

**The Development of Welfare States
in Europe and America**

Edited by
PETER FLORA
and
ARNOLD J. HEIDENHEIMER



Transaction Publishers
New Brunswick (U.S.A.) and London (U.K.)

- Pryor, Frederick. 1968. *Public Expenditures in Communist and Capitalist Nations*. Homewood, Ill.: Irwin.
- Reynaud, Jean-Daniel. 1975. "Trade Unions and Political Parties in France: Some Recent Trends." *Industrial and Labor Relations Review* 28: 208-225.
- Rokkan, Stein. 1966. "Norway: Numerical Democracy and Corporate Pluralism." In *Political Oppositions in Western Democracies*, ed. Robert Dahl, pp. 70-115. New Haven, Conn.: Yale University Press.
- Schlesinger, Arthur M., Jr. 1958. *The Coming of the New Deal*. Boston: Houghton-Mifflin.
- Schmitter, Philippe C. 1974. "Still the Century of Corporatism?" In *The New Corporatism: Social-Political Structures in the Iberian World*, ed. F.B. Pike and T. Stritch, pp. 85-131. Notre Dame, Ind.: University of Notre Dame.
- Schwartz, Mildred. 1974. "Canadian Voting Behavior." In *Electoral Behavior*, ed. R. Rose, pp. 543-619. New York: Free Press.
- Stjernquist, Nils. 1966. "Sweden: Stability or Deadlock?" In *Political Opposition in Western Democracies*, ed. Robert Dahl, pp. 116-146. New Haven, Conn.: Yale University Press.
- Streeck, Wolfgang. 1978. "Organizational Consequences of Corporatist Cooperation in West German Labor Unions: A Case Study." Berlin: International Institute of Management, discussion paper.
- Vignaux, Paul. 1943. *Traditionalisme et Syndicalisme*. New York: Editions de la Maison Francaise.
- Wilensky, Harold L. 1967. *Organizational Intelligence: Knowledge and Policy in Government and Industry*. New York: Basic Books.
- Wilensky, Harold L. 1975. *The Welfare State and Equality*. Berkeley, Calif.: University of California Press.
- Wilensky, Harold L. 1976. *The 'New Corporatism,' Centralization, and the Welfare State*. London: Sage Publications.
- Wilensky, Harold L. 1978. "The Political Economy of Income Distribution: Issues in the Analysis of Government Approaches to the Reduction of Inequality." In *Major Social Issues: A Multi-Disciplinary View*, ed. Milton Yinger, pp. 87-108. New York: Free Press.

Chapter 11

Toward a New Welfare State?

Hugh Heclo

... 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 undeserving, 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

Table 11.1
(Continued)

	Experimentation (1870s-1920s)	Consolidation (1930s-1940s)	Expansion (1950s-1960s)	Reformulation (1970s-?)
<u>Economics:</u> events	international diffusion of business cycle; dislocations of industrialization	depression, wartime planning, destruction, reconstruction in austerity setting	unexpected, sustained economic growth	unexpected combinations of recession and inflation
reactions	relief of distress via ad hoc exceptions to 'laws' of political economy	integration of social expenditures with doctrines of demand management	intensified commitment to full employment; growthmanship as solvent of economic tradeoffs	ad hoc attempts to subordinate social policy to a new sense of scarcity
<u>Politics:</u> events	workers movements, suffrage extensions, growth of mass parties	discrediting opponents of national government activism	political bidding and group competition for painless policy growth	political disaffection: electoral volatility; distrust in traditional appeals
reactions	policy innovations seeking to accommodate Liberal, Conservative and Socialist principles	all-party governments in war; emerging consensus on postwar reconstruction	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
<u>Social Policy:</u> form	innovation and volatility in programming; 'constitutional' argument on boundary problems	unification of previous experiments	filling gaps and extending inherited approaches	reopening 'constitutional' issues; inadvertent extension in boundaries of social policy
contents	dispensations for the deserving poor and working class; social insurance invented	remedies for risks shared by all citizens	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
value choices	attempts to reconcile liberty, equality, and security	demonstrations that the 3 values are mutually-reinforcing	denial that important value choices are at stake	new recognition of 'tragic' choices; search for positive-sum relationships