

Welfare State

Welfare state

- A solution to problem of incompatibility of democracy and capitalism
- Postwar bargain/embedded liberalism = free markets for capitalists and Keynesian welfare state for workers

Types of welfare states

- Decommodification versus spending
- Liberal: low decommodification, growth & efficiency
- Social democratic: high decommodification, labor force participation
- Conservative/corporatist: skilled work force, family orientation

Welfare regime	Degree of decommodification	Degree of stratification	Dominant welfare provider	Institutional design
Liberal	Low	High	Market	Means-tested social assistance, limited social insurance, and company-based welfare
Conservative-corporatist	Medium	Medium	Family	Bismarckian social insurance programs and NGO-based welfare services
Social democratic	High	Low	State	Universal social security and welfare programs

Source: Compiled by author based on Esping-Andersen (1990) and Aspalter (2011, table 2).

<i>Regimes</i>	<i>'Liberal'</i>	<i>'Conservative'</i>	<i>'Social-democratic'</i>
Prime examples:	USA, UK	Germany	Sweden
De-commodification	Low	Medium	High
Social rights	Need based	Employment-related	Universal
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Benefits	Flat benefits	Contribution-related	Redistributive

Sources: Esping-Andersen (1990); cf. Kohl (1993).

Causes of welfare states

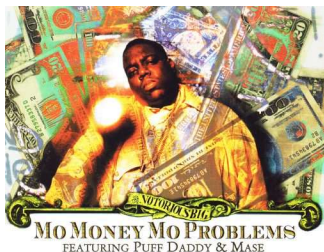
- Logic of industrialism – wealth, Wagner's law
- Left power – socialist parties and unions
- Institutions – more veto points => smaller welfare state

Welfare retrenchment

- Different dynamics of expansion and cuts
- Policy feedback
 - Welfare state creates interest groups
 - Negativity bias against cuts
 - Thus welfare state resilient?
- Blame avoidance as key to cuts
 - Cuts are hidden or delinked from politics

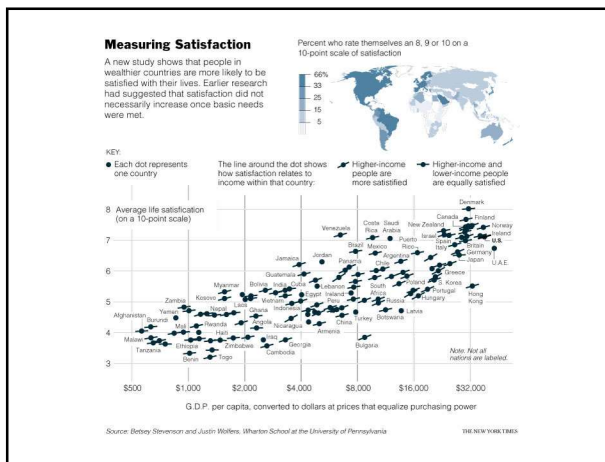
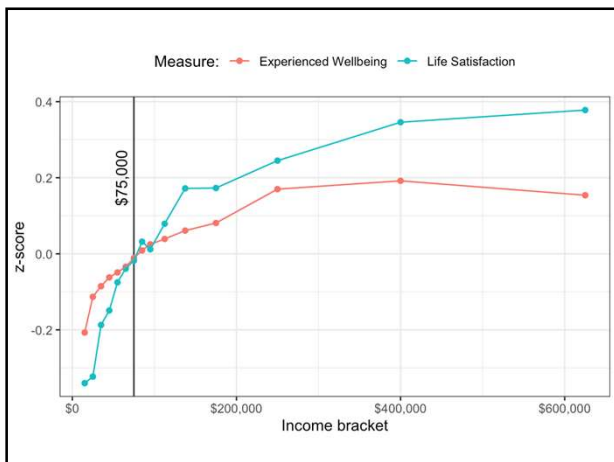
Debate: Money and happiness

- Does more money make people happier?



The Easterlin Paradox

- Economist Richard Easterlin finds that income doesn't increase happiness
 - Yes, the poor are unhappy
 - But richer countries not happier than poorer
 - Also, doesn't appear that people are getting happier over time as income rises
- Happiness depends on relative position?
 - You are happy if you are ahead of others
- But recent evidence different



What would policy look like if we tried to maximize happiness?

- Encourage people to get married?
- Encourage religiosity – subsidies to churches?
- Spend more on national sports teams (but zero-sum game)
- How to spend money to maximize happiness:
<https://twitter.com/emollick/status/1653061940795539456>

A better way: Global love rankings?

- Gallup survey: “Did you experience love for a lot of the day yesterday?”
- The Top: Philippines – 93%, Rwanda – 92%, Puerto Rico – 90%, Hungary – 89%
- The Bottom: Armenia – 29%, Uzbekistan – 32%, Mongolia – 32%
- Slovakia #110, Czech Republic #112, both at 58%
- We are a loving world: on average day 70% of world experiences love
- But how to increase love?

Discussion questions

Life in a conservative welfare state

NEUÖTTING, GERMANY — Manuela Maier was branded a bad mother. A **Rabenmutter, or raven mother**, after the black bird that pushes chicks out of the nest. She was ostracized by other mothers, berated by neighbors and family, and screamed at in a local store.

She felt ostracized after signing up her 9-year-old for lunch and afternoon classes — and then returning to work. “I was told: ‘Why do you have children if you can’t take care of them?’” she said. **Her crime? Signing up her 9-year-old son when the local primary school first offered lunch and afternoon classes last autumn — and returning to work. ...** Ten years into the 21st century, most schools in Germany still end at lunchtime, a tradition that dates back nearly 250 years ... For several mothers, their great-grandmothers’ maxim, “Kinder, Küche, Kirche” — children, kitchen, church — holds true, even if, as Mr. Haugeneder says, “increasingly it is a way of life people can’t afford.”

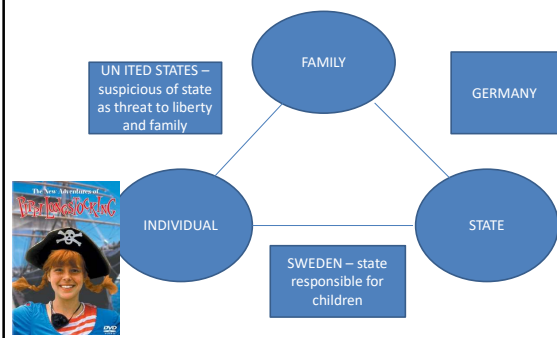
Conservative welfare state

- The conservative welfare state exemplified by Germany might seem strange at first glance, but could you make the case for some version of it in the future.
- On the one hand, it emphasizes high-skilled workers and provides differential benefits to support them.
- On the other, it focuses on families, which might be important given declining birthrates and the difficulties of raising a family.
- Is there something we can learn from the German model or are the inequalities disqualifying?

Individual, family, state

- I mentioned a speculative theory that would divide societies according to which of the triad of individual, family, and state they disfavor. Thus, in the US we would favor the individual & family and disfavor the state.
- Does this theory help us in understanding the welfare state and politics more generally?

A speculative theory



Future of welfare

- A number of political scientists have pointed to the resilience of the welfare state even when there is economic pressure or political opposition
- Does that mean that welfare state supporters don’t really need to worry about it being cut back? Under what circumstances do you think the welfare state would be endangered?

Cashification of welfare

- In recent years, many people have been advocating for UBI (universal basic income) or cash-based benefits in place of welfare services.
- Why do you think there has been a turn from focusing on services for the poor – healthcare, housing – to just providing money? Is it an ideological shift? A failure of existing programs?
- Is it a good thing? Should we just replace the whole welfare state with a universal cash benefit?

Education and welfare

- In the past, income was the key cleavage in voting. The poor supported left-wing parties and the rich supported the right.
- Today it is increasingly education that determines voting. The educated vote for the left and the uneducated for the (populist/nationalist) right.
- Does this have implications for the welfare state? Where will support come from in the future?

Welfare State

Today

- Varieties of welfare states
- Causes of the welfare state
- Retrenchment and the future of the welfare state

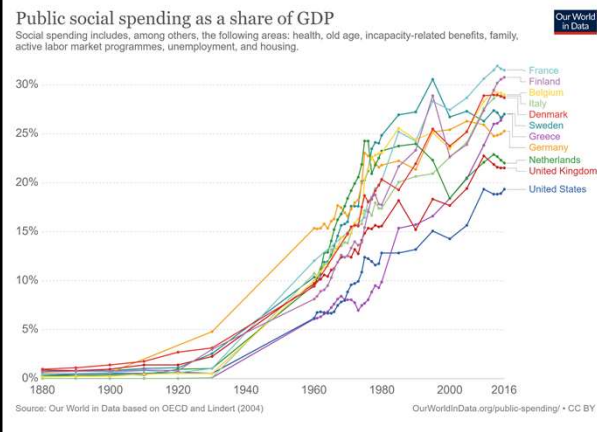
From last lecture

- Welfare state key part of postwar bargain
 - Free markets in exchange for welfare state
- Allows free market and open economy to be accepted by all classes

1. Varieties of welfare states

T. H. Marshall, Citizenship and Social Class

- Three major expansions of rights
- 18th c.: Civil rights (speech, assembly, press)
- 19th c.: Political rights (democracy, voting)
- 20th c.: Economic rights (welfare state)
- Assumption of natural progression



Is social spending the key?

- Do unions fight for a percentage of GDP?
 - Typically, they want certain benefits: pensions, unemployment insurance
- Details of programs are important: eligibility, generosity, duration

Decommodification

- Degree to which welfare state allows people to maintain their living standards independent of market forces
 - Recall Polanyi
- Can citizens without work maintain their income and general welfare?
 - Are benefits equal to normal wages
 - Do benefits depend on prior contributions?
 - How long do benefits last?

Liberal welfare state

- Little decommodification; market determines social status
 - Entitlement rules strict: means-tested
 - Benefits usually low even for universal programs
- Beneficiaries mostly poor and benefits associated with stigma
- Political logic: emphasis on efficiency & economic growth plus individualistic ideology
- Examples: US, Canada, Australia

Social democratic welfare state

- Highly decommodifying and universal
 - Benefits at middle class standard
 - Benefits open to all classes
- Dependent on high levels of employment to generate revenues, esp. women
- Political logic: benefits have to be attractive enough that middle classes use and support
- Examples: Scandinavia

Conservative/corporatist welfare state

- Partially decommodifying
 - Rights attached to social class
 - State role to preserve social status
- Family-focused: benefits encourage single earner for family
- Political logic: corresponds with traditional social values, maintains highly skilled workers
- Examples: Germany, Austria

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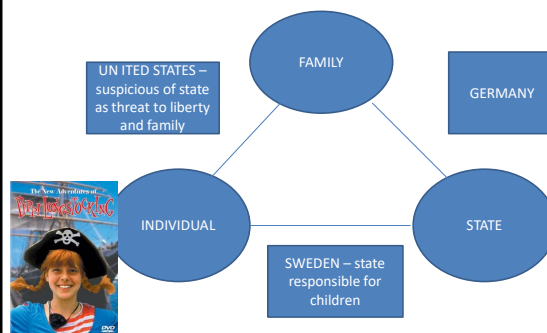
Problems

- Few states are pure types
 - Eg, UK seems liberal, but universal national health service
- Many states don't fit: How many worlds?
 - Mediterranean type: family networks, lower spending, limited access, mostly pensions
- Changes over time

Which works the best?

- Social democratic model best at protecting from poverty and unemployment
 - But Sweden has to reform in 1990s
- Is it a fair comparison?
 - Small, homogeneous, educated states (SWE) versus large, heterogeneous states (US)
 - What about other values: growth, innovation, and efficiency

A speculative theory



Welfare State

Today

- Varieties of welfare states
- Causes of the welfare state
- Retrenchment and the future of the welfare state

2. Causes of the welfare state

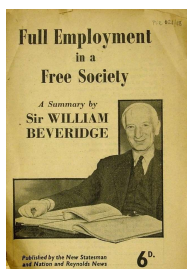
Paradoxical birth of welfare state

- First large-scale national welfare programs initiated by right-wing authoritarian government in Germany
 - Insurance elements based on workplace
- Attempt to buy off working class so that they don't support socialists and communists



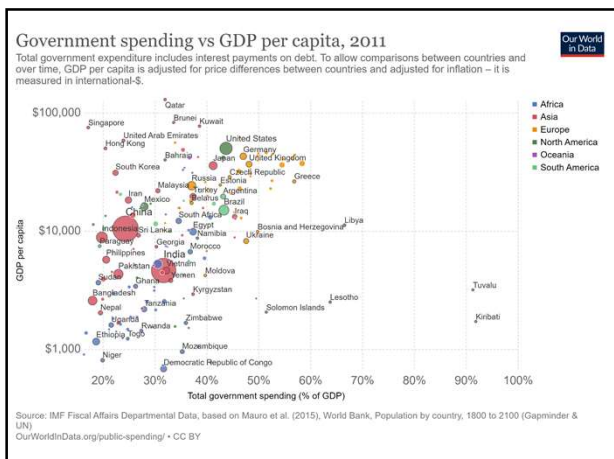
Beveridge in UK

- Wartime report by William Beveridge recommends creating national insurance for sick, unemployed, and retired
- Churchill loses first postwar election and Labour government implements National Health Service and other basics of welfare state



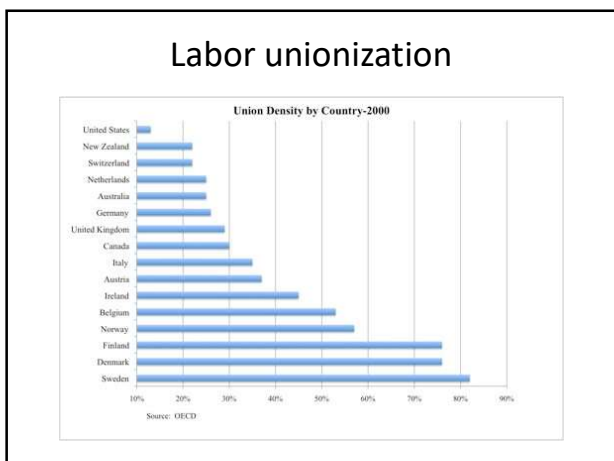
Logic of industrialism

- As countries grow richer, they develop a larger welfare state – Wagner's Law
 - Citizens like welfare state, but need to wait until state can afford it
- Seems to apply at broad level: Western Europe versus Third World
- But can it explain differences within rich countries? Over time? Mechanisms?



Left power

- Size and decommodification of welfare state correlated with strength of social democratic party and labor unions
 - Main forces which fight for welfare state
- Seems to fit basic patterns: Social Democrats in Sweden versus Republicans in US
- But business sometimes pushes for welfare state. Why?



Institutions

- Veto points may prevent countries from instituting a welfare state
 - Actor whose assent required for bill to be enacted
- More veto points => smaller welfare state
- Consider healthcare
 - Switzerland, US: universal healthcare blocked by referenda or Senate or federalism
 - Sweden, UK: single party with no veto points leads to National Health Service
- But doesn't explain forces pushing for expansion

Why welfare state weaker in US?

- Politics
 - Courts block changes in direction of welfare state
 - Two party system more conservative – no socialist party in US
 - Stable political system – no upheavals: consider what happens after war
- Behavior
 - Racial prejudice and beliefs about deserving poor
 - Beliefs about laziness versus misfortune

Public opinion in US & Europe

- Are poor people trapped in poverty?
 - 29% of Americans
 - 60% of Europeans
- Does luck determine income?
 - 30% of Americans
 - 54% of Europeans
- Are poor people are lazy?
 - 60% of Americans
 - 24% of Europeans

3. Welfare state retrenchment

Welfare state as victim of its own success

- End of postwar boom
 - Slowing growth and productivity
- Rising cost of welfare state: aging societies
- Reduced incentives to work & hire
- Globalization/EU and race to bottom
 - Multinational firms relocate to low-wage

Has the welfare state been cut?

- Image of Reagan and Thatcher as great cutters of welfare state
- But largely unsuccessful
 - Reagan focuses on tax cuts; social spending constant, only success is small public housing cuts
 - Thatcher more successful at beating unions; in social policy only housing & pensions



Is retrenchment the inverse of expansion?

- Cutting programs is not the opposite of expansion
- Different dynamics once programs are established
 - Entitlements to benefits enshrined in law
 - Interest groups in favor of benefits
- Welfare state harder to cut than expand

Policy feedback

- Welfare state policies generate support
 - Interest groups who benefit can mobilize around programs
 - Harder for opposition to mobilize: dispersed, smaller gains
 - Negativity bias: losing a benefit is more painful than gaining an equivalent benefit

How to cut the welfare state

- Obfuscation: make unpopular cuts invisible
 - eg, complicated changes in benefit formulas
- Timing: unpopular cuts at the beginning of an electoral term
- Divide and conquer: remove particular groups from beneficiaries
- Compensation: create new programs to divert attention from old

The Future?

- Social programs typically largest part of budget – often >40%
 - Pensions, healthcare, housing, social assistance
- Cost rising as populations age
- Also rising healthcare costs
- Declining fulltime employment
- But welfare state still very popular
 - Even in US!