

## Introduction

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The welfare state has been a favored topic of research for many years now. This is not very surprising when we consider its fantastic pace of growth in most countries during the 1960s and 1970s. What once were night-watchman states, law-and-order states, militarist states, or even repressive organs of totalitarian rule, are now institutions predominantly preoccupied with the production and distribution of social well-being. To study the welfare state is therefore a means to understand a novel phenomenon in the history of capitalist societies.

In the league of advanced capitalist democracies, states clearly vary considerably with regard to their accent on welfare. Even if the lion's share of expenditures or personnel serves welfare aims, the kind of welfare provided will be qualitatively different, as will its prioritization relative to competing activities, be they warfare, law and order, or the promotion of profits and trade.

The historical characteristics of states have played a determinant role in forging the emergence of their welfare-statism. In his recent book, Giddens (1985) highlights the causal influence of wars, a factor which has been almost wholly neglected in the large literature on welfare-state origins. In our account, this argument cannot be confronted directly. Yet, it is given some indirect support in our emphasis on the relative strength of absolutist and authoritarian rule. The leading theme in our account, however, is that the history of political class coalitions is the most decisive cause of welfare-state variations.

The welfare state has been approached both narrowly and broadly. Those who take the narrower view see it in terms of the traditional terrain of social amelioration: income transfers and social services, with perhaps some token mention of the housing question. The broad-

er view often frames its questions in terms of political economy, its interests focused on the state's larger role in managing and organizing the economy. In the broader view, therefore, issues of employment, wages, and overall macro-economic steering are considered integral components in the welfare-state complex. In a sense, this approach identifies its subject matter as the 'Keynesian welfare state' or, if you like, 'welfare capitalism'.

In this book, we follow the broad approach; this is why we begin with the issues of classical and modern political economy, and why we devote the last third of the book to issues of employment and general macro-economic steering. This is also why we prefer to employ terms such as 'welfare capitalism' and 'welfare-state regimes'.

'Welfare-state regimes' is, in a way, the organizing concept of the book. The reasons are several. First, as it is commonly used, the concept of the welfare state is too narrowly associated with the conventional social-amelioration policies. Second, what we will show is that contemporary advanced nations cluster not only in terms of how their traditional social-welfare policies are constructed, but also in terms of how these influence employment and general social structure. To talk of 'a regime' is to denote the fact that in the relation between state and economy a complex of legal and organizational features are systematically interwoven.

The broader approach implies a trade-off. Since our intention is to understand the 'big picture', we shall not be able to dwell on the detailed characteristics of the various social programs. So, when we study pensions, for example, our concern is not pensions *per se*, but the ways in which they elucidate how different nations arrive at their peculiar public-private sector mix. A related trade-off is that large-scale comparisons, such as ours, prohibit detailed treatments of individual countries. I am convinced that readers knowledgeable about any of the 18 nations included in the study will feel that my treatment of 'their' country is superficial, if not outright misrepresentative. This is unfortunately the price to be paid for making grand comparisons, given the intellectual limitations of the author and the page limitations set by the publisher.

This book has been written with two beliefs in mind. The first is that existing theoretical models of the welfare state are inadequate. The ambition is to offer a reconceptualization and re-theorization on the basis of what we consider important about the welfare state. The existence of a social program and the amount of money spent on it may be less important than what it does. We shall devote many pages to arguing that issues of de-commodification, social stratification, and

employment are keys to a welfare state's identity. The second belief is that only comparative empirical research will adequately disclose the fundamental properties that unite or divide modern welfare states. The distant dream of social science is to formulate laws of societal motion. Whether formulated in terms of the logic of capitalism, industrialism, modernization, or nation-building, they nearly always posit similar and convergent evolutionary paths. Obviously, laws are not supposed to have deviant cases.

The comparative approach is meant to (and will) show that welfare states are not all of one type. Indeed, the study presented here identifies three highly diverse regime-types, each organized around its own discrete logic of organization, stratification, and societal integration. They owe their origins to different historical forces, and they follow qualitatively different developmental trajectories.

In the first chapter, our task is to reintegrate the welfare-state debate into the intellectual tradition of political economy. This serves to bring into sharper focus the principal theoretical questions involved. On this basis we will be in a better position to specify the salient characteristics of welfare states. The convention of conceptualizing welfare states in terms of their expenditures will no longer do. In a sense, our ultimate goal is to 'sociologize' the study of welfare states. Most studies have assumed a world of linearity: of more or less power, industrialization, or spending. We will in this book understand welfare states as clustering into three different types of regime that we have labeled conservative, liberal, and 'social democratic'. Their crystallization and subsequent development can hardly be explained with analytical parsimony.

In chapters 2, 3, and 4 we offer a reconceptualization of what we believe to be the salient characteristics of welfare states. The extension of social rights has always been regarded as the essence of social policy. Inspired by the contributions of Karl Polanyi, we choose to view social rights in terms of their capacity for 'de-commodification'. The outstanding criterion for social rights must be the degree to which they permit people to make their living standards independent of pure market forces. It is in this sense that social rights diminish citizens' status as 'commodities'.

Social stratification is part and parcel of welfare states. Social policy is supposed to address problems of stratification, but it also produces it. Equality has always been what welfare states were supposed to produce, yet the image of equality has always remained rather vague. In some analyses it is simply taken for granted that social benefits diminish inequalities. In others, the focus is on the eradication of

poverty or the overall distribution of income. The really neglected issue is the welfare state as a stratification system in its own right. Does it enhance or diminish existing status or class differences; does it create dualisms, individualism, or broad social solidarity? These are the issues of chapter 3.

Both social rights and social stratification are shaped by the nexus of state and market in the distribution system. To a social democrat, reliance on the market for the basic means of welfare is problematic because it fails to provide inalienable rights and because it is inequitable. To a laissez-faire liberal, reliance on the welfare state is dangerous because it cripples freedom and efficiency. In chapter 4, we examine how the interplay of public and private sector has contributed to the crystallization of the pension-mix in different welfare-state regimes. The point is two-fold. First, we cannot grasp the welfare state without locating its activities in relation to the private sector. Second, it is a myth to think that either markets or the state are more naturally equipped to develop welfare. Instead, markets are often politically created and form an integral part of the overall welfare-state regime.

Part I of the book develops the dimensions of comparative welfare states, and demonstrates the clustering of advanced capitalist democracies into three distinct regimes. Part II examines how this came to be. In this analysis we can obviously not limit ourselves to why some welfare states score more or less than others on some attribute. We have to account for why the world is composed of three qualitatively different welfare-state logics. In chapter 5, we adopt the standard comparative correlational approach to identify the relative importance of political forces in the creation of welfare states. In line with the prevailing academic consensus today, we must conclude that politics not only matters, but is decisive. In contrast to most studies, however, it is not necessarily the political mobilization of the working classes that matters here. For some regimes, their role has been marginal and we must instead understand the evolution of welfare states here as the result of the state's history of nation-building and/or the influence of conservatism and Catholicism. We have tried to embed our explanations in the political histories of nations.

The second part of the book broadens the field of investigation considerably. Here the focus is not so much on what created welfare states as on what their effects are on our economies. Specifically, we examine three facets of welfare-state-employment interactions. To begin with, in chapter 6 we lay out an argument for why labor-market structures are closely tied to welfare-state regimes. We show that the coincidence of the two is striking, and that the behavioral characteris-

tics of labor markets cross-nationally depend on how the welfare state is constructed.

In chapters 7 and 8, we examine in greater detail how welfare states affect employment by selecting a representative country from each of our three types of regime. In chapter 7, the focus is on nations' capacities to maintain full employment; in chapter 8, it is on the post-industrial transformation of employment structures. In the former chapter, we analyze how welfare states have become key institutions in managing the dilemmas and tensions that emerge with a full-employment commitment. In the latter, we argue that it is false to believe in the emergence of a general post-industrial employment path. We identify three qualitatively diverse trajectories, each of which owes its dynamic to the structuring of the welfare state. We conclude that each trajectory produces its own stratification outcome, and results, therefore, in very different conflict scenarios.

The book, then, sees the welfare state as a principal institution in the construction of different models of post-war capitalism. Hence, the choice of its title, *The Three Worlds of Welfare Capitalism*.

PART 1

**The Three Welfare-State  
Regimes**

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## The Three Political Economies of the Welfare State\*

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### The Legacy of Classical Political Economy

Most debates on the welfare state have been guided by two questions. First, will the salience of class diminish with the extension of social citizenship? In other words, can the welfare state fundamentally transform capitalist society? Second, what are the causal forces behind welfare-state development?

These questions are not recent. Indeed, they were formulated by the nineteenth-century political economists 100 years before any welfare state can rightly be said to have come into existence. The classical political economists – whether of liberal, conservative, or Marxist persuasion – were preoccupied with the relationship between capitalism and welfare. They certainly gave different (and usually normative) answers, but their analyses converged around the relationship between market (and property), and the state (democracy).

Contemporary neo-liberalism is very much an echo of classical liberal political economy. For Adam Smith, the market was the superior means for the abolition of class, inequality, and privilege. Aside from a necessary minimum, state intervention would only stifle the equalizing process of competitive exchange and create monopolies, protectionism, and inefficiency: the state upholds class; the market can potentially undo class society (Smith, 1961, II, esp. pp. 232–6).<sup>1</sup>

Liberal political economists were hardly of one mind when it came

\* This chapter is adapted from an article which previously appeared in the *Canadian Review of Sociology and Anthropology*, Vol. 26:2 (1989) under the title 'The three political economies of the welfare state'.

to policy advocacy. Nassau Senior and later Manchester liberals emphasized the laissez-faire element in Smith, rejecting any form of social protection outside the cash nexus. J. S. Mill and the 'reformed liberals', in turn, were proponents of a modicum of political regulation. Yet they all were agreed that the road to equality and prosperity should be paved with a maximum of free markets and a minimum of state interference.

Their enthusiastic embrace of market capitalism may now appear unjustified. But we must not forget that the reality they spoke of was a state upholding absolutist privileges, mercantilist protectionism, and pervasive corruption. What they attacked was a system of government that repressed their ideals of both freedom and enterprise. Hence, theirs was revolutionary theory, and from this vantage point, we can understand why Adam Smith sometimes reads like Karl Marx.<sup>2</sup>

Democracy became an Achilles' heel to many liberals. As long as capitalism remained a world of small property owners, property itself would have little to fear from democracy. But with industrialization, the proletarian masses emerged, for whom democracy was a means to curtail the privileges of property. The liberals rightly feared universal suffrage, for it would be likely to politicize the distributional struggle, pervert the market, and fuel inefficiencies. Many liberals discovered that democracy would usurp or destroy the market.

Both conservative and Marxist political economists understood this contradiction, but proposed, of course, opposite solutions. The most coherent conservative critique of laissez-faire came from the German historical school, in particular from Friedrich List, Adolph Wagner, and Gustav Schmoller. They refused to believe that the raw cash-nexus of the market was the only or the best guarantee of economic efficiency. Their ideal was the perpetuation of patriarchy and absolutism as the best possible legal, political, and social shell for a capitalism without class struggle.

One prominent conservative school promoted the monarchical welfare states, which would guarantee social welfare, class harmony, loyalty, and productivity. In this model, an efficient production system comes not from competition, but from discipline. An authoritarian state would be far superior to the chaos of markets in harmonizing the good of the state, community, and individual.<sup>3</sup>

Conservative political economy emerged in reaction to the French Revolution and the Paris Commune. It was avowedly nationalistic and anti-revolutionary, and sought to arrest the democratic impulse. It feared social leveling, and favored a society that retained both hierar-

chy and class. Status, rank, and class were natural and given; class conflicts, however, were not. If we permit democratic mass participation, and allow authority and status boundaries to dissolve, the result is a collapse of the social order.

Marxist political economy not only abhorred the market's atomizing effects, but also attacked the liberal claim that markets guarantee equality. Since, as Dobb (1946) puts it, capital accumulation disowns people of property, the end result will be ever-deeper class divisions. And as these generate sharpened conflicts, the liberal state will be forced to shed its ideals of freedom and neutrality, and come to the defence of the propertied classes. For Marxism this is the foundation of class dominance.

The central question, not only for Marxism but for the entire contemporary debate on the welfare state, is whether, and under what conditions, the class divisions and social inequalities produced by capitalism can be undone by parliamentary democracy.

Fearing that democracy might produce socialism, the liberals were hardly eager to extend it. The socialists, in contrast, suspected that parliamentarism would be little more than an empty shell or, as Lenin suggested, a mere 'talking shop' (Jessop, 1982). This line of analysis, echoed in much of contemporary Marxism, produced the belief that social reforms were little more than a dike in a steadily leaking capitalist order. By definition, they could not be a response to the desire of the working classes for emancipation.<sup>4</sup>

It took major extensions of political rights before the socialists could wholeheartedly embrace a more optimistic analysis of parliamentarism. The theoretically most sophisticated contributions came from the Austro-German Marxists such as Adler, Bauer, and Eduard Heimann. According to Heimann (1929), it may have been the case that conservative reforms were motivated by little else than a desire to repress labor mobilization. But once introduced, they become contradictory: the balance of class power is fundamentally altered when workers enjoy social rights, for the social wage lessens the worker's dependence on the market and employers, and thus turns into a potential power resource. To Heimann, social policy introduces an alien element into the capitalist political economy. It is a Trojan horse that can penetrate the frontier between capitalism and socialism. This intellectual position has enjoyed quite a renaissance in recent Marxism (Offe, 1985; Bowles and Gintis, 1986).

The social democratic model, as outlined above, did not necessarily abandon the orthodoxy that, ultimately, fundamental equality requires

economic socialization. Yet historical experience soon demonstrated that socialization was a goal that could not be pursued realistically through parliamentarism.<sup>5</sup>

Social democracy's embrace of parliamentary reformism as its dominant strategy for equality and socialism was premised on two arguments. The first was that workers require social resources, health, and education to participate effectively as socialist citizens. The second argument was that social policy is not only emancipatory, but is also a precondition for economic efficiency (Myrdal and Myrdal, 1936). Following Marx, in this argument the strategic value of welfare policies is that they help promote the onward march of the productive forces in capitalism. But the beauty of the social democratic strategy was that social policy would also result in power mobilization. By eradicating poverty, unemployment, and complete wage dependency, the welfare state increases political capacities and diminishes the social divisions that are barriers to political unity among workers.

The social democratic model, then, is father to one of the leading hypotheses of contemporary welfare-state debate: parliamentary class-mobilization is a means for the realization of the socialist ideals of equality, justice, freedom, and solidarity.

### The Political Economy of the Welfare State

Our forebears in political economy defined the analytic basis of much recent scholarship. They isolated the key variables of class, state, market, and democracy, and they formulated the basic propositions about citizenship and class, efficiency and equality, capitalism and socialism. Contemporary social science distinguishes itself from classical political economy on two scientifically vital fronts. First, it defines itself as a positive science and shies away from normative prescription (Robbins, 1976). Second, classical political economists had little interest in historical variability: they saw their efforts as leading towards a system of universal laws. Although contemporary political economy sometimes still clings to the belief in absolute truths, the comparative and historical method that today underpins almost all good political economy is one that reveals variation and permeability.

Despite these differences, most recent scholarship has as its focal point the state-economy relationship defined by nineteenth-century political economists. And, given the enormous growth of the welfare state, it is understandable that it has become a major test case for contending theories of political economy.

*Intentional / institutionalist*

We shall review below the contributions of comparative research on the development of welfare states in advanced capitalist countries. It will be argued that most scholarship has been misdirected, mainly because it became detached from its theoretical foundations. We must therefore recast both the methodology and the concepts of political economy in order to adequately study the welfare state. This will constitute the focus of the final section of this chapter.

Two types of approach have dominated in explanations of welfare states; one stresses structures and whole systems, the other, institutions and actors.

### THE SYSTEMS/STRUCTURALIST APPROACH

Systems or structuralist theory seeks to capture the logic of development holistically. It is the system that 'wills', and what happens is therefore easily interpreted as a functional requisite for the reproduction of society and economy. Because its attention is concentrated on the laws of motion of systems, this approach is inclined to emphasize cross-national similarities rather than differences; being industrialized or capitalist over-determines cultural variations or differences in power relations.

One variant begins with a theory of industrial society, and argues that industrialization makes social policy both necessary and possible – necessary because pre-industrial modes of social reproduction, such as the family, the church, *noblesse oblige*, and guild solidarity are destroyed by the forces attached to modernization, such as social mobility, urbanization, individualism, and market dependence. The crux of the matter is that the market is no adequate substitute because it caters only to those who are able to perform in it. Hence, the 'welfare function' is appropriated by the nation-state.

The welfare state is also made possible by the rise of modern bureaucracy as a rational, universalist, and efficient form of organization. It is a means for managing collective goods, but also a center of power in its own right, and it will thus be inclined to promote its own growth. This kind of reasoning has informed the so-called 'logic of industrialism' perspective, according to which the welfare state will emerge as the modern industrial economy destroys traditional social institutions (Flora and Alber, 1981; Pryor, 1969). But the thesis has difficulties explaining why government social policy only emerged 50 and sometimes even 100 years after traditional community was effectively destroyed. The basic response draws on Wagner's Law of 1883 (Wagner, 1962) and on Alfred Marshall (1920) – namely that a certain

*Welfare*  
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level of economic development, and thus surplus, is needed in order to permit the diversion of scarce resources from productive use (investment) to welfare (Wilensky and Lebeaux, 1958). In this sense, this perspective follows in the footsteps of the old liberals. Social redistribution endangers efficiency, and only at a certain economic level will a negative-sum trade-off be avoidable (Okun, 1975).

The new structuralist Marxism is strikingly parallel. Abandoning its classical forebears' strongly action-centered theory, its analytical starting-point is that the welfare state is an inevitable product of the capitalist mode of production. Capital accumulation creates contradictions that compel social reform (O'Connor, 1973). In this tradition of Marxism, as in its 'logic of industrialism' counterpart, welfare states hardly need to be promoted by political actors, whether they be unions, socialist parties, humanitarians, or enlightened reformers. The point is that the state, as such, is positioned in such a way that the collective needs of capital are served, regardless. The theory is thus premised on two crucial assumptions: first, that power is structural, and second, that the state is 'relatively' autonomous from class directives (Poulantzas, 1973; Block, 1977; for a recent critical assessment of this literature, see Therborn, 1986a; and Skocpol and Amenta, 1986).

The 'logic of capitalism' perspective invites difficult questions. If, as Przeworski (1980) has argued, working-class consent is assured on the basis of material hegemony, that is, self-willed subordination to the system, it is difficult to see why up to 40 percent of the national product must be allocated to the legitimization activities of a welfare state. A second problem is to derive state activities from a 'mode of production' analysis. Eastern Europe may perhaps not qualify as socialist, but neither is it capitalist. Yet there we find 'welfare states', too. Perhaps accumulation has functional requirements no matter how it proceeds? (Skocpol and Amenta, 1986; Bell, 1978).

#### THE INSTITUTIONAL APPROACH

The classical political economists made it clear why democratic institutions should influence welfare-state development. The liberals feared that full democracy might jeopardize markets and inaugurate socialism. Freedom, in their view, necessitated a defence of markets against political intrusion. In practice, this is what the laissez-faire state sought to accomplish. But it was this divorce of politics and economy which fuelled much institutional analysis. Represented best by Polanyi (1944), but also by a number of anti-democratic exponents of the historical school, the institutional approach insists that any effort to

isolate the economy from social and political institutions will destroy human society. The economy must be embedded in social communities in order for it to survive. Thus, Polanyi sees social policy as one necessary precondition for the reintegration of the social economy.

An interesting recent variant of institutional alignment theory is the argument that welfare states emerge more readily in small, open economies that are particularly vulnerable to international markets. As Katzenstein (1985) and Cameron (1978) show, there is a greater inclination to regulate class-distributional conflicts through government and interest concertation when both business and labor are captive to forces beyond domestic control.

The impact of democracy on welfare states has been argued ever since J. S. Mill and Alexis de Tocqueville. The argument is typically phrased without reference to any particular social agent or class. It is in this sense that it is institutional. In its classical formulation, the thesis was simply that majorities will favor social distribution to compensate for market weakness or market risks. If wage-earners are likely to demand a social wage, so are capitalists (or farmers) apt to demand protection in the form of tariffs, monopoly, or subsidies. Democracy is an institution that cannot resist majority demands.

In its modern formulations, the democracy thesis has many variants. One identifies stages of nation-building in which the extension of full citizenship must also include social rights (Marshall, 1950; Bendix, 1964; Rokkan, 1970). A second variant, developed by both pluralist and public-choice theory, argues that democracy will nurture intense party competition around the median voter which, in turn, will fuel rising public expenditure (Tufte (1978)). for example, argues that major extensions of public intervention occur around elections as a means of voter mobilization.

This approach also faces considerable empirical problems (Skocpol and Amenta, 1986). When it holds that welfare states are more likely to develop the more democratic rights are extended, the thesis confronts the historical oddity that the first major welfare-state initiatives occurred prior to democracy and were powerfully motivated by the desire to arrest its realization. This was certainly the case in France under Napoleon III, in Germany under Bismarck and in Austria under von Taaffe. Conversely, welfare-state development was most retarded where democracy arrived early, such as in the United States, Australia, and Switzerland. This apparent contradiction can be explained, but only with reference to social classes and social structure: nations with early democracy were overwhelmingly agrarian and dominated by small property owners who used their electoral powers



to reduce, not raise, taxes (Dich, 1973). In contrast, ruling classes in authoritarian polities were better positioned to impose high taxes on an unwilling populace.

### Social Class as a Political Agent

\* We have noted that the case for a class-mobilization thesis flows from social democratic political economy. It differs from structuralist and institutional analyses in its emphasis on the social classes as the main agents of change, and in its argument that the balance-of-class-power determines distributional outcomes. To emphasize active class-mobilization does not necessarily deny the importance of structured or hegemonic power (Korpi, 1983). But it is held that parliaments are, in principle, effective institutions for the translation of mobilized power into desired policies and reforms. Accordingly, parliamentary politics is capable of overriding hegemony, and can be made to serve interests that are antagonistic to capital. Further, the class-mobilization theory assumes that welfare states do more than simply alleviate the current ills of the system: a 'social democratic' welfare state will, in its own right, establish critical power resources for wage-earners, and thus strengthen labor movements. As Heimann (1929) originally held, social rights push back the frontiers of capitalist power.

\* The question of why the welfare state itself is a power resource is vital for the theory's applicability. The answer is that wage-earners in the market are inherently atomized and stratified – compelled to compete, insecure, and dependent on decisions and forces beyond their control. This limits their capacity for collective solidarity and mobilization. The social rights, income security, equalization, and eradication of poverty that a universalistic welfare state pursues are necessary preconditions for the strength and unity that collective power mobilization demands (Esping-Andersen, 1985a).

\* The single most difficult problem for this thesis is to specify the conditions for power mobilization. Power depends on the resources that flow from electoral numbers and from collective bargaining. Power mobilization, in turn, depends on levels of trade-union organization, share of votes, and parliamentary and cabinet seats held by left or labor parties. But the power of one agent cannot simply be indicated by its own resources: it will depend on the resources of contending forces, on the historical durability of its mobilization, and on patterns of power alliances.

There are several valid objections to the class-mobilization thesis. Three in particular are quite fundamental. One is that the locus of

decision-making and power may shift from parliaments to neo-corporatist institutions of interest intermediation (Shonfield, 1965; Schmitter and Lembruch, 1979). A second criticism is that the capacity of labor parties to influence welfare-state development is circumscribed by the structure of right-wing party power. Castles (1978; 1982) has argued that the degree of unity among the conservative parties is more important than is the activated power of the left. Other authors have emphasized the fact that denominational (usually social Catholic) parties in countries such as Holland, Italy, and Germany mobilize large sections of the working classes and pursue welfare-state programs not drastically at variance with their socialist competitors (Schmidt, 1982; Wilensky, 1981). The class-mobilization thesis has, rightly, been criticized for its Swedocentrism, i.e. its inclination to define the process of power mobilization too much on the basis of the rather extraordinary Swedish experience (Shalev, 1984).

These objections hint at a basic fallacy in the theory's assumptions about the class formation: we cannot assume that socialism is the natural basis for wage-earner mobilization. Indeed, the conditions under which workers become socialists are still not adequately documented. Historically, the natural organizational bases of worker mobilization were pre-capitalist communities, especially the guilds, but also the Church, ethnicity, or language. A ready-made reference to false consciousness will not do to explain why Dutch, Italian, or American workers continue to mobilize around non-socialist principles. The dominance of socialism among the Swedish working class is as much a puzzle as is the dominance of confessionality among the Dutch.

\* The third and perhaps most fundamental objection has to do with the model's linear view of power. It is problematic to hold that a numerical increase in votes, unionization, or seats will translate into more welfare-statism. First, for socialist as for other parties, the magical '50 percent' threshold for parliamentary majorities seems practically insurmountable (Przeworski, 1985). Second, if socialist parties represent working classes in the traditional sense, it is clear that they will never succeed in their project. In very few cases has the traditional working class been numerically a majority; and its role is rapidly becoming marginal.<sup>6</sup>

\* Probably the most promising way to resolve the combined linearity and working-class minority problem lies in recent applications of Barrington Moore's path-breaking class-coalition thesis to the transformation of the modern state (Weir and Skocpol, 1985; Gourevitch, 1986; Esping-Andersen, 1985a; Esping-Andersen and Friedland,

1982). Thus, the origins of the Keynesian full-employment commitment and the social democratic welfare-state edifice have been traced to the capacity of (variably) strong working-class movements to forge a political alliance with farmer organizations; additionally, it is arguable that sustained social democracy has come to depend on the formation of a new-working-class-white-collar coalition.

The class-coalitional approach has additional virtues. Two nations, such as Austria and Sweden, may score similarly on working-class mobilization variables, and yet produce highly unequal policy results. This can be explained by differences in the history of coalition formation in two countries: the breakthrough of Swedish social democratic hegemony stems from its capacity to forge the famous red-green alliance with the farmers; the comparative disadvantage of the Austrian socialists rests in the 'ghetto' status assigned to them by virtue of the rural classes being captured by a conservative coalition (Esping-Andersen and Korpi, 1984).

\* In summary, we have to think in terms of social relations, not just social categories. Whereas structural functionalist explanations identify convergent welfare-state outcomes, and class-mobilization paradigms see large, but linearly distributed, differences, an interactive model such as the coalition approach directs attention to distinct welfare-state regimes.

### What is the Welfare State?

Every theoretical paradigm must somehow define the welfare state. How do we know when and if a welfare state responds functionally to the needs of industrialism, or to capitalist reproduction and legitimacy? And how do we identify a welfare state that corresponds to the demands that a mobilized working class might have? We cannot test contending arguments unless we have a commonly shared conception of the phenomenon to be explained.

A remarkable attribute of the entire literature is its lack of much genuine interest in the welfare state as such. Welfare-state studies have been motivated by theoretical concerns with other phenomena, such as power, industrialization, or capitalist contradictions; the welfare state itself has generally received scant conceptual attention. If welfare states differ, how do they differ? And when, indeed, is a state a welfare state? This turns attention straight back to the original question: what is the welfare state?

A common textbook definition is that it involves state responsibility

for securing some basic modicum of welfare for its citizens. Such a definition skirts the issue of whether social policies are emancipatory or not; whether they help system legitimation or not; whether they contradict or aid the market process; and what, indeed, is meant by 'basic'? Would it not be more appropriate to require of a welfare state that it satisfies more than our basic or minimal welfare needs?

The first generation of comparative studies started with this type of conceptualization. They assumed, without much reflection, that the level of social expenditure adequately reflects a state's commitment to welfare. The theoretical intent was not really to arrive at an understanding of the welfare state, but rather to test the validity of contending theoretical models in political economy. By scoring nations with respect to urbanization, level of economic growth, and the proportion of aged in the demographic structure, it was believed that the essential features of industrial modernization were properly considered. Alternatively, power-oriented theories compared nations on left-party strength or working-class power mobilization.

The findings of the first-generation comparativists are difficult to evaluate, since there is no convincing case for any particular theory. The shortage of nations for comparisons statistically restricts the number of variables that can be tested simultaneously. Thus, when Cutright (1965) or Wilensky (1975) find that economic level, with its demographic and bureaucratic correlates, explains most welfare-state variations in 'rich countries', relevant measures of working-class mobilization or economic openness are not included. Their conclusions in favor of a 'logic of industrialism' view are therefore in doubt. And, when Hewitt (1977), Stephens (1979), Korpi (1983), Myles (1984a), and Esping-Andersen (1985b) find strong evidence in favor of a working-class mobilization thesis, or when Schmidt (1982; 1983) finds support for a neo-corporatist, and Cameron (1978) for an economic openness argument, it is without fully testing against plausible alternative explanations.<sup>7</sup>

Most of these studies claim to explain the welfare state. Yet their focus on spending may be misleading. Expenditures are epiphenomenal to the theoretical substance of welfare states. Moreover, the linear scoring approach (more or less power, democracy, or spending) contradicts the sociological notion that power, democracy, or welfare are relational and structured phenomena. By scoring welfare states on spending, we assume that all spending counts equally. But some welfare states, the Austrian one, for example, spend a large share on benefits to privileged civil servants. This is normally not what we would consider a commitment to social citizenship and solidarity. Others spend disproportionately on means-tested social assistance. Few contemporary

analysts would agree that a reformed poor-relief tradition qualifies as a welfare-state commitment. Some nations spend enormous sums on fiscal welfare in the form of tax privileges to private insurance plans that mainly benefit the middle classes. But these tax expenditures do not show up on expenditure accounts. In Britain, total social expenditure has grown during the Thatcher period, yet this is almost exclusively a function of very high unemployment. Low expenditure on some programs may signify a welfare state more seriously committed to full employment.

Therborn (1983) is right when he holds that we must begin with a conception of state structure. What are the criteria with which we should judge whether, and when, a state is a welfare state? There are three approaches to this question. Therborn's proposal is to begin with the historical transformation of state activities. Minimally, in a genuine welfare state the majority of its daily routine activities must be devoted to servicing the welfare needs of households. This criterion has far-reaching consequences. If we simply measure routine activity in terms of spending and personnel, the result is that no state can be regarded as a real welfare state until the 1970s, and some that we normally label as welfare states will not qualify because the majority of their routine activities concern defence, law and order, administration, and the like (Therborn, 1983). Social scientists have been too quick to accept nations' self-proclaimed welfare-state status. They have also been too quick to conclude that if the standard social programs have been introduced, the welfare state has been born.

② The second conceptual approach derives from Richard Titmuss's (1958) classical distinction between residual and institutional welfare states. In the former, the state assumes responsibility only when the family or the market fails; it seeks to limit its commitments to marginal and deserving social groups. The latter model addresses the entire population, is universalistic, and embodies an institutionalized commitment to welfare. It will, in principle, extend welfare commitments to all areas of distribution vital for societal welfare.

The Titmuss approach has fertilized a variety of new developments in comparative welfare-state research (Myles, 1984a; Korpi, 1980; Esping-Andersen and Korpi, 1984; 1986; Esping-Andersen, 1985b; 1987b). It is an approach that forces researchers to move from the black box of expenditures to the content of welfare states: targeted versus universalistic programs, the conditions of eligibility, the quality of benefits and services, and, perhaps most importantly, the extent to which employment and working life are encompassed in the state's extension of citizen rights. The shift to welfare-state typologies makes simple linear

welfare-state rankings difficult to sustain. Conceptually, we are comparing categorically different types of states.

The third approach is to theoretically select the criteria on which to judge types of welfare states. This can be done by measuring actual welfare states against some abstract model and then scoring programs, or entire welfare states, accordingly (Day 1978; Myles, 1984a). But this is ahistorical, and does not necessarily capture the ideals or designs that historical actors sought to realize in the struggles over the welfare state. If our aim is to test causal theories that involve actors, we should begin with the demands that were actually promoted by those actors that we deem critical in the history of welfare-state development. It is difficult to imagine that anyone struggled for spending *per se*.

### A Re-Specification of the Welfare State

Few can disagree with T. H. Marshall's (1950) proposition that social citizenship constitutes the core idea of a welfare state. But the concept must be fleshed out. Above all, it must involve the granting of social rights. If social rights are given the legal and practical status of property rights, if they are inviolable, and if they are granted on the basis of citizenship rather than performance, they will entail a de-commodification of the status of individuals *vis-à-vis* the market. But the concept of social citizenship also involves social stratification: one's status as a citizen will compete with, or even replace, one's class position.

The welfare state cannot be understood just in terms of the rights it grants. We must also take into account how state activities are interlocked with the market's and the family's role in social provision. These are the three main principles that need to be fleshed out prior to any theoretical specification of the welfare state.

### RIGHTS AND DE-COMMODIFICATION

In pre-capitalist societies, few workers were properly commodities in the sense that their survival was contingent upon the sale of their labor power. It is as markets become universal and hegemonic that the welfare of individuals comes to depend entirely on the cash nexus. Stripping society of the institutional layers that guaranteed social reproduction outside the labor contract meant that people were commodified. In turn, the introduction of modern social rights implies a loosening of the pure commodity status. De-commodification occurs

when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market.

The mere presence of social assistance or insurance may not necessarily bring about significant de-commodification if they do not substantially emancipate individuals from market dependence. Means-tested poor relief will possibly offer a safety net of last resort. But if benefits are low and associated with social stigma, the relief system will compel all but the most desperate to participate in the market. This was precisely the intent of the nineteenth-century poor laws in most countries. Similarly, most of the early social-insurance programs were deliberately designed to maximize labor-market performance (Ogus, 1979).

There is no doubt that de-commodification has been a hugely contested issue in welfare state development. For labor, it has always been a priority. When workers are completely market-dependent, they are difficult to mobilize for solidaristic action. Since their resources mirror market inequalities, divisions emerge between the 'ins' and the 'outs', making labor-movement formation difficult. De-commodification strengthens the worker and weakens the absolute authority of the employer. It is for exactly this reason that employers have always opposed de-commodification.

De-commodified rights are differentially developed in contemporary welfare states. In social-assistance dominated welfare states, rights are not so much attached to work performance as to demonstrable need. Needs-tests and typically meager benefits, however, serve to curtail the de-commodifying effect. Thus, in nations where this model is dominant (mainly in the Anglo-Saxon countries), the result is actually to strengthen the market since all but those who fail in the market will be encouraged to contract private-sector welfare.

A second dominant model espouses compulsory state social insurance with fairly strong entitlements. But again, this may not automatically secure substantial de-commodification, since this hinges very much on the fabric of eligibility and benefit rules. Germany was the pioneer of social insurance, but over most of the century can hardly be said to have brought about much in the way of de-commodification through its social programs. Benefits have depended almost entirely on contributions, and thus on work and employment. In other words, it is not the mere presence of a social right, but the corresponding rules and preconditions, which dictate the extent to which welfare programs offer genuine alternatives to market dependence.

The third dominant model of welfare, namely the Beveridge-type citizens' benefit, may, at first glance, appear the most de-commodifying.

It offers a basic, equal benefit to all, irrespective of prior earnings, contributions, or performance. It may indeed be a more solidaristic system, but not necessarily de-commodifying, since only rarely have such schemes been able to offer benefits of such a standard that they provide recipients with a genuine option to working.

De-commodifying welfare states are, in practice, of very recent date. A minimal definition must entail that citizens can freely, and without potential loss of job, income, or general welfare, opt out of work when they themselves consider it necessary. With this definition in mind, we would, for example, require of a sickness insurance that individuals be guaranteed benefits equal to normal earnings, and the right to absence with minimal proof of medical impairment and for the duration that the individual deems necessary. These conditions, it is worth noting, are those usually enjoyed by academics, civil servants, and higher-echelon white-collar employees. Similar requirements would be made of pensions, maternity leave, parental leave, educational leave, and unemployment insurance.

Some nations have moved towards this level of de-commodification, but only recently, and, in many cases, with significant exemptions. In almost all nations, benefits were upgraded to nearly equal normal wages in the late 1960s and early 1970s. But in some countries, for example, prompt medical certification in case of illness is still required; in others, entitlements depend on long waiting periods of up to two weeks; and in still others, the duration of entitlements is very short. As we shall see in chapter 2, the Scandinavian welfare states tend to be the most de-commodifying; the Anglo-Saxon the least.

### The Welfare State as a System of Stratification

Despite the emphasis given to it in both classical political economy and in T. H. Marshall's pioneering work, the relationship between citizenship and social class has been neglected both theoretically and empirically. Generally speaking, the issue has either been assumed away (it has been taken for granted that the welfare state creates a more egalitarian society), or it has been approached narrowly in terms of income distribution or in terms of whether education promotes upward social mobility. A more basic question, it seems, is what kind of stratification system is promoted by social policy. The welfare state is not just a mechanism that intervenes in, and possibly corrects, the structure of inequality; it is, in its own right, a system of stratification. It is an active force in the ordering of social relations.

Comparatively and historically, we can easily identify alternative systems of stratification embedded in welfare states. The poor-relief tradition, and its contemporary means-tested social-assistance offshoot, was conspicuously designed for purposes of stratification. By punishing and stigmatizing recipients, it promotes social dualisms and has therefore been a chief target of labor-movement attacks.

The social-insurance model promoted by conservative reformers such as Bismarck and von Taffe was also explicitly a form of class politics. It sought, in fact, to achieve two simultaneous results in terms of stratification. The first was to consolidate divisions among wage-earners by legislating distinct programs for different class and status groups, each with its own conspicuously unique set of rights and privileges which was designed to accentuate the individual's appropriate station in life. The second objective was to tie the loyalties of the individual directly to the monarchy or the central state authority. This was Bismarck's motive when he promoted a direct state supplement to the pension benefit. This state-corporatist model was pursued mainly in nations such as Germany, Austria, Italy, and France, and often resulted in a labyrinth of status-specific insurance funds.

Of special importance in this corporatist tradition was the establishment of particularly privileged welfare provisions for the civil service (Beamten). In part, this was a means of rewarding loyalty to the state, and in part it was a way of demarcating this group's uniquely exalted social status. The corporatist status-differentiated model springs mainly from the old guild tradition. The neo-absolutist autocrats, such as Bismarck, saw in this tradition a means to combat the rising labor movements.

The labor movements were as hostile to the corporatist model as they were to poor relief – in both cases for obvious reasons. Yet the alternatives first espoused by labor were no less problematic from the point of view of uniting the workers as one solidaristic class. Almost invariably, the model that labor first pursued was that of self-organized friendly societies or equivalent union- or party-sponsored fraternal welfare plans. This is not surprising. Workers were obviously suspicious of reforms sponsored by a hostile state, and saw their own organizations not only as bases of class mobilization, but also as embryos of an alternative world of solidarity and justice; as a microcosm of the socialist haven to come. Nonetheless, these micro-socialist societies often became problematic class ghettos that divided rather than united workers. Membership was typically restricted to the strongest strata of the working class, and the weakest – who most needed protection – were

most likely excluded. In brief, the fraternal society model frustrated the goal of working-class mobilization.

The socialist 'ghetto approach' was an additional obstacle when socialist parties found themselves forming governments and having to pass the social reforms they had so long demanded. For political reasons of coalition-building and broader solidarity, their welfare model had to be recast as welfare for 'the people'. Hence, the socialists came to espouse the principle of universalism; borrowing from the liberals, their program was, typically, designed along the lines of the democratic flat-rate, general revenue-financed Beveridge model.

As an alternative to means-tested assistance and corporatist social insurance, the universalistic system promotes equality of status. All citizens are endowed with similar rights, irrespective of class or market position. In this sense, the system is meant to cultivate cross-class solidarity, a solidarity of the nation. But the solidarity of flat-rate universalism presumes a historically peculiar class structure, one in which the vast majority of the population are the 'little people' for whom a modest, albeit egalitarian, benefit may be considered adequate. Where this no longer obtains, as occurs with growing working-class prosperity and the rise of the new middle classes, flat-rate universalism inadvertently promotes dualism because the better-off turn to private insurance and to fringe-benefit bargaining to supplement modest equality with what they have decided are accustomed standards of welfare. Where this process unfolds (as in Canada or Great Britain), the result is that the wonderfully egalitarian spirit of universalism turns into a dualism similar to that of the social-assistance state: the poor rely on the state, and the remainder on the market.

It is not only the universalist but, in fact, all historical welfare-state models which have faced the dilemma of changes in class structure. But the response to prosperity and middle-class growth has been varied, and so, therefore, has been the outcome in terms of stratification. The corporatist insurance tradition was, in a sense, best equipped to manage new and loftier welfare-state expectations since the existing system could technically be upgraded quite easily to distribute more adequate benefits. Adenauer's 1957 pension-reform in Germany was a pioneer in this respect. Its avowed purpose was to restore status differences that had been eroded because of the old insurance system's incapacity to provide benefits tailored to expectations. This it did simply by moving from contribution- to earnings-graduated benefits without altering the framework of status-distinctiveness.

In nations with either a social-assistance or a universalistic Beveridge-

type system, the option was whether to allow the market or the state to furnish adequacy and satisfy middle-class aspirations. Two alternative models emerged from this political choice. The one typical of Great Britain and most of the Anglo-Saxon world was to preserve an essentially modest universalism in the state, and allow the market to reign for the growing social strata demanding superior welfare. Due to the political power of such groups, the dualism that emerges is not merely one between state and market, but also between forms of welfare-state transfers: in these nations, one of the fastest growing components of public expenditure is tax subsidies for so-called 'private' welfare plans. And the typical political effect is the erosion of middle-class support for what is less and less a universalistic public-sector transfer system.

Yet another alternative has been to seek a synthesis of universalism and adequacy outside of the market. This road has been followed in countries where, by mandating or legislation, the state incorporates the new middle classes within a luxurious second-tier, universally inclusive, earnings-related insurance scheme on top of the flat-rate egalitarian one. Notable examples are Sweden and Norway. By guaranteeing benefits tailored to expectations, this solution reintroduces benefit inequalities, but effectively blocks off the market. It thus succeeds in retaining universalism and also, therefore, the degree of political consensus required to preserve broad and solidaristic support for the high taxes that such a welfare-state model demands.

### Welfare-State Regimes

As we survey international variations in social rights and welfare-state stratification, we will find qualitatively different arrangements between state, market, and the family. The welfare-state variations we find are therefore not linearly distributed, but clustered by regime-types.

In one cluster we find the 'liberal' welfare state, in which means-tested assistance, modest universal transfers, or modest social-insurance plans predominate. Benefits cater mainly to a clientele of low-income, usually working-class, state dependents. In this model, the progress of social reform has been severely circumscribed by traditional, liberal work-ethic norms: it is one where the limits of welfare equal the marginal propensity to opt for welfare instead of work. Entitlement rules are therefore strict and often associated with stigma; benefits are typically modest. In turn, the state encourages the market, either

passively - by guaranteeing only a minimum - or actively - by subsidizing private welfare schemes.

The consequence is that this type of regime minimizes de-commodification-effects, effectively contains the realm of social rights, and erects an order of stratification that is a blend of a relative equality of poverty among state-welfare recipients, market-differentiated welfare among the majorities, and a class-political dualism between the two. The archetypical examples of this model are the United States, Canada and Australia.

A second regime-type clusters nations such as Austria, France, Germany, and Italy. Here, the historical corporatist-statist legacy was upgraded to cater to the new 'post-industrial' class structure. In these conservative and strongly corporatist welfare states, the liberal obsession with market efficiency and commodification was never preeminent and, as such, the granting of social rights was hardly ever a seriously contested issue. What predominated was the preservation of status differentials; rights, therefore, were attached to class and status. This corporatism was subsumed under a state edifice perfectly ready to displace the market as a provider of welfare; hence, private insurance and occupational fringe benefits play a truly marginal role. On the other hand, the state's emphasis on upholding status differences means that its redistributive impact is negligible.

But the corporatist regimes are also typically shaped by the Church and hence strongly committed to the preservation of traditional familyhood. Social insurance typically excludes non-working wives, and family benefits encourage motherhood. Day care, and similar family services, are conspicuously underdeveloped; the principle of 'subsidiarity' serves to emphasize that the state will only interfere when the family's capacity to service its members is exhausted.

The third, and clearly smallest, regime-cluster is composed of those countries in which the principles of universalism and de-commodification of social rights were extended also to the new middle classes. We may call it the 'social democratic' regime-type since, in these nations, social democracy was clearly the dominant force behind social reform. Rather than tolerate a dualism between state and market, between working class and middle class, the social democrats pursued a welfare state that would promote an equality of the highest standards, not an equality of minimal needs as was pursued elsewhere. This implied, first, that services and benefits be upgraded to levels commensurate with even the most discriminating tastes of the new middle classes; and, second, that equality be furnished by guaranteeing workers full participation in the quality of rights enjoyed by the better-off.

This formula translates into a mix of highly de-commodifying and universalistic programs that, nonetheless, are tailored to differentiated expectations. Thus, manual workers come to enjoy rights identical to those of salaried white-collar employees or civil servants; all strata are incorporated under one universal insurance system, yet benefits are graduated according to accustomed earnings. This model crowds out the market, and consequently constructs an essentially universal solidarity in favor of the welfare state. All benefit; all are dependent; and all will presumably feel obliged to pay.

The social democratic regime's policy of emancipation addresses both the market and the traditional family. In contrast to the corporatist-subsidiarity model, the principle is not to wait until the family's capacity to aid is exhausted, but to preemptively socialize the costs of familyhood. The ideal is not to maximize dependence on the family, but capacities for individual independence. In this sense, the model is a peculiar fusion of liberalism and socialism. The result is a welfare state that grants transfers directly to children, and takes direct responsibility of caring for children, the aged, and the helpless. It is, accordingly, committed to a heavy social-service burden, not only to service family needs but also to allow women to choose work rather than the household.

Perhaps the most salient characteristic of the social democratic regime is its fusion of welfare and work. It is at once genuinely committed to a full-employment guarantee, and entirely dependent on its attainment. On the one side, the right to work has equal status to the right of income protection. On the other side, the enormous costs of maintaining a solidaristic, universalistic, and de-commodifying welfare system means that it must minimize social problems and maximize revenue income. This is obviously best done with most people working, and the fewest possible living off of social transfers.

Neither of the two alternative regime-types espouse full employment as an integral part of their welfare-state commitment. In the conservative tradition, of course, women are discouraged from working; in the liberal ideal, concerns of gender matter less than the sanctity of the market.

In the chapters to follow, we show that welfare states cluster, but we must recognize that there is no single pure case. The Scandinavian countries may be predominantly social democratic, but they are not free of crucial liberal elements. Neither are the liberal regimes pure types. The American social-security system is redistributive, compulsory, and far from actuarial. At least in its early formulation, the New Deal was as social democratic as was contemporary Scandinavian social democracy.

And European conservative regimes have incorporated both liberal and social democratic impulses. Over the decades, they have become less corporatist and less authoritarian.

Notwithstanding the lack of purity, if our essential criteria for defining welfare states have to do with the quality of social rights, social stratification, and the relationship between state, market, and family, the world is obviously composed of distinct regime-clusters. Comparing welfare states on scales of more or less or, indeed, of better or worse, will yield highly misleading results.

### The Causes of Welfare-State Regimes

If welfare states cluster into three distinct regime-types, we face a substantially more complex task of identifying the causes of welfare-state differences. What is the explanatory power of industrialization, economic growth, capitalism, or working-class political power in accounting for regime-types? A first superficial answer would be: very little. The nations we study are all more or less similar with regard to all but the variable of working-class mobilization. And we find very powerful labor movements and parties in each of the three clusters.

A theory of welfare-state developments must clearly reconsider its causal assumptions if it wishes to explain clusters. The hope of finding one single powerful causal force must be abandoned; the task is to identify salient interaction-effects. Based on the preceding arguments, three factors in particular should be of importance: the nature of class mobilization (especially of the working class); class-political coalition structures; and the historical legacy of regime institutionalization.

As we have noted, there is absolutely no compelling reason to believe that workers will automatically and naturally forge a socialist class identity; nor is it plausible that their mobilization will look especially Swedish. The actual historical formation of working-class collectivities will diverge, and so also will their aims, ideology, and political capacities. Fundamental differences appear both in trade-unionism and party development. Unions may be sectional or in pursuit of more universal objectives; they may be denominational or secular; and they may be ideological or devoted to business-unionism. Whichever they are, it will decisively affect the articulation of political demands, class cohesion and the scope for labor-party action. It is clear that a working-class mobilization thesis must pay attention to union structure.

The structure of trade-unionism may or may not be reflected in labor-party formation. But under what conditions are we likely to



expect certain welfare-state outcomes from specific party configurations? There are many factors that conspire to make it virtually impossible to assume that any labor, or left-wing, party will ever be capable, single-handedly, of structuring a welfare state. Denominational or other divisions aside, it will be only under extraordinary historical circumstances that a labor party alone will command a parliamentary majority long enough to impose its will. We have noted that the traditional working class has hardly ever constituted an electoral majority. It follows that a theory of class mobilization must look beyond the major leftist parties. It is a historical fact that welfare-state construction has depended on political coalition-building. The structure of class coalitions is much more decisive than are the power resources of any single class.

The emergence of alternative class coalitions is, in part, determined by class formation. In the earlier phases of industrialization, the rural classes usually constituted the largest single group in the electorate. If social democrats wanted political majorities, it was here that they were forced to look for allies. One of history's many paradoxes is that the rural classes were decisive for the future of socialism. Where the rural economy was dominated by small, capital-intensive family farmers, the potential for an alliance was greater than where it rested on large pools of cheap labor. And where farmers were politically articulate and well-organized (as in Scandinavia), the capacity to negotiate political deals was vastly superior.

The role of the farmers in coalition formation and hence in welfare-state development is clear. In the Nordic countries, the necessary conditions obtained for a broad red-green alliance for a full-employment welfare state in return for farm-price subsidies. This was especially true in Norway and Sweden, where farming was highly precarious and dependent on state aid. In the United States, the New Deal was premised on a similar coalition (forged by the Democratic Party), but with the important difference that the labor-intensive South blocked a truly universalistic social security system and opposed further welfare-state developments. In contrast, the rural economy of continental Europe was very inhospitable to red-green coalitions. Often, as in Germany and Italy, much of agriculture was labor-intensive; hence the unions and left-wing parties were seen as a threat. In addition, the conservative forces on the continent had succeeded in incorporating farmers into 'reactionary' alliances, helping to consolidate the political isolation of labor.

Political dominance was, until after World War II, largely a question of rural class politics. The construction of welfare states in this period

was, therefore, dictated by whichever force captured the farmers. The absence of a red-green alliance does not necessarily imply that no welfare-state reforms were possible. On the contrary, it implies which political force came to dominate their design. Great Britain is an exception to this general rule, because the political significance of the rural classes eroded before the turn of the century. In this way, Britain's coalition-logic showed at an early date the dilemma that faced most other nations later; namely, that the rising white-collar strata constitute the linchpin for political majorities. The consolidation of welfare states after World War II came to depend fundamentally on the political alliances of the new middle classes. For social democracy, the challenge was to synthesize working-class and white-collar demands without sacrificing the commitment to solidarity.

Since the new middle classes have, historically, enjoyed a relatively privileged position in the market, they have also been quite successful in meeting their welfare demands outside the state, or, as civil servants, by privileged state welfare. Their employment security has traditionally been such that full employment has been a peripheral concern. Finally, any program for drastic income-equalization is likely to be met with great hostility among a middle-class clientele. On these grounds, it would appear that the rise of the new middle classes would abort the social democratic project and strengthen a liberal welfare-state formula.

The political leanings of the new middle classes have, indeed, been decisive for welfare-state consolidation. Their role in shaping the three welfare-state regimes described earlier is clear. The Scandinavian model relied almost entirely on social democracy's capacity to incorporate them into a new kind of welfare state: one that provided benefits tailored to the tastes and expectations of the middle classes, but nonetheless retained universalism of rights. Indeed, by expanding social services and public employment, the welfare state participated directly in manufacturing a middle class instrumentally devoted to social democracy.

In contrast, the Anglo-Saxon nations retained the residual welfare-state model precisely because the new middle classes were not wooed from the market to the state. In class terms, the consequence is dualism. The welfare state caters essentially to the working class and the poor. Private insurance and occupational fringe benefits cater to the middle classes. Given the electoral importance of the latter, it is quite logical that further extensions of welfare-state activities are resisted.

The third, continental European, welfare-state regime has also been patterned by the new middle classes, but in a different way. The cause is historical. Developed by conservative political forces, these regimes



institutionalized a middle-class loyalty to the preservation of both occupationally segregated social-insurance programs and, ultimately, to the political forces that brought them into being. Adenauer's great pension-reform in 1957 was explicitly designed to resurrect middle-class loyalties.

## Conclusion

We have here presented an alternative to a simple class-mobilization theory of welfare-state development. It is motivated by the analytical necessity of shifting from a linear to an interactive approach with regard to both welfare states and their causes. If we wish to study welfare states, we must begin with a set of criteria that define their role in society. This role is certainly not to spend or tax; nor is it necessarily that of creating equality. We have presented a framework for comparing welfare states that takes into consideration the principles for which the historical actors have willingly united and struggled. When we focus on the principles embedded in welfare states, we discover distinct regime-clusters, not merely variations of 'more' or 'less' around a common denominator.

The historical forces behind the regime differences are interactive. They involve first, the pattern of working-class political formation and, second, political coalition-building in the transition from a rural economy to a middle-class society. The question of political coalition-formation is decisive. Third, past reforms have contributed decisively to the institutionalization of class preferences and political behavior. In the corporatist regimes, hierarchical status-distinctive social insurance cemented middle-class loyalty to a peculiar type of welfare state. In liberal regimes, the middle classes became institutionally wedded to the market. And in Scandinavia, the fortunes of social democracy over the past decades were closely tied to the establishment of a middle-class welfare state that benefits both its traditional working-class clientele and the new white-collar strata. The Scandinavian social democrats were able to achieve this in part because the private welfare market was relatively undeveloped and in part because they were capable of building a welfare state with features of sufficient luxury to satisfy the wants of a more discriminating public. This also explains the extraordinarily high cost of Scandinavian welfare states.

But a theory that seeks to explain welfare-state growth should also be able to understand its retrenchment or decline. It is generally believed that welfare-state backlash movements, tax revolts, and roll-backs are

ignited when social expenditure burdens become too heavy. Paradoxically, the opposite is true. Anti-welfare-state sentiments over the past decade have generally been weakest where welfare spending has been heaviest, and vice versa. Why?

The risks of welfare-state backlash depend not on spending, but on the class character of welfare states. Middle-class welfare states, be they social democratic (as in Scandinavia) or corporatist (as in Germany), forge middle-class loyalties. In contrast, the liberal, residualist welfare states found in the United States, Canada and, increasingly, Britain, depend on the loyalties of a numerically weak, and often politically residual, social stratum. In this sense, the class coalitions in which the three welfare-state regime-types were founded, explain not only their past evolution but also their future prospects.

## Notes

- 1 Adam Smith is often cited but rarely read. A closer inspection of his writings reveals a degree of nuance and a battery of reservations that substantially qualify a delirious enthusiasm for the blessings of capitalism.
- 2 In *The Wealth of Nations* (1961, II, p. 236), Smith comments on states that uphold the privilege and security of the propertied as follows: 'civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.'
- 3 This tradition is virtually unknown to Anglo-Saxon readers since so little has been translated into English. A key text which greatly influenced public debate and later social legislation was Adolph Wagner's *Rede Ueber die Soziale Frage* (1872). For an English language overview of this tradition of political economy, see Schumpeter (1954), and especially Bower (1947).

From the Catholic tradition, the fundamental texts are the two Papal Encyclicals, *Rerum Novarum* (1891) and *Quadragesimo Anno* (1931). The social Catholic political economy's main advocacy is a social organization where a strong family is integrated in cross-class corporations, aided by the state in terms of the subsidiarity principle. For a recent discussion, see Richter (1987).

Like the liberals, the conservative political economists also have their contemporary echoes, although substantially fewer in number. A revival occurred with Fascism's concept of the corporative (*Standische*) state of Ottmar Spann in Germany. The subsidiarity principle still guides much of German Christian Democratic politics (see Richter, 1987).

- 4 Chief proponents of this analysis are the German 'state derivation' school (Muller and Neuss, 1973); Offe (1972); O'Connor (1973); Gough (1979); and also the work of Poulantzas (1973). As Skocpol and Amenta (1986) note

in 1973 (p. 12) | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 | 2055 | 2056 | 2057 | 2058 | 2059 | 2060 | 2061 | 2062 | 2063 | 2064 | 2065 | 2066 | 2067 | 2068 | 2069 | 2070 | 2071 | 2072 | 2073 | 2074 | 2075 | 2076 | 2077 | 2078 | 2079 | 2080 | 2081 | 2082 | 2083 | 2084 | 2085 | 2086 | 2087 | 2088 | 2089 | 2090 | 2091 | 2092 | 2093 | 2094 | 2095 | 2096 | 2097 | 2098 | 2099 | 2100 | 2101 | 2102 | 2103 | 2104 | 2105 | 2106 | 2107 | 2108 | 2109 | 2110 | 2111 | 2112 | 2113 | 2114 | 2115 | 2116 | 2117 | 2118 | 2119 | 2120 | 2121 | 2122 | 2123 | 2124 | 2125 | 2126 | 2127 | 2128 | 2129 | 2130 | 2131 | 2132 | 2133 | 2134 | 2135 | 2136 | 2137 | 2138 | 2139 | 2140 | 2141 | 2142 | 2143 | 2144 | 2145 | 2146 | 2147 | 2148 | 2149 | 2150 | 2151 | 2152 | 2153 | 2154 | 2155 | 2156 | 2157 | 2158 | 2159 | 2160 | 2161 | 2162 | 2163 | 2164 | 2165 | 2166 | 2167 | 2168 | 2169 | 2170 | 2171 | 2172 | 2173 | 2174 | 2175 | 2176 | 2177 | 2178 | 2179 | 2180 | 2181 | 2182 | 2183 | 2184 | 2185 | 2186 | 2187 | 2188 | 2189 | 2190 | 2191 | 2192 | 2193 | 2194 | 2195 | 2196 | 2197 | 2198 | 2199 | 2200 | 2201 | 2202 | 2203 | 2204 | 2205 | 2206 | 2207 | 2208 | 2209 | 2210 | 2211 | 2212 | 2213 | 2214 | 2215 | 2216 | 2217 | 2218 | 2219 | 2220 | 2221 | 2222 | 2223 | 2224 | 2225 | 2226 | 2227 | 2228 | 2229 | 2230 | 2231 | 2232 | 2233 | 2234 | 2235 | 2236 | 2237 | 2238 | 2239 | 2240 | 2241 | 2242 | 2243 | 2244 | 2245 | 2246 | 2247 | 2248 | 2249 | 2250 | 2251 | 2252 | 2253 | 2254 | 2255 | 2256 | 2257 | 2258 | 2259 | 2260 | 2261 | 2262 | 2263 | 2264 | 2265 | 2266 | 2267 | 2268 | 2269 | 2270 | 2271 | 2272 | 2273 | 2274 | 2275 | 2276 | 2277 | 2278 | 2279 | 2280 | 2281 | 2282 | 2283 | 2284 | 2285 | 2286 | 2287 | 2288 | 2289 | 2290 | 2291 | 2292 | 2293 | 2294 | 2295 | 2296 | 2297 | 2298 | 2299 | 2300 | 2301 | 2302 | 2303 | 2304 | 2305 | 2306 | 2307 | 2308 | 2309 | 2310 | 2311 | 2312 | 2313 | 2314 | 2315 | 2316 | 2317 | 2318 | 2319 | 2320 | 2321 | 2322 | 2323 | 2324 | 2325 | 2326 | 2327 | 2328 | 2329 | 2330 | 2331 | 2332 | 2333 | 2334 | 2335 | 2336 | 2337 | 2338 | 2339 | 2340 | 2341 | 2342 | 2343 | 2344 | 2345 | 2346 | 2347 | 2348 | 2349 | 2350 | 2351 | 2352 | 2353 | 2354 | 2355 | 2356 | 2357 | 2358 | 2359 | 2360 | 2361 | 2362 | 2363 | 2364 | 2365 | 2366 | 2367 | 2368 | 2369 | 2370 | 2371 | 2372 | 2373 | 2374 | 2375 | 2376 | 2377 | 2378 | 2379 | 2380 | 2381 | 2382 | 2383 | 2384 | 2385 | 2386 | 2387 | 2388 | 2389 | 2390 | 2391 | 2392 | 2393 | 2394 | 2395 | 2396 | 2397 | 2398 | 2399 | 2400 | 2401 | 2402 | 2403 | 2404 | 2405 | 2406 | 2407 | 2408 | 2409 | 2410 | 2411 | 2412 | 2413 | 2414 | 2415 | 2416 | 2417 | 2418 | 2419 | 2420 | 2421 | 2422 | 2423 | 2424 | 2425 | 2426 | 2427 | 2428 | 2429 | 2430 | 2431 | 2432 | 2433 | 2434 | 2435 | 2436 | 2437 | 2438 | 2439 | 2440 | 2441 | 2442 | 2443 | 2444 | 2445 | 2446 | 2447 | 2448 | 2449 | 2450 | 2451 | 2452 | 2453 | 2454 | 2455 | 2456 | 2457 | 2458 | 2459 | 2460 | 2461 | 2462 | 2463 | 2464 | 2465 | 2466 | 2467 | 2468 | 2469 | 2470 | 2471 | 2472 | 2473 | 2474 | 2475 | 2476 | 2477 | 2478 | 2479 | 2480 | 2481 | 2482 | 2483 | 2484 | 2485 | 2486 | 2487 | 2488 | 2489 | 2490 | 2491 | 2492 | 2493 | 2494 | 2495 | 2496 | 2497 | 2498 | 2499 | 2500 | 2501 | 2502 | 2503 | 2504 | 2505 | 2506 | 2507 | 2508 | 2509 | 2510 | 2511 | 2512 | 2513 | 2514 | 2515 | 2516 | 2517 | 2518 | 2519 | 2520 | 2521 | 2522 | 2523 | 2524 | 2525 | 2526 | 2527 | 2528 | 2529 | 2530 | 2531 | 2532 | 2533 | 2534 | 2535 | 2536 | 2537 | 2538 | 2539 | 2540 | 2541 | 2542 | 2543 | 2544 | 2545 | 2546 | 2547 | 2548 | 2549 | 2550 | 2551 | 2552 | 2553 | 2554 | 2555 | 2556 | 2557 | 2558 | 2559 | 2560 | 2561 | 2562 | 2563 | 2564 | 2565 | 2566 | 2567 | 2568 | 2569 | 2570 | 2571 | 2572 | 2573 | 2574 | 2575 | 2576 | 2577 | 2578 | 2579 | 2580 | 2581 | 2582 | 2583 | 2584 | 2585 | 2586 | 2587 | 2588 | 2589 | 2590 | 2591 | 2592 | 2593 | 2594 | 2595 | 2596 | 2597 | 2598 | 2599 | 2600 | 2601 | 2602 | 2603 | 2604 | 2605 | 2606 | 2607 | 2608 | 2609 | 2610 | 2611 | 2612 | 2613 | 2614 | 2615 | 2616 | 2617 | 2618 | 2619 | 2620 | 2621 | 2622 | 2623 | 2624 | 2625 | 2626 | 2627 | 2628 | 2629 | 2630 | 2631 | 2632 | 2633 | 2634 | 2635 | 2636 | 2637 | 2638 | 2639 | 2640 | 2641 | 2642 | 2643 | 2644 | 2645 | 2646 | 2647 | 2648 | 2649 | 2650 | 2651 | 2652 | 2653 | 2654 | 2655 | 2656 | 2657 | 2658 | 2659 | 2660 | 2661 | 2662 | 2663 | 2664 | 2665 | 2666 | 2667 | 2668 | 2669 | 2670 | 2671 | 2672 | 2673 | 2674 | 2675 | 2676 | 2677 | 2678 | 2679 | 2680 | 2681 | 2682 | 2683 | 2684 | 2685 | 2686 | 2687 | 2688 | 2689 | 2690 | 2691 | 2692 | 2693 | 2694 | 2695 | 2696 | 2697 | 2698 | 2699 | 2700 | 2701 | 2702 | 2703 | 2704 | 2705 | 2706 | 2707 | 2708 | 2709 | 2710 | 2711 | 2712 | 2713 | 2714 | 2715 | 2716 | 2717 | 2718 | 2719 | 2720 | 2721 | 2722 | 2723 | 2724 | 2725 | 2726 | 2727 | 2728 | 2729 | 2730 | 2731 | 2732 | 2733 | 2734 | 2735 | 2736 | 2737 | 2738 | 2739 | 2740 | 2741 | 2742 | 2743 | 2744 | 2745 | 2746 | 2747 | 2748 | 2749 | 2750 | 2751 | 2752 | 2753 | 2754 | 2755 | 2756 | 2757 | 2758 | 2759 | 2760 | 2761 | 2762 | 2763 | 2764 | 2765 | 2766 | 2767 | 2768 | 2769 | 2770 | 2771 | 2772 | 2773 | 2774 | 2775 | 2776 | 2777 | 2778 | 2779 | 2780 | 2781 | 2782 | 2783 | 2784 | 2785 | 2786 | 2787 | 2788 | 2789 | 2790 | 2791 | 2792 | 2793 | 2794 | 2795 | 2796 | 2797 | 2798 | 2799 | 2800 | 2801 | 2802 | 2803 | 2804 | 2805 | 2806 | 2807 | 2808 | 2809 | 2810 | 2811 | 2812 | 2813 | 2814 | 2815 | 2816 | 2817 | 2818 | 2819 | 2820 | 2821 | 2822 | 2823 | 2824 | 2825 | 2826 | 2827 | 2828 | 2829 | 2830 | 2831 | 2832 | 2833 | 2834 | 2835 | 2836 | 2837 | 2838 | 2839 | 2840 | 2841 | 2842 | 2843 | 2844 | 2845 | 2846 | 2847 | 2848 | 2849 | 2850 | 2851 | 2852 | 2853 | 2854 | 2855 | 2856 | 2857 | 2858 | 2859 | 2860 | 2861 | 2862 | 2863 | 2864 | 2865 | 2866 | 2867 | 2868 | 2869 | 2870 | 2871 | 2872 | 2873 | 2874 | 2875 | 2876 | 2877 | 2878 | 2879 | 2880 | 2881 | 2882 | 2883 | 2884 | 2885 | 2886 | 2887 | 2888 | 2889 | 2890 | 2891 | 2892 | 2893 | 2894 | 2895 | 2896 | 2897 | 2898 | 2899 | 2900 | 2901 | 2902 | 2903 | 2904 | 2905 | 2906 | 2907 | 2908 | 2909 | 2910 | 2911 | 2912 | 2913 | 2914 | 2915 | 2916 | 2917 | 2918 | 2919 | 2920 | 2921 | 2922 | 2923 | 2924 | 2925 | 2926 | 2927 | 2928 | 2929 | 2930 | 2931 | 2932 | 2933 | 2934 | 2935 | 2936 | 2937 | 2938 | 2939 | 2940 | 2941 | 2942 | 2943 | 2944 | 2945 | 2946 | 2947 | 2948 | 2949 | 2950 | 2951 | 2952 | 2953 | 2954 | 2955 | 2956 | 2957 | 2958 | 2959 | 2960 | 2961 | 2962 | 2963 | 2964 | 2965 | 2966 | 2967 | 2968 | 2969 | 2970 | 2971 | 2972 | 2973 | 2974 | 2975 | 2976 | 2977 | 2978 | 2979 | 2980 | 2981 | 2982 | 2983 | 2984 | 2985 | 2986 | 2987 | 2988 | 2989 | 2990 | 2991 | 2992 | 2993 | 2994 | 2995 | 2996 | 2997 | 2998 | 2999 | 3000 | 3001 | 3002 | 3003 | 3004 | 3005 | 3006 | 3007 | 3008 | 3009 | 3010 | 3011 | 3012 | 3013 | 3014 | 3015 | 3016 | 3017 | 3018 | 3019 | 3020 | 3021 | 3022 | 3023 | 3024 | 3025 | 3026 | 3027 | 3028 | 3029 | 3030 | 3031 | 3032 | 3033 | 3034 | 3035 | 3036 | 3037 | 3038 | 3039 | 3040 | 3041 | 3042 | 3043 | 3044 | 3045 | 3046 | 3047 | 3048 | 3049 | 3050 | 3051 | 3052 | 3053 | 3054 | 3055 | 3056 | 3057 | 3058 | 3059 | 3060 | 3061 | 3062 | 3063 | 3064 | 3065 | 3066 | 3067 | 3068 | 3069 | 3070 | 3071 | 3072 | 3073 | 3074 | 3075 | 3076 | 3077 | 3078 | 3079 | 3080 | 3081 | 3082 | 3083 | 3084 | 3085 | 3086 | 3087 | 3088 | 3089 | 3090 | 3091 | 3092 | 3093 | 3094 | 3095 | 3096 | 3097 | 3098 | 3099 | 3100 | 3101 | 3102 | 3103 | 3104 | 3105 | 3106 | 3107 | 3108 | 3109 | 3110 | 3111 | 3112 | 3113 | 3114 | 3115 | 3116 | 3117 | 3118 | 3119 | 3120 | 3121 | 3122 | 3123 | 3124 | 3125 | 3126 | 3127 | 3128 | 3129 | 3130 | 3131 | 3132 | 3133 | 3134 | 3135 | 3136 | 3137 | 3138 | 3139 | 3140 | 3141 | 3142 | 3143 | 3144 | 3145 | 3146 | 3147 | 3148 | 3149 | 3150 | 3151 | 3152 | 3153 | 3154 | 3155 | 3156 | 3157 | 3158 | 3159 | 3160 | 3161 | 3162 | 3163 | 3164 | 3165 | 3166 | 3167 | 3168 | 3169 | 3170 | 3171 | 3172 | 3173 | 3174 | 3175 | 3176 | 3177 | 3178 | 3179 | 3180 | 3181 | 3182 | 3183 | 3184 | 3185 | 3186 | 3187 | 3188 | 3189 | 3190 | 3191 | 3192 | 3193 | 3194 | 3195 | 3196 | 3197 | 3198 | 3199 | 3200 | 3201 | 3202 | 3203 | 3204 | 3205 | 3206 | 3207 | 3208 | 3209 | 3210 | 3211 | 3212 | 3213 | 3214 | 3215 | 3216 | 3217 | 3218 | 3219 | 3220 | 3221 | 3222 | 3223 | 3224 | 3225 | 3226 | 3227 | 3228 | 3229 | 3230 | 3231 | 3232 | 3233 | 3234 | 3235 | 3236 | 3237 | 3238 | 3239 | 3240 | 3241 | 3242 | 3243 | 3244 | 3245 | 3246 | 3247 | 3248 | 3249 | 3250 | 3251 | 3252 | 3253 | 3254 | 3255 | 3256 | 3257 | 3258 | 3259 | 3260 | 3261 | 3262 | 3263 | 3264 | 3265 | 3266 | 3267 | 3268 | 3269 | 3270 | 3271 | 3272 | 3273 | 3274 | 3275 | 3276 | 3277 | 3278 | 3279 | 3280 | 3281 | 3282 | 3283 | 3284 | 3285 | 3286 | 3287 | 3288 | 3289 | 3290 | 3291 | 3292 | 3293 | 3294 | 3295 | 3296 | 3297 | 3298 | 3299 | 3300 | 3301 | 3302 | 3303 | 3304 | 3305 | 3306 | 3307 | 3308 | 3309 | 3310 | 3311 | 3312 | 3313 | 3314 | 3315 | 3316 | 3317 | 3318 | 3319 | 3320 | 3321 | 3322 | 3323 | 3324 | 3325 | 3326 | 3327 | 3328 | 3329 | 3330 | 3331 | 3332 | 3333 | 3334 | 3335 | 3336 | 3337 | 3338 | 3339 | 3340 | 3341 | 3342 | 3343 | 3344 | 3345 | 3346 | 3347 | 3348 | 3349 | 3350 | 3351 | 3352 | 3353 | 3354 | 3355 | 3356 | 3357 | 3358 | 3359 | 3360 | 3361 | 3362 | 3363 | 3364 | 3365 | 3366 | 3367 | 3368 | 3369 | 3370 | 3371 | 3372 | 3373 | 3374 | 3375 | 3376 | 3377 | 3378 | 3379 | 3380 | 3381 | 3382 | 3383 | 3384 | 3385 | 3386 | 3387 | 3388 | 3389 | 3390 | 3391 | 3392 | 3393 | 3394 | 3395 | 3396 | 3397 | 3398 | 3399 | 3400 | 3401 | 3402 | 3403 | 3404 | 3405 | 3406 | 3407 | 3408 | 3409 | 3410 | 3411 | 3412 | 3413 | 3414 | 3415 | 3416 | 3417 | 3418 | 3419 | 3420 | 3421 | 3422 | 3423 | 3424 | 3425 | 3426 | 3427 | 3428 | 3429 | 3430 | 3431 | 3432 | 3433 | 3434 | 3435 | 3436 | 3437 | 3438 | 3439 | 3440 | 3441 | 3442 | 3443 | 3444 | 3445 | 3446 | 3447 | 3448 | 3449 | 3450 | 3451 | 3452 | 3453 | 3454 | 3455 | 3456 | 3457 | 3458 | 3459 | 3460 | 3461 | 3462 | 3463 | 3464 | 3465 | 3466 | 3467 | 3468 | 3469 | 3470 | 3471 | 3472 | 3473 | 3474 | 3475 | 3476 | 3477 | 3478 | 3479 | 3480 | 3481 | 3482 | 3483 | 3484 | 3485 | 3486 | 3487 | 3488 | 3489 | 3490 | 3491 | 3492 | 3493 | 3494 | 3495 | 3496 | 3497 | 3498 | 3499 | 3500 | 3501 | 3502 | 3503 | 3504 | 3505 | 3506 | 3507 | 3508 | 3509 | 3510 | 3511 | 3512 | 3513 | 3514 | 3515 | 3516 | 3517 | 3518 | 3519 | 3520 | 3521 | 3522 | 3523 | 3524 | 3525 | 3526 | 3527 | 3528 | 3529 | 3530 | 3531 | 3532 | 3533 | 3534 | 3535 | 3536 | 3537 | 3538 | 3539 | 3540 | 3541 | 3542 | 3543 | 3544 | 3545 | 3546 | 3547 | 3548 | 3549 | 3550 | 3551 | 3552 | 3553 | 3554 | 3555 | 3556 | 3557 | 3558 | 3559 | 3560 | 3561 | 3562 | 3563 | 3564 | 3565 | 3566 | 3567 | 3568 | 3569 | 3570 | 3571 | 3572 | 3573 | 3574 | 3575 | 3576 | 3577 | 3578 | 3579 | 3580 | 3581 | 3582 | 3583 | 3584 | 3585 | 3586 | 3587 | 3588 | 3589 | 3590 | 3591 | 3592 | 3593 | 3594 | 3595 | 3596 | 3597 | 3598 | 3599 | 3600 | 3601 | 3602 | 3603 | 3604 | 3605 | 3606 | 3607 | 3608 | 3609 | 3610 | 3611 | 3612 | 3613 | 3614 | 3615 | 3616 | 3617 | 3618 | 3619 | 3620 | 3621 | 3622 | 3623 | 3624 | 3625 | 3626 | 3627 | 3628 | 3629 | 3630 | 3631 | 3632 | 3633 | 3634 | 3635 | 3636 | 3637 | 3638 | 3639 | 3640 | 3641 | 3642 | 3643 | 3644 | 3645 | 3646 | 3647 | 3648 | 3649 | 3650 | 3651 | 3652 | 3653 | 3654 | 3655 | 3656 | 3657 | 3658 | 3659 | 3660 | 3661 | 3662 | 3663 | 3664 | 3665 | 3666 | 3667 | 3668 | 3669 | 3670 | 3671 | 3672 | 3673 | 3674 | 3675 | 3676 | 3677 | 3678 | 3679 | 3680 | 3681 | 3682 | 3683 | 3684 | 3685 | 3686 | 3687 | 3688 | 3689 | 3690 | 3691 | 3692 | 3693 | 3694 | 3695 | 3696 | 3697 | 3698 | 3699 | 3700 | 3701 | 3702 | 3703 | 3704 | 3705 | 3706 | 3707 | 3708 | 3709 | 3710 | 3711 | 3712 | 3713 | 3714 | 3715 | 3716 | 3717 | 3718 | 3719 | 3720 | 3721 | 3722 | 3723 | 3724 | 3725 | 3726 | 3727 | 3728 | 3729 | 3730 | 3731 | 3732 | 3733 | 3734 | 3735 | 3736 | 3737 | 3738 | 3739 | 3740 | 3741 | 3742 | 3743 | 3744 | 3745 | 3746 | 3747 | 3748 | 3749 | 3750 | 3751 | 3752

in their excellent overview, the approach is far from one-dimensional. Thus, Offe, O'Connor and Gough identify the function of social reforms as also being concessions to mass demands and as potentially contradictory.

Historically, socialist opposition to parliamentary reforms was motivated less by theory than by reality. August Bebel, the great leader of German social democracy, rejected Bismarck's pioneering social legislation not because he did not favor social protection, but because of the blatantly anti-socialist and divisionary motives behind Bismarck's reforms.

- 5 This realization came from two types of experiences. One, typified by Swedish socialism in the 1920s, was the discovery that not even the working-class base showed much enthusiasm for socialization. In fact, when the Swedish socialists established a special commission to prepare plans for socialization, it concluded after ten years of exploration that it would be quite impossible to undertake practically. A second kind of experience, typified by the Norwegian socialists and Blum's Popular Front government in 1936, was the discovery that radical proposals could easily be sabotaged by the capitalists' capacity to withhold investments and export their capital abroad.
- 6 This is obviously not a problem for the parliamentary class hypothesis alone; structural Marxism faces the same problem of specifying the class character of the new middle classes. If such a specification fails to demonstrate that it constitutes a new working class, both varieties of Marxist theory face severe (although not identical) problems.
- 7 This literature has been reviewed in great detail by a number of authors. See, for example, Wilensky et al. (1985). For excellent and more critical evaluations, see Uusitalo (1984), Shalev (1983), and Skocpol and Amenta (1986).

## 2

## De-Commodification in Social Policy

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The mainsprings of modern social policy lie in the process by which both human needs and labor power became commodities and, hence, our well-being came to depend on our relation to the cash nexus. This is not to say that social policy was unknown prior to the onslaught of modern capitalism, only that its nature and organization became transformed. Traditional social welfare spoke to a world that was only very imperfectly commodified. Thus, in the Middle Ages it was not the labor contract, but the family, the church, or the lord that decided a person's capacity for survival.

The blossoming of capitalism came with the withering away of 'pre-commodified' social protection. When the satisfaction of human wants came to imply the purchase of commodities, the issue of purchasing-power and income distribution became salient. When, however, labor power also became a commodity, peoples' rights to survive outside the market are at stake. It is this which constitutes the single most conflictual issue in social policy. The problem of commodification lay at the heart of Marx's analysis of class development in the accumulation process: the transformation of independent producers into propertyless wage-earners. The commodification of labor power implied, for Marx, alienation.

Labor's commodity form has been a central concern of modern philosophy, ideology, and social theory. The classical laissez-faire liberals opposed alternatives to the pure cash-nexus because they would disturb and even thwart the sacred equilibrium of supply and demand. They held, like their contemporary followers, that a minimum social

wage would not eradicate poverty but, indeed, actively contribute to its perpetuation. Marxism, in turn, was always ambivalent, in some cases arguing that genuine human welfare could only occur with the complete abolition of wage labor, in other cases believing that social amelioration would bring about decisive change. The latter view was not merely an invention of reformist social democrats, but was voiced in the *Communist Manifesto* and in Marx's analyses of the English Factory Acts. T. H. Marshall's (1950) view was that the rights of social citizenship essentially resolved the problem of commodification and that they therefore helped erode the salience of class. Finally, traditional conservatism opposed outright the principle of commodifying humanity because it would jeopardize authority and social integration; conservatives feared that it would lend a fatal blow to the perpetuation of the old order.

In *The Great Transformation*, Polanyi (1944) identifies a fundamental contradiction in laissez-faire capitalism's drive to commodify labor power completely. While the system itself can only evolve by commodifying labor, by doing so it also sows the seeds of its own self-destruction: if labor power is nothing more than a commodity, it will likely destruct.

With reference to Britain, Polanyi held that the pre-industrial Speenhamland system of income security prohibited the transformation of labor power into a pure commodity. Since the system guaranteed a *de facto* social wage, it alleviated the kind of dire need that would have forced the landless workers to move to the new mill towns. Hence, until replaced by the new Poor Laws in 1834, Speenhamland was a fetter on British capitalism.

They may not have appeared as such, but the new Poor Laws were an active social policy designed to make wage employment and the cash nexus the linchpin of a person's very existence. Welfare, if not survival, came to depend on the willingness of someone to hire one's labor power. We might say that Speenhamland espoused principles of pre-commodification since it adhered to traditional guarantees of feudal society. The Poor Laws of laissez-faire appear at first as an extreme case of government passivity. Yet behind this facade we must recognize the heavy hand of an active social policy designed to establish market hegemony in the distribution of welfare. With no recourse to property, and no state to which human needs can be directed, the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive.

The commodification of both wants and people may strengthen the engine of capitalist accumulation, but it weakens the individual worker. Within the market the liberal dogma of freedom appears justified: the

worker can freely choose between alternative utilities, jobs, employers, and leisure trade-offs. But Marx and Polanyi and, more recently, Lindblom (1977) are correct in arguing that it is a freedom behind prison walls, and hence fictitious. Workers are not commodities like others because they must survive and reproduce both themselves and the society they live in. It is possible to withhold washing-machines from the market until the price is agreeable; but labor is unable to withhold itself for long without recourse to alternative means of subsistence.

The politics of commodifying workers was bound to breed its opposite. As commodities, people are captive to powers beyond their control; the commodity is easily destroyed by even minor social contingencies, such as illness, and by macro-events, such as the business cycle. If workers actually do behave as discrete commodities, they will by definition compete; and the fiercer the competition, the cheaper the price. As commodities, workers are replaceable, easily redundant, and atomized. De-commodification is therefore a process with multiple roots. It is, as Polanyi argued, necessary for system survival. It is also a precondition for a tolerable level of individual welfare and security. Finally, without de-commodification, workers are incapable of collective action; it is, accordingly, the alpha and omega of the unity and solidarity required for labor-movement development.

The variability of welfare-state evolution reflects competing responses to pressures for de-commodification. To understand the concept, de-commodification should not be confused with the complete eradication of labor as a commodity; it is not an issue of all or nothing. Rather, the concept refers to the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation. In the history of social policy, conflicts have mainly revolved around what degree of market immunity would be permissible: i.e. the strength, scope, and quality of social rights. When work approaches free choice rather than necessity, de-commodification may amount to de-proletarianization.

It was the commodity status of labor that lay at the heart of the nineteenth-century debates and conflicts over the 'social question' or, as it was most commonly termed in Germany, the *Arbeiterfrage*. It is, of course, unlikely that the pure commodity-status of the worker ever really existed. Even at the apex of laissez-faire, pre-capitalist residues of communalism persisted, and novel mechanisms of protection emerged. For analytical purposes, however, it is fruitful to treat the pure case of laissez-faire as an ideal type from which we can more clearly identify the main deviations. Since, in the nineteenth century, traditional conservatism, by upholding pre-capitalist norms, constituted the single major

force against commodification, and since this significantly influenced social-policy development, we should properly begin our treatment with the legacy of 'pre-commodification'.

### Pre-Commodification and the Legacy of Conservatism

We should not confuse pre-capitalist society with the absence of the commodity form. Feudal agriculture typically produced cash crops, and the medieval towns were heavily engaged in the production and exchange of commodities. The manorial or absolutist economy required taxation which, in turn, required the sale of commodities. It was the commodity form of labor which was undeveloped.

It was certainly not the case that the pre-capitalist producers, peasants, serfs, or journeymen could count on a lot of welfare irrespective of their work performance. One could not make many claims to subsistence independently of one's labors. Yet, the commodity form was absent in the sense that the majority of people were not dependent entirely on wage-type income for their survival. Households often remained fairly self-sufficient; feudal servitude also assumed a degree of reciprocity and paternal aid on the part of the lord; the urban producer was generally a compulsory member of a guild or fraternal association; and the destitute could normally approach the Church. Thus, in contrast to the naked commodity-logic of capitalism, the majority could count on prevailing norms and communal organizations for subsistence. And, in comparison to laissez-faire poor relief, 'pre-capitalist' social aid was generous and benign.

A hallmark of conservative ideology is its view that the commodification of individuals is morally degrading, socially corrupting, atomizing, and anomic. Individuals are not meant to compete or struggle, but to subordinate self-interest to recognized authority and prevailing institutions. How, in practice, has conservatism addressed the problem of commodification? We can distinguish several models: the first is largely feudal; the second, corporatist; and the third is statist.

Feudal ideals are strongly antagonistic to the commodity status; markets do not matter and wage labor is only marginally important for human well-being. A (true) story illustrates the logic well: a typical American corporation (textiles) decided in the 1970s to start production in Haiti, attracted by the prospects of extraordinarily low wage-costs. Upon completion of the plant, the firm's managers, all Americans, decided to lure the island's best workers by offering a marginally higher wage. Of course, on the opening day, the unemployed came by the

thousands to offer their services, and management had no difficulty in selecting a choice workforce. Yet, after only a few months, the plant was closed down. Why? The reason was simply that American management had failed to reckon with feudal welfare arrangements which provide that when a worker's mother's house burnt down, it was the boss's (in Haiti, workers call him Papa) obligation to repair it, or when a child needed medical attention or a brother was getting married, again it was Papa's obligation to help. Obviously, the Americans assumed wrongly when they accepted the market wage as the real wage. Where workers are genuinely commodified, the manager is no Papa.

We should not dismiss the feudal paternalism of Haiti as a relic of our own distant past. Patronage and clientelism are modern versions of the same phenomenon, and have been extraordinarily influential in taming the brutal world of commodification. In the United States, the urban machine became the mechanism through which ethnic immigrants could integrate wage-work and welfare; in Italy, Christian Democracy's post-war power owes much to its welfare-clientelism, especially in the distribution of jobs and invalid pensions. Even more relevant are the early employer occupational fringe-benefit schemes that emerged in Europe and the United States. They were typically discretionary and awarded benefits to especially favored employees. In the United States, the American Express Company (then a shipping firm) was the forerunner, but this style of paternal, clientelistic largesse remained a typical feature of private corporations well into the post-war era (Weaver, 1982).

Corporate societies are a second variant of pre-capitalist and pre-commodified arrangements. They emerged in the towns among artisans and craftsmen as a means to close ranks and monopolize entry, membership, prices, and production. The guilds and fraternal associations also integrated pay and social welfare, taking care of disabled members, widows, and orphans. Their members were not commodities, and not in the market, but were defined by their corporate status. Significantly, the guilds merged masters and journeymen, and accepted rank and hierarchy but not class. When the guilds were abolished, they were often transformed into mutual societies. In Germany, the mutual societies and the subsequent social-insurance laws were endowed with much of the old feudal spirit, as was seen in their ideas of compulsory membership for certain groups, and in the principle of corporative self-administration (Neumann and Schapter, 1982).

The corporate model was one of the early and most prevalent responses to commodification. It clearly penetrated the infant working-class friendly societies, offering a closed world of services and protection

for members; not surprisingly, the friendly societies predominantly addressed privileged craft-workers.

But the corporate model was mainly favored by the conservative ruling circles in continental Europe. They perceived it as a way to uphold traditional society in the unfolding capitalist economy; as a means to integrate the individual into an organic entity, protected from the individualization and competitiveness of the market, and removed from the logic of class opposition. Corporatist welfare became the dogma of the Catholic Church and was actively espoused in the two major Papal Encyclicals on the social question: *Rerum Novarum* (1891) and *Quadragesimo Anno* (1931) (Messner, 1964). The corporatist element was especially strong in the latter, and was in line with current Fascist ideology. In Germany, as in Italy, Fascism was not particularly keen on nurturing a workforce of atomized commodities, but wanted to reinstall the principle of moral desert. Thus, its social policy was positively in favor of granting an array of social rights. These rights, nonetheless, were conditional upon appropriate loyalty and morality; they were seen as part and parcel of the new Fascist man (Rimlinger, 1987; Guillebaud, 1941; Preusser, 1982).

The readiness of conservatism to grant social rights, albeit conditional upon morals, loyalties, or convention, is also evident in the etatist tradition, historically perhaps best exemplified in the regimes of Germany under Bismarck, and von Taaffe's Austria. As in the case of corporativism, the ulterior motives were social integration, the preservation of authority, and the battle against socialism. It was also motivated by an equally strong opposition to individualism and liberalism. Intellectually guided by conservative academicians such as Gustav Schmoller and Adolph Wagner, and the Catholic teachings, such as Bishop Keitteler's, there emerged the principle of 'monarchical socialism', an absolutist model of paternal-authoritarian obligation for the welfare of its subjects.

Etatist conservatism saw in social rights the solution to the 'social question'. When Bismarck and von Taaffe pioneered modern social insurance, they were in fact following the lead of Napoleon III in France. But Bismarck wanted to go further, and even contemplated legislating the right (or obligation, if you wish) to employment as part and parcel of his larger vision of *Soldaten der Arbeit*: workers as soldiers in an economy functioning like the army (Preller, 1949; 1970; Briggs, 1961). In the 1930s, the Nazis actually began implementing Bismarck's old notion of militarized labor, through work conscription, a policy against women's employment, and compulsory membership in Robert Ley's hyper-corporatist Labor Front (Rimlinger, 1987). In conserva-

tive social policy, the boundary between duties and rights is often very blurred.

Our lengthy excursion into the conservative foundations of social rights was necessary because they are, indeed, the historical origins of modern social policy. In almost every country, be it in Scandinavia, Britain, or on the European continent, it was the conservative tradition that gave rise to the first systematic and deliberate attacks on the commodification of labor. The reasons are not especially difficult to discern. (First, these conservative forces feared, quite correctly, that the onward march of liberalism, democracy, and capitalism would destroy the institutions upon which their power and privileges were based. Labor as a commodity clearly would tear asunder feudal and absolutist systems of labor control.

(Second, the pre-commodified status of workers was a model that was already available and typically also present in the heyday of laissez-faire; it was a response that came naturally, and which could claim considerable legitimacy. The guilds may have been abolished, but lingered on as mutual benefit societies; the capitalist company (as well as the state) offered a menu of social benefits outside of the work contract; and paternalism was not something that seemed especially contradictory to the entrepreneurial spirit. As Schumpeter (1970) argued so eloquently, the capitalist order worked because it was ruled and organized by the protective strata of an earlier era. The social policy of 'pre-commodification' was, so to speak, one of the 'flying buttresses that prevented capitalism's collapse' (Schumpeter, 1970, p. 139). It was also one of the cornerstones of what we today consider the modern welfare state.

### The Liberal Response to the Dilemmas of Commodification

The pure and undiluted labor commodity that we associate with laissez-faire probably never existed in real life. Neither did it, in fact, in any serious theory of laissez-faire. Theorists like Adam Smith or Nassau Senior were not advocating a political economy in which the state withholds any form of social protection. But this does not imply that the problem is reduced to a historical phantom. Some labor markets do resemble the pure case, as is illustrated by the street-corner labor auctions that take place in Texas. And in respectable theory, the state was meant to be absolutely minimalist, to be called upon only in situations of genuine human crisis.

It was among the laissez-faire popularizers, such as Smiley or

Martineau, that the pure commodity-form was sanctified. From a welfare perspective, their argument was a double one. First, they held that a guaranteed social minimum would cause poverty and unemployment, not eradicate it – an argument that has found new life in recent neo-liberalism. Second, to them, social protection caused moral corruption, thriftlessness, idleness, and drunkenness. The morals of liberalism and conservatism were clearly at odds.

The general assumption in liberalism is that the market is emancipatory, the best possible shell for self-reliance and industriousness. If not interfered with, its self-regulatory mechanisms will ensure that all who want to work will be employed, and thus be able to secure their own welfare. Private life may be wrought with insecurity, danger, and pitfalls; and poverty or helplessness is in principle not unlikely to occur. Yet, this is not a fault of the system, but solely a consequence of an individual's lack of foresight and thrift.

This raw model of the liberal 'good society' contains a number of obvious and well-known weaknesses. It assumes that all individuals are indeed capable of market participation, something which of course they are not. The old, the infirm, the blind, and the crippled are forced into family dependency which, in turn, constrains the family's capacity to supply its labor in the market. Saving for future social catastrophies may not be possible when wages approximate the minimum for survival. And almost no individual can safeguard himself against a prolonged crisis.

In all such cases, the liberal dogma is forced to seek recourse in pre-capitalist institutions of social aid, such as the family, the church, and the community. And in doing so, it contradicts itself, because these institutions cannot play the game of the market if they are saddled with social responsibilities.

Liberalism recognized in the principle of public good a rationale for social intervention. Merchant ships would run aground without light-houses, and the population similarly would die out without public sanitation. It was mainly in the force of circumstance that liberalism came to accept the must of social rights. As the British discovered in the Boer War, an empire is difficult to sustain without an army of healthy and educated soldiers. Likewise, the performance of a poverty-stricken and destitute English working class seemed to compare unfavorably on efficiency terms with the industrial parvenues, such as Germany. How, then, did liberalism come to terms with the dilemmas of labor commodification?

Liberalism found two acceptable answers. One was to transfer a modified version of the 'less eligibility' principle from the old poor laws into a framework of means-tested social assistance. In this way, the

extension of unconditional social rights was avoided, and government largesse was limited to the certifiably needy and would not induce workers to choose welfare instead of work. A means-tested assistance system is, in a sense, a way of ensuring that non-market income is reserved for those who are unable to participate in the market anyhow. Titmuss's (1974) concept of the residual, or marginal, welfare state tries to capture exactly this property of the liberal paradigm; namely, that public obligation enters only where the market fails: the commodity-logic is supreme.

The social-assistance model mainly found its way into the more liberally dominated Anglo-Saxon and early Scandinavian social policies. Well into this century, and sometimes even after World War II, it was often strictly conditional upon proper 'commodified' (and sometimes also moral) behavior. In Denmark, for example, the means-tested assistance pension was denied persons who had failed to repay to the state previously received poor relief. In New Zealand, social assistance has been refused to persons of 'amoral' marital conduct, i.e. divorce.

It is the same philosophy which informs the second approach. Even the purest form of liberalism never objected to charity or insurance per se. What matters is that charity, or any kind of insurance, be based on voluntarism and that, moreover, insurance arrangements be soundly contractual and actuarial. Since there is no such thing as a free lunch, rights and benefits must reflect contributions. Once liberalism came to accept the principle of unionism, it was also perfectly capable of extending the idea of individual insurance to collectively bargained social benefits. Indeed, the latter came to inspire the whole ideology of welfare capitalism that so enthused American liberalism between the wars (Brandes, 1976). The idea here was that the United States could be spared the 'socialistic' flavor of state social insurance by encouraging company-based welfare schemes.

Liberalism's preference is obviously for privately organized insurance in the market. But, as Ogus (1979) has noted, the idea of public social insurance was not as difficult to reconcile with the commodity-logic of labor as purist ideology assumed. Social insurance, like its private-sector kin, pegs entitlements and benefits to employment, work performance, and contributions. It should therefore strengthen the work incentive and productivity. If built on an actuarial basis, it also retains the pure exchange nexus of welfare. And, as Graebner (1980) has argued, old-age pensions even came to be regarded by the business community as a means to make the labor market more flexible: with pensions, employers could – at others' expense – rid themselves more easily of the older, less efficient workers. Even the idea of compulsory social

insurance could be accommodated to liberal dogma. For, if some groups were to be covered and others not, the result would be unfair competition. It was clearly this, and not ideals of social solidarity, which motivated a universally compulsory unemployment insurance in the United States. The tendency in liberalism to favor universal solutions once social insurance becomes inescapable is therefore not an accident.

In summary, liberalism's accommodation of social protection is in practice much more elastic than is normally thought, precisely because under certain conditions it promises to actually strengthen the commodity status of labor without adverse social effects.

### De-Commodification as the Politics of Socialism

Socialism, whether as a theory, an ideology, or a political strategy, emerged very much in response to capitalism's commodification of labor power. To socialism the commodification of labor is an integral element in the process of alienation and class; it is the condition under which workers abandon control over their work in return for wages; the condition under which their dependence on the market is affirmed, and, therefore, also a key source of employer control. It is, moreover, a cause of class division and an obstacle to collective unity. Simply by definition, commodities compete, and the fiercer the competition, the cheaper the price. It is therefore natural that the workers' desire for de-commodification became the guiding principle of labor-movement policy. Be it the worker's welfare or the movement's power, both depend on lessening the individual's enslavement in the cash nexus.

Classical socialist theory is often depicted as advocating an all-out destruction of the commodity-logic of labor. Certainly this is true in terms of the end-goal, but not with regard to practical analysis. In *Capital*, Marx hailed the British Factory Acts because they helped lessen the powerlessness of workers. In the *Communist Manifesto*, the concluding chapter propagates a series of ameliorative social reforms that would augment the workers' resources and strengthen their position *vis-à-vis* the market. And both Karl Kautsky and Rosa Luxemburg actively promoted the social wage. In general, revolutionary and reformist theories both agreed on the necessity and desirability of struggling for the right to a social income outside of wage labor. What divided the reformist and revolutionary wings of socialism was mainly the issue of strategy.

The embryonic policies of de-commodification had a close kinship with the corporative conservative tradition. This comes as no surprise,

since the early labor movements were largely built around restrictive crafts unions, mutual-aid societies, and sometimes a political party. One weakness of these schemes was, of course, their modest benefits and limited reach among the most vulnerable members of the working classes. It was the unorganized, the 'slum proletariat', that posed the greatest threat to labor unity. These were the workers that needed to be empowered, but micro-socialist welfare societies had difficulty reaching them. Thus evolved the debate on whether to support the extension of social rights in the bourgeois state.

This was a dilemma that severely stifled socialists' capacity to act. Until after World War I, the state in virtually all nations was controlled by conservative or liberal forces, and the socialists saw few alternatives but to oppose what they perceived as harmful social pacification. This certainly was the dominant response in German social democracy until well into the twentieth century. Nonetheless, the schism between socialists and conservatives was not necessarily that deep on the question of social rights. This was gradually realized by important socialist figures, such as Branting in Sweden and Heiman and Kalecki in Germany, and it fell neatly in place with the emerging paradigm of the 'slow revolution' espoused in Austrian and German social democracy.

These socialists, then, reconciled conservative reformism with socialist objectives. For Lederer and Marshack (1926), two prominent German social democrats, worker protection advanced the cause of labor because it would inevitably restrict the employers' scope of control. To Eduard Heiman (1929), one of the foremost theoreticians among his contemporaries, social policy was Janus-faced: it may very well be a means to prop up and save the capitalist system, but at the same time it is also a foreign body, threatening to emasculate the rule of capital. Armed with this kind of analysis, socialism could also defend the gradualist strategy against the more apocalyptic scenario presented in revolutionary communist dogma. Where the latter believed that the roots of revolution lay in crisis and collapse, the reformists realized that the human misery that crises bred would only weaken the socialist project. Hence, a gradual augmentation of the scope and quality of social rights was seen as the precondition for the larger struggle, not merely the fruits of its final success. It was through this strategic realignment that socialism eventually embraced the welfare state as the focus for its long-term project. It is in this sense that social democracy becomes synonymous with welfare-statism.

It would be absolutely wrong to believe that the socialists had a blueprint for de-commodification. Even the illustrious Swedish socialists fumbled between a variety of policies, many of which were objectively



\* on unsound socialist footing. The source of confusion was twofold. One source had to do with an interpretation of the 'ability-needs' nexus, so central to classical Marxism. If social amelioration was to be a function of need, the socialists easily found themselves operating in the largely liberal mold of means-tests and benefit standards tailored to the living conditions of the poor. In many cases, such as Australia and Denmark, the social-assistance model was embraced by the labor movements on such grounds. The socialists struggled, perhaps, to upgrade benefits and minimize social stigma, but they saw the assistance type of scheme as clearly the most egalitarian: helping the really needy.

\* Another source of confusion had to do with the clientele for de-commodification. Until World War II, labor parties were strongly 'workerist', seeing themselves as the defenders of the industrial working class. Under such conditions, it was natural to espouse class-exclusive schemes. But, where the socialists moved towards the broader image of embracing 'all the little people', they were politically compelled to approach rights in terms of universal coverage. This, as we discuss in chapter 3, was the root of universalist solidarity in socialist social policy.

What characterizes almost all early socialist social policy is the notion of basic, or minimal, social rights the idea was to install strong entitlements, but at fairly modest benefit levels, and typically limited to the core areas of human need (old-age pensions, accident insurance, unemployment and sickness benefits). Financial constraints surely played a role, but the modesty in their approach can also be seen as a reflection of how early socialists defined the problem – they saw the issue in workerist terms, in terms of providing a basic floor beneath which no one would be allowed to fall. Indeed, until the 1950s and 1960s, the social programs of the labor parties were almost universally of modest scope and quality, although providing for very generous eligibility criteria. The goal was to stave off poverty, not really to emancipate workers from market dependency. To do so would have required a major realignment of social policy, including two basic changes: first, the extension of rights beyond the narrow terrain of absolute need; and second, the upgrading of benefits to match normal earnings and average living standards in the nation. In reference to the former, what mattered especially was the introduction of a variety of schemes that permit employees to be paid while pursuing activities other than working, be they child-bearing, family responsibilities, re-education, organizational activities, or even leisure. Such programs are, in spirit, truly de-commodifying. With respect to the latter, the crucial issue was that the status of welfare client should impose no decline in living standards, even over an extended time.

In sum, the gist of de-commodification in the socialist paradigm is the emancipation from market dependency. It is in the quality and arrangement of social rights, not in their existence *per se*, that we can identify a distinct socialist approach. In contrast to the conservative models, dependence on family, morality, or authority is not the substitute for market dependence; the notion is rather that of individual independence. And, in contrast to liberalism, socialism's aim is to maximize and institutionalize rights. Where the fully developed socialist paradigm is pursued, it should, in principle, facilitate a de-proletarianization of the worker's status: the worker's relationship to work will begin to approximate what privileged strata (such as the civil service) had enjoyed for decades and even centuries.

### Welfare States and De-Commodification in the Real World

Variations in the de-commodifying potential of social policies should be empirically identifiable across time and nations. This potential can clearly not be captured solely by social expenditure levels, but requires analysis of the rules and standards that pertain to actual welfare programs. The question is how we adequately operationalize the crucial dimensions.

One set of dimensions must speak to the rules that govern peoples' access to benefits, eligibility rules and restrictions on entitlements. A program can be seen to harbor greater de-commodification potential if access is easy, and if rights to an adequate standard of living are guaranteed regardless of previous employment record, performance, needs-test, or financial contribution. The other side of the coin of 'entry' is exit. If programs provide benefits for only limited duration, clearly their capacity to de-commodify is diminished.

A second set of dimensions has to do with income replacement, for if benefit levels fall substantially below normal earnings or the standard of living considered adequate and acceptable in the society, the likely result is to drive the recipient back to work as soon as possible. We will therefore have to consider the levels of income replacement.

Thirdly, the range of entitlements provided for is of utmost importance. Almost all advanced capitalist countries recognize some form of social right to protection against the basic social risks: unemployment, disability, sickness, and old age. A highly advanced case would be where a social wage is paid to citizens regardless of cause. The idea of a *de facto* guaranteed citizens' wage, as has been under discussion in Scandinavia and the Netherlands, and with more modest aspirations in



the case of the American negative income-tax proposal, comes close to this scenario.

#### CONDITIONS FOR ENTITLEMENTS

Social rights are hardly ever unconditional. Claimants will at least have to satisfy the condition of being ill, old, or unemployed to receive the benefits. Beyond the mere presence of a problem, however, conditions are usually linked to type of social security arrangement.

We may in general distinguish three kinds of arrangements, each one with its own peculiar effect on de-commodification. One type of system, historically most pronounced in the Anglo-Saxon nations, builds entitlements around demonstrable and abject need. With its mainsprings in the poor-law tradition, the social-assistance tradition is characterized by the application of a means- or income-test with varying degrees of stringency. These systems do not properly extend citizen rights. The main examples of this tradition are the early pension schemes in Scandinavia, the British scheme of supplementary benefits, the American SSI, and virtually the entire Australian welfare system. Every nation has some type of means-tested social assistance or poor-relief arrangement. What counts most heavily in this type of regime are the restrictiveness of means/incomes tests and the generosity of benefits.

A second type of system extends entitlements on the basis of work performance. This variant has its roots in the insurance tradition that was most consistently developed first in Germany, and then across the European continent. Rights here are clearly conditional upon a blend of labor-market attachment and financial contributions, and have usually been subjected to a logic of actuarialism; i.e. the idea that the individual has a personal entitlement of a contractual nature. The degree to which this kind of regime offers opportunities for de-commodification depends largely on how much it relaxes the actuarial principle: how much a person will have to have worked or contributed to qualify, and how strict is the relationship between prior performance and benefits.

The third type of system springs from the Beveridge principle of universal rights of citizenship, regardless of degree of need or extent of work performance. Eligibility rests instead on being a citizen or long-time resident of the country. Invariably, these types of programs are built on the flat-rate benefit principle. In principle, this 'people's welfare' approach has a strong de-commodifying potential, but obviously circumscribed by the largesse of the benefits. The people's-welfare system has taken strongest hold in the Scandinavian nations, and has been a long-standing principle in the socialist tradition of social policy.

Although never implemented, it has been a perennial ideal in German social democracy.

To an extent the three system-types mirror Titmuss's well-known trichotomy of residual, industrial-achievement, and institutional welfare states (Titmuss, 1958). In reality, however, there are no one-dimensional nations in the sense of a pure case. In the Anglo-Saxon countries, such as Australia, Canada, and the United States, the social-assistance system may be dominant, but is complemented by alternative programs. In the United States, the social security system falls into the social-insurance category; Canada has a blend of a people's pension and a social-insurance based pension, and even Australia is approaching the principle of a people's pension. In the continental European nations, where the social-insurance tradition is strongest, a host of alternatives has emerged over the years: in Italy, the social pension; in France, the 'solidarity funds'. And, finally, almost all countries dominated by a people's-welfare approach have developed earnings- and work-related schemes to complement the usually modest benefits awarded by the flat-rate universal plans. In short, every country today presents a system mix.

Despite the complexity this involves, it is possible to empirically distinguish welfare states' variable capacity to de-commodify. We will here present combined scores of de-commodification for the three most important social-welfare programs: pensions, sickness, and unemployment cash benefits. The scores summarize an array of variables that illustrate the ease with which an average person can opt out of the market: first, the prohibitiveness of conditions for eligibility, such as work experience, contributions, or means-tests; second, the strength of in-built disincentives (such as waiting days for cash benefits) and maximum duration of entitlements; and third, the degree to which benefits approximate normal expected earnings-levels. The overall de-commodification scores are weighted by the percent of the relevant population covered by the social security program. This reflects the probability that any given person will possess the right to a transfer. A program may very well offer luxurious benefits and liberal conditions, but if it addresses solely a small clientele, it has obviously a limited capacity to de-commodify.

Table 2.1 presents de-commodification indices for the leading 18 industrial democracies in terms of old-age pensions. We have used five variables to construct the index for pensions: 1) the minimum pension as a percent of a normal worker earnings (replacement rate net of taxes) for a single person; 2) the standard pension replacement rate (net) for a single person; 3) number of years of contributions required to qualify;

TABLE 2.1 The degree of de-commodification in old-age pensions, sickness benefits, and unemployment insurance, 1980

	<i>Pensions</i>	<i>Sickness</i>	<i>Unemployment</i>
Australia	5.0	4.0	4.0
Austria	11.9	12.5	6.7
Belgium	15.0	8.8	8.6
Canada	7.7	6.3	8.0
Denmark	15.0	15.0	8.1
Finland	14.0	10.0	5.2
France	12.0	9.2	6.3
Germany	8.5	11.3	7.9
Ireland	6.7	8.3	8.3
Italy	9.6	9.4	5.1
Japan	10.5	6.8	5.0
Netherlands	10.8	10.5	11.1 <sup>x</sup>
New Zealand	9.1	4.0	4.0
Norway	14.9	14.0	9.4
Sweden	17.0	15.0	7.1
Switzerland	9.0	12.0	8.8
United Kingdom	8.5	7.7	7.2
United States	7.0	0.0 <sup>a</sup>	7.2
Mean	10.7	9.2	7.1
S. D.	3.4	4.0	1.9

The higher the score the greater is the degree of de-commodification. For scoring procedure, see appendix to this chapter.

<sup>a</sup> Program non-existent and therefore scored 0.

Source: SSIB data files

4) the share of total pension finance paid by individuals. The scores for these four variables are added, and then weighted by 5) the percent of persons above pension age actually receiving a pension (the take-up rate). For sickness and unemployment benefits, the procedure is almost identical, with the following exceptions: here we include only the replacement rate (net) for standard benefits, omit share of individual financing, and include data on number of waiting days to receive benefits and number of weeks of benefit duration. For all three programs, we have scored the benefits double, since for any given person's work/welfare decision, expected income-levels will be absolutely decisive.

To prevent any misunderstanding, it must be clear that we are trying to measure a program's potential for de-commodification, and not its general qualities. We are capturing the degree of market-independence for an average worker. Thus, it is possible for a country normally regarded as having a first-rate pension system (like Germany) to score

low. Indeed, in this case, Germany scores low because it requires long periods of contribution and a large individual financial contribution, and because its pension benefits are relatively modest. Australia and New Zealand score exceedingly low on both sickness and unemployment because they offer only means-tested benefits.

In table 2.1 we see that the three programs differ considerably in their degree of de-commodification potential. Invariably, unemployment insurance is associated with greater disincentive effects. Table 2.1 also indicates that there is a substantial variation among the advanced welfare states with regard to de-commodification. Some nations score consistently low on all programs, while others are strongly de-commodifying across the board. Thus, we confront a situation in which national welfare systems appear to harbor systematic traits. The Nordic countries are, in particular, consistently de-commodifying, while the Anglo-Saxon countries tend to be consistently least so. This is precisely what we would have expected in terms of our typology of welfare-state regimes.

The idea that welfare states cluster into distinct groups becomes more evident when we examine table 2.2. Here we present the total combined de-commodification score for the three programs in the same 18 nations. Based roughly on how nations cluster around the mean, we can distinguish three groups of countries: the Anglo-Saxon 'new' nations are all concentrated at the bottom of our index; the Scandinavian countries at the top. In between these two extremes, we find the continental European countries, some of which (especially Belgium and the Netherlands) fall close to the Nordic cluster.

Even if table 2.2 shows a number of borderline cases, the clustering remains strong. And the clusters bring together the countries which, *a priori*, we expected would look similar in terms of our welfare-state regime arguments. We would anticipate a very low level of de-commodification in the nations with a history dominated by liberalism. And this we find in the first cluster. And in the 'high de-commodification' cluster we find the social democratically dominated welfare states, exactly as we would have expected. Finally, the continental European countries, with their powerful Catholic and *etatist* influence, tend to occupy the middle group – prepared to extend a considerable modicum of rights outside the market, but nonetheless with a stronger accent on social control than is the case within social democracy.

How do we account for cross-national differences in de-commodifying capabilities of welfare states? As we have already discussed, a simple explanation in terms of economic development or working-class power

TABLE 2.2 The rank-order of welfare states in terms of combined de-commodification, 1980

<i>De-commodification score</i>	
Australia	13.0
United States	13.8
New Zealand	17.1
Canada	22.0
Ireland	23.3
United Kingdom	23.4
Italy	24.1
Japan	27.1
France	27.5
Germany	27.7
Finland	29.2
Switzerland	29.8
Austria	31.1
Belgium	32.4
Netherlands	32.4
Denmark	38.1
Norway	38.3
Sweden	39.1
Mean	27.2
S. D.	7.7

For scoring procedure, see appendix to this chapter.

Source: SSIB data files

mobilization will hardly suffice. As we shall examine more closely in chapter 5, level of economic development is negatively correlated with de-commodification, and has no explanatory power.

As we will see, the degree of left power has a fairly strong and positive influence on de-commodification, explaining about 40 percent of the variance. Yet, the non-explained residual is large and must be uncovered in order fully to understand how and why welfare-state variations have evolved to the point they have. This issue will be taken up in chapter 5; at this point it will suffice to say that the explanation will be found in the interaction between political-power variables and nations' historical legacy. The relatively high de-commodification scores found in the continental European countries are not solely the product of left political mobilization, but also of a long tradition of conservative and Catholic reformism. In converse, the exceedingly low de-commodification scores found in countries with comparatively powerful labor movements, like Australia and New Zealand, can find an explana-

tion in the historically dominant legacy of institutionalized liberalism.

The fruitfulness of a more historically grounded account of welfare-state clusters is evident when we examine how the different countries clustered in earlier epochs, in particular prior to the advent of left or labor-party influence, on social-policy legislation. In this way, we can hold constant the 'social democracy' effect. In both 1930 and 1950, the low de-commodification group included most of the countries included in 1980: Canada, the United States, New Zealand, and (in 1950) Australia. It also included Italy and Japan, both nations under prolonged Fascist rule, and Finland. Finland's post-war rise in de-commodification can be seen as a case of social democratization; that of the two others cannot. In turn, the Scandinavian high de-commodification cluster of 1980 is nowhere to be found prior to 1950, again a case in favor of the influence of post-war social democratic power. Most significant, however, is the consistent historical position of the 'conservative-Catholic', or etatist, regimes of continental Europe like Germany, Austria, and France, all of which consistently score medium to high in the 1930s, in 1950, and in 1980. We may, on this basis, offer the following guiding hypotheses, to be further explored in later chapters.

1 Nations with a long historical legacy of conservative and/or Catholic reformism are likely to develop a fair degree of de-commodified social policy at an early date. Their welfare states, nonetheless, circumscribe the loosening of the market's bonds with powerful social-control devices, such as a proven record of strong employment attachment or strong familial obligations. The superior performance on de-commodification that we find in countries such as Austria, Belgium, and the Netherlands after 1950 can probably best be ascribed to the strong political position of the social democratic labor movements.

2 Nations with a powerful liberalist legacy will bifurcate, depending on the structuration of political power. Where social democracy comes to political dominance, as in Denmark, Norway, and Sweden, the liberal mold is broken and replaced with a highly de-commodifying social democratic welfare-state regime. Where, on the other hand, labor fails to realign the nation's political economy and assert dominance, the result is continuously low or, at most, moderate de-commodification. This is exemplified by Great Britain at one end, and by Canada and the United States at the other end. The Labour Party's breakthrough in Britain is evidenced by the fact that Britain scored in the top de-commodification group in 1950: the universalist social citizenship

of the Beveridge model that was launched after the war placed Britain as the highest scoring nation internationally. The system certainly was not undone by the 1980s, but it failed to progress further; Labour's record of post-war power was too weak and interrupted to match the accomplishments in Scandinavia. The United States and Canada, in turn, are the 'pure' cases of liberal hegemony, virtually unchallenged by the paradigmatic alternatives of socialism or, for that matter, conservative reformism.

#### Appendix Scoring procedure for indices of de-commodification

##### PENSIONS

De-commodification in old-age pensions is measured in terms of the additive qualities of 1) minimum pension benefits for a standard production worker earning average wages. The replacement rate here (as elsewhere) is the ratio of the benefit to normal worker earnings in that year, both benefits and earnings net of taxes; 2) standard pension benefits for a normal worker, calculated as above; 3) contribution period, measured as number of years of contributions (or employment) required to qualify for a standard pension; 4) individual's share of pension financing. On the basis of the values on each of these four indicators for the 18 nations, we have given a score of 1 for low de-commodification; 2 for medium; and 3 for high de-commodification. The classification into the three scores has been done on the basis of one standard deviation from the mean, in a few cases adjusted for extreme outliers. Finally, the scores have been weighted by the percent of the (relevant) population covered by the program (for pensions, the take-up rate). Where, as in Australia, the pensions are based on a means-test, we have scored 0 for contribution period, and have given the weight of 0.5 for population covered. This 'negative' scoring reflects the fact that means-tested programs are highly conditional in terms of offering rights. To take into account the singular importance of replacement rates for people's welfare—work choices, we have given extra weight to these variables (multiplied by the factor of 2).

##### SICKNESS AND UNEMPLOYMENT CASH BENEFITS

In sickness and unemployment programs, we have measured de-commodification in terms of 1) benefit replacement rates (net) for a standard worker during the first 26 weeks of illness/unemployment; 2) number of weeks of employment required prior to qualification; 3) number of waiting days before benefits are paid; 4) number of weeks in which a benefit can be maintained. As with pensions, we have given scores of 1, 2, or 3 on the basis of the standard deviation to develop a summary de-commodification index. This, subsequently, has been weighted by the (relevant) population covered as a percent of the labor force. Means-tested programs have been dealt with as described under pensions. As with pensions, replacement rates have been multiplied by a factor of 2.

## 3

### The Welfare State as a System of Stratification

The welfare state may provide services and income security, but it is also, and always has been, a system of social stratification. Welfare states are key institutions in the structuring of class and the social order. The organizational features of the welfare state help determine the articulation of social solidarity, divisions of class, and status differentiation.

That the welfare state as an agent of stratification is well recognized, but, unfortunately, usually in a narrow and often mis-specified way. It is an aspect that has remained severely neglected, both theoretically and empirically. At the theoretical level, two views have dominated; one, common to a good deal of neo-Marxism, typically argues that even the advanced welfare state merely reproduces (and perhaps even nurtures) existing class society (Offe, 1972; O'Connor, 1973; Muller and Neussuss, 1973). Thus, O'Connor's argument is that welfare policies provide the legitimacy and social calm required by monopoly capitalism. In Piven and Cloward's (1971) study, government's willingness to provide relief to the poor depends less on acute need than on perceived threats to social stability.

The second view follows in the footsteps of T. H. Marshall and, to a degree, his pre-war forebears like Heimann. It sees welfare reforms as a major contribution to the declining salience of class (Lipset, 1960; Crosland, 1967; Parkin, 1979). Here, the argument is that welfare eliminates the essential causes of class struggle, incorporates the working classes, and democratizes popular access to the state; or, as Parkin argues, it transforms class conflict into status competition.

Empirically, the literature has almost exclusively focused on income redistribution. The issue is of course not whether overall inequality of income has declined – a fairly indisputable fact – but to what extent the tax/expenditure nexus of the welfare state plays a decisive role. As Kraus (1981) has shown, the empirical and methodological problems of answering such a question are severe, if not prohibitive, and so both cross-sectional and longitudinal research findings remain little more than speculative. Nonetheless, most studies come to rather similar conclusions. When studied cross-sectionally, we find tremendous national variation in the welfare state's equalizing capacity. In some countries, like Germany and France, the welfare state's redistributive effect appears quite miniscule; in contrast, its effect in Scandinavia is substantial (Sawyer, 1976; Hewitt, 1977; Stephens, 1979; Cameron, 1987; O'Higgins, 1985; Ringen, 1987; Ringen and Uusitalo, forthcoming, 1990).

These studies have been less concerned with the welfare state's impact as such than with theories of power and equality. Hence, why welfare-state structures have such different distributional consequences is left largely unexplained. And when the welfare state is brought into the analysis, as in Cameron's study, it is identified in a vague manner as levels of social expenditure. O'Higgins' and Ringen's studies are two of the few in which distribution outcomes are related more directly to the programmatic components of welfare states.

When the question is studied longitudinally over many years, the conclusions tend to be very different. Several studies conclude that the welfare state's redistributive capacity has increased only slightly, notwithstanding its phenomenal growth (Sawyer, 1982; Kenneth Hansen, 1987). It appears that the role of tax systems is gradually replaced by social transfers as the major weapon for redistribution. This is a trend clearly evident in the Scandinavian welfare states (Esping-Andersen, 1985a; Kenneth Hansen, 1987). The reasons for this shift are fairly straightforward: as welfare states get large, their financial requirements are such that they need to impose heavy taxes, even on modest-income households. As a result, the net redistributive impact of welfare states comes to depend mostly on the structuration of their social transfers.

\* Paradoxically, one explanation is that the large welfare state therefore loses its tax-redistributive capability. And with reference to transfers, the egalitarian impulse may be blocked by the probability that the middle classes profit disproportionately (Le Grand, 1982). The middle-class bias is something that is likely to vary across nations but, as yet, we lack comparative evidence. The direct impact of welfare-state structures on equality is an issue that we shall explore in more detail below.

Instead of focusing on aggregate income distribution, a number of recent comparative studies have begun to rephrase the question in more fruitful ways. The Luxembourg Income Study, which hosts the world's only truly comparable income-distribution data at the micro-level, has produced a series of analyses on welfare states' ability to reduce or eliminate poverty, among key social groups. Hedstrom and Ringen (1985) and Smeeding, Torrey, and Rein (1988) find startling cross-national differences: the percentage of the aged in poverty ranges from 29 percent in the UK, and 24 percent in the United States, to 11 percent in Germany and less than 1 percent in Sweden. Parallel discrepancies were found with respect to families with children. Since the aged and families with children are particularly dependent on transfer incomes, these studies are able to directly identify different welfare systems' impact on stratification.

A second pathbreaking deviation from the standard income-distribution approach are the 'level of living' studies, so far limited to the Scandinavian countries. The idea here is that incomes alone provide too narrow a basis for portraying the structure of opportunities and inequality. Instead, the concept of resources is widened to include health, housing, working life, education, social and political efficacy, and other components vital to human reproduction. National surveys are used to measure the distribution-of-resource command among the population. Begun in Sweden in 1968, and subsequently carried out in Denmark and Norway, the studies have been replicated in later years, making it possible to monitor changes over time in the distribution of resources. The Swedish and Danish data offer the most interesting basis for evaluating the welfare state's distributive effects because they have surveyed the same people over many years, and because the studies span the long era of rising unemployment and economic stagnation. What they find is that, despite worsening economic conditions (particularly in Denmark), living conditions have improved overall, hard-core resource poverty has declined, and the trend towards greater equality continues (Erikson and Aaberg, 1984; Hansen, 1988). It is therefore quite evident that, for Scandinavia at least, the welfare state is a mighty opponent to the economy's inegalitarian thrust.

In any case, poverty and income distribution constitute only one (albeit important) aspect of welfare-state stratification. Even if inequalities in living standards decline, it may still be the case that essential class or status cleavages persist. What concerns us here is not so much incomes as how nations differ in the structuring of social citizenship.

What, then, constitute salient dimensions of welfare-state stratification? Apart from its purely income-distributive role, the welfare state

shapes class and status in a variety of ways. The education system is an obvious and much-studied instance, in which individuals' mobility chances not only are affected, but from which entire class structures evolve. As we will see in Part II of this book, the organization of social services, particularly for women, is decisive for a nation's employment structure. At this point, we will confine our attention to the stratification impact of the welfare state's traditional, and still dominant, activity: income maintenance.

Lord Beveridge and T. H. Marshall have exhorted to the world the peculiar and essentially ethnocentric assumption that universalism is the hallmark of an advanced welfare state. It was the implied universalism of post-war British reforms that informed the theory of the declining significance of class. Yet, one does not have to travel far to discover completely different organizational features of social security. In some countries, coverage may be quite comprehensive; yet, from pensions to sick-pay, the system is built around a myriad of occupationally distinct schemes, explicitly designed so as to recognize and uphold old status distinctions. In some nations, key social groups are given special privileged status – the civil service, for example. In yet other countries, social insurance is organized so as to nurture individualism and self-reliance rather than collective solidarity. And, in still others, social programs are primarily targeted at the really needy, thus cultivating a dualism between the poor (who depend on the welfare state) and the middle classes (who mainly insure themselves in the market).

In other words, welfare states may be equally large or comprehensive, but with entirely different effects on social structure. One may cultivate hierarchy and status, another dualisms, and a third universalism. Each case will produce its own unique fabric of social solidarity. We can identify three models, or ideal types, of stratification and solidarity that closely parallel the regime-types we identified with respect to de-commodification.

### Stratification in Conservative Social Policy

Traditional conservatism, as we have seen, embodies a number of divergent models of the ideal social order. What unites them, as in the case of social rights, is a loathing of the combined social leveling and class antagonisms brought about by capitalism. Be it in favor of strict hierarchy, corporatism, or of familism, the unifying theme is that traditional status relations must be retained for the sake of social integration.

Authoritarian paternalist conservatism has been historically important in the development of welfare-state structures. With its origins in feudal manorial society and in the absolutist monarchical regimes of Europe and Russia, the guiding principles are hierarchy, authority, and direct subordination of the individual (or family) to the patriarch or state. Inspired by Hegel's theory of the state, these organizational notions were enthusiastically promoted by nineteenth-century academicians, social reformers, and politicians, especially in countries like Germany and Austria (Bower, 1947). Adolph Wagner's idea of a *Staatswirtschaftliche Oekonomie* was that the state should directly guide and organize all economic activity. Bismarck's notion of the *Soldaten der Arbeit* was borrowed from the military, the idea being to organize workers (as footsoldiers) on a company basis under the direct authority of the manager (as captain) who, in turn, was answerable to the state (as general) (Guillebaud, 1941).

When Bismarck promoted his first social-insurance schemes, he had to battle on two fronts: on one side against the liberals, who preferred market solutions, and on the other side against conservatives who sponsored the guild-model or familism. Bismarck desired the primacy of etatism. By insisting on direct state financing and distribution of social benefits, Bismarck's aim was to chain the workers directly to the paternal authority of the monarchy rather than to either the occupational funds, or the cash nexus. In reality, his project was strongly compromised, and Bismarck's pension-legislation of 1891 retained only a fraction of the state largesse he had sought (Rimlinger, 1971). Indeed, the subsequent pension-system, as with most of the Wilhelmine social programs, can be interpreted as an etatism with partial concessions to liberalism (actuarialism), and to conservative corporatism (compulsory occupationally distinct schemes).

Etatism has left an especially strong mark on two areas of social policy. One is the tradition in some nations, such as Austria, Germany, and France, of endowing civil servants with extraordinarily lavish welfare provisions. The motive may have been to reward, or perhaps guarantee, proper loyalties and subservience, but there is also evidence that regimes deliberately wished to mold the class structure with their social-policy initiatives. Kocka (1981) shows how pension policy in Imperial Germany served to create, as special classes, both the civil servants (Beamten) and the private-sector salaried employees (Privatbeamten). Parallel policies were pursued in Austria (Otruba, 1981). The result is an especially recognizable status-barrier between the servants of the state and its subjects, and between workers and the more elevated 'estates'. We can here recognize a close affinity between

etatism and the legacy of corporatism.

The second chief legacy of paternalism is found in the evolution of social assistance. As many authors recognize, poor relief was considerably more humane and generous under aristocratic regimes such as Disraeli's in Britain, Bismarck's in Germany, and Estrup's in Denmark than under liberal regimes (Briggs, 1961; Rimlinger, 1971; Evans, 1978; Viby Morgensen, 1973). Akin to their inclination to extend basic guarantees of income protection, the conservatives' readiness to grant relief was informed by the age-old principle of *noblesse oblige*.

② Corporatism has always been a major conservative alternative to etatism. It springs from the tradition of the estates, guilds, monopolies, and corporations that organized social and economic life in the medieval city economy. While the guilds were being dismantled in the eighteenth and nineteenth centuries, their underlying principles were incorporated into the ideologies of corporate associationalism and mutualism. Corporatism evolved as a major conservative response to the social fragmentation and individualization brought forth by markets and industry. It was a central theme in Durkheim's analyses of how to combat anomie; it emerged as a cornerstone of Papal and Catholic social policy; and it found its greatest expression in Fascist ideology.

\* The unifying principles of corporatism are a fraternity based on status identity, obligatory and exclusive membership, mutualism, and monopoly of representation. Carried over into modern capitalism, corporatism was typically built around occupational groupings seeking to uphold traditionally recognized status distinctions and used these as the organizational nexus for society and economy. Often modelled directly on the old guilds, such corporate entities as mutual associations and friendly societies emerged among the more privileged workers, such as plumbers or carpenters. In other cases, corporative social welfare was erected with state participation, as occurred often among miners and seamen. As the pace of social legislation quickened in the latter part of the nineteenth century, the proliferation of corporatism often did also.

\* Either because of state recognition of particular status privileges, or because organized groups refused to be part of a more status-inclusive legislation, there emerged the tradition of constructing a myriad of status-differentiated social-insurance schemes - each with its peculiar rules, finances, and benefit structure; each tailored to exhibit its clientele's relative status position. Hence, Bismarck's pension for workers was not to be blended with that for miners and certainly not with the social policy for civil servants or for white-collar employees (Kocka, 1981). In Austria, the corporative principle was carried somewhat further with the official recognition that notarians enjoyed a status

privilege that had to be matched by their own pension plan. A similar evolution occurred in French pension-legislation after World War II as a variety of salaried groups ('cadres') successfully claimed status uniqueness in social protection. Italy's labyrinth of pensions can probably make claim to be an international corporative leader, with its more than 120 occupationally distinct pension funds (Fausto, 1978).

Corporatism took strongest hold in the continental European nations. The reasons for this are not difficult to trace. First, these were late-industrializing nations, in which traditional guild-traditions were preserved until quite late. During the embryonic era of social protection, therefore, a viable model for programmatic development already existed. Second, and partially as a consequence of the former, the force of status distinction, hierarchy, and privilege has been unusually strong. And, third, it was in these nations that the Catholic Church succeeded in playing an instrumental role in social reform. In the late nineteenth century, the Papal Encyclical, *Rerum Novarum*, advocated a blend of etatism and corporatism; in the 1931 Encyclical, *Quadragesimo Anno*, the corporatist element is even stronger.

For the Catholic Church, corporatism was a natural response to its preoccupation with preserving the traditional family, its search for viable alternatives to both socialism and capitalism, and its belief in the possibility of organizing harmonious relations between the social classes. Corporatism inserted itself easily into Catholicism's subsidiarity principle, the idea that higher and larger levels of social collectivity should only intervene when the family's capacity for mutual protection was rendered impossible. The collective solidarity of a guild, fraternity, or mutuality was clearly closer to the family unit, and hence more capable of serving its needs, than was the more remote central state (Messner, 1964; Richter, 1987).

Corporatism became quasi-official ideology among the Fascist regimes of Europe in the 1920s and 1930s, not so much for the sake of subsidiarity as to build alternatives to large encompassing class organizations which were more amenable to central political control (Guillebaud, 1941; Rimlinger, 1987).

### Stratification in Liberal Social Policy

The goals of liberalism can best be understood as opposition to the vestiges of conservative stratification. It was in the abolition of estates, guilds, monopolies, and central monarchical absolutism that liberalism saw the conditions for individual emancipation, freedom, equal oppor-



tunities, and healthy competitiveness. Clearly, both the heavy-handed state and the gluey mantle of corporatism were fetters on the free market, on voluntarism, and on the spirit of entrepreneurialism.

Liberalism's resistance to an active state is often interpreted as passivity with regard to social policy. This is, as Polanyi (1944) showed, a myth. By withholding aid, or helping eliminate traditional systems of social protection, and by refusing to place nothing but the market in their place, the classical liberal state attempted to grant the cash nexus a hegemonic role in the organization of social and economic life; the bottom line of liberal dogma was that the state had no proper reason for altering the stratification outcomes produced in the marketplace. They were just, because they mirrored effort, motivation, adeptness, and self-reliance.

In classical liberal thought, universalism and equality figure as prominent principles, certain to materialize if organized power is prevented from interfering with the market's automatic 'clearing mechanisms'. Thus, the minimalist social policy of *laissez-faire* was in harmony with its ideals. Social policy was equated with undesirable stratification outcomes: paternalism and elitism; dependency on the state; the perpetuation of pauperism. With no state, and no monopolies (like working-class unions), there would be no classes, just a web of freely acting individuals, atomized perhaps, but equal before the law, the contract, and the cash nexus.

Liberalism's universalist ideals were contradicted by the dualism and social stigma it promoted in practice. While the market was left unfettered to stratify its participants along the cash nexus, the liberal state established an extraordinarily punitive and stigmatizing poor relief for the market failures. Disraeli's *Sybil* remains probably the best textbook on how, in Britain, liberalism helped create a society of two nations.

The social humiliation of poor relief remained when liberalism, under pressure, moved towards modern income-tested social assistance. Denmark illustrates well the model's inadvertent dualism. The old-age assistance plan that was introduced in 1891 was little more than an upgraded system of poor relief. When it was reformed into a *de facto* universal citizens' pension after World War II, large numbers of middle-class pensioners nonetheless reneged on their pension-right because of its traditional stigma of poverty and dependency.

Means-tested relief was, nonetheless, meant to be the residual element of liberal social policy. The real core was meant to be individual insurance in the market, with voluntary and actuarially sound contracts. In this framework, 'social-policy outcomes' would parallel market

outcomes: those who have been frugal, entrepreneurial, and self-reliant will be rewarded.

In historical reality, however, the individual life-insurance model worked poorly, and hardly ever managed to take the kind of hold over peoples' social-security needs that alternative market solutions and/or the state did. As we shall discuss in much greater detail in chapter 4, the private welfare market could grow only if and when the state came to its aid. The more realistic liberal response, therefore, came to incorporate a blend of welfare capitalism in the market, and social insurance in the public sector. The principle that a minimum of collectivism had to blend with individualism emerged in the era of the liberal 'reform movement' around the turn of the century.

The liberal reform movement is usually associated with Lloyd George in Britain, but had its counterparts across the Western world. Its origins are multifaceted. In Britain, the studies of Rowntree and Booth disclosed rampant poverty, disease, and misery among the urban working classes. The Boer War revealed that the condition of the British fighting men was abysmally poor (Beer, 1966; Evans, 1978; Ashford, 1986, p. 62). A more general catalyst was the *enfranchisement of the working classes*, and the realization that a new type of capitalism was unfolding, a type of economy built around large combines, organization, bureaucracy, human capital, and a more intricate and complex division of labor – in short, an economic order in which progress, efficiency, and profits no longer could be premised solely on squeezing the last drop of sweat from the laborer. It is therefore not surprising that some of the major initiatives came from 'corporate liberals' (Weinstein, 1972), the new scientific managerial school, or liberal reformers such as Albion Small and William James in the United States, people who combined a firm commitment to the market with a belief that its salvage required greater social responsibilities.

The reform liberals were willing to sponsor a larger measure of collectivism with their acknowledgment of the problem of externalities, the need for public goods, and their policy of help to self-help. Reform liberalism was not prepared to open escape-routes from the market, only to take steps to reduce its social pathologies and to realign individualism to the new reality that society was organized in collectivities. The liberals' favored social policy reflects this new logic. Help to self-help was to be nurtured via mass education and sponsored equal opportunity. The idea of occupational fringe-benefits, or welfare capitalism, reflected the acceptance that wage bargains were struck collectively, and the hope that necessary welfare programs could be incorporated in this arena. And social insurance gradually became an accept-



able policy to the extent that it remained essentially voluntarist and actuarial, and did not interfere with work incentives and competitiveness. As Ogus (1979) points out, liberals were often surprised to discover that social insurance embodied a host of liberal ideals: the principles of an individual contract, benefits pegged to past effort, self-reliance, and market-conformity. The state could, indeed, be regarded as another type of insurance-carrier. The social rights of citizenship in reform liberalism are patterned on the market.

While these were the favored ideals, in practice liberal reformism often allowed significant deviations. Lloyd George introduced non-contributory and thus not actuarial old-age pensions in 1908. What motivated this unprincipled initiative may, as Keir Hardy and the Independent Labour Party suggested, have been the even more compelling desire to nurture splits between the lower and upper echelons of the working class. Yet benefit levels were kept at a minimum so as to encourage private thrift (Hay, 1975; Pelling, 1961; Gilbert, 1966). A rather similar story unfolded with the US Social Security Act. Meant to adhere strictly to actuarialism, it soon became significantly redistributive, and membership became compulsory. But, as with the British pensions, social security in the US was not meant to crowd out the private-pension market and individualism. Hence, benefits and contributions were pegged to fairly low standards, and the general aim was that the system be as market-conforming as possible (Derthick, 1979; Quadagno, 1988).

To sum up: at its core, liberalism's ideal of stratification is obviously the competitive individualism that the market supposedly cultivates. However, liberalism has had great difficulties applying this conception in state policy. Its enthusiasm for the needs-tested approach, targeting government aid solely at the genuinely poor, is inherently logical but creates the unanticipated result of social stigma and dualism. Its alternative approaches, namely private insurance and bargained occupational welfare on one side, and social insurance on the other side, are equally logical in terms of liberal principles of self-reliance, justice, actuarialism, and freedom of choice, yet these solutions also tend to invoke peculiar class dualisms. Bargained or contracted private welfare will logically replicate market inequalities, but is also guaranteed to prevail mainly among the more privileged strata in the labor force; it will certainly not address the welfare needs of the most precariously-placed workers. In turn, the liberal social-insurance scheme will, if it sticks to principles, also reproduce the profile of stratification of the market, and it will promote private protection for the more fortunate.

If, then, we combine the three liberal approaches, the probable

outcome is a curious mix of individual self-responsibility and dualisms: one group at the bottom primarily reliant on stigmatizing relief; one group in the middle predominantly the clients of social insurance; and, finally, one privileged group capable of deriving its main welfare from the market. This is, in fact, more or less the stratification profile that characterizes the US and, to a lesser degree, the British welfare system (Esping-Andersen, Rein, and Rainwater, 1988).

### Stratification in Socialist Social Policy

As with conservatism and liberalism, socialist reformism was always pursued with distinct stratification outcomes in mind. For labor move- )

The socialists have always faced the question of how to construct the unity upon which long-term collective mobilization could evolve. Vulgar Marxists often portray the problem as a struggle against bourgeois class society. This is completely misleading: the socialists had to struggle against a multiplicity of historical alternatives, some of which were strongly represented within their own ranks. On one side, they had to fight the exclusionary corporatism of narrow status-solidarity that also permeated early trade-unionism and friendly societies. And they had to attack the paternalism of employers and states, a paternalism that diverted worker loyalties and cultivated schisms. Finally, they had to struggle against the atomizing, individualizing impulse of the market.

As most early socialist writings show, a serious obstacle to collectiv- )  
ism was the dualistic consequence of persistent unemployment. The 'slum proletariat', as Kautsky (1971) termed it in 1891, was universally viewed as a major threat. Demoralized, uprooted, unorganized, and resourceless, it was vulnerable to reactionary demagoguery, difficult to organize, and likely to undercut wages and sabotage strikes. It was a major theme already at the 1867 Lausanne Congress of the 1st International; at that time, the delegates put their faith in the cooperative movements' ability to improve the moral fibre and economic condition of the lumpenproletariat.

A second important obstacle lay in the social divisions institutional-  
ized through earlier conservative and liberal reforms. The old poor law systems were obviously the foremost enemy, since they drove a wedge into the proletariat and because recipients were typically disenfranchised. The abolition of the means-test and less-eligibility rules was therefore a top political priority. Similarly, they opposed employer-

sponsored paternalistic welfare for its corporativistic and particularistic consequences, and they attacked state insurance for workers as being social pacifism, divisive and apt to institutionalize inequalities.

The socialists certainly saw the dangers inherent in ruling-class reformism, but were often hard-pressed to formulate genuine alternatives. An embryo of their thinking lay in the early critiques of bourgeois social amelioration. Marx and Engels were preoccupied with the possibility that social-pacifist reforms would retard socialism – a fear that is understandable in light of Napoleon III's, von Taaffe's, and Bismarck's open admissions that this was exactly what they pursued. Yet not even Marx held entirely to this view. In his analysis of the British Factory Acts (1954–6, ch. 10), Marx concludes that bourgeois reforms are both meaningful and will enhance the position of the workers. The concluding pages of the *Communist Manifesto* call for reforms that are hardly at variance with later liberalism.

The socialists had to devise a social policy which both addressed the real need for social relief, and would help the socialist movement come to power. The question revolved around contending principles of solidarity. Corporatism and fraternal associations were one prevalent model, especially among groups of skilled and craft workers. But these were problematic if the aim was to build broad class unity and uplift the 'slum-proletarians'.

A second approach was to place the social question in the hands of the trade unions and win concessions through collective bargaining. But this assumed stable and strong bargaining-power and employer recognition; it also ran the risk of replicating labor-market inequalities or mainly favoring the labor aristocracies. Again, it was a strategy unlikely to produce broad solidarity. Nonetheless, it evolved as the major approach in two kinds of societies. In Australia it came to predominate because the unions there were in an unusually favorable bargaining position. In the United States, its importance has had more to do with the lack of a plausible political ally and an untrustworthy state.

The early socialist movements frequently turned to a third alternative, the micro-socialist 'ghetto strategy', according to which the movement itself became the provider of workers' welfare. This was an attractive avenue, particularly where the socialists found themselves barred from state power. It demonstrated that the leadership could respond constructively to the acute needs of workers. Its attraction was certainly also that a micro-socialist haven could promote organization, membership growth, and socialist education, and present the movement as an attractive spokesman for working-class needs. Micro-socialism was a way to present a practical example of the good society to come, one

that would reveal all the more clearly the heartlessness and brutality of the surrounding bourgeois society.

Micro-socialism was pursued with vigor and some success in the early days of socialism. The movements often constructed organizational empires with recreational facilities, chess clubs, theater troupes, music, Boy Scout organizations, sports clubs, and often even productive enterprises such as building societies and cooperatives.

The problem with the ghetto model lay in its own purpose, namely to build class solidarity and power by mobilizing through membership. Since it was financed by the workers themselves, it was vulnerable to prolonged economic crises and costly industrial disputes. But also, micro-socialism was pregnant with the dualism of members versus non-members. The divide was, as always, between the privileged workers and the groups of more precarious status. If, then, the socialists desired broad class unity and parliamentary majorities, they were compelled to adopt a genuinely universalistic idea of solidarity, a universalism that helped unify what in reality was a substantially differentiated and segmented working class.

The principle of a broad popular universalism emerged in tandem with the extension and consolidation of democratic rights. Here, the Scandinavians were pioneers, as manifested in Per Albin Hansson's rhetoric of the 'Peoples' Home' welfare state in the late 1920s. Indeed, it was already explicit in the Danish socialists' pension-proposals in the 1880s, and in Branting's social policy in Sweden in the first decades of the century (Elmer, 1960; Rasmussen, 1933). After World War I, Otto Bauer pursued the idea of a worker-peasant alliance in Austria through broad coverage in social-welfare policy (Bauer, 1919). In such highly corporatist systems as the German, Austrian, and Italian, the socialists or communists have always fought for universalism with calls for *Volksversicherung* and *unificazione*.

The coincidence of universalism and democracy is hardly accidental. Parliamentarism presented the socialists with new reformist vistas, but it also imposed upon them the necessity of mobilizing solid electoral majorities which, almost certainly, the ghetto strategy would fail to produce. The majority problem was accentuated where the working class was likely to remain an electoral minority.

It was this specter that Bernstein raised in 1898 in his classic *Evolutionary Socialism* (Bernstein, 1961), and which electoral socialists began to recognize in subsequent years. They could either respond by settling for a minority opposition status, or they could forge broader political alliances. The latter case required a politics of cross-class universalism.

It was the alliance option which inspired Bauer's thinking and, even more clearly, the Scandinavians' 'People's Home' notion of welfare policy. In the inter-war years, the rural classes were the linchpin of a broad popular alliance, and the socialists tried with varying success to mobilize the agrarian classes. Where the socialist ghetto model was weak – as in Scandinavia – their capacity to make inroads in the rural social structure was vastly better. Where socialism was concentrated in urban working-class enclaves, such as 'Red Berlin' and 'Red Vienna', ideology and rhetoric was more likely to retain its traditional revolutionary, workerist flavor, and a rural outreach would be less likely to receive a favorable response.

The shift to a people's universalism was not merely instrumental vote-maximization. It spoke logically to the prevailing social structure and to the socialists' own comprehension of solidarity. The social structure was dominated by masses of rural and urban 'little people'. Solidarity does not have to be workerist, since many other groups are victims of forces beyond their control, and face poverty and basic social risks. Universalism, therefore, became a guiding principle because it equalized the status, benefits, and responsibilities of citizenship, and because it helped build political coalitions.

Still, universalism occasionally came into conflict with rival labor-movement objectives. In many cases, the labor movements found in the self-financed and controlled welfare funds a great source of both financial and organizational power. To relinquish this for the sake of universal solidarity was not always viewed with favor. In Germany, the trade unions jealously guarded their control over sickness funds. Even the Danish and Swedish labor movements, vanguards of universalism, would not accept loss of control over their unemployment insurance funds.

Australia and New Zealand constitute two cases in which the labor movements, despite being powerful, never fully embraced the universalist ideal. In these countries, labor retained the traditionally widespread preference for targeted income-tested benefits because they appear more redistributive. But the main reason seems to be the outstanding bargaining situation enjoyed by the trade unions for decades. Thus, as Castles (1986) argues, labor's demands for social protection could be equally, if not better, served via wage negotiations.

The socialists' adherence to universalism was put to a major test in the wake of social-structural modernization. In an advanced economy, the 'little people' disappear, only to be replaced by a new white-collar salariat and more prosperous workers who will hardly be content with a basic flat-rate benefit. Hence, unless social security could be upgraded, a massive exodus towards private-market schemes would likely ensue,

leading to new inequalities. Thus, to preserve the solidarity of a universalistic welfare state, the socialists were compelled to align social benefits to middle-class standards.

The Swedish social democrats were the first to pave the way for a universalism of 'middle-class' standards. The formula was to combine universal entitlements with high earnings-graduated benefits, thus matching welfare-state benefits and services to middle-class expectations. For the average worker, as social citizen, the result was an experience of upward mobility. For the welfare state, the result was the consolidation of a vast popular majority wedded to its defence. 'Middle-class' universalism has protected the welfare state against backlash sentiments.

### Comparative Dimensions of Welfare-State Stratification

If all welfare states participate in the process of social stratification, they do so differently. The historical legacies of conservative, liberal, and socialist principles in their early construction became institutionalized and perpetuated, often over an entire century. The result is a clustering of regimes that is strikingly parallel to the one we discovered in the analyses of de-commodification.

To identify welfare-state clusters, we need to identify the salient dimensions of stratification. The corporatist model is best identified by the degree to which social insurance is differentiated and segmented into distinct occupational- and status-based programs. In this case, we would also expect large variations between the bottom and top in terms of benefits. To identify etatism, the simplest approach is to identify the relative privileges accorded civil servants. In contrast, we would identify liberal principles in terms of welfare states' residualism, especially the relative salience of means-testing; in terms of the relative financial responsibility accorded to the individual insured; and in terms of the relative weight of voluntary, private-sector welfare. And, to capture the socialist ideals, the relevant measure is clearly degree of universalism. The socialist regime ought to exhibit the lowest level of benefit differentials.

The degree to which clearly defined regime-clusters exist depends, then, on the extent to which regime-specific features are exclusively present only in one type. To give an example, we would not expect a conservative-type system (with strong corporatism and/or civil-service privileges) to also harbor liberalist traits (such as a large private market) or socialist traits (such as individualism). Since, however, the real world

Table 3.1 Degree of corporatism, etatism, means testing, market influence, universalism, and benefit equality in 18 welfare states, 1980

	Corporatism <sup>a</sup>	Etatism <sup>b</sup>	Means-tested poor relief (as % of total public social expenditure)	Private pensions (as % of total pensions)	Private health spending (as % of total)	Average <sup>d</sup> universalism	Average <sup>e</sup> benefit equality
Australia	1	0.7	3.3	30	36	33	1.00
Austria	7	3.8	2.8	3	36	72	0.52
Belgium	5	3.0	4.5	8	13	67	0.79
Canada	2	0.2	15.6	38	26	93	0.48
Denmark	2	1.1	1.0	17	15	87	0.99
Finland	4	2.5	1.9	3	21	88	0.72
France	10	3.1	11.2	8	28	70	0.55
Germany	6	2.2	4.9	11	20	72	0.56
Ireland	1	2.2	5.9	10	6	60	0.77
Italy	12	2.2	9.3	2	12	59	0.52
Japan	7	0.9	7.0	23	28	63	0.32
Netherlands	3	1.8	6.9	13	22	87	0.57
New Zealand	1	0.8	2.3	4	18	33	1.00
Norway	4	0.9	2.1	8	1	95	0.69
Sweden	2	1.0	1.1	6	7	90	0.82
Switzerland	2	1.0	8.8	20	35	96	0.48
United Kingdom	2	2.0	— <sup>f</sup>	12	10	76	0.64
United States	2	1.5	18.2	21	57	54	0.22
Mean	4.1	1.7	5.9	13	22	72	0.65
S. D.	3.2	1.0	5.1	10	14	19	0.22

<sup>a</sup> Measured as number of occupationally distinct public pension schemes. Only major schemes have been included.

<sup>b</sup> Measured as expenditure on pensions to government employees as % GDP.

<sup>c</sup> Estimates of poor-relief expenditure exclude benefits from normal income-tested schemes (such as housing allowances in Scandinavia, unemployment assistance in Germany, or old-age, unemployment, and sickness assistance in Australia and New Zealand). It should be kept in mind that the borderline between these two types of targeting is difficult to draw. Our estimates here are based on an individual assessment of how the system operates in each nation.

<sup>d</sup> Average for sickness, unemployment, and pensions. (Income-tested assistance programs, like the Australian and New Zealand unemployment and sickness benefits, have been scored 0 since none provides full citizen rights to benefits.)

<sup>e</sup> Average differential between basic and maximum social benefits for sickness, unemployment, and pensions (based on net, after-tax, benefits). Benefit differentials are based on the ratio of guaranteed basic social benefit to the legal maximum benefit possible in the system.

<sup>f</sup> Data are not available.

Sources: G. Esping-Andersen (1987b; table 3); United States Government Printing Office, *Social Security Programs Throughout the World* (1981); ILO, *The Cost of Social Security*, basic tables (Geneva: ILO, 1981); OECD, *Measuring Health Care, 1960-1983* (Paris: OECD, 1985, p. 12); SSIB data files.

TABLE 3.2 Bi-variate correlation matrix of stratification attributes for 18 welfare states

	Corporatism	Etatism	Poor relief	Private pensions	Private health	Universalism
Corporatism	1.00					
Etatism	0.55	1.00				
Poor relief	0.16	-0.11	1.00			
Private pensions	-0.40	-0.64	0.49	1.00		
Private health	-0.02	0.01	0.60	0.45	1.00	
Universalism	-0.02	-0.03	-0.05	0.00	-0.28	1.00
Benefit differentials	0.40	0.14	0.73	0.21	0.51	0.21

of welfare states is most likely to exhibit hybrid forms, our task is to see to what degree there is sufficient co-variation for distinct regime-clusters to emerge.

In table 3.1 we present data on regime-specific program attributes. Representing *conservative* principles of stratification, the table shows, first, the degree of status segregation, or, corporatism, measured as number of (major) occupationally distinct pension schemes in operation; second, it presents degree of 'etatism', measured as the expenditure on government-employee pensions as a percentage of Gross Domestic Product.

Table 3.1 also displays three variables designed to identify key attributes of *liberalism*: first, the relative weight of means-tested welfare benefits, measured as a percentage of total public social expenditure (excluding benefits to government employees); second, it provides data on the importance of the private sector in pensions, measured as private-sector share of total pension spending, and in health care, measured as private-sector share of total health spending.

Finally, table 3.1 includes two attributes most clearly associated with *socialist* regimes, namely degree of program universalism (measured as averaged percentage of population, 16-64, eligible for sickness, unemployment, and pension benefits), and degree of equality in the benefit structure. In the latter case, our measure is an average for the above-mentioned three programs in terms of the ratio of the basic level of benefits to the legal maximum benefit possible. We would clearly expect the socialist-inspired regimes to accentuate benefit equality, while in conservative regimes inequalities should be greatest.

Beginning with the conservative attributes, we discover a basically bi-modal distribution of countries with regard to both corporatism and etatism; the coincidence between the two characteristics is, moreover, quite marked. One group of nations scores very high on both: Austria, Belgium, France, Germany, and Italy, with the possible inclusion of Finland. It is worth noting that this is the very same group which we earlier identified as falling in the conservative tradition on de-commodification.

Turning to our liberal characteristics, the pattern is considerably fuzzier. The poor-relief variable clusters nations into three groups, one scoring very high (Canada, France, and the United States), one with medium levels, and one in which poor relief is truly marginal (the Nordic countries). The private-pension variable, in contrast, distinguishes sharply between one group with a preponderance of private pensions, and another in which they hardly exist at all. The private-sector health variable, like poor relief, clusters into three groups. Here

TABLE 3.3 The clustering of welfare states according to conservative, liberal and socialist regime attributes (cumulated index scores in parentheses)

	Conservatism		Degree of Liberalism		Socialism	
Strong	Austria Belgium France Germany Italy	(8) (8) (8) (8) (8)	Australia Canada Japan Switzerland United States	(10) (12) (10) (12) (12)	Denmark Finland Netherlands Norway Sweden	(8) (6) (6) (8) (8)
Medium	Finland Ireland Japan Netherlands Norway	(6) (4) (4) (4) (4)	Denmark France Germany Italy Netherlands United Kingdom	(6) (8) (6) (6) (8) (6)	Australia Belgium Canada Germany New Zealand Switzerland United Kingdom	(4) (4) (4) (4) (4) (4) (4)
Low	Australia Canada Denmark New Zealand Sweden Switzerland United Kingdom United States	(0) (2) (2) (2) (0) (0) (0) (0)	Austria Belgium Finland Ireland New Zealand Norway Sweden	(4) (4) (4) (2) (2) (0) (0)	Austria France Ireland Italy Japan United States	(2) (2) (2) (0) (2) (0)

we may note the substantial degree of 'privatization' in countries like Austria and Germany, something which testifies to the ambiguity of private welfare organization. In these two countries, 'private' health care reflects the tradition of the Church's influence (Caritas, for example) rather than unbridled private entrepreneurship. But, all in all, there is one group that systematically scores high on our liberalism attributes: the United States and Canada, and also, slightly less distinctively, Australia and Switzerland.

Considering, finally, our socialist regime measures, we see that universalism is the reigning principle in the Scandinavian social democratic welfare states, and is to a degree approximated in a few liberal regimes such as Canada and Switzerland. At the other extreme lie a number of liberal cases where social rights are unusually underdeveloped (the United States, Australia, and New Zealand). The continental European countries which otherwise tend to score high on conservatism fall in the middle here, a result that is hardly surprising since their emphasis on compulsory membership along occupational lines will result in a situation in which a large share of the labor force has insurance coverage. The benefit-differential measure should in principle facilitate a sharp distinction between the 'socialist' and 'conservative' cases. In the former, an accent on equality should produce low differentials; in the latter, the principle of maintaining status and hierarchy should result in sharp inequalities. To correctly interpret this variable, we should for a moment leave aside Australia and New Zealand. Since their systems are based on the flat-rate social assistance tradition, benefits will, virtually by definition, be equal. Otherwise, the tendency is largely as one would have expected: the Scandinavian social democracies are among the most egalitarian. Yet the table is less able to distinguish the corporative systems (which do show high differentials) and their liberal counterparts (which also exhibit very extreme differentials).

A first attempt to identify to what extent regime-clusters exist is by the zero-order correlation matrix presented in table 3.2. Obviously, for regimes to exist there must be a strong relationship among the particular characteristics that supposedly identify the regime; and, in converse, these must be negatively correlated, or uncorrelated, with attributes of alternative regimes. The correlations in table 3.2 point towards the kind of regime-clustering that we had anticipated. The conservative attributes (corporatism and etatism) correlate positively (0.55), and they are negatively related or unrelated to both the liberal-regime attributes (poor relief, privatization) and to the socialist universalism variable. There is a positive correlation with benefit differentials, indicating that

conservative regimes tend to replicate inequalities in the welfare state.

The liberal regime-cluster is equally evident. Poor relief is strongly related to both private pensions and health ( $r = 0.49$  and  $0.60$ , respectively), and the last two are also positively correlated. High benefit differentials are powerfully linked to the liberal-regime variables. We may therefore conclude that high inequalities in welfare benefits emerge both from hierarchal systems and from market adherence. The distinctiveness of the liberal regime is evident in that its traits are all negatively correlated or uncorrelated with both conservative and socialist attributes.

The socialist regime, finally, is more difficult to pin down because its two component variables, universalism and egalitarian benefits, are not strongly correlated. Some countries (like Canada and Switzerland) which are otherwise very liberalistic tend also to approach universalism, and other liberalistic nations (like Australia), whose systems are essentially of the flat-rate minimum-benefit kind, have low benefit differentials. Nonetheless, the universalism characteristic does stand on its own, distinguishing itself (by being uncorrelated) from both conservative- and liberal-regime variables. It is a surprise, nonetheless, that we do not find a stronger association between egalitarian and universalism.

As in chapter 2, these data can be developed into summary indices so as to more clearly and economically identify significant nation-clusters. As before, we will do this (roughly) on the basis of the mean and standard deviation in the distribution along each of our variables. In table 3.3 we present cumulated summary scores for 'conservatism', 'liberalism', and 'socialism'. As explained in Appendix 1, the higher the score, the greater the degree of conservatism, liberalism, and socialism, respectively. We have divided the table into high, medium, and low clusters.

From table 3.3 we cannot but conclude that clusters do exist. The nations which score high on our summary index of conservatism (Italy, Germany, Austria, France, and Belgium) all score low, or at best, medium on our indices of liberalism and socialism. In turn, the countries characterized by strong liberalism (Australia, Canada, Japan, Switzerland, and the United States) score low or medium on conservatism and socialism. Finally, the socialism cluster includes the nations of Scandinavia, and the Netherlands, all countries which score low (or medium) on the two other regime-clusters.

In other words, if we are willing to accept that welfare states play an important role in the patterning of social stratification, and that we have captured attributes of stratification which matter significantly in peoples' real and perceived experience of inequalities, status, and class differ-

ences, we find that it is misleading to compare welfare states as merely 'more' or 'less' egalitarian. We discover, instead, entirely different logics of social stratification embedded in welfare-state construction. In this sense, we may speak of regimes as we did with reference to de-commodification.

We can, additionally, begin to see that the clustering of de-commodification and stratification is very similar. Recalling the evidence presented in chapter 2, there is a clear coincidence of high de-commodification and strong universalism in the Scandinavian, social democratically influenced welfare states. There is an equally clear coincidence of low de-commodification and strong individualistic self-reliance in the Anglo-Saxon nations. Finally, the continental European countries group closely together in terms of being corporatist and etatist, and also being fairly modestly de-commodifying.

In chapter 4, we will conclude our specification of welfare-state regime-clusters by analyzing how the boundary between state and market emerged in pensions, the single most important welfare-state program. It is already clear that the public-private mix plays a key role in shaping both de-commodification and stratification. What we wish to explore more fully is the overall structuration of social policy or, more specifically, pensions, in the political economy.

## Appendix Scoring procedure for stratification indices

As in chapter 2, we have developed indices based on the distribution of nations around the mean and standard variation on the individual variables. Conservative-regime attributes are captured via corporatism and etatism variables; liberal-regime attributes through social assistance and the relative importance of private health and pensions; socialist-regime attributes are mainly captured via the degree of universalism. The final variable, benefit differentiation, is expected to score low for socialist regimes.

To construct the index of corporatism, nations with less than, or equal to, two separate occupationally distinct pension programs have been given the score of 0; nations between two and five (inclusive) have been given a score of 2; and nations with more than five occupationally distinct programs are scored equal to 4.

The etatism variable reflects the degree to which the civil service is granted special welfare privileges, and is measured in terms of pension expenditures for civil servants as a percentage of GDP. Where the share is less than (or equal to) 1 percent, we have given an index score of 0; where the share is between 1 and 2.1 percent, we have given a score of 2; and where the share surpasses 2.2 percent, we have given a score of 4.

The index for the relative importance of social assistance is based on data on expenditures on means-tested benefits as a percentage of total social-transfer expenditures. The task of defining exactly the boundary between the classical type of means-tested benefits and the more modern income-dependent transfers is very difficult. We have decided to treat the Australian and New Zealand welfare states as essentially income-tested, and these countries will accordingly score fairly low. Similarly, we exclude housing allowances in Scandinavia. The variable, in other words, has been constructed to try to include program expenditure for what is genuinely means-tested social assistance in the traditional poor-relief logic. It therefore includes programs such as AFDC in the United States, *Sozialhilfe* in the Germanic countries, *socialhjælp* in the Nordic countries, and so forth. Great Britain poses a special problem because of the way in which both means- and income-tested benefits there have been consolidated under the general heading of 'supplementary benefits'. For comparative purposes, we have chosen (conservatively) to estimate the British share as being equal to 1 percent. The index construction on this variable follows the logic adopted previously: if the expenditure ratio on social assistance, relative to total transfer payments, is less than 3 percent, we give a score of 0; from 3 to 8 percent, we give a score of 2; more than 8 percent is given a score of 4.

The index for the relative share of private-pension expenditures to total pension expenditures is developed as follows: if the share is less than 10 percent, a country is scored equal to 0; if the share is between 10 and 15 percent, the score is 2; and if the share is more than 16 percent, we give the country a score of 4.

For the relative share of private health expenditures, we give a score of 0 to countries where it is less than 10 percent; from 10 to 20 percent, we give a score of 2; and if greater than 21 percent, the country receives a score of 4.

The universalism variable measures the percentage of the relevant population (labor force between ages 16 and 65) covered under the respective programs. A low degree of universalism is defined as less than (or equal to) 60 percent of the population being covered, and scored equal to 0; where coverage lies between 61 and 85 percent, we give a score of 2; and where coverage exceeds 86 percent, we give a score of 4. Note that income-test-based programs, such as the Australian and New Zealand unemployment and sickness benefit schemes, have been scored equal to 0. This is because these types of programs do not grant automatic universal rights.

Finally, our variable on benefit differentials is based on what a normal standard worker will receive as a standard benefit and what is the maximum benefit stipulated in the rules of the system. If the standard benefits are less than 55 percent of maximum benefits, we give the system a score of 0 (reflecting very high differentials); if they lie between 55 and 80 percent, the system is given a score of 2; and if they are above 80 percent, the system is given a score of 4.

## 4

## State and Market in the Formation of Pension Regimes

### Introduction

Neither state nor market was predestined as a locus of welfare provision. Yet almost every textbook on social policy will try to convince you otherwise. Sociologists generally equate welfare distribution with government social policy. Liberal dogma and contemporary economic theory want us to believe that the state is an artificial creation and that the market, if left untampered with, is the only institution truly capable of furnishing our various welfare needs. This may be true for automobiles, but it certainly is not true for social security.

In all advanced countries we find some blend of private and public welfare provision, and it is in this relationship that we will uncover some of the most important structural properties of welfare states. In this chapter, the relationship will be explored for pensions, by far the most important in the overall package of social transfers. We will discover that states created markets and that markets created states. For pensions, at least, it required the application of state power to build and nurture a viable private market. In turn, the state's role in furnishing pensions has been decisively shaped by the nature and limits of markets. State and market, or, if you will, political power and the cash nexus, have interacted continuously to manufacture the peculiar blend of social provision that goes into defining welfare-state regimes.

If an analysis of pensions appears somewhat narrow and pedestrian, keep in mind two circumstances: first, pensions account for more than 10 percent of GDP in many contemporary nations; second, pensions