The manner in which social welfare legislation was linked to the rhetoric of a period of wartime crisis was more dramatic and direct than elsewhere. Its ability to restabilize its international political and economic position in the post-1945 period has been more problematic than in the case of any other larger or post-imperial nation. Its economic growth rate has been lowest in

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-

cracy. 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 clienteles."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,

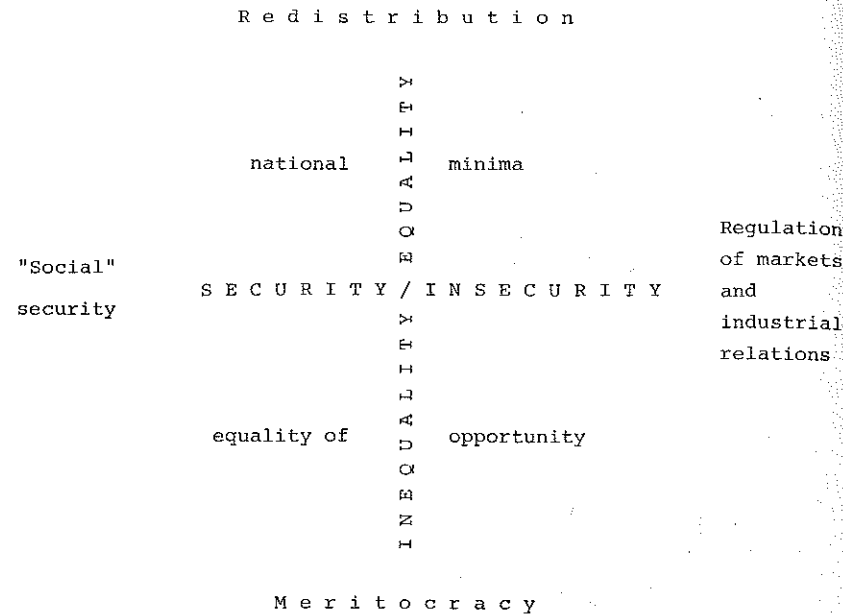
and services, a redistribution according to needs. In interpreting the welfare state as a response to equality demands of this kind, one must distinguish between efforts to establish national minima (poor relief, minimum wage, national pensions, compulsory education, certain social services) and efforts 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

the cause of poverty, and those who would cure it must inevitably advocate the socialist doctrines of egalitarianism. The national minimum concept has been a cornerstone of welfare state policy and the welfare state can scarcely accept so fundamental a change in aim in order to overcome the handicaps of "the new poor," who by previous standards would in many cases not be living in poverty.²⁷

The boundary issue relating to what range of public services are to be encompassed within the welfare state has been addressed most directly by Harold L. Wilensky. He has held that, "The essence of the welfare state is government-protected minimum standards of income, nutrition, health, housing and education, assured to every citizen as a political right, not charity." But he then tries to distinguish those policy areas whose programs have a central thrust of furthering "absolute equality" from those that primarily further "equality of opportunity." The core of the welfare state for him is a nation's health and welfare effort that constitutes "clearly and directly a contribution to absolute equality." By contrast, he perceives a "nation's educational effort, especially at the higher levels, as chiefly a contribution to equality of opportunity—enhanced mobility for those judged to be potentially able and skilled." He concedes that the ideological underpinnings of the welfare state reflect everywhere a tension between meritocratic and egalitarian values. "But the mix varies from program to program, with the meritocratic component for education far more prominent than it is for the rest of the welfare state."²⁸

How equality of opportunity is juxtaposed to equality of results crucially affects how the discussion of welfare state boundaries is cast, and how countries are compared with regard to attainment of its goals. Those who presume that meritocracy is inevitable within systems that stress equality of opportunity, tend to disregard education efforts as extraneous. But others who perceive equality of opportunity more in terms of removing the accidental handicaps of birth and condition, adduce plausible reasons for classifying services like education as furthering equality goals. When they utilize aggregate data to rank countries on their achievement of welfare state outputs, scholars can arrive at startlingly different sequences, as is borne out in a comparison of Wilensky's rankings with those of Castles.²⁹

Among the problems encountered when trying to juxtapose measures of equality of opportunity against those of equality of results, is that the two concepts do not anchor the same dimension in sociological terms, much as they seem to in common sense labelling. Many would agree with Parkin that, "Inequalities associated with class system are founded upon two inter-locking but conceptually distinct, social processes. One is the allocation of rewards attaching to different positions in the social system; the other is the process of recruitment to these positions."³⁰ The concept of opportunity is most directly applicable to functions like recruitment and

role assignment, selection and "dropping out." The concept of results, on the other hand, is associated more with processes of allocation and remuneration, with social rewards and punishments. The closeness of linkage between educational, occupational and social security systems determines how the two kinds of social processes are interrelated in specific societies. But usually they do encompass rather distinct aspects of experience. Equality of opportunity is associated more with "becoming," the attainment of statuses over a life-cycle or intergenerational development. Equality of results tends to reflect "being" more in terms of measures of income and "levels of living."

Another perspective on the "opportunity v. results" dichotomy is suggested by findings about historical welfare state development. As articles in this volume by Flora, Alber, Wilensky, and others bear out in fine detail, the shaping role of Liberal, Social Democratic and Catholic parties on the development of social policies has varied subtly by time and place. Liberal governments were marginally stronger promoters in certain periods, Social Democratic ones in others. But the predominant lesson is how much the values of the major Western political currents have mingled to create and shape the welfare state. How much analytical sense does it make then, to juxtapose a more Liberal-colored concept, equality of opportunity, against a more Socialist-colored concept, equality of results, in order to identify boundaries and thresholds of welfare state development? If one did so, one could indeed identify "islands" of socialism, "bands" of liberalism, more restrictive Socialist and more inclusive Liberal boundaries. But while some will link results with socialism, others like Parkin read the evidence to show that "Social Democrats have been more able or willing to broaden the social base of recruitment to privileged positions than to equalize rewards attached to different positions."³¹

The modern welfare state was a product of capitalism. If the earning and learning capacities of capitalism are entering a phase of stagnation, then the limits of welfare state development may become apparent through a series of crises. It is worth trying to analyze whether, and which, of the objectives of welfare state social policy are "in central conflict with the distributive rules and economic mechanisms of capitalism"³² under present and foreseeable conditions. But neither demographic, nor economic, nor political "laws" would seem to dictate that welfare state adaptability will necessarily be lower in its mature phases than it has proved to be during preceding eras.

The difference between the industrial welfare state and its predecessors is that the costs of security which were formerly internalized are now externalized. The costs of health care are removed from the family unit, and reintroduced as social costs borne by the economy. But to what extent should the welfare state limit citizens' liberty to purchase security guaran-

tees which substitute or complement the publicly provided ones? One principle enunciated here has been based on "the abolition of the power of money outside its sphere . . . a society in which wealth is no longer convertible into social goods with which it has no intrinsic connection."³³ Health care has been widely acknowledged as an example of such a social good, while education has as frequently been cited as an area where the prohibition of private school opportunities would violate the liberties of the more well-to-do. It is around the back-door gates that party differences have focussed. Left wing parties have sought to abolish "pay-beds" in public hospitals, right-wing parties have sought to support and legitimate fee-paying private schools by endowing them with publicly funded scholarships.

Normative disputes at the front-door to the welfare state have centered around the question of the degree to which compensatory equality of opportunity shall be furthered to achieve selective equality of condition. Here the goal is less one of aiming for equality of results at one time point for the needs of an entire population, as one of gradually advancing the equalization of conditions between particular sub-groups. Equality is here less measured only in terms of income, and more in terms of status and authority. Cast generally, the discussion has centered around what Dworkin, building on Rawls, has identified as the rights of individuals "to equal concern and respect in the design and administration of the political institutions that govern them." This abstract right can be interpreted in various ways. One utilitarian interpretation of welfare state goals would require the political system to manifest "equal concern and respect" by aiming at improving "the average welfare of all citizens counting the welfare of each on the same scale."³⁴

Typical disputed boundary questions concern how the state shall utilize its power to determine linkages between education credentials and the labor market, or between housing conditions and the access to public and private services. Reducing which range of inequalities will do most to further "equality of concern and respect" for whom? From the perspective of the more privileged, the granting of easier access or subsidies to individuals whose grandparents were the victims of discrimination, appears as an unjust reduction of their liberties. From the perspective of the less advantaged, the granting of special benefits is often disappointing, because the more privileged usually find ways of discounting, if not stigmatizing, the benefits which were intended to reduce inequalities. This does not mean that the politicians and bureaucrats who direct the welfare state are the hapless cogs of processes that lie outside their ability to influence. Rather, it illustrates that after several generations of welfare state development, all groups concerned have developed more sophisticated expectations, more alternative strategies and fewer notions of ignoring or opting out of the system.

Notes

1. Hintze 1915, p. 671.
2. Die Deutsche Arbeiterversicherung 1905, p. 150.
3. Churchill 1974, pp. 1083, 1146.
4. Some scholars believe this was the first time the term "Wohlfahrtsstaat" was employed in German political discussion. One finds it employed in Edwin Erich Dwinger's *Wir Rufen Deutschland* (Jena: Eugen Diederichs, 1932) in which war veterans ruminate about developments since 1918. One of them foresees the arrival of a conservative era, partly because "the liberalism has so eviscerated this *Wohlfahrtsstaat* that it will surely break up in the hard times ahead" (p. 518).
5. Huber 1966, p. 486.
6. Bruce 1961, ix.
7. Harris 1977, pp. 369, 418, 448, 459.
8. Marshall 1963, pp. 67-127.
9. Marshall 1963.
10. Janowitz 1976, p. 32.
11. Kini 1966, p. 180.
12. Briggs 1961; Abel-Smith 1972.
13. Titmuss 1971.
14. Marshall 1963, p. 302.
15. Janowitz 1976, p. 32.
16. Rimlinger 1974.
17. Marshall 1963.
18. Baier 1977.
19. Rimlinger 1974.
20. Durkheim 1960a; Durkheim, 1960b.
21. Janowitz 1976.
22. Bell 1973.
23. Tilly 1975.
24. Titmuss 1974 was among the first to stress the importance of "fiscal welfare."
25. Heimann 1929, p. 154.
26. Briggs 1961, p. 228.
27. Robson 1976, p. 58.
28. Wilensky 1975, pp. 6-7.
29. Wilensky 1975, p. 30; Castles 1978, p. 69.
30. Parkin 1971, p. 13.
31. *Ibid.*, p. 121.
32. Westergaard 1978, p. 95.
33. Bell 1978, p. 268, citing Michael Walzer, "In Defense of Equality," *Dissent*, Vol. 20, No. 4 (Fall, 1973), 399-408.
34. Dworkin 1977, p. 180.

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Part Two

Why and How Welfare States Grew: Determinants and Variations

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.

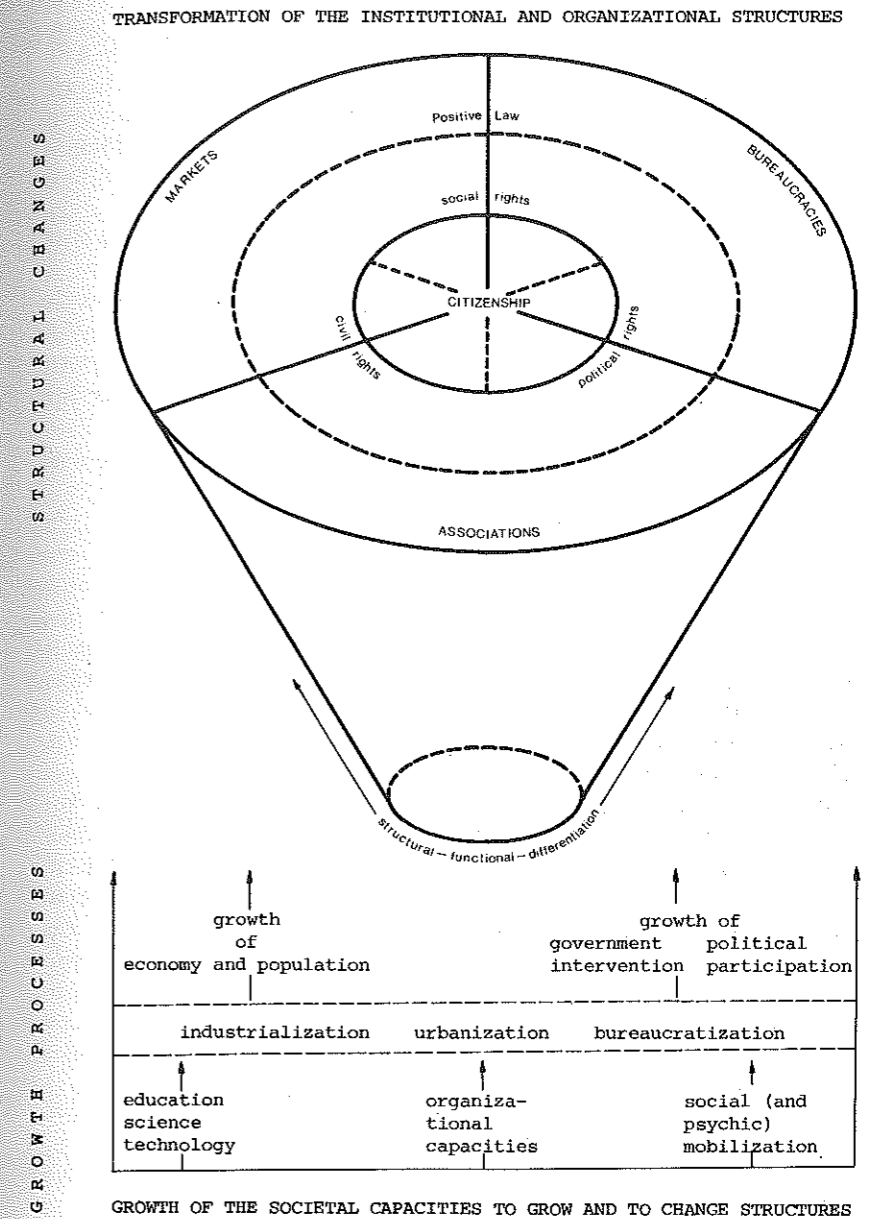
I. Theoretical Considerations in the Development of the Welfare State

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

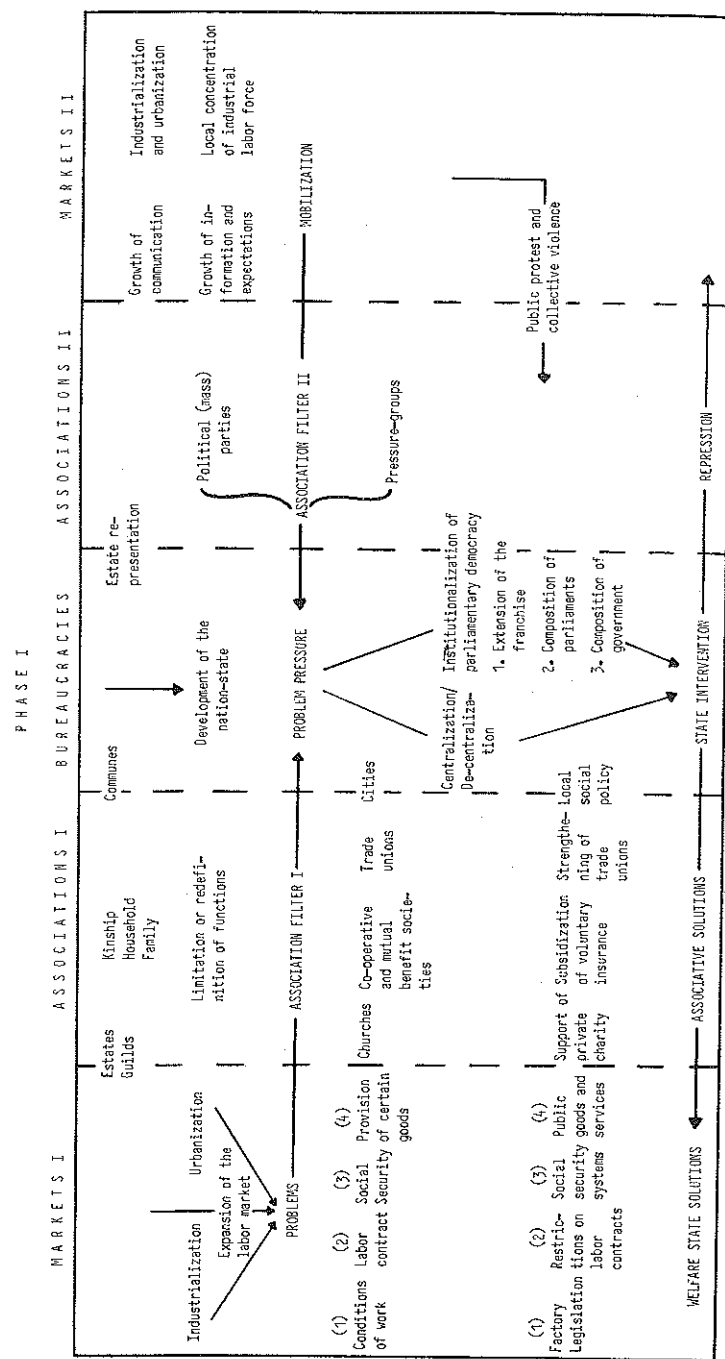
The distinction between markets, associations, and state bureaucracies as the three main organizational sectors of society is used now to draft a sectoral model of the development of welfare states (see Figure 2.2). In the model, markets and associations are further divided into two subsectors. In the 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.

A primary question is how the development of the first three stages has created general conditions that either promote or retard the development of welfare states. The relationships posed in the preceding section can be viewed now with respect to variations in these phases: these include variations in the early creation of state bureaucracies that are closely related to the problems of territorial consolidation (state formation); variations in old cultural cleavages (nation building) that later may have detracted from "welfare issues"; and variations in the structure of party systems, particularly in the strength and coherence of working class parties (participation).

2. Institutional Variations

We are particularly concerned with the growth of mass democracies and their consequences for the evolution of welfare states. In general, the introduction and extension of the franchise and the legal or de facto enactment of parliamentary responsibility will probably create a setting promoting the development of the welfare state. This is because opportunities increase for economically disadvantaged groups to articulate, aggregate, and represent their interests and demands, and eventually to gain executive power. More specific hypotheses about the establishment and nature of welfare institutions, however, seem dependent on the interaction between these variables:

Table 2.1
Enfranchisement, Parliamentarism, and Social Rights

Parliamentary regime	LIBERAL DEMOCRACIES	MASS DEMOCRACIES
	Public assistance as <u>disqualifying alternative</u> to political (and civil) rights	<u>Social rights as democratic corollary</u> of political rights and as consequence of party competition for votes
Non-parliamentary regime	CONSTITUTIONAL-DUALISTIC MONARCHIES	
	Poor relief as <u>paternalistic responsibility</u> for needy 'subjects'	<u>Social welfare as authoritarian defense</u> against (full) political citizenship and as consequence of a competition for loyalty
	Limited (manhood) suffrage or estate representation	Extended (manhood or adult) suffrage

Hypothesis (1) Constitutional-dualistic monarchies with a limited suffrage or an estate representation are likely to develop relatively undifferentiated and localized systems of poor relief in the paternalistic tradition of bearing responsibility for needy and obedient subjects. Benefits are based on charity, not entitlement. They usually are in nonmonetary form and restricted to persons unable to work. These regimes maintain or even extend poor relief in response to growing social needs, but they do not introduce more differentiated systems based on entitlement.

Hypothesis (2) Liberal democracies with a limited suffrage based on property, tax, or social status tend to restrict government intervention in general and public assistance in particular. They may even reduce welfare expenditures despite growing social needs. They are likely to maintain or develop relatively undifferentiated and localized systems with benefits usually restricted to persons unable to work. They oppose obligatory schemes, but may subsidize voluntary mutual benefit and other associative efforts. Public assistance receivers are disqualified as political citizens.

Hypothesis (3) Mass democracies are more likely to develop extended, differentiated and centralized welfare systems based on social rights and obligatory contributions. They are more predisposed to do so than liberal democracies or monarchies with limited suffrage because they face a stronger and more organized working class and a greater competition for the votes of economically disadvantaged groups and because working class parties have greater opportunities to gain executive power. Within mass democracies, however, great variations may result from differences in the party system, above all the strength and coherence of the working class movement, as well as from differences in the development of state bureaucracies.

Hypothesis (4) Constitutional-dualistic monarchies with extended suffrage are most likely to develop more extended, differentiated and centralized welfare systems based on obligatory contributions and entitlements because of stronger paternalistic and bureaucratic traditions and greater autonomy from middle-class pressures opposed to public welfare activities. They face greater organized pressures from the working class that lead to the development of welfare institutions as a defense against full participation rights and as a means to strengthen working class loyalty for the authoritarian state.

This fourfold classification thus produces a simple typology of institutional settings that may promote or retard the development of welfare states and produce specific variations in public welfare institutions. Since

all European countries in the last hundred years can be associated with more than one of these types, their welfare institutions at any given point will show the influence of varying developments. These hypotheses will be tested, at least partially in Part III, since variations in the institutional development of mass democracies are probably most relevant for explaining the different beginnings of the European welfare states until World War I. Thus, we shall now turn to a descriptive discussion of these early differences.

II. A Comparative Description of European Welfare States

A. The Beginnings of the Modern Welfare State

While the modern welfare state is a product of the last ninety years, it has an important early history. Gaston Rimlinger⁷ has convincingly demonstrated the need to distinguish between two phases of this "pre-history": the "Poor Law" period from the sixteenth to the eighteenth and nineteenth centuries and the "Liberal Break" of the nineteenth century. Poor relief became a matter of national concern in the sixteenth century with the emergence of national states and economies. It was a "relief of the poor within a framework of repression." However, the poor laws contained an element of reciprocal social responsibilities, but they were much more reliant on punishments than on relief. The reciprocal social responsibilities mainly referred to the relationship between individuals and their local communities, since the execution of the national poor laws was left to local authorities.

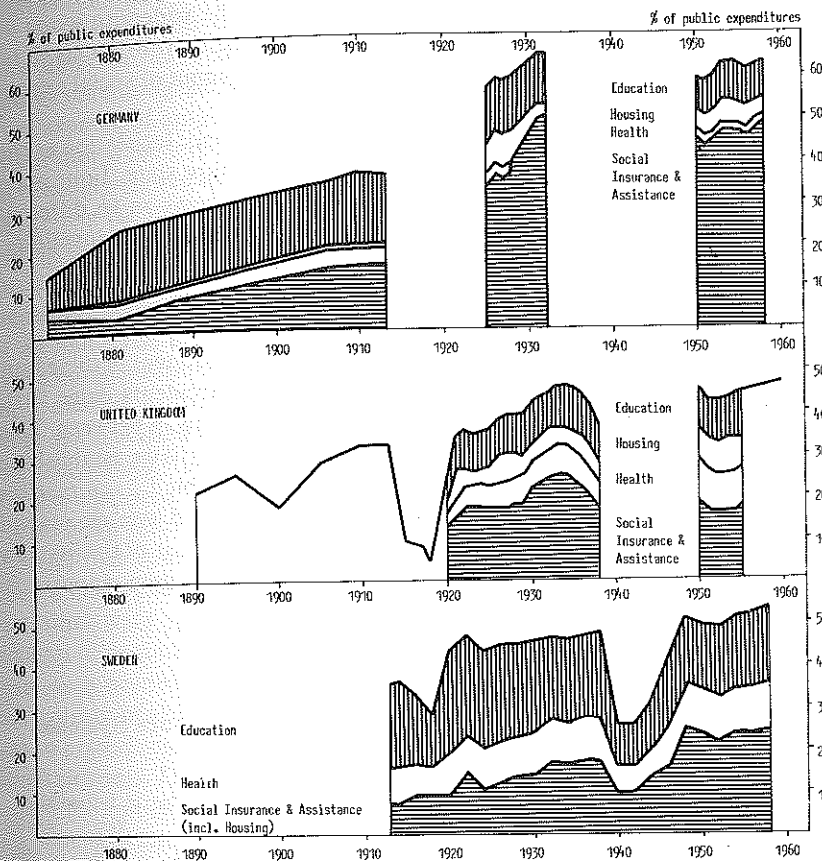
Whereas the old European welfare states developed very similarly during the poor law period, the liberal break produced many divergences. The core ideas of liberalism — individualistic freedom, equality, and self-help — were antithetical to the former concepts of dependence and protection. The importance of this second phase lies primarily in the coincidence of new social problems created by industrialization and urbanization with an emerging philosophy that facilitated the destruction of old protective institutions.

1. The Take-Off Period

The take-off of the modern welfare state occurred in the last two decades of the nineteenth century. We use two measurements to delimit this breakthrough: the increase and structural change of public expenditures with respect to social welfare (social expenditure ratio), and institutional innovations (above all, the institutionalization of social insurance systems). Here, the long-term development of public social expenditures can only be illustrated for three countries for which longitudinal studies are already

available: Germany, the United Kingdom, and Sweden.⁸ However, they reflect the average level and variation in Europe at the turn of the century, since Germany then had a comparatively high ratio of public social expenditures to GNP and the United Kingdom one of the lowest.

Figure 2.3
The Development of Public Expenditures in Germany,
the United Kingdom, and Sweden



Between the turn of the century and the end of World War II, the ratio of public expenditures to GNP roughly tripled in the three countries. As Figure 2.3 illustrates, social expenditures disproportionately shared in this tremendous increase: in Germany the proportion of social expenditures in the budget rose from about 30 percent to 62 percent, in the United Kingdom from about 20 percent to 47 percent, and in Sweden from about 30

percent to 53 percent from the beginning of the century to 1960. This steady increase was curbed only in times of war, and accelerated during economic depressions.

The trend and time pattern of social expenditures has been predominantly shaped by social security outlays in the sense of transfer payments for social insurance and public assistance. Although the structure of expenditures cannot be given for a common base-year at the start of the century for all three countries, Figure 2.3 illustrates that these payments have absorbed an ever increasing share of the budget. The widening scope of income redistribution through social transfer payments thus seems to be the most significant structural change in the development of social expenditures and of public expenditures in general.

This may justify our concentration on social insurance legislation as the basic institutional breakthrough of the modern welfare state. Four main social insurance (or security) systems developed in relation to different risks: industrial accidents; sickness (and invalidity); old age (and invalidity, survivors); and unemployment.

2. The Break with Liberalism

Although there is no uniform sequence in the establishment of these four systems, in general, social insurance for industrial accidents came first, unemployment insurance last, with the other two systems in between. This can be shown by determining the sequence of the first laws establishing compulsory systems for each of our twelve countries. Table 2.2 summarizes the total and average ranks, as well as the first, last, and average year of introduction (see also the list of laws in Table 2.4). The year of the first law establishing a compulsory or voluntary subsidized system appears in brackets.

Table 2.2
Sequence of Introduction for the Four Social Insurance Systems

	Sequence of introduction: ranks					Non-compulsory	Year of introduction		
	1.	2.	3.	4.	average		first	last	average
ACCIDENT INSURANCE	7 (6)	2 (4)	1 (2)	2 (-)	1.8 (1.7)	-	1884 (1884)	1971 (1911)	1914 (1898)
SICKNESS INSURANCE	2 (5)	4 (2)	5 (3)	1 (2)	2.4 (2.2)	1	1883 (1883)	1963 (1963)	1923 (1906)
OLD-AGE INSURANCE	3 (1)	5 (4)	3 (5)	1 (2)	2.2 (2.7)	-	1889 (1889)	1946 (1946)	1922 (1912)
UNEMPLOYMENT INSURANCE	- (-)	1 (2)	3 (2)	8 (8)	3.6 (3.5)	4	1911 (1906)	1967 (1934)	1930 (1917)

This sequence may tentatively be explained by the degree to which the introduction of each system represented a break with the liberal ideas concerning the assignment of guilt and responsibility among individuals, groups, and the state. The break with liberalism lay above all in the principle of compulsory insurance as well as in the recognized amount of state (financial) responsibility. In comparison, the break with patrimonial traditions was much less vivid, lying primarily in the principle of individual legal entitlements that is from the liberal tradition.

The introduction of accident insurance or workmen's compensation constituted the least radical break with liberalism since it could be rationalized by redefining the old idea of liability for individually caused damages. Two aspects of employers' liability, however, represented a clear break rather than a mere redefinition. The first was that industrial accidents were increasingly viewed as an inevitable element of industrial production, thus weakening the notion of guilt (with its reliance on court trials) and introducing the principle of automatic compensation for the loss of earnings through work injuries. The other aspect was that the individual liability of employers usually was replaced by a pooling of risks among all employers of an industrial branch. Of our twelve countries, five introduced workmen's compensation schemes first (Belgium, Denmark, France, Sweden, the United Kingdom) mandating employers to provide relief, while the other seven started with compulsory insurance schemes (Austria, Finland, Germany, Italy, the Netherlands, Norway, Switzerland) that, today, all countries possess.

Providing security against risks of nonoccupational origin (sickness and old age) that could not be viewed as individually caused damages constituted a much deeper break with the liberal tradition. Both of these risks at that time were the main causes of poverty and destitution, and their mitigation required the commitment of much greater financial resources than were needed for the compensation of industrial accidents. The primary object of sickness insurance, whether compulsory or only subsidized, was to provide cash benefits in the event of lost earnings due to nonoccupational sickness. The degree of substitution between private (subsidized) and public (compulsory) schemes seems to have been somewhat higher for sickness insurance than for old age insurance. This is suggested by the fact that six countries introduced subsidized voluntary sickness insurance schemes that usually were retained for long periods and reached comparatively high coverage (high coverage: Denmark 1892-1933, Sweden 1891-1947, Switzerland 1911 ff; low coverage: Belgium 1894-1944, France provisional 1852-1930, Italy 1886-1928), whereas only three countries introduced subsidized voluntary old-age insurance (Belgium 1900-1924, France provisional 1856-1910, Italy 1898-1919) with only Belgium reaching a higher level of coverage. Pension insurance schemes usually group

together three different risks of long-term character: invalidity, old age, and the death of the family breadwinner (survivors). Of these, old age has generally been the first (together with invalidity) and by far the most important. Besides controlling and subsidizing voluntary schemes, the state intervened primarily in establishing either compulsory public insurance schemes or demogrant (noncontributory) universal pension schemes financed by general revenues.

Unemployment insurance was usually introduced last because the notion of state support for the "undeserving poor" required the most radical break with liberal and patrimonial principles. Due to the special difficulties of solving unemployment through insurance techniques (see Chapter 5), public assistance programs persisted with subsidized voluntary and compulsory insurance schemes. Three countries still have only subsidized voluntary schemes (Denmark, Finland, Sweden), whereas five others have retained such schemes for a long period (Belgium 1907-1944, the Netherlands 1906-1949, Norway 1906-1938, France 1905-1967, Switzerland 1924-1976). Only four countries introduced compulsory insurance systems from the outset (Austria, Germany, Italy, the United Kingdom).

B. The Development of Social Insurance Systems

1. Steps in the Extension of the Social Insurance Schemes

The expansion of social security systems may be described qualitatively by the risks and social categories successively covered, as well as in quantitative terms by the number of insured persons. In general, the sequential steps of extension within each system have followed a similar pattern in including new groups of persons and new types of benefits. Initial provisions for industrial accidents were frequently limited to workers in a few especially dangerous industries. By 1911, when Switzerland introduced its program, all twelve countries had workmen's compensation schemes of some kind, and by the outbreak of World War I all had extended them to the majority of industrial workers. In a second step, the schemes were extended to additional groups, primarily agricultural workers and later to the majority of all employed persons. This step usually was completed between the wars, although Norway and Switzerland did not extend their schemes to agricultural workers until the 1950s. The third step was marked by widening the concept of industrial accidents to include new risks such as occupational diseases. With the exception of the United Kingdom and Switzerland that had broad definitions of industrial accidents from the very beginning, this step was made after World War I. A last step of extension, which largely did not begin before the 1950s and which is not yet complete, consists in the extension of coverage to self-employed persons.

Sickness insurance, at the time of its introduction, was usually limited to industrial workers and a few categories of employees below an income limit. By 1913, when the Netherlands passed a law on compulsory insurance, all countries had taken legislative action to provide some kind of insurance scheme. In the next step coverage was extended to groups such as agricultural workers or higher paid employees. In the countries with compulsory schemes, this step usually occurred in the 1920s. The consolidation of the schemes through the provision of medical benefits, either introduced for the first time (the Netherlands 1941) or improved and extended to new groups, represents a third step. With the exception of the pioneer Norway (1909), medical benefits were generally extended to family members between 1930 and 1945, while their extension to pensioners usually came about a decade later, between 1941 (Germany) and 1955 (Italy). As in the case of industrial accidents, the extension to self-employed persons marks the last and fourth step, mainly in the years after 1950.

In the introductory phase of pension insurance, coverage was usually limited to workers and certain groups of employees, with benefits limited to old age and/or invalidity payments. A first major modification occurred when survivors' benefits were included: Germany was first in 1911 with most countries following by 1930. However, introduction in Switzerland and Sweden did not occur until 1946, with other Scandinavian countries following as late as the 1950s and even 1960s. Another consolidating step consisted in the inclusion of self-employed persons. Here, the old age insurance schemes in Scandinavia covered the entire population from the very beginning, while the other countries moved toward this goal only after World War II. The introduction of periodic adjustments of pensions to price or wage levels, and the combination of fixed (national minimum) benefits with earnings-related pensions may be understood as a fourth and last significant step. Most countries introduced pension adjustments only after World War II and between 1955 and 1965. While countries with earnings-related pension programs moved towards supplementary flat-rate pensions, such as the Netherlands (1956), Italy (1965), and, in a sense, also Germany (1972), countries providing flat-rate pensions, such as the Scandinavian countries and the United Kingdom, introduced supplementary earnings-related pensions in the period of 1959 to 1966.

Unemployment insurance initially was typically limited to industrial workers or specified industries. After the differentiation between insurance benefits of limited duration and unlimited assistance benefits independent of contributions, the major consolidating steps of the insurance systems consisted in the extension of the schemes to wider groups, including agricultural workers, and the introduction of dependants' benefits.

Table 2.3
Parameters of the Growth of Social Insurance Coverage

	1890	1895	1900	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970
Mean index values	2.0	5.1	5.8	7.3	10.4	18.1	25.2	28.4	35.0	40.9	53.2	56.2	66.2	75.1	88.2	95.3	97.8
Mean percentage growth per quinquennial period	3.0	0.7	1.5	3.1	7.7	7.1	3.2	6.6	5.8	12.3	3.0	9.7	8.2	13.1	7.1	2.5	
Median percentage growth	0.5	0.7	0.8	1.0	1.3	4.6	2.1	4.2	1.4	5.1	2.7	5.7	6.6	9.5	2.6	1.7	
No. of countries above mean percentage growth	2	6	5	3	3	5	4	5	2	2	5	4	5	5	3	3	6
Range	17.8	39.8	39.5	38.9	43.1	53.8	57.5	58.0	70.7	87.4	71.4	68.7	74.5	56.0	65.4	60.1	56.1
Standard deviation	4.9	10.8	10.7	10.2	12.2	18.6	17.4	18.2	20.9	25.1	23.6	22.6	21.4	18.9	19.6	17.9	15.6

age. The percent covered by subsidized voluntary systems only is divided by 2. Figure 2.4 shows the growth of social insurance coverage between 1890 and 1970 in each country compared to the European mean.

The mean index value demonstrates a steady rise in social insurance coverage over this period. After a gradual and modest increase up to 1910, coverage expands quickly in the interwar period and after World War II up to 1960 and then levels off. Judging from the mean and median quinquennial percentage growth of coverage in the twelve countries, the period from 1945 to 1960 stands out as the phase of major extension. The years from 1925 to 1930 and from 1935 to 1940 also witnessed rapid growth, but only the decade from 1950 to 1960 has seen a major and general extension of social insurance coverage. In single countries, the growth of coverage in general has been relatively steady, with only a few periods of very rapid extension (Germany 1885-1891, the United Kingdom 1906-1911, Sweden 1913, Italy 1919, Denmark 1933, Norway 1936-1940, Finland 1939, Belgium 1944-1946, Switzerland 1947-1948, the Netherlands 1951-1957, Sweden 1955, Norway 1956, Italy 1955-1960, and Finland 1963-1964).

Looking at the differences among the European countries and judging from the standard deviations of the country index values, we can see that the classical introductory phase before World War I was relatively homogeneous. Most countries kept the initial scopes of the systems limited, and only Germany and Denmark stood out as pioneers. The second phase of extension between the two world wars witnessed the greatest divergence with the Scandinavian countries of Sweden, Denmark, and Norway, as well as the United Kingdom, extending the scope of their systems, while Finland, Switzerland, France, Belgium, and Italy lagged far behind. The greatest divergence occurs in 1935. The phases of completion and consolidation after World War II demonstrate a slow convergence still characterized by the lead of the Scandinavian countries and the United Kingdom that all have national insurance schemes in at least one of the four systems. This group is followed by five countries with index values close to the mean with compulsory insurance systems of a more limited coverage (Italy, France, Austria, Belgium, Germany). Switzerland, which still mainly relies on subsidized voluntary insurance, is last with an extraordinary low index value. The international differences began to diminish especially in the 1960s, when several countries approached complete coverage of the resident adult population. Given this nearly complete extension of the scope of social insurance schemes, further developments are better revealed by the expenditure data in Chapter 9.

III. Determinants of Social Insurance Legislation

In this closing part, we attempt to explain the great variations in the introduction and institutional development of social insurance systems.

From all major social insurance laws, we selected seventy-four that appeared to establish the institutional core of the four insurance systems in each of our twelve countries (see Table 2.4). In general, a core law is defined as the introduction of a compulsory system covering a majority of industrial workers. Subsidized voluntary systems were counted as functional equivalents if they persisted for longer periods or had a high coverage. An important subset of these seventy-four laws is formed by the first forty-eight laws (4 insurance systems x 12 countries) establishing a compulsory or subsidized voluntary system (excluding insurance schemes for very limited and special groups).

A. The Key Variables

Three independent variables are used in our attempt to explain the variations in social insurance in Western Europe. Considering the great time span and the large number of countries to be analyzed, these variables must be simple. The first two variables refer to the basic elements of problem pressure, socioeconomic development and political mobilization, whereas the third refers to constitutional development that shaped government intervention. All three variables define broad societal contexts in which social problems arise, political demands are formulated, and institutional solutions are sought.

1. Socioeconomic Development

This variable includes the two fundamental developmental processes of industrialization and urbanization. The underlying assumption is that these processes generate and intensify social problems leading to the introduction of social insurance (security) systems, especially in the context of a capitalist organization of production. Industrialization (I) is measured by the percentage of the labor force employed in the secondary (industrial) sector, and urbanization (U) by the percentage of the total population living in cities of twenty thousand or more inhabitants (a criterion facilitating international comparison and a sharper distinction between urban and rural population than the standard definition).¹⁰

2. Political Mobilization of the Working Class

Since social insurance legislation was predominantly directed toward industrial workers until World War II, the electoral participation of the working class is considered the main political variable. The underlying assumption is that working-class mobilization is a measure of the political pressure for introducing social insurance systems, even though working-class parties did not always demand their introduction. It does, however, imply that social insurance legislation was partly a defense against working-class mobilization. This is measured by the percentage of votes in national elections for working-class parties.¹¹

Table 2.4
Core Social Insurance Laws in Western Europe

Country	Industrial Accident Insurance employers' liability	Industrial Accident Insurance compulsory ins.	Sickness Insurance subsidized voluntary	Sickness Insurance compulsory	Pension Insurance subsidized voluntary	Pension Insurance compulsory	Unemployment Insurance subsidized voluntary	Unemployment Insurance compulsory
AUSTRIA		1887		1888		1906 (employees) 1927 (workers)		1920
BELGIUM	1903		1894	1914	1900	1924	1907	1914
DENMARK	1898	1916	1892	1933 (semi-compuls.)	1900	1891 (national pensions) 1922 (national pensions rev.) 1933 (invalid./old age insur.)	1907	1914
FINLAND		1895 1917		1903		1937	1917	
FRANCE	1898	1916		1930		1910 1930		1914 (unempl. assistance) 1939 (collective labor agreements) 1967
GERMANY	1894	1894		1883		1889		1927
ITALY		1898	1886	1928 (collective labor agreements) 1945	1898	1919		1919
NETHERLANDS		1901 1921		1913 1929		1913	1916	1949
NORWAY		1894		1909		1936	1936	1938
SWEDEN	1901	1916	1891 1910			1913	1934	
SWITZERLAND		1911	1911			1916	1924	
UNITED KINGDOM	1906	1916		1911 1916		1908 (national pensions) 1925		1911 1920

3. Constitutional Development

This variable is only used to explain social insurance legislation until World War I and consists of two dimensions. The first is the extension of suffrage with respect to social stratification or social class, so that sex and age are held constant. This is calculated as the number of enfranchised males expressed as a percentage of the male age group defined by the respective electoral laws.¹² The second dimension of constitutional development refers to parliamentarism. Here, the political regimes before World War I are simply classified as constitutional-dualistic monarchies or parliamentary democracies.¹³

We shall now turn to an examination of these internal factors that might explain variations in the introduction and evolution of the social insurance systems. First, however, we examine whether external factors, primarily a diffusion process in which countries imitate and adopt institutions from an innovative pioneering country, might not have played a significant role.

B. Examining the Diffusion Process Concept

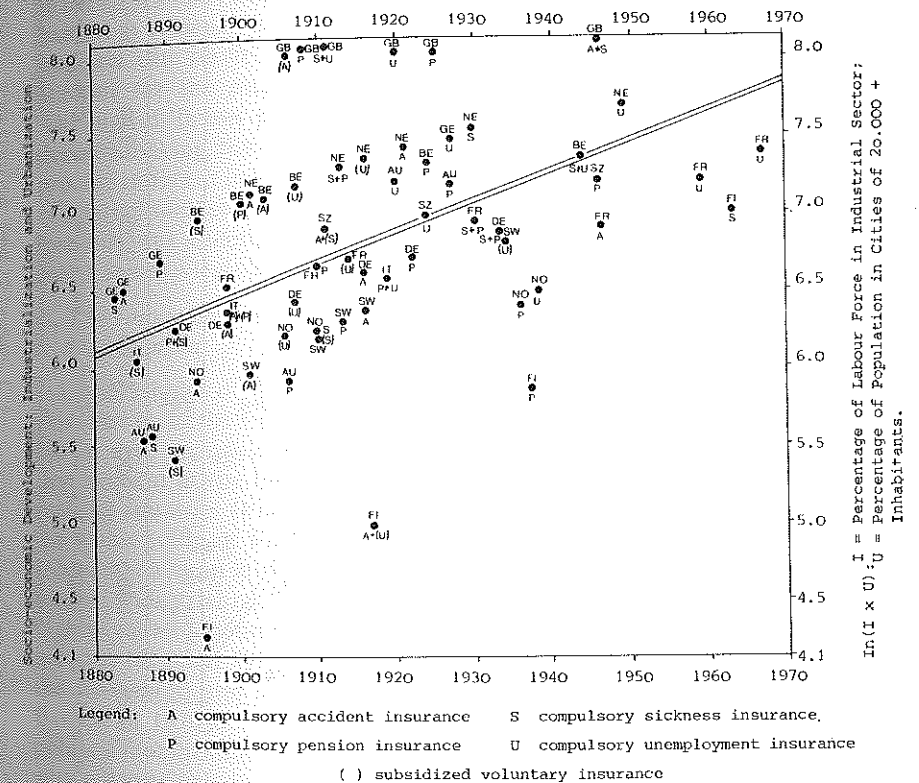
That the introduction and evolution of social insurance systems in our twelve countries might be interpreted as a kind of diffusion process is suggested in Reinhard Bendix's conception of modernization: "a basic element of modernization is that it refers to a type of social change since the eighteenth century, which consists in the economic and political advance of some pioneering society and the subsequent changes in the follower societies."¹⁴ In this case, Germany obviously was the pioneering country. However, the mere fact that other countries followed chronologically is not sufficient proof that these countries were decisively influenced by the German example.¹⁵ The crucial question is whether and to what extent the development in other countries would have been different if Germany had not established its social insurance systems in the 1880s. We should first note that in several other European countries, similar projects were discussed at the same time or even earlier. Thus, the idea was not completely new, and it is reasonable to expect that another country besides Germany could have pioneered. Furthermore, we would have to know whether the German institutions were really viewed as a model by the public, the legislators, and administrators in other countries. This question is analyzed in Chapter 4 with respect to the Scandinavian countries, and the results are ambiguous. Unfortunately, we are not able to conduct a similar analysis for all Western European countries, but we can develop an alternative test of whether the development in these countries would have been significantly different without the German example.

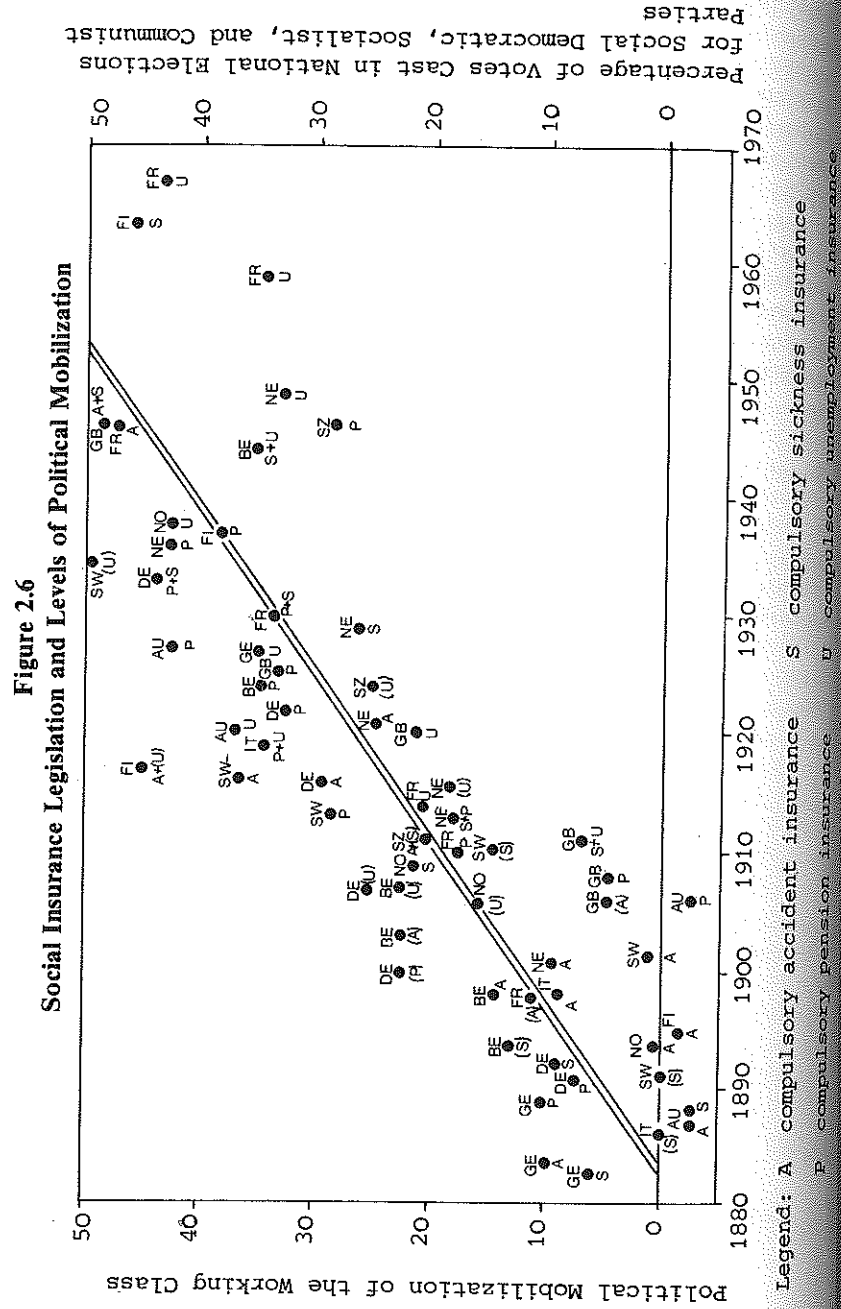
The diffusion concept, as related to Bendix's conception of the modernization process, is a far-reaching one. It holds that because one country pioneered in introducing a specific institution at a certain level of develop-

ment, other countries will adopt this institution in general at a lower level of development. Thus, if we define here level of development as the level of socioeconomic development on the one hand and the level of political mobilization on the other, we could hypothesize that the follower societies that introduce these institutions later in chronological time establish them earlier in developmental time, i.e. at lower levels of socioeconomic development and political mobilization.

This hypothesis is clearly rejected by examining the two scatterplots in Figures 2.5 and 2.6 in which all seventy-two¹⁶ core laws are recorded with respect to the year of enactment, the level of socioeconomic development reached in that year (Figure 2.5), and the level of working-class mobilization in the same year (Figure 2.6). The follower societies established their systems usually at a slightly higher level of socioeconomic development and generally at a much higher level of political mobilization.

Figure 2.5
Social Insurance Legislation and Levels of Socioeconomic Development





To test the hypothesis in more detail, the whole set of seventy-two social insurance laws has been subdivided into eight subsets: the first laws and all core laws for each of the four social insurance systems. The relevant coefficients for these subsets are presented in Table 2.5. The standardized regression coefficients show that the general conclusion holds for all subsets: 12 of the 16 coefficients are clearly positive and the other 4 are practically zero. In general, these coefficients and the percentage of explained variance are much lower in relation to socioeconomic development than in relation to political mobilization.

In Western Europe, the follower societies have thus introduced social insurance systems at consistently higher levels of political mobilization and at slightly higher and rather similar levels of socioeconomic development. A similar pattern was earlier found by David Collier and Richard E. Messick with respect to the timing of the adoption of the first social security program in each country. Among the European nations, they found a "moderate but consistent tendency" for late adopters to adopt programs at successively higher levels of modernization as indicated by the labor force in the agricultural sector.¹⁷ In contrast to Collier and Messick who take this pattern as evidence for a diffusion process "up a hierarchy of nations," we interpret this result as evidence that diffusion processes alone cannot account for the establishment of national social security programs. Although diffusion processes may have affected the course of national decision making, the example set by a pioneer country does not apparently provide sufficient incentive to adopt social insurance schemes independent of internal socioeconomic problems and political mobilization. We therefore turn our attention to the analysis of some internal prerequisites for social security legislation.

C. The Importance of Socioeconomic Development and Political Mobilization

Do thresholds of socioeconomic development or political mobilization exist that make the establishment of social security programs highly probable or even mandatory? Looking first at the range of socioeconomic development at the time of adoption, one can see that the three lowest ranking countries (Finland 1917, Sweden 1891, Austria 1887, neglecting the exotic value of Finland 1895) introduced their first social insurance schemes at a mean level of 5.29 (= $\ln I \times U$) corresponding to a level of 17.5 percent industrialization and 11.5 percent urbanization. Britain, as the highest ranking country on the other hand, established its first systems between 1906 and 1911 at a level of 54 percent industrialization (probably the maximum) and around 60 percent urbanization (a level reached in Europe in 1970 only by the Netherlands). With respect to the level of political mobilization of the working class, the range of variation is similar with extreme values at 0 percent and 50 percent of total votes.

Table 2.5
Diffusion of Social Insurance Legislation

(1) With respect to socio-economic development: x = chronological time (year of introduction), y = socio-economic development (in $1xU$) at the year of introduction

	n	\bar{x}	\bar{y}	s_x	s_y	b	$r = B$	r^2
	number of laws	mean year of introduction (round fig.)	mean level of socio-economic development	standard deviation in chronological time (years)	standard deviation in socio-economic development (in $1xU$)	regression coefficient	regression coefficient of standardized scores	percentage of explained variance
Accident Insurance	12	1898	6.36	7.5	0.94	0.06	0.52	0.27
All Laws	18	1908	6.48	17.5	0.96	0.03	0.46	0.21
Sickness Insurance	12	1906	6.58	22.9	0.75	0.02	0.50	0.25
All Laws	17	1914	6.76	23.8	0.77	0.02	0.63	0.40
Pension Insurance	12	1912	6.65	18.4	0.65	-0.0005	-0.02	0.0004
All Laws	19	1917	6.81	16.1	0.60	0.01	0.14	0.02
Unemployment Insurance	12	1917	6.81	8.6	0.77	0.01	0.11	0.01
All Laws	18	1927	6.99	18.2	0.72	0.01	0.26	0.07
All 4 systems	48	1908	6.60	16.8	0.77	0.01	0.32	0.10
All Laws	72	1917	6.76	19.8	0.78	0.02	0.44	0.19

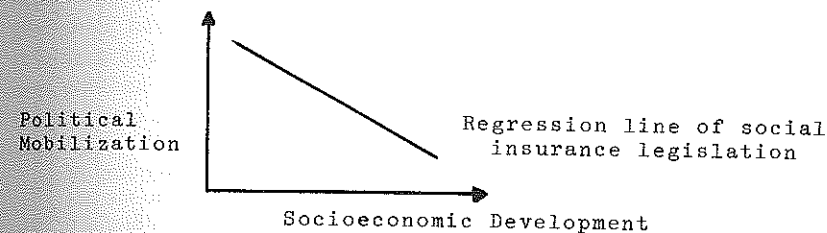
(2) With respect to political mobilization: x = chronological time (year of introduction), y = political mobilization (% of votes for 'working class parties') at the introduction

	n	\bar{x}	\bar{y}	s_x	s_y	b	$r = B$	r^2
	number of laws	mean year of introduction (round fig.)	mean level of political mobilization	standard deviation in chronological time (years)	standard deviation in political mobilization (% of votes)	regression coefficient	regression coefficient of standardized scores	percentage of explained variance
Accident Insurance	12	1898	8.5	7.5	7.7	0.08	0.08	0.01
All Laws	18	1908	18.5	17.5	16.7	0.79	0.82	0.67
Sickness Insurance	12	1906	14.6	22.9	14.3	0.58	0.93	0.86
All Laws	17	1914	20.2	23.0	16.3	0.64	0.94	0.88
Pension Insurance	12	1912	19.0	18.4	13.6	0.57	0.77	0.59
All Laws	19	1917	25.4	16.1	14.0	0.70	0.80	0.64
Unemployment Insurance	12	1917	27.9	8.6	12.5	1.01	0.69	0.48
All Laws	18	1927	30.4	18.2	11.6	0.38	0.60	0.36
All 4 systems	48	1908	17.5	16.8	13.9	0.79	0.62	0.50
All Laws	72	1917	23.6	19.8	15.2	0.65	0.60	0.50

Even if the extreme values are disregarded, the spread remains very wide. We may thus conclude that the variation in developmental levels at the time of the establishment of social insurance systems is too great to allow any generalization about thresholds. Of course, it is obvious that predominantly agricultural societies probably will not adopt social insurance systems, just as highly industrialized and urbanized societies will have such schemes. Given the weak explanatory power of the threshold concept with respect to single developments, it is important to analyze whether socioeconomic change and political mobilization combine to influence social insurance introduction.

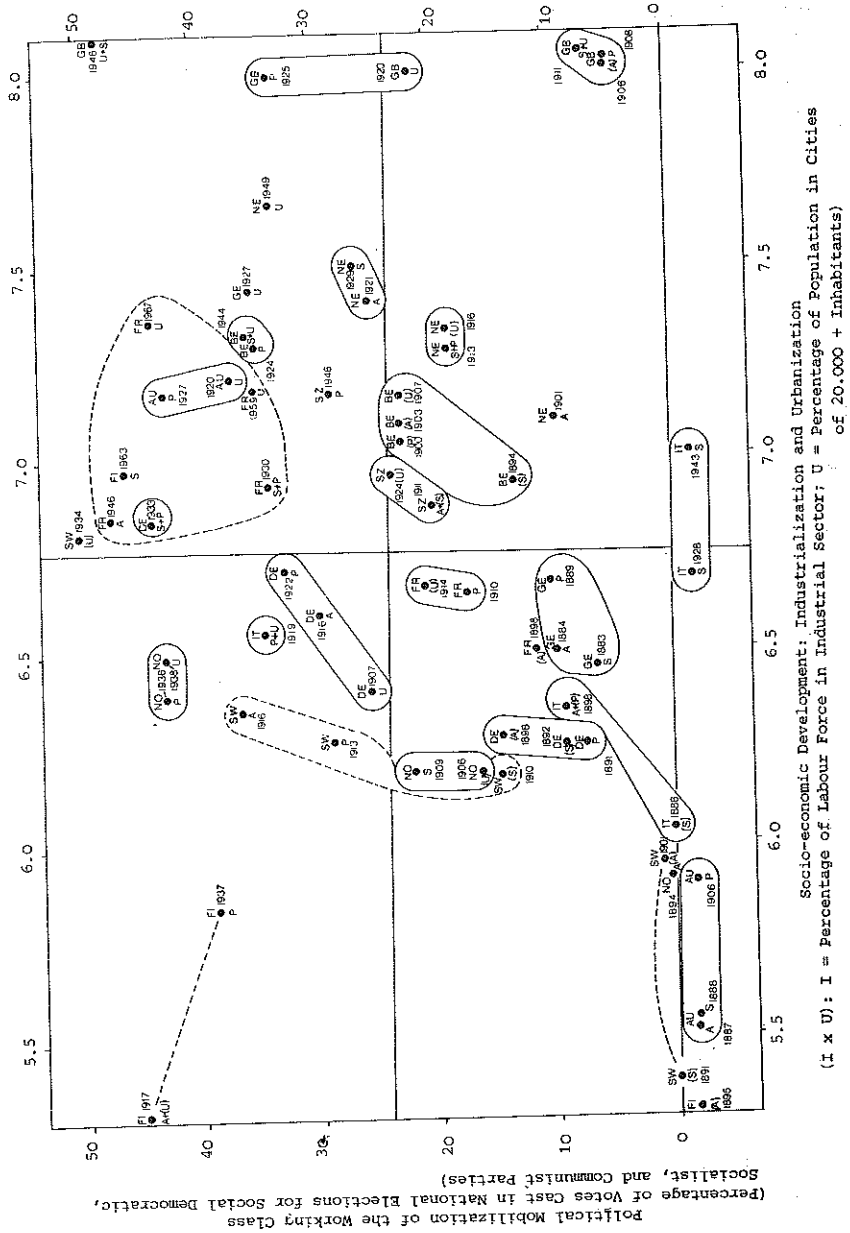
If this is the case, we would expect that countries that introduce social insurance schemes at relatively low levels of socioeconomic development are characterized by relatively high levels of political mobilization of the working class pressing for such institutions. Similarly, countries that introduce social insurance schemes at relatively low levels of political mobilization are characterized by relatively high levels of socioeconomic development producing social problems that necessitate the introduction of such institutions. In either case, countries introducing social insurance schemes at relatively low or relatively high levels of both socioeconomic development and political mobilization, should be the exception, rather than the rule.

Figure 2.7
Socioeconomic Change and Political Mobilization as Influences on Social Insurance Introduction



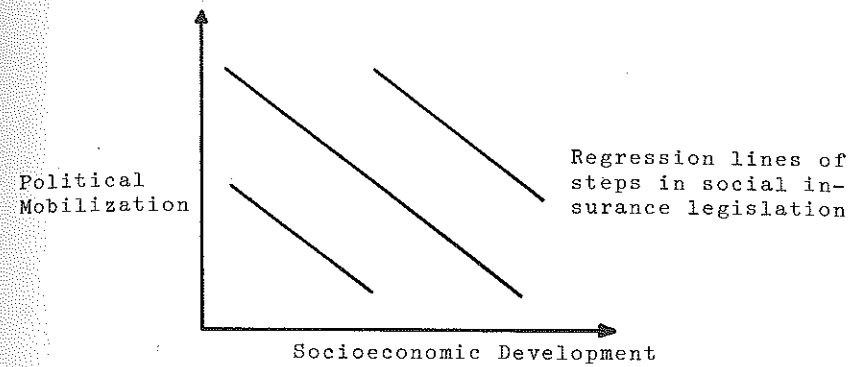
The scatter plot in Figure 2.8 is used to examine this hypothesis. The horizontal axis refers to the levels of socioeconomic development, the vertical axis to levels of political mobilization. Each point represents the introduction of one (or more simultaneous) social insurance laws at the respective levels and is marked by the country name, the year of introduction, and the type of law. The regression lines show that, in its general formulation, the hypothesis must be rejected. With respect to social insurance legislation, the two developmental dimensions seem to be completely independent.

Figure 2.8
Social Insurance Legislation in the Context of Socioeconomic Development and Political Mobilization



It could be, however, that the above hypothesis is meaningful only in relation to various subsets of the 72 laws, the combination of which may obscure the hypothesized relationship. This is made probable by the fact that all countries developed their systems not in one, but in several steps. The differentiated hypothesis, therefore, would look like Figure 2.9.

Figure 2.9
A Differentiated Hypothesis for Social Insurance Legislation

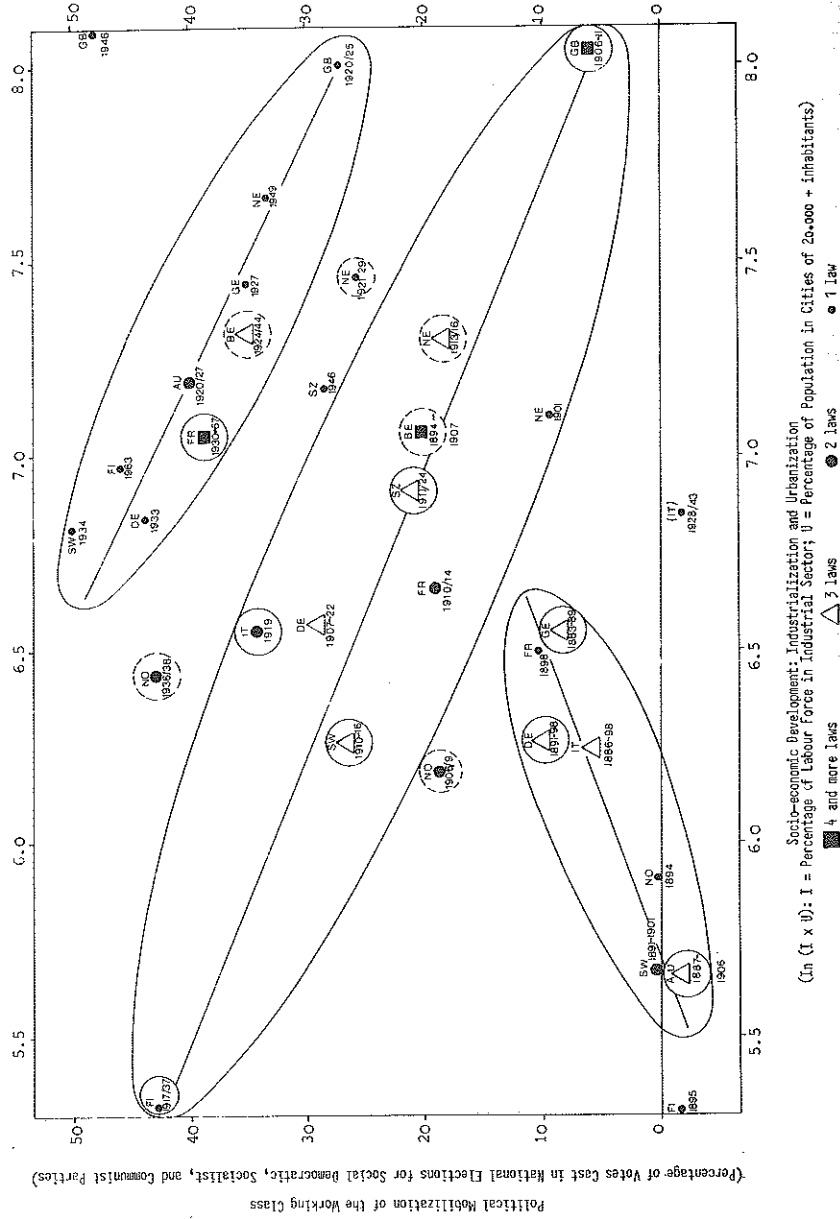


In order to identify the possible subsets, we first simplify the analysis by combining two or more laws of each country (in the first scatter plot surrounded by lines) that are characterized by similar levels of development and mobilization and/or temporal proximity (the problematic groupings have dotted lines). This reduces the number of cases to 33 insurance legislation periods for which the mean values of the combined laws are then considered. To test now the more differentiated hypothesis, three subsets are constructed:

1. by grouping together those insurance legislation periods which are comparable among the countries with respect to their sequence in the national evolution of social insurance legislation and to time periods;
2. by calculating the respective regression lines for the three subsets, starting with those insurance legislation periods for which the hypothesis seems to fit best;
3. by maximizing the percentage of variance explained by the regression lines in a procedure of trial and error, including and/or excluding those steps with a relatively greater distance from the regression line. This procedure proved that the inclusion and/or exclusion of the values did not essentially change the regression coefficients but only the coefficients of determination.

Thus, three subsets have been constructed that represent approximately three time periods (with few exceptions):

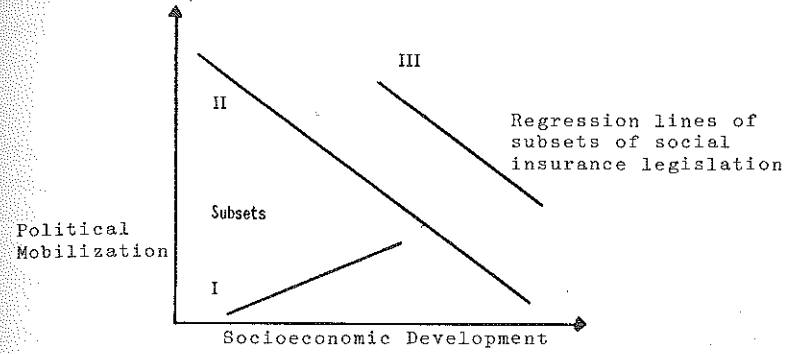
Figure 2.10
Social Insurance Legislation in the Context of Socioeconomic Development and Political Mobilization



Subset	Time-Period	Mean Level of Socioeconomic Development	Mean Level of Political Mobilization	Regression Coefficient	Coefficient of Determination	
I.	1880-1900	6.12	5.3	12.07	0.85	7
II.	1900-1920	6.77	22.7	-13.49	0.81	10
III.	1920-	7.25	38.8	-16.19	0.86	9

The main period of social insurance legislation in each country is surrounded by a line (dotted lines for countries with two such periods).

Figure 2.11
The Sociopolitical Paths of Social Insurance Legislation in Three Time-Periods



Simplified, the three subsets yield the structure in Figure 2.11. For our argument, the middle subset (II) is the central one, since it includes the main social insurance legislation periods of five countries (Finland, Sweden, Italy, Switzerland, the United Kingdom) in addition to two countries with the first of two main legislative periods (Belgium, the Netherlands). With respect to this group of countries, the differentiated hypothesis seems to have some validity. This means that we should here consider the introduction of social insurance schemes as a function of the combined effects of growing social problems (socioeconomic development) and an increasing political pressure (mobilization of the working class). Although differing widely in levels of industrialization and urbanization on the one hand and political mobilization on the other, these countries enacted social insurance laws at similar levels of sociopolitical development. We are not able here to explore the differences in the interaction of socioeconomic and political development in greater detail. An explanation will probably have to be sought in the consequences of a "late" versus an "early" industrialization and urbanization (Finland, Sweden, Italy versus the United Kingdom, Belgium, the Netherlands, Switzerland)

for the mobilization of the working class, but also in the impact of cultural cleavages upon the labor movement (Switzerland, Belgium, the Netherlands). The plausibility of the differentiated hypothesis for this group of countries is not undermined by the fact that some introduced minor social insurance schemes earlier (Finland, Sweden, Italy) or later added some laws to supplement the established systems (Sweden, Finland, the Netherlands, the United Kingdom).

In need of explanation, however, are those cases where the main periods are characterized by relatively low or relatively high levels of both developmental dimensions (Subsets I and III). Group I is of special interest, since it includes those introductions of social insurance schemes that, compared to the central Group II, definitely came "too early." The different slope of its regression line suggests that the hypothesized relationship is irrelevant here. In the following part, therefore, we shall attempt to explain the "deviance" of these cases by referring to differences in constitutional developments.

D. The Role of Constitutional Developments

With respect to these early developments, we can hypothesize that the constitutional-dualistic monarchies tended to introduce social insurance schemes earlier (in chronological and developmental time) than the parliamentary democracies for several reasons. First, they had a greater need to solidify the loyalty of the working class since they were competing with a growing and hostile labor movement that threatened the legitimacy of the nonparliamentary political regimes. Second, the constitutional-dualistic monarchies had already developed stronger state bureaucracies capable of administering such systems and preserving a paternalistic heritage. Finally, these regimes were dominated by landed interests that were able to shift the costs of social expenditures to the urban upper and middle class by taxes on income and profit and employers' insurance contributions and to the working class itself by indirect taxes and compulsory insurance contributions.

In Table 2.6, three levels of enfranchisement are distinguished in the vertical axis (0 - 35 percent, 40 - 70 percent, 75 + percent, representing the percentages of the respective male age group who could vote), and the two types of regimes are differentiated in the horizontal axis. This produces six different political settings in which the various countries are located for the corresponding years. The period stems from 1883, when the first law in Germany was enacted, to 1914, excluding the specific impact of World War I. The first social insurance laws introduced in this period are distinguished according to their importance (major, medium, minor) and relocated with respect to the political setting at the time of their passage. In order to measure the "propensity to introduce social insurance schemes," a "ratio of social insurance realization" was calculated by dividing the number of

Table 2.6
Constitutional Development and Social Insurance Legislation

MALE SUFFRAGE	CONSTITUTIONAL-DUALISTIC MONARCHIES		PARLIAMENTARY DEMOCRACIES		MALE SUFFRAGE	
	First Social Insurance Laws major	First Social Insurance Laws medium	First Social Insurance Laws major	First Social Insurance Laws minor		
0 - 35	AU 1883-1906: SW 1883-1910:	1887 1891 1906	5 laws/8 potential laws 52 years = 1,20 %	BE 1883-1893: IT 1883-1912: NO 1884-1893: NE 1883-1896: NE 1897-1914: NO 1894-1899: GB 1883-1914: 1911 1911	1886 1898 1898	0 - 35
40 - 70			7 laws/12 potential laws 54 years = 1,08 %	1913 1901 1894 1906		40 - 70
75 +	AU 1907-1914: DE 1883-1910: BE 1883-1914: SW 1911-1914:	1891 1892 1884 1893	7 laws/11 potential laws 65 years = 1,01 %	BE 1894-1914: 1900 1903 1907 1907 1898 1910 1914 1906 1911 1911	1894	75 +
	countries actual laws 4 potential laws 16		11/16 = 69 %	18 % = 5/28	7 countries actual laws 5 potential laws 28	
	countries actual laws 4 potential laws 16		10/16 = 63 %	21 % = 6/28	7 countries actual laws 6 potential laws 28	
	countries actual laws 4 potential laws 16		12/15 = 80 %	76 % = 22/29	8 countries actual laws 22 potential laws 29 (= 32-3 of DE)	

actual laws by the number of potential laws, assuming that each country could have introduced four first laws (one in each of the four insurance systems).

Comparing the ratios, the following conclusions may be drawn:

(1) In subset I, the propensity to introduce social insurance schemes was much higher in the constitutional-dualistic monarchies (Austria, Denmark, Germany, Sweden) than in the parliamentary democracies. The respective ratios are 69 percent to 18 percent. The difference remains even if one defines the subset in strictly chronological terms as the period until 1901. Here, the ratios are 63 percent to 21 percent. Furthermore, three of the five laws in the category of democracies were enacted in Italy, which poses problems in being classified as a parliamentary democracy at that time. It was only later, not until 1914, that the democracies compensated for the advance of the authoritarian regimes and narrowed the gap in ratios (80 percent to 76 percent).

(2) This difference in the propensity to introduce social insurance schemes seems to be primarily a function of the type of regime and not the level of enfranchisement. In order to compare the two types of regimes at various levels of enfranchisement properly, one has to weigh the respective ratios of actual laws to potential laws by the number of years that a country remained in the respective category, thus calculating an annual average ratio of social insurance realization. The ratios show that at both levels of enfranchisement for which comparisons can be made (0-30% and 75+% male suffrage) the propensity to introduce social insurance was considerably higher in authoritarian than in democratic regimes (1.20 to 0.29 and 1.01 to 0.57). Only the category of parliamentary democracies with 40 to 70 percent male suffrage disturbs the picture, but this is because of the heavy influence of Great Britain that introduced all four systems. If this category is combined with the 75 percent and more suffrage, the ratios become 1.01 to 0.37.

(3) In the parliamentary democracies the extension of suffrage clearly increased the propensity to introduce insurance systems. Although it seems difficult to generalize about a "suffrage threshold," the propensity increased where suffrage was over 50 percent of the male population. In the constitutional-dualistic monarchies, however, the influence of the suffrage level is not clear. On the one hand, the ratio is higher in the category with a lower suffrage (1.20 to 1.01), while on the other, the countries with a higher level of enfranchisement generally introduced more important and comprehensive systems.

The greater propensity of the constitutional-dualistic monarchies to introduce social insurance schemes is even more remarkable considering

the differences in socioeconomic development. Calculating the average level of socioeconomic development for each category (mean $\ln I \times U$ for all years in which social insurance laws were enacted) shows that parliamentary democracies introduced social insurance not only later, but usually also at relatively higher levels of industrialization and urbanization:

Male Suffrage	Constitutional-Dualistic Monarchies	Parliamentary Democracies	
0 - 30	mean $\ln I \times U = 5.66$	mean $\ln I \times U = 6.22$	} 7.00
40 - 70		7.49	
75 +		6.72	
All	6.09	6.89	

If the establishment of social insurance systems by the early adopters is related to constitutional developments, the question as to what influenced the "deviant" group that introduced their schemes in the period after 1920 (Subset III in Figure 2.11) remains. In contradiction to our hypothesis on the combined effects of socioeconomic developments and political mobilization, these countries established their insurance programs at relatively high levels of both types of problem pressure. This is especially true for France, to some degree for Belgium, but maybe also for the Netherlands which falls outside the group.¹⁸

To explain the late adoption of social security in these countries, it is probably necessary to consider such variables as government instability and cleavage structures, especially within the labor movement. Frequent government turnovers probably account for much of the French history of delayed social security legislation, whereas cross-cutting cleavages would probably help to explain the developments in Belgium and the Netherlands. We should be aware, however, that categorizing countries as late adopters simply because of the timing of their legislation may be misleading. It is very possible that the laggards in the establishment of insurance systems were in fact pioneers with respect to the adequacy of protection. Thus, the latecomers may have initiated systems at higher levels of coverage and/or compensation, whereas the early adopters may have only gradually extended their schemes. An analysis of the more recent period would therefore require the inclusion of much more refined dependent variables describing the scope, the level and duration of benefits, and so forth for the systems. To do this for all insurance systems here is impossible, but Chapter 5 attempts to describe at least the most recently established system—unemployment insurance—in these terms.

Table 2.7
Active Members of Occupational Injuries Insurance

Year	GE	AU	NO	FI	DE	FR	IT	NE	SW	BE	UK	SZ		
1880														
1885	18	7												
1890	70	28												
1895	81	33	9	5										
1900	75	31	14	8	15	10	5	5						
1905	72	31	20	10	13	7	10	5	17	7	23	11		
1910	87	38	25	14	20	13	12	5	20	11	24	11		
1915	78	34	27	13	40	20	15	5	22	9	25			
1920	75	38	32	15	50	20	50	36	14	25	25	76		
1925	72	37	30	12	50	50	50	47	19	35	35	77		
1930	75	38	40	23	50	50	50	51	21	45	45	77		
1935	77	38	49	24	50	55	50	41	16	45	45	77		
1940	88	44	50		50	55	50	44	18	45	45	78		
1945	90		50		50	55	50	45		45	45	75		
1950	91	42	54	26	50	55	50	58	23	55	23	90	42	
1955	100		87	42	50	58	29	64	24	60	25	89	43	
1960	92	44	94	45	51	24	65	28	67	24	59	24	92	44
1965	96	44	89	42	61	29	70	65	71	26	76	37	92	44
1970	98	43	94	41	60	80	65	75	74	36	93	43	60	

Number of members of compulsory occupational injuries insurance or employer's liability (workmen's compensation) schemes in percent of the economically active population and in percent of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HJMED archive.

--- employer's liability scheme in effect
 --- compulsory insurance system in effect

Table 2.8
Active Members of Public Sickness Insurance

Year	FR	GE	II	AU	SW	DE	BE	NO	UK	SZ	NE	FI					
1880																	
1885	5	2															
1890	5	2															
1895	8	39	15	6	3	12	7	3	1								
1900	9	5	44	18	6	25	13	6	3			3	1				
1905	13	7	46	20	6	40	8	4				4	1				
1910	17	8	51	22	6	55	12	6				4	2				
1915	15	8	50	22	6	70	31	12	5	38	15	75	35	22	10		
1920	17	9	56	28	6	91	40	21	9	51	21	79	36	44	21		
1925	21	11	57	29	6	100	43	28	12	48	20	83	38	49	24		
1930	33	17	59	29	8	104	47	33	15	48	20	89	41	68	33	40	
1935	35	17	53	26	23	135	71	34	15	51	22	89	42	79	37	40	
1940	46	22	58	29	50	137	71	31	13	67	29	105	48	86	40	40	
1945	52	27	60		60	142	71	48	20	64	28	111	51	100		45	18
1950	75	38	77	36	65	145	70	63	26	72	31	160		113	52	58	22
1955	79	37	91	43	85	146	71	64	26	79	32	155		121	57	76	29
1960	92	39	87	42	115	157	72	67	27	184	72	155		174	63	80	29
1965	124	51	85	39	125	157	74	79	31	180	72	155		150	70	83	30
1970	120	50	97	43	141	160	75	98	40	178	72	160		155	74	83	30

Number of active members of compulsory or subsidized voluntary sickness insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HJMED archive.

--- law on subsidized voluntary scheme in effect
 --- law on compulsory scheme in effect

Table 2.9
Active Members of Public Pension Insurance

Year	FR	GE	II	BE	SW	NE	DE	UK	AU	NO	FI	SZ	Year
1880													1880
1885	6												1885
1890	6												1890
1895	8	53 21											1895
1900	8	51 21	0 0	9 4			(20)						1900
1905	8	49 21	1 1	23 11			(20)						1905
1910	8	52 22	2	30 14			(25)						1910
1915	9 5	58 24	2	30	136 57		(25)	(55)	2				1915
1920	14 8	58 27	20	30	132 58	50	(25)	(55)	3				1920
1925	14 7	61 30	25	30	132 60	55 22	91 39	(55)	4				1925
1930	15	64 31	32	51 24	131 62	55	95 43	90 41	5	40 19			1930
1935	37 18	64 32	35	47 21	135 64	60 24	132 63	91 42	36 17				1935
1940	47 23	68 33	40	55	136 64	65 26	112 56	104 47	40				1940
1945	52 27	65	25	44 18	143 64	66 27	111 55	109 50	50	160	95 51		1945
1950	70	69 30	25	57 23	138 61	64 25	111 54	101 47	51 25	160	105 56		1950
1955	89 42	78 35	45	69 28	140 64	72 27	94 45	100 48	54 26	160	129 61		1955
1960	93 40	82 37	95	89 36	140	169 61	114 52	99 47	75 36	160	140	107 50	1960
1965	100	79 35	100	90	140	170	160	99 47	76 35	160	140	110	1965
1970	100	81 34	100	90	135	170	160	98 46	78 34	155	140	110	1970

Number of members of compulsory or subsidized voluntary pension insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Figures in brackets are beneficiary ratios under semi-demogrant schemes. Source: HEMED archive.

--- law on subsidized voluntary scheme in effect

— law on compulsory scheme in effect

Table 2.10
Active Members of Unemployment Insurance

Year	FR	NO	DE	BE	UK	NE	FI	IT	AU	SZ	GE	SW	Year
1880													1880
1885													1885
1890													1890
1895													1895
1900													1900
1905	0 0												1905
1910	0 0	2 1	9 4										1910
1915	0 0	4 2	12 6	5 2									1915
1920	1	11 4	21 9	5 9	11 5								1920
1925	1	4 2	19 8	18 8	22 9	13 5	1	25	30	8 4			1925
1930	1 0	4 2	19 9	17 8	59 26	9 4	1	25	35	17 8			1930
1935	1 1	5 2	23 11	25 11	59 27	14 6	1	26 11	34 16	44 22			1935
1940		35	26 13	30	65 30	16 6	2 1	28 12	25 12	36 18	2 1		1940
1945		37 16	29 14	34 14	70 31	15 6	4	30	25	45 22	7 3		1945
1950		50 21	31 15	58 24	85 39	5	7 4	36	30	26 12	45	27 12	1950
1955		56 23	32 15	57 23	81 39	54 20	10 5	26 11	40 20	27 12	43 20	35 16	1955
1960	50	59 23	35 16	57 23	79 38	55 20	14 6	41 16	55 26	25 12	53 26	37 17	1960
1965	50	59 23	35 17	60 24	77 37	63 23	24 11	45	57 26	21 10	62 29	42 20	1965
1970	50	57 23	34 17	63 26	74 35	78 28	38 17	48	60 26	18 9	72 32	55 27	1970

Number of members of compulsory or subsidized voluntary unemployment insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HEMED archive.

--- law on subsidized voluntary insurance in effect

— law on compulsory insurance in effect

Notes

1. See Flora 1974.
2. See Parsons 1971.
3. See Parsons 1960.
4. Marshall 1965, p. 84.
5. Marshall 1965, p. 72.
6. The elements of Rokkan's theory are scattered in various publications. The most important are: Lipset and Rokkan 1967; Rokkan 1970; Rokkan, Saelen, and Warmbrunn 1973; Rokkan 1974a, 1974b, and 1974c.
7. Rimlinger 1971, p. 59.
8. For Germany, cf. Andic and Veverka 1964; and Weitzel 1968; for the United Kingdom, Peacock and Wiseman 1961; and for Sweden, Hök 1962.
9. Cf. Perrin 1969.
10. An indicator of socioeconomic development is constructed by taking the natural logarithm of the product of both percentages: $\ln(I \times U)$. The product instead of the mean is used, because we assume that the impact of medium levels of industrialization and urbanization on the generation of respective social problems is higher than the impact of relatively high industrialization with relatively low urbanization (e.g., Switzerland) or vice versa (e.g., the Netherlands). The raw data can be found in Flora 1975.
11. A major problem lies in the simple addition of the votes for the various parties. Further explanatory attempts will certainly have to account for the relative homogeneity of the labor movement and also to include more indicators measuring different aspects of the mobilization of the working class. The data on election results have been taken from Mackie and Rose 1974. The following parties have been included:

- Austria: Social Democrats (1907-1971), Communists (1945-1956).
 Belgium: Workers Party/Socialist Party (1894, 1900, 1912, 1919-1971), Liberal-Worker Party Cartels (1894, 1912, 1946, 1950-1958), Communists (1925-1971).
 Denmark: Social Democrats (1884-1971), Communists (1920-1971), Social Peoples Party (1960-1971), Left Socialists (1968-1971).
 Finland: Social Democrats (1907-1970), Communists (1922-1970), Social Democratic League (1958-1970).
 France: Socialists/Socialist Party (1893-1968), Radical Socialist Party (1967), Independent Socialists/Socialist Republicans (1906-1936), Communists (1924-1968), United Socialist Party (1962-1968).
 Germany: Social Democrats (1871-1969), Communists (1920-1953), Independent Socialists (1919-1928).
 Italy: Socialist Party (1895-1968), Reformist Socialists (1913-1919), Independent Socialists (1913-1921), Communists (1921-1968), Social Democrats (1948-1968).
 Netherlands: Social Democrats (1888-1967), Communists (1918-1967), Social Party (1918-1925), Revolutionary Socialist Party (1929-1933), Pacifist Socialist Party (1959-1967).
 Norway: Labour Party (1894-1969), Social Democratic Party (1921-1924), Communists (1924-1969), Socialist People's Party (1961-1969).
 Sweden: Social Democrats (1902-1970), Left Socialists (1917-1921), Communists (1921-1970), Socialists (1936-1944).

- Switzerland: Social Democrats (1896-1971), Communists (1922-1971).
 United Kingdom: Independent Labour Party (1895), Labour Party (1900-1970), Communists (1922-1970).
12. These age groups have been reconstructed using the data of the population censuses and estimating the age distributions for the intercensus years. The raw data on the enfranchised male population can be found in Kohl 1977.
 13. The data on the political regimes are taken from von Beyme 1970. The difficulties of classification have an institutional and a chronological aspect. As to the first, Italy and Switzerland are classified as parliamentary democracies, although they may be seen as representing a "mixed type" and a "third type" (of directorial democracy). As to the second, difficulties arise when the parliamentary responsibility of government was introduced de facto but not de jure (Norway 1884 and Denmark 1901 seem to be clear cases, but Sweden 1917 may be disputed). The following classification has been used: (1) constitutional-dualistic monarchies: Austria, Denmark until 1901, (Finland), Germany, Norway until 1884, Sweden until 1917; (2) parliamentary democracies: Belgium, Denmark since 1901, France, Italy (?), Netherlands, Norway since 1884, Sweden since 1917, Switzerland, United Kingdom.
 14. Bendix 1967, p. 331.
 15. For this reason, the analysis by Collier and Messick 1975 is not very convincing.
 16. Seventy-two instead of seventy-four laws are used in the analysis because two laws passed under the fascist regime in Italy are excluded since they could not be classified with respect to the level of political mobilization.
 17. Collier and Messick 1975, p. 1310.
 18. Norway seems to be a special case, since one of its two main periods came "too early" (1906-09), and the other "too late" (1936-38) with respect to the combined levels of problem pressure.

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Chapter 3

The Development of Welfare States in North America

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Introduction

Many discussions of the development of the welfare state have contrasted the experience of the United States with that of Western Europe. The commonplace claim is that the United States has been a "laggard" in the development of programs found elsewhere.¹ Various factors have been cited as contributing to the difference: the absence of feudalism, a democratic political system that emerged prior to a large working class, a relatively low level of status differentiation, and high per capita income.² The other major North American state, Canada, has received little attention in the growing comparative literature on welfare state policy. In recent years, however, American policy analysts have begun to investigate the Canadian experience to extract policy lessons for the United States. This has usually involved areas in which policies have been implemented in Canada before being debated and introduced in the United States. Other investigators have argued that a more careful look at Canada can illuminate the past development of U.S. public policy.³

Our comparison of Canadian and U.S. welfare state developments will attempt to identify both what unique characteristics distinguish the two North America countries and what common features set them apart from the countries of Western Europe. The first section of the paper will place the introduction of major social programs in an international perspective. The second discusses some of the major Canadian-American differences in

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Chapter 11

Toward a New Welfare State?

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... 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

world. Market fluctuation was essential to the economic order and the juggernaut of growth. Yet the emerging industrial system also needed a stable, disciplined work force; the turmoil created by market fluctuations worked in the opposite direction.

In social terms, traditional relationships were strained and breaking. The new industrial system tore at bonds of reciprocal duty that had tied class to class, occupation to occupation, person to person in agrarian societies. Yet there was also a moral base in Western society that carried an obligation to care about what was happening to others. Rationalizations offered by the "laws" of political economy competed with the humane impulse to relieve suffering and invent some form of social betterment that could prevent its recurrence. Young socialists, businessmen of conscience, churchmen and women, members of workers' fraternal organizations, journalists and many others puzzled over the paradox of affluence—the persistence of grinding poverty and misery in the midst of all the new industrial wealth.

In political terms, experimentation coincided not only with unprecedented extensions of voting and other political rights, but also with the advent of new sources of collective power in the industrial work force. Watching the growth of unions and socialist groups, those in the existing citadels of power adopted a variety of defensive strategies, some repressive, some accommodating demands for political participation, some yielding ground on distributive issues. Reformers continued to insist that those in power do something about the worker problem, or "social question" as it came to be called. Rarely were these pressures and reactions as simple as they now seem in retrospect.²

It would be artificial and unnecessary to try and choose *one* dominant motive among all the forces at work—self-defense of class interests versus reformers' moral zeal, economic versus political forces. The point is that here was a combination of forces capable of initiating a new era of experimentation on a variety of policy fronts. Three key values—liberty, equality and security—appeared to be at odds in the late nineteenth century. Trying to resolve the tensions among these values tended to push each of the prevailing bodies of political opinion into an activist orientation toward government and social policy, although each in a somewhat differing way. Calling for order, conservatives were driven to think about new means of advancing security for workers who would otherwise be open to the blandishments of agitators. Proclaiming political liberties, liberals were forced to confront the material deprivations that rendered individual liberty a meaningless formality. Hovering in the background, the young socialist movements were soon under pressure to support immediate relief measures that could be interpreted as steps toward their egalitarian goals.

Experimentation did not start from a clean slate. It largely responded to preexistent poor law traditions that prevailed throughout Western nations.

The poor law was localist, often improvised, and unreliable in the face of major economic downturns. Reacting to this legacy, policy innovators tended to search for national approaches that would standardize, plan for, and guarantee resources to deal with major kinds of economic and social adversity. The poor law was highly discretionary in its operations and stigmatizing. Experimentation sought policies that would be nonjudgmental and fairly automatic in helping the victims of socioeconomic forces that were beyond their control. Being highly pragmatic people, policy experimenters rarely couched the debate in theoretical terms. Implicitly, however, theirs was a tremendous theoretical contribution to modern social policy. Their search, if not their particular policy answers, was vital in spreading a commitment to the view that appropriate public policies *could* reconcile fundamental values of liberty, equality and security. It is this view more than anything else that eventually formed the leading premise of the democratic welfare state.

Yet the immediate results in this period of social policy were experiments, not the welfare state. The invention and diffusion of social insurance techniques late in the nineteenth century was obviously a portentous event. At a stroke it offered a workable model of a public policy that was national, standardized, and non-stigmatizing. However, there were many other types of experimentation. Major efforts at poor law reform were launched in many Western nations. Some of the first extensive efforts at housing reform and urban development policies were undertaken. Better organized charity movements were directed at first one type of social problem and then another. Solutions to poverty through better health or education were heralded, forgotten, and revived.

Despite their bewildering complexity, all of the experiments in government activism tended to have a common point of reference. Social policy was generally regarded as a dispensation. Economically, whatever was done about the social or worker problem was a dispensation from the sound "laws" of political economy. Regardless of any other arguments for activist policies, few people contended that social interventions were good economics (an exception were early advocates of action to improve the public health of the nation).

Politically too the new policies were a kind of dispensation. As earlier chapters show, no single party can claim exclusive rights of parentage for the welfare state; everyone was in on the act of conception, although some more than others at different times and places. Denying they were catering to the mob, conservatives could claim that minor infringements on private property rights were a dispensation from conservative principles necessary for protecting the social order. Liberals could claim that any paternalism or risk of state interference with individual freedom was remote if all one was doing was to relieve the destructive, illiberal conditions prevailing among

the distressed. Once they arrived in office later in the period of experimentation, socialists could treat ameliorative reforms as a dispensation from their ultimate program, that is, pending arrival of a truly socialist order. Almost everyone could suspend a little of their ideology in order to do a little good.

Quite apart from the economics or politics of it, to do good was also a form of social dispensation. The policy experiments were mainly seen as a question of what some people were doing for other people. Those who enjoyed the benefits of education would help those who did not. Those who knew about proper health or housing would tell others who did not. In the tradition of charity, those better-off would give a little bit to relieve the suffering. Again, social insurance was something of a portentous exception, since it was one program where individuals were said to be helping themselves through contributing to state insurance premiums. But even here the spirit of social dispensation could be found. Almost nowhere can one find a worker's movement that initiated or enthusiastically supported early social insurance proposals. Rather, social insurance was a program created by experts and policy middlemen who believed they knew what was good for ordinary wage earners and their families. Few if any of the experimentators assumed that the same medicine would be good for the middle and upper classes.

Obviously there is no one moment when the era of experimentation ended. But with the Great Depression and World War II, experimentation gradually gave way to a more generally agreed structure of welfare state activities. In fascist dominated countries this development was seriously distorted (largely through the destruction of liberal social values and independent intermediary groups, but even here the immediate postwar years saw a return to patterns familiar in the Western democracies.) Social insurance was the centerpiece of the welfare state structure. It was, after all, one area where policy makers could feel confident that they possessed a social policy technique that was capable of solving a social problem: contributory benefits did cope with the threat of income insecurity on a variety of fronts. But close by were also new, if more vague, commitments to social improvement through employment, housing, education, and health policies. Certainly there were precedents for programs in all these fields. What was missing in the *era of consolidation*, compared with that of experimentation, was the tentativeness. In other words, there was generally a great deal less argument about fundamentals and private/public boundary problems; less reversibility in programs once established; less varied proposals and greater acceptance of the existing "constitution" of social policies. That the national government should and could act was taken for granted. Excitement shifted away from the discovery of new policy ideas

and toward the challenge of erecting a coordinated structure of programs in the welfare state itself.

Consolidation does not mean that a single, uniform set of programs was created everywhere, although after the end of hostilities in 1945 a few countries such as Britain did erect "the" welfare state into something of a policy ideology. Consolidation, like experimentation, was a variable phenomenon, and it too had its economic, political, and social aspects.

In economic terms, consolidation occurred as the new Keynesian economics and full-employment goals became accepted in governing circles. Rarely did this happen quickly or dramatically enough to rate a newspaper headline, but it happened all the same, in one nation after another. The tremendous events of this period—struggling with the depression, organizing for war, planning for postwar reconstruction—left a residue of presumptions that were all the less noticeable because so widely shared. The economy not only could and should be managed, but it should also be guided by, above all, a social goal called full-employment. Spending for social purposes could serve economic purposes of increased production, investment, and stable fiscal policy. Social policy was not only good economics, but the economic and social spheres of public policy were integrally related with each other.

The same events helped create consensus on many political assumptions about social policy. The depression undercut faith in any party program that relied entirely on the private sector to solve social problems. National government activism became not only politically acceptable but widely expected on issues of social policy as well as economic management. Almost all political factions in the victorious democracies had participated in government wartime management; politicians from many sides also participated in planning postwar reconstruction. The question was not whether some extensive, permanent system of state activity called the welfare state was necessary. The question was how to bring it all together.

Obviously the variations were considerable. In countries such as Britain and Sweden, emphasis was placed on the provision of common services, social solidarity, and comprehensive income maintenance programs. War-torn continental nations put greater stress on reconstruction, while affirming that this rebuilding process combined economic and social policy goals. In the United States, World War II (unlike World War I) brought with it a permanent growth in national government spending, employment, and responsibilities. But consolidation in social policy was only partial. Truman initiatives in health, education, housing, and so on met far less success than European counterparts and were vastly complicated by the uniquely American problem of civil rights. The U.S. population had not suffered the kind of dislocations and physical devastation that prevailed in Europe.

(Memories of depression unemployment were one thing shared on both sides of the Atlantic, but here there was a successful U.S. policy initiative in the form of the 1946 Employment Act.) Neither did World War II create a government coalition in the United States that could, as in many European countries, erect the basic structure of welfare programs with a minimum of political opposition. Above all, attention to the social agenda was soon overwhelmed in the United States by national security and foreign policy issues. Only the United States was in a position to respond with credible power, and the communism issue eventually blighted Truman's domestic initiatives. In this sense, Western Europe's lead in consolidating the welfare state was underwritten by the stultification of U.S. social policy.

Yet whatever these differences in national emphasis, all of the efforts at consolidation had certain broad things in common. Most important was a rejection of the older dispensation approach. Social policy was no longer seen as a dispensation from economic laws, an exception to political principles, or an act of largesse from one's betters. The austerities of depression and war tended to turn into reality what had often only been paid lip service during the previous decades of experimentation: a rough equality of sacrifice and sense that everyone was vulnerable. The prevailing assumption, created by hard experience, was now that collective social policy arrangements were required for everyone's good and not merely for the working class or some special group of deserving poor. In country after country, World War II carried in its wake a commitment to social services and income maintenance programs that would have been unthinkable to the turn of the century reformers.

What did consolidation mean? In general it did not mean a large number of unexpectedly new ideas in social policy. Rather it entailed a gradual bringing together of selected ideas from an earlier period into an affirmation of the effectiveness of democratic government as social manager. The result of consolidation was hardly some fixed solution or set of social priorities. Quite the opposite. What came to be labelled as the welfare state was an arrangement for living with mutually inconsistent priorities, a system of tolerated contradictions. Which should have priority, adequacy or equity in social insurance programs? Centralized standards for equality or local freedom of choice that produced inequalities? Economic security, or the liberty to succeed or fail on one's own? Planned social services or market exchanges?

Despite rhetorical flourishes at the time, the fact is that no Western democracy, not even any particular program, answered such questions in anything like a consistent way. New social policies might emphasize basic levels of adequacy, security, and equality, but they did not (in policy

analysts' English) "prioritize" anything. This ambiguity, together with its political ramifications, helps account for the difficulty of intellectually coming to grips with the welfare state in any neat, rationalistic way. Politically, the welfare state was an amalgam of extraordinarily diverse ideas and interests: of crusading liberalism, with its confidence in the possibilities of social betterment, human progress, and secular individualism; of traditional conservatism, with its stress on paternalistic steps to safeguard institutions and social order against radical change; and of the more recently arrived socialism, with its faith in the benign power of government to undertake collective responsibilities.

Looked at from the nineteenth century, it would have seemed an impossible combination of perspectives. Viewing it through the eyes of those who had endured the turmoil of the interwar and war years we can see how well balanced such a mixture of ideas might be. It tended to achieve for the postwar democracies the kind of mutual check and balance among principles that had served so well in the creation of representative government two centuries earlier. The experimenters had sought ways to make liberty, equality, and security compatible. The consolidators acted in the faith that these three widely shared values were each necessary to the other; no final choice was necessary. And their resulting actions were generally accepted.

The era of consolidation ended in the late 1940s and early 1950s when it became clear that the back of any serious political opposition had been broken. In some nations this outcome was expressed by means of transitions in government, when successor parties not only refused to dismantle but continued to build on what had been done before.³ Sometimes it happened via continued frustration at the polls, when it became clear that outright opposition to the existing consolidation would ensure continued defeat.⁴ In either case, there was a generally accepted feeling that something permanent and positive was in place. Whether or not it was actually called a welfare state (and a country such as the United States strongly resisted the term), few people considered it likely or desirable to return to a prewar, predepression approach to social policy. Argument now shifted to filling gaps and expanding at the margins. In a few years some scholars were contending that there was a "decline of ideology" throughout the Western democracies.

The year after the mid-1950s have constituted a third phase that might be labelled as *expansion*. Of course, as earlier chapters have shown there had been extensions of social programs throughout the twentieth century. The term expansion is used here to suggest that, although social policy coverage and costs have grown for generations, the most recent stage represents a growth that has been largely within the structure of welfare state activities

that was consolidated during and shortly after the depression and World War II. To see our current situation in clear perspective, we need to examine this expansionary stage more closely.

II. Subversion Through Economic Growth

Growth in social policy during the last twenty-five or so years has been largely a question of filling gaps and extending inherited approaches within the existing welfare state structure. This is suggested by the fact that one need add almost no new categories or functions in order to display the growth in programs and spending during this period. (The United States is something of an exception, since some consolidation is still underway in areas such as health insurance, family policy, and labor market programs.)

The leading indicator of this expansion is government spending. The information in Jürgen Kohl's chapter clearly shows how much the Western democracies have had in common since the early 1950s. Government tax extractions grew faster than economic resources; total expenditures grew faster still. In every country the result has been a gradually increasing share of national economic product absorbed by the public sector. The result has also been growing government deficits, although not to unprecedented levels and not to such an extent that the most recent years portend a long-term trend toward bankruptcy. (Nor does this mean, as Kohl demonstrates, that those nations that have increased spending the most have the greatest deficits; there is no correlation.) The largest single driving force behind the public sector has been increased spending for social policy, and without a relative decline in rates of defense spending to offset some of the social spending increases, total budgets would have been even larger. Of all social spending, government transfers have been the fastest growing component, to the point where central governments are now major distributors of consumers' income. This trend of increased public transfers has been fairly continuous despite periodic economic ups and downs, and to a significant extent leads to an exaggerated view of how far government is impinging on the private sector in the command over goods and services.⁵ These trends are common not only in Western Europe but throughout the developed democracies, including a so-called welfare state laggard such as the United States.⁶

Taken together, all of these incremental increases suggest something of the expansionary trend in the welfare state with which the current generation is familiar. What is perhaps the most important point about this expansion is usually taken for granted, its setting in a context of unprecedented, sustained economic growth. Obviously there have been occasional slowdowns and in a few countries at a few times outright reverses in

economic performance. But compared with all of the pre-World War II years—back in fact to the earliest point economic statistics become available in pre-industrial Europe—the last 25 to 30 years have represented a uniquely smooth upward curve of economic growth.⁷

We tend to forget now that this successful economic performance was largely unexpected. The basic structure of the welfare state (national social insurance programs, general social services, Keynesian fiscal management, and so on) was consolidated amid memories of profound insecurity in the past and fears of continued disruptions in the future. Expectations of poor economic performance, for example, pervaded discussions leading up to the U.S. Employment Act, British Beveridge plan, Swedish national insurance system, and German programs for *wiederaufbau* in the 1940s. The period of consolidation had been, as T.H. Marshall termed it, an austerity society of rationing; price controls, and pervasive expectations that the boom and bust syndrome following World War I was about to repeat itself.⁸ Perhaps more than anything else, it was this sense of common danger and vulnerability that made the security-equality-liberty aims of the new welfare state seem consistent and integral to the functioning of both society and the economy.

Sustained economic growth facilitated continued expansion of social spending. But gradually and indeliberately it also undermined the premises of the welfare state that policy makers thought they were creating at the end of World War II. It did so in at least three ways.

First, while the dangers of social insecurity remained, they became less shared. Major dislocations such as depression and war had struck every social group; minor fluctuations in a period of overall growth touched only certain sections. Recessions left a minority of workers unemployed, but most workers were untouched. More than that, the very nature of social need to which welfare policies were responding in an age of affluence was individualized rather than a collectively shared experience. Health crises, single-parenthood, distress in old age—these might affect vast numbers of people, but by their nature the problems struck only isolated families and created no sense of shared experience. Asked about poverty, a majority of affluent Europeans could say either that there were really no poor people in their town (53%) or that if there were the respondent did not see them (37%). Likewise Americans were probably inclined to see poverty as a problem of blacks because, even though there are more than twice the number of whites as blacks living below a poverty level, only 12% of poor whites were concentrated in poverty neighborhoods in metropolitan areas, compared with approximately 40% of poor blacks.⁹

None of this means that collective provisions failed to be made. Sustained economic growth provided a bonanza with which spending for

social purposes could be expanded, particularly in the area of income transfers. But the benefits, like the problems, have been largely individualized. Social insurance, which dominates the expansion in public spending, is a case in point. During the transitions from experimentation, to consolidation, and on to expansion, social insurance programs have performed a remarkable historical task. These programs more than any others have managed to bridge the gap between the older tradition of self-help and the newer responsibilities for collective distribution. In the United States, for example, social insurance accounted for about 10% of total individual income during 1976. Every income group shared in some part of its benefits (even the top fifth of family income units received almost 12% of total social insurance payments). Yet social security also had the greatest effect of all national programs in lifting families above poverty level incomes.¹⁰ However since the program manifests itself only in terms of individuals' own monthly payments, this extraordinary accomplishment produces little sense of collective achievement in the welfare state. Likewise, during the 1973-75 recession (the most severe since the Great Depression) income maintenance programs as a whole prevented the income of those below the poverty level from dropping significantly in the aggregate. The one thing about this major social policy accomplishment that was widely shared was grumbling that personal taxes were too high.

Sustained economic growth undermined the presumptions of the post-war welfare state in a second way. Seen less as a response to shared problems, the benefits to be derived from the welfare state came to be regarded as a means for calculating differential gains. For every increase in one group's income and consumption, there were always other groups that could make a legitimate claim to keep pace. The alacrity with which basic pension systems created in the 1940s shifted into a variety of forms of constant updating was one expression of the more general tendency. Growth facilitated evaluations of comparative performance. Comparison facilitated identification of new individual and group inequities. New inequities facilitated expansion in social programs. In effect, sustained growth put the welfare state as a social justice machine into competition with the economy as an inequity producing machine.

This compensatory dynamic cut several ways, all corrosive of the social solidarity that had inspired the austerity welfare state. Rather than as the expression of a larger public interest, government was put in a position to be perceived as little more than an aimless device for tallying the secondary (postmarket) distribution of income. The ongoing struggle for shares of this new and growing distribution process helped mobilize new groups and create new cleavages among old groups. This did not destroy traditional group and class conflict but it certainly helped, in the longer run, to

disorganize it. In the end, corrosion went deeper than the fact that affluence heightened different groups' sense of relative deprivation (*vis-à-vis* both primary and secondary distribution processes). As Fred Hirsch eloquently argued, success in distributing more material goods throughout society increasingly focussed competition on positional goods that could not be distributed more widely without diminishing their value.¹¹ In all these ways, increasing national wealth tended to undermine the faith in compatible values. Security in a period of growth implied differential gains, not equality; liberty implied meeting a quantitatively and qualitatively expanding set of wants, not basic needs.

Finally, sustained growth subtly threatened welfare state premises by gradually devaluing the political commitment necessary to sustain social policy. Economic growth, with its virtually automatic increases in tax revenues, tended to make social policy expansion almost costless in political terms. In the era of austerity, consolidating the welfare state had required strong political backing, something that was a long time in coming until depression and war eventually mobilized these forces. In an era of affluence, passive acquiescence could suffice; politically the welfare state could expand on the basis of more for everybody. Higher benefits, wider coverage, more services could be afforded, if not this year, then in succeeding years' fiscal dividends. Government budgets and deficits might grow, but then so would people's incomes. Those who saw an "end of ideology" in this period were, in a limited sense, right. Welfare state politics could lie in repose while the engine of economic growth did its work.

As the political price of social policy declined, the need to build and maintain a strong, positive political coalition behind the expanding welfare state diminished. Historically—in the Western democracies as much as in Bismarck's original social insurance plans—welfare state proposals had been used by politicians as a means of helping them solve political problems. Expansion during the period of economic growth removed most of this political imperative. It was possible to have policy without pain. Politicians did not have to strive mightily to build a working consensus, even though expansionary changes were occurring that would have been astonishing a generation earlier. More and more, social policy was assumed to be aimed exclusively at solving social problems; any investment in confronting, debating, and resolving political problems (who is losing and gaining? what are the implications for personal liberty? what rights and duties are owed by whom? is it worth it?) could be minimized.

As a result of these three forces, the recent expansion stage actually operated at two levels. On the surface, familiar programs and functions of the welfare state were merely growing along with (although somewhat faster than) the economy. But a deeper level, key premises of modern social

policy were being eroded. It is not that many people questioned whether values of liberty, equality, and security were compatible with or necessary to each other. That is the point: any commitment to struggling with the inevitable tensions among such values went soft. Expansion of the austerity welfare state in a context of sustained affluence was producing not just more of the same but implicitly a newer way of thinking about the welfare state. Instead of shared risks and vulnerability, its ethic was based on piecemeal compensation for anyone who lagged behind others' gains. The emerging system was not simply a return to the older dispensation approach because virtually everyone could claim to be entitled to one or another kind of compensation. The course being followed was politically easy but perilous. Since policy commitment was justified on the basis of solving social problems (and much less on strong political commitment to certain values), and since no one knew how to guarantee such solutions, few groups had trouble showing that their needs were going unmet. Thus the late 1960s witnessed a restatement of the nineteenth century paradox of affluence but this time with everybody joining in as claimants for justice and improved public policies. Students were oppressed. Poverty persisted. Women were suppressed. Capital wasn't getting a fair return. Jobs weren't meaningful. Workers weren't getting their share of the expanding product. The disabled were discriminated against. In short inequality was rediscovered. Economic growth was not enough. The welfare state would have to do more.

By a strange twist, the more social policy became dominant in the economy and helped absorb its product, the more it became viewed as a mere appendage to the economy, whose growth was taken for granted. In an earlier period of risk and austerity, consolidators of the welfare state had been inclined to see social policy as a support to their none-too-strong capitalist economies, just as the new policies of fiscal management were integral to any aims of social policy. In our own wealthy postwar period, social policy increasingly came to be regarded as a kind of luxury good produced by the ever-rolling surpluses of economic growth. The 1970s were to be a different story.

III. The New Pessimism

The previous section argued that expansion of social policies in an era of sustained economic growth tended to subvert essential features of earlier welfare state conceptions. Instead of deliberately coordinating the two spheres, policy makers increasingly treated the welfare state as an appendage of economic performance. It was a neat separation: economic policy would be concerned with increasing output as smoothly as possible; social

policy would follow along and focus on redistributing that output so as to compensate those who fell behind. Hence the growing prominence of income transfer programs (although obviously many other forms of non-cash programs were also expanding). After a generation or more of expansion, the democratic welfare states had produced a policy system that was admirably attuned to—and presumed—continuous economic growth. Politically it was a low cost system whose operation generated minimum conflict and maximum, if somewhat passive, support. Economically it was in rough harmony with conventional thinking about fiscal management. Socially, it avoided raising difficult questions about social values. Commitments on the welfare state rose as commitment to it fell.

What happened in the 1970s was the kind of disillusionment that might be expected from a one/two punch: an unsettling rediscovery of inequality by the end of the 1960s followed by a stalling of the economic growth machine in the 1970s. A postwar policy structure that was accustomed to expansion had to accommodate economic reverses that were as unexpected as economic success had been to the pre-1950s policy makers. In a twinkling (or so it will probably seem historically), complacency about the momentum of the welfare state gave way to doom-mongering by many in the intellectual elite, people who were once the strongest champions of activist social policies.

The indictment against the welfare state that gained currency involved one or more of the following three counts.

1. *Cost.* Social welfare spending (that is, expenditure for income maintenance, health, housing, education, and other social services) has accelerated dramatically, resulting in what is variously termed as a "bloated," "excessive," or "runaway" public sector. The complaints about welfare spending have become more politically noticeable throughout the Western democracies as taxes and social security contributions have increasingly hit moderate and even lower income groups. The fact is that the cost of the modern welfare state is not being covered by reckless use of government deficits and printing presses. The middle class is being heavily taxed and future cost will not be able to be met in a financially responsible way without a willingness to pay even higher taxes. It is that willingness that is increasingly being called into question.
2. *Ineffectiveness.* Critics claim that, for all of its expensive ambitions, the welfare state has failed to deliver on too many of its promises. At a minimum there are legitimate complaints that government programs have been extraordinarily inept at delivering money and social services to people who actually need them. At a maximum, there is a sense of disillusionment that government is perversely impotent; welfare programs seem incapable of altering social conditions in the way intended (toward increased equality) and in trying to do so have produced undesirable consequences that were not intended (incentives for client dependency and bureaucratic snooping for example). Hence both liberals and conservatives have been able to find

common cause in citing the shortcomings of contemporary social policy. The complaints can be heard directed at all sorts of programs: education policies that do not equalize opportunity but do provide a means for the acquisition of new inequalities; subsidized health services that provide more formal access but only to highly unequal qualities of care; antipoverty programs that do more for the professional middlemen than for the poor; job-training programs that only entrench the disadvantages of those already at the bottom of the labor market, and so on and on.

3. *Overregulation.* While criticized as relatively impotent in achieving social objectives, the growing welfare state bureaucracies are also able to arouse fears of excessive government power. In a sense, it is not particularly difficult to design government programs that would deliver cash benefits, health care, or other social services in an effective way—that is, providing what is intended to whom it is intended. Totalitarian systems have shown how solutions can be imposed on all those groups—professionals, consumers, local governments, political entrepreneurs, and others—that in democratic regimes are in a position to interfere with the effective power of government planners. For critics of the contemporary welfare state, increased effectiveness purchased at the price of such antidemocratic solutions is hardly attractive. Their real worry is that a satisfactory threshold of effectiveness in welfare administration may be attainable only after passing well beyond the limits of democratic processes, which imply widespread participation, diversity, and checks on government power. Thus, frustrated by its own ineffectiveness, democratic government is tempted to achieve its ever more ambitious social goals by imposing solutions, invading individual privacy, and bureaucratizing the initial impetus for human compassion with a host of welfare rules and regulations. Or in trying to arbitrate competing group claims, welfare bureaucracies may overlook the interests of those who are not organized to exert pressure. In this way a well-intentioned kind of arbitrariness can develop, forcing human diversity into whatever formula (e.g., quotas) happens to facilitate political-bureaucratic management of the prevailing group demands for compensation.

In essence the new pessimism of the 1970s revived the view—so long out of favor—that there were inherent contradictions among the basic values surrounding the democratic welfare state. It was expensive, so expensive that costs of social policy were themselves posing a threat to individuals' economic security. It was ineffective, generally in providing high standards of service and particularly in making inroads into the gross inequalities of market-oriented societies. And it was dangerous, threatening to pursue welfare at the expense of individual liberty. The welfare state's past achievements were said to be overpriced, its unattained goals were disappointing, and the requisites for its future success implied a disturbing concentration of power. None of these indictments was entirely new, but with the sharpest economic downturn since the depression (not enough to create a shared sense of mass suffering but enough to upset the routines of compensation) criticisms of the welfare state acquired special force in the 1970s. Intellectuals have followed with a variety of explanations for the

apparent disorders of the welfare state, or as it is more recently labelled, welfare capitalism.

One set of theories views expansions of social policy as essentially a form of side payments to keep the lower orders in line. While this class conflict view has a long lineage, the more recent versions have attempted to show that the need for capital accumulation requires the payment of larger and larger amounts of hush money to economically exploited groups, leading to larger public deficits and eventual crisis.¹²

A second line of interpretation—a demand push model—sees the problem in terms of uncontrollable growth in the welfare state produced by an unrestrained pressure for benefits and unwillingness to face up to the associated costs. The exact routes differ (some emphasizing demands for welfare spending, others union power, and still others full employment goals that lead to persistent overstimulation of the economy), but all these excesses of democracy theories point toward the same end: a breakdown of representative government.¹³

A third variant of the new pessimism interprets disorders of the modern welfare state in terms of a supply-pull problem: government bureaucracies with a vested interest in continued expansion; professional service providers dedicated to the extension and never-ending refinement of “needs”; a system of economic production that massages the public maw into higher and higher levels of immiserating consumerism.¹⁴ This line of thinking leads to a variety of strategies for rediscovering, living with, and indeed revelling in facts of scarcity.

It hardly needs to be said that these three sets of ideas are not entirely consistent with each other. Some evidence, or at least persuasive arguments, can be found to support each, and it would be foolish to deny that some version of all these pressures has existed throughout (but also before) the postwar period. Yet it appears to me that the welfare state is more complex, its motive processes more dynamic than is credited by any version of the new pessimism. Pure amplification and self-destructive expansion is not what has happened in recent years. New directions of class self-defense (if that is one's vehicle for interpretation) have been discovered; demands being pushed have changed; some supply-pulls have been redirected. Even as the intellectuals were launching their well-reasoned forebodings, the actual behavior of governments and publics was contradicting the view that either were in the grip of one or another set of inexorable forces.

As the 1970s progressed, the record tended to show the Western democracies behaving in a manner exactly the opposite of what the welfare state critics should have predicted.¹⁵ Almost nowhere could parties be found trying to outbid each other in promises to continue rapid expansions in social policy spending. Almost everywhere they engaged in a competition

to avoid unpopularity and reduce expectations. In nation after nation governments chose to fight inflation as a first priority rather than to reflate and fight unemployment. For example, in West Germany the Social Democratic government gave wide publicity to its promise not to reflate until inflation was beaten (then at 4%!). In Great Britain, the conventional model of a collectivist welfare state, the socialistic Labor government maintained itself in power with anti-inflation policies that tolerated a rate of unemployment higher than at any time in the postwar period. Similarly in the United States, the revival of the Democrats' fortunes in 1976 can hardly be traced to efforts at promising more than George McGovern had in 1972; by that token it should have been Sargent Shriver who won the 1976 primaries rather than a man promising to cut the bureaucracy and balance the budget by 1981. Preliminary evidence suggests that as the 1970s continued, social spending and public budgets grew but at a somewhat slower rate than during the previous decade and that in some countries spending "shortfalls" (i.e., expenditures below what had been planned) were more common than unexpectedly large public budgets.¹⁶

What about public attitudes that were supposedly immured in expectations of ever-continuing growth in the economy and public policy? The 1970s provided an interesting experiment to test the demand-push theory of public pressure for expanding the welfare state. Survey information for the United States and Western Europe shows a considerable willingness in the general public to act sensibly and lower expectations in response to (and in anticipation of) unfavorable events.¹⁷ At least three kinds of process appear to have been at work throughout the Western democracies during this time of economic troubles and declining confidence in leaders and social institutions. First, people tended to compartmentalize satisfactions. Considerable dissatisfaction with the performance of the economy and government could exist while ordinary people continued to feel generally satisfied with their lives and the things closest to them. In the second place, people were inclined to lower the base for comparing how well things were going. Even at the peak of the boom in the 1960s, only a minority of Americans and Europeans expected prosperity to continue growing as it had in the past; in the 1970s people appeared ready to compare their situation with a more pessimistic baseline that was lower than a high level of prosperity. Finally, people were highly flexible in their expectations for the future, adjusting their view of coming good or bad times as circumstances seemed to require.

In short, experiences in the 1970s seem to have modified the priorities that politicians promised, the political behavior that voters rewarded, and the expectations that people carried around in their heads. It is such manifest responsiveness to experience that, more than anything else,

undercuts the new pessimism and any theories of uncontrollable growth or breakdown in democratic welfare states.

In the 1970s—a period of recession, inflation, and unemployment in unique combination—the welfare state's social programs did not wither away. Instead these programs helped policy makers cope with the unsettling economic and environmental conditions in a relatively humane manner. Hundreds of thousands of families were protected from the worst effects of their breadwinners' unemployment. Millions of dollars were spent to see to it that treatment of people's health problems was not abandoned simply because of a downturn in the economy. Billions of dollars, francs, marks, and so on were transferred to see to it that those most vulnerable—the aged, young, and disabled—were not left in the front lines during the battle with inflation and its attack on living standards. Nowhere is there evidence of major welfare state programs being dismantled. What can be seen here and there among the Western democracies are efforts to slow down some expenditures' growth rates, to institute more cost controls, to refrain from undertaking major new social policy commitments, or to stretch out their implementation over time (the U.S. health insurance debate is a good example). To judge all of this as a sign of democratic excess or failure of capitalism depends on criteria derived not from social science but from one's policy preferences.

To summarize, the rapid expansion of social policies during the postwar period was vastly facilitated by a degree of persisting economic growth that was as unexpected to the welfare state's founders as to its critics. But this growth also undermined the conception of integrated economic and social policy—and ultimately the balance of liberty, equality, and security values—on which they had based their plans. Without any deliberate decision to do so, social policy came increasingly to be seen as a residual luxury supported by the nation's economic surplus. When it became clear in the 1970s that this surplus could not be assured, critics turned on the democratic welfare state as never before, citing its activity as a primary drain on the forces of economic progress and/or human betterment.

And yet there is clearly good reason to think that these pessimistic claims are off target, particularly in light of the moderate, cost-conscious government and public reactions to the serious economic disturbances of the 1970s. What events of the 1970s cast doubt upon was an unreflective view of social policy into which countries, and democratic politics, had drifted in the postwar period. Far from strengthening the welfare state, the politically cheap expansion of programs actually tended to devalue the commitment to social policy and transform it into a predicate of economic growthmanship and mass consumerism. The welfare state and its underlying values have never depended on uncontrollable public spending, big bureaucracy,

or ever more unrealistic political bidding. Looking back now we can see that during much of the postwar period, social policy was set on a course that made it somewhat superficial and certainly vulnerable to any future economic downturn. But there is little reason for thinking that such a course is immutable. Indeed, my prediction is that the 1980s will produce lusty evidence to the contrary. These years will show the strength of the underlying welfare state commitment—an affirmation of the importance of *and* a refusal to choose absolute priorities among the basic values of individual liberty, social equality, and economic security.

Notes

1. See Briggs 1961.
2. See for example the discussions of various nations' "distribution crises" in Grew 1978.
3. Thus despite some Republican hopes, the Eisenhower administration did not demolish social security and other New Deal programs. Likewise, the returning Churchill government did not, apart from a few mainly symbolic changes, repudiate what the prior Labor government had done. In France, the Gaullists of the Fifth Republic, having lost power once, were at pains later in the 1950s to preserve continuity with Fourth Republic social policies.
4. Sweden and West Germany offered contrasting versions of the same point. In Sweden, where Social Democrats were in power, center and right opposition parties were soon persuaded to drop unpopular criticisms of the socialists' welfare state programs (though the opposition parties remained unsuccessful for many years). In Germany, it was the Social Democrats who were in opposition and in the 1950s felt the need to accommodate their socialist program to the welfare state that had been consolidated by Christian Democrats in the immediate postwar years.
5. Since transfer spending is usually counted as part of government expenditure in the numerator but not counted in the denominator of GNP (or national income), ratios of spending to GNP often overstate the extent of collective governmental command over resources.
6. Nutter 1978.
7. Brown 1968; see also Garraty 1977.
8. Marshall 1961.
9. A variety of such surveys are discussed in Rose 1977.
10. In 1976 an estimated 20.2 million families were in poverty before public transfer payments. After social insurance benefits the number was reduced 45% to 11.1 million. "Welfare" in the form of other cash assistance only reduced the number by a further 10% to 9.1 million; in-kind transfer payments led to an additional decrease of 19% to 5.3 million families. Congressional Budget Office 1977.
11. Hirsch 1976.
12. The most familiar version is O'Connor 1973. For a more general survey see Jessop 1977.
13. The more prominent examples are Brittan 1975; Buchanan and Wagner 1977.

14. Again there is an impressive array of pessimistic viewpoints, some of which go much further than any simple supply side model. See Ophuls 1977; Illich 1977. Without too much injustice one could say that Robert Heilbroner (*Business Civilization in Decline*) and Daniel Bell (*The Cultural Contradictions of Capitalism*) attempt to synthesize the second and third schools of thought.
15. This seems to be the general thrust of David Cameron's various findings, as in for example, Cameron 1978a and Cameron 1978b. Taking a longer time frame the picture seems, contrary to the new pessimism, reassuringly multivariate. Governments of the left appear more responsive than others to changing economic circumstances and use a greater variety of tools, but they are also the governments of high interest rates and do not exhibit any unusual proclivity toward big budget deficits. See Cowart 1978.
16. In the United States for example, the ratio of total government spending to GNP rose 27% during the 1950s, 21% during the 1960s, and only 6% during the 1970s. In real terms, government consumption of goods and services (note the exclusion of transfer payments) rose from 19% of GNP in 1940 to 25% by 1970, but by 1977 had fallen back to 20%. This and other points of scepticism about the case made by neoconservatives are raised by Musgrave 1979. See also Plotnick 1977; and Hartman 1978. Britain's spending shortfall "problem" is described in *The London Times*, March 11, 1978.
17. In addition to note 8 *supra*, see especially Katona 1971.

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