MYLES WILLIAMSON · AGE, CLASS, POLITICS AND THE WELFARE STATE, S. 22 - 47

2. Theoretical perspectives on the welfare state

The remarkable growth of explanations and studies of the welfare state has brought about some theoretical disorganization. Scholars often fail to distinguish adequately among the various explanations, use broad terms such as *pluralist* or *neo-Marxist* to cover quite different arguments, and gloss over the fact that different theories contain similar arguments. It is well worth the effort to systematize the different theories of the welfare state into a parsimonious yet meaningful scheme that can guide the specification and testing of the hypotheses to follow in the empirical chapters. We begin this effort by making a distinction between demand-based theories, which attend to the externally generated demands of groups and classes for spending, and state-based or supply theories, which consider the characteristics of states that autonomously determine the supply of spending. Concentrating initially on the demand theories, we review the three questions raised at the outset of the book but attach more distinct theoretical labels to the answers and systematically present the theories. We then turn to the state-based theories, laying out their basic arguments and predictions and contrasting them with those of the demand theories.

Demand theories

To review, theories of the welfare state address each of the three questions we discussed in the first chapter. First, does welfare spending respond primarily to class structure and class interests or to economic development and the size of ascriptive groups such as the aged? Second, does the welfare state redistribute income to groups most in need and reduce inequality, or does it maintain inequality and the power of dominant classes or interest groups? Third, do technological, economic, and class constraints limit the independent actions of democratic political institutions to affect welfare spending and social equality, or can democratic political processes and parties counteract economic pressures to raise or limit social welfare spending? Because these questions are presented as clear dichotomies, the answers to them are simplified, but they still allow us to compare and contrast the basic positions of existing theories. As a preview of the

Table 2.1. *Summary of theoretical predictions*

Theory	Class-based	Reduced inequality	Politics independent
Industrialism	No	Yes	No
Monopoly capitalism	Yes	No	No
Social democratic	Yes	Yes	Yes
Interest group politics	No	No	Yes

more detailed treatment to follow, we can briefly summarize the theories by connecting them to the preceding questions.

First, *industrialism theory* explains the welfare state as the necessary result of technological development (Kerr et al., 1964). This theory assumes that welfare spending helps maintain economic and social equilibrium in industrial societies. In functional terms, the welfare state benefits all members of society, but the needy who receive the benefits are rewarded most directly (Wilensky, 1975). Since it transfers income from the well-off to the poor, welfare spending leads to lower inequality. Overall, the theory predicts nonclass determinants of social welfare spending, reduction of inequality from welfare, and little influence of democratic politics on either. These arguments are summarized in Table 2.1, where the dichotomized answers of the industrialism theory to the three questions are listed in the first row.

Second, neo-Marxists, who disagree with the functionalist assumptions of industrialism theory, offer arguments that are similar in nature but different in their implications. Rejecting the view that industrial growth and welfare benefit all members of a society and reduce inequality, O'Connor (1973) argues that welfare functions to maintain the power of capital and reduce social protest. Although such arguments attribute little independence to the state, they have been extended to consider how a more autonomous state can mediate class struggle while maintaining conditions for capital accumulation (Poulantzas, 1978; Offe, 1984). The *monopoly capitalism theory*, then, predicts class determinants of social welfare spending, no effect of welfare on equality, and little influence of democratic politics on either (see Table 2.1).

Third, another neo-Marxist theory focuses on the strength of worker movements and the social democratic or socialist parties that represent them in the political class struggle. Like the monopoly capital theory, this theory emphasizes the importance of class; yet, it argues that the welfare state results from the political efforts of a strong working class rather than from monopoly capital. The political efforts of workers can lead to the election of leftist parties, which then implement welfare programs that redistribute income to workers and the poor. The *social democractic theory* predicts class determinants of social welfare spending, reduction of inequality from welfare, and important class-based political influences on both.

Fourth, an *interest group politics theory* claims that democratic political institutions combined with demographic and economic changes in group structures explain the growth of welfare spending. Unlike the functionalist views of the industrialism theory, it emphasizes the impact of political conflict and mobilization of interest groups in democracies. Unlike class theories, it recognizes the competition among a variety of ascriptive and economic groups that transcend and fragment the distinction between labor and capital. The state and democratic political processes have the potential to influence the economy, according to the theory, but since spending goes to groups with the most political power, the influence is seldom in the direction of greater equality.

This brief review fails to capture the complexities of the theories and provides only a preliminary overview of what is discussed in more detail in the next sections. However, it does illustrate several themes that run through the various theories. To some degree, each theory addresses common questions and offers a unique set of answers to the questions. This is apparent in Table 2.1, which shows, in simplified form, how the combination of predictions uniquely defines the theories. It also provides a strategy for testing the theories. For any single issue or question, the theories overlap; it is only when at least two of the questions are considered that the theories can be fully distinguished and tested.

Another way to compare the theories is to cross-classify the questions and answers. This is shown in Table 2.2. The rows in the table identify the different views of the role of class in social welfare spending; the columns classify the redistributive consequences that welfare spending may have; and the diagonals indicate which of the institutions – economic or political – dominate welfare spending and equality.[1] Each cell defines one of the four demand theories of the welfare state. Given the $2 \times 2 \times 2$ classification, there are eight potential cells but only four theories. This indicates overlap in the classification (or overidentification): Two of the dimensions are sufficient to identify each of the theories, and the third is redundant. However, considering all three dimensions shows precisely how each theory (1) shares some arguments with each of the other theories and (2) differs in important respects from each of the other theories. The monopoly capitalism and social democratic theories share assumptions about the dominance of class cleavages, and the industrialism and interest group theories share pluralist assumptions. Monopoly capitalism and interest group theories both argue that the welfare state maintains inequality, whereas the industrialism and

Table 2.2. *Typology of theories of social welfare spending, social equality, and the influence of political institutions*

	Maintain inequality[a]	Structural dynamics		Reduce inequality[a]
		Primarily economic (structuralist)	Political and economic (group agency)	
Organizational unit for mobilization of interests	Social classes	Monopoly capitalism theory	Social democratic theory	
	Social-demographic groups (strata)	Industrialism theory	Interest group politics theory	
	Reduce inequality[a]			Maintain inequality[a]

[a] Dimension refers to the diagonals of the table.

social democratic theories argue that it reduces inequality. The industrialism and monopoly capitalism theories, despite having widely divergent ideological bases, both focus on the response of state action to economic and productive relations, whereas the social democratic and interest group theories, also from widely different ideological perspectives, attribute the ability to political institutions and parties to act independently of economic structures. With this background and overview in mind, we can consider in more detail each of the theories.

Industrialism theory

First, we can consider the logic of industrialization or industrialism theory as applied to the welfare state and social equality. Advocates of the theory (Kerr et al., 1964; Form, 1979; Kerr, 1983) argue that the technological imperatives of industry shape the economic and social institutions of all industrialized nations. As a result, nations tend to converge, or become more similar, as they industrialize (Inkeles, 1981). Like other institutions, the state responds to exogenous technological imperatives and takes a specific form in all advanced industrial nations. The state performs a regulatory function to help organize and plan for technological development and to provide the stable environment needed for complex production procedures. Expansion of the state is closely tied to the direct requirements of the industrialization process and contributes to economic progress (Goldthorpe, 1969).

Implications for determination of social welfare spending follow from these general arguments. Industrialization involves dislocations and differentiation in family and work. Urbanization, divorce, geographical mobility, and smaller families reduce the functions of the family and the support it can provide during periods of financial need. At the same time, the demands of industry for young, recently educated, efficient workers create employment problems among the sick, the unemployed, single-parent families, and the aged. Since many vulnerable persons are unable to obtain traditional support from family members, the state, serving as a mechanism to meet the needs of the population, expands to provide social welfare support. The benevolence of the state, a more or less automatic response, stems ultimately from the needs of industrialization. Support for superfluous groups through welfare spending allows employment of a specialized, skilled labor force that contributes to economic growth in industrial societies.

An early statement of much the same argument comes from Wagner (1983 [1883]). His *law of increasing state activity* holds that the size of the public sector relative to the private sector rises with real per capita income. In part, public sector growth is a response to the expanded administrative needs of an increasingly complex industrial society (Larkey, Stolp, and Winer, 1981). Perhaps more importantly, the public sector grows because the demand of households for services and their willingness to pay taxes are income elastic (Cameron, 1978). The need of governments to meliorate the harmful effects of industrialization thus occurs simultaneously with increases in income, which enables funding of public programs.

Besides income, demographic changes in age structure are important for the growth of the welfare state. Because of the growth, in absolute and relative terms, of the aged and retired population in industrial societies and loss of traditional family support, much of the social welfare effort of governments is directed to the aged (Wilensky, 1975). Private pensions, if they exist, are seldom adequate, so the state responds to the financial plight of this population by providing public pensions. Again, the state is not an autonomous force in the growth of pensions but responds to substructural changes in the age structure, family, and labor force.

In addition to arguments about the aged, other aspects of population structure may be important in the determination of welfare spending, particularly in developing nations. Entwisle and Winegarden (1984) argue that as fertility and

family size decline, parents recognize that there will be fewer children to support them in old age. Children, as they grow to adulthood, likewise recognize that they have fewer siblings with whom to share the burden of supporting their parents in old age. Pressure for governmental old-age pensions thus comes from nonaged family members and relates to the number of children relative to the number of parents they have to support. Like proponents of other industrialism arguments, Entwisle and Winegarden emphasize the response of governments to the needs of the population, but consider the effects of declining fertility during industrialization as well as those of the increasing aged population.

According to the industrialism arguments, technological and industrial development leads to reduced inequality, partly through the growth of social welfare and pension spending. Directly, the logic of industrialization leads to greater social equality through the growth of middle-level occupations, greater knowledge and skills of workers, higher educational levels, increasing worker control over crucial knowledge, and growth of high economic rewards (Kerr et al., 1964). Indirectly, industrial development leads to greater social equality through higher welfare spending. Groups in need receive the greatest share of welfare expenditures, and, on the whole, the effects of welfare spending are egalitarian (Wilensky, 1975).

Because of the common economic and demographic constraints, state actions in general and social welfare expenditures in particular tend to be similar among industrial nations (Pryor, 1968). A particularly important example of convergence relates to the comparison of capitalist and socialist nations. Given that both desire industrial development and face the homogenizing demands of advanced-industrial technology, work, public policies, and inequality in the different societies have much in common (Parkin, 1971; Connor, 1979) despite vastly different political systems and forms of economic ownership. The systems are clearly not identical: The form of welfare spending may vary from cash transfers in capitalist societies to full employment and state-owned housing in socialist nations. Yet, the demands leading to the varying forms of social welfare are the same in both types of societies (Bell, 1973).

To sum up, we can describe the theory in terms of the three dimensions listed earlier. First, the theory recognizes but minimizes the importance of class divisions and gives primary attention to a variety of economic and demographic groups, with particular attention to the aged. A pluralist conception of group competition best fits this theory; consensus and cooperation, with regulation of competition by the state, is the norm among these multiple groups. Second, the theory argues that the welfare state is on the whole egalitarian in result. Wilensky's study offers a defense of the efficacy of the welfare state; others similarly see problems in the welfare state as due to failures of desire and implementation rather than problems inherent in such programs (Mishra, 1984). The welfare state benefits not only the needy but society overall through its contribution to industrial growth. Third, the theory sees the state as responsive to the needs of technology and industry and, as a result, responsive to the economic and demographic needs of the population. Although not denying the necessity of political democracy for long-term industrial development, the theory nonetheless attributes little independent influence to the political parties that occupy the government or to the institutional structures of the state. Since all political parties favor economic growth, all support the demands of industrial and technological development.

Critique. Critics of the industrialism theory focus on weaknesses in both the theoretical arguments and the quality of empirical evidence in support of them. Theoretically, the industrialism arguments fail to specify clearly the mechanisms by which problems or needs of the aged and other groups translate into higher social welfare expenditures. Entitlement provisions in welfare programs may automatically raise expenditures in response to more recipients; deprived groups or their professional and bureaucratic representatives may exert political pressure to raise spending; or leftist and working-class parties acting in the interest of the subordinate classes may intervene to raise spending. By emphasizing the automatic response of governments to the needs of the population, industrialism theory only vaguely identifies the causal linkages involved.

In addition, industrialism theory fails to predict or account for the financial problems and weakened political support for the welfare state apparent in many advanced industrial nations. Given that the welfare state responds to the needs of industries and groups adversely affected by industrialization, and contributes to economic growth and increased equality, there is little reason to expect the emergence of sustained political opposition to the welfare state in recent years. Because of the functionalist emphasis on equilibrium, and the assumed responsiveness of the welfare state and political institutions to the imperatives of industry, industrialism theory applies less well to the crisis of the welfare state in the 1970s and 1980s than it does to the consensus in the 1950s and 1960s. The theoretical assumptions formulated during optimistic earlier decades may not generalize well to other time periods and cast doubt on the general validity of the theory.

Empirically, support for the industrialism theory comes from a number of studies, most of which quantitatively analyze a large cross section of developed and developing nations. Cutright (1965) and Jackman (1975) examine the experience with social insurance programs, and Wilensky (1975) and Aaron (1967) look at the actual expenditures of nations for various programs. Most of these

authors also study income inequality (Cutright, 1967; Jackman, 1975; Wilensky, 1975). Their results generally show a strong influence of economic development and percentage aged on various forms of social welfare effort and a strong influence of social welfare effort on income inequality. Political variables, except for some weak effects of political democracy, have little effect on any of the dependent variables. Such findings have been updated by Wilensky (1976, 1981), who adds corporatism to the determinants of social welfare spending, and by Entwisle and Winegarden (1984), who add fertility to the determinants of pension expenditures. Other more specialized studies of infant mortality (Shin, 1975), educational institutions (Inkeles and Sirowy, 1983), and female labor force participation (Wilensky, 1968) find strong effects of industrialization and modernization variables.

However, these quantitative studies may be methodologically flawed. Castles and McKinlay (1979) argue that because there is a bimodal distribution of nations on development, with a huge gap between advanced industrial nations and others, analysis of both clusters together merely shows that rich nations can afford to spend more on social welfare than nations with barely enough food to feed the population – a trivial conclusion. What is needed to support the industrialism theory is the demonstration of a relationship between development or percentage aged within as well as across these clusters.[2]

Neo-Marxist theories of advanced monopoly capitalism

The late 1960s and 1970s proved to be a period of theoretical innovation and resurgence for Marxist theory. The neo-Marxist theories, at least as they apply to the welfare state and social equality, differ in important respects from traditional Marxist theory and deal with a number of problems in the original formulations (Buroway, 1982). This theoretical revival has led to a variety of new ideas, each with its own variations on the standard arguments. What links them is their focus on class conflict and productive relations in societies and their view of the capitalist state. In this section, we focus on these neo-Marxist theories of monopoly capitalism (in the next section, we consider a group of fundamentally different neo-Marxist theories of working-class strength).

According to the monopoly capitalism theories, the state plays a more active – albeit not completely independent – role in advanced monopoly capitalism than it did in the theories of Marx. Traditional Marxist theory views the state as an instrument to be filled and controlled by representatives of the dominant class and to serve primarily as a means to repress protest among workers. In contrast, the work of O'Connor (1973), Offe (1984), and Poulantzas (1973, 1978) sees the state as crucial to capital reproduction. For O'Connor (1973), the state must perform two major but contradictory functions. The first is to assist in private capitial accumulation. In order to increase the productivity of labor and the profits of capital, the state subsidizes the costs of education, social insurance, research and development, and transportation and communications. The second function is to maintain social harmony or legitimacy through expenditures for nonproductive parts of the population (e.g., public assistance, food and housing subsidies). These expenditures control the surplus population politically and expand demand in domestic markets.[3] The purposes of these two types of expenditures are ultimately contradictory. With subsidies from the state, monopoly capital grows in the short run, but in the long run it necessarily overproduces, contracts, and lays off workers. Since the state receives few of the profits during periods of economic growth and must support surplus workers during periods of economic recession, public costs exceed revenues. Hence, the fiscal crisis of the state emerges. Offe (1984) makes the similar point that monopoly capitalism must preserve the commodification of labor for economic growth and at the same time decommodify labor to reduce the harmful effects of the private market. Both processes are necessary for the survival of monopoly capital but are inherently contradictory. Recurrent crises of fiscal policy, national planning, and population loyalty occur, making governance in capitalist democracies problematic (Offe, 1984). Given the structure of monopoly capitalism, then, advanced capitalist economies converge in both levels of state expenditures and the economic and social problems that result (Gough, 1979).

In part to deal with inevitable crises, capitalism may transcend the boundaries of individual nations. The need for capital accumulation leads to the search for foreign markets and cheap foreign labor. Through economic and trading ties, as well as political and military relations, low- and middle-income peripheral and semiperipheral nations are exploited by multinational corporations in the core nations. Just as in core nations, forms of foreign aid and welfare spending may emerge in noncore nations to maintain social harmony in the face of the harmful effects of capitalist production (O'Connor, 1973). Capitalism still creates, even among economically dependent nations, the same problems of unemployment, poverty, and social discontent and the same need for social welfare spending to maintain conditions for continued capital accumulation as in core nations.

The state in monopoly capitalism need not be directly manipulated and occupied by class-conscious capitalists (Block, 1977; Przeworski and Wallerstein, 1988). O'Connor (1973) sees the state as a partner in capital accumulation and Offe (1984) as the outcome of the contradictions of capital accumulation. Poulantzas (1973, 1978) further extends the concept of the relative autonomy of the state. He argues that the state must neutralize contradictions rooted in capitalist economies in order to reproduce the capitalist structure. The state functions to atomize working-class interests and organize unity within the capitalist class. This requires an autonomous state that transcends the short-term interests of a few capitalists in the longer-term interests of the class (see also Gough, 1979). Ultimately, the state may become the site of class struggle and mediate conflict between class power blocks (Poulantzas, 1978; Quadagno, 1984). Whatever the views, however, they are related by their assumption that the state is embedded in the capitalist system and must contribute to capital accumulation. The state may be relatively autonomous, but it cannot be emancipated completely from the constraints of the capitalist logic of accumulation (Gold et al., 1975; Przeworski, 1985:201).

Up to this point, the monopoly capitalism theories show some similarities to the functionalist, ~~industrialism theories.~~ Myles (1984) argues that both theories are structural-functionalist, since both see the welfare state as responding to functional imperatives: In one case, the imperatives are technological; in the other case, they relate to the needs of monopoly capitalism. In Stinchcombe's (1968:80) terminology, functional explanations treat the consequences of a social arrangement as the causes of that arrangement. Monopoly capitalism theory, by focusing on the beneficial consequences of welfare spending for capital accumulation, relies on a functional explanation. The explanation differs from that of functionalist theory in that there is no focus on general societal needs or equilibrium – only on the needs of the capitalist class – but the similarities of the two theories should not be overlooked (Stinchcombe, 1968).[4]

The theories more strongly diverge over the effectiveness of social welfare spending in reducing inequality. According to the monopoly capitalism theory, the welfare state reduces class tensions, but without threatening control of the capitalist market. Social insurance programs are most likely built up from the contributions of workers themselves and do little to transfer income from the rich to the poor (Stinchcombe, 1985). Other types of programs may place income in the hands of the needy, but they do not cover the loss in wages brought about by changes in the capitalist economy; whatever the benefit levels to the unemployed, retired, or single-parent families, they do not equal income from productive employment. If, as some claim (Szymanski, 1978), taxes to finance welfare programs are regressive, even meager benefits to the poor may do little more than return to the poor what they contribute to the government. Although offering some short-term benefits to the poor, public assistance programs more importantly dampen discontent and help maintain the environment for capital accumulation (Offe, 1972; O'Connor, 1973). Rather than a means to achieve equality, the welfare state is a means of social control employed to regulate and exploit the lower classes (Piven and Cloward, 1971). Although advocates of the theory are vague about whether they support dismantling of the welfare state (Mishra, 1984), they are critical of its intent, hold opinions similar to those of neoconservative critics of the welfare state (Skocpol, 1985a), and reject the welfare state as a source of equality for the poor and the working class.

Neo-Marxist arguments have also been extended and applied to the aged, but again differ from industrialism arguments. Piven and Cloward (1971) argue that Social Security in the United States was a response of the government to social protests such as the Townsend movements. Although the program offered meager benefits and covered modest numbers of workers, it quelled the protests and maintained conditions for the growth of capital. Similar points are made in more detail by Laura Olson (1982). Aged persons in modern capitalist societies become the least productive workers (as also argued by industrialism theory) and face loss of work. Public pensions mute the protests that result from forced retirement while raising the productivity of the work force. Private pensions, although benefiting retirees to some degree, have the more important characteristic of providing a source of capital for further investment. Pensions are thus a form of social control that reinforce existing inequalities.

In summary, there are many diverse neo-Marxist views of the state, yet they share a number of common attributes.[5] The welfare state is seen as a response to the contradictions of advanced monopoly capitalism and is largest where capitalist power is most concentrated. The welfare state relieves pressure from the contradictions in the short run, although this does little to change the nature of class relations, the power of capital, or the levels of social equality. The state may become relatively autonomous compared to traditional Marxian conceptions but is not a source of structural change for the good of the working class. This creates considerable ambivalence toward the welfare state among neo-Marxists. While arguing that the welfare state creates and exploits a permanent underclass (Offe, 1972), advocates of the theory likely oppose the logical goal of dismantling the welfare state (e.g., compare Piven and Cloward, 1971 and 1982). Still, this ambivalence distinguishes the theories from others that support the welfare state more unambiguously.

Critique. Monopoly capitalism theory avoids one problem of industrialism theory – it does not reify societal needs. It specifies which groups benefit from the structure and which do not, and recognizes conflicting interests among groups. Even so, monopoly capitalism theory and neo-Marxist theories are subject to other criticisms of functionalist arguments: They tend to be tautological and difficult to falsify. The theories assume that state policies benefit the capitalist class; empirical study then illustrates how events can be interpreted to fit the assumptions. When contrary evidence is indisputable, the arguments are reframed to maintain the original assumptions without allowing the assumptions to be falsified. As Cawson (1985:4–5) states, "neo-Marxism asserts a structurally guaranteed dominance for class interests of capital through the institution of the state. Evidence of state policies which favor noncapitalist interests is rendered by some theorists consistent with this assertion by the tortuous logic of the idea of the relative autonomy of the state." The theories thus lack specific, testable propositions and rely on abstract assertions that are plausible but difficult to prove false.

A related weakness of the neo-Marxist theories is that they devote little attention to explaining the diversity among similar capitalist nations. None of the theories attempts to make systematic comparisons across nations, and each assumes that its arguments apply to all advanced capitalist economies. Yet, enormous variation in welfare state policies exists among capitalist nations that is not adequately explained by the neo-Marixist theories. Even if all capitalist nations face the same accumulation demands, each nation may fulfill them differently.

Another criticism of the neo-Marxist theories is that they provide inadequate treatment of democratic politics. The argument that the state is autonomous coexists with the argument that incumbents in the government make little difference in the level of social welfare spending. The argument of autonomy must be accepted to deal with many examples of policies implemented that were opposed by capitalists. Yet, the next logical step, that the state may act against the needs of capital, is not taken. Skocpol (1980) argues that neo-Marxist theories really do not take the state seriously, since they do not recognize the potential of the state, independent of class structure, to realign economic institutions and productive relations. Similarly, Stephens (1979) and Korpi (1983) criticize the theory for ignoring how public policies respond to democratic elections and philosophical differences between parties. The theory's excessive economic determinism fails to account for the different policies of nations like Sweden and the United States, which vary in the electoral power given to social democratic or labor parties.

Finally, although illustrative evidence exists for the monopoly capitalism theory, there is little systematic empirical support. Griffin's time-series studies of the United States (Griffin, Devine, and Wallace, 1983; Griffin and Leicht, 1986) show that measures of economic downturn, such as unemployment in competitive sector industries and industrial utilization, affect transfer payments net of government revenues, inflation, defense expenditures, and transfer payments lagged (see also Isaac and Kelly, 1981, Devine, 1983, 1985, for similar studies). Their model, however, explains short-term fluctuation in payments rather than long-term growth of, or cross-national differences in, the welfare state. Debate also exists over the validity of treating endogenous variables in the budget-making process – revenues and expenditures – as exogenous (Jennings, 1983; Jencks, 1985). Cross-national studies show less support for the theory. Stephens (1979) and Myles (1984) use a measure of monopolization (in part estimated from gross domestic product) but find that it has no effect on social welfare or pension spending. Hicks and Swank (1984) use a measure of assets of the world's largest industrial corporations in a nation divided by GNP and find positive effects on cash transfer payments. Although their measure is promising, its influence needs to be replicated before it offers firm support for the theory. Thus, systematic empirical evaluation of the theory remains to be done.

Working-class strength, social democracy theory

The third theory shares the assumption of the dominant role of class conflict in capitalist societies but differs from the monopoly capitalism theory in its view of the relative power of the subordinate class. Where monopoly capitalism theory sees welfare spending as a means for capital to maintain its dominant position (at least temporarily), the working-class strength theory sees welfare spending as a reflection of the political power gained by workers. Although markets may place workers under the control of capital, politics in democratic nations provides the resources for workers to counteract, through social welfare spending, the harmful effects of markets (Esping-Andersen, 1985a). Working-class political power rather than capitalist dominance of the economy thus becomes crucial for the growth of the welfare state.

The major point of the working-class strength or social democratic theory is well summarized by Shalev (1983:319): "the welfare state is a class issue . . . its principal proponents and defenders are movements of the working class." The welfare state is an outcome of democratic class struggle, and levels of expenditures reflect the balance of class forces in a society. The theory assumes, first of all, that the basic cleavage in society – between capital and the working class – is reflected in political behavior (Korpi, 1983). In developed nations, parties are based on the upper and lower classes, with low-income persons voting for the left and high-income persons voting for the right (Lipset, 1964). Workers and capitalists are not the only relevant groups, and alliances with other groups may be necessary for electoral victory (Esping-Andersen, 1985a, 1985b). Yet, the group most important to the growth of the welfare state, and the source of power of leftist parties, is the working class. Secondly, it assumes that the choices and actions of the government and the dominant party define the characteristics of the welfare state. Unlike other neo-Marxist theories, this theory proposes that the state autonomously and substantially affects economic relations, and is not necessarily dominated or constrained by capital. The power of the state may be wrested from the capitalist class by workers through democratic means. Then social democratic or socialist parties that represent the working class dominate the government, and spending for social welfare is high. When dominated by rightist parties that do not represent the working class, governments spend little for social welfare (Castles, 1982).

The degree of working-class power, represented by the size and centralization of reformist labor unions, then, determines whether or not leftist parties are elected and expand social welfare spending. In the economic sphere, since power depends on ownership of capital, labor occupies a subordinate position. However, labor can obtain power resources in the political sphere through organization of its relatively large numbers. Where unions are organized, strong, and large, they can translate these resources into political power that can compete with and win over market power in the class struggle for equality. Where union strength is fragmented and employers have more power, centrist and rightist parties are elected, governments are dominated by capital, and welfare spending is low. What, then, determines when unions will be centrally organized and able to obtain political power? The underlying causes of working-class strength depend on the unique historical circumstances of nations. Stephens (1979) emphasizes that small population size, late industrialization, and vulnerability to external economic forces lead to a strong working class, but beyond this, working-class organization is treated exogenously.

The social democratic arguments can be restated more broadly in terms of conflict over citizenship rights. Citizenship involves expansion of civil and political rights to include social rights to access to a tolerable standard of living (Marshall, 1964; Zald, 1985). Social democratic theorists emphasize political conflict over the desires of classes to tie income and services to either labor force participation or citizenship rights (Hasenfeld et al., 1987). The ability of the working class to rectify social inequalities through expansion of citizenship rights to economic well-being and social inclusion thus depends on union organizational resources, the political power of social democratic parties, and expanded welfare spending.

The social democratic theory explicitly applies to advanced industrial democracies. Political democracy and economic development are necessary but not sufficient conditions for growth of the welfare state. Economic development creates a large working class and the material basis for redistribution of income; political democracy allows a large, organized working class to gain political power. However, only when unions and leftist parties use these conditions to organize the working class can they gain power, implement policies favorable to the working class, and increase social welfare spending. Among the advanced industrial democracies, according to Korpi's (1983) classification, Sweden, Austria, and Norway have had the highest union mobilization and the most stable leftist control of government, and have the highest social welfare spending and equality. Other nations with high union mobilization and occasional leftist control (Denmark, New Zealand, the United Kingdom, and Belgium) also have high spending and equality. Nations with low mobilization and exclusion of leftist control, such as Canada, the United States, and Ireland, have low welfare spending and equality. Other nations fall between these extremes. Even though all industrial nations may face the same functional demands, these national differences in working-class strength and political party control determine how the demands are met and what role spending plays in the processes.

Although nearly all advocates of the social democratic arguments posit a direct, one-to-one relationship between the degree of leftist (or rightist) rule and the level or growth of welfare spending, some suggest that the relationship may be less simple. Hicks, Swank, and Ambuhl (1989) argue that the influence of leftist regimes varies, depending on the institutional strength of labor and the macroeconomic context. A strong union environment facilitates the realization of working-class demands in the form of leftist electoral programs, as it does the influence of status-based groups such as the aged. Hence, the influence of unions and leftist parties may occur only in combination rather than directly and additively.

The social democratic view of the consequences of social welfare spending on inequality follows straightforwardly from its view of the source and beneficiaries of welfare spending. Since welfare spending is supported by the disadvantaged working and lower classes who benefit from such expenditures, it must reduce inequality. One need only look at the lower income inequality and social democratic-controlled governments in Scandinavia, and compare them to the higher inequality and weaker labor parties in the United States, Canada, and Japan, to see the benefits of the welfare state (Stephens, 1979). It is also clear from these arguments that politics and political institutions independently influence economic relations and the structure of rewards in society through implementation of progressive taxation policies, income transfers, and reduction of poverty and income inequality. In this sense, the state is potentially autonomous of the capitalist class in capitalist societies. The state still responds to the structural characteristics of society, such as the organization of the working class, but is able to use political means to create economic and class change. As Stephens (1979) argues, there is a political, democratic road to socialism.

Myles (1984) applies the social democratic theory directly to pensions and the aged. Public pensions may benefit the working class in several ways so as to be consistent with the theory. Assuming that most workers receive little intrinsic satisfaction from their work, they would desire leisure if sufficient income were available to afford it (Barfield and Morgan, 1969; Bowen and Finegan, 1969).

Retirement is thus a desired status and a goal for which unions focus their collective bargaining efforts. This is consistent with the strong causal effect of pension benefits on the retirement decision found in studies of American men (Clark and Spengler, 1980). In addition, old-age pension contributions made by employers are a type of deferred wage. Other public pension contributions may come from general revenues and reflect transfers of income through taxes. In either case, public pensions – like private pensions – are a means for the working class to raise their wages (Myles, 1984). Public pensions offer the additional advantages of stability and security in benefits that are not available from private pension programs. Where private pensions may suffer from vesting or funding problems, government programs are guaranteed (Schulz, 1980). For these reasons, the growth of public pensions can be accounted for by the same factors explaining the growth of more general social welfare programs – namely, the strength of working-class and social democratic parties.

Critique. Critics of the social democratic theory point out that Marxist and neo-Marxist theories fail to deal with ethnic, racial, religious, and cultural cleavages that cut across class boundaries (Parkin, 1979). Class may be only a subsidiary influence on party choice, less important than language or religious differences (Lijphart, 1980; see also Kelley et al., 1985, for evidence on the decline of class voting in Great Britain). Even if class position dominates electoral choice, it is not clear that class-based policies can be directly implemented. Parkin's (1971) review of the evidence concludes that European socialist programs have not had clearly egalitarian results. To gain suppport, parties may need to move toward the center and avoid adopting strong positions that offend large parts of the electorate (Downs, 1957). For leftist parties, their unionized constituency in most countries is too small to gain control of the government without alliance with other groups; these alliances, however, may require a compromise of social democratic ideals (Przeworski, 1985). Even if labor gains control, implementation of a program may be difficult or impossible in the face of a powerful minority bloc opposed to the program. Hence, few differences may exist among parties in terms of the programs implemented or the effects of redistribution (Bollen and Jackman, 1985a). The class basis of political action and the egalitarian potential of class action may both be greatly exaggerated by the social democratic theory.

The emphasis of class theories on the political action of labor and capital to the exclusion of other groups active in the politics of the welfare state may, in particular, slight the aged. They may have interests that do not coincide with those of either the working or capitalist classes but that may still be a major source of political pressure for higher welfare spending. Pensions in particular may be less sensitive to class influence than other expenditures, since the connection between working-class interests and pensions – often seen as a middle-class program – is less clear than for unemployment or occupational injury benefits. In fact, interests of the working class and the aged may diverge over pensions. Generational conflict over the tax burden required to support generous pension systems may separate the working class and the aged. Although the social democratic theory is right to emphasize the role of politics, it may err in limiting its attention to class politics.

Despite these weaknesses, the empirical literature shows strong support for the theory. Of the studies of working-class power in the eighteen or so most developed democracies, "nearly all agree that the strength of parliamentary socialism is more important for welfare state development than other plausible influences" (Shalev, 1983:323). A list of studies that support the class arguments through various forms of cross-national, quantitative analyses includes Castles and McKinlay (1979), Castles (1982), Cameron (1978), DeViney (1983, 1984), Esping-Andersen (1981, 1985b), Friedland and Sanders (1986), Hewitt (1977), Hibbs (1978), Hicks and Swank (1984), Korpi (1983), Stephens (1979), Myles (1984), and Williamson and Weiss (1979). The studies differ in their measures of working-class strength: Some use leftist rule, some rightist rule, and others union density, union centralization, or strike activity. Yet, they all support a new orthodoxy that takes the validity of the class arguments as proven (Hollingsworth and Hanneman, 1982; Shalev, 1983).

C

A weakness of these studies, however, is that they rely on approximately eighteen nations at one time point. Although the theory clearly delineates the nations to which it applies, the empirical tests of the theory truncate variation in development and age structure with their sample and discredit industrialism variables through analysis of data in which such factors are nearly constant. Even if sufficient variation did exist, reliable multivariate analysis is difficult with only eighteen cases. Support for working-class variables is often obtained without adequate controls for industrialism variables, particularly percent aged. To test the class theory, researchers need to use multivariate techniques to examine the effects of all relevant variables on a sufficiently large sample with variation in both industrialism and class variables. Lacking these methodological requirements, all the aforementioned studies may be suspect.

Democracy and interest group politics

D

Just as the social democratic theory may be seen as a political version of Marxist theories, the interest group politics theory may be seen as a political version of industrialism theory. A brief statement of the theory comes from Janowitz (1976:75): "The growth of the welfare state since 1945 represents less and less

the influence of conceptualized goals – including class goals – and more and more the influence of the power of pressure-group politics reflecting the ordered segments of society." A general version of the theory has been applied to economic growth, government regulation, and various types of public spending, but a more specific version needs to be applied to the aged and social welfare spending. Whatever the version, the theory offers two essential propositions and empirical predictions that differ from those of the other theories: (1) economic and demographic changes affect the structure of group resources and demands for welfare spending, and (2) the existence of democratic political institutions facilitates the realization of group interests.

E

The first proposition is that economic and demographic changes have expanded group resources for collective political action and diversified group interests in the welfare state. Nonclass ascriptive groups, in particular, have become crucial for government policy. In advanced industrial democracies, a general diversification of interests occurs as the economy becomes more specialized and universalistic (Lehner and Widmaier, 1983; Berry, 1984; Murrell, 1984). This reduces the organizational potential of classes but provides a resource for collective action among groups defined by ascriptive characteristics (Nagel and Olzak, 1982; Nielsen, 1985). The retired and aged are a prime example of such a group: they have changed from a relatively small group identifying with families and local communities (Davis and van den Oever, 1981) to a larger, high-voting, politically active group with common age-based interests (Fox, 1981). The expansion of political rights and the incorporation of formerly excluded groups into the political system of advanced democracies further contribute to the growth of groups competing for public resources (Janowitz, 1976; Gronbjerg, 1977). This creates growing demands on the state from a variety of interest groups for higher welfare spending. It also implies the existence of a stratification system segmented by nonclass elements such as age, race, language, occupation, and region that transcend and fragment class boundaries (Parkin, 1979).

The accumulation of interest groups in advanced industrial democracies is not only the result of economic diversification and political modernization, it is the necessary result of the dynamics of collective action. Olson (1982) argues that since collective action is difficult to organize, given the free-rider problem of group action, effective interest groups (or *distributional coalitions*, in Olson's terms) emerge slowly. The longer a nation offers a stable democratic environment, without upheaval or interruption, the more groups accumulate. Once groups exist, Olson argues, it is rational for them to act in their own interest rather than in ways that benefit the collective good: the rewards for special-interest activities are greater than those for actions on behalf of a collective good shared by all of society. Furthermore, the logic of collective action is such that once programs benefiting interest groups are implemented, there is little to be gained for other groups by eliminating the programs and more to be gained by advocating adoption of the group's own programs. Since one form of collective demand is for government programs, interest group action leads to escalating expenditures.

The second proposition of the theory is that government spending results from competition for votes in democracies. Liberal democracies can be defined as institutionalized arrangements for arriving at decisions by means of political struggles for people's votes (Schumpeter, 1975[1942]:269). The population seldom has a clear idea of political goals, voting instead on the basis of performance-related criteria and economic self-interest. Parties can be seen as loose coalitions designed for the purpose of winning elections rather than formulating policies (Downs, 1957; Schlesinger, 1984). Under such arrangements, latent interest groups may be organized by political leaders, or existing groups of varying size and power may demand the support of their representatives for particular programs in return for their votes. Government spending is thus an inherently political process (Tufte, 1978) in which the collective political action of groups in stable democracies furthers their own interests.

In these arguments, the central role given to voting in representative democracies stems from public choice models of politics. Public choice theorists, by assuming that persons are rational utility maximizers, depict voter choice as analogous to market choice (Mueller, 1979; see Hechter, 1983, for other sociological applications). A huge literature has grown from this perspective that investigates the behavior of self-interested groups (Buchanan and Tullock, 1980), voters (Downs, 1957), parties (Schlesinger, 1984), and public bureaucracies (Niskanen, 1971). Applied to the welfare state, public choice theory supplies a set of underlying microlevel postulates about human behavior that imply the need to consider the government response to voter demands for higher benefits.

Lacking a concise label, we use the term *interest group politics theory* to describe these arguments. Janowitz (1976) uses the name *mass society theory* to emphasize the extension of political rights, but *interest group politics theory* may be more general because it emphasizes the collective action of a broad set of groups in the political process. An interest group can be defined as "an organized body of individuals who share some goals and who try to influence public policy" (Berry, 1984:5). Similarly, Olson (19665:8) refers broadly to interest groups as individuals or firms that have common interests and, at least to some extent, share the benefits of concerted action to gain political power. Such groups may effectively advance their interests through the formation of formal organizations and the employment of lobbyists. Yet, they may also influence public policy through voting patterns or other informal means. We use the term *interest group* in its broadest sense, and refer to *interest group theory*, while recognizing that there are diverse arguments that make up the broader theory.[6]

Although the interest group politics theory is couched in general terms and may apply to a variety of groups, the aged deserve special attention. Besides being the prime beneficiary of the largest welfare programs, two key changes – growing numbers and homogenization of interests – expand their political influence and illustrate how the interest group processes work. The obvious increase in the percentage of the population over age 65 is found in all developed nations, but less obvious, and perhaps more important, is the greater increase in the percentage of voters who are aged. For example, the percentage of aged voters rose to 22.2 in Sweden in 1982 (Statistics Sweden, 1986) and to 32.5 in West Germany in 1984 (Statistiches Bundesamt, 1986). Even if the aged do not vote as a single bloc, the threat of opposition by groups this large may sway the views and actions of legislators and candidates.[7] The size of the aged population may also be used advantageously by more formal lobbying organizations for the aged. Smaller groups may generally enjoy disproportionate power because large groups face greater problems in acting collectively (Olson, 1965, 1982). In the United States, however, organizations of the aged have been able to overcome the free-rider problem by offering selective incentives of insurance, travel, and pharmaceutical discounts with membership (Hudson, 1978). Their large membership can be mobilized against cuts in benefits or in favor of increased benefits or new programs. Through both voting turnout and effective lobbying, then, increasing numbers can translate into policies favorable to the aged.[8]

The second characteristic – homogenization of interests – results from changes in the labor force status of the aged. Retirement makes the aged dependent on the state, and low fertility makes families less reliable sources of support. Despite their diversity in status, location, and beliefs, nearly all aged persons benefit from increased public pension spending (Pampel, 1981). In fact, diverse group membership, including heavy representation of the middle class as well as the poor, offers a resource for collective action that can effectively be used when a group is united by common interests in government policy. A coherent, generalized ideology relevant to all issues or a dominant, encompassing age identification are unnecessary when older persons are united with respect to their financial stake in specific government welfare policies.

The implications of the theory for the three classificatory dimensions follow logically. The interest group theory, like the social democratic theory, takes politics seriously. The state may act autonomously in ways that are harmful to the economy and opposed by capital or by the working class; it need not act in ways that meet the technological imperatives of industry or the needs of monopoly capitalism. In fact, the state itself develops its own interests that may conflict with those of various economic groups (Skocpol, 1985b). The political demands of a variety of groups, perhaps including state managers as well as the aged, classes, and state constituents, and the political processes by which these demands are negotiated, occupy a prominent place in the interest group theory.

Unlike the social democratic theory, however, class conflict is not the only or dominant political force in the expansion of the social welfare state. Janowitz (1985) argues that stratification includes dimensions of age, sex, and ethnic-racial-religious groups that interact in complex patterns; he uses the term *ordered social segments* to capture this complexity. Labor and capital are important parts of these social segments, but they do not subsume all other bases of stratification (Parkin, 1979). Instead, the welfare state responds to the needs and demands of the increasingly large and specialized social segments, transcending class-based categories (Janowitz, 1985). Among the social segments, perhaps the most important for social welfare spending is the aged. Demographic changes in age structure must be considered to explain adequately the levels of welfare spending.

Like the monopoly capitalism theory, the interest group theory claims that the welfare state is not necessarily redistributive – in fact, it may be harmful to the interests of the disadvantaged (Janowitz, 1985). Instead of being a mechanism to the needy, the welfare state can be viewed as a mechanism for the relatively advantaged (drawn particularly from the middle classes) to maintain their position. For the aged, retirement income in the United States has not been redistributive (Boskin, 1986:38), and several authors have noted the discrepancy between funding for medical, disability, and pension benefits, much of which goes to the affluent aged (Crystal, 1982), and funding for poor children and single-parent, minority families (Preston, 1984). More generally, welfare spending advances political competition at the expense of economic competition as a source of social mobility. Yet, disadvantaged groups may have greater opportunity economically than politically (Olson, 1982): There is greater inequality in the opportunity to create and maintain powerful distributional coalitions than there is in productive abilities. The poor, in particular, have difficulty organizing, and as a result often benefit less from welfare state spending than do other organized interest groups (Alford and Friedland, 1975). Instead, government spending goes to more powerful groups, resulting in little tendency for inequality to decline. A spiral of expenditures may weaken social regulation and the ability to meet political goals (Janowitz, 1976), create an entitlement ethic (Bell, 1976), and slow economic growth and efficiency (Olson, 1982).[9]

Rather than reduce inequality, welfare spending may be a consequence of lower inequality previously brought about by economic change. As educational attainment and income are equalized during industrialization, and as the middle classes grow, the population that stands to benefit from redistribution, is articulate enough to sponsor policies, and can mobilize necessary political power grows in size (Wildavsky, 1985). Accordingly, Peltzman (1980) shows that historical increases and decreases in government spending in the United States, Great Britain, and Japan follow with a lag of several decades decreases and increases, respectively, in inequality. Income inequality has changed little since 1950 in advanced industrial democracies, but reductions before then created the conditions – a politicized middle class – to increase spending. Although the arguments of Peltzman and Wildavsky apply to all government spending, they are consistent with the arguments of the interest group theory concerning the aged – most of whom come from the middle class – for welfare spending. Rather than focusing on the extremes of income distribution, such as the poor or occupationally defined classes, and how benefits to these groups reduce inequality, the interest group theory considers the role of middle-income groups in welfare spending and maintenance of inequality (see also de Tocqueville, 1945:222; Meltzer and Richard, 1981).

Critique. Many claim that the interest group theory is based primarily on exaggerated, negative interpretations of current events (Thurow, 1981; Mishra, 1984; Skocpol, 1985). The financial problems of the welfare state, the failure of many programs to live up to expectations, and the ungovernability of modern democracies have all been overstated. Moreover, the attack on the welfare state may stem primarily from ideological beliefs and political goals. More dispassionate presentations of the theory and tests of its predictions are needed.

Such empirical support for the interest group theory is only just emerging. Many case studies examine the influence of interest groups on legislative action (see Pratt, 1976, Estes, 1979, or Williamson, Evans, and Powell, 1982, for examples involving the aged). Yet, quantitative studies are few. Gronbjerg's (1977) study of states in the United States shows that expenditures for Aid to Families with Dependent Children are explained by levels of political modernization and citizen political participation rather than financial need. Other single-nation studies show the influence of ethnic group mobilization on voting patterns (Ragin, 1979; Nielsen, 1980; Olzak, 1982). Economists have related spending trends in the United States to trends in voter incentives for transfers (Peltzman, 1980; Borcherding, 1985; Mueller and Murrell, 1985; North, 1985). Particularly problematic in all these efforts, however, is measurement of the concepts. Aggregate, cross-national measures of interest groups and lobbying efforts are of dubious validity and often can be interpreted as indicators of concepts from other theories. This suggests the need for some different approaches to testing the theory, such as examining the facilitative impact of democratic politics on the relationship between various groups and welfare spending.

Tests of other propositions of the theory – that economic development determines inequality, whereas welfare spending has no effect – are more straightforward. However, here the evidence in support of the theory is mixed. The literature review of Danziger, Haverman, and Plotnick (1981) shows benefits of welfare spending in the United States. Recent cross-national studies present evidence that economic development fails to predict inequality when controlling for economic dependency (Bornschier and Chase-Dunn, 1985) or union strength and social democratic government incumbency (Stephens, 1979). This evidence is by no means complete, and suffers from the same methodological problems mentioned earlier, but the burden of empirical proof for the interest group theory remains.

State-centered theories

In addition to the previous theories, which focus on the demand by societal groups and classes for spending, we can consider a set of less developed, supply-based theories of the welfare state. Such theories do not offer a clearly specified set of logically related propositions that answer all three questions we have raised. They do, however, suggest a number of state characteristics that may autonomously influence the level of welfare spending regardless of external group demands. The state-centered theories may overlap in some ways with the demand-based theories; the interest group theory, for instance, views the state bureaucracy as a set of organizations concerned with maximizing their budgets, just as any group desires to increase its benefits. Yet, the interest group theory, as well as the others, attends primarily to demands of external groups on the government. Here we focus on arguments strictly concerned with effects of state structure.

Much of the work of the state-centered approach, particularly that of Theda Skocpol and colleagues (Skocpol, 1980; Skocpol and Ikenberry, 1983; Orloff and Skocpol, 1984; Weir and Skocpol, 1985; Skocpol and Amenta, 1986), stems from a historical, qualitative research tradition. Because state characteristics must be studied in their historical and structural context, advocates of this approach avoid abstract generalizations that apply to a large number of nations and quantitative measures that can be used in statistical analyses. Further, much of the work in this tradition addresses the historical emergence of initial welfare legislation in the early decades of the twentieth century. We note here the similarity of Skocpol's work to the state-based explanations of welfare spending from 1950 to 1980, but we cannot claim to offer a test of her work.

Instead, we discuss five state characteristics that others have found important in quantitative studies of welfare spending. First, the centralization and corporatist organization of the state may expand the ability of state managers to implement desired policies for social welfare spending (Wilensky, 1981). Opposition to welfare spending from dispersed and isolated factions can be more easily overcome where the government, union and corporate elite are highly centralized. In fact, Mishra (1984) argues that problems of legitimacy and efficacy of the welfare state in nations such as the United States, Canada, and Great Britain result from the failure of these nations to integrate the welfare state into the economy. When considered as an integrated rather than a differentiated (or residual) part of the economy, social policy can be closely coordinated with economic management of both production and distribution, demand and supply (Wilensky and Lebeaux, 1958). This requires cooperation, economic bargaining, and a centralized pluralism among capital, labor, and the state. Given such a corporate structure, as exists in Sweden or Austria, a national consensus may emerge to implement welfare policies or increase spending without divisive conflict (Mishra, 1984). Several aspects of centralization may also be relevant to an explanation of welfare spending. Nations in which decision making is most concentrated in the central government rather than located in subnational and local governments should be better able to minimize the influence of fragmented opposition and expand national welfare spending (DeViney, 1983, 1984). Conversely, nations composed of federations of subnational units should show lower spending. Finally, centralization of labor and business elites, and their coordination with state managers (i.e., corporatist organization), should also increase welfare spending (Wilensky, 1976).[10]

Second, the bureaucratic strength of administrative agencies may increase spending. Assuming that the goal of government bureaucracies is to expand their budget, those with the most resources – employees, administrative budgets, powerful constituents – may best be able to reach their goals (DeViney, 1983). Thus, the power of state welfare agencies, like that of external groups, must be studied.

Third, the structure of state taxation may influence spending (Cameron, 1978). Nations in which the tax structure is based primarily on direct taxes and payroll deductions may find it difficult to raise funds for continued welfare spending. Reliance on indirect taxes, the cost of which is less obvious to taxpayers than that of direct taxes, creates a fiscal illusion and engenders less opposition to expanding taxes and spending.

Fourth, the electoral cycle specific to each nation may influence the timing of spending (Tufte, 1978; Griffin and Leicht, 1986). The political business cycle involves government spending as a stimulus to the economy shortly before an election in the hope that a burst of economic growth will predispose voters toward the incumbents. The reasoning here is consistent with a public choice, interest group theory of government, but the timing of elections is often mandated to occur at specified times or intervals. This constrains the timing of cyclical trends in spending and must be taken as an exogenous determinant of spending.

Finally, expenditures of states for competing programs, primarily military ones, may constrain the funds available for social welfare spending. If revenues set some sort of upper limit for spending, expenditures for social welfare must compete with military expenditures for available funds. During periods of war, priority may go to the military and welfare spending may remain low. Some nations spend more for defense than others, because of historical and strategic reasons, and may spend less for social welfare. It is difficult to claim that one type of spending causes the other, but the potential trade-offs are at least worth considering.

Although nearly all these arguments and studies predict a direct influence of state characteristics, a more sophisticated reading of the state literature may suggest an interactive argument. It may not be possible to determine a priori how state structures affect spending. Instead, state capacity may increase the ability of nations to respond to citizen demands rather than determining itself what these demands are (Pampel and Stryker, 1989). This suggests that state characteristics may facilitate the influence of demands of class and status groups. Hence, in addition to the additive effects, the interactive effects of state or supply factors must be considered.

In summary, this list of state characteristics hardly offers an integrated theoretical argument that describes the workings of the state apparatus. Despite the early developmental state of this perspective, the ad hoc nature of these arguments still offers something unique to the explanation of social welfare spending. Unlike the other theories, state-centered theories predict the effects of state characteristics regardless of class or demographic structure. They focus less on the potential demands of constituent groups and more on the ability of state managers to meet their own goals in dealing with external groups. As for the consequences of welfare spending on inequality, the effects of state structure are unclear. For example, in Wilensky's (1976) conception of corporatism, cooperation among elites allows them to implement programs that benefit the poor and reduce inequality. In Schmitter's (1982) conception, officially designated representatives of labor may come to accept the procapitalist interests of business and the state rather than those of their members. Corporatism may therefore not lead to lower inequality. The essence of the argument, then, concerns the determinants of welfare spending rather than the consequences.

Summary

The goal of this chapter has been to differentiate theories of the welfare state and draw out predictions that can be empirically tested. Our focus, therefore, has

been on arguments and theories that are amenable to quantitative, cross-national analyses and that specify abstract propositions concerning the operation of economic, political, and social forces across nations. This limits the scope of our review somewhat, yet still allows coverage of the major arguments and traditions in the field of stratification. Accordingly, we offer a scheme that clarifies, compares, and contrasts the theories, and thereby provides some organization to the field that is currently lacking.[11] A summary of the predictions is presented in Table 2.1. Although each theory shares fundamental arguments with the others, they can be distinguished when studying welfare spending, equality, and democratic politics together.

Another way to contrast the theories is to consider the groups that each treats as dominant in driving up welfare spending. The industrialism theory views the needs of the poorest groups as most important, although all members of society benefit indirectly. The monopoly capitalism theory considers the other end of the stratification system – the needs of the capitalist class for state support of capital accumulation. The social democratic theory argues that the working class is the prime proponent and beneficiary of the welfare state, and the interest group theory argues that middle-income groups benefit the most.[12] Finally, state-centered theories see all of these groups as active, but dependent on the response of state structures and managers for determining levels of welfare spending.

Put in this perspective, the theories need not be seen as exclusive or encompassing views of the welfare state. By considering the individual programs that make up the welfare state and the groups they may benefit, the theories may prove complementary. For example, social insurance programs for public pensions and health care may favor the aged and middle-income groups and support the nonclass theories; means-tested public assistance and unemployment spending may favor the poor and working classes and support class theories. In evaluating theories, we must consider the domain of programs to which each may best apply. All this discussion, however, is no more than an introduction to testing the theories. It is necessary to delve into the predictions of each theory for specific dependent variables in more detail. With basic arguments, assumptions, and supportive research presented and discussed, we can proceed with such efforts.

Notes

1. It is not possible, of course, to pigeonhole exactly all the work on the welfare state. Theory and research may be seen as lying along a continuum on the three dimensions we have identified, differing as much in emphasis as on fundamental assumptions. It is nonetheless useful to identify the dimensions on which the theories differ and to offer rough groupings of theory and research along the dimensions. Such categorization organizes and simplifies a bewildering variety of ideas that otherwise are difficult to compare and contrast.
2. Attempts to test Wagner's law over time and within nations have not offered support for the