

employees' salary increases commensurate to what had been set aside in previous private pensions agreements, which meant in the short run that the bourgeois parties were proved wrong in their predictions of stagnant real salaries and wages due to direct and indirect effects of ATP. In the longer run, the inclusion of white-collar employees in the ATP system broadened and solidified the welfare state coalition. Private entrepreneurs soon tended to find it advantageous to join the ATP scheme too.

The extension of the revenue base by massive resort to employers' contributions – the sole finance of ATP pensions for workers and employees – and indirect taxation created the financial means, and the working class mobilization for occupational pensions for all manual workers provided the impetus and the political clout for Swedish welfare state expansion. The dynamic was sustained and kept up for two decades owing to at least three important explanatory forces.

One had to do with the resounding political victory with which the whole process had started and the very large part of the population directly benefiting from it. Against such a background, it was unlikely that all three rival bourgeois parties would come round to a common anti-welfare position. They have not done so to this day, and the frontal opposition of each party by itself is futile, given the size of Social Democracy. It is in this political context that the rapid ageing of the Swedish population must be seen, with concomitant social rights and care needs of the elderly. The ATP system went into effect in 1960 and the first pensions were paid out in 1963. Then there were 16,000, in 1970, 393,000, and in 1980, 1,227,000 (Olsson, 1987, p. 56), and by the beginning of the financial year 1987–88 they amounted to about 1,700,000 (Finansdepartementet, 1988, p. 151).

The third explanatory force is the mode of finance. ATP is a funded insurance scheme and is therefore capable of running into deficit and calling forth restraining mechanisms. Debate about its long-term viability has started, but so far eventual problems have been located in the next millennium, thereby, as yet, inciting no political action. The rest of Swedish social insurance is *de facto* not based on insurance principles and has, therefore, like the Dutch, a cost-led expansionary dynamic with revenues adapted to cover costs. But the Swedish welfare state also has another, more particular financial dynamic. That is the provinces (*landsting*) and the municipalities, both with important income taxing powers. The provinces run most of the country's health care, and the municipalities provide child daycare, non-medical care for the elderly, a wide supply of leisure facilities, social assistance, public housing and housing subsidies. Under tight central supervision and with central money the latter also administer the comprehensive school system. Local direct taxes have increased their share of total public revenue, from 19 per cent in 1962 to 26 per cent in 1980, while the proportion of central

direct taxes has gone down from 26 per cent to 12 per cent in the same period (Olsson, 1987, p. 53). Out of total public expenditure, provinces and municipalities have increased their share from 47 per cent in 1960 to 56 per cent in 1980 (Olsson, 1987, p. 14). The average Swedish municipality is rather big. A forced merger in the early 1970s brought the number down to 278, the norm being that none should have fewer than 8000 inhabitants. The immediate reason for that norm was the recruitment to a full comprehensive school system, but an important implication is a relatively large tax base upon which to build an extensive municipal apparatus.

Sweden has 23 provinces (and the cities of Gothenburg and Malmö and the island of Gotland, in which cases the municipality also has provincial competence). The overwhelming part of their task consists of health care administration, for which they pay by levying an income tax. Health care has expanded and become enormously more expensive everywhere. Swedish health care administration faces much less financial restraint than in most other countries, however. Provincial elections take place on the same day as municipal and parliamentary ones, and few citizens pay much attention to provincial politics. In a general ambience of welfare state expansion, this tends to foster provincial expansion without much concern. Second to the USA (with its mainly private set-up) Sweden has the most expensive health care system in the world (OECD, 1985, pp. 11, 31, 32). Bourgeois and Social Democratic provinces have increased their expenditure at basically the same pace in the period 1960–80, controlling for demographic structure and tax-base (Therborn, 1987b, p. 41).

Market Voice and Market Exit: Two Supplements to Market Loyalty

The extensive and socially ambitious politics of Sweden and the Netherlands coexist, as we noted in the first section, with vigorous private capital accumulation. However, this cohabitation of public sector and private markets is not without problems. It calls for means of accommodating state, capital, and labour. This question is often dealt with theoretically by invoking 'corporatism', on which Sweden and the Netherlands both score 'strong' (Lehmbruch, 1984, p. 66) or 'high' (Schmitter, 1981, p. 297). Occasionally, the two countries are qualitatively differentiated among those with a heavy dose of corporatism: the Netherlands as 'liberal corporatist', having strong capital and weak labour, and Sweden, having both strong labour and capital, as being 'social' as well as 'liberal corporatist' (Katzenstein, 1985, p. 105). In

corporatist' characterization of the Netherlands rather misleading. To see Sweden as liberally-cum-socially corporatist is more apt, but it is not a very fruitful base of comparison with the Netherlands. Instead, the suggestive distinction by Albert Hirschmann (1970) of exit, voice, and loyalty seems more promising. The public policies of Sweden as well as of the Netherlands have developed on the basis of a fundamental loyalty to the capitalist market economy. But on that common basis the two countries have diverged in their mode of accommodating this loyalty to important non-market principles of public policy-making. It is in capturing the core of these modes that Hirschmann's distinction is helpful. The Swedish manner of bringing markets and public policy goals into viable coexistence is to regulate who may speak in the markets, at what pitch, and at what time, and to raise a strong state voice in the market. The Dutch mode, on the other hand, is to provide, to organize, or to facilitate exits from markets. The Swedish public authorities are anxious not to leave the marketplace to the free marketeers, and the Dutch to keep the public voice low or quiet. Metaphors aside, what is meant is that Swedish public policy is oriented towards regulating the parameters of market action and to intervention in the market, while the Dutch concentrate on public adaptation or compensation for the market. Differences are not pure and absolute, but are ones of emphasis. Contrary to what the 'liberal corporatist' label suggests, the latter may turn out more subversive of liberal market rationality than the former kind of policy.

Two key markets are the money and the labour markets. The former was crucial to the distinctive crisis policies of Sweden and the Netherlands in the 1930s as well as in the 1970s and 1980s, the second to social reform as well as to crisis policies in both nations. From the money market, there is no real exit for a capitalist country, but the extent to which the option is for voice or loyalty very strongly affects the burden upon exit or voice in the labour market.

Means or end? The national currency on the world market

With regard to their currency policies, Sweden and the Netherlands maintained policy continuation in the crises of 1929 and of 1973. The Swedes devalued their currency unashamedly in both crises. In 1931 Sweden immediately followed the British off gold, and also devalued against the pound. In the 1970s Sweden undertook a series of devaluations for reasons of external adjustment and then, as the initial move of the Social Democrats back in office, in 1982 a 16 per cent competitive devaluation. Over the period of international 'stagflation' from 1973 to 1985, among comparable developed economies only Australia, Italy and New Zealand devalued their currency more than

Sweden's 26.5 per cent. The Dutch, on the other hand, revalued their currency by 26.4 per cent, surpassed only by Switzerland, Japan and Germany (OECD, 1987b, p. 169). In the 1930s the Netherlands was part of the 'Gold Bloc', the small group of countries sticking to the gold standard, after Britain, and others with her, had abandoned it. Only in September 1936, a year after Belgium, and after the French, and in view of impending Swiss defection, did the Dutch authorities go off gold.

The effects of the currency option chosen were the same in both crises: alleviating the pressure of international competition and creating more room for domestic expansion in Sweden, increasing external pressure in the Netherlands. However, the immediate reasons for the national choice seem to have been rather different in the two crises. The Swedish 1931 devaluation was a swift adaptation to new market conditions, a consensual step following the lead of the country's major trading partner (Myrdal, 1931). But the 1982 one was part of an offensive move by the new Social Democratic government. Dutch resistance to the British example in the 1930s was an assertion of monetary independence, although with the *de facto* meaning of doing nothing – while at the same time explicitly calling for a policy of 'adaptation' at home (v. Oenen, 1982, ch. VI). In the 1970s and 1980s, on the other hand, the hard guilder policy involved an adaptation to the German mark and to French needs of veiled franc devaluation.

Common to the national options in both crises, however, was a characteristic conception of the currency. In Sweden, the currency was in both cases seen as an instrument for achieving ends of international competitiveness. When the end was endangered, appropriate means had to be adopted and the public authorities had to intervene in the market. To the decisive Dutch actors the currency had an intrinsic value. In the 1930s gold standard orthodoxy was defended by arguments such as that of the President of the Nederlandse Bank that 'We are no counterfeiters' (v. Oenen 1982, p. 250). Prime Minister Colijn and the Finance Ministers of the period held the same view. In the recent crisis, the hard currency, no foreign loan policy (in spite of mounting public deficits) is justified by the assertion that an easy currency and external loans would entail beggaring one's neighbour (National Bank President Duisenberg in an interview). The Dutch National Bank, although not constitutionally sovereign in the manner of the Bundesbank (cf. ch. 3 this volume), is more autonomous and prestigious in relation to the government than the Swedish National Bank. In this case, however, the position of a specific institution seems less a policy cause than the effect of a policy conception with a broader social base. In both crises, monetary orthodoxy has been embraced by political leaders as well as by the bank.

It seems that the basic reason for these different national modes of relating to the currency market is the type of capitalism. As

currency tends to be regarded as a means to industrial international competitiveness. Dutch capitalism, on the other hand, is traditionally mercantile and colonial; largely *rentier* in the eighteenth century, and in modern times with powerful private banks and international financial operators, all involving key actors for whom the currency tends to acquire a value in itself. An instrumental view of the currency is conducive to intervention, to raising one's voice in the market; an intrinsic respect for the currency is a market loyalty which necessitates a more extensive exit or louder voice in other markets.

'Parties' and 'partners' – two kinds of institutionalized industrial relations

Prevailing language is symptomatic of social relations. In the Netherlands, unions and employers are 'social partners'. In Sweden they are 'the parties of the labour market'. Partnership constitutes an exit from market rivalry; partisanship an organization of it.

The Dutch conception derives from Catholic and Calvinist conceptions of social ordering. It culminated in the post-Second World War process of labour market institutionalization. In order to understand the Dutch confessional idea, the English reader should be reminded of a Continental European legal distinction between public and private law. The former pertains to the state and to the general public order, the latter to relations between members of civil society. Continental European law gives special weight to and provides special procedures for public law. The Business Organization Act of 1950, which was the instrument of labour market institutionalization, was a public law regulation of business. A Socio-Economic Council of representatives of capital, labour and 'the Crown' (in effect, the major political parties via senior academics) was installed as an official advisory body to the Cabinet and as the top organ of branch-specific organizations of capital and labour. The latter were to constitute a public ordering of private enterprise and of capital-labour relations. The intention was twofold: to supersede capital-labour conflict and to mitigate goods market competition. In fact, the market reasserted itself against corporatist organization with the momentum of the post-war boom and only the advisory body actually materialized. Another possible exit from the market set-up, but never really opened, was the establishment in 1947 of a Central Plan Bureau, originally as the chief agency for managing what was going to be a 'guided economy'. The Catholic politicians clipped its wings from the beginning, although they were crucial to bringing it about at all, as had also been the case with the Public Law Ordering of Business. The Plan Bureau became an influential body for sophisticated econometric modelling of an increasingly liberal orientation, but in no

sense an agency of economic planning (see further Boni et al., 1981, pp. 229ff. and Beld, 1979).

More powerful was the Collegium of National Mediators, the government-appointed implementers of the 'guided wage policy', the cornerstone of Dutch macroeconomic policy after the war, effectively determining post-war wages until the mid 1960s. The guided wage policy originally had broad support and was considered a key instrument of post-war reconstruction, and industrialization. Confessional as well as Social Democratic political forces saw it as the primary means of reordering of the economy. When it came under pressure, it was first abandoned by the employers, then by the confessional unions. The Social Democratic unions defended it to the end, regarding it as the best available means to wage equalisation (Huetting et al., 1983, pp. 239ff.). Part of this post-war policy was a *de facto* delegatization of strikes. Only in the late 1960s did this become obsolete in practice, after an interest in a relegalization had been expressed by the confessional Social Democratic Cals coalition government in 1966, and subsequently supported by official advice from the Socio-Economic Council in 1968.

Employee rights, most recently expressed in the Enterprise Councils Act of 1979 conferring powers on councils elected by all employees, whether unionized or not, provide paths outside the market. Appeals may be made to the Amsterdam Court of Justice over enterprise decisions, and the enterprise council has the right to veto a nomination to the Board of Directors, with the Socio-Economic Council having the final word (see further the standard work by Windmuller et al., 1983 and Teulings, 1981).

The Swedish system of industrial relations, alleged 'corporatist' commonality notwithstanding, is a mirror image of the Dutch. 'Freedom of the labour market' is conceived as a fundamental democratic right. Although practised *sotto voce*, 'incomes policy' is still officially taboo, and the Dutch notion of a 'guided wage policy' would in Swedish have connotations similar to 'guided democracy'. Since 1936 in the private sector, since 1965 in the public sector, the law has guaranteed the right to collective bargaining, and with bargaining the right to strike and to lockout is explicitly recognized. Conflict rights in the public sector are more extensive in Sweden than in most countries. The conflictual principle is underlined by the Swedish 1974 Constitution's guaranteeing the right to lock out as well as the right to strike (para. 17). These rights are severely regulated, however. According to legislation passed in 1928, only when a collective contract has elapsed and due notice has been given is a strike or lock-out legal. The 'Basic Agreement' between the confederations of employers and of trade unions in 1938 laid the basis for post-war institutionalization of collective bargaining. The organizations of employers as well as of workers and employees are publicly

asked for their opinion about various proposals, but the organizations are asked separately, without any machinery whatsoever for attempting to create consensus. In contrast to their Dutch counterparts, the Swedish Social Democrats have not set up a Plan Bureau. The Ministry of Finance has always been the key economic policy-making body of Swedish Social Democracy. A succession of long-lived, popular as well as powerful Social Democratic Finance Ministers – Ernst Wigforss, Gunnar Sträng, Kjell-Olof Feldt – have all catered to the sound functioning of markets, while themselves skilfully and innovatively acting on them.

Under Social Democratic auspices, government policy towards industrial relations has largely been to provide a legal voice for the unions. Early post-war investigations into a general unemployment insurance were finally buried because the unions wanted publicly financed union-run insurance instead (see further Therborn, 1986a). In the 1950s and the 1960s neither the unions nor the employers wanted any government interference in industrial relations. The trade union economists Gösta Rehn and Rudolf Meidner developed a new labour market model in order to cope with macroeconomic management under conditions of full employment in which, instead of intervening in the wage-bargaining process, the government should stiffen employer resistance to wage increases by high taxation. For reasons of equality as well as of labour rationality, the unions should pursue a centralized 'solidaristic wage policy' aimed at reducing differentials between enterprises and industries. (The unitary Swedish trade union movement with its high organizational density could realistically hope to achieve wages equalization by centralized market bargaining without having recourse to the state in the manner of the divided and pillarized Dutch trade unions.) To the extent that such a policy tended to result in unemployment because of lay-offs from low productivity enterprises, public measures should support and stimulate labour mobility into high productivity areas. (For an interesting autobiographical account of the development of, and of the political fight for, this model, see Rehn, 1977.)

In the 1970s Swedish unions changed their minds about labour legislation. In the first half of the 1970s there ensued a spate of legislation on employee (read union) representation on the board of directors, on employment protection, on the work environment and on co-determination. The character of the legislation is in a sense summed up in the latter which gives the plant level unions the right to be informed and to bargain about all decisions of the enterprise, and the public authority, employer. It does not provide for any consensus-making council. Bargaining between two labour market actors is the key content, and the law provides additional resources, in the form of legal rights, to the weaker

party in the labour market, and peculiarly perhaps for the employer, including political bodies – who take major decisions without prior bargaining. However, after all bargaining, at the end of the day, the employer decides. The ground and the rules of capital accumulation on the market are left intact, but the position of labour is bolstered (see further Schiller et al., 1987).

The relative effects of these policy emphases on legal exits from and legal voice in the labour market are hard to assess. Given the vast superiority of votes and of industrial muscle of the Swedish labour movement, the most noteworthy feature is that the superiority of benefits to Swedish workers is not at all clear-cut. There are certain demands made by the Dutch unions which the Swedes alone have been able to realize: a legal occupational pensions system for all workers, a share in the accumulation of capital. The ATP scheme in effect from 1960 realised the former, the wage earners' funds legislation of December 1983 the second, while similar Dutch demands in the 1970s came to nothing. Swedish safety stewards have the legal right to stop work which they consider dangerous. On the other hand, the same social conditions for workers as for employees were established in big Dutch enterprises in the 1960s (I am here indebted to S. Stoop), but are not yet a fact in Sweden (which also has strong white-collar unions). Most Dutch workers receive 100 per cent sick payment, 80 per cent by law and the rest by collective agreement, whereas the first sickness wage agreements for manual workers in Sweden were concluded in early 1988. The Dutch had a serious industrial and political conflict about an attempt to do away with that right in 1981–2, a conflict won by the unions. Since the 1965 Philips agreement, Dutch workers have indexed wages, a demand only obliquely raised by Swedish unions and always firmly rejected by the employers. In terms of real wages, Swedish workers have been the OECD losers in the 1973–85 crisis, with zero increase in real hourly earnings. Only US workers have been worse off, New Zealand workers come third in the back row, and the Dutch fourth, having real wages increases, but by less than 0.1 per cent a year from 1973 to 1985 (OECD, 1987a, p. 90).

(*) BOTH SYSTEM CONTRIBUTED TO HIGHER WAGES IN
Employment or alternatives to employment

The different unemployment outcomes of the 1973–85 crisis – in the Netherlands, 10.6 per cent unemployment in 1985, 9.9 per cent in 1986, 9.4 per cent in the third quarter of 1987, and for Sweden the corresponding figures being 2.8 per cent, 2.7 per cent, 1.9 per cent (OECD, 1987c, p. 190) – reflect to a large extent the differential strength of labour in the two countries. The institutionalized Swedish commitment to full employment, fully accepted and successfully

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maintained by the bourgeois governments of 1976–82 (they actually had to bear the brunt of the crisis in Sweden), was initiated by post-war Social Democracy. Such a commitment, and a corresponding policy-making instrument, was clearly lacking in the Netherlands (see further Tierborn, 1986b). The positive effects of mass unemployment with regard to wage moderation, changes in labour legislation and cutting down the collective sector were pointed out by leading Dutch businessmen, high civil servants and former leading centre-right politicians in key interviews that my collaborators Wessel Visser and Rien Wijnhoven made in 1987. The attempts of Labour leader den Uyl, as Minister of Social Affairs and Employment in 1981–2, to do something about soaring unemployment were incomprehensible to and completely frustrated by the dominant Christian Democratic coalition partner (cf. Galen, Jansen and Vuisje 1985, pp. 42ff., 223).

However, the Dutch outcome was only in part a failure in relation to Labour efforts and to the solemn ends of public macroeconomics, and still less a consequence of deliberate right-wing pressure on labour market action. It was also a choice of exit from the labour market, rather than of intervening in it. The post-war use of exit mechanisms had begun already with the promotion of emigration in the late 1940s and the early 1950s. Characteristically, the first post-war social insurance legislation concerned unemployment compensation, passed in 1949, and effective from 1952. The exit policy took new forms in the handling of the structural rationalization of the economy in the 1960s. Many people laid off were classified as disabled. Between 1963 and 1973 the number of 'disabled' in the Netherlands rose by about two thirds, from 183,000 to 303,000, then surged to 720,000 by 1982 (Roebroek and Berben 1987, p. 732). By 1 January 1987, there were 792,000 'disabled' Dutch adults below the pension age, equivalent to 13.2 per cent of the labour force (Centraal Bureau voor de statistiek, 1988).

The Netherlands ceased to experience full employment in 1975, during the Labour-led den Uyl government. In that cabinet there was no battle-line between Social Democrats and Christian Democrats over (un)employment. There was for a time a conflict between a restrictive Minister of Finance and a more expansive Social Minister. But the former was a Social Democrat and the latter a Christian Democrat (Gortzak, 1978, pp. 18, 31ff.). In opposition in the 1980s, the Social Democrats have been more concerned with preserving the purchasing power (*de koopkracht*) of transfer beneficiaries and minimum wage workers than with combatting enduring massive unemployment.

Working-time reduction has been a major crisis policy of the unions, encouraged by the state, and at least formally accepted by the employers in the central agreement of 1982. Unemployment benefits are generous and easy to get, even for young school-leavers. In spite of a decline in the

1980s, the development of purchasing power in the period 1974–86 has been much more favourable for people drawing a transfer payment than for employed workers; about 10 per cent total increase to the former, standstill (as annual income) to the latter (Tweede Kamer, 1986–7, pp. 197–8, 2:24). (Although, at least for old age pensioners, similar trajectories for benefits and wages took place in Sweden from 1975 to 1984 (Vogel et al., 1987, p. 116).)

Comparatively little effort has been put into supplying jobs and training in the 1980s, trainees usually comprising less than 1 per cent of the labour force (Centraal Planbureau, 1986, p. 70). For the handicapped there is, however, an extended work programme, in 1987 comprising about 1.3 per cent of the labour force. If those measures are included, about 2 to 2.2 per cent of the Dutch labour force have been touched by such schemes (Ministerie van Sociale Zaken, 1987).

Swedish works and retraining programmes, on the other hand, are renowned, and surpassed 3 per cent of the labour force in 1978, and peaked in 1984. In that year, they amounted to 4.6 per cent of the labour force (Statistiska Centralbyrån, 1988, pp. 176, 193). The Swedish government takes pride in labour market entry. The high rate of employment in Sweden, as well as the low rate of unemployment, are highlighted by the government in a rare international comparison in the latest budget (Finansdepartementet, 1988, p. 111).

The Swedish special labour market policy is no substitute for regular employment. On the contrary, in the mid 1970s a secular trend of a diminishing volume in the total number of paid working-hours a year – a decline due mainly to the increase in pensioners and to work-time reduction – was broken. After a few years of stability, the volume of paid work began to rise in Sweden. In 1985, it was 1.9 per cent higher than in 1975 (Statistiska Centralbyrån, 1986, p. 15), and the growth continues. In the Netherlands, the work volume counted in annual hours was 9.5 per cent lower in 1985 than in 1975 (Tweede Kamer 1987–8, p. 39; Centraal Bureau voor de Statistiek, 1979, p. 68; OECD 1987d, p. 200). The upward turn of the Swedish labour market in the international crisis is remarkable, but not unique. A similar trend in the employment volume occurred in Finland and Norway also (see further Tierborn, 1987c). The turnaround in Sweden's historical trend is entirely due to the expansion of the municipal and the provincial welfare state, mainly in the areas of employment in health care, care for the elderly and daycare of children (Statistiska Centralbyrån, 1986, p. 25). The actual trajectory of (un)employment is, of course, not reducible to deliberate policy choices. However, the former is very significantly affected by the latter (see further Tierborn, 1986b). The reasons for the Dutch choosing mainly a labour market policy of exit and the Swedish of voice are no doubt

Three elements appear to have been crucial, an ideological tradition, an institutional legacy, and a policy experience.

There is a Dutch Catholic tradition of exit policies going back to the 1930s at least, the roots or possible causes of which might be seen in the fact that the Catholic Church originated in times before capitalism and labour markets. The proposals (most of them not carried) of the Catholic Ministers Romme and Stenberghe at that time included work programmes, but had a characteristic exit slant: work-time reduction, exclusion of married women and some other categories from the labour market, prohibition of mechanization and rationalization (de Rooy, 1979, p. 179). Romme was the political leader of post-war Dutch Catholicism in the 1940s and 1950s. That a job was not an important human right was stressed by the Catholic Premier Van Agt in a parliamentary debate in the autumn of 1980. Van Agt took Labour leader den Uyl to task for implying that by demanding full employment, 'you can only completely, humanely and socially function in society when you have a paid job' (Tweede Kamer, 1980-1, p. 200).

It might, however, be asked how this ideological stance rhymes with the Protestant Ethic of Calvinism. The answer is that orthodox, fundamentalist Calvinism (that of the Anti-Revolutionaries) was always against state organization and at the height of its power (in the inter-war period), pre-Keynesian liberal in fiscal and monetary policy, without believing that society should be left to the market. In other words, the pillarized anti-statism of Calvinism prevented it embracing an active public labour market policy, while refusing to give market outcomes a principled endorsement. In the ensuing vacuum, support, or at least tolerance, of exit policies could develop.

Patriarchy is an important part of the religious tradition, and Dutch patriarchy has kept women at home. When the grip of patriarchy loosens, this tends to imply an ambiguous attitude to employment as it is so overwhelmingly a male attribute. By 1974, the Netherlands had the lowest female labour force participation of all the OECD countries, a mere 29.7 per cent. Any female right to labour market participation has not been established, although women's emancipation has led to a considerable participation increase, to 41.2 per cent in 1985 (Sweden 78.2 per cent) (OECD, 1987a, p. 35).

The relativization of paid employment in the Dutch confessional view of society comes out clearly in the current institution of 'work with right of public benefit' (*werk met behoud van uitkering*). It gives a new twist to charity work, and refers to unpaid voluntary work for municipalities or non-profit organizations, for which the worker is legally allowed to keep his or her public benefit. In 1984 there were officially 50,000 unpaid workers of this kind (Sociaal en Cultureel Planbureau, 1986, p. 86).

Sweden has no comparable tradition. On the contrary, as was noted

above, an employment provision approach to unemployment was firmly entrenched by the 1920s. There was also from early on a different perspective in the Social Democratic labour movement. In spite of the official line of the European labour movement, both the Swedish trade union leadership and the Social Democratic Party refrained from proposing work-time reduction as (part of) a solution to the unemployment crisis. This difference was clear at the LO Congress in 1931, at the SAP congress in early 1932, and in the SAP parliamentary 'crisis motion' of 1932, that is, before the Social Democrats had got into office (Therborn, 1984a). The rural Lutheran work ethic and the fact that the unemployment situation was not as desperate as in Central Europe may perhaps explain the stance, vigorously repeated in the 1970s and 1980s. The Dutch Plan of Labour of 1935, on the other hand, included calls for work-time reduction, as has Dutch Social Democratic and trade union policy in the 1980s.

In spite of ideology, cash was the most frequent help given to the Swedish unemployed until 1934, 56 per cent of all help in 1933 (calculated from Gustafsson et al., 1974, p. 128). This was less than in the Netherlands, where the dole constituted between 69 and 81 per cent of support to the unemployed (Goudriaan, 1986, p. 30). But the most important difference was that Swedish unemployment support was concentrated in one central body that was revamped in 1940 for tasks of wartime labour allocation. Out of the experience of the 1930s and out of the 1940 Labour Market Commission came a vision of a special labour market policy as part of post-war planning. The top priority of the SAP-LO joint Postwar Programme was full employment, and two of its wide-ranging 27 points dealt with labour market policy. In 1948, a new Labour Market Board was set up, a context in which the so-called Rehn-Meidner model and the 'active labour market policy' concept could develop. This increasingly powerful and well insured body ran the local job exchanges, furthered mobility and retraining, and was delegated all means to organize public relief works. But it had nothing directly to do with unemployment compensation (see further Rothstein, 1986).

No similar central institution existed in the Netherlands at the outbreak of the Depression. One was later proposed, but its implementation was delayed until 1939 and it left no heritage for the post-occupation era (de Rooy, 1979, pp. 179ff.; Goudriaan, 1986, p. 69). When Jan Tinbergen (1946) drew the conclusions of the inter-war period, the need for a specific labour market policy was not among them. The penalizing relief works petered out in the 1950s, and little of a modern labour market policy followed it. By the time of the post-1973 crisis, the post-war Central Plan Bureau was a bulwark against selective public economic policies and produced much material arguing that any public works programme was counterproductive (see further

Therborn, 1986b, pp. 153ff.). An autonomous municipal and provincial labour market expansion was impossible in the Netherlands, as these bodies have only minor taxation rights and receive 95 per cent of their income from the central state (Tweede Kamer, 1987-8, p. 222). On the other hand, the Dutch social security system with its low thresholds provided an open door out of the labour market when the pressure on the latter mounted.

A third part of the explanation, after the ideological and the institutional, is that exit policies can constitute a way out of market failure and market weakness when no other policy is very credible by experience. The Depression decade ended very differently in Sweden and the Netherlands. In Sweden, the end of the 1930s consolidated the triumph of Social Democracy which was given credit for its crisis policy. Registered unemployment (relief-seekers) in 1939 were only 15 per cent of the 1933 peak (Therborn 1984a, p. 565). That unemployment could be prevented was a central part of Swedish political self-confidence, reinforced by successful labour market policy interventions in the pre-crisis recessions after the war. The Netherlands, on the other hand, was by the end of the 1930s just beginning to find a route out of the right-wing, confessional, 'Antithesis' bloc to a 'Roman-Red' Catholic-Social Democratic Coalition, with no positive innovations and an unemployment figure still 55 per cent of the 1936 peak. After the war, scarcity of labour and full employment soon emerged, rather unexpectedly. The temporary rise in unemployment in 1958 and in 1967-8 was hardly met with any labour market countermeasures, and soon once again appeared unnecessary (Centraal Bureau voor de Statistiek, 1979, p. 69). When the avalanche of unemployment got rolling in the early 1980s - aggravated by the maturing of the last high birth-rate cohort - an honourable exit from the labour market was also the most visible solution. It should be emphasized that Dutch labour market exit policy has no nationalistic streak to it. Unemployed immigrants have been given support to return to their native countries when they so wished, but the rise of unemployment was not accompanied by expulsions and special termination of immigrant labour contracts (see further Therborn, 1987a).

Sweden and the Netherlands have both created combinations of advanced, multinationally competitive private capitalism and extended, generous welfare states. In its current scope, this combination is in both cases an achievement of the 1960s. The forms of their welfare states differ, however, and derive from two historical patterns of popular mobilization and organization at the time of the rise of modern capitalism - from 'pillarization' and from 'popular movements'. Dutch Catholicism came to constitute the developed model of the former. Swedish labour came to epitomize and to further, more than elsewhere, the popular movement tradition.

Both states provide both their private multinationals and local capital with a supportive home base. But this loyalty to international and to domestic markets has been combined differently. Sweden has opted for a 'voice' policy in the labour market, promoting and regulating labour market action: promoting female and youth entry into the labour market, keeping full employment, furthering mobility, recognising-cum-regulating collective market action by autonomous parties. The Dutch have pursued an 'exit' policy, trying to replace collective labour market action with institutionalized collaboration, and generously compensating for employment by disability, unemployment, and social assistance benefits and by encouraging unpaid work outside the labour market.

Both policies pose problems for private capital accumulation, by raising the voice of labour and by providing exit from labour respectively. Both are potentially costly to the rate of profit. The ways that the two countries go about handling these problems are different but functionally roughly equivalent. In the Swedish case an active currency policy enhances international competitiveness, while trade union power in the labour market is accommodated by the mobility and the technical adaptability of individual workers and employees and by the market flexibility of individual wages and salaries (OECD, 1983, p. 48; Åberg, 1984). The Dutch exit policies accommodate capital interests by restraining state interventions in markets, refraining from an instrumental currency policy and from controlling financial markets, reining in public employment, and holding down public investment.

These ways of linking welfare state and capital accumulation are not necessarily stable. The linkages are no more stable than the bases of the states and of the capitals. They do, however, give both countries their intriguing duality of public welfare and private capital. A labour movement social state connecting with exit policies with regard to the labour market would be explosively difficult to accommodate to private capital. A confessionally shaped state playing by the ground rules of labour markets would, on the other hand, probably be more manageable, but also more conventionally capitalist. And what Sweden and the Netherlands today have in common is precisely that both exemplify a welfare state capitalism beyond the conventions of pro and anti.

Notes

- 1 Social insurance and social assistance surpassed entrepreneurial and property income in Norway in 1977 as an isolated recession phenomenon. According to the OECD National Accounts, the same was the case in France from 1980 onwards. However, the French transfers figures include the value of services in kind provided by social insurance, e.g., health care (INSEE, 1987, p. 174).

FLORA, P. - "THE IDENTIFICATION OF WELFARE STATES IN EUROPE AND NORTH AMERICA. TRANSACTION ROOLES NEW DEVELOPMENT" - LONDON 1984, p. 37-38.

Chapter 2

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

Peter Flora and Jens Alber

Introduction

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

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

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

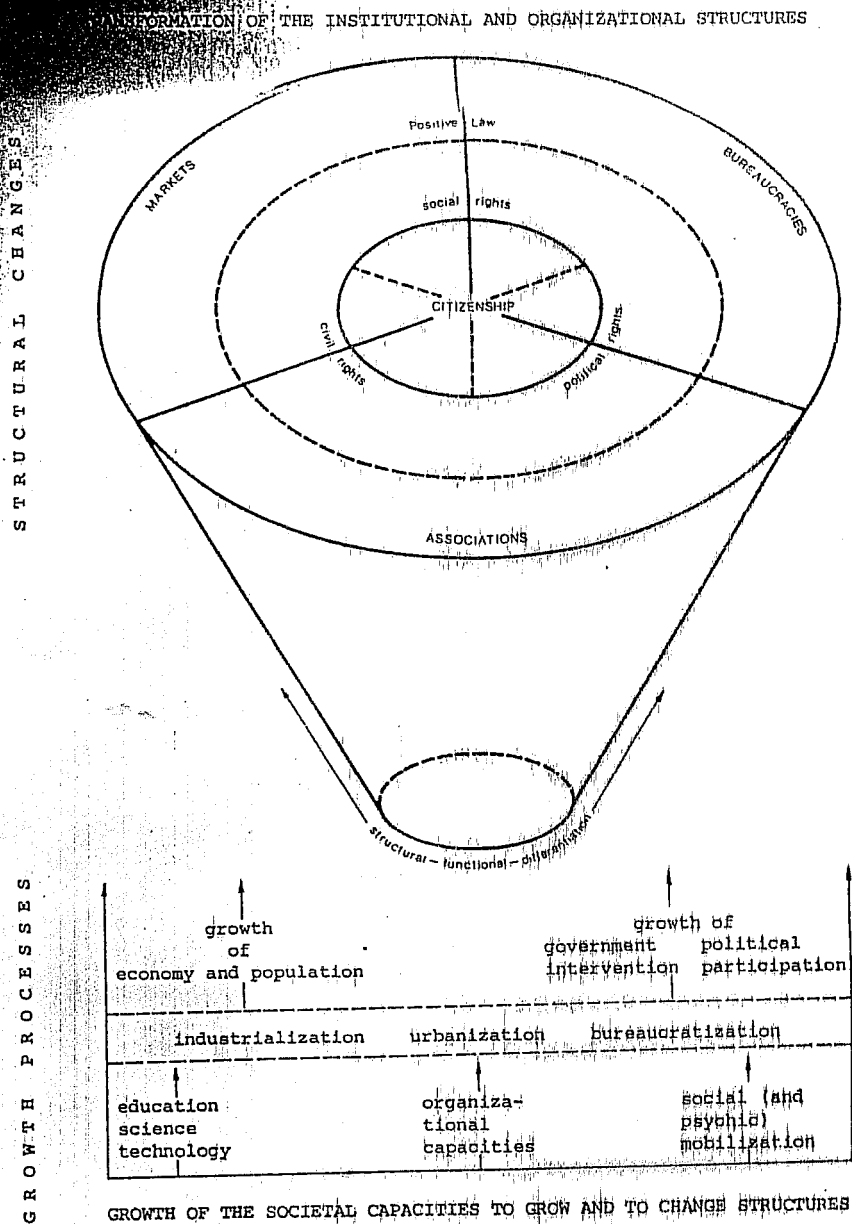
Development of the Welfare State

A. Classical Concepts and an Analytical Framework of Modernization

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

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

Figure 2.1
An Analytical Framework of Modernization



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

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

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

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

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

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

B. Modernization and the Welfare State: A Sectoral Model

1. Problem Pressure: Changing Socioeconomic Conditions and Political Mobilization

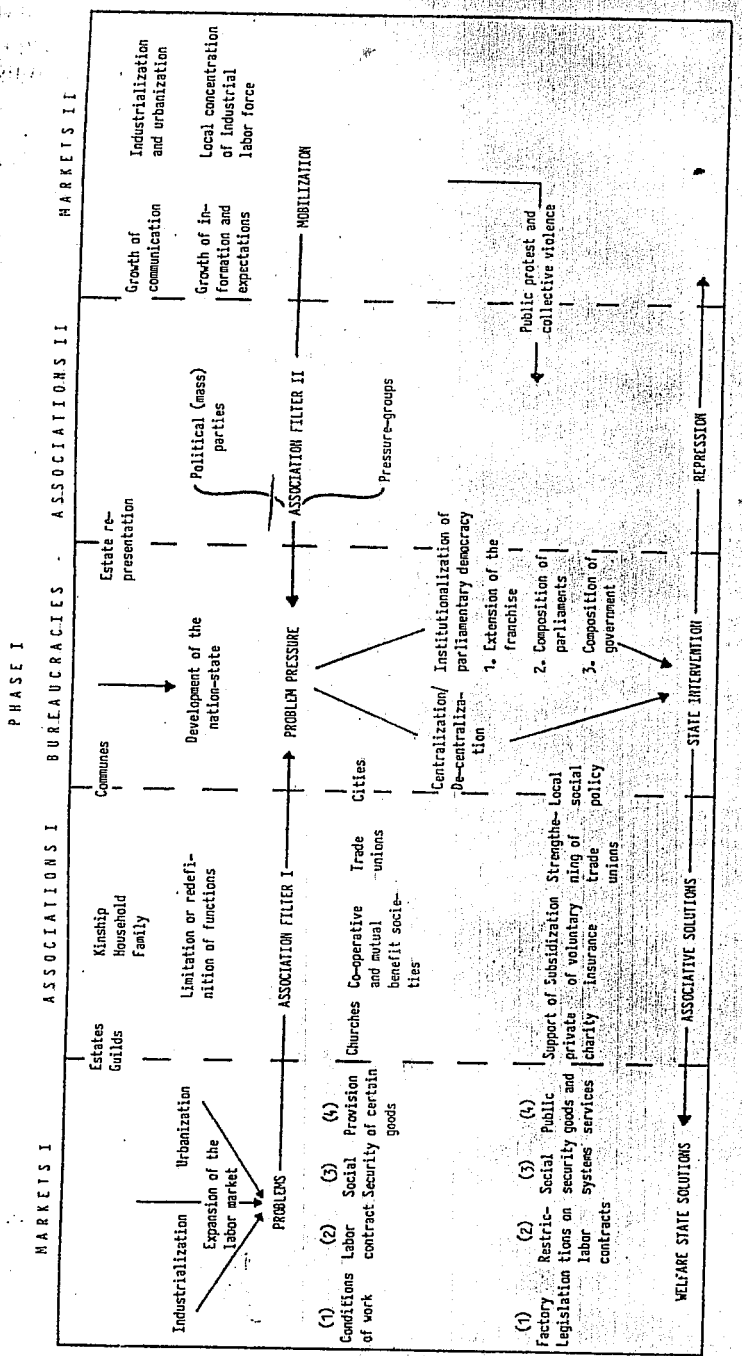
The distinction between markets, associations, and state bureaucracies as the three main organizational sectors of society is used now to draft a sectoral model of the development of welfare states (see Figure 2.2). In the model, markets and associations are further divided into two subsectors. In the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

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

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

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

Figure 2.2
A Sectoral Mode of the Development of Welfare States



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

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

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

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

2. The Shaping of State Intervention: Bureaucracy and Democracy

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

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

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

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

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

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

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

1. Stages of Political Development

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

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

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

2. Institutional Variations

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

Table 2.1
Enfranchisement, Parliamentarism, and Social Rights

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

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

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

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

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

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

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

II. A Comparative Description of European Welfare States

A. The Beginnings of the Modern Welfare State

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

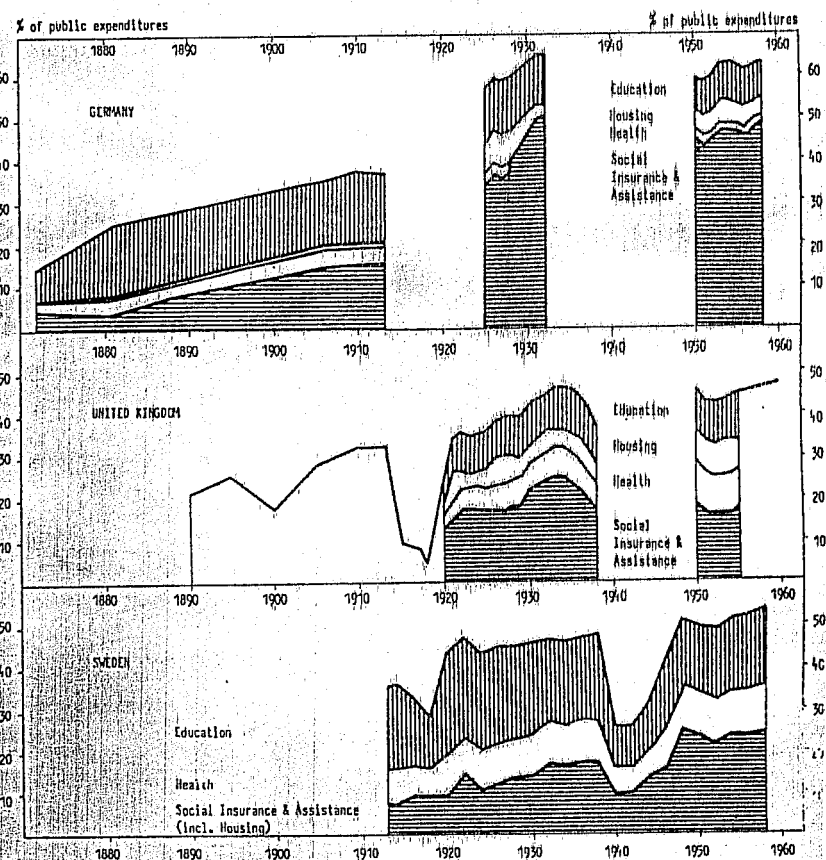
Whereas the old European welfare states developed very similarly during the poor law period, the liberal break produced many divergences. The core ideas of liberalism — individualistic freedom, equality, and self-help — were antithetical to the former concepts of dependence and protection. The importance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

1. The Take-Off Period

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

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

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



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

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

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

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

2. The Break with Liberalism

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

Table 2.2
Sequence of Introduction for the Four Social Insurance Systems

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

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

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

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

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

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

B. The Development of Social Insurance Systems

1. Steps in the Extension of the Social Insurance Schemes

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

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

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

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

Table 2.3
Parameters of the Growth of Social Insurance Coverage

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

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

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

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

III. Determinants of Social Insurance Legislation

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

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

A. The Key Variables

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

1. Socioeconomic Development

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

2. Political Mobilization of the Working Class

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

Table 2.4
Core Social Insurance Laws in Western Europe

| Country | Industrial/Accident Insurance employers' liability | | Sickness Insurance | | Pension Insurance | | Unemployment Insurance | |
|----------------|---|----------------------|---------------------------------------|----------------------|-----------------------------|----------------------------------|-------------------------------|---------------------------------------|
| | compulsory | subsidized voluntary | compulsory | subsidized voluntary | compulsory | subsidized voluntary | compulsory | subsidized voluntary |
| AUSTRIA | 1887 | | 1888 | | 1906 (employees) | | 1920 | |
| BELGIUM | 1903 | 1894 | 1944 | 1900 | 1924 | 1937 | 1944 | |
| DENMARK | 1898 | 1892 | 1923 (semi-compuls.) | | 1891 (national pensions) | 1922 (national pensions rev.) | 1937 | |
| FINLAND | | | | | | | | 1917 |
| FRANCE | 1898 | | 1930 | 1963 | 1910 1920 | | 1974- (unempl. assistance) | 1959 (collective labor agreements) |
| GERMANY | | | | | | | | 1927 |
| ITALY | | 1886 | 1922 (collective labor agreements) | 1883 | 1898 | 1919 | | 1919 |
| NETHERLANDS | | | 1913 1929 | | 1915 | | 1916 | 1944 |
| NORWAY | | | 1909 | | 1935 | | 1936 | 1938 |
| SWEDEN | 1901 | 1891 1910 | | | 1913 | | 1924 | |
| SWITZERLAND | | 1911 | | | 1916 | | | 1971 1950 |
| UNITED KINGDOM | 1906 | | 1911 1916 | | 1908 (national pensions) | 1925 | | |

3. Constitutional Development

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

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

B. Examining the Diffusion Process Concept

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

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

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

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

Figure 2.5
Social Insurance Legislation and Levels of Socioeconomic Development

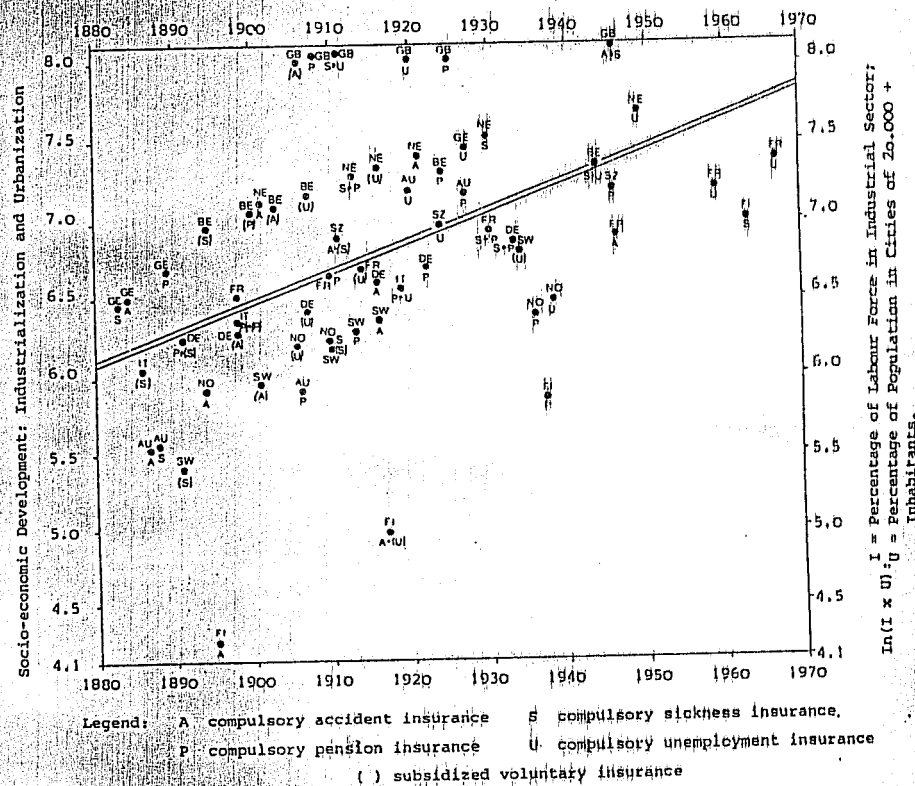
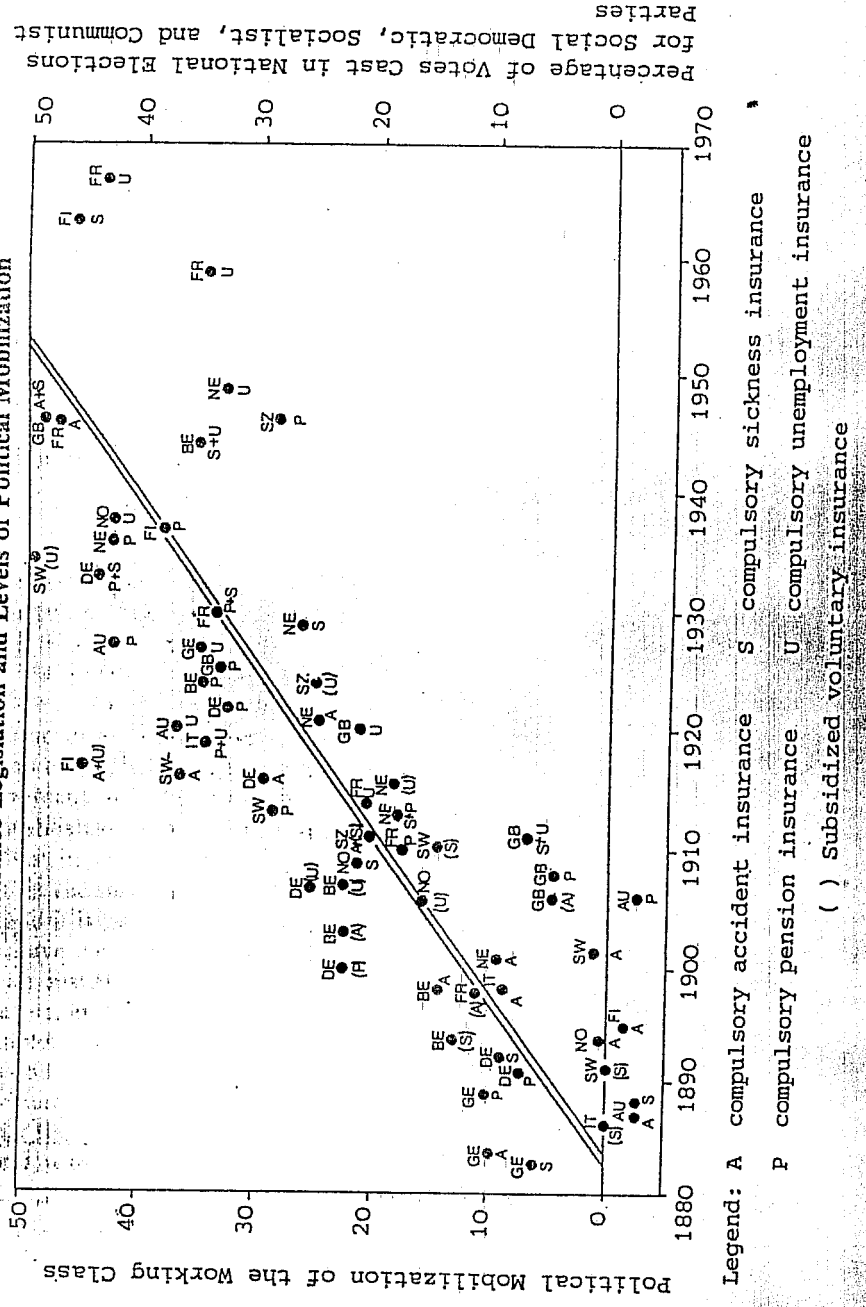


Figure 2.6 Social Insurance Legislation and Levels of Political Mobilization



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

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

C. The Importance of Socioeconomic Development and Political Mobilization

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

Table 2.5
Diffusion of Social Insurance Legislation

(1) With respect to socio-economic development: x = chronological time (year of introduction), y = socio-economic development (in 1x1) at the year of introduction

| | n | \bar{x} | \bar{y} | s_x | s_y | b | r^2 |
|------------------------|----------------|--|--|--|---|------------------------|----------------------------------|
| | number of laws | mean year of introduction (round fig.) | mean level of socio-economic development | standard deviation in chronological time (years) | standard deviation in socio-economic development (in 1x1) | regression coefficient | percentage of explained variance |
| Accident Insurance | 12 | 1898 | 6.36 | 7.5 | 0.94 | 0.06 | 0.52 |
| | 18 | 1908 | 6.48 | 17.3 | 0.96 | 0.03 | 0.46 |
| Sickness Insurance | 12 | 1906 | 6.58 | 22.9 | 0.75 | 0.02 | 0.50 |
| | 17 | 1914 | 6.76 | 23.8 | 0.77 | 0.02 | 0.63 |
| Pension Insurance | 12 | 1912 | 6.65 | 18.4 | 0.63 | -0.0005 | 0.40 |
| | 19 | 1917 | 6.81 | 16.1 | 0.60 | 0.01 | 0.0004 |
| Unemployment Insurance | 12 | 1917 | 6.81 | 8.6 | 0.77 | 0.01 | 0.02 |
| | 18 | 1927 | 6.99 | 18.2 | 0.72 | 0.01 | 0.01 |
| All 4 systems | 48 | 1908 | 6.60 | 16.8 | 0.77 | 0.01 | 0.32 |
| | 72 | 1917 | 6.76 | 19.8 | 0.78 | 0.02 | 0.44 |

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

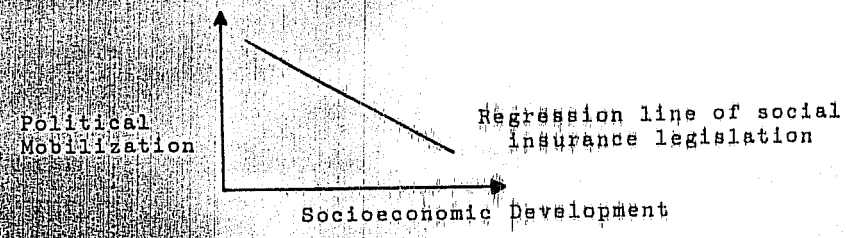
| | n | \bar{x} | \bar{y} | s_x | s_y | b | r^2 |
|------------------------|----------------|--|--------------------------------------|--|---|------------------------|----------------------------------|
| | number of laws | mean year of introduction (round fig.) | mean level of political mobilization | standard deviation in chronological time (years) | standard deviation in political mobilization (% of votes) | regression coefficient | percentage of explained variance |
| Accident Insurance | 12 | 1898 | 8.5 | 7.5 | 7.7 | 0.08 | 0.01 |
| | 18 | 1908 | 18.5 | 17.3 | 16.7 | 0.79 | 0.67 |
| Sickness Insurance | 12 | 1906 | 14.6 | 22.9 | 14.3 | 0.58 | 0.86 |
| | 17 | 1914 | 20.2 | 23.8 | 16.3 | 0.64 | 0.88 |
| Pension Insurance | 12 | 1912 | 19.0 | 18.4 | 13.6 | 0.57 | 0.59 |
| | 19 | 1917 | 25.4 | 16.1 | 14.0 | 0.70 | 0.64 |
| Unemployment Insurance | 12 | 1917 | 27.9 | 8.6 | 12.5 | 1.01 | 0.48 |
| | 18 | 1927 | 30.4 | 18.2 | 11.6 | 0.38 | 0.36 |
| All 4 systems | 48 | 1908 | 17.5 | 16.8 | 13.9 | 0.65 | 0.62 |
| | 72 | 1917 | 23.6 | 19.8 | 15.2 | 0.63 | 0.67 |

First Laws = all first laws establishing a compulsory or subsidized-voluntary system (excluding systems for very limited groups, such as e.g. miners)
All Laws = all laws establishing the care of a compulsory or an equivalent subsidized voluntary system with high coverage.

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

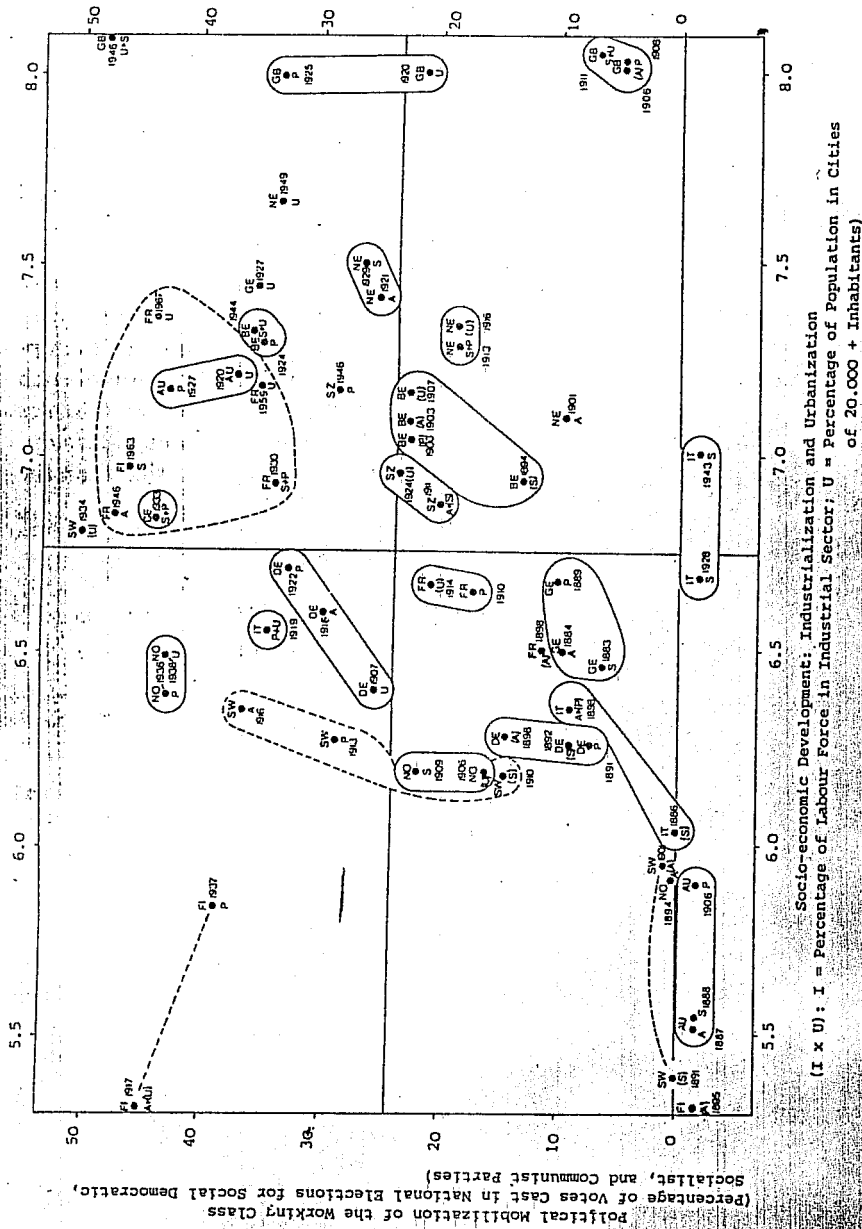
If this is the case, we would expect that countries that introduce social insurance schemes at relatively low levels of socioeconomic development are characterized by relatively high levels of political mobilization of the working class pressing for such institutions. Similarly, countries that introduce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

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



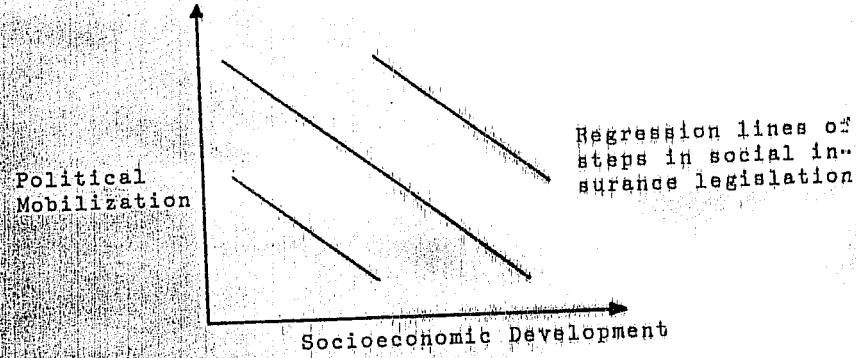
The scatter plot in Figure 2.8 is used to examine this hypothesis. The horizontal axis refers to the levels of socioeconomic development, the vertical axis to levels of political mobilization. Each point represents the introduction of one (or more simultaneous) social insurance laws at the respective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

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



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

Figure 2.9
A Differentiated Hypothesis for Social Insurance Legislation

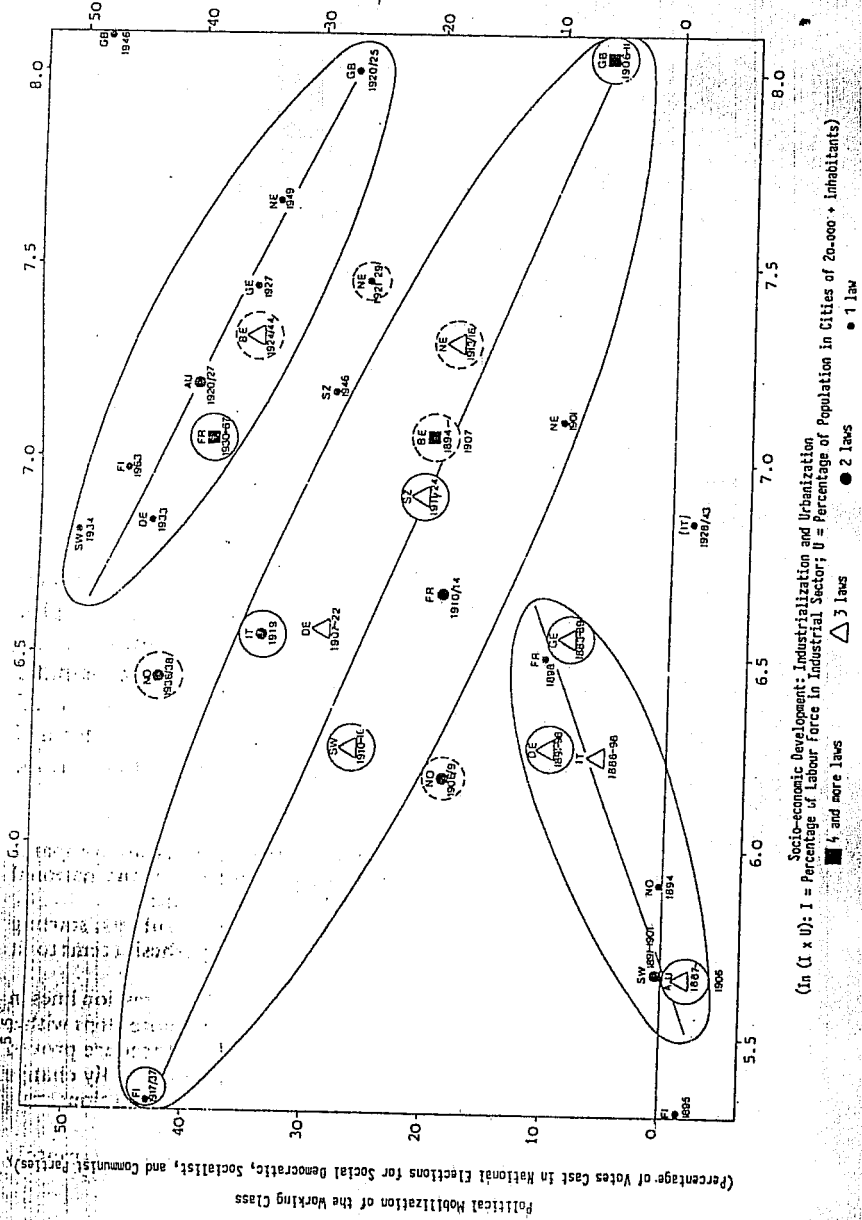


In order to identify the possible subsets, we first simplify the analysis by combining two or more laws of each country (in the first scatter plot surrounded by lines) that are characterized by similar levels of development and mobilization and/or temporal proximity (the problematic groupings have dotted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

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

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

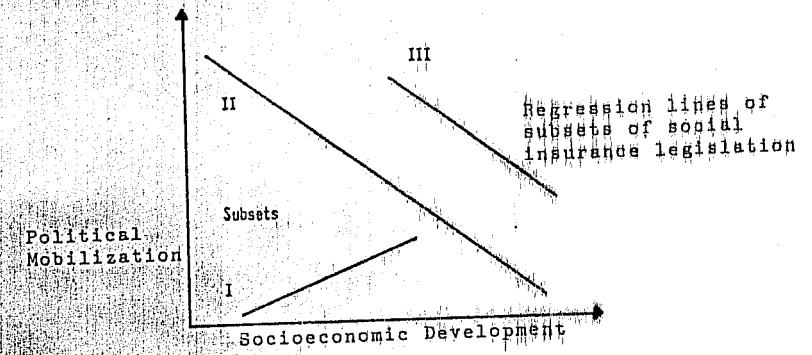
Figure 2.10
Social Insurance Legislation in the Context of Socioeconomic Development and Political Mobilization



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

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

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



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

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

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

D. The Role of Constitutional Developments

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

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

Table 2.6
Constitutional Development and Social Insurance Legislation

| MALE SUFFRAGE | CONSTITUTIONAL-DUALISTIC MONARCHIES | | PARLIAMENTARY DEMOCRACIES | | MALE SUFFRAGE | |
|---|--|--|--|--|--|---------|
| | First Social Insurance Laws major | minor | First Social Insurance Laws major | minor | | |
| 0 - 35 | AU 1883-1906; SW 1883-1910; | 1888 1887 1906 1891 1892 1884 1889 1913 | 5 laws/8 potential laws 52 years = 1,20 % | BE 1883-1893; II 1883-1912; NO 1884-1893; NE 1885-1896; | 1886 1898 1898 | 0 - 35 |
| 40 - 70 | | | 7 laws/12 potential laws 54 years = 1,08 % | NE 1897-1914; NO 1894-1899; GB 1885-1914; 1911 1911 | 1891 1894 1906 | 40 - 70 |
| 75 + | AU 1907-1914; DE 1883-1910; GE 1883-1914; SW 1911-1914; | 1891 1887 1889 1913 | 7 laws/11 potential laws 63 years = 1,01 % | BE 1894-1914; DE 1901-1914; FR 1883-1914; II 1913-1914; NO 1900-1914; SZ 1883-1914; | 1894 1907 1907 1898 1910 1914 1906 1911 1911 | 75 + |
| Ratios of subset I | | | | | | |
| countries actual laws potential laws | 4 11 16 | 17/16 = 49 % | 18 % = 5/28 | 7 countries actual laws potential laws | 7 5 28 | |
| countries actual Laws potential Laws | 4 10 16 | 10/16 = 45 % | 21 % = 5/28 | 7 countries actual Laws potential Laws | 7 6 28 | |
| countries actual Laws potential Laws (= 16-1 of DE) | 4 12 15 | 12/15 = 80 % | 76 % = 27/29 | 8 countries actual Laws potential Laws (= 32-3 of DE) | 8 27 29 | |

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

Comparing the ratios, the following conclusions may be drawn:

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

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

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

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

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

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

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

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

Table 2.7
Active Members of Occupational Injuries Insurance

| Year | FR | GE | AU | NO | FI | DE | FR | IT | NE | SW | BE | UK | SZ |
|------|----|-----|----|----|----|----|----|----|----|----|----|----|----|
| 1880 | | | | | | | | | | | | | |
| 1885 | | 18 | 7 | | | | | | | | | | |
| 1890 | | 70 | 28 | 9 | 5 | | | | | | | | |
| 1895 | | 81 | 33 | 14 | 8 | 15 | 6 | | | | | | |
| 1900 | | 75 | 31 | 18 | 9 | 13 | 5 | 8 | 3 | | | | |
| 1905 | | 72 | 31 | 20 | 10 | 12 | 5 | 8 | 3 | 5 | | | |
| 1910 | | 87 | 38 | 25 | 14 | 16 | 6 | 8 | 3 | 10 | | | |
| 1915 | | 78 | 34 | 27 | 13 | 31 | 13 | 8 | 4 | 12 | 5 | | |
| 1920 | | 75 | 38 | 32 | 15 | 33 | 13 | 15 | 7 | 15 | 10 | | |
| 1925 | | 72 | 37 | 30 | 12 | 29 | 12 | 19 | 9 | 20 | 13 | 7 | |
| 1930 | | 75 | 38 | 40 | 23 | 29 | 12 | 33 | 16 | 20 | 20 | 5 | |
| 1935 | | 77 | 38 | 49 | 24 | 30 | 13 | 32 | 16 | 20 | 20 | 5 | |
| 1940 | | 88 | 44 | 50 | 34 | 34 | 15 | 31 | 17 | 20 | 20 | 5 | |
| 1945 | | 90 | 50 | 50 | 34 | 34 | 15 | 31 | 17 | 20 | 20 | 5 | |
| 1950 | | 91 | 42 | 54 | 26 | 40 | 17 | 43 | 21 | 20 | 20 | 5 | |
| 1955 | | 100 | 87 | 42 | 42 | 42 | 17 | 49 | 23 | 20 | 20 | 5 | |
| 1960 | | 92 | 44 | 54 | 45 | 76 | 30 | 56 | 26 | 20 | 20 | 5 | |
| 1965 | | 96 | 44 | 89 | 42 | 76 | 30 | 68 | 31 | 20 | 20 | 5 | |
| 1970 | | 98 | 43 | 94 | 41 | 77 | 31 | 75 | 34 | 20 | 20 | 5 | |
| 1880 | | | | | | | | | | | | | |
| 1885 | | | | | | | | | | | | | |
| 1890 | | | | | | | | | | | | | |
| 1895 | | | | | | | | | | | | | |
| 1900 | | | | | | | | | | | | | |
| 1905 | | | | | | | | | | | | | |
| 1910 | | | | | | | | | | | | | |
| 1915 | | | | | | | | | | | | | |
| 1920 | | | | | | | | | | | | | |
| 1925 | | | | | | | | | | | | | |
| 1930 | | | | | | | | | | | | | |
| 1935 | | | | | | | | | | | | | |
| 1940 | | | | | | | | | | | | | |
| 1945 | | | | | | | | | | | | | |
| 1950 | | | | | | | | | | | | | |
| 1955 | | | | | | | | | | | | | |
| 1960 | | | | | | | | | | | | | |
| 1965 | | | | | | | | | | | | | |
| 1970 | | | | | | | | | | | | | |

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

--- employer's liability scheme in effect

— compulsory insurance system in effect

Table 2.8
Active Members of Public Sickness Insurance

| Year | FR | GE | IT | SW | DE | BE | NO | UK | SZ | NE | FI |
|------|----|----|----|----|----|----|----|----|----|----|----|
| 1880 | | | | | | | | | | | |
| 1885 | | | | | | | | | | | |
| 1890 | | | | | | | | | | | |
| 1895 | | | | | | | | | | | |
| 1900 | | | | | | | | | | | |
| 1905 | | | | | | | | | | | |
| 1910 | | | | | | | | | | | |
| 1915 | | | | | | | | | | | |
| 1920 | | | | | | | | | | | |
| 1925 | | | | | | | | | | | |
| 1930 | | | | | | | | | | | |
| 1935 | | | | | | | | | | | |
| 1940 | | | | | | | | | | | |
| 1945 | | | | | | | | | | | |
| 1950 | | | | | | | | | | | |
| 1955 | | | | | | | | | | | |
| 1960 | | | | | | | | | | | |
| 1965 | | | | | | | | | | | |
| 1970 | | | | | | | | | | | |

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

--- law on subsidized voluntary scheme in effect

— law on compulsory scheme in effect

Table 2.9
Active Members of Public Pension Insurance

| Year | FR | GE | IT | BE | SW | NE | DE | UK | AU | NO | FI | SZ |
|------|-------|-------|-----|-------|--------|--------|--------|--------|-------|-----|-----|-----|
| 1880 | | | | | | | | | | | | |
| 1885 | 6 | | | | | | | | | | | |
| 1890 | 6 | | | | | | | | | | | |
| 1895 | 8 | 53 21 | | | | | | | | | | |
| 1900 | 8 | 51 21 | 0 0 | 9 4 | | | | | | | | |
| 1905 | 8 | 49 21 | 1 1 | 23 11 | | | | | | | | |
| 1910 | 8 | 52 22 | 2 | 30 14 | | | | | | | | |
| 1915 | 9 5 | 58 24 | 2 | 30 | 136 57 | | | | | | | |
| 1920 | 14 8 | 58 27 | 20 | 30 | 132 58 | | | | | | | |
| 1925 | 14 7 | 61 30 | 25 | 30 | 132 60 | 55 22 | | | | | | |
| 1930 | 15 | 64 31 | 32 | 51 24 | 131 62 | 55 | 91 39 | | | | | |
| 1935 | 37 18 | 64 32 | 35 | 47 21 | 135 64 | 60 24 | 95 43 | 90 41 | 40 19 | | | |
| 1940 | 47 23 | 68 33 | 40 | 55 | 136 64 | 65 26 | 132 63 | 91 42 | 36 17 | | | |
| 1945 | 52 27 | 65 | 25 | 44 18 | 143 64 | 66 27 | 112 56 | 104 47 | 40 | | | |
| 1950 | 70 | 69 30 | 25 | 57 23 | 138 61 | 64 25 | 111 55 | 109 50 | 50 | | | |
| 1955 | 89 42 | 78 35 | 45 | 69 28 | 140 64 | 72 27 | 111 54 | 101 47 | 51 25 | | | |
| 1960 | 93 40 | 82 37 | 95 | 89 36 | 140 | 169 61 | 94 45 | 100 48 | 54 26 | | | |
| 1965 | 100 | 79 35 | 100 | 90 | 140 | 170 | 114 52 | 99 47 | 75 36 | | | |
| 1970 | 100 | 81 34 | 100 | 90 | 135 | 170 | 160 | 99 47 | 76 35 | | | |
| 1975 | | | | | | | 160 | 98 46 | 78 34 | | | |
| 1980 | | | | | | | | | | 155 | | |
| 1985 | | | | | | | | | | | 110 | |
| 1990 | | | | | | | | | | | | 110 |
| 1995 | | | | | | | | | | | | |
| 2000 | | | | | | | | | | | | |
| 2005 | | | | | | | | | | | | |
| 2010 | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | |
| 2020 | | | | | | | | | | | | |
| 2025 | | | | | | | | | | | | |
| 2030 | | | | | | | | | | | | |
| 2035 | | | | | | | | | | | | |
| 2040 | | | | | | | | | | | | |
| 2045 | | | | | | | | | | | | |
| 2050 | | | | | | | | | | | | |
| 2055 | | | | | | | | | | | | |
| 2060 | | | | | | | | | | | | |
| 2065 | | | | | | | | | | | | |
| 2070 | | | | | | | | | | | | |

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

--- law on subsidized voluntary scheme in effect

--- law on compulsory scheme in effect

Table 2.10
Active Members of Unemployment Insurance

| Year | FR | NO | DE | BE | UK | NE | FI | IT | AU | SZ | GE | SW |
|------|-----|-------|-------|-------|----|----|----|----|----|----|----|----|
| 1880 | | | | | | | | | | | | |
| 1885 | | | | | | | | | | | | |
| 1890 | | | | | | | | | | | | |
| 1895 | | | | | | | | | | | | |
| 1900 | | | | | | | | | | | | |
| 1905 | 0 0 | | | | | | | | | | | |
| 1910 | 0 0 | 2 1 | 9 4 | 4 | | | | | | | | |
| 1915 | 0 0 | 4 2 | 12 6 | 5 2 | | | | | | | | |
| 1920 | 1 | 11 4 | 21 9 | 5 9 | | | | | | | | |
| 1925 | 1 | 4 2 | 19 8 | 18 8 | | | | | | | | |
| 1930 | 1 0 | 4 2 | 19 9 | 17 8 | | | | | | | | |
| 1935 | 1 1 | 5 2 | 23 11 | 25 11 | | | | | | | | |
| 1940 | | 37 16 | 29 13 | 30 | | | | | | | | |
| 1945 | | 50 21 | 31 15 | 38 24 | | | | | | | | |
| 1950 | | 56 25 | 32 16 | 37 23 | | | | | | | | |
| 1955 | | 59 25 | 35 17 | 37 23 | | | | | | | | |
| 1960 | 50 | 59 23 | 35 17 | 60 24 | | | | | | | | |
| 1965 | 50 | 57 23 | 34 17 | 65 26 | | | | | | | | |
| 1970 | 50 | | | | | | | | | | | |
| 1975 | | | | | | | | | | | | |
| 1980 | | | | | | | | | | | | |
| 1985 | | | | | | | | | | | | |
| 1990 | | | | | | | | | | | | |
| 1995 | | | | | | | | | | | | |
| 2000 | | | | | | | | | | | | |
| 2005 | | | | | | | | | | | | |
| 2010 | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | |
| 2020 | | | | | | | | | | | | |
| 2025 | | | | | | | | | | | | |
| 2030 | | | | | | | | | | | | |
| 2035 | | | | | | | | | | | | |
| 2040 | | | | | | | | | | | | |
| 2045 | | | | | | | | | | | | |
| 2050 | | | | | | | | | | | | |
| 2055 | | | | | | | | | | | | |
| 2060 | | | | | | | | | | | | |
| 2065 | | | | | | | | | | | | |
| 2070 | | | | | | | | | | | | |

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

--- law on subsidized voluntary insurance in effect

--- law on compulsory insurance in effect

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

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

Switzerland: Social Democrats (1896-1971), Communists (1922-1971).
 United Kingdom: Independent Labour Party (1895), Labour Party (1900-1970),
 Communists (1922-1970).

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

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Chapter 3

The Development of Welfare States in North America

Robert T. Kudrle and Theodore R. Marmor

Introduction

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

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