

Variations of the Welfare State: Great Britain, Sweden, France and Germany between Capitalism and Socialism

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1 Preliminary Methodological Remarks

Even as comparative international research in social science has become increasingly important over the last three decades, especially in political science but also in empirical economics and sociology, the results remain subject to strong criticism in terms of both methodology and content.¹ These difficulties must be laid out in the introduction to explain the approach I have chosen here.

My subject is a comparison of national fields of politics or complexes of institutions that can be considered an expression of the *social state*.² The relevant units of study are therefore states (polities), the institutions of their social or welfare sector and their operation (social policies), the political debates and conflicts leading to their establishment or change (social politics), and the notions underlying these debates (social ideas). Four fundamental approaches for a comparison of such macrophenomena can be distinguished:

The most common method, the so-called *quantitative one*, uses the sort of statistical indicators that are generated chiefly by national statistical offices, and

¹ For comprehensive accounts of the comparative method, its different techniques, and the difficulties that must be taken into account see Madison (1980); Higgins (1981, pp. 1–46); Jones (1985); Berg-Schlosser and Müller-Rommel (1997). – Fundamental for a hermeneutics of comparison is Matthes (1992).

² While the term “*Sozialstaat*” is predominantly used in the German context, the international context is dominated by the semantics of the “welfare state.” I follow this dual conceptualization in the sense that “social state” (and frequently also “social market economy”) is here seen as the typically German designation of the welfare state program. Thus, “welfare state” refers here not only to the “Scandinavian model” of what in German is called the *Versorgungsstaat* (provisioning state), but a general configuration that will be described in greater detail in Sect. 2 and includes the German case. In addition, I distinguish between the social or welfare states as empirical objects and the social or welfare state principle as a theoretical concept to designate the specific program of welfare states.

occasionally also within the framework of scientific institutions and projects.³ These sets of data form an indispensable basis for the description of national systems and for their comparative study. However, the tabulated presentation of data generated in varying national contexts suggests a measure of definitude that usually does not exist. In addition to the usual issues of the validity and reliability of the data, we confront the problem of its comparability, which, in view of divergent definitions of the starting data and different practices of data aggregation, leads to difficult-to-resolve problems in many areas. More serious still in substantive terms is the frequent problem of gaps in the data: statistical information is mostly gathered and prepared for practical goals, not for the purposes of specific scientific questions. As a result, the data often does not fit the real questions of scientific interest, and making the existing data fit them leads easily to distorting answers. Finally, there is the problem of interpretive methodology: most statistical models presuppose a stochastic distribution of characteristics and large sample sizes; these two factors usually do not apply to country comparisons. Although the use of quantitative methods makes comparison easier, the extensive research practice shows that the sum of these difficulties often impedes the achievement of stable results. Additional problems of comparability arise from the differences in political and scientific interests, which structure the selection and evaluation of the data (O'Connor and Brym 1980).

A certain tradition has developed in the realm of *comparative historical welfare state research* (Welskopp 1995; Haupt and Kocka 1996b). The historical approach to the subject is by far the most flexible and allows us to connect information of different provenance within the framework of more or less plausible chains of argumentation.⁴ As long as the comparison is limited to two countries and involves a clearly circumscribed area of study, we can find – in spite of an essentially inductive method – a number of highly informative studies (Bremme 1961; Hecló 1974; Ritter 1986). If one includes a larger number of states, the extreme flexibility of the approach makes the comparison difficult in a way that is the opposite of rigid statistical data: if the elements of comparison are not specified in sufficient detail, the selection of the information to be compared is subject to an uncontrollable degree of subjective arbitrariness on the part of the author. Especially if the comparison concerns a broad thematic field, like the development of the welfare state, it is imperative that this field is first given a theoretical structure to avoid the charge of arbitrariness. To date, however, there are only a few theories of the development of the welfare state with converging approaches.⁵ Thus, most efforts at historical

³ A pioneering work for the quantitative study of the welfare state was the study by Wilensky (1975). Overviews of the state of research are provided by Wilensky et al. (1985), and with programmatic accents, Janoski and Hicks (1994).

⁴ Pathbreaking: Briggs (1961); also the important studies by Rimlinger (1971); de Laubier (1978); Flora and Heidenheimer (1981); Ashford (1986); Baldwin (1990); Ritter (1991).

⁵ For a critical survey of the state of the theoretical discussion see Therborn (1989); Lessenich (2000).

macro-comparisons consist of a more or less coordinated juxtaposition of country reports.⁶

In the face of these difficulties, a third type, that of the *institutional comparison*, developed as a solution situated between the other two approaches: here, certain subsystems or areas of social policy are subject to a systematic comparison.⁷ However, the precondition for the success of relevant comparisons is a clear articulation of the problem arising from the interconnection between social problems and institutional contexts (Rodgers et al. 1979, p. 187). Hans F. Zacher has provided a concise formulation of the methodological problem:

For a comparison to be valid, it is not enough that the problem solutions are or appear similar. Rather, one must pay attention that the problems that are being resolved are identical, or – more realistically, of course, since complete equality can almost never be expected – that they are as similar as possible. The underlying shared problem (“shared” to be taken with a grain of salt here) is the *tertium comparationis* of the problem solutions being compared. For the legal comparison that means: the shared pre-law problem is the *tertium comparationis* of the legal solutions being compared.

Social problems, however, do not exist as such . . . social problems are constituted by the fact that problem solutions are being considered, in the first place . . . And social problems are formed by the fact that certain problem solutions are contemplated . . . and undertaken. Historically it is very clear that challenges bring forth answers, but also that every answer in turn transforms the world of answers, and with that also the world of the challenges themselves (Zacher 1991, p. 17).

What makes the international comparison difficult here is the fact that *this connection between social problems and institutional answers for the most part develops on nationally divergent paths*. For example, factual conditions such as “disability” or “unemployment” are differently construed and normatively charged in different countries, and sometimes institutionally dealt with in connection with other problems (e.g. illness, occupational accident, or poverty). That is why here, too, the unambiguous nature of the comparison poses a challenge to the constructive and methodological skill of the researcher.

Three social scientists with experience in relevant international comparisons summarized their frustrating experiences this way toward the end of the eighties:

In trying to account for the growing sense of crisis in the contemporary welfare state, we found ourselves confronted with a literature that left us largely unsatisfied. The problem we faced was the huge discrepancy between the rich diversity that national histories of social

⁶ See, for example, Köhler and Zacher (1981); Flora (1986/1987). The latter – probably the most ambitious – attempt at a comprehensive international comparison of the development of the welfare state in Europe, originally intended to be five volumes, did not go beyond the publication of eight of the planned twelve country studies and a comparative anthology of sources. – One remarkably successful exception is the study by Alber (1982), which structured its problem field theoretically.

⁷ This is the approach especially of the international comparison of labor and social law. See, for example, Hepple (1986); Zacher (1991); Reinhard et al. (1998). As comparably sophisticated social science studies one should mention: Alber and Bernardi-Schenkluhn (1992); Kohl (1994; 1993).

policy portray and the theoretical literature's tendency to reduce comparative welfare state developments to one, or a few, common denominators (Rein et al. 1987, p. VII).⁸

The comparative study of welfare state developments thus requires a complex theoretical grounding if it wishes to bring out commonalities and differences from the varied national material that exists today. And this, too, cannot be done without articulating cognitively guiding questions – in other words, it always remains narrowly focused and can never become comprehensive.

Fourth, another forward-leading impulse to research came from the *typological method*: by connecting certain commonalities that are evident in several countries, one can construct “types” or “families” of welfare states or specific institutional solutions that correspond to an intermediate degree of generalization. (Kaufmann and Rosewitz 1983). After the British pioneer Richard Titmuss,⁹ Gösta Esping-Andersen, in particular, has given new impulses to comparative welfare state research with his typology. He distinguishes three “regimes” of welfare states: (1) the “liberal” regime, which has established itself in Anglo-American countries, (2) the “conservative-corporatist” regime, which is found in many countries of continental Europe, and (3) the “social-democratic” regime, which has emerged chiefly in Scandinavia (Esping-Andersen 1990, pp. 26–29). As the essential theoretical dimensions of the differences between these regimes, he postulates, first, the extent to which state provisions free the population of a country from the coercion to sell their labor (“decommodification of labour”) (Esping-Andersen 1990, pp. 35–54), and, second, the extent to which welfare state benefits contribute to the preservation of social inequality, especially also of status differences, or seek to reduce them (Esping-Andersen 1990, pp. 55–77). On both dimensions – decommodification and the dismantling of status differences – the Scandinavian “social-democratic” welfare regime seems superior to the other two regimes.

The discussion that followed in the wake of Esping-Andersen book has either retained the typological method, while sometimes proposing different classification of various countries and new types of welfare regimes,¹⁰ or questioned the methodology itself.¹¹ While few scholars have challenged the notion that the Scandinavian states belong to a common type, the liberal regime appears less homogenous; in particular, researchers have pointed to the pronounced differences between the United States and the states of the former British Commonwealth. Most

⁸ See also the skeptical overview of the state of research by Conrad (1996).

⁹ Titmuss distinguishes (1974, p. 30f.) (1) a “residual” model of social policy (i.e. one oriented toward the subsidiary provisioning of minimum standards), (2) an “industrial-performance-model” oriented toward protecting dependent work, and (3) an “institutional redistributive model of social policy” oriented toward satisfying needs in the most equal way possible.

¹⁰ The most important study was that of van Kersbergen (1995). See also: Wilensky (1981); Huber et al. (1993); Castles (1995); Ferrera (1998, pp. 79–105).

¹¹ For example, from an empirical standpoint, Sainsbury (1991); Castles (1994); more fundamentally, Baldwin (1997). See also Kohl (1993b), and the comprehensive discussion in Lessenich and Ostner (1998), and the review by Toft (2000).

controversial is the classification of the Western European states under the common umbrella of conservatism and corporatism. Some highlight the influence of Catholicism, others the differences between the Central European and the Southern European states. In addition, the question arises about how to deal with developments in non-Western countries – e.g. Japan, but also in the emerging countries of Southeast Asia and Latin America.¹² Finally, it has become clear that the states arrange themselves into different clusters, depending on which aspect of the welfare state forms the basis of the classification. Thus, while the typological method has contributed to a more complex reconstruction of what constitutes a welfare state, and thus also to a better account of interconnections and a clarification of commonalities and differences, to date it has not led to a stable classification of states within a generally accepted typology.

Especially problematic in all of this is the exclusively inductive approach. Before one can debate typological differences, one needs a definition of shared characteristics of the sphere of reality to which a typology refers. As Haupt and Kocka have said (1996a, p. 9): “A comparison involves similarities *and* differences.” While the simple recourse to institutional characteristics, such as “states of the EU” or “OECD states,” makes statistical comparisons easier, it simultaneously also blurs the question about definitional commonalities and differences.

Given the methodological difficulties I have spelled out and the narrow base of secure findings, but also in consideration of the size constraints of this study and its purpose of sensitizing the reader to the peculiarities of the German form of the welfare state, I have dispensed with the typological method and have tried instead to draw comparisons by way of a few selected countries and with reference to *specific* aspects of the overall issue. To protect this approach from the accusation of arbitrariness, however, it is necessary to begin with a theoretical determination of the dimensions chosen for comparison. Again, Haupt and Kocka (1996a, p. 9; 1996a, p. 23):

One cannot compare phenomena in their multi-layered totality, as complete individualities, but always only in specific regards. The comparison therefore presupposes selection, abstraction, and removal from context.

Since the area of comparison envisaged here, namely the *institutional aspects of welfare state developments in their respective national contexts*, is itself highly complex, it is particularly important to structure in advance the object of comparison.

¹² On the inclusion of East Asia into the field of welfare state theory see Rieger and Leibfried (1999).

2 Theoretical Foundations

In the existing comparative research on the welfare state, one can make out – roughly speaking – three guiding questions:

1. How can one describe and explain the divergent historical development toward the welfare state in different countries?
2. How can one describe and explain the institutional differences within the framework of the existing welfare sectors and their divergent effectiveness?
3. How can one describe and explain the different ability of states to deal with the competing demands of capital and labor, or economic and social policy? This question arises today with greater urgency from the perspective of intensifying international competition under the banner of globalization, as a question about the capacity to change social-political priorities and carry out the corresponding institutional reforms.

In answering these three guiding question, we still lack a theoretical frame of reference that addresses their interconnectedness. The vast majority of research uses an empirical-inductive approach, that is, it presupposes knowledge of what is meant by “welfare state” or “welfare state development,”¹³ and for the most part it also limits the international comparison to certain legal-institutional or statistically operationalized aspects. Comparative international research on the welfare state is dominated by an understanding that equates the “welfare state” with the institutions of “social security” or “social protection,” and possibly other publicly financed “social services.” In what follows, I will use for this the term “welfare sector,” because it does not say anything yet about the involvement of the state. Welfare-relevant public or publicly funded institutions – that is, a welfare sector – emerge in practically all modernizing societies; to that extent, functional imperatives are at work.¹⁴ By contrast, a political consensus about the responsibility of the state for the most basic welfare of the entire population – that is, the program of the welfare state – demands many more preconditions.

The concern of the present study differs from the conventional welfare state research in three ways:

1. At the center of interest are not the particular institutional developments brought about by social policy, but the specific configuration of these developments, the

¹³ I prefer the term “welfare state development” to delineate the area of research as a way of emphasizing the historical character of the genesis and transformation of the institutions.

¹⁴ That holds especially for the social protection of those working on behalf of the state (military personnel, public service); but the necessity for state intervention emerges invariably also in the area of dealing with poverty and occupational accidents or illnesses, because – as de Sismondi already noted – the specific difference between the capitalist entrepreneur and the feudal landlord lies in the fact that the former has contractual freedom. He was thus freed from all obligations of caring for his workers to which the feudal lord was bound.

different weight that accrues to them within the framework of the welfare state development in various countries.

2. The development and shape of the welfare sector are interpreted within the broader framework of a theory of the societal production of welfare. The central issue is the variable role of the states with respect to the societal production of welfare.
3. The intent is to clarify the “inner logic” of various national developments of social policy. Anyone who examines the welfare state development of different countries in all its complexity soon realizes that in spite of obvious parallels, we are always dealing with independent political developments. These developments depend on the respective preconditions as well as on the political balance of power and the dominant articulation of the problems at hand.

2.1 *Previous Theoretical Approaches*

Although scholars have occasionally spoken about a “mercantilist,” pre-liberal welfare state in the early modern period (Maier 1986; Dorwart 1971), there is a broad consensus that the phenomena of the welfare state development in need of closer study appeared only *within the horizon of industrialization*, whose society-transforming dynamic was set in motion nearly everywhere through liberalizing reforms, especially the universalization of individual rights and the introduction of free enterprise. The welfare state development is clearly connected with efforts to deal with the problems that emerged in the wake of the socio-economic transformations of the modern era, the most obvious aspects of which are considered to be industrialization and urbanization.

Functionalist explanatory approaches to the welfare state development see in industrialization the process that simultaneously creates social problems and, through the attendant economic growth, generates the means for resolving them (Rimlinger 1971; Wilensky 1975, p. 78f.). From this perspective, historical circumstances and the political conditions in the various countries play only a subordinate role in explaining the magnitude of what is called the “social expenditure rate,” that is, the share of gross domestic product spent on social services. The *magnitude of state-prescribed expenditures for social purposes* is seen here as the most important operationalization of the welfare state development, and this is considered a function of industrial development. The size and development of the social expenditure rate is explained largely through the change in the ratio of dependent wage- and salary-earners and through the duration of the service-providing systems.¹⁵

¹⁵ See esp. Wilensky (1975), but also earlier Zöllner (1963).

Critics of this approach point out that the size of social expenditures says little about their distributive effects, or about the connection between social problems and their solution. They emphasize instead the importance of constellations of political power and ideological influences for the welfare state development, which are reflected in variously pronounced *legal entitlements* of different social groups. These *conflict-theoretical explanatory approaches* usually proceed from a class-theoretical conception of society, and they regard the conflict between capital and labor as the dynamic, and its political mediation within the framework of different party constellations as the explanatory element of the welfare state development (e.g. Korpi 1978; 1983; M. G. Schmidt 1982; Esping-Andersen 1985). Relevant analyses are often linked with the normative notion that the greatest possible transformation of the capitalist conditions of production in the direction of a control of the economy by workers and employees – or by the state democratically controlled by them – constitutes the desired ideal of welfare state development.¹⁶

A third theoretical school emphasizes the importance of institutional factors – such as the structure of the opportunities for political participation and the path dependency of institutional development within the welfare sector – for the course of the welfare state development (e.g. Evans et al. 1985; Weir et al. 1988b; Rieger 1992). From the perspective of these *institutionalistic explanatory approaches*, it is less the consequences of the welfare state development in the form of legal entitlements or social expenditures that move into the foreground, and more the *processes of the political and administrative solution to the problems*.

Clearly, these three explanatory approaches are not fundamentally contradictory; rather, they highlight *different aspects* of the welfare state development and can be employed as *complementary perspectives* on many issues. That is true for both the analysis of welfare state arrangements as a whole, and for more specific analyses of certain institutional aspects of the welfare state development. More reliable and problem-appropriate results can be achieved by combining the approaches or by pooling the results of existing studies within the framework of meta analyses.¹⁷

What these three explanatory approaches have in common is that they examine state interventions in economic and social contexts *exclusively from the aspect of their institutional results*. Often times, the term “welfare state” is in fact equated with the totality of these institutional results. This is a truncated view, as it fails to pay adequate attention either to the motives, that is, the connections between social problems, their socio-cultural definition, and the political debates, or to the societal effects of social policy, that is, the interconnection between the measures taken and

¹⁶ Within this context, the welfare state development is also frequently connected to the democratization of industrializing societies. However, the empirical evidence shows that this connection is by no means invariable: See M. G. Schmidt (1998).

¹⁷ A good example for the meta-analytical approach in our field of study is M. G. Schmidt (1998, pp. 175–295, esp. 292–295 with respect to the claimed effects of welfare state policies).

their consequences. But precisely these questions are at the heart of the *political* debates over *innovations* in social policy – or today mostly the *modification* of existing measures.

2.2 Normative and Theoretical Orientations

The efforts today to delineate the research topic “welfare state development” have underexposed the *normative aspects*.¹⁸ Although it is in keeping with the standard methodology of the social sciences to strive for the greatest possible distance to the value-judgments within their field of study, that presupposes recognizing the value-judgments and taking their significance seriously.¹⁹ But that is precisely what is often lacking; a majority of the social scientific literature about social policy is itself *socio-political*, that is, it derives its implicit criteria from normative ideas that are common in the sphere of study or are critically opposed to what is common. In addition, there are *national idiosyncrasies* in the comparative welfare state research, and the conceptualizations as well as the normative criteria of the comparison take their cues from the peculiarities of welfare state arrangements in the scientist’s own society.²⁰ With this, however, every international comparison becomes prejudiced, and a perspective that looks at the differences of national peculiarities without bias is rendered impossible.

2.2.1 The Integration-Related Idiosyncrasy of National Traditions of Welfare State Development

To gain the necessary theoretical distance without losing sight of the problem, we proceed on the assumption *that welfare state developments are related to problems of social integration and coherence*.²¹ This holds initially in very practical terms: social policy presupposes the existence of a political community as the orbit of solidarity and reciprocity of the population and the political elites who have an interest in the peaceful existence of the polity. Breakthroughs in social policy are often preceded by situations of political crisis, such as war, economic crisis, social unrest, or serious labor conflict. Social policy becomes attractive to political elites if they expect that it will enhance the population’s loyalty. And from the perspective

¹⁸ On their significance see Madison (1980, pp. 27–45).

¹⁹ Max Weber already said the most important things about this: see Weber (1968).

²⁰ This becomes clear, for example, in Esping-Andersen (1990), where the “superiority” of the “Social Democratic” model shapes the theoretical dimensions; see also O’Connor and Brym (1980).

²¹ Analytical and practical conceptual interests meet in this starting point. See on this Kaufmann (1997a).

of democracy, social policy cannot be attractive primarily from the perspective of the often clashing interests within society, but only as the creation or affirmation of reasonable relationships of reciprocity, as the expression of “fair” conditions of coexistence within the polity.²² The concretization of this fairness results from normative discourses on the basis of the prevailing notions in a specific community, which are often influenced – especially in the area of social policy – also by social scientific discourses and findings.²³ In the process, in complex societies there develop differentiated justice standards (Walzer 1983), and politically viable solutions often presuppose “package solutions” of concessions by various interest groups. For example, the development of the welfare state was stabilized in many countries by explicit agreements between employers’ associations and unions.²⁴ But fundamental differences in the conceptions of justice shape differences in the reactions to the challenges of socio-economic changes (Roller 2000).

Overlaps between ideological orientations and social scientific discourses are more the rule than the exception in the area of welfare state developments and their explanations. Two strategies are available if one wishes to avoid taking sides – based on value judgments – in an international comparison: either one falls back on a highly abstract framing of the issues, as offered by sociological theories of society with concepts such as differentiation, integration or inclusion – this is the approach taken by the present, theoretical section; or one seeks out guiding articulations of problems that have exerted a longer-term influence, in a country’s welfare state development, on both the discourses as well as the institutional development – that is the approach in the subsequent sections describing the various national traditions. What mediates between both approaches is the assumption that questions about social integration also factor into the political discourse, at least implicitly.

The welfare state development results from the mediation between economics, politics, and culture; more precisely: on the one hand, from the mediation of the inherent dynamic of economic-technical progress and its socio-economic consequences; and on the other hand, from its public thematization in normative discourses and the political decisions motivated by them through a multitude of interests and as predetermined by the given political system. This development is therefore a central element of the ongoing engagement of a political community with changes in its internal and external environment, that is, a specific way in which that community affirms its identity. In what follows, how the ‘social question’ is posed, that is, how the guiding problem of the respective social policy was

²² On fairness as the foundation of theories of justice see Rawls (1972). Accordingly, the legitimation of certain institutions of social policy are always threatened if the fairness of their results is questioned.

²³ For Germany see Kaufmann (2013). For Great Britain: Pinker (1971); Bulmer et al. (1989). For France: Bode (1999).

²⁴ The balance that is necessary for a successful long-term development of the welfare state presupposes a “concerted policy and relations of social partnership.” See M. G. Schmidt (1986, p. 268).

articulated at the beginning of its development, will be postulated as a revealing key for understanding national developments of the welfare state.

Under the conditions of the nation state,²⁵ the highly contingent political clashes result in the *idiosyncratic character* of the welfare state developments:

One of the most striking features of the modern welfare state seen comparatively and across the long trajectory of its development during the last century is its heterogeneity . . . Different nations, different welfare states, have taken strikingly different approaches to what in other senses are common problems (Baldwin 1997, p. 4f.).

If one juxtaposes the scholars from various national research traditions, it becomes especially apparent how much certain intellectual traditions regarding social policy and the welfare state form *autonomous cosmologies*, which need to be understood first of all on their own terms before a systematic international comparison becomes possible.²⁶ It begins with the terms that are used and the associations they bear, carries over into different fundamental notions about the relationship between state and society, and culminates in different social policy ideals and the articulation of the problems these entail. This makes it clear, however, that it is not enough to examine the differences in the area of the social sectors, but that the latter can be adequately grasped only as aspects of the development of a specific national society. The present work is based on the belief that such differences in the historical foundations are of crucial importance to an understanding of national differences in welfare state developments.

One example to illustrate this is the difference between the German understanding of the ‘social state’ [*Sozialstaatlichkeit*] and the Anglo-American or Scandinavian understanding of the ‘welfare state.’ In the German conception, *Sozialstaatlichkeit* is chiefly an element of the constitutional identity of *the state*, which is today for the most part understood as one goal of the state among others (Zacher 1987). By contrast, ‘welfare state’ refers to the (nationally differently defined) totality of the welfare institutions that are also articulated in such terms as “social security,”

²⁵ In the degree to which the European nation states lose their sovereignty and, in the wake of globalization, their autonomy, the previous horizon of solidarity also changes. This cannot but have consequences for the development of the welfare state. On this see Sect. 6.2.

²⁶ Those realizations were conveyed above all in the bi-lateral meetings of French researchers with their counterparts from the British, German, Southern European, and Scandinavian research traditions organized by the *Mission Recherche des Ministères chargés des Affaires sociales et de la Santé* (MIRE) in Paris. See MIRE: Comparer les systèmes de protection sociale en Europe. Vol 1: Rencontres d’Oxford, France-Grande Bretagne. Paris 1995 (also in English); vol. 2: Rencontres de Berlin, France-Allemagne. Paris 1996 (The historical contributions of the Franco-German conference were published in German by Werner Abelshauser in *Geschichte und Gesellschaft* 22/3 (July-September 1996); the current contributions are published by Franz-Xaver Kaufmann in *Zeitschrift für Sozialreform* 41, pp. 11/12 (November/December 1995)); vol. 3: Conférence de Florence, France – Europe du Sud. Paris, 1997 (also in English); vol. 4: Comparing Social Welfare Systems in Nordic Europe and France. Copenhagen Conference. Paris 1999. On the ‘cosmological’ connection between the development of the state and the social sciences see Wagner (1990).

“social welfare” and/or “social services.”²⁷ Many misunderstandings result from the circumstance that in the German case the institutional result of legislation legitimated by the social state idea is itself not necessarily an institution of the state. Especially for Germany, it is characteristic that the bearers of social measures are for the most part autonomous public law entities, such as social insurance funds or municipalities; in some instances, the tasks are even taken on in part by private bearers, while in Great Britain and Scandinavia the bearers are typically integrated into the sphere of state and local administration.²⁸ In the wake of the recent problematization of a provisioning of services under the exclusive guidance of the bureaucracy, perspectives of “welfare state pluralism” are gaining in influence also in those countries (Evers and Wintersberger 1990; Evers and Olk 1996).

2.2.2 Guiding Cognitive Distinctions

An international comparative frame of reference cannot avoid this question: *What is the specific difference in the welfare state developments?* This question, however, immediately brings normative options into play. If one understands the development of the welfare state in the functionalist sense as a *necessary* element of modernizing social transformation, one will have to conceive of all modernizing societies as having a welfare state orientation. The functionalist thesis implies, however, that similar problems provoke similar solutions, which means that there should be a substantial institutional similarity between the social sectors of states at the same level of socio-economic development, but that is not the case. The functionalist view ignores the importance of cultural and political factors for the welfare state development. Still, it goes without saying that the economic and socio-demographic developments at the center of this explanatory approach remain important explanatory factors also within the framework of a more comprehensive theoretical approach.

For the sake of a clearer conceptual differentiation, in what follows the label *social or welfare sector* of a given country is applied to those institutional manifestations of social state responsibility whose expression or change is the result of *social or welfare state policy*, that is, of interventionist state legislation. This corresponds to the distinction in political science between the processes by which political programs are formulated (legislation) and their administrative realization (implementation), as well as that between “politics” and “policies.”

²⁷ A differentiated introduction into the special semantics of the British social sector is given by Schulte (1978).

²⁸ These differently structured institutional arrangements often go hand in hand with negative stereotypes about foreign systems with different structures. For example, Germans see the Swedish system as “patronizing” and “welfare statish”, while the Scandinavians describe the German system as “conservative” and “authoritarian in origin”.

Emphasizing the distinction between “social sector” and “social state policy” also facilitates a clearer demarcation between “modernization” and “welfare state development.”²⁹

In the sense of the preceding sketch, we assume that the specific difference between welfare state policies can be linked to a interconnection of normative ideas and their institutional realization. It begs the question if, following the functionalist paradigm, *all* modernizing state are to be qualified as “welfare states.” That blurs the distinction between a capitalist and a socialist path of modernization, as well as the differences between market-centric and state-centric models of development.³⁰ To be sure, certain accompanying phenomena of advancing industrialization can be identified nearly everywhere – especially urbanization and the resulting loss of possibilities of self-provisioning and the emergence of new class situations. But even these circumstances, which have shaped the conventional understanding of the “social question,” carried and carry weight that differs from country to country; even more divergent are the political responses to the challenges arising from them. Although we can today observe in nearly all modernizing countries the emergence, for example, of collective insurance or care systems for *certain population groups* (especially the military and civil servants), we cannot necessarily conclude that this is the first step of a welfare state development in the sense of a *collective responsibility for the well-being of the entire population mediated by political action*. But it is precisely the latter that can be considered the widely accepted description of the specific difference that defines welfare state developments.³¹ However, this description also applies to the programmatic dimension of “socialist” polities. The institutional arrangement of the welfare state differs from these in the autonomy of the free market system, which in turn is something that ties them to “capitalist” polities dominated by economic interests.

This expanded perspective is intended to circumvent two difficulties of the conventional welfare state research: first, a tendency to the *reification of welfare state thinking*. In many cases a given social sector is presupposed as the embodiment of the “welfare state” and in so doing its political contextuality and historical

²⁹ Schulte (1991 here, pp. 560–563) seeks to identify a similar differentiation in the distinction between “welfare state” (descriptive) and “social state” (normative). At the same time, he understands “welfare state” as a social science category, but “social state” as a legal one. I believe that these distinctions are still tied too closely to the German situation. An international comparative perspective, to be fruitful, must proceed from well-founded analytical distinctions.

³⁰ It is true that the differences indicated here derive their relevance primarily from different ideological positions, but these positions, to the extent that they were historically influential, also have institutional consequences, which matter here.

³¹ In this sense already the 1968 International Encyclopedia of the Social Sciences: “The welfare state is the institutional outcome of the assumption by a society of legal and therefore formal and explicit responsibility for the basic well-being of all of its members. Such a state emerges when a society or its decision-making groups become convinced that the welfare of the individual . . . is too important to be left to custom or to informal arrangements and private understandings and is therefore a concern of government.” Girvetz (1968, p. 512).

variability is blocked out. To counteract this tendency, we have from the outset defined the object under investigation as “welfare state development” and not as “welfare state.” Then there is the *explicit inclusion of the cultural-normative dimension*: for as soon as the possibility of transforming political context and socio-economic changes are taken into consideration as motors of changing socio-political problems, the historical development itself can no longer be posited as so clearly directed. It then requires an explicit criterion to separate “welfare state” and “welfare state” developments from other political and economic changes. The internationally accepted normative *criterion of the increasing guarantee of social rights* provides such a yardstick.

Welfare state developments presuppose social processes by which problems are articulated and political processes by which the problems are addressed. Certain, directly perceptible developments (e.g. mobility of the rural population, child labor, the dependency of the lower classes on the market) became political problems only when they were *interpreted* in a certain way and subsequently *addressed* by measures taken by the state. For the most part it was journalist, clergy, scientists, or “moral entrepreneurs,” who were the first to sensitize the public to certain “abuses” by providing evaluative information. Not infrequently, this gave rise to social movements that added weight to relevant political demands. In countries of the third world today, the influence of international organizations (especially the ILO) on the discussions over social policy is undeniable. But such articulations of problems can hope for political resonance only to the extent that the underlying *value-judgments* are shared by those in political power or by a public that more or less controls them. A crucial normative precondition for the social political development in Europe was therefore the *belief*, shared by the bourgeoisie and the workers’ movement and rooted in Christianity and the Enlightenment, *in the inherent value of every person and the perspective of a peaceful coexistence in liberty and equality*.³² However, within the framework of these very general convictions, justified on either religious or utilitarian grounds, quite diverse situational diagnoses and political programs emerge. In the process, both border-crossing ideological interpretive schemes,³³ as well as specific experiential contexts within the various states have been influential.

³² This is the implicit commonality of all social-political argumentations in the nineteenth and twentieth centuries, though the standards of “equality” are interpreted very differently. The importance of the “social idea” to the socio-political development was first reflected on theoretically by Heimann (1929; reprint 1980). An analysis of normative welfare discourses is offered by Goodin (1988).

³³ It is noticeable that already in the second half of the nineteenth century, the characteristic ideas and movements of Liberalism, Conservatism, Socialism, and Reformism, were developed in most countries of Europe, and have continued to influence the debates on social policy to this day.

2.2.3 Human Rights as the Normative Foundation of Inclusion in the Welfare State

One should speak of a welfare *state* development only to the extent that *politically* induced institutional developments change the socio-economic provisioning structures of a country permanently in the direction of a more comprehensive participation of the entire population. The guiding model of a *political community that guarantees social participatory rights* developed in the run-up to the founding of the United Nations and in connection with the international doctrine of human rights.³⁴ Social and cultural rights of participation were enshrined in Articles 22–27 of the Universal Declaration of Human Rights by the United Nations in 1948, and in Article 55, the Charter of the United Nations even developed the future vision – coming out of Great Britain – of an *international welfare responsibility* (welfare internationalism). After a protracted debate, the General Assembly of the United Nations in 1966 adopted an International Covenant on Economic, Social, and Cultural Rights and presented it for ratification. Although this international covenant does not grant rights that are directly actionable by individuals, as does the International Covenant on Civil and Political Rights passed at the same time, it does establish a self-obligation by the ratifying states vis-à-vis their citizens to guarantee these rights to the best of their abilities (Köhler 1987, pp. 928–1007).

We are essentially talking about the following “rights”:

Economic rights – the right to work, safe and healthy working conditions, union rights.

Social rights – right to social protection, protective rights for the family, mothers, and children, right to a decent living standard, right to health.

Cultural rights – right to education and participation in cultural life, freedom of scientific research.

By March 1999, the Covenant had been ratified by 141 states – *with the exception of South Africa and the United States of America!* Even if the binding nature of the obligations assumed with the covenant remains modest, it does indicate a clear *direction of the overall social development*, which we can describe as a *welfare state program*.³⁵

Today, this program consists no longer of political declarations, but also of agreements that are binding under international law. However, almost all international law lacks an effective sanctioning mechanism,³⁶ and with this Covenant,

³⁴ For a comprehensive survey of this development see Köhler (1987); Wronka (1992); Kaufmann (2003).

³⁵ Within our context, the freedom of scientific research seems somewhat unsystematic and will not be further considered in what follows.

³⁶ In the case of the European Social Charter (1961), which is more or less comparable to the UN’s covenant on social rights, the signatory states are at least obligated to make periodic reports to the relevant organs of the European Council, which can comment upon these reports.

even the formal mode of obligation remains exceedingly “soft”: we are dealing with the self-obligation of individual states or their government, which have no direct effect on the respective intrastate law.³⁷ That is why the national state level of social policy remains the decisive and also scientifically more relevant one.

In the aftermath of these international developments, the British sociologist T. H. Marshall, as early as 1949, developed a concept of “citizenship” that interpreted the development of the citizen’s role as the gradual development of rights of civil liberty, rights of political participation, and rights of social participation.³⁸ This approach was adopted into social theory by Talcott Parsons and Niklas Luhmann under the term “inclusion.”³⁹ This implies the thesis that the modernizing transformation of formerly agrarian societies leads, in the absence of appropriate institutional arrangements, to the exclusion of a considerable number of population segments from the typical life opportunities of industrial or postindustrial societies. Older social formations regulated the inclusion via membership in households, which in turn possessed a clear place within the social order. In modern societies, the differentiated functional systems regulate the participation (in the form of membership rights or entitlements) essentially independent of one another, as a result of which individuals no longer possess a structurally secure social status. Civil, political, and social rights are supposed to ensure that at least cumulative tendencies toward exclusion are prevented. The program of the welfare state postulated that inclusion can come about only by way of the state and politics (and not, for example, purely through the free market), since we are dealing with the guarantee of subjective rights (see also Kaufmann 2012b).

2.2.4 Welfare Production as a Basic Concept

However, the welfare state program outlined here does not yet predetermine the extent and nature of the state’s intervention in social conditions to guarantee social participation. Rather, the international comparison shows very different strategies and combinations of welfare production by the state, the market, enterprises,

³⁷ From this we need to distinguish international agreements such as the European Convention on Social and Medical Assistance (1953) within the framework of the European Council, or bilateral social security agreements, which grant foreigners legal claims analogous to native citizens with respect to certain social services. And the supranational law of the EU has even more binding force within its states.

³⁸ Marshall (1950). As a descriptive schema of the historical development, the approach has proved to narrow; see Therborn (1995, p. 63f.). As a heuristic pattern, however, the approach has taken on greater importance in recent times: see Twine (1994); Bulmer and Rees (1996).

³⁹ Parsons (1971); Luhmann (1995). A remarkable newer interpretation of the postulate of inclusion is given by Heclo (1995). As an aside it should be noted that “the protection of the physical well-being of the laboring masses and the increase of the latter’s share of the material and intellectual values of our culture” appears already in Max Weber as a way of describing the goal of social policy: Weber (1968, p. 62).

associations, and families. In what follows, the specific configuration of the different forms of provisioning are referred to as the *arrangement of welfare production*. The term “welfare state arrangement” thus means the prevailing configuration of forms of welfare production by the state, the market, associations, and private households, forms whose interconnection is interpreted as the result of political decisions. The more or less unequal living conditions of various population groups are institutionally determined largely by the specific welfare state arrangement.

The basal term of “welfare production” was chosen to arrive at a position that is independent of political rhetoric (Kaufmann 1994). “Welfare production” describes the totality of transactions that create utility for third parties, whether these transactions are public or private, paid for or free, formal or informal.⁴⁰ Utility can be defined on various levels of social reality, especially as individual, organization-specific, or collective, that is, as utility related to a specific political entity. The issue of the social or welfare state therefore refers analytically to the role of the state with respect to the overall process of welfare production. As will be demonstrated in the six case studies (the Soviet Union, the United States, Great Britain, France, Sweden, Germany), that role is defined very differently, and the resulting institutions of social policy also differ. Although social policy interventions can be discerned in all of these countries, they vary in form, are carried out by different carriers, and vary in their reach. Accordingly, the social arrangement of welfare production differs considerably in all of the countries in question.

The *conflict over distribution* is one of the constitutive characteristics of welfare state arrangements. As soon as large-scale outcomes of economic distribution are not the result solely of anonymous processes by way of competition in the marketplace, but are influenced politically through state law and budget decisions, clashing interests invariably articulate themselves politically and thus often in a conflictual way. To be sure, the high degree of party-spanning acceptance of welfare state provisions among the population⁴¹ entails that social policy laws are often passed with consensus across the political parties. However, that changes nothing about the underlying situation of conflict over distribution, which can move into foreground of the political goings-on at any time. Tough political fights can be expected especially in times of low economic growth or when a reduction in socio-political provisions is needed for other reasons. Those fights are unavoidable even with the now general acceptance of fundamental social rights, for decisions about the extent of acceptable social inequality and the urgency of problems can be decided democratically only in political clashes. This aspect of the welfare state

⁴⁰ To the extent that such transactions are formal and paid, they are included in the National Accounts. What remains excluded, however, are both the area of household and network production, and the area of the shadow economy and voluntary activities, which we must bear in mind at least analytically, given the effects of state legislation also on these areas. Moreover, with the help of time budget surveys, it is also becoming increasingly possible to quantify these areas.

⁴¹ For Germany see most recently Roller (1999b); on the international comparison see Borre and Scarborough (1995, esp. vol. 3).

development, especially topical in recent times under the pressure of globalization and often labeled as a “crisis,”⁴² appears only at the margins of this study, in spite of its topicality. For the focus here will be especially on the institutional developments in their historical contexts. In fact, they represent the lasting result of the political debates, which lack a comparable continuity. Those debates therefore deserve mention only if they had a long-term effect of setting a particular course.

2.3 *Modernization and Welfare State Development*

A “neutral” international comparison presupposes that the conception of the fundamental concepts is guided by broad commonalities. Modernization theory in its various facets offers itself here as one possible theoretical paradigm.⁴³ For there is no doubt that the welfare state developments have typically taken place within the framework of modern transformation processes and today, as well, presuppose a certain degree of economic and political development. The laboratory of this modern transformation, however, was Northern, Western, and Central Europe, and here social policy took on an importance that was different from country to country, to be sure, but usually constitutive for the internal development.⁴⁴ It is my assertion, however, that it was not only the risks of industrialization, but already the *loss of possibilities to provide for oneself* through access to land in the wake of the private appropriation of all land and the growing urbanization that constituted a problematic process of exclusion, a process that prompted state intervention, mostly in the form of anti-poverty policies.⁴⁵ Even if early poor policies were mostly repressive, the first protective measures by the state appeared with the poor laws of Elizabeth I (1558–1603), at the latest. In fact, those laws are considered the beginning of state social policy in England, where the problem of poverty has dominated social policy thinking to this day.

If one wants to create an interpretive framework that is as neutral as possible concerning certain national a priori understandings in order to compare welfare state developments, theoretical concepts of modernization offer a useful basis for

⁴² An overview see von Maydell (1997); Esping-Andersen (1996b); Scharpf and Schmidt (2000).

⁴³ Matthes (1992, pp. 81–88), rightly points to the ‘western’ character of sociological modernization theories and their ‘national-societal’ implications. This also shapes all of ‘welfare state’ thinking, which means that our approach, too, carries with it the limitation of the western intellectual horizon. However, since the doctrine of human rights also springs from this intellectual horizon, an intellectual approach that includes the postulated otherness of non-Western cultures is so far not in sight. For a view of the matter within the horizon of Confucianism see Rieger and Leibfried (1999).

⁴⁴ A remarkable conceptualization of the European modernization process comes from Therborn (1995). See also Kaufmann (2012b).

⁴⁵ It was no accident that Rousseau let “civil (or bourgeois) society” begin with the private ownership of soil and land. See also the vivid description of the “enclosures” and the poor policy connected with it in chapter 24 on the “original accumulation” in *Capital* vol. 1, by Karl Marx.

articulating the commonalities of the countries included in this study. To sharpen the difference in *welfare state* developments, the program of fundamental social rights sketched above offers a first point of departure; it is essentially normative in nature and indicates the *direction of development* that actual institutional changes must live up in order to be qualified as part of a development towards a social or welfare state.

The *empirical study* of social policy and the welfare state is guided only very indirectly by these normative guideposts or even their concrete national manifestations. Instead, it looks at the institutional developments, and those developments – especially in most recent times – by no means point always in the direction of an expansion or consolidation of social rights.⁴⁶ That is why one cannot avoid an additional, inductive description of the relevant bundles of measures in a way that incorporates as many relevant traditions as possible. Table 1 illustrates in schematic form the typical social problems and how they are addressed by way of social policy. In the process, a distinction is made between early and advanced institutional solutions. New collective actors typically arise within this context, and they subsequently seek to exert influence on the processes of forming social policy intentions that also concern them. The next-to-last column, finally, points to the presumed collective utilities of the relevant measures, that is, to utilities that benefit not only the targets of specific measures, but can also justify a public interest in them.⁴⁷ Characteristic for many of the social policy measures indicated is that they stabilize the lives of people living in dependency on the market, and improve the conditions of their regeneration and reproduction, that is, the establishment of families. In the process, their meaning lies not only in individual but also *collective utility*, for example an increase in human capital, the maintenance of social peace, or the boosting of labor productivity (Table 1).

Essentially, one can distinguish three large complexes of problems and institutions which – with different emphases in the various states – make up the content of welfare state policy:

⁴⁶ To avoid the ambivalence of a social policy of ‘welfare backlash,’ one can distinguish conceptually between a *social policy of the first and second order* (Kaufmann 1998c). A social policy of the first order proceeds from social problems that are publicly articulated and then politicized. It thus legitimates itself through its ‘social’ character and usually contributes directly to the expansion or consolidation of social rights. By contrast, social policy of the second order legitimates itself through “necessary” adjustments to the apparatuses of intervention that appeared in the wake of the social policy of the first order. It revolves, for example, around an enhanced systematization and rationalization of the interventions, questions of financing and limits on expenses, or the status and competencies of various collective actors.

⁴⁷ On the systematization of the utilities of welfare state developments see Kaufmann (1997b). The current critique of the welfare state emphasizes above all undesirable side effects of the welfare state development, as for example an excess of state regulation, rigid wages, a marginal burden on corporate profits that paralyzes the willingness to invest, and so on. The weighing of benefits and undesirable side effects leads into a large field of evaluations (also political ones), which can be addressed here only as an aside.

Table 1 Key social problems and their institutional solutions

Problem	Early institutional solutions	Typical collective actors	Collective utility	Advanced institutional solutions
Recognition of equal rights of workers	Right of association; collective bargaining agreements; mediation	Unions; employers (employers' associations); mediation bodies; labor courts	Pacification of class opposition; political integration	Negotiation systems; participation in public tasks; co-determination
Protection against risks in the productive process	Labor law, occupation hygiene, occupation safety, accident insurance	Factory inspection, safety commissions, accident insurance carriers	Increase in labor productivity	Occupation medicine, accident prevention, humanization of working life
Protection against poverty	Aid funds, social insurance, state-financed basic provision	Funds or insurance carriers and their associations, supervisory authorities	Taking pressure off poor relief, stabilization of family conditions, strengthening of demand	Universalist social protection systems
Unemployment	Organized job placement	Labor administrations, unions, movements of the unemployed	High employment ratio, economic growth, reduction of ancillary wage benefits	Policy of (full) employment, labor market policy
Illness, Disability	Medical care for the poor, insurance fund medical care, public health care system	Associations of physicians, funds (and their associations), clinics (and their associations), other producer associations	Preservation of human assets	National health care systems, corporatist guidance systems of the health care system
Lack of competency to act	Elementary school, workers' education, vocational training	Schools (and their associations), teachers' associations, institutions of continuing education	Creation of human assets, national economic productivity	Differentiated education systems, professionalization
Lack of education	Aid to families, youth welfare	Social services (and their associations), family associations, youth associations	Securing offspring, preventing deviant behavior	Full-day schools, linking of social work in schools and social work for youths
Housing shortage	Homeless shelters, company housing, housing cooperatives	Tenant associations, owner associations	Preservation of human capital, stabilization of family conditions	Tenant protection, public promotion of housing construction

1. The regulation and promotion of working conditions and the status of dependent workers: *social policy in the area of production*. This area revolves chiefly around the development of the right of association and strike, the regulation of working conditions within enterprises, the protection of occupational health and safety by the courts, but also regulations governing co-determination and labor market and employment policies.
2. The provision of social protection against the so-called standard risks of a loss of income – poverty, illness, workplace accident, old age, and invalidity – and thus the establishment of a system of “second income distribution” financed by taxes or compulsory contributions: *social policy in the area of distribution*.⁴⁸
3. The provision of free or at least largely state-subsidized material benefits and services, especially in the area of education, medical care, housing, and help in personal emergencies: *social policy in the area of reproduction*.

The concept of the social or welfare sector introduced above refers to the complex of measures under points 2 and 3, that is, to measures of social protection and social services, in German terminology the area of education and social law. By contrast, the area of labor law, which is constitutive for the German concept of social policy, is often not subsumed under the Anglo-American concept of the “welfare state.” In the Scandinavian model, however, labor market and employment policy plays a central role. The classifications that differ state by state are themselves a dimension of the international comparison.

As we have seen, any attempt to find a common meaning in these measures, that is, to carve out the specific difference of the measures described here as belonging to the welfare state, implies theoretical and normative assumptions. The practice of comparative international research on this area is focused strongly on questions of unions rights (i.e. an aspect of occupational welfare), on the one hand, and on question of social security, on the other.⁴⁹ More comprehensive perspectives that examine the welfare state development within an international context are still rare at this time.⁵⁰

⁴⁸ Of importance for the interpersonal distribution of income is therefore not only the structure of social services and benefits, but equally the structure of the system of financing and taxation. In what follows, this aspect can be addressed only very broadly with respect to the way in which social services are financed. The structure of the tax system is not considered, because I am not aware of comparative studies on this topic, and because the distributive effects are often inadequately studied also on a national level. If one works from the granting of social rights as the specific difference between welfare states, this is also a systematically secondary, but politically highly charged aspect.

⁴⁹ Alber (1995) is right to urge the inclusion of social services in the international comparison.

⁵⁰ The most widely discussed attempt is Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990). See also Castles (1993).

2.4 *The Claim of the Present Study*

Although the perspective sketched out above is more comprehensive than most interpretations of the welfare state in the social sciences, it does not contradict them substantively. It forms the backdrop to the following study, even though it is not possible here to pursue its implications further.⁵¹ With reference to the methodological approaches differentiated in Sect. 1, the approach chosen here is perhaps best described as the blending of an historical and an institutional approach.

In terms of the *comparative* ambition, however, the goal of the present study is and must be modest. For its ambitious main goal is to highlight the idiosyncratic character of national developments toward the welfare state. In contrast to the prevailing tendencies of comparative welfare state research, I will therefore dispense with a “sociology of variables” and a typological classification, and I will endeavor, instead, to sketch the *Gestalt* of the respective national developments and the underlying ideas and real factors *in context*.⁵² More than sketches are not possible here, both because of the limited size of the study, and for substantive reasons. For it goes without saying that the attempt to establish a link between fundamental political and social characteristics of a country, on the one hand, and the institutional expression of its welfare sector, on the other, requires simplifications, indeed, *gross simplifications*. For it is only by abstracting a few chief lines of the development out of the many details and historical contingencies that one can advance insight compared to global historical accounts or more detailed specialized studies.

The sketches that follow differ from a mere description in the basic assumption of long-term interconnections between political, socio-economic, and cultural characteristics of the examined polities, on the one hand, and the shape of the resulting arrangements of welfare production, on the other hand. These interconnections should be understood not in the sense of clear cause-and-effect relationships, but of *mediated reciprocal effects*. The fundamental assumption is thus similar to the one on which Francis Castles (1993, p. XV) based his typology of “Families of Nations”:

It suggests that some of the more important policy similarities between groups of nations and their differences from other groups may be attributable as much to history and culture and their transmission and diffusion amongst nations as to the immediate impact of the economic, political and social variables that figure almost exclusively in the contemporary public policy literature.

⁵¹ An account in English of the theoretical stance on the welfare state put forth in this book can be found in Kaufmann (2012a).

⁵² Stephan Lessenich (2000, p. 69) offers a similarly critical assessment of the current state of research. As a result of his own engagement with the field, especially with the typological method, he demanded “that the specificity and uniqueness of individual welfare states and their change be taken more seriously again analytically.” That is what this study aims for.

Even if this account involves various countries and not certain types or families of nations, this is in no way meant to deny border-crossing commonalities and influences. They are obvious in the case of Scandinavia, as well as many institutional and ideological affinities between Germany and Austria or between France and Belgium. However, given the current state of research, it strikes me as doubtful that the commonalities of larger clusters of states are strong enough to reduce the diversity of individual cases to a few types in a heuristically useful way. The results of empirical studies often do not fit the typological interpretation.⁵³

And yet, the country studies that follow are also driven by a cognitive interest in defining types and making comparisons. Defining types revolves around bringing out the peculiarities of the welfare state societal form characteristic for Western Europe in comparison with the Soviet Union as the representative of a “socialist” developmental type, and the United States as the representative of a “private capitalist” developmental type, while at the same time illustrating its internal variability. The comparative dimension lies in the parallel structure of all country studies: brief historical observations are followed by a sketch of the relationship between political and social organization and how it is reflected in the polarity of “state” and “(bourgeois or civic) society.”⁵⁴ Next are observations about the peculiarities of the economic system and, in this context, on the development of the workers’ movement and how the nation has addressed the problem of industrial labor. This is then followed by sections on the forms of income security and the most important systems of social services. In addition, each country study is given a somewhat more detailed account of a specific problem area that strikes me as especially characteristic of the social policy of this country, and as representative of the conception of the “social question”. Each study closes by stating the peculiarities of its institutional arrangements of welfare production.⁵⁵

⁵³ See, for example, the empirical findings in Lane and Ersson (1994), which cast doubt on the conventional a priori assumptions by the political sciences. Moreover, Toft (2000) demonstrates theoretical inconsistencies in Esping-Andersen’s work, which fundamentally questions the value of his typological approach.

⁵⁴ I use this distinction, which stems from Hegel and was made path-breaking for the theory of the social or welfare state by Lorenz von Stein (Kaufmann 2013, sect. 2.2.1), in the full awareness of its ambiguity; however, the more recent talk of the ‘civil society’ does not strike me as more illuminating.

⁵⁵ The following country studies consider historical developments until the end of the twentieth century. Later developments are referred to only if they substantially changed the assessments of this study.

3 Welfare State Development between Capitalism and Socialism

The normative implications of analytical distinctions and theoretical orientations become especially apparent if one relates the concept of the welfare state development to the classic tension between “capitalism” and “socialism.” Often there is talk of a “third way” that had been taken especially by the Western European states, and which was quite distinct from the capitalist way of the United States and the socialist way of the Soviet Union and the states dependent on it.

From the normative perspective posited here, which is oriented toward the provision of social rights, it seems in fact rather questionable whether the development in the United States is characteristic of a “welfare state.”⁵⁶ As already mentioned, so far the United States has taken an oppositional stance toward all international institutionalizations of the welfare state program, and most of the prevailing opinion trends in the US are highly critical toward state solutions to welfare problems.

Another case that deviates from the West European model is the states of the Eastern Bloc that refer (or better referred) to themselves as socialist. Even if the modernization path of the “real existing socialism” has not proven highly successful, from the perspective of welfare state theory it is nevertheless notable. For no small number of defenders and especially critics of a welfare state program believe that socialism is the goal of welfare state developments. Because the word ‘socialism’ encompasses not only social-revolutionary, but also social-reformist ideas, we have to speak here more specifically of the Marxist-Leninist model of socialism. That model asserts that it provides social rights to all on an especially comprehensive scale, and it therefore seems committed to the welfare state program I have sketched. The specific difference to the West European model lies here for one in the divergent constitution of the economy, and, for another, in the far more collectivist social policy program and thus in the enormous gap between ideal and reality. In the face of the increasing social complexity that is the inescapable byproduct of modernization processes, the centralization of all means of power in the hands of a single party, and the attendant attempt to guide also the economy in a centralized fashion, is evidently not a suitable model.

In many Western states, as well, the workers’ movement long adhered to a model of collective economic guidance including significant participation by workers: in Germany it was talked about chiefly under the concept of ‘*Gemeinwirtschaft*’, in

⁵⁶ Anglo-American scholarship presupposes that it can be characterized as such. However, the theoretical reference concept is not ‘welfare state’ but ‘welfare capitalism.’ This has to do with the weakly developed concept of the state in the Anglo-American world. To the possible objection that the position put forth here is typically continental European, one can only raise the counterquestion of whether the distinctions introduced are not, after all, more fruitful. Incidentally, American welfare researchers, too, seem to be discovering the ‘state’ now, following the programmatic title *Bringing the State Back In* (Evans et al. 1985).

France as ‘*syndicalisme*.’ The various “welfare state compromises” – agreements between employers’ associations and unions with far-reaching socio-political consequences – that came about in several European states⁵⁷ followed a different model, one that Lorenz von Stein had already recommended as a productive solution to class warfare:⁵⁸ the unions accept the free market system and the private ownership of the means of production, as well as the managerial competence of entrepreneurs and managers; in return, the latter not only accept the unions as legitimate representatives of workers’ interest, but also support state measures that protect and promote workers. These compromises were in part the consequence of power relationships, in the context of which the workers’ movement was not able to realize its far-reaching socialist ideas. At the same time, however, they amounted to *learning processes*, by both the employers and the workers, to the extent that there was a recognition of the advantages of peaceful labor relations alongside the clash of interests emphasized in the theory of class struggle.

Consequently, we can thus note as the specific characteristic of the genuine Western European model of the welfare state the *combination of entrepreneurial responsibility controlled by the free market and economic and social rights guaranteed by the state*. Within the framework of this “West European model,” however, there also exist pronounced national variations.

The differences I have sketched out so far are situated primarily at the level of the self-perceptions or outside ascriptions of the actors involved, that is, on the level of political rhetoric. Although these interpretive patterns are not without significance for a scientific comparison, they should not be adopted unexamined. To do justice to this difference, I will proceed in two steps: in this Sect. 1 will begin with the country studies on the Soviet Union and the United States, which, as contrasting cases, will illuminate the area of the welfare state development in the European sense; both countries are obvious choices, given their political importance. The following section will illuminate the variability of welfare state solutions within Europe that diverge from the German case by looking at three European countries (Great Britain, Sweden, and France). Finally, a few peculiarities of the German social state will be emphasized in light of the foreign comparisons.

3.1 The Soviet Union

Although the Union of Soviet Socialist Republics (USSR), founded at the end of 1922, ceased to exist as a political entity in 1991, its successor states are in the midst

⁵⁷ Examples are the ‘September Agreement’ in Denmark (1900), the Stinnes-Legien Agreement in Germany (1918), the Matignon Agreement in France (1936), and the Swedish agreement of Saltsjöbaden (1938).

⁵⁸ Von Stein (1964/1850), and summarizing see Kaufmann 2013, sect. 2.2.1.

of such a bewildering process of transformation that it seems sensible to restrict this analysis to the historical case of the USSR. Still, the source material is quite heterogeneous also for the Soviet Union: the tone and content of most studies are clearly dependent on the political position of the authors and the time they were written. The very incomplete statistical material cannot be compared to that of the OECD, and western experts doubt the validity and veracity of the official statistics.⁵⁹

Here I will limit myself essentially to a description of the fundamental systemic differences to the western states and their relationship to labor law and the social sector.⁶⁰ In particular, the goal is to show that in spite of a socialist program resembling that of the welfare state, the socio-political problems of the USSR had a different shape for socio-structural reasons, which is also why the institutional solutions in the Soviet Union are difficult to compare with those in the US and Western Europe.

3.1.1 State and Society

The Soviet Union could build on a centuries-long tradition of *state development* in Russia. Beginning in the eleventh century, one can identify as elements of identity first the forced Christianization and the ethnic homogenization of the ruling and subject classes. The movement toward Byzantium was interrupted by Mongol rule lasting more than 200 years, but was renewed toward the end of the fifteenth century. Thereafter, Moscow constituted, almost without interruption, the center of the Eastern Slavic realm. The idea of empire was adopted from Byzantine, and from 1613 to 1917, the Czarship or emperorship remained within the house of Romanov. A policy of modernizing Russia began with Peter I, the Great (1682–1725), which manifested itself, among other things, in an administrative and educational reform, but which also generalized serfdom and abetted the division of society into nobility and serfs. Under Peter I, Russia displaced Sweden from its position of preeminence within the Baltic Sea region and began to compete with the Habsburgs in Central and

⁵⁹ Stiller (1983, p. 294): “The area of social policy is, understandably enough, among the most sensitive areas of Soviet statistics and specialized literature. To date, no other area of Soviet policy has been so little studied and analytical described, only few sectors of the Soviet economy displayed so many blank spots in the data and are encumbered with so many publication taboos as the system of social protection.” Similarly already Madison (1975).

⁶⁰ Unless otherwise noted, the general country information used here is drawn from newer reference works, especially the following: Great Soviet Encyclopedia. A Translation of the Third Edition, 31 volumes (New York, London, 1973–1982); Encyclopaedia Universalis, 18 volumes (Paris, 1985); The New Encyclopaedia Britannica, 15th ed., 29 volumes (Chicago, 1994); Brockhaus-Enzyklopädie, 19th ed., 24 volumes (Mannheim, 1986–1994); Staatslexikon 7th ed., vol. 6: Die Staaten der Welt (Freiburg im Breisgau, 1992); Der Große Ploetz (Würzburg, 1991). Specialized literature is cited separately. Given the vastness of the field to be covered, only a selection of the secondary literature that was accessible to the author could be considered.

Eastern Europe. But even after Peter I, modernization in Russia continued to be a matter “from the top down” and concerned itself mostly with the efficiency of the autocratically led polity and the development of the economy, and not with the involvement of civic rights. The rule of the Czar and his bureaucracy was not limited by laws of any kind – with the exception of a certain recognition of private property. A fairly effective secret police controlled the land.

As a result, *only the rudiments of a ‘civic society’* had developed by the time of the Bolshevik revolution in 1917. The serfdom of the peasants was not abolished until 1861, but the local peasant communities (*mir*) continued to exist as units of production, protection, and liability for dues, which meant that a free peasantry was able to develop only after the agrarian reforms of 1906. Urbanization began to accelerate only toward the end of the nineteenth century: as late as 1917, four-fifths of the population was still living in the countryside. The beginnings of a civic public were limited to a narrow intelligentsia, most of whose members took a critical to revolutionary stance toward the authoritarian regime of the Czar. As a result, its opposition was repeatedly suppressed by the police. Still, when the First World War broke out, Russia was already in the midst of a process of transformation: “In 1913, the percentage of the higher and middle social classes, including the bourgeoisie engaged in commerce and the ‘kulaks,’ came to 15.9%. They stood alongside 16.7% workers and white-collar employees, and 65.1% individual peasants and home workers” (Ruffmann 1966, p. 24).

Toward the end of the nineteenth century, the strong population growth and the *autocratic political rule* gave rise to growing discontent and revolutionary movements. Marxist ideas were received here in the 1890s, and the Russian Social Democratic Workers’ Party was founded in 1898. In 1903 the party split into a social democratic (Menshevik) and a revolutionary (Bolshevik) successor party. After the defeat in the Russo-Japanese War (1904/05), the discontent erupted into open unrest and bloody repression, which led to half-hearted concessions by Czar Nicolas II, though they were unable to resolve the situation. And thus the ground was laid for the fall of Czarist Russia as a result of the military and economic decline in the First World War.

In this crisis, the Bolshevik party under the leadership of V. I. Lenin was able to capture power in the state; in 1918 it renamed itself the ‘Communist Party of Russia’ and in 1922 the ‘Communist Party of the Soviet Union’ (CPSU). It became the sole power in the Soviet Union that was created after the revolutionary upheavals. Its first measures included the nationalization of the industries. The collectivization of agriculture followed more slowly, but the goal remained a centralized steering of the entire national economy and the rule of the party.

In their writings, Karl Marx and Friedrich Engels had accorded the state only a subordinated role, and they expected the revolutionary transformation of the relationships of production only as the result of a capitalist development of the powers of production. As early as 1899, Lenin, in his book *The Development of Capitalism in Russia*, had argued that capitalism was fully developed in Russia, and

that a Proletarian revolution was therefore possible without a preceding bourgeois revolution (Lenin 1956). Lenin's revolutionary plan proceeded from the assumption that the capture of power in one country would improve the chances for the world revolution in favor of the working class that he expected. Immediately before the October Revolution, he set himself the task of outlining a concept for Russia's future based on Marxism's existing theoretical analyses of capitalism. In 1917 he penned a programmatic essay entitled *The State and Revolution*, which justified the precedence of the political over the economic revolution and laid out a theory for a transition to a Communist society that drew on the scant references in the writings of Marx and Engels. According to Lenin, the task of the working class was, first, to capture power in the state via the path of revolution, and then to realize Socialism as the common ownership of the means of production, following the principle of distribution "from each according to his ability, to each according to his contributions." The state would slowly wither away as an instrument of coercive rule in the wake of the development of Socialism as workers grew accustomed to *voluntary work* – "after labor has become not only a livelihood but life's prime want." This would initiate the transition to the final Communist stage, according to the maxim "from each according to his ability, to each according to his needs" (Lenin 1919).

Not least because of illness, Lenin was sidelined already before his death in 1924 by the slowly emerging party apparatus, in which Joseph Stalin was pulling the strings. Stalin subsequently emerged on top and governed the Soviet Union with dictatorial power and terrorist means until his death in 1953. He pushed the industrialization of the country, which made possible not least the successful prosecution of the Second World War. In the process, the government promoted exclusively large heavy industry, so that the population hardly benefited from the economic growth.⁶¹

Among his successors, it was initially Nikita Khrushchev (1953, General Secretary of CPSU, 1958 also Prime Minister) who pursued a program – decidedly socialist in its goals, though in its means more consumer-friendly and liberalizing – of regional decentralization and greater autonomy for enterprises; this program ran increasingly into opposition from the party apparatus and led to Khrushchev's ouster (1964). Out of the collective leadership group that took over, Leonid Brezhnev (1964 General Secretary of the CPSU) emerged as the strong man; in 1977 he also became President of the USSR. He reversed Khrushchev's efforts at structural decentralization, and his policy was also a *de facto* impediment to the economic reform efforts of his Prime Minister Alexey Kosygin. Although the Soviet Union reached the height of its international power under Brezhnev, the failed intervention in Afghanistan and the growing problems of running an increasingly complex economy with a centralized plan led to political and economic decline, which

⁶¹ Goerke et al. (1973, p. 343): "On average, 25–35% of national income was invested in the thirties, whereby one must bear in mind that the national income per capita was extraordinarily low."

could not be stopped by his successors Yuri Andropov (1982–1984), Konstantin Tchernenko (1984/85), and Mikhail Gorbachev (1985–1991). At the same time, the belief in the superiority of the socialist system increasingly eroded also among the elites. In the end, the Soviet Union was dissolved in 1991 through the secession of some Republics and the agreement of the rest.

In spite of repeated changes of the constitution and organizational restructurings, the Soviet Union never fundamentally altered the form of its political and, after the first Five-Year Plan (1929–34), its economic system.⁶² Both systems were characterized by a high degree of centralization, an exclusive hierarchical steering ‘from the top down,’ and an extensive fusion of the top echelons of both systems. The state and the management of the economy were largely under the leadership and control of the CPSU, whose Secretary General was always the most powerful man in the country. The historical possibility of this *persistent authoritarian centralism* was based not only on the terrorist methods of Lenin and Stalin, but also on the centralized structures of Czarist Russia, the traditionalism of the predominantly rural population, and the lack of civil and especially democratic traditions. The development of a sphere of economic life separate from the state, of civic self-organization, and of a public opinion, so characteristic of all other modernizing state, was nearly complete absent in the case of the Soviet Union, and was suppressed by force after 1945 in the Eastern European states controlled by Russia.⁶³

3.1.2 Economic System - Trade Unions - Labor Law

After a phase of diverse experimentation, the Soviet economy was coordinated between 1929 and 1990 largely on the basis of obligatory *Five-Year Plans*, the drafting of which lay in the hands of a central authority, Gosplan. In preparing the plans, Gosplan worked with the ministries responsible for the various sectors of the economy and with a multitude of committees, and the product of this process was eventually enacted by the Council of Ministers of the Soviet Union as a kind of law.⁶⁴ These medium-term Five-Year Plans established obligatory targets, initially for the relevant ministries and committees, which in turn negotiated targets with or

⁶² From a programmatic perspective, as well, the party program of 1919 was only replaced by the party program of 1961. The latter held out the prospect that over the course of the next two decades, the proportion of social services distributed according to the principle of need, the so-called collective wage, would increase more than the individual wage, and this was interpreted as progress in the direction toward a Communist society. Further statements about the characteristics of the ‘Communist stage’ of social development, not projected until after 1980, were not made. See Osborn (1970, p. 2f.).

⁶³ However, in those states the pre-Socialist institutions of social policy were frequently retained. For that reason, as well, the Soviet Union is more suitable for a contrasting comparison of the Socialist program.

⁶⁴ Lane (1985, p. 10, and Appendix I, pp. 316–319).

imposed them upon the industrial enterprises (most of which were very large compared to the West), the state-run or cooperative agricultural enterprises, as well as institutions of science and culture and the educational and health care system, and so forth. To the extent that these were production targets, they were defined not in monetary terms but in units of output. As long as the economy was not all that complex, and the targets of the planning were guided chiefly by political goals and not the needs of the population, this method was not without success and led to remarkable rates of increase in national product. However, as industrialization progressed and the economy became increasingly interconnected domestically and externally, the problems of central economic planning grew considerably and led to the attempts at decentralization under Khrushchev.

Within the Soviet economy, *money and prices* did not play a role of guiding the planning of production, but they were not without importance to the distribution of the national product. Not only were workers paid in money, accounting prices for shipments between enterprises were set in monetary terms, and consumer goods were bought and sold at fixed prices. Achieving the planned targets presupposed initiative within the enterprises,⁶⁵ which also had to recruit their own personnel. Pay was guaranteed by government-dictated minimum wages, with the original goal being a substantial leveling of the wage structure for all those gainfully employed. However, higher pay based on performance was increasingly tolerated or even promoted as an incentive beginning already in the 1930s, and this resulted, in spite of the generally low wage level, in large wage differentials.⁶⁶ Since workers were essentially free to choose their employer, the shortage in the labor supply also played a certain role for the wage levels. The purchasing power of wages was stabilized by the consistently low prices for basic necessities.

A central problem for the development of the Soviet economy was *agriculture*. The attempts at a rapid collectivization lead to such a decline in production that they had to be reversed. But even thereafter, the inadequate productivity of agriculture, which manifested itself in the non-fulfillment of the plans, remained a persistent problem. The kolkhoz system, not unlike the previous mirs, shaped Soviet agriculture down to the Second World War, but was then increasingly displaced by the even larger state-run farms (sovkhozy). In addition, the possibility of small-scale private production and sale within the framework of local markets played a not insignificant role for the living standard of both sellers and buyers (Lane 1985, pp. 11–15). Those employed in agricultural enterprises were in principal on a par with industrial workers, though they had to deal with substantial disadvantages in the area of social services.

⁶⁵ The relevant leeway for managers was expanded beginning in the 1960s; see Lane (1985, p. 21).

⁶⁶ “While the majority of workers earned an average monthly wage of about 100 roubles, a relatively small group earned 1,000 roubles and more per month. The wage of Stachanov workers, who stood at the top of the wage pyramid in the second half of the thirties, often exceeded the earnings of the lowest groups twenty- to thirty-fold.” (Goerke et al. 1973, p. 351).

Even if the *hierarchy of economic guidance* had central importance for the functioning of the national economy, its maneuvering room was constrained to no small degree by two other hierarchies: the party and the unions. The *Communist party apparatus* not only controlled the political decisions at the top, but also remained influential at the regional and local levels, down to party cells within individual enterprises. Party members were often given special control tasks in order to report abuses and shortcomings within the enterprises. However, the existence of a parallel control hierarchy was not suited to boosting the effectiveness of management.

Unions had existed in pre-revolutionary times only in rudimentary form, and into the 1930s, large segments of the industrial workers remained tied to their peasant roots; a proletarian class status as the shared outlook of the industrial workers arose only very slowly. To be sure, the revolutionaries originally envisioned a self-management of the dispossessed enterprises by the workers themselves and a leveling of the distinction between military and economic labor: "Labor is militarized, and the military is industrialized."⁶⁷ But the catastrophic development of the economy led initially to a restoration of free market conditions (1921–1928), and then to a state-centered economic planning. The place of enterprise soviets was taken by unions, but they had a very different status compared to their counterparts in western societies. In particular, unions had no influence on wage policy, though after 1933 they did have an important function in administering the social security system.

While membership in a union was in principle voluntary, in 1983 98% of manual and intellectual workers belonged to a union, as did 85% of the kolkhoz farmers and the majority of students and pupils in vocational schools.⁶⁸ Unions were structured according to sectors, as were the ministries. As was the case within the party, the principle of 'democratic centralism' applied, that is, only the lowest level of representatives was directly elected, while the higher levels were chosen by the representatives of the levels immediately below them. This multi-level manner of selection secured an increasing representation of members loyal to the regime and marginalized potential critics. At the same time, the hierarchical principle of higher organs having the power to issue directives to those below them applied also here. Moreover, the full-time union functionaries were not elected but appointed by central organs. At the head of the union movement stood a Central Council of all unions, which largely determined the policy of the individual unions, but also exerted influence on the processes of economic planning.

At the *enterprise level*, which was of particular interest to employees and workers, the rights of unions to advocate for its members were expanded after 1957, and they were also given functions in dealing with conflicts in the workplace and in the area of occupational health and safety. But the primary task of the unions

⁶⁷ Leon Trotsky, speech at the Ninth Party Congress of the CPSU (1919), quoted in Goerke et al. (1973, p. 293).

⁶⁸ Lane (1985, p. 28); *ibid.*, p. 30 a chart of the structure of the unions.

continued to be the administering of social services and the mobilization of members to fulfill and over-fulfill the targets (Lane 1985, pp. 32–37). The ‘Social Planning’ on the enterprise level, introduced with the Ninth Five-Year Plan (1971–1975) and in principle envisioned as participatory, was not able to establish itself on a broad basis (Huber 1983). The expansion of the rights of unions, which eventually encompassed also the possibility of bringing complaints against management, led simultaneously to a further hollowing out of the authority of management if it did not have a presence in the union organs. For in contrast to western unions, management was usually also among the members.

All in all, the unions did not question the principle of a centralized running of the economy, in fact they tended to function as amplifiers of this principle. Moreover, many individuals in leadership positions were able to arrogate special power to themselves by combining in their persons leading positions in the economy, party functions, and union functions. The collective expression of worker interests was focused on the social area, but even here the room for action remained within the framework laid out by the Five-Year Plans.

The Soviet constitution guaranteed everyone a ‘right to work,’ which was subsequently always praised as a socialist achievement, but which was simultaneously complemented by a duty to engage in “socially useful labor.” “It followed from the necessary linkage of the right and duty to work that the right to work was not granted as a *status negativus*, that is, as a right not to work. Through the general obligation to work, all non-work was ruled out from the beginning. The aspect of the right to work that was discussed in non-Socialist states in the form of a guarantee of a livelihood in case of unemployment was thus invariably excluded in the Soviet constitution” (Schrader 1995, p. 7f.). In principle this also applied to *women*. In keeping with the doctrine originally articulated by Friedrich Engels, the integration of women into the production process was seen as a central aspect of their emancipation and equality with men. The family in its pre-bourgeois and bourgeois forms was to be overcome under Socialism, and child-rearing was to become a public task.⁶⁹

As far as the individual rights of workers in the production process were concerned, a ‘Socialist labor law’ was created after the revolution, though it was subsequently developed chiefly for the purpose of boosting the disciplining of the workers.⁷⁰ In formal terms, the ‘work contract’ between ‘workers’ and ‘enterprises, agencies, and organizations’ contained a far-reaching package of reciprocal rights and obligations, though their realization depended on both economic circumstances and conditions within an enterprise. To the extent that one can speak of legal entitlements relevant to social policy, these were decided almost entirely at the level of the enterprise (see Sect. 3.1.4).

⁶⁹ On the fluctuating policy of the Soviet leadership with respect to the family, and the actual, rather multi-layered developments, see Schlesinger (1949; reprint 1998); Geiger (1968).

⁷⁰ On Soviet labor law see Brown (1966). Andersen (1969) shows little understanding of the peculiarities of the Soviet system.

Under Stalin there was virtually no such thing as legal security, but even after 1953, workers were subject to considerable social control. Real improvement came only with the revision of the labor code in 1970 and 1971, especially with regard to protection against arbitrary dismissal and the freedom to change jobs (George and Manning 1980, p. 22). However, that did not change the obligation to work.

Labor conflicts on the collective level did not exist by definition. Labor conflicts on the individual level could be essentially dealt with in three ways: by the arbitration committee of the enterprise, by the enterprise committee of the union, or by the People's Court, the latter especially in cases of unjustified dismissals (Brown 1966, pp. 198–238). Individual violations of the rules were also regarded as the expression of a still incomplete 'socialist education' and were therefore – unlike in western legal practice – not the object of a special judicature. For the most part, conflicts in the workplace were settled within the framework of the 'colleague courts,' whose roots can be traced back into pre-Revolutionary times (H.-Th. Schmidt 1969).

3.1.3 The Welfare Sector

Whatever elements of social policy were in place during the *Czarist era* were very modest.⁷¹ Although Peter the Great had already enacted poor laws that were not simply repressive, and these were supplemented by Catherine II in the sense of publicly funded welfare, care for the poor remained chronically underfunded. The dominant form of social security in the case of inability to work remained the solidarity of the family and the village community.

As early as 1866, a law had obligated all factories to guarantee their workers free medical care. The beginnings of occupational health and safety laws came with a law of 1886, but both pieces of legislation were inadequately implemented. Liability for work-related accidents in mines, on the railroad, and in shipping was introduced in 1881 and expanded in 1903 to additional groups, for example, all state employees, though it was not combined with compulsory insurance by business owners. The inadequate protection provided by this law triggered a broad debate and eventually led to the introduction in 1912 of insurance that covered sickness, maternity, and accidents in the workplace. However, because this insurance covered only about a quarter of industrial workers and provided very modest benefits, this law was also a disappointment.

Lenin attacked the draft for this law at the 6th Pan-Russian Conference in Prague (1910) and demanded the inclusion of all wage workers and their families in the city and countryside; income subsidies for all risks of incapacity to work at the level of the previous wage; and an administration of the insurance institutions by the

⁷¹ On the following see the standard work by Madison (1968, pp. 3–24); Rimlinger (1971, pp. 245–252).

insured, with a simultaneous funding of benefits solely by enterprises and the state. With this, Lenin laid out the guiding model of a Socialist social policy to which the classic writings of Marxism had contributed hardly anything.

By propagating socio-political goals, the Bolsheviks were hoping to garner political support among the population in the immediate aftermath of assuming power. And so the principles spelled out above, which the Bolsheviks had already articulated in 1914 in a bill in the Duma, was elevated into a program and largely put into law:

By a decree of October 31, 1918, social insurance, or, as it was now called, social security ... was extended to cover all those who were gainfully employed, as long as they were not employing hired labor. This included wage and salary earners as well as self-employed peasants, artisans, and others, and the members of their families. The covered risks included all major contingencies of life. There was protection in cash and in kind in case of illness, permanent disability, unemployment, old age, and the loss of breadwinner. There were also maternity benefits and burial grants. Cash benefits and pensions were egalitarian; they were geared to the average wage in a locality instead of to the previous earnings of the beneficiary. The main source of financing was employer contributions. This program of universal and comprehensive protection was consistent with the universal duty to work that had been decreed in 1918 and became embodied in the Bolshevik Labour Code of 1919. An individual was either working or incapable of work and, therefore, was entitled to support (Rimlinger 1971, p. 260).

Even if this law was little more than the paper it was written on given the subsequent collapse of the economy, it is revealing for the underlying *conception of socialist welfare policy*. We can summarize the underlying notions as follows:

1. With the abolition of capitalism and the introduction of a Socialist economic system, the clashing interests of the individual and society have been abrogated. A Socialist society is a harmonious society without internal conflicts.
2. The obligation to work is thus not coercive, but reflects the natural need of a person who knows that the common welfare must be taken care of to ensure his own well-being.
3. There is thus a legal entitlement to social services and benefits, which has its counterpart, in accordance with the principle of reciprocity, in the obligation to work.
4. The living standard guaranteed by work or social benefits improves the living situation of those gainfully employed in a way that motivates them to boost their labor productivity, thus setting in motion a process of economic growth that leads to a continued improvement.

It was therefore believed that the 'social question' had been fundamentally solved with the introduction of Socialism. Socialism was to create the material preconditions for a change in the motivations and behaviors of workers and give rise to a 'new man' (Rimlinger 1971, pp. 252–257; Madison 1968, pp. 25–30, 50–52).

As we have seen, since these optimistic assumptions did not pan out, the *struggle over the labor and the productivity of the gainfully employed* was waged with all

available means, all the way to forced labor and terror.⁷² Still, in the areas of education and health care, the foundations were laid as early as 1918/19 for a long-term development that eventually encompassed nearly the entire population.

By the First World War, the literacy rate had reached about 40%. Among the first measures of the Communist Party was a *reform of the education system*: a free system of obligatory eight-year schooling was to be set up for all children, and higher education, too, was to be accessible free of charge to all qualified students, independent of gender or ethnicity.⁷³ Early on, the foundations were also laid for a system of collective early childhood education and child care outside of the family, with the focus initially especially on homeless, abandoned, and vagrant children, whose number rose to seven million by 1923 (Madison 1968, pp. 35–40). This concern was increasingly joined, however, by the consideration of freeing up mothers for production and an interest in a socialist upbringing and education. Caring for the next generation always remained a focal point of Soviet welfare policy, and the development of a comprehensive education system that also improved steadily in quality can be considered one of the lasting successes of Soviet modernization policy. However, the egalitarian educational goals clashed repeatedly with economic interests in an occupational and social differentiation (Anweiler 1966, pp. 160–179; von Beyme 1988, pp. 129–144).

The foundations of the *health care system*, which was eventually completely nationalized, were also laid down in the immediate aftermath of the Revolution. In the words of N. A. Semashko, Lenin's advisor on health policy and the first Commissar of Health, there was to be "for everyone, at this earliest need, a free and well-qualified medical treatment."⁷⁴ Implementing this program not only ran into economic constraints, but also – and above all – opposition from doctors established mostly in the cities, on whose help the Communists urgently depended in the face of epidemics that broke out and lasted until 1924 (with around ten million additional deaths). As a result, the nationalization of the health care system was not carried out until the 1930s. Treating medical care like a sector of the economy, it was for planning purposes institutionalized in its own ministry. One consequence of this was the increasing shift of medical care into the hospitals. In the process, doctors were able to recover some influence and to enforce their own standards, at least in part, over those of the bureaucracy. While little changed in this organizational form thereafter, the Soviet did succeed to a remarkable degree

⁷² On the disciplining of labor see Rimlinger (1971, p. 271f.).

⁷³ On the Soviet education system see Anweiler (1966); George and Manning (1980, pp. 64–103); Lane (1985, pp. 262–309); Ruban et al. (1983, pp. 247–259).

⁷⁴ George and Manning (1980, p. 105). Ibid., pp. 104–128 also an overview of the development of the Soviet health care system. For the more recent development see also Ruban et al. (1983, pp. 241–247); Stiller (1983, pp. 171–179); Ryan (1978).

to gradually create a geographically comprehensive system of medical care.⁷⁵ Judging from average life expectancy and infant mortality as the most general criteria of success, medical care improved especially between 1939 and 1955. Since then, mortality among men has hardly decreased any further, one reason for which is undoubtedly rampant alcoholism (Treml 1991). Infant mortality hit a low around 1971 and has risen again since (Ruban et al. 1983, p. 246f.); however, the trend remained very diverse regionally (von Beyme 1988, p. 202). Between 1955 and 1980, the expenditures for health care rose about five-fold, but they were still below the average total increase for social spending of about 760% in the same period (Ruban et al. 1983, p. 236).

As far as the income-replacement benefits are concerned, the generous scenario spelled out by Lenin never became a reality.⁷⁶ Within the framework of the New Economic Policy, the place of need-based, egalitarian benefits was taken first by a social security for workers and employees, though its benefits were noticeably scaled back with the reforms accompanying the first Five-Year Plan (1929–1934) and cued to the economic usefulness of the workers. For example, in the wake of the enforcement of a general duty to work, the benefits in cases of joblessness were entirely abolished. Substantial benefits were provided in the case of illness and maternity, but their level was oriented toward the previous income and how long an individual had been working.

The one thing that remained particularly problematic in the Stalin-era was the *care of the elderly*. Since the payment of old-age pensions was limited to privileged groups such as officers, teachers, and skilled workers, the overwhelming part of older people had to continue to rely on their own work and, if necessary, support from their own family and possibly neighbors. A broader inclusion of workers and employees in collective old age insurance occurred in 1956, of the rural population in 1964. However, pension benefits remained very modest.⁷⁷ Still, the share of old-age pensions among all social benefits rose disproportionally between 1955 and 1980, although the share of other monetary subsidies rose even more strongly (Ruban et al. 1983, p. 236).

Retained was the principle that monetary benefits could be given only to the person who had earned corresponding entitlements through gainful work. Those unable to work therefore formed a population of the poor of unknown size, for whom no public system of care existed (Madison 1973, pp. 113–115). But a substantial

⁷⁵ According to George and Manning (1980, p. 116), the geographic distribution of medical care around 1975 was nearly at British levels in 1974 and was better than in the US. A far more sceptical assessment in Ryan (1978, p. 129).

⁷⁶ Rimlinger (1971, pp. 260–301); George and Manning (1980, pp. 31–63); Stiller (1983, pp. 89–190); *ibid.*, pp. 305–309 for a chronological overview of Soviet social legislation.

⁷⁷ However, value of pensions relative to wages increased fairly steadily between 1950 and 1980, when it reached on average 37% of the average wage for workers and employees, and 26% of the income of kolkhoz farmers; Stiller (1983, p. 161).

portion of pensioners were also below the official poverty line.⁷⁸ What worked against their complete pauperization were the low prices for staple foods. During the era of perestroika there was finally criticism also of a system of old-age security that had become increasingly convoluted and unfair as the result of a multitude of special privileges (von Beyme 1988, pp. 107–114).

The education and the health care systems can be considered the two most successful sectors of Soviet welfare policy. Considerable efforts were also made in the housing sector after Stalin's death, but they did not lead to a leveling of the social and regional differences in the supply of housing (George and Manning 1980, pp. 129–159). Klaus von Beyme has called *housing policy* the “core element of social policy” in the Soviet Union, as in Socialism generally (von Beyme 1988, pp. 122–128). All other sectors of welfare policy were more or less neglected. In the area of social services targeting individuals (social work), the offerings were largely restricted to the cities and fell far short of what was needed.⁷⁹ Social nursing institutions for old and disabled individuals were hardly created.

In summary, we can characterize the development of the welfare sector under the performance perspective such that during the Stalin era heavy emphasis was placed on promoting the next generation, on services instead of cash benefits, and on the primacy of production, while those from whom no productive contribution was expected were shown hardly any concern. Only after Stalin's death were certain corrections made to this lopsided orientation. However, the stronger growth in monetary benefits constituted simultaneously a regression from the Communist ideals. For material benefits and services were regarded as ‘collective wage’ (social wage), as fundamentally egalitarian and thus as services by society that came closer to the ‘Communist’ principle “To everyone according to his need.” However, in practice the distribution of these services was in no way done according to egalitarian principles (Osborn 1970, pp. 31–53).

If one wants to make an international comparison of the performance of the Soviet welfare sector, one is limited, given the completely divergent economic structures and data sets, to indirect methods. Stiller, who has presented what is probably the most thorough study, takes as the yardstick of comparison the percentage of dependent workers among the total population and shows that

the Soviet social share, given an equally high share of dependent workers, was in every phase of development below the level of the highly developed western (and eastern) industrialized countries. This difference increases further if one takes into consideration the fact that the social share calculated by the Soviet method is likely to be at least one

⁷⁸ According to western estimates, in the mid-sixties about one third of the (entire!) population was ‘poor’ by *Soviet* standards: George and Manning (1980, p. 62).

⁷⁹ At least that was the assessment of Madison (1968, *passim*). Moreover, von Beyme (1977, pp. 77–107) points out how much social welfare was included in the area of combating deviant behavior and largely repressive social control. Not the most needy, but the most conspicuous were the preferred object of social welfare.

percentage point higher than the share calculated by the western model. However, since the Soviet system of social security, in the version of 1975, is not substantially behind the western systems as far as the categories of services are concerned, the great *lag* in social costs is not due to the absence of some important type of benefit of another, but to (1) the comparatively much lower levels of social benefits, which are, among other things, also in line with the lower wage level and the lower proportion of private consumption in the national income; (2) the neglect of certain areas, which is manifested above all in narrow circles of beneficiaries (family subsidies, care of the disabled, welfare); (3) the lower quality and intensity of benefits, for example in health care, in occupation and social rehabilitation, and (4) the non-adjusted level of cash benefits (chiefly with pensions and subsidies). As a result, long-time pensioners are increasingly disadvantaged compared to new pensioners given rising work income and prices.

The USSR has fallen further behind since the overthrow of Khrushchev, even though today, compared to the fifties, enormous funds are spent on social security (Stiller 1983, p. 251f.).

This comparison leaves out the differences in labor productivity and in the development of prosperity, it thus refers to the performance of the welfare system *given the level of national income*. If we included the differences in the productivity trend of the various national economies, the result of the comparison would be even more unfavorable to the Soviet Union (Lane 1985, pp. 50–67).

3.1.4 The Financing and Organization of the Welfare Sector

From the time of Lenin's first pronouncements, the principle was retained that social services were to be free and the income replacement subsidies independent of contributions from the insured risk groups. The financing was to come either from enterprises or from the state. After the introduction of state economic planning (1929), however, this distinction became largely a matter of bookkeeping, since the budgets of enterprises were essentially part of the state budget, as well.

The totality of expenditures that were part of the welfare sector were listed in Soviet statistics as "expenditures for social and cultural measures."⁸⁰ That included chiefly the budgets of the Ministry of Education and the Ministry of Higher and Specialized Secondary Education, the Ministry of Health, and the budget of the state social insurance.⁸¹ Social insurance was formally administered by the unions, which had an important say at the enterprise level in decisions about the allocation of services and in 'uncovering cheats' (Rimlinger 1960/1961, pp. 407–418). In 1971, four million volunteer activists participated in the tasks of the unions in the area of

⁸⁰ On the following see especially Stiller (1983, pp. 17–57); Lane (1985, pp. 50–67); George and Manning (1980, *passim*).

⁸¹ Incidentally, by Western standards the last named hardly deserves the designation 'insurance,' since the system was always financed largely from general funds. Insurance contributions did not exist on principle, and the contributions from enterprises were only enough to finance about a third of the costs; see Stiller (1983, p. 313, Table 2).

social insurance, and, in particular, helped their colleagues to deal with the paperwork (Madison 1975, p. 266f.). The organization of social insurance has been described as follows:

What exists in the Soviet Union today is a complex bureaucratic government with substantial trade union participation. The State Committee for Labour and Wages is the central body which interprets decisions of the soviet government and issues directives which are binding to the fifteen Republic Ministries of Social Welfare. These ministries operate through regional, district and local offices. The trade unions are involved at the central as well as regional level, but particularly at the local level. . . . The administration of short-term benefits for sickness and maternity is the total responsibility of the trade unions. The local social insurance commissions decide both on the entitlement and the amount of benefit, and they keep in touch with the sick in order to be of service and to minimise abuse of the system (George and Manning 1980, p. 61).

Total expenditures for social and cultural measures were less than a quarter of total state spending in 1940, and a third between 1960 and 1975. The proportion of expenditures for “Education and Science” in this ‘welfare budget’ dropped fairly continuously from 55% in 1940 to 42% in 1975, as did the share for “Health Care and Sports” (from 22 to 16%), while the budget for social insurance grew from 19 to 43%; the rest was accounted for by other services and benefits of the social security system.⁸²

The financing for the welfare sector came overwhelmingly from the general state budget and was thus directly dependent on the general development of the economy.⁸³ But enterprises, too, had some importance in providing financing. That was true first of all for the contributions by the enterprises to the social insurance. These contributions “are levied in a sectors of the economy by the respective unions associations, namely as a specific percentage of the entire wage fund (including bonuses) of the individuals working in the enterprise, the institution, or the organization.”⁸⁴ The total value of the contributions covered about a third of the expenses for all of social insurance. In the area of ‘Education and Science,’ as well, whose share of overall social and cultural measures declined, there was a partly compensatory rise in outlays by enterprises; that is to say, enterprises contributed increasingly to maintaining pre-schools and school facilities (Stiller 1983, p. 52). Something similar took place on a smaller scale in the area of ‘Health Care and Sports.’ Thus, in the post-Stalin-era an *enterprise-based social policy* arose alongside the state policy, and it naturally produced substantial differences from one sector to the next and one enterprise to the next. Virtually nothing is known about these – and even regional – patterns of distribution in social services and benefits.

⁸² Stiller (1983, pp. 313 and 317, Tables 2 and 3.4); I was not able to find more recent numbers.

⁸³ A schematic overview of the financing structure is offered by Stiller (1983, p. 304).

⁸⁴ Stiller (1983, p. 45); according to the chart he presents there, contributions varied from 2.4% (kolkhozy) to 9% (mining), with an average rate of more than 6% for the financing, administration, and benefits of the social insurance; see also Andersen (1969, pp. 93–114).

3.1.5 Summary and Outlook

As we have seen, from the outset the Soviet Union developed a socio-political program that was aimed at the comprehensive security and promotion of the entire population, while at the same time the participation of all able-bodied individuals in the workforce was presupposed and demanded. This certainly amounts to a welfare state program. The absence of unemployment within the framework of this concept was always highlighted as the decisive, positive difference to the capitalist economic system. However, the 'right to work' changed over time increasingly into an 'obligation to work' that could be fundamentally enforced coercively. The possibility and need for an extremely high rate of employment was based, not least, on the anemic advances in labor productivity. The 'right to social security' was always limited in principle to those willing to work, and it was developed in a highly selective way – especially in the Stalin era – to reward major contributions to production. Those who were fundamentally unable to work were given little political consideration, and under the best of circumstances they remained under the care of their families. *In this way, the entire system was given a strong 'productionist' orientation.* Even if the dependencies on capitalist conditions of exploitation were abolished, the constraints to which the population had to submit for the sake of its livelihood were not less severe or less selective:

In the classic Leninist-Stalinist version of the Soviet system of the state and society, the need for a separate social policy for the USSR had been negated; Socialism as such was to be a socially more effective and just system, which did not require trailing correction, or, to put it in polemical terms, repair policies like those in the western capitalist states (Lohmann 1991, p. 306).

With the shift in orientation toward free market guidance that started under Mikhail Gorbachev, there also began an affirmation of the need for a differentiated social policy. However, so far that has not led to effective social reforms, which is hardly surprising considering that the economic reform has not succeeded yet.

As far as we can tell, the conditions were not fundamentally different in the other states of the East Bloc, even if the higher level industrialization in the GDR and Czechoslovakia, for example, necessitated a smaller degree of coercive work discipline. Whether the emergence of more liberal, socialist economic and social systems would have been possible, given more favorable conditions, or whether – as conservative critics claim – every developed economic system without private ownership of the means of production ineluctably tends toward inefficiency and the loss of political freedom, remains an open question before history.⁸⁵

What must be noted, though, is that the welfare state development that has occurred in the countries of Western Europe can in no way be interpreted as a phase in the development toward Marxist-style Socialism (so also von Beyme 1977, pp. 108–130).

⁸⁵ A remarkable examination of Soviet history from the perspective of modernization theory was offered by Arnason (1993).

As will be shown, the structural givens in those countries are fundamentally different. In particular, the fundamental separation of politics and economics introduces into the societal system degrees of freedom that Socialism lacks. Then there is the structural characteristic of a completely different conception of democracy, which is conceptualized as a movement from the bottom up, and not – in the sense of ‘Democratic Centralism’ – as one from the top down. Since the Soviet system did not – and within the framework of the prevailing structures probably could not – guarantee subjective rights (civil, political, social) to everyone, it can no more be described as having ‘welfare state characteristics’ in terms of our conceptual definition than the American system. In spite of a program that is similar to that of the welfare state, the actual Socialist systems represented a construct that is both conceptually and practically fundamentally different from the Western European welfare states.

As far as the development since the collapse of the Eastern Bloc is concerned, the first thing to note is that we find similar tendencies in most countries (Standing 1996; von Maydell and Honerlein 1993). Everywhere the previously hidden unemployment has come into the open and has given rise to a class of needy individuals who are excluded from the traditional, enterprise-based social benefits. Poverty and even destitution have increased dramatically and led in many places to an increase in mortality. Under the influence of the World Bank, which controls international lending standards, most countries are trying to keep the wage level and especially minimum wages low. Since social benefits were usually reckoned as a factor of the minimum wage, they are also remaining low nominally and have been in many places devalued through inflation. The restructuring of an economy organized around large enterprises under Socialism into competitive, smaller entities is for the most part progressing only slowly and entails further losses in social security. However, to the extent that the population regarded social security among the valuable achievements of Socialism, its dismantling can also challenge the legitimacy of the post-Socialist developments.⁸⁶

In specific terms the conditions are quite diverse, depending on the level of economic development in a given country; they are particularly unfavorable on the territory of the former Soviet Union. Within the Russian Federation, the average life expectancies at birth for males has dropped since the end of the 1980s from 65 to 58, which puts it 10 years below that for women (Standing 1996, p. 235). While there is still very little talk of socio-political restructuring in the successor states to the Soviet Union, a few Central European states are trying to once again establish functional social security and social support systems.⁸⁷ However, at the time the

⁸⁶ This has been demonstrated in the case of the former GDR by Roller (1999a).

⁸⁷ Nelson (1998); Götting (1998); von Maydell and Zielinski (1999). In addition, the journal *Zeitschrift für ausländisches und internationales Arbeits- und Sozialrecht*, has published, in volume 12/1 (1998), the papers delivered at the colloquium “Transformation von Systemen sozialer Sicherheit als Gegenstand rechtlicher sowie wirtschafts- und sozialwissenschaftlicher Forschung” held by the Max Planck Institute for Foreign and International Social Law in Munich.

present study was written (1999) it was too soon to speak of clear developmental trends. Since the accession of these states to the European Union the trend has been towards a certain convergence to Western standards, though with strong national differences.

3.2 *The United States of America*

While the historical preconditions of modernization in the case of Russia were characterized – and thus impaired – by an unbroken tradition of centralized rule, the situation was virtually the reverse in the US: conditions there were shaped not only by the myth of freedom, but also by a centuries-long experience of a frontier open to the West, that is, by the experience of nearly unlimited possibilities for anyone who could muster the courage to embark on new endeavors. There was no prehistory of either traditional rule or of an absolutist state; instead, the US arose as a unity in the process of modernization itself, indeed, in many respects it formed the field of experimentation and the land that pioneered developments that advanced European modernization. The political self-conception of the US, as Alexis de Tocqueville already emphasized, was based on the construction of the political system from the bottom up and on the principle of self-governance with the participation of all citizens. And to this day, the belief in the superior efficiency and adaptability of decentralized and fragmented structures of power constitutes a central component of the ‘American Creed’ (Ostrom 1991). The US is also the only large region of the world in which the principles of capitalism have been able to develop with only modest political constraints.

In contrast to Russia, the amount of social science material that is available for the US is overwhelming, but not quite so much for the area of social policy with which we are concerned here. To be sure, the US certainly has publicly administered social institutions that were born of political processes, among which the Social Security Administration is the most important. However, social policy plays a far smaller role for the identity of the country than it does in many European countries, and its scientific and scholarly study constitutes a rather marginal field.⁸⁸ A relevant German study made this claim:

The US of the late twentieth century also possesses all essential institutions that are regarded as the pillars of the social state in Germany, free collective bargaining, direct taxation, and especially the ‘social safety net,’ which means: social insurance, social compensation, and social support – public transfers to the elderly, the disabled, the sick,

⁸⁸ In particular, there is a lack of systematic reflections about the interconnection between various measures, of the kind that are undertaken in Germany especially under the concepts “*Sozialpolitik*,” “*Sozialstaat*,” and “*Sozialrecht*,” and in the United Kingdom under the concepts “social administration,” “welfare state,” or “social services.”

the unemployed, the poor. The embodiment of these benefits and services to the individual from the state is called ‘social security’ in the US.⁸⁹

This is based on a typically German perspective. Following my terminology, I would say this: although the US has a – comparatively fragmented – welfare sector, it is not a social or welfare state; it has no shared a priori conception of a public responsibility for the fundamental aspects of the welfare of all citizens. And its political system follows principles that have little in common with the European notion of the state. As a result, three of the leading experts on US social policy have concluded the following:

The United States has no comprehensive ‘welfare state’ in the European sense. Instead it has developed a disjointed patchwork of programs bifurcated into two tiers. In the realm of social transfers, the upper tier is ‘social security’. Since the 1950s, this portion of public social provision has been politically protected by a strong bureaucracy and a broad base of public support made possible by its relatively universal scope. In contrast, the lower tier of social transfers includes programs grouped under the rubric of ‘welfare’, programs that have been far less popular and much more vulnerable to political counter-pressures than those considered part of the ‘social security’ system (Weir et al. 1988a, p. 422f.).

Since the US, because of its successful economic policy, is today often presented as a model for a reform of Europe’s economic and social policies, the following discussion will focus on an account of the structural and institutional differences between the social system, and less on the details of the socio-political measures.

3.2.1 State and Society

Even if the US today – as the economic and political superpower – plays the first violin in the concert of states, and impresses with its diplomatic clout and military effectiveness, its domestic political structures are a long way from the kind of uniformity one can find in most Western European states. In spite of similar political structures, conditions in the fifty states are far more diverse than in other federal states, and that is especially true of the topic under discussion: welfare policy. Even more: the result of the autonomy of the communal levels (municipalities, counties), which differs depending on the respective state constitution, is that social measures can vary not only in scope but also in kind, sometimes from one municipality to the next. Not only does this create difficulties in getting a handle on and describing the American welfare sector, it also poses considerable practical problems. Moreover, ethnic, climatic, economic, and cultural differences impart unique characteristics to the individual states or certain clusters of states. This regional and political heterogeneity can only be noted here, and its effects on federal policy hinted at; it cannot be described in detail.⁹⁰

⁸⁹ Eichenhofer (1990, p. 16). A German-language survey that can still be recommended is Murswieck (1988); on the more recent developments see Murswieck (1996).

⁹⁰ A good introduction is given by Lösche (1989).

The political unity of the US was created in 1789 through the union of the original thirteen British colonies, which had developed into independent polities after the successful war of independence against England. In the wake of westward expansion, new states with similar political structures and the same internal autonomy were founded. The differences in the dominant background of the settlers, but also in social structure (slavery, the formation of an underclass of African-Americans and Hispanics, in the West a growing immigration of Asians) have shaped to this day the conditions in the various states and their divergent penchant for developing social measures. In contrast to the German federal state, there is no financial harmonization between individual states in the US, as a result of which they are also in a far more competitive relationship to each other.

The creation of the United States was marked from the outset by a tension between the ‘Federalists’ as the champions of a strong federal unity, and the ‘Anti-Federalists’ as the champions of the greatest possible sovereignty for the individual states,⁹¹ and this tension has characterized American social policy to this day. The powers of the federal state are not spelled out in the constitution, but have accrued to it by decisions of the Supreme Court in response to certain political initiatives. The widespread American *distrust of “big government”* can be traced back to the interests of the individual states, as well as to a lack of administrative competencies and, finally, the liberal tradition.⁹²

In the US, but also in England, the tradition of common law has created a legal culture, and thus a conception of political power, that are very different from the continental European countries shaped by Roman law. In the latter, the *state* is the embodiment of a uniform legal and political social order, which is clearly separated – by the self-limitation of the constitutional state and the freeing of the “civil society” this entails – into two spheres that are dominated by different legal principles: the sphere of public law and the sphere of private law. By contrast, the Anglo-American concept of “government” sees it as a function of “civil society.”⁹³ This view, then, is grounded in the Aristotelian concept of “political community,” while the distinction between “state” and “civil society” was elaborated above all by Hegel.⁹⁴ Added to this in the case of the US is the *democratic conception of the community/polity* as already legitimized by its Calvinist origins.

These divergent notions of the function of government gave rise to correspondingly different administrative traditions. In the Anglo-American realm, administration remained well into nineteenth century a voluntary activity by wealthy citizens.

⁹¹ It should be noted that the linguistic usage in Europe is exactly the reverse.

⁹² The debate thus does not revolve around the question of a ‘strong’ or ‘weak’ state, but around the scope of its competencies; in the area of its jurisdiction (e.g. police, taxes), effective administrative conduct – which may even strike Europeans at times as ruthless – is certainly approved of.

⁹³ The most thorough analysis of these differences is provided by Dyson (1980); see also Morstein Marx (1963).

⁹⁴ On the importance of this distinction for the underpinning of the German understanding of social policy see Kaufmann (2013, German Social Policy, vol. 1).

On the European Continent, in contrast, the idea of a professional servant of the state, and thus of a uniform class of civil servants, took shape in France from the time of Colbert, and in Prussia from the time of Elector Frederick Wilhelm, that is, in the second half of the seventeenth century (Barker 1944). And while an equally uniform 'civil service' emerged in Victorian Britain, in the US no uniform administrative culture has developed to this day. However, a number of highly professionalized and politically comparatively independent specialized administrations have evolved in the US. Weir, Orloff, and Skocpol point to "the Social Security administration and the Department of Agriculture. Both of these parts of the U.S. federal bureaucracy have, since their origins, enjoyed unusual jurisdictional autonomy within the national government, and thus they have had the ability to plan new policies and devise their own ideological and technical rationales for favorite policies." But such specialized administrations "were typically isolated islands of expertise within local, state, and federal governments, limited by the ongoing jurisdictional disputes among these levels. Moreover, many areas of American civil administration in the twentieth century have remained partially dominated by patronage-oriented political parties, and all have continued to be plagued by divisions between legislatures and executives, and by divisions among specialized administrative bureaus themselves" (Weir et al. 1988a, p. 431).

Since the performance of administrative tasks was originally voluntary and honorary, while at the same time providing power and influence, the *emergence of a party-political patronage system* was an almost natural development in the US as administrative tasks increased. The professionalization of the American administration began only in the twentieth century and has remained an incremental process to this day, one that has progressed much further at the federal level than on that of most states and communities (Morstein Marx 1963, pp. 41–57). Especially on the local level, the administrative autonomy and capacities of coordination by city government still seems modest, and the influence of interest groups barely containable in many cases. L. J. Sharpe has attributed the fact that the negative effects of the resulting mismanagement are not more apparent to a populist understanding of democracy, the wealth and sparse settlement of large sections of the country, ethnic diversity, and the absence of a political party with an interest in making these conditions an issue (Sharpe 1973).

To this day, the specific 'openness' of the American political system is emphasized. It is not only the bureaucracy that is highly fragmented, but the same is true of the formation of the political will. The sort of party discipline that is found in most European systems of government hardly exists in Congress. Important decisions are made in the committees without the full body of the House or the Senate weighing in. As a result, the initiatives of influential congressmen and senators can thus be successful through very different coalitions. It is therefore fairly easy for well-organized interest groups, in particular, to have a voice in the political process, while less well-organized interests have less of a chance of being heard, even if they concern a substantial minority or even the majority of the population.

Different in the US is also the understanding of law and thus the tasks of the courts. As Dyson has put it: “The intellectual ‘strangeness’ of the continental European state tradition is compounded by its association with the idea of law as the articulation of the state, and the dominant role of lawyers in theorizing about the state and in its administration” (Dyson 1980, p. 17f.). In the Continental European conception, the law – *as statutory law* – represents the embodiment, so to speak, of the state order and is thus conceived as objectivistic and is supposed to play a part in shaping the *content* of social life. The Anglo-American understanding of law, by contrast, is subjectivistic: the legal subjects assert their legal positions, which can conflict under certain circumstances, and if they do, it is up to the courts to make a decision based on the precedent of *judge-made law*. Objectively speaking, the legal system is thus above all a *procedural system* designed to avoid and resolve conflicts. The court system thus has a position that is significantly more independent of state laws and is further reinforced by the element of lay jurors. It is thus not at all within the realm of the American understanding of the law that social conditions could be exposed to an intentional political transformation through the creation of laws, as is the case especially with the German or Scandinavian conception of social policy. Rather, the fragmentation of the political system in the US and its receptivity to influence from special-interest politics entails that the highest courts carry much greater weight for the unity of the legal system and for politics than is the case in Europe (Neely 1981). Decisions by the legislative branch – especially in the area of labor relations and social policy – are frequently nullified by the Supreme Court. But decisions by the courts can also establish legal entitlements. For example, the comparatively favorable legal position of the disabled in the labor market is based on the principle of non-discrimination that has been affirmed by the courts.

Accordingly, the US courts also fulfill a protective function for the population that should belong to laws and administration according to the Continental European understanding. Of the greatest importance within this context is the penchant of American courts to broadly interpret the liability for demonstrated harm (Tort Law) and award generous damages, especially if the defendant is considered financially strong. This affects especially corporations that are poorly regulated by the state, who have to fear successful suits from both harmed consumers and harmed employees.

Finally, one must point to cultural traditions. The emigration of the Dissenters, which initiated the British colonization of North America, gave rise from the outset a special emphasis on the rights of freedom of religion and freedom of opinion; in addition, the Calvinists championed the doctrine of popular sovereignty against the sovereignty of the princes. In conjunction with the frontier situation mentioned above, this gave rise to a *cultural tradition of recognizing personal liberties*, which was eventually reflected also in the American Declaration of Independence and in the specific rights of liberty enshrined in the Bill of Rights of the US constitution.⁹⁵

⁹⁵ Here, too, one should point to what is from a European perspective an inverse terminology: radical champions of the idea of liberty are called “conservative” in the US, while the protagonists

American culture thus has a very strong imprint of individualism and a specific pathos of autonomy and competition, which expresses itself with respect to social conditions in the principles of self-help, private charity, and the dominant meritocracy-orientation of the concept of justice. This culture is thus much more inclined to accept considerable social inequalities as the natural events of human coexistence. The *legitimacy of social inequality* was already prepared by the Calvinist doctrine of predestination and found its ideological expression in the wake of secularization in Social Darwinism, which maintained that success was the sign of fitness, and protection of the less fit was detrimental to the progress of society (Hofstadter 1959; Bannister 1979). However, leaving aside ethnic differences, the *structures* of social inequality were far less pronounced in the nineteenth century than they were in Europe, where differences of social ranking continued to exert their influence. Since it is chiefly differences in income and wealth that establish social inequality, the vertical mobility has remained fundamentally high.

The *negative attitude toward socio-political intervention* that developed out of these historical and cultural aspects can be illustrated, by way of conclusion, with President Grover Cleveland's justification of why he vetoed a law that Congress had passed after the terrible drought in 1887 in order to help the affected farmers by distributing seed:

I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted, to the end that the lesson should be constantly enforced that, though the people support the government, the government should not support the people. . . . Federal aid in such cases encourages the expectation of paternal care on the part of the government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthen the bonds of a common brotherhood (Cohen 1975, p. 222f).

With the exception of the terms of presidents Roosevelt and Johnson, this attitude has dominated federal policy; even President Nixon, who tended to be inclined toward socio-political measures, held to the Social Darwinist creed: "The welfare ethic breeds weak people" (Cohen 1975, p. 236).

3.2.2 Economic System - Trade Unions - Labor Law

The natural wealth of large parts of the US, and the religious, economic, and personal liberty that predominated here from the beginning, exerted a strong attraction on the initially mostly European immigrants, and they led to the emergence of a particularly dynamic economic system of private capitalism based on the principles of competition unfettered by politics. The special "capitalist" character

of socio-political measures are referred to as "liberal." The same is true of the corresponding ideologies of "conservatism" and "liberalism."

of the American economic system also finds expression in corporate law, which provides for a tougher control of management by shareholders than is the case in Europe. The interest of shareholders therefore dominates corporate policy much more extensively than in Germany, for example, where the legal system accords management greater latitude and employees' organizations greater influence.

The fiercer the competition, the more it makes sense to try and contain it as best as possible through oligopolistic and monopolistic practices, that is, through the accumulation of private economic power. At the initiative of an "anti-trust movement," the US took legal steps against this kind of behavior (Sherman Act [1890], Clayton Act [1914]), which subsequently became exemplary for competition-promoting legislation in other countries. The US economy is thus by no means free from state interventions; however, these seek above all to strengthen *the control function of competition*, while state measures to control the economy, if they found a political majority at all, were undone by the Supreme Court, at the latest.

In contrast to most countries in Europe, the self-organization of workers into *unions* faced no principled political or legal obstacles in the US in the nineteenth century. However, employers frequently fought the creation and activities of workers' organizations within their sphere of influence, and the justice system sided overwhelmingly with the interests of employers.⁹⁶ Still, a politically potent workers' movement never developed in the US, and the influence of unions was limited to a few sectors. The fact that workers were never denied *political* rights no doubt played a substantial role in the fact that the problems of industrialization, which were naturally present also in the US, did not lead to an articulation of the 'social question' as the worker question. Instead, the central problem of social integration was initially that of slavery, and after its abolition that of the black as well as other *minorities*. In the process, the prejudices of white workers against their black counterparts contributed substantially to a downplaying of the class issue.⁹⁷

As a result, unions in the US developed largely as associations of specialized workers that pursued the economic interests of their members, and their average standard of living seems to have been significantly higher than in Europe already around the turn of the twentieth century. And since the possibilities of individual advancement were not restricted by any barriers of social rank, a collective class status of industrial workers was hardly able to take shape. Labor conflicts therefore remained for the most part limited to the sphere of individual factories and

⁹⁶ An overview of the development of legislation regarding unions up to 1935 is provided by Gould (1988); see also Armingeon (1994).

⁹⁷ C. Noble has offered a complex explanation for the substantial failure of social reform movements in the US (1997, p. 35): "A divided and disorganized working class; powerful, anti-statist business elites; two-party politics; and divided institutions all loaded the dice against collective action by workers, and the pursuit of more substantial state action by social reformers. Together, these limiting factors pushed political elites who wanted a welfare state to moderate their demands and drove reformist presidents to the center where they tried to build coalitions spanning business and labor rather than mobilize a mass-based movement in support of structural reform."

companies. Attempts at setting up workers' parties had little success (Marks 1989, pp. 195–234). “Liberal” American observers have often held the absence of socialist parties responsible for “American exceptionalism” when it comes to the development of the welfare state.

The older union movement emerged out of local and regional craft associations, and in 1886, in the wake of clashes with groups with stronger political motivations, it merged into the American Federation of Labor (AFL). The latter pursued exclusively economic goals, namely higher wages and better working conditions (“pure and simple unionism”).⁹⁸ The AFL remained the dominant union organization until 1935, although the larger companies were often able to neutralize its influence by creating company unions and the like. Added to this was the low organizational level of the workers and the absence of any state protection; as a result, its success remained modest. American courts, in particular, repeatedly overturned laws for the protection of workers on the state level:

While British trade unionists were benefiting from legislative enactments gained through a system in which Parliament was supreme, the American trade union movement, operating in a polity with judicial supremacy over legislatures, repeatedly ran up against judicial vetoes of social legislation and of legislation guaranteeing union rights to organize and strike (Skocpol 1992, p. 226).

As was the case in the other areas of social policy, it was the Great Depression and the presidency of Franklin D. Roosevelt that initiated a change. Roosevelt's landslide victory in the presidential elections allowed him to push comprehensive economic and social legislation through Congress during his first 2 years in office. Although the first run at labor legislation was overturned by the Supreme Court, the National Labor Relations Act (Wagner Act) passed in 1935 survived and subsequently formed the basis for the *collective labor law* in the US. The Wagner Act contained detailed procedural law without prejudicing the content of any contracts. It guaranteed workers the power of collective bargaining and subjected both parties to the negotiations to certain rules, while recognizing the right to strike, however. At the same time, it permitted cartel-like agreements within certain sectors in order to moderate a competition that had turned destructive.

The organizational divisions of the AFL were arranged according to the craftsmanship principle. As this proved to be no longer useful under the new conditions, the Congress of Industrial Organizations (CIO) which split off from the AFL subsequently emerged as the leading union organization. It negotiated uniform wage agreements for certain industries and was able at the same time to strengthen the workplace discipline of workers during the Second World War. Overwhelmingly, however, wage agreements were negotiated on a decentralized level, that is, the level of the local enterprise. As a result, enterprise-based unions carry far greater weight in the US than is typically the case in Europe. However, as early

⁹⁸ A good overview of the history of the American union movement can be found in The New Encyclopaedia Britannica, vol. 29, pp. 950–953.

as 1947 the Taft-Hartley Act massively restricted the previously very open strategic options of the unions. The resulting procedural system that was thus put in place lasted until the 1960s. Growing global economic competition and political deregulation, along with the economic crisis at the beginning of the 1980s, caused this system of negotiations to collapse and led to a strong decline in union membership and union power outside of the public sector. As a result of the development of the service sector, more than 40% of those gainfully employed do not fall under the Wagner Act; moreover, in many places one can observe once again practices on the part of employers intended to impede union organization within their sphere of influence.⁹⁹

Individual labor law in the US continues to be guided by the traditional principles of Common Law, in which notice periods and protection against wrongful dismissal, for example, are unknown. However, the Fair Labor Standards Act of 1938 established minimum conditions for labor contracts. Legal restraints on the freedom of business owners that go beyond this exist only in the area of occupational health and safety¹⁰⁰ and with respect to discrimination on the grounds of gender, age, religion, and so forth. In view of the decline of protection from collective agreements, higher US courts have tended in recent years to strengthen the legal position of employees regarding protection against wrongful dismissal also in individual labor cases.¹⁰¹ A specialized labor law jurisdiction does not exist. Like any legal dispute in the US, pursuing employment-related interests in the courts requires considerable financial resources for qualified lawyers and a lot of time.

Morstein Marx noted that the Department of Labor, established as early as 1913 and in charge of enforcing the Wagner Act, is the “midget among the departments” and far smaller than many specialized agencies (Morstein Marx 1963, p. 96). Compared to the other ministry dealing with social policy, the Department of Health, Education, and Welfare (created 1953), it was never able to gain substantial influence.¹⁰² This seems to be symptomatic for the *subordinate position of labor law in American politics*. Under these circumstances it is also understandable that labor law is hardly discussed in American scholarship on social policy. Its interest is focused largely on the social security system and social services.

3.2.3 The Beginnings and Foundations of American Social Policy

Today, the origin of American social policy, that is, a political concern about the welfare of specific population groups, is seen to lie in the laws supporting the

⁹⁹ On the newer issues confronting US labor law see Friedmann et al. (1994).

¹⁰⁰ The Occupational Safety and Health Act was not passed until 1970; on this see Gould (1988).

¹⁰¹ Gould (1988). On the basic assumptions of US labor law see Atleson (1983).

¹⁰² Against Roosevelt’s suggestion, social security was not placed under the Department of Labor, but under a separate agency, the Social Security Agency.

veterans of the Civil War (1861–1865). Although originally the care encompassed only disabled veterans, war widows, and war orphans from the northern states, later laws expanded the grounds for entitlement. As a result, and also because of a broad interpretation of the laws, eventually more than 90% of all northern war veterans enjoyed the benefits of this legislation. According to Skocpol, this was essentially patronage politics by the Republican Party that was dominant in the North and used it to create a large electoral clientele (Skocpol 1992, pp. 102–151).

Since the US fought numerous wars in the twentieth century, the program for veterans was expanded more and more beginning with the First World War; as a result, veterans and their surviving family members can be seen as the most comprehensively protected and promoted socio-political target group in the US.¹⁰³ The importance of these programs is underscored by the fact that the special agency created for this purpose was elevated to the rank of a ministry in 1989 as the Department of Veterans Affairs (Eichenhofer 1990, pp. 187–193).

Liability for occupational accidents and illnesses was also regulated early – mostly between 1902 (Maryland) and 1920 (43 states), though not at the federal but the state level. In the process, however, state insurance carriers were created only in a few states, and a compulsory insurance was declared unconstitutional. Thus, businesses are free to either accept the liability requirements within the framework of labor contract obligations (requirements that are tougher than those under Common Law), or to take out insurance policies with private or public insurance carriers.¹⁰⁴

Another early initiative to create a state social policy at the federal level concerned *mothers and children*. Where in the first example the veterans' association formed an influential pressure group, in this case it was the widespread women's organizations, already well organized before the First World War, which achieved – even before the introduction of women's suffrage – the establishment of a federal agency concerned with child welfare. The Children's Bureau became very active immediately, and its efforts eventually led in 1921 to the Federal Act for the Promotion and Hygiene of Maternity and Infancy (Sheppard-Towner Act) and to numerous other initiatives also on the regional and local levels. Crucial to the passage of the Sheppard-Towner Act was its portrayal not as a charitable initiative for the benefit of the poor, but as an educational and public health measure, whose primary goal was the diffusion of knowledge of hygiene among mothers. However, this aroused the political opposition of the physicians' organizations, which saw this as the first steps towards the introduction of "socialized medicine." Using that argument they were able to mobilize the widespread mistrust against government interventions. Although the Act was initially

¹⁰³ A 1974 survey of welfare programs on the federal level that was carried out by the Joint Economic Committee of the U.S. Congress comprised 89 items, 10 of which pertained exclusively to veterans. (Zöller 1982, pp. 71–88).

¹⁰⁴ "In 1980, 60% of costs were defrayed by private insurances, 22% by state insurance carriers, and 19% by self-insurance." (Murswieck 1988, p. 86).

a major success, 10 years later, when Congress had to vote on continuing the program, its opponents carried the day and it expired in 1930 (Skocpol 1992, pp. 480–524).

Alongside these two successful social policy initiatives on the federal level, historians have registered a large number of failed ones, especially from the years prior to the First World War. Important impulses came from the *American Association for Labor Legislation* (AALL), founded in 1906 as the American section of the then very active International Association for Labour Legislation by reform-minded social scientists; however, like the German “Verein für Socialpolitik” in its first decades, it also counted many socially minded entrepreneurs and practitioners from social agencies among its members. International – especially German – influences also came from leading members who had studied in Germany and had been influenced by the guiding ideas of the Historical School and the Bismarckian social reforms (Skocpol 1992, pp. 160–204; Noble 1997, pp. 25–27; Rodgers 1998). Among the multifarious proposals, a number of which turned into veritable political campaigns, only those pushing for the introduction of occupational health and safety measures and work accident insurances were successful at the level of individual states.¹⁰⁵ By contrast, initiatives to introduce sickness and old-age insurance failed on both the level of individual states and the federal level. What contributed to this failure was not least the weak interest of the unions in these initiatives. But concerns came also from the middle classes, which were still influenced by the patronage politics in favor of Civil War veterans from the northern states and which campaigned in these years above all against government corruption (Skocpol 1992, pp. 248–310).

Even if Roosevelt’s New Deal is considered the real beginning of federal social policy in the US, it must therefore be noted that his legislation had been preceded by a great many failed initiatives (Orloff 1988). But what ceased in the 1930s, at least temporarily, was the attribution of economic misery to the behaviors and qualities of affected *individuals*. The programmatic formula of “social security” into which Roosevelt cast his social legislation of 1935 expressed the notion that the causes behind the misery were not individual but collective and therefore had to be remedied by collective measures. This formula found instant resonance and soon became the international guiding concept for all forms of state-organized insurance against collective risks (Kaufmann 2001b).

The Social Security Act of 1935 (SSA) represents a milestone in American history, not only in terms of social policy, but also with respect to the relationship between the federal government and the states: The previous principle of a strict separation of the powers of the two levels was for the first time broken through with

¹⁰⁵ However, those are seen as specifications of liability law and not as social insurances. To this day they have remained the exclusive domain of individual states and are therefore regulated in very different ways. See Eichenhofer (1990, pp. 173–186).

a massive subsidy for social policy measures by individual states. “The result was a previously unknown interlacing of federal and state legislation.”¹⁰⁶ The SSA comprised a federal program of old-age security, a subsidy of state measures in case of joblessness, and support for the needy. In deference to opposition from the American Medical Association, the bill dispensed with a statutory health and disability insurance.

What exactly the SSA meant became clear only gradually, since the precise nature of the old-age security had not been specified, given the expected review of the law by the Supreme Court (Stokes 1956, p. 49ff.). The bill centered around programs for seniors and the unemployed, but it also included other special measures. However, pressure from southern states led to the exclusion of workers in agriculture and domestic services from social security, which amounted to a clear discrimination of the Black segment of the population, whose state of dependency the South did not wish to change. To this day, state and municipal employees are also exempt from obligatory social security insurance, so as not to violate the rights of states and municipalities (ACIR 1980b).

3.2.4 Measures for Income Security

Until the passage of the SSA, there was no transfer income regulated by law outside of the programs for veterans. A person who was unable to earn a livelihood through work or wealth was dependent on family help, church or private charity, or public assistance, which in most states was still shaped by the principles of the poor relief of Elizabeth I (1601) adopted from England. As a rule that meant support within the setting of poor or work houses (“indoor relief”). Only a few states had cash benefits (“outdoor relief”) for selected groups of the poor. Poverty was generally regarded as self-caused. That explains the already mentioned revolutionary character of the SSA, which advanced both social security as well as social assistance.

Social Security in Case of Old Age, the Death of the Breadwinner, and Disability

Only after the Supreme Court had affirmed the constitutionality of the SSA did a political dynamic become visible that joined a survivor benefit to old age insurance and moved from a capital-cover principle to a limited apportionment method (Orloff 1988, pp. 76–79). In 1946, under President Truman, compulsory contribution to social security was expanded in principle to all dependent workers and employees. Another expansion to include most self-employed occurred under President Eisenhower; in addition, the *disability risk* – including for wives and children – was also incorporated into social security (Eichenhofer 1990, pp. 78–81).

¹⁰⁶ On the creation, development, and importance of the SSA see Eichenhofer (1990, pp. 52–72, quote, p. 67); Rimlinger (1971, pp. 193–232); Wieland (1995); Achenbaum (1986).

Thus, within the space of two decades, a state-run old age, survivorship, and disability insurance system was created that essentially encompassed the entire population that was gainfully employed on a regular basis, and which can certainly stand comparison with corresponding European systems.¹⁰⁷ The system is funded essentially only by contributions from the insured, half of which in the case of dependent workers are paid by the employer; there are no federal subsidies. Contributions are proportional to income up to a certain level, whereas benefits are need-based, that is, for those with a low income, social security amounts to 90% of their wage-based actual value; however, relative to paid contributions, social security rises only degressively above a specified subsistence level, and the cumulation of additional benefits is in turn capped on the basis of need. The purpose of social security is thus a *basic insurance in old age*, which, in order to maintain an appropriate standard of living, requires supplementary provisions that are either job-based or private. However, since individuals who are not gainfully employed on a regular basis pay no contributions and do not earn any entitlements, the system often fails to provide adequate security even in old age to those who are frequently ill or unemployed.

Alongside a state-provided old-age social security, *company pension schemes* funded largely by employers play a not insignificant role. They have received tax benefits since 1926, and in 1974 the Employee Retirement Income Security Act (ERISA) spelled out minimum conditions that had to be met for these schemes to qualify for tax breaks. Crucial regulations ensure that the circle of those entitled to participate is sufficiently broad in scope and not forfeitable.¹⁰⁸ Since social security offers only a basic level of security, company pension schemes, as a supplemental insurance, take on central importance in securing old age, especially for the middle classes.

Income Security in Cases of Unemployment and Illness

While the old-age security program administered at the federal level under the title of “social security” developed into the most important component of a federal social policy, *measures to combat unemployment* remained a matter for the individual states. In part this had to do with the fact that in 1936, Wisconsin and Ohio already had unemployment insurance modeled after European schemes. More important, though, was opposition to such measures from the southern states and from mid-western agricultural states, which feared that this would generate an upward pressure on wages. As a result, the SSA merely provided for federal

¹⁰⁷ A detailed account of the most important regulations is given by Eichenhofer (1990, pp. 123–150); the description here is necessarily simplified.

¹⁰⁸ Details in Murswieck (1988, pp. 52–55); Eichenhofer (1990, pp. 143–150).

financing through an earmarked payroll tax paid by employers, and a subsidy for state insurance schemes, provided they meet certain requirements.¹⁰⁹ There were complicated accounting rules between the federal government and the states, which made it advantageous for the states to introduce unemployment insurance that met the minimum requirements of the federal government; as a result, already by 1938 all states had introduced such an insurance.

Since legislative authority rests entirely with the states, the regulations governing who is covered by the insurance, the benefit level, and the conditions under which benefits are granted, vary greatly; the federal government can exert influence merely by setting the conditions under which it will contribute to the costs (Eichenhofer 1990, pp. 162–172). Although benefits are usually tied to the previous income, they are very modest and of short duration;¹¹⁰ in many cases, access to this insurance as well as the conditions under which benefits are paid out reveal the widespread distrust about the lack of desire to work on the part of the unemployed.

In addition, job-creation measures by the states were also to be subsidized as part of other New Deal programs. However, this *decentralization in the fight against unemployment* fell far short of Roosevelt's expectations, because of a lack of relevant regulatory powers on the part of the federal government, and because of the limited implementation in the individual states. After the Second World War, as well, no nationally coordinated employment policy was put in place in the US (Weir 1988; Skocpol 1995, pp. 228–249; Noble 1997, pp. 71, 108f.).

As for the loss of income due to illness, only a small minority of states has made certain provisions, most of which are attached to unemployment insurance; only Rhode Island calls for a stringent obligatory insurance in this regard (Eichenhofer 1990, pp. 150–157; Kruse 1997, pp. 73–89). By contrast, loss of income due to illness is frequently covered by private insurance.¹¹¹

Social Care for the Working Poor

The third component of the SSA that pointed the way for social policy concerned monetary welfare benefits. Several states already had their own programs for the elderly, the blind, survivors, and single mothers before the passage of the SSA; these were now generalized through federal subsidies and tied to certain minimum

¹⁰⁹ This political model of 'conditionalism,' which is characteristic of the relationship between the federal government and the states, also makes it possible to combine heterogeneous issues, for example, "allocations of highway funds are linked to the requirement that states raise the drinking age to 21." Lösche (1989, p. 101).

¹¹⁰ For an overview of the situation in the various states in 1982 see Murswieck (1988, p. 91f.).

¹¹¹ "In 1981, 63% of workers in industry and the public sector had this kind of insurance protection. Benefits differ considerably in level and duration. In the public sector and in some areas of industry, for example, there is continued payment of full wages, though it is limited to 15 days per year." (Murswieck 1988, p. 69f.).

standards. Subsequently, these measures, initially conceived along similar principles, took divergent paths. After survivors were incorporated into the social security system, this left in the area of aid to children only the area of the unwed and of broken families. While this program of *aid to mothers with dependent children*¹¹² was originally intended above all to support widows, in the wake of changing family conditions it developed mostly into an aid program for unwed mothers. It has always remained controversial, for one, because it initially targeted only single mothers, for another, because it was linked to both the race question (blacks remained the chief beneficiaries) and the contested issue of requiring healthy welfare recipients to work. A comprehensive and far-reaching policy of what the Germans call *Familienlastenausgleich* (equalization of burdens in families) does not exist in the US to this day, with the exception of relatively insignificant tax breaks (Beckmeier 1984).

By contrast, the subsidized state social benefits for the elderly and the disabled was standardized in 1972 and turned into a federal program called “Supplemental Security Income” (SSI). This program for the “worthy poor” enjoys unqualified political support to this day. One consequence, however, is a sharper exclusion of the younger population of the poor, which is located mostly in the large cities; although the majority of them is white, Blacks and Hispanics are represented among them in disproportional numbers. It is this population group, comprising around 27 million in 1981 (among them 11 million children under the age of 15) (Murswiek 1988, p. 100), on whose behalf the “War on Poverty” (discussed below) was waged. At the time, there were two main programs to support them: AFDC as monetary social assistance, and Food Stamps intended specifically to improve the basic nutrition of the poorest of the poor.¹¹³ AFDC was funded partly by the federal government and partly by the states, while Food Stamps, which owes their existence also to the desire to promote the sale of domestic agricultural products, is paid for entirely by the federal government. What this means is that monetary assistance was and is in principle not paid to single unemployed people.

There is no administrative coordination between the three anti-poverty programs:

This balkanized administration reinforces the centrifugal effect of widely dispersed legal programming authority in the United States. It also produces a ‘showcase’ effect, focusing public attention on each program and its beneficiaries as a separate entity rather than on the welfare system as a whole. This showcase effect hardens political opposition to welfare programs and polarizes public debate on welfare reform (Leibfried 1979, p. 191).

In summary we can note that *entitlements to income benefits* regulated by *federal law* exist only in the special programs for veterans, federal employees, and social security in the case of old age, the death of the breadwinner, and disability

¹¹² This program, repeatedly changed in name and content, has become known under the designation Aid for Families with Dependent Children (AFDC). On this see Teles (1996).

¹¹³ In the wake of President Clinton’s welfare reform, AFDC was replaced by TANF (Temporary Aid to Needy Families), see Sect. 3.2.6.

(including the supplementary benefits from SSI). Unemployment insurance funded by a federal tax exists at the level of the states, though the benefits and conditions under which they are paid vary a great deal. In case of illness, there is no statutory continued payment of wages or sick pay, nor is there a general child subsidy. Income subsidies for the poor are the tasks of states and local communities, carrying on the tradition of poor relief. To the extent that their benefits are subsidized by the federal government, these programs must meet certain minimum requirements. However, since these requirements do not regulate the extent of the benefits or the conditions under which they can be obtained, the legal status of various categories of the unemployed and needy, as well as their administrative treatment, continue to differ considerably from one state to the next. In the process, both the economic conditions in individual states and the prevailing moral judgments (and prejudices) about “worthiness,” willingness to work, and race play a considerable role. Consequently, while levels of protection that are in many cases comparable to those in Europe are found in northern and eastern states, in the south, in particular, one can hardly speak of effective social protection of the mostly black underclass.

3.2.5 Social Services

The term “social service” is used to mean a broad range of things. It is used here in the sense of *personal social services* of the educational, health, and social help systems, independent of the type of financing and the carrier. In the prevailing view, all three areas are supposed to cover “basic needs,” that is, ensure a minimum provision for everyone. At the same time, however, we are also dealing here on a regular basis with the provision of high – in the cases of universities and specialist clinics even top-notch – levels of services. Whereas a differentiation of benefits based on target groups and levels of services is fairly easy with cash payments, the quality and distribution-effects of personal social services can be guided only to a limited degree, and they are substantially dependent on the discretion and motivation of the personal providing the service and the willingness of the recipients of the services to cooperate. Still, in the US the attempt was made, within the framework of the fight against racial discrimination inaugurated by presidents Kennedy and Johnson, to directly and indirectly influence the level and distribution of services in favor of disadvantaged population groups, that is, to strengthen the *specifically ‘social’ component* of the production of services.

The Educational System

Among social services, the education system in the US holds primary importance, indeed, some authors see education policy as the core of American social policy (Heidenheimer 1981). As we shall see, one can hardly speak in this regard of an educational policy shaped by federal authorities, but one can certainly speak of a leveling of educational opportunities that is more sustained compared to Europe.

The expansion of the education system in the US probably had the greatest importance in the development of a society carried by a broad middle class of varied background. In keeping with the simultaneous liberal and egalitarian ideals of the US, the education system is to ensure *equality of opportunity*. As a result, the discussion over unequal educational opportunities and unequal school performance, and the causes for them, has accompanied the development of the education system since the middle of the nineteenth century (Church and Sedlak 1976).

The US has a centuries-old tradition of popular education, which was initially established by the churches and then increasingly carried on by local communities (Cresmin 1977). For example, around 1870 the illiteracy rate had already dropped below 20% (Heidenheimer 1981, p. 296). The years 1880–1920 then saw a rapid expansion of the secondary educational system, with the result that around 1920 a third of all 14–17 year-olds were already attending High School (Heidenheimer 1981, p. 278). A crucial element in this expansion was the competition among various religious denominations and other interests and subcultures. This continuing expansion took place on the level of states and communities without participation from the federal government, as did the growth of the universities, and it extended fairly continuously and without major breaks from 1880 to 1960 (Ringer 1979, pp. 247–259). In the process, however, no educational monopoly emerged even at the state level, as was the case in Germany; the participation of the churches and other private carriers in the education system remained high. There was also no state regulation of the accreditation system; instead, private foundations, in particular, developed standards of quality that were subsequently widely accepted:

In the United States, credentialing authority was established and extended through accreditation systems operated mainly by educators on the basis of broad legislative authority and close coordination with practitioners and employers. Historians are not sure whether the accreditation model was shaped by a state board of education, a church organization, or a women's organization, but it was definitely not invented by the national bureaucrats (Heidenheimer 1981, p. 282).

Accordingly, certificates play a far smaller role for entry into an occupation than they do in Europe, which is why one can speak of a significantly *more open employment system in the US*. The education for hands-on work takes place largely as training on the job. However, in the allocation of opportunities for social advancement, the reputation of the various educational institutions plays a greater role than in Germany, and into the 1960s the educational system was largely divided in two by racial barriers. Although the anti-discrimination laws of 1964 stripped this separation of its legal foundation, financial barriers to access remain, the result of the fact that the non-public general education system demands fees that can be quite considerable. On the other hand, there are many private initiatives and scholarship, especially for gifted students.

The successful launch of the first Russian satellite in 1957 was seen in the US as a serious defeat for the country and the free world. In response, the initiative was taken under President Eisenhower to improve the educational system, and the Department of Health and Welfare was expanded into the Department of Health,

Education, and Welfare. But in spite of a great many initiatives since then, the influence of the central governmental on the educational system remains weak.¹¹⁴ In this area, as well, the states jealously guard their autonomy; moreover, the dynamism in the educational system comes from the social and not the political realm. Except for academies for members of the military forces, the federal government maintains hardly any educational institutions of its own. However, it does fund various scholarship and loan programs for needy students and a few special programs.¹¹⁵

The Health Care System

Although the US is the world leader when it comes to advances in medical technology, it comes off poorly compared to other countries with regard to the social protection in cases of illness. Far more so even than in the educational sector, the private sector dominates on the side of the providers; as a result, generalized statements are hardly possible.¹¹⁶ The steering of the health care sector occurs largely on the basis of free market perspectives, though with strong substantive guidance from professional medical standards. Here we are concerned exclusively with the financing of health care costs. Other health policy measures that play a larger role in the US than in Germany cannot be discussed here.¹¹⁷

Government-mandated insurance for the costs of medical care exists only for retirees: the *Medicare* program (in existence since 1965) includes, on the one hand, guaranteed hospital care funded by a surcharge on the social security contributions paid by those gainfully employed, and, on the other hand, guaranteed outpatient care funded by contributions from retirees themselves and by government subsidies. In both cases, the insurance carrier covers only part of the costs, generally 80% of approved costs. However, since there are no mandatory treatment fees, the co-payments by patients can rise to well above 20%. Medical care for veterans and their surviving family members are funded entirely by tax revenues.

In addition, since 1965 there has also existed a program, *Medicaid*, that funds medical care for the poor, and which should be seen as part of welfare. As with unemployment insurance, this program is set up following the principles of the

¹¹⁴ However, there is indirect influence by the federal government through research funding, from which especially the natural sciences benefit.

¹¹⁵ Zöller (1982, pp. 182–187); a large number of the special programs listed by Zöller have been terminated again.

¹¹⁶ A quantifying overview of the American health care system is provided by Schneider et al. (1995, pp. 473–514); for a continuation see Schneider et al. (1998).

¹¹⁷ An overview of relevant federal programs, which concern especially particularly poor areas, is offered by Zöller (1982, p. 79f.).

individual states and administered by them, with the federal government paying some of the costs when certain – very broadly defined – conditions are met.¹¹⁸ As a result, in this area, as well, there are significant differences between the states concerning the level of services.

*However, there are no government guidelines for the totality of all those gainfully employed when it comes to health insurance.*¹¹⁹ The majority of the working population is covered more or less comprehensively through employment-based insurance arrangements. And since the passage of the HMO Act in 1973, Health Maintenance Organizations (HMOs) and other form of managed care have become increasingly important (Murswieck 1988, pp. 72–76; Kruse 1997, pp. 62–65; Schneider et al. 1995, pp. 481–483, 492f.). This is a form of insurance that is not clearly defined, but must meet certain minimum conditions to receive public subsidies. The basic idea is that the insurer is simultaneously the service provider or pays for the services offered by a stable group of affiliated providers. This gives rise to significant differences in the price/benefit ratio for patients, and this is supposed to lead to increased competition among HMOs and the like and better outcomes for the insured. However, since health insurance is in most cases linked to employment, and since the largest share of insurance premiums is paid by employers, the consumer autonomy of the insured seems limited. Another consequence of this form of insurance is that workers on leave or are laid off in most cases also lose their coverage.¹²⁰

As far as the *benefits* are concerned, most insurance programs pay for hospitalization and outpatient treatment. By contrast, the costs of dental care, drugs, and long-term care are usually not covered or only to a very limited extent. Accordingly, the share of drug costs in total health care expenditures in the US is comparatively low, and the share of doctors' fees is especially high.

While the ratio of those covered by health insurance grew steadily between 1940 and 1970, an *increase in the number of the uninsured* has been evident since the 1980s. Census data revealed that in 1992, in spite of Medicaid, no fewer than 37.4 million or 14.7% of the population had any kind of health insurance, among them 9.1 million individuals below the poverty line (Schneider et al. 1995, pp. 473, 477). And since only a modest percentage of private physicians are willing to accept

¹¹⁸ Kruse (1997, p. 39): "All states offer a Medicaid program today. In 1989, just under 9% of the US population received Medicaid benefits . . . In 1995, already more than 36 million – that is, more than 13% of the resident population in the US – received benefits under the Medicaid program. Between 1994 and 1995, alone, total costs for this program rose from \$143.8 billion to \$159.5 billion. The federal government's share was \$89 billion in 1995, while the individual states contributed another \$70.5 billion. Cautious estimates predict that Medicaid as currently legislated will grow by 7.5% annually up to 2000."

¹¹⁹ Most of it is done at the business level or through private insurance, to the extent that any provision is made at all.

¹²⁰ At this moment the fate of the initiatives by President Obama to extend coverage for health services is still uncertain.

Medicaid's reimbursement schedule, there is something like a separate medical system for the poor:

The *system of care for the poor* is provided by local public institutions, chief among them city hospitals and local health offices. Compared to the middle class system, these patients have no continuity of care. It is often said that the emergency room in city hospitals is the primary doctor for the poor (Schneider et al. 1995: 478).¹²¹

Measured by the share of GDP devoted to medical care, the health care system in the US is by far the most expensive in the world.¹²² The main reason is the rapid rise in the costs of treatment and thus of insurance. *No effective measures to contain rising costs exist in the US, since the health care system also falls under the free-market principle of allowing prices to find their own level.* In terms of quality, as well, there is a lack of government oversight or adequate consumer protection. Added to this is the fact that the distribution effects of the system are so unfavorable that the US is among the least effective of the OECD countries when it comes to increasing life expectancy, in spite of its enormous expenditures (Schneider et al. 1995, p. 13; Schneider et al. 1998, p. 13f.). As far as the funding of health care costs is concerned, in 1992, 39% came from public money, 40% from private forms of insurance, and 21% from direct payments by patients (Schneider et al. 1995, p. 17); recent years have seen a strong rise in the share of private insurance payments.¹²³

3.2.6 The Lost War on Poverty

In the area of social work, as well, a two-class system seems to be slowly emerging, in that the classic care and supervision of the poor is increasingly joined by programs that offer counseling and help also to the middle classes. In what follows, however, I will focus only on the “war on poverty,” which has polarized the attitudes toward social policy in the US like no other topic.

Even if the “promotion of welfare” is one of the goals of the American constitution, the primary meaning of “welfare” clearly relates to care of the poor, and this also colors the attitude toward the “welfare state.” In the US, the public attitude toward the issue of poverty is still shaped by the principles of the English “Poor Law,” which presumed that the “able-bodied poor” lacked a willingness to work. Parallel to this there developed a tradition of private charity which drew from religious and humanitarian sources, and which made the near-complete absence of effective political measures in favor of the socially disadvantaged bearable – from

¹²¹ The importance of this difference is also reflected in the lower life expectancy of Blacks in the US compared to Whites, six years for women and eight years for men (Schneider et al. 1995, p. 475).

¹²² The share of GDP devoted to medical care in the US more than tripled between 1950 (5.4%) and 1992 (13.5%). On the exceptional situation of the US see Alber (1988).

¹²³ In 1980, the share of direct payments was still 32%, that from private forms of insurance 28%; public funding has remained nearly constant: Murswieck (1988, p. 69).

the perspective of the dominant middle classes – for both sides. Moreover, we have already seen that social legislation has by now found non-discriminatory solutions for the elderly, blind, and seriously disabled poor; as a result, the old perceptions still seem to apply to the remaining younger population of the poor, which is regarded as capable of working. The 1996 shift in anti-poverty policy under President Clinton from support (welfare) to the promotion of work (workfare) marks the temporary end point of a political debate over the issue of poverty. The course of that debate needs to be laid out at least briefly, since it has had a lasting impact on the attitudes toward social policy in the US.¹²⁴

The “War on Poverty” that President Johnson declared in 1964 was within the penumbra of the anti-discrimination legislation set in motion by President Kennedy. Civil rights alone were not sufficient to eliminate discrimination, as long as the socio-economic situation of Blacks offered them no way out of poverty. This move by Johnson had been preceded by the Vietnam War, racial and student unrest, the mobilization of public opinion against the racial segregation still dominating the South, and, finally, the assassination of President Kennedy. It was not an economic crisis but a *crisis of the spirit that characterized the zeitgeist and allowed for the kind of comprehensive social legislation* that had been possible before only under the banner of the New Deal. There arose – perhaps the only time in US history – a political and public majority opinion that believed in the potential of social policy to shape society. This development was closely related to the emergence of applied social sciences: research into poverty, intelligence and education, action and social experiments, evaluation and implementation, and the professionalization of social work on the basis of these and other fields, nourished the hopes within public opinion and in turn profited from these hopes.¹²⁵

The notion that poverty could be eliminated was not new; it had already legitimized the measures of the SSA. But as was already shown, the federal governments policy of social care remained dependent on the conditions of its implementation in the individual states and on the local level. The novelty in Johnson’s policy was the attempt to make federal policy independent of these conditions, which were thwarting its intent above all in the southern states. This was done in two complementary ways: through programs by the central government and support for non-governmental initiatives (non-governmental organizations, NGOs). In the process, Johnson did not opt for expanded cash benefits for the poor, but for *services*, the purpose of which was to *prevent* the poverty of most Black young people by improving their educational levels and job opportunities through various supportive and educational measures – extending from early

¹²⁴ On what follows see Advisory Commission on Intergovernmental Relations (ACIR): Public Assistance: The Growth of a Federal Function. Washington D.C. 1980; Zöller (1982); Brauer (1982); Windhoff-Héritier (1985); Patterson (1986); Murswiek (1996); Noble (1997, pp. 79–134); Gebhardt (1997).

¹²⁵ On the emergence of the welfare bureaucracy and the professionalization of social work see Wilensky and Lebeaux (1965, pp. 233–334).

childhood (Head Start) to job placement. These measures were accompanied by federal housing programs. The legal foundation for most of these measures was the Economic Opportunity Act that Johnson had pushed through Congress in 1964 over the objections of its opponents. This was joined in 1965 by an expansion of the SSA with the addition of Medicare and Medicaid, which were intended to secure medical care for retirees and welfare recipients. Subsequently the financial framework of AFDC was also broadened, and an attempt was made to strengthen the influence of the federal government on social care activities through a reorganization of the Department of Health, Education, and Welfare (1967). Moreover, a new program of nutritional assistance through vouchers (Food Stamps) was set up in 1964, which was to serve the goals of both agricultural and social policy. Finally, these policies were supported by two decisions of the Supreme Court that strengthened the rights of welfare recipients. These policies, which contradicted all the maxims of the conventional policy on the poor, found its greatest resonance not among the target populations, but *among the professions that were promoted by it*. New forms of active social work that mobilized those affected took hold and led to a considerable growth in the number not only of the clients served by the programs (especially AFDC), but also of those serving them. Accordingly, the war on poverty led above all to a considerable expansion of public expenditures in the social sector, not only in the area of the new measures aimed at preventing poverty, but also in the area of welfare services they were intended to reduce. As a percentage of GDP, the federal governments spending on social programs nearly doubled between 1965 (5.5%) and 1975 (10.8%); expenditures by the state rose in the same period from 5.6% to 7.9% of GDP (Murswieck 1988, p. 39). What developed in the wake of these moves was a protracted and controversial scientific and scholarly debate over the success or failure of these measures. While advocates celebrated the growth in those drawing on services as a success and many scientific evaluations arrived at ambiguous conclusions, opponents criticized above all the ballooning of the bureaucratic and social work apparatuses and their costs.¹²⁶ For example, the influential economist Milton Friedman argued that if one were to pay out the total expenditures for these measures directly to welfare recipients in the form of a so-called negative income tax, one could do away with the entire existing system of social aid.

It soon became obvious that the ‘war on poverty’ could not be won through the strategy of more services, because they were too personnel-intensive, too expensive, and their coverage was too narrow. In response, President Nixon wanted to change the existing system directly and enforce the same minimum standards in all states by centralizing social assistance benefits, so as to finally reach also the Blacks in the southern States. Two proposed additions to the SSA were to serve that goal: the Supplemental Security Income (SSI) and the Family Assistance Plan (FAP). The second measure was also intended to abolish the “welfare trap,” which prevented welfare recipients from looking for work. By reducing the income

¹²⁶ See, for example, Hobbs (1978), with a survey of 44 (!) various programs and their costs.

subsidies by only a certain percentage of the wage for low-income earners, the “working poor” should be able to count on higher income than the “non-working poor.”

As a result of these measures, the individual states would have lost their jurisdiction over the regulation of social assistance, though they would have received financial relief. The political battle was waged exclusively over the FAP, which eventually failed to make it through the legislative process, while the SSI was accepted with virtually no discussion.¹²⁷ Evidently the standardized minimum income for the elderly, and the blind, and the disabled was acceptable, and the financial relief for the states outweighed their loss of authority. By contrast, the states and local communities did not want to relinquish their control over their youthful poor. As a result, the AFDC remained unchanged, though some states subsequently tried to lower the costs by increasing the benefits of the Food Stamp program, which were paid entirely by the federal government, at the expense of the AFDC.

Another reason why the states resisted a uniform funding and oversight of social assistance expenditures on the federal level was derived from their fiscal self-interest. The capacity of the federal government to *control* the use of the funds handed over to the states, communities, and NGOs was very limited, and in many programs the administration was unable to provide Congress with clear information about how the funds were being spent (Derthik 1975). To illustrate abuses that “took advantage” of the federal government, let me quote in full the long subtitle of an early scientific study on the effectiveness of a federal program in the area of low-income housing:

Implementation: how great expectations in Washington are dashed in Oakland or, why it’s amazing that federal programs work at all. This being a saga of the Economic Development Administration as told by two sympathetic observers who seek to build morals on a foundation of ruined hopes (Pressman and Wildavsky 1973).

Then came the political backlash (welfare backlash) against the federal government’s welfare policy, first under President Carter and then vigorously under President Reagan.¹²⁸ It was fed in equal measure from the discontent over growing tax burdens, the anti-federalist resentments by the states, disappointment over rising costs, the lack of success of the anti-poverty policy under Johnson and Nixon, and the political polarization between champions and opponents of the welfare programs. What is notable – from the perspective of social policy – about Reagan’s policy of cutting taxes and fighting the rising social expenditures is the fact that the cuts concerned almost exclusively the sphere of anti-poverty policy, while the area of Social Security was only tangentially affected. And initially this

¹²⁷ A detailed survey of the legislative processes addressed here only in summary form can be found in ACIR (1980a, pp. 61–68).

¹²⁸ On what follows see also Gebhardt (1998); Myles and Pierson (1997); C. Pierson (1998).

was also very much in line with public opinion (Shapiro and Young 1989). Most programs from the Johnson era were given up, and especially services for the working poor were abolished. In their stead, however, growing weight was given to a kind of negative income tax, the Earned Income Tax Credit (EITC) that had already been introduced under Nixon: working individuals whose income does not reach certain minimum levels will receive the difference from the government. Since only those gainfully employed benefited from this credit, while the support for the unemployed was strongly cut back, this move put considerable pressure on finding a job.

President Clinton pursued this line of ‘workfare instead of welfare’ further under the positive-sounding title “Personal Responsibility and Work Opportunity Reconciliation Act of 1996” (PRWORA), and he developed an internally consistent program characterized by several mutually supportive measures (Schelkle 1999; Teles 1996, esp. 177–187):

1. Especially young, single mothers as the main target group of AFDC were to be incentivized to seek a job, “to reduce dependency by promoting job preparation, work, and marriage.”¹²⁹ However, they were not expected to do more than part-time work. The previous aid for single mothers (AFDC) was converted into Temporary Assistance to Needy Families (TANF) with a time limit. After a period of unemployment to be determined by each state and not to exceed 24 months, there was an *obligation to work*, that is, the unemployed were required to take any job they were offered.¹³⁰
2. To make it easier for single mothers to go to work, the states had to set up day care and provide whatever other support was necessary to allow gainful employment.
3. If the earned income did not provide a subsistence minimum, the difference would be made up by EITC. Moreover, a newly introduced minimum wage was to prevent the new supply of workers from depressing wages in the low-wage sector. This catalog of measures for the first time also provided support to the single poor. This ‘negative income tax’ limited to gainful employment has developed into the most dynamic ‘welfare program’ in recent years (Howard 1997).
4. Federal subsidies were tied to the requirement that states provided the necessary job opportunities. The sustained economic upswing after 1994 led to a strong rise in employment, as a result of which employment initiatives by individual states were for the time being hardly needed.

Initial results of the measures passed in 1996 revealed a distinct change in behaviors. The number of welfare recipients declined strongly. Most welfare offices, renamed into Job Placement Centers, seemed to adjust to their now role.

¹²⁹ From the Preamble of PRWORA, quoted in Gebhardt (1998, p. 40).

¹³⁰ At the same time, the maximum lifelong receipt of welfare for able-bodied individuals was limited to five years.

Model calculations and initial empirical findings revealed, however, *that while the measures could be expected to boost employment, they were not expected to eliminate poverty*. Instead, there is likely to be an increase in the percentage of workers whose income does not reach the subsistence minimum and who therefore depend on the supplementary aid of EITC. “The EITC inevitably provides incentives to go on workfare and to stay there” (Schelkle 1999, p. 10). The chief effect of the Clinton reform was thus a reduction of unemployment and of the previous forms of assistance, while at the same time shifting the funds necessary to support the working poor into the area of the EITC and expanding the local social service bureaucracy.

The long-term success of these measures is unclear, however.¹³¹ In particular, it seems doubtful whether it will be possible in a recession to carry out the necessary replacement of the private demand for labor with employment organized by the states or local communities.¹³² To the extent that such measures would intervene in complex problems, this could lead to similar failures to what happened with the qualification measures under President Johnson.¹³³

The Reagan presidency also saw the beginning of a new policy toward the states that was continued by the Clinton administration, namely the conversion of entitlement programs into fixed block grants (Murswieck 1996, pp. 18–20). According to the principles of shared financing introduced by the SSA in 1935, the federal government paid a fixed percentage of the costs that arise at the state and local level (matching grants) and could in this way promote an expansion of activities by the states. Funding through block grants meant that the federal government lost its influence on the use of the funds, but at the same time it limited its expenses. In the area of social assistance, however, the gain in autonomy that came with this arrangement seems to have been more attractive to state governors than the expected loss of subsidies. For those affected, the *de facto* right to social assistance

¹³¹ As to the more recent developments Wikipedia (Welfare – United States) writes: “Millions of people left the welfare rolls (a 60% drop overall), employment rose, and the child *poverty* rate was reduced. A 2007 Congressional Budget Office study found that incomes in affected families rose by 35%. The reforms were “widely applauded” after “bitter protest.” ... Critics of the reforms sometimes point out that the reason for the massive decrease of people on the welfare rolls in the United States in the 1990s wasn’t due to a rise in actual gainful employment in this population, but rather, due almost exclusively to their offloading into *workfare*, giving them a different classification than classic welfare recipient. ... *The National Review* editorialized that the *Economic Stimulus Act of 2009* will reverse the welfare-to-work provisions that Bill Clinton signed in the 1990s and again base federal grants to states on the number of people signed up for welfare rather than at a flat rate. One of the experts who worked on the 1996 bill said that the provisions would lead to the largest one-year increase in welfare spending in American history.” (5.3.2010)

¹³² Teles (1996, p. 183); Schelkle (1999, p. 10) suspected that the construction of the Clintonian social assistance reform gave reason for the first time to suspect pro-cyclical instead of anti-cyclical effects: in the case of a recession, so they argued, the system would likely lose its effectiveness, which would lead to a further reduction in consumer demand.

¹³³ On the difficulty of switching the American social system to labor market assistance see already Stein (1976).

was replaced once again with a dependence on the good will of the welfare bureaucracy, which was precisely the political goal of the Republicans who had extracted this “devolution” from Clinton (Teles 1996, pp. 179–181).

Thus, these measures pointed to a return to the principles of the old Poor Law: exclusively state and local responsibility for poverty and the dominance of “workfare” over “welfare.” This affects chiefly the Black and female population and their children, who often lack the bare necessities (Quadagno 1994; Heclo 1994). Eventually, public opinion, in reaction to the cuts in social aid, often changed again in favor of the poor (Shapiro and Young 1989, pp. 73–75).

3.2.7 Summary

Comparing the United States with European welfare states leads easily to inappropriate results. In many respects, a comparison with the European Union as a whole would be more appropriate. While the EU has so far stayed away from interpersonal redistribution aims and leaves this to the member states, the US has, in the Social Security Act, a basic social policy document for the standardized federal regulation of the important issues of old age, survivor, and disability insurance. By contrast, all other socio-political concerns are regulated – if at all – at the level of the states, with considerable differences as to the kinds and levels of benefits that are extended. The history of American social policy is rich in failed initiatives to expand social protection, and it has been shaped by continued clashes between the federal government and the states with respect to the jurisdiction over and the financing of social benefits and services.

When it comes to the economic system, however, the US is uniform. The institutional arrangement of welfare production is characterized in the US by the dominance of the free market principle and the interests of private capital accumulation. In contrast to the Scandinavian doctrine of an uncoupling – made possible by the welfare state – of those impaired in their abilities to earn a living from the compulsory need to do so (decommodification), what dominates in the US is the expectation that government measures should not impair the effectiveness of market forces. Accordingly, there are virtually no government guidelines for labor law, which is treated instead as a matter of negotiation between employers and unions or individual employees. When it comes to social protection, work-based social benefits (fringe benefits) play an unusually large role, and the funds that provide them are among some of the most important actors in the financial markets. What is lacking, however, are broad provisions for the case that someone is jobless and without income before retirement. Every man and every woman – including mothers – must essentially earn their livelihood through work. However, public support for day care is still in its infancy, just as having children is generally looked upon as a purely private matter.

In second place in the arrangement of the generation of welfare one must therefore place the family, whose solidarity – where it exists – is a substantial

element of social protection. Typically, the urban poor, who today made up the majority of the poor population, lack stable family structures.¹³⁴ When it comes to the production of welfare, the role of the state is focused on veterans, the elderly, and the disabled, while church communities and other charitable organizations take on an importance for all other needy population groups that is far greater than in most European countries.

The condition and consequence of this market-oriented system is that the *acceptance of social inequality is greater in the US than in Europe*. While there are comparatively few obstacles to individual mobility between social strata, at the same time the boundaries between the upper, middle, and lower classes are sharply drawn. To be sure, statistical studies have shown that the average duration of unemployment is noticeably shorter in the US than in Europe, that is, the percentage of long-term unemployed is much smaller as a result of the higher downward wage flexibility. However, the socio-political processes of redistribution are much less successful than in Europe in reducing the size of the poor population. Finally, income inequality also remains substantially higher than in most European countries (Atkinson 1996). Crucial factors that explain the acceptance of social inequality are, alongside those mentioned in the introduction, the range of primary income difference, and the tradition of slavery in the South and in its wake the structural presence of a black underclass. Accordingly, the social programs for the middle classes are sharply distinct from those for the underclasses, whereby the latter accord no less importance to social control (defined by middle class standards) than to social assistance.

When it comes to the comparatively modest role of the state in the arrangement of welfare production, the ethnic factor exerts its influence also indirectly via the tense relationship between the federal government and the states. The federal structure and the weak institutional coherence of the political system and its extensive independence from the legal system are essential factors that explain why the principles of the welfare state are rather anemic in the US. It is not only in the area of working conditions that state regulation and control is largely dispensed with compared to Europe; in the area of guaranteeing social participation, as well, the influence of the central government for the protection of particularly needy lower classes has always remained limited and has been scaled back in recent years. This increases the autonomy of states and local communities, which use it in very different ways.

Finally, one must add the weakness of the trade unions as a social counterweight to the unbridled operation of the capitalist mode of production. Prosperity is distributed to workers only to the extent that it seems useful from the perspective of maintaining the long-term profit outlook. To be sure, the US has succeeded much better than Europe in recent years in reducing unemployment and in boosting the percentage of the gainfully employed among the adult population. However, not

¹³⁴ Herein lies also a significant difference between the Black population shaped by the tradition of slavery and the Hispanics or Asians, who are known for their stronger family ties.

only has this not reduced poverty, it has in fact led to an even more pronounced socio-economic inequality. Thus the most recent development also speaks for the distinction that has been drawn here: the US displays a special, in the classic sense *capitalist* pattern of modernization, the closest European example of which is probably France in the nineteenth century, though in that case with a lower social consensus. This pattern of development must be distinguished from the welfare state model that predominates in Europe in the same way that both of these models must be set apart from the state-centered planned system of the Socialist East Bloc.

4 Variations on the Welfare State Principle in Europe

This section introduces Great Britain, Sweden, and France as countries with welfare state developments that diverge from Germany in typical ways. The restriction to three – and with the inclusion of Germany, to four – comparative cases is done for reasons of practicality and transparency, for both the author and the reader. The selection of examples calls for an explanation.

The first criteria narrowed the choice down to European countries with a developed, publicly regulated welfare sector, since only this allows for a comparison of different solutions to similar problems.¹³⁵ That excludes the countries of southern and eastern Europe. The remaining countries of northern and western Europe share a good deal: a democratic constitution, a high level of economic development, and the shaping commonalities of European history. They also have in common a free-market system based primarily on private property, with an organized labor movement that developed within the framework of its industrialization. Political interventions to safeguard the rights of workers are found alongside a developed system of secondary income distribution, and public measures for a broad provision of certain services. The differences of interest here relate mostly to the institutional solutions and the priorities and problems that become evident in the process.

If we want to think of the idea of the welfare state as a specific type of modern social formation, one can distinguish it initially from the socialist type by virtue of the legal guarantee of private property and the independence of the entrepreneurial function, and from the capitalist type by virtue of the state guarantee of social rights, including on principle the whole population. The typological method (see “Preliminary Methodological Remarks”) used in the more recent research on the welfare state is for the most part quite vague when it comes to the exclusion of forms of social formation that do not follow the welfare state model. It tries to identify and describe clusters of states that are institutionally and ideologically similar, and in so doing it carries out an implicit exclusion.

¹³⁵ In principle one could include non-European states such as Australia, New Zealand, or Canada, though the author is not familiar with them.

There is broad agreement in the literature about the existence of a “Scandinavian type,” represented here by Sweden. Considerable – if somewhat less pronounced – commonalities also seems to exist among the successor countries of the British Commonwealth, represented here by Great Britain. This typological heuristic becomes dubious as we move to continental Europe. Here we have chosen France, which has interesting similarities with but also differences from Germany: France, too, has a social security system structured around occupational groups and a highly developed legal-administrative tradition. But the distribution effects are decidedly different. If our primary concern here were the capacity for reform in recent years, it would have made sense to put the Netherlands and Denmark front and center. But our chief interest is in demonstrating the inherent logic, the “cosmological character” of those national developments that set the tone also in a Europe that is growing together (see Sect. 2.4). For that purpose the selected examples seem particularly useful.¹³⁶

4.1 Great Britain

The personal union of the English and Scottish kingdoms since 1603 led to the union of the two parliaments in 1707, and since then the “United Kingdom” has been called Great Britain.¹³⁷ England, as the dominant member of the union, became a kingdom as early as the tenth century, and the island location subsequently favored a very gradual development, shaped by dynastic conflicts but on the whole forward-moving, toward a *constitutional monarchy*. The break with the Roman Church under Henry VIII gave rise to a state church that strengthened the identity of the kingdom, but which also led to bitter confessional clashes with the Catholics, on the one hand, and the Puritans, on the other. After the end of the confessional conflicts and the absolutist intermezzo connected to them, the appointment of William of Orange by the parliament in London and the Bill of Rights of 1689 created the domestic political foundation for England’s rise to a world power. The industrialization of England and the attendant socio-political conflicts¹³⁸ therefore constitute merely one – if central – domestic political aspect of the history of the British Empire, which came to a rather sudden end after the Second World War. The discussion that follows touches only tangentially on these international contexts.

¹³⁶ A comparative study similar to our own, though focused more strongly on the recent period, was undertaken by Norman Ginsburg (1992) with respect to Sweden, Germany, the US, and Britain. See also the study by Scharpf and Schmidt (2000), which comprises eighteen OECD states; the authors kindly made their material available to me before its publication.

¹³⁷ To this day there are regional organs and special arrangements for Scotland, Northern Ireland, and in part Wales, which will be passed over here. When in doubt, the account here refers to England.

¹³⁸ Competent surveys of the welfare-state development are provided by Frazer (1984); Thane (1982); Ritter (1986). For the more recent period one can recommend Lowe (1993). An account of labor law that is sensitive to national peculiarities can be found in Gayler and Purvis (1972).

4.1.1 State and Society

Although England is not a federal state, but from time immemorial a polity with a uniform legal and political system, the distinction between state and civil society that has been common from the German perspective since Hegel would miss the peculiarities of Great Britain. For this distinction rests on the differentiation in Roman law between public and private law, which is unknown to British Common Law:

Following John Locke, the leading theorist of the Glorious Revolution, the government newly established after the internal conflicts of the seventeenth century was seen as a custodian who was subject to recall and whose charge was to perform certain tasks of the supraordinated civil society. The compounds 'civil,' 'political,' or 'national society,' which correspond to the older concept of the *res publica*, the polity, were preserved. Thus, the notion of society was *not* depoliticized and was not infused with the derogatory aftertaste it acquired so often in continental political thought as the embodiments of particularist and mostly economic private interests (Ritter 1964, p. 30; see also Dyson 1980, pp. 36–44).

The crucial concept of state law since the nineteenth century has been “The Crown,” a term that describes the institutional relationship of the monarchy as the source of law and the political center (also: “The King in Parliament”) (Harris 1994, pp. 180–219; Hanson and Walles 1980; von Ziegesar 1991). This idea has survived even the process of democratization, within the framework of which the House of Commons in conjunction with the government formed out of its majority party today holds the sole legislative power (with minor limitations). What stands out compared to other parliamentary democracies is the strong position of the Prime Minister: he can freely appoint and dismiss his ministers and practically controls the policy of the majority group in the House of Commons, which usually follows the government’s proposal without question. Since Great Britain has no written constitution, but only unwritten conventions for the exercise of government, the power of law-making has no explicit limitations:

Only the legislative power is independent from the executive, while judges, as a result of the agreement that was struck between crown and parliament on the basis of the Bill of Rights of 1689, are obligated to apply the laws passed by parliament, even if they believe that they violate the rights of the citizens (von Ziegesar 1991, p. 247).

The British legal system is thus based primarily on statutory law, though it also acknowledges unwritten constitutional law and common law, which is developed as judge-made law. The *de facto* “omnipotence of the government” today grew out of the “omnipotence of the crown.”

The two-party system, dominant since the eighteenth century and until now stable by virtue of elections based on the principle of majority rule,¹³⁹ ensures clear relations between the government and the opposition and clear majorities.

¹³⁹ Until the First World War, Liberals (formerly Whigs) and Conservatives (Tories) competed against each other; after the First World War, the Liberal Party that was carried by the middle class broke apart and its place was taken by the Labour Party, which was founded at the beginning of the

And because British domestic politics since the First World War has moved primarily within the clash between the economically liberal Conservatives and the more or less socialist-oriented Labour Party, Great Britain also displays far less continuity of institutional developments in social policy than the other European welfare states (Heclo 1974).

While civil society emerged in France and Germany only as the result of the self-limitation of the previously absolutist state, the balance of power between king and nobility established in England since the High Middle Ages entailed that the circle of groups represented in parliament was gradually expanded, and there was no permanent, estate-based difference or even conflict between the nobility and the bourgeoisie. Suffrage was substantially expanded in 1832, 1867, when the majority of male industrial workers were enfranchised, and 1884. An expansion of suffrage to the entire adult population of both sexes took place between 1918 and 1928.

Great Britain was also markedly different from the Continent with respect to the development of its administration. With the exception of the financial administration, it was not centered on the court. To the extent that one can even speak of an administration, it operated in a decentralized fashion as local government. In the countryside it was the local notables who performed the necessary tasks as unpaid Justices of Peace, in the cities it was done by the likewise unpaid city councils. A specialized Civil Service emerged only gradually in the course of the nineteenth century, with the “officers” charged with overseeing poor relief and health care leading the way (Fry 1979, pp. 154–157; Barker 1944, pp. 36–38). The developing social policy thus played a leading role in the development of the administration.

The real professionalization and bureaucratization of the administration, and including local government, did not take place until the twentieth century. In the process, the relationship between the centralized government and local administration underwent repeated shifts, especially in connection with area and social reforms. But even when the development tended in the direction of stronger decentralization, the decision-making authority remained centralized. The kind of autonomy on the local level that exists in Germany and even more so in Sweden is simply not found in Great Britain.

Great Britain is the country in which the *principles of liberalism* had their most pronounced practical effects and left a lasting imprint on the economy, politics, and poor relief in the nineteenth century. When the introduction of tariffs on grain in the Corn Law of 1815 prompted the formation of a liberal movement, the struggle was no longer over the freedom of trade and commerce domestically, which had already been established in the eighteenth century, but over the expansion of political rights, on the one hand, and the principles of international free trade, on the other. But the dominance of liberal principles also constituted a permanent bar to the demands for political interventions to solve the social problems at the time.

twentieth century. In 2010, for the first time a coalition of Conservatives and Liberals is taking over the government.

“Government shall not interfere” – all arguments in favor of state intervention had to contend with this rallying cry.

The intellectual foundations for state interventions were created by Jeremy Bentham and effectively repackaged politically by his students Edmund Chadwick and John Stuart Mill (Keller 1955, pp. 60–88, 143–169; Hart 1982). These founders of Utilitarianism were never taken very seriously on the Continent, though they were among the most influential figures in Anglo-American intellectual history. Conversely, Hegel was never taken seriously in Britain. These differences in intellectual history were also reflected directly in the conceptions of social policy: Lorenz von Stein developed his theory of the social state with reference to Hegel, while the British tradition of “social administration” goes back to Bentham’s “collectivist” doctrine of politics based on rational foundations (Pinker 1971, pp. 52–61; Hume 1967).

4.1.2 Economic System - Trade Unions - Labor Law

As the first modern economic power, Great Britain was the natural laboratory of the emerging capitalist market economy and at the same time the breeding ground for the emergence of the relevant economic theories. Thus there is no need to say much about the character of the British economic system. Compared to the US, however, the contexts of the economic development were more stable and less anonymous, in many cases there were paternalistic relationships between entrepreneurs and their workers. Strong population growth since the second half of the eighteenth century, technological innovations, and the growing industrialization of the country were mutually reinforcing. At the same time, however, industrial labor and the urbanization that came with it led to a multitude of accident risks, as well as to hygienic and social problems, among which child labor was the first that led to a public debate and eventually to protective measures.¹⁴⁰

The first worker’s organizations already appeared in the eighteenth century, though they were outlawed by the Combination Act of 1799.¹⁴¹ After worker unrest had been violently put down, the Act was repealed in 1824 at the initiative of

¹⁴⁰ A good survey is provided by Frazer (1984, pp. 11–30). The earliest legislative measure dates from 1802, but it remained largely ineffective. The beginning of factory laws was Peel’s Act of 1819, which prohibited children under the age of nine from working in cotton mills and limited the working hours for older children to 12 hours. At the beginning of the 1830s, parliamentary inquests headed by the Bentham student Edmund Chadwick led to the Factory Act of 1833, which already installed four factory inspectors to oversee the tougher regulations and thus marks the real beginning of state intervention. Subsequently, it was not least reports from these factory inspectors that made a case for the need for further state interventions, which soon expanded to encompass also women and youths. This rapid and peaceful success was due not least to the favorable economic development in England.

¹⁴¹ A brief overview of the development of union laws is provided by Armington (1994, pp. 43–46, 189–193); see also Hepple (1986, esp. p. 308f.).

Francis Place, a Bentham-inspired master tailor. In the face of a massive number of strikes, the fundamental permission for workers' organizations was retained in 1825, but their sphere of action limited to negotiating wages and working hours. Actions that went beyond this, especially those that entailed pressure on third parties, were branded as violations on freedom of trade ("Criminal Conspiracy in Restraint of Trade") (Zumbrunn 1974, pp. 46–75).

The 1830s already witnessed the development, in response to the unsatisfactory reform of electoral law in 1832, of the "Chartist" movement on the national level, though it collapsed again in the 1840s. After 1850 there arose new and also supralocal unions with high member retention as a self-help movement of the workers; subsequently, it was this liberal idea of *self-help* that turned the British workers' movement into opponents of socio-political measures by the state (Metz 1985, pp. 381–386). Consumer cooperatives, savings and loans institutions, and insurance clubs based on reciprocity (Friendly Societies) appeared. The latter already had 6 million members around 1904, and unions had 1.3 million (Thane 1982, p. 29). In 1868, the Trade Union Congress (TUC) had been founded as the national umbrella organization of the unions. In Great Britain, the union movement thus preceded the political workers' movement; the Labour Party developed only after 1900. This, too, is likely to have contributed to the aversion of English unions to state regulation, which set them so distinctly apart from their continental counterparts.

Urban workers had attained suffrage as early as 1867. The Trade Union Act of 1871 brought the first legal recognition of the unions, and in 1875 the most burdensome offenses under criminal law were also abolished. "The passage of the two Acts of 1871 and 1875 formed the endpoint to a checkered and contested legal development, and it constituted simultaneously the Magna Charta for the freedom of the working class for an entire century" (Zumbrunn 1974, p. 107). Militant union organizations developed in the wake of the successful dockworkers' strike of 1889, and this led to both court battles and to the recognition of the right to strike (1906). The union movement had become a factor of political power, one that would soon have institutional consequences through its alliance with the Labour Party.

The development of *collective labor law* took place under the broad exclusion of both the legislative power and the courts, solely on the basis of more or less voluntary agreements and without the emergence of the kind of centralized regulatory system that became characteristic for Germany after the First World War (see Sect. 5.3.2). The *principle of local wage agreements for specific occupations* had developed since 1860, chiefly in the form of negotiation and mediation committees (Trade Boards) with equal representation from employers and employees. The principle of a system of wage agreements without state involvement was also respected by the legislator. And since the courts did not recognize collective agreements as contracts, it also remained fundamentally permitted to enter into divergent individual contracts. Accordingly, the *informal pressure* of the unions (represented above all by the shop stewards) on employers was far more important than on the Continent. As a result, in the "organized" economic sector there arose

a multitude of agreements only partially fixed in writing, which were supplemented by *unwritten rules* (“custom and practice”) known only to the insiders. In the process, the closed-shop principle, that is, the prohibition against hiring workers who were not organized or unwilling to organize, formed the most important foundation of the unions’ power to negotiate with employers and discipline their members. The upshot was that the unions gained a dominant influence in many sectors of the economy.¹⁴² At the same time, the system of wage agreements remained very fragmented, and since the unions were organized for the most part by occupation and not by economic sector, a company sometimes had to deal with several unions and their varied interests. The dominant pattern of industrial relations all along remained that of *informal negotiations*. As a result, no formal structures of work-based co-determination have evolved to this day (Waschke 1982, pp. 156–173).

Up until the union legislation of 1971, state laws were limited to protecting unions from the liability rules of Common Law without subjecting them to state oversight, and to the prohibition of solidarity strikes. The principle of the state’s non-intervention in industrial relations held sway. In contrast to the US, the state also exerted no pressure of any kind on employers and unions to enter into negotiations (Gayler and Purvis 1972, pp. 18–20).

Beginning in 1971, conservative governments, over the opposition from Labour, created union legislation that juridified labor struggles and collective wage agreements more, broke open the closed-shop principle, and exerted influence also on the union’s internal organizational conditions. Conflicts between various unions and the growing frequency of wild strikes contributed to a de-legitimization of the union movement in the 1970s and thus made it possible for the government of Margaret Thatcher to legally limit the right to strike and thus indirectly also the power of the shop stewards and the unions (1980/82). This led to a substantial loss of power on the part of the unions, which have not overcome their internal fragmentation to this day. Since working conditions in the most sectors are negotiated on the basis of collective agreements, *state labor law* was very slow to develop in Great Britain. What remained fundamental was the general contract law of Common Law, which gave considerable latitude, but which was increasingly specified and restricted by laws tailored to industrial working conditions, initially in the sense of *stipulating minimal working conditions*. Thus, the Trade Act of 1831 already obligated employers to pay the agreed-upon wage in cash without any deductions (Truck prohibition). Later, at the initiative of Winston Churchill, the Trade Board Act of 1909 (supplemented in 1918), established committees of employers and workers – with government participation – to determine minimum wages for sectors that were not union-organized and employed mostly women.

¹⁴² In contrast to the Swedish and German unions, however, the British unions were not able to create for themselves a politically strong and professionally competent national representation. See Heclo (1974, pp. 299–301).

The whole procedure was given a strong legal foundation through the Wage Councils Act of 1959 (Gayler and Purvis 1972, pp. 406–441).

In keeping with the traditionally informal character of most work relationships, the influence of the *judicial system* on the development of labor law was limited to serious exceptions. Accordingly, legal protection for both sides – employer and employee – also remained weak. The Industrial Courts Act of 1919 created publicly financed courts of arbitration, though they became active only if both parties agreed. Special labor law jurisdiction (Industrial Tribunals) for disagreements arising from individual labor contract was not established until 1964. The year 1971 saw the creation of the National Industrial Court, whose jurisdiction pertains to conflicts involving collective labor contracts.

In the nineteenth century, the *occupational health and safety legislation* that began as early as 1819 remained limited to women and children; men were able to align their working conditions, in particular also restrictions on work hours, to those of women within the framework of collective agreements, and they preferred this to state protection. And so the workers' movement also contributed to upholding the principle "Government shall not interfere," a principle that was constrained only by the doctrine of "free agency": the state should intervene only if free agency – i.e. freedom to negotiate and act – was *not* given because of a particular weakness: "Freedom of contract in the case of children is but another word for freedom of coercion!" (J. S. Mill). That is why the particular health risks, first of children, and then increasingly also of women, were considered exceptions to the rule.

Especially the creation of factory inspection through the Factory Act of 1833 mobilized the resistance of the entrepreneurs, but they succeeded only in limiting the disciplinary powers of the factory inspectors. Safety regulations, on the other hand, were continually strengthened, as it was becoming clear that limiting working hours boosted labor productivity, and the same was true of technical and health safety precautions.

The upshot of the state's restraint when it came to adult male workers, however, was a very heterogeneous, confusing, and incomplete implementation of worker protection in practice: it depended essentially on the competence and negotiating strength of the local workers' representatives what sort of improvement would be made to workplace conditions. On the basis of an investigative report that uncovered this state of affairs, Parliament finally passed a uniform Health and Safety Work Act in 1974, which contained in essence a legal framework and an organizational statute. The central implementing authority is a tripartite Health and Safety Commission (made up of representatives from the central employers' and union federations as well as officials from the state bureaucracy), which proposes legal directives and passes guidelines on its own. It is aided by a differentiated and specialized advisory system and an office of inspection. Also on the company level the setup envisions representatives of the employers and the unions who are expert in safety issues, which means that the material regulation of occupational health and safety continues to involve the substantial participation of workers and unions, now within the framework of a multi-tiered system of negotiation (Windhoff-Heritier et al. 1990, pp. 55–63, 144–181).

The late juridification of occupational protection raises the question of how Great Britain dealt with the *risks of workplace accidents*, which in other countries frequently played a pioneering role in the development of social protection. In this regard, the tort law of the Common Law tradition proved far more flexible than the liability rules of Roman Law. To be sure, the worker who had suffered harm had to prove negligence on the part of the employer also here, but the standards of proof were much lower. However, the obligation to pay compensation depended on the employer's ability to pay, which could easily be exceeded in small businesses or in the case of catastrophic accidents in the workplace. The Workmens Compensation Act (1897, expanded 1906 and 1925), passed at the urging chiefly of the unions, introduced business liability independent of guilt and obligated entrepreneurs to insure themselves against the risk of liability. *While on the Continent state provisions thus limited both the uncertainty of the worker and the risk of harm to the employer, England relied on an exclusively private market solution.*¹⁴³ Problems in the dealings with insurers and the concept of comprehensive state protection against income risks developed in the Beveridge Plan (1942) led in 1948 to the incorporation of the risk of work-related harm into the National Insurance. Unlike on the Continent, however, payments from the National Insurance do not relieve the employer of common law liability, who is credited with only half of the payments (Gayler and Purvis 1972, pp. 119–127).

In contrast to Germany and France, labor law plays no role for the understanding of “social policy” and “welfare state” in Great Britain. Conceptually and with certain limitations that holds true in practice also for *labor market policy* (Paulmann 1992; Rieger 1992, pp. 206–225). Although job placement was put into the hands of state employment offices as early as 1909, they do not appear to have played an active role subsequently. Attempts by the Labour government of Attlee to pick up Beveridge's demand for a link between a policy of social security and a policy of full employment led after 1951 to a conservative reaction of total abstinence on issues of employment, and to the institutionalization of a voluntaristic wage policy by the parties involved in collective agreements. Efforts by Labour governments (1964–70, 1974–79) to combat inflation through a centralized wage policy with the help of the union umbrella organization TUC had only short-term success, since it presupposed that the shop stewards would give up their power, something they were not willing to do over the long term. The return of the unions to free collective bargaining and the intensity of the labor struggles that followed contributed substantially to Margaret Thatcher's victory (1979) and the subsequent restrictions on the power of the unions. The Conservative's policy of deregulation was then able to revive economic growth and employment in the eighties, though with regionally very different effects.

Attempts at an active labor market policy proved comparatively ineffective, chiefly because of the low level of qualifications of the workers and the absence of

¹⁴³ On the various options to protect oneself against this risk see Rieger (1992, pp. 130–132).

a tradition of work-based training. In spite of the Employment and Training Act of 1948, there has not been either workplace-based or public support for a program of training the often unskilled workers. As a result, the comparatively low productivity of the British industry and its declining competitiveness were the result not only of war-related debt, but also of failures in the area of public support for productivity, especially in the form of occupational training (Rhodes 2000, p. 48f.). The social reform of the Blair government for the first time created an administrative infrastructure that could lead to an active labor market policy (Davy 2000, pp. 146–160).

4.1.3 The Question of Poverty as the Guiding Problem of British Social Policy

When it comes to how the welfare state development was conceptualized in Great Britain, care of the poor is of greater interest over the long term than factory legislation, since the former had a far greater impact in shaping the discussion about social policy. While in Germany the social question was interpreted centrally as the *workers' question*, in Great Britain it took the form of the *poverty question* (Hartwell et al. 1974). British accounts therefore usually date the beginning of the development of the welfare state to 1601, when the Poor Law Act of Queen Elizabeth I laid the foundations for a rational system of poor relief.¹⁴⁴ This was the first time that a systematic ordering of the poor was formulated on the level of an entire territorial state. The arrangement was aimed at the social integration of the poor and not merely their suppression. To that extent one is correct in pointing to this as the beginning of state social policy.

This “Old Poor Law” was tailored to an agrarian economy in which people did not move about much, and no to the problems of incipient industrialization with its population growth, high mobility, and strong fluctuations in the opportunities for work. In the wake of the crisis of 1795, a broad public discussion about this poor relief dominated the first decades of the nineteenth century and culminated in liberal demands that it be radically abolished, since the benefits of poor relief, which were fundamentally geared toward the subsistence minimum, were often

¹⁴⁴ The most important principles of that law (which had precursors dating back to 1536) were: (1) recipients of aid had to work according to their ability; for that purpose, special *work houses* would be set up. (2) The elderly, chronically ill, blind, and mentally ill were separated from the able-bodied through “classification” and put into *poor houses*. (3) Every parish (the only form of local administration common throughout the kingdom) had to organize its poor relief and appoint an “overseer” for that purpose. (4) These “overseers of the poor” were given the right to levy on parish members a poor tax in line with their wealth and enforced by the local Justices of Peace (JPs). (5) Every poor individual would be aided only at his place of birth or, if necessary, at his last place of permanent residence. See Frazer (1984, p. 33f.). – Royal oversight as originally envisioned proved impossible to implement; up until the Poor Law of 1834, the kind and extent of poor relief was left to the discretion of the Justices of the Peace, who were for the most part identical with the local landed gentry. On the practice of poor relief see Oxley (1974).

seen as better than the low starvation wages at that time.¹⁴⁵ The fact that a new poor law was enacted in 1834 in the face of all of this can be seen as the result of a new approach to justifying it, the intellectual father of which was Jeremy Bentham (1748–1832). His former private secretary, Edwin Chadwick, and the well-known liberal economist Nassau Senior were the leading minds of the Royal Commission, which submitted a report about the effects of the existing Poor Law and proposals for its revision, which both houses of Parliament subsequently adopted with large majorities.¹⁴⁶ Subsequently, the number and share of the poor declined noticeably, though that was due more to the economic development than the Poor Law. Increasingly, workers knew how to protect themselves through their cooperative organizations. In addition, private charity, most of it driven by Christian-bourgeois motivations, took on increasing importance (Hanson 1974, pp. 111–127). At the same time, however, the fear of the consequences of the Poor Law and the rejection of state measures solidified among the lower classes (Pelling 1979, pp. 1–18). And the “cruelty” of the Poor Law – disseminated through novels like *Oliver Twist* – became a cultural topos that accompanied the discussion over social assistance in Great Britain until well into the twentieth century and explains the enthusiasm over the Beveridge Plan of 1942, which held out the prospect of equal social benefits for everyone and without any needs-testing.

4.1.4 State Policy of Securing Income

The Liberal Reforms before the First World War and in the Interwar Period

When I refer to “state” policy, the term “state” must be taken with the caveats discussed in the introduction:

The failure to fashion the strenuous efforts at the turn of the century into a form that might change the institutional and political assumptions of British politics would be easier to explain . . . were it not that Balfour, Asquith, MacDonald and Lloyd George were all so aware that change was needed. . . . Part of the answer is that there was no clear political framework, no concept of the state, that helped the leaders and thinkers of the period assemble their ideas and programs (Ashford 1986, p. 63).

¹⁴⁵ The most famous document from this discussion is Thomas R. Malthus’ *Essay on the Principle of Population* (1798). On this debate see Polanyi (1944).

¹⁴⁶ The new Poor Law differed from the old one in three respects: (1) The tightening and consistent application of the classification principle in conjunction with the principle of “less eligibility”: for the able-bodied poor, relief was to become significantly less attractive than paid work; (2) these poor were therefore given food and other aid (but no cash) only in return for labor in the workhouse (workhouse test); at the same time, those receiving poor relief were stripped of all their civic rights; (3) the implementation of these tougher regulations was placed under the oversight of a central commission. See Frazer (1984, pp. 43–48). However, this law, widely regarded as cruel, met with frequent opposition from local officers in charge of poor relief and were only partially implemented (*ibid.*, pp. 48–55).

The Bismarckian “state-socialist” social laws had resonated in many countries in Europe, including England (Hennock 1987). More important still, however, was the discussion over poverty at home that was kindled by philanthropists of the Christian and Utilitarian persuasion, and by the growing evidence from social-scientific studies of mass poverty that it was not the fault of the poor themselves, especially among the elderly. In the words of the first British Chancellor of the Exchequer who was from very humble origins, Lloyd George: “*A mass of poverty and destitution which is too proud to wear the badge of pauperism*” (Frazer 1984, p. 154). In the Pensions Bills of 1908, the liberal government under Prime Minister Asquith introduced the *legal entitlement* to a tax-funded old-age pension for those over the age of seventy who had no criminal record and were in full possession of their civil rights, provided their income did not exceed a modest threshold: “A pension for the very poor, the very respectable and the very old” (Thane 1982, p. 83). This decision in favor of an exclusively need-based, tax-funded benefit, and against the establishment of a social insurance was made, for one, with consideration for the Friendly Societies and the modest financial means of the workers, and, for another, because of the costly administration that was believed necessary to collect the contributions and administer the insurance. However, funding difficulties soon became apparent, and the government plan of a progressive income tax put forth in response met with opposition from the House of Lords and led to a constitutional crisis, which ended in 1911 when the House of Lords was stripped of its power.

At the initiative of Lloyd George and a young Winston Churchill, following the landslide victory of the Liberals in the elections of 1906, the further-reaching program of sickness and unemployment insurance was undertaken. One motivation behind these socio-political activities had to do with the growing importance of the organization of the political workers’ movement, known as the Labour Party since 1906: the Liberal Party wanted to prove itself the better steward of the interests of the workers, a motivation that was quite comparable to Bismarck’s intentions. The National Insurance Act that was passed in 1911 comprised two parts: the first part concerned workers sickness insurance that was largely based on Bismarck’s model, with the benefits of sick pay, maternity support, and free medical care,¹⁴⁷ as well as modest pensions for the seriously disabled; funding came from contributions by the insured, employer contributions, and state subsidies. The second part encompassed an obligatory unemployment insurance for certain sectors, preferably those employing skilled male workers; it was based on the *principle of uniform contributions and uniform benefits*. In 1914, 2.3 million workers were insured by this program. What made it easier politically to push through both types of insurance was the fact that the unions, the Friendly Societies, and other insurance companies were included in the administration of the programs (Ritter 1986, pp. 93–96). The period between the wars (Thane 1982, pp. 163–222) was marked

¹⁴⁷ Treatment was provided on the basis of a per capita flat rate by doctors who registered on relevant lists. In spite of opposition from the British Medical Association, enough doctors agreed to participate.

also in Great Britain by economic instability with persistent mass unemployment, and it led to serious labor struggles and repeated revisions of the social legislation, some of whose benefits, under pressure from the global economic crisis, were made once again contingent on needs-testing. Still, the poor relief that was now mostly rendered in the form of cash payments (outdoor relief)¹⁴⁸ and the benefits of unemployment insurance helped to relieve the most dire need compared to the period before the First World War. Numerous studies of poverty showed that not only these benefits, but also a considerable portion of workers' wages were clearly below what poverty researchers assumed to be the minimum subsistence level. At the same time, there were large regional differences in the financial strength of local government and thus also in individual as well as collective poverty.

The Beveridge Plan and its Repercussions

Already within the framework of the war economy, numerous social benefits were improved under Prime Minister Churchill, and benefits that had previously been intended only for the neediest, especially in health care and education, were expanded to include large segments of the population.

After the Second World War, the Labour government of Clement Attlee largely rebuilt the system of social benefits and services on the basis of a plan developed by William Beveridge during the war.¹⁴⁹ This plan saw itself as a strategy for combating the five "Giant Evils" of want, disease, ignorance, squalor, and idleness.

Beveridge's concept of economic and social policy had three components: (1) the introduction of a state-guaranteed minimum standard of living for everyone; (2) the introduction of a National Health Service (NHS); and (3) a national policy of full employment (Bremme 1961, pp. 43–67). Between 1945 and 1975, most British governments, regardless of which party was in power, pursued a Keynesian full employment policy, but this policy, in combination with other influences, resulted in an inadequate adjustment of the British economy to the changing conditions of the global marketplace (Lowe 1993, pp. 99–121; Otto 1996). In the wake of the crisis of the currency system and the oil shock of the early 1970s, this led to a combination of inflation and economic stagnation, the "worst of all possible economic worlds." This gave rise, already under the Labour governments of Wilson and Callaghan, to an attempt – highly controversial in their own political camp – to revise economic policy. Beginning in 1979, that task was then undertaken by the

¹⁴⁸ In contrast to the US, where the opposition of the states and local communities was directed at attempts by the federal government to improve support for the poor, during the interwar period the local poor relief in England was for the most part more generous than what the central government had in mind, in spite of the fact that it was locally funded. This played a major role in the disbanding of the local poor administrations by the Local Government Act of 1929 and thus in the end of the Poor Law.

¹⁴⁹ On the history leading up to the plan see Marwick (1967).

Conservatives under Margaret Thatcher decidedly in line with a policy of monetary and fiscal restraint and focused on the privatization of collective risks.

The NHS will be discussed in Health care system, p. 107. In the present context we are interested in the first component, the concept of a social security that

- Encompassed *all typical risks of income poverty* (unemployment, illness, disability, old-age, maternity);
- Was *uniform*, that is, administered by a single, state-run insurance carrier;
- And protected the *entire population* at the same level of a modest living.¹⁵⁰

This was the concretization of the promise of “freedom from want” in the Atlantic Charter of 1941. Even though the Labour Party in principle advocated the funding of social benefits from tax revenues, it, too, believed that funding through contributions (i.e., the insurance principle) offered the best protection of a means-testing that was reminiscent of the Poor Law (Bremme 1961, p. 57f.). However, unlike the Bismarckian disability insurance with contributions and benefits that varied by income level, the unemployment insurance of 1911 essentially provided for equal contributions and benefits for all those insured. This *flat-rate principle* was continued in the Beveridge Plan (taking into account different “classes” of the insured: dependent workers, the self-employed, those not gainfully employed, and married women). It also shaped the National Insurance Act of 1946, which largely followed Beveridge’s recommendations, but which regulated occupational accident insurance separately with a higher benefit level. The benefits for mothers and children (Family Allowance Act, 1945) were also regulated from the outset. In addition, the government did not adopt Beveridge’s proposal to delay the full payment of benefits in order to first build up a stock of capital, since this would have been politically unpopular.

This contribution-based funding concept was even more unrealistic than that proposed by Beveridge. While in Sweden the political decisions about old-age insurance were based on extensive actuarial calculations, nothing comparable is known from England. The fundamental contradiction lay in the fact that funding benefits that secured a minimum living standard would have required a level of contributions that would have been impossible for low-wage earners.¹⁵¹ The benefit level was thus from the outset set very low, and it was subsequently not raised until

¹⁵⁰ Bremme (1961, p. 75): “The principle of pooling risks, or a standard insurance, was proposed as the one that ‘best accorded with the sentiments of the population of Great Britain,’ the sentiment ‘that all individuals should participate under the same conditions within the framework of an insurance organized by the community employing the power of coercion.’ This turn toward the pooling of risks . . . had likewise been prompted by the experiences of mass unemployment, where the view had gradually evolved that all trades were interdependent, and that those among them who were fortunate enough to provide or pursue steady employment, should share the costs of unemployment with those who are less steadily employed. The same tendency in favor of pooling risks became apparent in the area of sickness insurance and occupational accident insurance.”

¹⁵¹ From the beginning, the system required periodic state subsidies, which subsequently became a political issue in and of themselves. See Lowe (1993, pp. 141–161).

1955. Since prices were rising at the same time, the benefits fell increasingly below the official poverty line. As a result, the social assistance that provided benefits only to the demonstrably needy, and which Beveridge envisioned as merely a temporary solution for the poorest of the poor and which was put in place by the National Assistance Act of 1948, became a necessary supplement for a rapidly growing segment of the population. That development was reflected in the renaming in 1966 of “Assistance” to “Supplementary Benefit,” and in the administrative merger of the two systems into the Ministry of Social Security (Lowe 1993, p. 145).

The principle of uniform benefits was supposed to leave room for private and work-based provision,¹⁵² and the British insurance industry subsequently moved into this area with work-based and private plans for old-age provision. As a result, nearly half of the gainfully employed population was already insured by work-based pension plans by the mid-sixties. The subsequent state policy regarding Social Security was marked by deeply-held opposing views on the part of Labour and the Conservatives. While Labour sought to expand state security above the subsistence level and wanted to push back the area of social assistance, the Conservatives strove to restrict social spending as much as possible to the neediest segment of the population. The compromise was the introduction in 1975 of a wage-based state pension program (SERPS) alongside the National Insurance, combined with the possibility of private-sector solutions that provided an exemption from the program (“opting out”), which amounted to an indirect state subsidy (O’Higgins 1986, pp. 135–141). SERPS did not contribute to a reform of the social security system, nor did it prove politically stable, for it was already questioned again under Margaret Thatcher.

The Thatcher government also made substantial cuts for the able-bodied in the area of social assistance at the end of the 1980s, and this led to renewed clashes in the style of the old poverty debate.¹⁵³ However, a thorough study of this “politics of retrenchment” concluded the following:

Thatcher’s broader effort to reshape the political landscape had surprisingly mixed impact on the welfare state. In some cases, other policy goals dovetailed nicely with retrenchment objectives. However, the government frequently was forced to set priorities. Welfare state retrenchment fits less comfortably into a broad conservative agenda than is usually assumed. As a result, Thatcher has left the welfare state in healthier condition than one might have expected (Pierson 1994, p. 178).

¹⁵² Lowe (1993, p. 128f.): “Flat-rate contributions and benefits . . . set Britain apart from the normal practice in other countries, which was that contributions and benefits should be earnings-related. Beveridge, however, was determined that Britain should remain different in order to enhance the self-reliance that the popularity of insurance had earlier demonstrated. ‘To give compulsory insurance,’ he argued, ‘more than is needed for subsistence is an unnecessary interference with individual responsibilities.’”

¹⁵³ An overview of the social policy in the Thatcher era and its repercussions are provided by Ginsburg (1992, pp. 145–159); Schulte (1997, pp. 30–33).

The reform of social policy under the government of Prime Minister Tony Blair retained the focus of the Thatcher government in many respects, though it placed clearer emphasis on the fight against poverty (Davy 2000). Following the lead of the US (see Sect. 3.2.6), the reforms were aimed at integrating the able-bodied poor more strongly into the labor market. However, unlike in the US, the approach is not one of compulsion but voluntariness and support, and the assistance for the unemployment remained in place especially at the local level.¹⁵⁴

As far as balancing the burden on families is concerned, the circumstances of the debates in Great Britain are similar to those in Germany. However, the need for “child allowances” was integrated more systematically into the concept of social security than in Germany, but in Britain, it took constant battles to adjust the amount of the allowance to inflation:

In Britain .. family allowances remain a subordinate and contested part of a welfare system organized largely around the wage. ... entitlements for children have never won the British public's affection to the extent that the National Health Service has done (Pederson 1993: 415).¹⁵⁵

There have been similar debates over the relationship between tax breaks and child allowances as in Germany, though so far the idea of a negative income tax has not been pursued. On the other hand, a special benefit (Family Credit) was introduced within the framework of social assistance. Similar to the US, a movement to restrict benefits to single mothers has gotten under way in Britain, which contrasts with the recent tendencies toward liberalizing domestic relationships in Germany.

In spite of repeated restructuring, the British system of public income protection has retained its character as a comparatively effective system of avoiding the worst poverty, that is, as a modest system of providing basic security.¹⁵⁶ This can be attributed essentially to the combination of social security, child allowance, and need-based social assistance. However, the segment of the population that depends on the benefits of social assistance is much higher than in Germany. And that applies not only to the risk of unemployment, but also to the risk of age. In Britain, growing old is often still linked with downward social mobility and poverty (Leisering and Leibfried 1999). On the positive side, one should single out the uniform and all-encompassing organization of social protection, including child allowances and social assistance. The recipients of social benefits have to deal with only one agency in charge of administering all entitlements. This has dismantled the stigma of social assistance and lowered the rate of non-utilization. On the other hand, what is missing is a long-term concept of supplementary provision, especially

¹⁵⁴ Leisering and Hilkert (2000); more skeptical, Haux (1998).

¹⁵⁵ On the precarious situation of British family policy see also Neubauer (1993).

¹⁵⁶ However, in this regard, as well, considerable gender- and race-specific differences remain in place, though they do not assume the kind of exclusionary character comparable to the US. On the contrary, in Great Britain a broad social movement against discrimination for reasons of gender or skin color has emerged: see Ginsburg (1992, pp. 157–165).

with respect to old-age pensions, as has been put in place in Sweden and Switzerland, for example. The protection of existing entitlements that this requires is not given under the premise of the “omnipotence of the government” (Schulte 1988).

4.1.5 Social Services

The focal point and strength of British social policy does not lie in the always contested and controversial income subsidies, but in the area of social services. That is especially true of the care of children, the health care system, and social work, but also of housing policy, which in Great Britain is considered part of Social Services. Already at the turn of the twentieth century, in connection with the Boer War, there was a debate about the poor health of army recruits. That led to the introduction of school meals for needy children, a British social service that has become commonplace today. Since that time, education and health policy have derived their political justification among other things from arguments related to military readiness and human capital, “concern with national efficiency and national fitness” (Thane 1982, p. 196), which made them plausible also in terms of economic policy.

The Health Care System

The creation of a National Health Service (NHS), that is, a health care system funded by tax revenues and controlled by the central government, was a core element of the Beveridge Plan. It followed the same idea of a guarantee of a “National Minimum” as social security. And yet, this task was very different, for it involved the creation of something completely new: a uniform national system of health care that was to provide everyone with free access to all necessary medical services; that is, the *guarantee of a general right to help in case of illness*. Beyond medical treatment, however, preventive health care was also systematically incorporated into the system.

Although New Zealand, a member of the Commonwealth, had created a public health service as early as 1938, this does not seem to have had any appreciable influence on the law that was passed in 1946 under the government of Attlee. Rather, the crucial impulses came from the experiences with local health policy that came out of health care for the poor, and from the needs and possibilities that had become evident during the Second World War (Klein 1995, pp. 1–27).

Medical care for the poor had developed in England after 1871, and along with it hospitals for the poor that were systematically separated from the workhouse (Thane 1982, pp. 35–37). The considerable advances in medicine over the following decades also led to a gradual improvement in medical care for the poor. What developed even earlier was the public health system in the sense of a clean-up of the cities and the prevention of epidemics, namely in the wake of the “Sanitary Report” by Chadwick. The public health system was established as a separate agency in

1858 in a Medical Department of the Privy Council, which gave birth to the Ministry of Health 60 years later (Frazer 1984, pp. 72–77). Public health care and prevention was thus already firmly established as a public task in the period between the wars, and it made possible the gaining of administrative experiences through the public emergency services during the war. Plans for a country-wide, general provision of health care were already discussed within the health ministry before the Beveridge Plan, though they were given a boost by it. What made this program seem reasonable was also the experiences with the existing Health Insurance. The circumstance that its administration had been handed over to various insurance carriers, from the Friendly Societies to private insurance companies, resulted in a whole range of different benefits in practice, whereby the differences were further exacerbated by the regional differences in economic performance and thus in the level of contributions. Since the 1920s, policy makers had been contemplating a change of the system, which did not even cover half of the population by 1939 and which generally did not pay for treatment in private hospitals (Thane 1982, pp. 186–196).

The introduction of the NHS was opposed by the British Medical Association, which represented the interests above all of high income-earning physicians and private clinics. Physicians of the public health system and practicing doctors in contact with the common strata of the population gave broad support to the reform, which led to passage of the National Health Service Act in 1946 (Thane 1982, pp. 230–243; Lowe 1993, pp. 163–192; Ham 1992; Alber 1992b). That act regulated three areas of services: hospital care, general practice, and the Local Authority Health Services, that is, a variety of health-related institutions that had developed within the framework of the public health system or were to be put in place as measures that would aid especially families, the disabled, and the old. Hospitals – with the exception of university clinics – were nationalized; after some protracted debates, general medical practice remained private, that is, general practitioners, with whom the population is required to enroll, are given a per capita flat rate and also have the right to offer private treatment. Consultations with specialists, most of whom work at hospitals, is possible within the framework of the NHS only upon referral from the primary physician. The services are essentially free for the patient,¹⁵⁷ and the local services (discussed in greater detail see Local social policy, p. 109) also remained initially a free part of the public health care budget. Compared to continental Europe, what is noticeable about the British health care system is a smaller ratio of doctors and the far greater percentage of para-professional health professions such as nurses or health counselors. With more than 1 million employees, the NHS is the largest employer in Great Britain (Alber 1992b, pp. 578–583).

From the outset, the NHS had to struggle with funding problems, and there were repeated attempts to improve – through reorganizations – the fairness in the

¹⁵⁷ At various times, co-payments – e.g. for dental treatment and prescriptions – were introduced and abolished again.

distribution of its services and its efficiency.¹⁵⁸ A larger reorganization with the goal of boosting cost awareness through so-called “internal markets” and competition among service providers was pushed through in 1989 by Margaret Thatcher over the fierce opposition of the physician organizations and the local levels. The result was not the hoped-for cost savings, however, but the emergence of a far more complex and elaborate model of guidance that remained centralized at its core, though the promised freedom of choice for patients, now labeled “consumers,” has apparently brought with it certain improvements in the orientation of the public (Klein 1995, pp. 236–247; Bartlett 1994).

A comparative evaluation of the system’s advantages and shortcomings runs into nearly insurmountable difficulties. However, the statistical data does reveal a continuous rise in productivity.¹⁵⁹ Even though the costs rose at a disproportional rate between 1980 and 1992, the British health care system is among the most cost-effective by international standards.¹⁶⁰ In spite of obvious shortcomings, especially long waiting lists for certain services, the system has been fully accepted by the population; in fact, one can describe the NHS as the legitimating core of the British social sector, comparable in a sense to the centrality of old-age security within the social-state consciousness of the Germans. Most recently, however, supplementary services, covered in part by private health insurance, have been gaining in importance.¹⁶¹

Local Social Policy

Even though – or precisely because – England has a centralized administration,¹⁶² it has a long tradition of local government.¹⁶³ Ever since the Poor Laws, its most important fields of activity include the areas today referred to as “Personal Social Services,” of aid for families, youth, offenders, the disabled, and the elderly (Marshall 1985, pp. 159–184; Lowe 1993, pp. 261–279; Glennerster 1975).

¹⁵⁸ Klein (1995, pp. 28–130). A detailed survey of the history of the organizational development of the NHS is provided by Alber (1992b).

¹⁵⁹ See also Powell (1997).

¹⁶⁰ In 1992, health care spending accounted for 8.01% of GDP, compared to an EU average of 8.43%; the change between 1980 and 1992 was +33% (EU +20%). At the same time, the share of privately funded health care spending increased from 13% to 20%. Parallel to this trend, average life expectancy at birth rose by 2.6 years (EU 2.2 years). See Schneider et al. (1995, pp. 3, 5, 503). However, the years 1993/94 saw an enormous rise in costs, which caused the numbers for Great Britain to drop below the EU average, see Schneider et al. (1998, pp. 4, 14).

¹⁶¹ For more recent developments see Ham (1992/2009).

¹⁶² In this regard the differences to Scotland and Ireland are particularly pronounced.

¹⁶³ Local government, however, remains a function of centrally regulated self-government, which has undergone various profound – also geographical – reorganizations since the Second World War. There is no local autonomy comparable to what one finds in Germany. For an overview see Byrne (1986).

The shadow of the poor laws has lifted only very slowly from these services. A milestone comparable to the Beveridge Plan was the report by the Seebohm Committee (1968) and the subsequent organizational reform of 1970. As part of this reform, the services previously under the oversight of various national and local agencies were combined into a single, local “Social Service Department,” which was in charge of planning and coordinating these services, cooperating with charitable initiatives, and making the services more “client-focused.” The basic idea behind the reform was that of the professionalization and organizational independence of “Social Work” as an area distinct from the NHS. The administration of substantial segments of the NHS also falls fundamentally within the sphere of local government, namely the system of hospitals and the Community Health Services, that is, “care for infants and mothers, school-based health services, family counseling, ambulance services, and preventive dental care” (Alber 1992b, p. 535). To provide coordination, a joint ministerial responsibility was created in 1970 on the national level for social security, the NHS, and local social services under the Secretary of State for Social Services (R. G. S. Brown 1975, pp. 21–23).

Since the funds budgeted for these areas were also substantially increased as part of this reform,¹⁶⁴ there followed a considerable expansion especially of outpatient and inpatient services for the elderly (Bundesministerium für Familie, Senioren, Frauen und Jugend 1996, pp. 240–251), while initiatives to improve services for the mentally disabled remained controversial. Services to families and youths did undergo a certain professionalization, but no comparable expansion. In particular, Great Britain continues to lack a more or less broad system of pre-school education, a shortcoming that is somewhat alleviated by the very young age at which children are enrolled in school. All statutory services are provided by public carriers, while the private non-profit and private free market sector had little importance quantitatively until the most recent reforms (Schmid 1996, pp. 131–133). In the 1980s, however, the expansion of public services came under pressure from budget cuts, and another organizational reform in 1990, analogous to the NHS, was intended to strengthen the private non-profit and the private free market sector and bring more market elements into the coordination of the services. Since that time, a considerable development of the private non-profit sector has been evident (Schmid 1996, pp. 145–148).

A special – also ministerially separate – area is *Urban Planning and Housing Policy* (Marshall 1985, pp. 185–212; Lowe 1993, pp. 235–260; Duclaud-Williams 1978). This sphere of policy has been particularly controversial from its beginnings in the Housing and Town Planning Act (1909), since it was here that the conservative interests in promoting private home construction, the social-reformist intentions of Labour to improve the housing situation of the lower classes, and the interests of the central government and local communities clashed head-on, and very large sums of money were at stake. A distinction must be drawn between tax

¹⁶⁴ The financing is done largely from national budgets, supplemented by local taxes and cost contributions, if necessary.

incentives for the construction of single-family homes as a national task, on the one hand, and city planning and public housing construction, on the other, with is carried out with national funds, but is otherwise the task of local government. In contrast to Germany or France, the construction of affordable and low-income housing does not use the subsidy method, and there are also no tax breaks for the construction of rental housing. Instead, the funds flow into the construction of municipal housing, which means that those who cannot afford to own their own home depend on the always scarce public housing or on overpriced private rental properties. About a third of the housing stock was in public hands at the beginning of the 1970s (Lowe 1993, p. 236). Under the Thatcher government, the capacity of municipalities to be active in this policy area was also considerably curtailed.

The Education System

Compared to the other European states, education policy began very late in Great Britain. The first Education Act dates to 1870, and general obligatory schooling until age eleven was not introduced until 1880. Elementary education became free only in 1891, and in the lower classes threatened by poverty, obligatory schooling continued to be thwarted by child labor (Thane 1982, p. 41). Two reasons should be mentioned for this delayed development: the dominance of the denominational education system and the resulting competition between the Anglican High Church and the free churches; and the lack of a public interest in elementary education, combined with the notion that parents alone should have authority over their children and that attendance at school should therefore remain voluntary. To the extent that poor schools were set up for the children of the lower classes, they were less interested in education than in a religious-moral upbringing focused on discipline and the recognition of the existing social distinctions (Frazer 1984, pp. 79–82). For the social upper class, meanwhile, a boarding school education was already widespread in the nineteenth century, often also as preparation for study at Oxford or Cambridge. The pre-state education system was thus characterized by a *pronounced stratification by social class*, which was only very gradually reduced in the twentieth century (Archer 1979, pp. 472–595).

Until the Education Act of 1902, England had no public secondary schools, but only a disorganized multiplicity of public and private schools.¹⁶⁵ Only now did the creation of a Department of Education, which dated back to 1856, begin to have political effect.¹⁶⁶ The necessary political impulse came from the difficulty recruiting a sufficient number of healthy and fit soldiers for the Boer War. The creation of the Local Education Authorities put in place a local educational agency that was to promote the expansion of the public school system, ensure that children

¹⁶⁵ On what follows see Ringer (1979, pp. 206–247).

¹⁶⁶ The Department later became the Board of Education, and after 1944 the Ministry of Education.

had adequate nutrition, and assume oversight over both public and private schools. This was followed until the global economic crisis by a rapid and systematic buildup, which simultaneously improved teacher training and gave rise to a fairly extensive secondary education system, though attendance required a fee until after 1944. In 1918, obligatory school attendance was extended to age 14. In the process, the parallel structure – but also the tension – between public and private schools remained; private schools increasingly received subsidies. University education remained reserved for an elite.¹⁶⁷

Another qualitative leap came with the Education Act of 1944 (Thane 1982, pp. 225–230; Archer 1979, pp. 544–568, 573–595). The Board of Education under R. A. Butler had launched this reform before the end of the war, over the opposition of Churchill. There was agreement about the need to further expand and differentiate the secondary and tertiary education system. Irreconcilable differences existed on the question of whether to retain the existing three-tiered school system or introduce comprehensive school, which was a matter of equality: was the issue “parity of esteem” for the different types of schools, or an institutional equalization of educational opportunities? The final law did not resolve that question and left the decision to the local educational authorities. Subsequently, the concept of the comprehensive school gained ground, especially under pressure from Labour governments. The law strengthened the influence of the Ministry of Education, though without abolishing the fundamental *decentralization of the British education system*.

In contrast to most other countries of western Europe, for a long time no political weight was placed on *vocational training*. Preparation for a profession occurred without a centralized system of certification through a multitude of private schools. Most of all, however, a considerable portion of young people continued to enter the working world without vocational training, since companies and unions placed no stock on their qualifications. As a result, youth unemployment remained a particularly serious problem. Only the Education Reform Act of 1988 (revised 1995) led to political directives regarding the content of training and to standard certification for completed training programs, including those that prepared trainees for a vocation (OECD 1996, p. 333f.).

The higher education system underwent a considerable expansion after the Second World War. Numerous universities and Technical Colleges (comparable to the German *Fachhochschule*) were created throughout the country in an effort to reduce regional disparities in education and improve the opportunities for a tertiary education. This was done with evident success: one third of all young people were in the tertiary system in 1994/95, double the number from 1988 (OECD 1996, p. 333).

¹⁶⁷ Thane (1982, p. 202): “By the mid-1930s only 0.4 % of elementary school-leavers in England went to university.”

4.1.6 Summary

While the social reformers in England, the country that pioneered liberalization and industrialization, for the most part agreed on the *goals* when it came to the issue of how best to achieve and spread human welfare, there was disagreement over the *methods*. The liberal belief that social problems could be resolved best through self-help and, where that was insufficient, through charity and economic progress itself, took hold also of skilled workers in the nineteenth century, whose representatives began to embrace government measures only to the extent that the Labour Party gained political influence. The downsides of early industrialization were denounced especially by representatives of religious minorities (Puritans, Evangelicals, Oxford Movement, Catholics), who criticized especially the alliance between the Anglican Church and the political elites. But since the proposed reforms for the most part fell within the realm of paternalistic ideas, it is only since the reforms of the Liberals under Asquith and Lloyd George that one can speak of a movement toward a state guarantee of social entitlements, that is, of the development of a welfare state:

German social security was addressed largely at the industrial working class, which was to be wrenched away from the socialist workers' movement and won over to the existing monarchical state by providing certain protections against the consequences of accidents, disability, illness, and old age. In Great Britain, by contrast, the target groups of state social policy were above all the especially needy poor, children, and individuals incapable of self-organization, and in this context also women on a much larger scale than in Germany (Schulte 1997, p. 30).

Until the end of the Second World War, this development, too, was very slow and hesitant, obstructed above all by the unfavorable economic developments during the interwar period. In contrast to the US, Sweden, and Germany, the global economic crisis was not able to trigger an economic and socio-political movement. Only the Second World War created a sense of solidarity within the nation, which then also strengthened the willingness to pursue socio-political reforms. But the concrete expression of those reforms was always contested between the two competing parties, with the Conservatives opting more for liberal solutions and need-based support for the poorest of the poor, and Labour advocating a national policy that shaped society and equalized life opportunities. However, the differences were always greater in political rhetoric than in actual policies. The reorientation of the Labour Party under Prime Minister Blair, and the resulting greater distance to the unions as the traditional clients of Labour, could lead to a stronger convergence. This convergence takes its cues from the US model of "workfare instead of welfare:" Labour, too, is returning to the tradition of self-help that had once made their workers' movement great. But the issue now is less collective and more individual self-help, which still requires state support.

The institutional result of the clashing ideological views is a comparatively effective system of publicly administered social services, and a uniformly administered system of modest income protection (social security) that is oriented primarily toward preventing poverty, but not toward guaranteeing a standard of living. The financing of the social expenditures is done overwhelmingly through

taxes; contributions from employers and employees and workers play only a modest role. However, recent reforms in the area of social services reveal for the first time a tendency to have the beneficiaries participate in defraying the costs.

Within the institutional arrangement of the production of welfare, the dominant element in Great Britain, much as in the US, is the distributory power of the markets and the degree of participation in the labor market. Much lower than in the US is the degree of enterprise-based and associational welfare production, while the weight of the state in the area of services is approaching Scandinavian levels. This is where the completely different political organization (centralized state in Great Britain, federal state in the US) comes into play. In public awareness, the family has only a modest function for welfare production, although its *de facto* importance is undoubtedly greater than in Scandinavia.

The professionalization of the ministerial and local administration was a late and protracted process, and even the reforms after the Second World War were overseen by the ministerial administration only in the area of the Board of Education. The British system of government is such that the cabinet – and within it the influence of certain personalities on the prime minister – holds crucial political importance. The social influences on government policy are therefore highly contingent. From the very beginning, in keeping with the utilitarian idea of rational politics, consulting Royal Commissions as well as independent social science research had considerable importance for the formation of political opinions. In the wake of the socio-political reforms around 1946 there also emerged a separate academic field – mostly referred to as *Social Administration* but increasingly also as *Social Policy* – that accompanied the development of social policy with critical input.¹⁶⁸ In spite of largely non-transparent ministerial politics, this has ensured a high level of public knowledge and information, to which this brief account is much indebted.

4.2 Sweden

Sweden and Denmark stepped onto the stage of history as kingdoms in the tenth century, and for centuries they competed for preeminence in Scandinavia. When it comes to the development of the welfare state, Denmark has historical priority: the Constitution of 1849 already enshrined a *right* of the poor to support. Between 1891 and 1907, a comprehensive social safety system was created that encompassed the risk of old age, illness, accident, and unemployment, and which was to guarantee

¹⁶⁸ Efforts along these lines go back all the way to the Fabians and Sidney and Beatrice Webb around the turn of the twentieth century. As early as 1912, a Department of Social Sciences was set up within the London School of Economics, though it was only after 1951, under Richard Titmuss, that it started to really take on its intended function. See Titmuss (1958); also, the essays in Parts I and II of Bulmer et al. (1989).

the entire population basic security according to the so-called “Ghent System.”¹⁶⁹ Already in 1899, following severe labor struggles, the top organizations of employers and the unions arrived at the so-called “September Agreement,” which, among other things, recognized the ability of the unions to engage in collective bargaining and the authority of the entrepreneurs to run their businesses; it thus constituted the earliest example of a corporatist compromise which formed the basis for the subsequent construction of the welfare state. Around the turn of the twentieth century, Denmark competed with Germany for international recognition as the model country when it came to social policy. That we have not chosen Denmark but Sweden for our account has to do, for one, with the greater economic and political importance of that country, and, second, with the fact that in the international discussion, Sweden has always been seen as an especially admired or criticized model of the “welfare state.” The conditions in Norway are also similar to those in Sweden in many ways.¹⁷⁰

Much as England, from which it took its cues in many respects, *Sweden* can look back on a high degree of continuity in its political developments and its institutions. After the liberation from Danish rule, the foundations of a modern polity were laid under the royal house of Vasa (1523–1654). During the 30 Years’ War, Sweden emerged as a great European power, but it lost that status again in the Peace of Nystadt (1721) that ended the Great Nordic War. The eighteenth century was initially characterized by the dependence of the king on the estates, which was followed by an era of enlightened absolutism. The Constitution of 1809 establishing a constitutional, hereditary monarchy with a parliamentary form of government remained in force in its basic form until 1975.

4.2.1 State and Society

Sweden is distinct from all other states discussed here first of all by virtue of its high degree of *ethnic and cultural homogeneity*.¹⁷¹ With the country located at the geographic margins and not having any colonies of its own, immigration and

¹⁶⁹ In contrast to the Bismarckian social security with its public carriers, the Ghent System (practiced since 1801 in Ghent) was based on public subsidies of private, especially union-run aid funds; the system spread rapidly across wide sections of Europe, see Heclø (1974, p. 70). – A brief and good overview of the history and current state of Danish social legislation is provided by the pamphlet “Social Welfare in Denmark” that is published periodically by the Danish Information Institute.

¹⁷⁰ An overview of the political similarities and differences in Scandinavia is provided by Elder et al. (1982). A systematic comparison of the welfare state developments in Sweden, Norway, Finland, and Denmark can be found in *Growth to Limits*, vol. 1; see also Einhorn and Logue (1989).

¹⁷¹ Access to information about Sweden was limited by the fact that the author does not read any Scandinavian languages. The primary reference works were the following two surveys: Samuelsson (1968); Henningsen (1986).

minorities have hardly played a role historically. Germanic tribal traditions already had prescriptions for aid and support based on neighborliness and kinship, so that the relatively late Christianization (eleventh or twelfth centuries) reshaped already existing traditions of aid to the poor (Ratzinger 1884, pp. 412–417). The Reformation in its Lutheran incarnation was adopted throughout the country under the first Vasa king, Gustav I (1523–1560), and in the Thirty Years' War, Sweden, under Gustav II Adolphus, was the mightiest power in the Protestant party. Until 2000, Sweden had a Protestant-Lutheran state church; as of 2006, slightly more than 75% of Swedes were members of the church. However, the influence of religion on domestic politics was and is much smaller than in countries with confessional struggles. But the existence of a Lutheran state church made an essential contribution to the unquestioned acceptance of broad state engagement, which is characteristic for Scandinavia as a whole (Allardt 2000, pp. 129–141).

Another historical factor that is characteristic of Sweden (also in contrast to Denmark) is the *strong position of a free peasantry*. The peasants were seen as a separate estate alongside the nobility, the clergy, and the cities, and they were represented in the *Riksdag*, which dates back to 1453 and had the sole power to authorize taxes. Following the transformation of an estate-based parliament into one constituted by census election (1866), a strong peasant party emerged (the modern-day Center Party is its successor) – at that time, more than 70% of the population still depended on agriculture. Scandinavian scholars have seen in this strong position of the peasantry a decisive factor for the emergence of the Scandinavian model of the welfare state, which encompasses the entire population and is not restricted to industrial workers (Erikson et al. 1987, pp. 3–74).

Another central political constant is the *institutional tension between the monarchy and the estates*. Since ancient times, the successor to a king was chosen by election, which by no means ruled out succession within a family line. The balance of power shifted repeatedly throughout Swedish history: Gustavus II Adolphus and his successors had to pay for their foreign policy successes with growing domestic power by the nobility and the Royal Council, which was broken in 1668 by a coalition between the king and the other estates. The subsequent “Enlightened Absolutism” ended as early as 1718 with the deposition of Charles XII by the *Riksdag*.

Finally, considerable significance attaches to the *early establishment of a professional state administration* under the Vasa kings, the precondition for the flowering of power under Gustavus II Adolphus and his important chancellor Oxenstierna. For a long time, state administration was chiefly in the hands of the nobility, whose sons prepared themselves for these tasks through university study as early as around 1600 (Samuelsson 1968, pp. 58–60). Together with France, Sweden can therefore be seen as the pioneer of the continental European type of a constitutional and administrative state; Prussia followed only later. Already from the end of the eighteenth century a regular old-age provision existed for civil servants, which subsequently became the yardstick (never fully achieved) for the general system of old-age security.

Sweden had a four-part written *constitution* since 1809 (Elder 1970, pp. 31–62; Henningsen 1986, pp. 303–317). It was supposed to avoid the defects of the “Age of

Liberty” (1720–1772), which saw the rule of the estates, and of the Absolutism in its wake. It placed executive power into the hands of the king and the Royal Council, whose members were now given the status of ministers who could be recalled by the *Riksdag*. The executive power shifted very slowly to the cabinet, which exercised the effective power of governance only with the complete transition to democracy after the First World War.

It was only the constitutional reforms between 1968 and 1980 that reduced the position of the king within state law to representative functions and modernized the constitution in other ways: the practice of the state’s activities that had gradually evolved were modified and put into writing, and a catalog of basic rights was incorporated into the constitution. Politically consequential was the transition from the two-chamber to the single-chamber system in the *Riksdag* (1970). While the second chamber had been functioning as the popular assembly since 1866, the regional interests were represented in the upper chamber. This led to a disproportional influence of the conservatives and rural interests until the 1930s. However, to the degree that the Social Democrats began to be successful on the local level, they won a secure majority in the upper chamber, which contributed significantly to the dominance of Social Democratic politics between 1932 and 1976. The abolition of the upper chamber has significantly increased the chances for a change in policy as the result of changing parliamentary majorities and has thus considerably boosted competition among the parties (Immergut 1992, p. 224).

Characteristic of the Swedish development is thus the substantial *absence of constitutional conflicts and thus also of a “liberal phase” of questioning the universal competency of the state*. For one, the exercise of government in Sweden has been oriented comparatively clearly toward the welfare of the nation; for another, the liberalization occurred very slowly and without major opposition. Already the constitution of 1809 guaranteed freedom of opinion and the press. In Sweden, therefore, similar to England, the tension between “state” and “society” hardly played any role, though for very different reasons: while the state in England developed late and, by continental European standards, only in a rudimentary form, in Sweden the state was constrained but little by the development of civil society. A movement toward the institutionalization of liberal rights of defense against the state never gained any traction, and within the body politic, as well, checks and balances are not very pronounced. Moreover, “most Swedish industrialists were as horrified by Manchester liberalism as were their German counterparts” (Kulawik 1999, p. 165).

The crucial political developments occurred in Sweden before the comparatively *late onset of industrialization*. When the liberalization of the economy was completed and the *Riksdag* was converted from an assembly based on estates to one based on census suffrage in the 1860s, Sweden was still an agrarian state. Industrialization began around 1870, though it really took off only after 1890. The narrow census suffrage of 1866 was replaced in 1909 by an expanded suffrage for men for the lower chamber, and by 1921 general suffrage for both sexes had been extended to both chambers. Today the system is based on the principle of proportional representation, which encourages a parliamentary multi-party system.

The *control of the government* is done by the parliament via the principle of ministerial responsibility, although this responsibility does not extend in principle to the executive function of the administration, which is organized into 80 agencies (Elder 1970, pp. 138–185). An *administrative act* can be appealed to a differentiated structure of administrative oversight, as well as to administrative courts. Members of the public sector in leadership positions are subject to far-reaching criminal law oversight; in addition, all civil servants are subject to control by disciplinary laws. In principle, they can be held liable for damages by those affected. The limitation on the responsibility of civil servants (1976) was removed again. Moreover, two special administrations are charged with auditing as well as rationalizing and boosting the effectiveness of the administration. *A comparatively efficient and reliable administration that is largely independent of politics can be seen as the core structure of the Swedish polity.*

Several ombudsmen are responsible for problems that cannot be directly resolved judicially:

The activity of the ombudsman encompasses, with few exceptions, every conceivable relationship of the individual citizen to his 'authority.' What is surprising, though, is the fairly low number of complaints; currently, about 3,500 petitions are recorded every year, with measures initiated in 15% of the cases . . . There is much more in support of the thesis that the justification for the existence of the Swedish ombudsman should not be sought in the excesses of an authoritarian, omnipotent administration; rather, the authorities largely behave loyally toward the citizens – precisely because there is such a thing as the ombudsman, among other things . . . The institution should be interpreted as a consensus-creating element within Swedish politics and society, and as such it plays a not insignificant part for the political functionality of this society (Henningsen 1986, p. 311).

In line with the old traditions of German law, *local self-government* always held considerable importance. Today, Sweden is divided into 24 counties (*Län*) and about 280 municipalities with rights of self-governance, which exercise, among other things, essential functions in the areas of education, health care, and personal social services. Municipal autonomy with its own rights of taxation was placed on a legal footing already in 1862, and since then it has been developed and expanded in the sense of a modern, functional communal administration. The autonomy of the counties is noticeably smaller than that of the *Länder* in Germany, and larger than that of the regional authorities (*Regierungspräsidien*) in that country.

Social movements made use of the opportunities for liberalization as early as the nineteenth century. Pacifist, feminist, and anti-alcoholism Free Church movements gained influence early on alongside the workers' movement and have helped to shape Sweden's political culture. While the workers' movement and its topics were dominant between the 1930s and the 1970s, the eighties brought the end of the Social Democratic hegemony and the rise of new issues and movements: the environment, women, the elderly, young people, immigrants, and so on (Micheletti 1995). As the account of the development of the welfare state will also show, Sweden has a *solid tradition of a democratic and corporatist balancing of interests*, which is characterized by extensive pre- and extra-parliamentary processes of consultation and negotiation, and especially by the rights of

the major political forces to express their position within the framework of the so-called *Remissverfahren*. This allows Sweden to integrate new issues and social movements politically in a comparatively effective way and to forestall larger political polarizations.

In the Swedish case .. the weight attaching to commissions of inquiry, .. has contributed to a dominant policy-making style that is extraordinarily deliberative, rationalistic, open (in the sense that all interested parties are consulted in advance of a decision) and consensual (the agreement of all is sought) ... Representatives of interest groups are frequently to be found serving on these commissions, as well as MPs from the opposition parties (Elder et al. 1982, p. 182).

Compared to all the other countries described here, in Sweden, *even though it has a highly developed polity, the difference between state and society seems therefore small*. The social forces in turn are for the most part highly organized and exert a direct influence on the political process, namely via the dual paths of organizational and party-political representation.

The high capacity for consensus on the part of Swedish politics also has ideological reasons. Although ideological clashes – since the First World War especially between liberalism and socialism – play a not unimportant role, they are overshadowed by a *functionalistic and pragmatic conception of politics and society* that is shared by all:

Beginning with the great architectural exhibition in Stockholm in 1930, and prepared by the artistic and intellectual style of the twenties, functionalism was able to develop in Sweden into a predominant stylistic current ... functionalism became a *way of life*; and like everything that is based in Scandinavia on a mass basis, it became a kind of popular movement, which readily found its popular everyday shorthand: *funkis*; ... inherent in functionalism, which is linked to purposive rationality, is a conception of humanity in which the ability to accomplish and direct worldly things takes the place of emotional warmth. The dominance of positivism in Sweden can therefore be placed into this ‘functionalist’ context (Henningsen 1986: 47f.).¹⁷²

This was the precondition for the *social-planning optimism* that has animated Swedish politics since the thirties, especially under the influence of the social scientists Alva and Gunnar Myrdal, and which has shaped the understanding of politics in Sweden, which is oriented toward active engineering, to this day. However, it also reflects a lesser respect for the absolute criteria of human rights, as expressed, for example, in eugenics based on state coercion.¹⁷³ As a result, some writers, especially American ones, have accused the Swedish welfare state of having a totalitarian character (Huntford 1973). But this liberal battle cry hardly

¹⁷² See *ibid.* (pp. 43–59), for an exhaustive analysis of the “political functionalism” in Sweden.

¹⁷³ Eugenics as a means of state social and population policy was already outlined in the influential book of Alva and Gunnar Myrdal, *Kris I Befolkningsfrågan* (Myrdal and Myrdal 1935), pp. 245–333; see Kulawik (2003).

applies to Swedish reality, which can be characterized much more as a peculiar mixture of a premodern sense of community and a faith in science that is enthusiastic about progress.

4.2.2 Equality as the Guiding Problem of Swedish Social Policy

As the final characteristic of Swedish society one should mention its pronounced *egalitarianism*. It concerns not only the policy of a leveling of net income (advocated especially by the Social Democrats) and an equal status for blue-collar workers alongside white-collar workers and civil servants. Rather, its cultural roots can be found in old Germanic ways of life, their Christian reshaping, later in an enlightened scientific anthropology, and in the absence of a feudal era. This deep rootedness is also illustrated in the following interpretation:

Most Scandinavians are well aware that our way of life does not encourage genius. Insisting on equality, we perhaps tend to 'cut off the head of the tall person'. We regret this – but only moderately. . . . Thus those who believe Nordic 'mediocrity' is a fruit of the welfare state are certainly wrong. Rather than mediocrity, we might say that there is a passion for equality. But this attitude was present long before the welfare state began. It is a substantial part of our cultural heritage; it is in our blood. The welfare state did not create this passion for equality, but rather is itself an economic, social, cultural, and organizational expression of efforts to promote it (Andersen 1984: 110f.).¹⁷⁴

This egalitarianism found its most characteristic expression in, among other things, the continued movement toward equality for women, the downplaying of gender differences, and in an early questioning of marriage as the basis of family life. In contrast to Germany, the Enlightenment's contractualist conception of the family was retained also in the nineteenth century (Kulawik 1999, pp. 185–195). As a result, equality for women, not only in politics but also in economic life, succeeded much more strongly here than in most European countries (Kolberg 1991). Also the rejection of occupation-specific and the early choice of universal social security systems can be seen as an expression of this egalitarianism.

Equality and Efficiency are thus also the guiding concepts of Sweden's welfare state policy. By contrast, taking into account the subjective feelings and attitudes of those targeted by the social policy is largely rejected (Gurgsdies 1976; Myrdal 1960, pp. 61–74). Sweden's guiding idea of the welfare state is *social policy* in the strict sense: a political awareness has developed that accepts state guidance of the overall social contexts; even between the Social Democratic and the bourgeois parties, the differences in this regard move within fairly narrow parameters. In the seventies and eighties that manifested itself in the acceptance of attempts at macroeconomic guidance. And ever since the clear failure of these efforts under the conditions of increasing globalization, the Social Democrats, and with them the unions, have proven to be remarkably nimble in recognizing the changed economic

¹⁷⁴ See also the collection of essays edited by Graubard (1988).

premises of the development of the welfare state. The Social Democrats who returned to power in 1994 continued the strategy of the previous conservative government, namely to preserve the structure of the social benefits system, but to tighten the eligibility for sick pay, disability support, and unemployment and to reduce the benefit levels – in other words, to reduce the “decommodification effect” (Esping-Andersen 1990) of the Swedish system and to create stronger incentives for gainful employment. Likewise, they pursued, not least with a view toward Europe, currency stability and budget discipline, with considerable success (Benner and Vad 2000, pp. 419–433).

4.2.3 Economic System - Trade Unions - Labor Law

Sweden's late but very rapid industrialization was based on the preconditions of an efficient agriculture and a political tradition that did not impede economic initiatives (Henningsson 1986, pp. 147–164; Wilson 1979, pp. 1–8; Samuelsson 1968, *passim*). Feudal conditions in the sense of hereditary serfdom did not exist in Sweden. Since 1668, agriculture was dominated by the *free peasantry*. In addition, already at that time, manorial jurisdiction was replaced with a system of state courts. Royal initiatives boosted agricultural productivity from the end of the eighteenth century on. The export of grain became an important economic factor for Sweden in the nineteenth century, and *dependency on export* would remain an essential characteristic of its economy also subsequently. Strong population growth commenced as early as the eighteenth century and shaped the nineteenth. As a result of the late industrialization, the population pressure was in part relieved by a considerable emigration. At the beginning of its *late industrialization*, Sweden was one of the poorest countries in Europe. Since then, thanks to continuous economic growth into the 1970s, it has developed into one of the world's richest nations.

Free enterprise, the ability of land to be bought and sold, and freedom of movement were gradually introduced between 1846 and 1864. Sweden had a traditional iron and wood industry that was closely intertwined with the agrarian economy. Accordingly, the proto-industrial working conditions also took their cues from a paternalistic *Gesindeordnung* (code of laws governing domestics and servants), which formed the foundation of labor law outside of collective bargaining regulations until 1926.

Sweden's industrialization began with the mining, smelting, and wood industries. Beginning in 1870 an expansive railroad network was built along with a merchant fleet, which became an important vehicle for the international ties of the Swedish economy. However, far-reaching changes began only from 1890 on, when the consumer goods industry developed and a pronounced exodus from agriculture into industry got under way. Only now was the economy of self-sufficiency replaced with the growing dependence of the lower classes on the market. Since the belated industrialization allowed for a rapid expansion at a high technological level, it also cushioned some of the transition difficulties. Domestic raw materials (wood, ores), which constituted the first industrial export goods, formed the basis of

manufacturing industries with increasingly large-enterprise methods of production. In contrast to the other Scandinavian countries, Sweden was dominated since the Second World War by *large industry*, which is also largely in the hands of a small number of wealthy families. This facilitated the strong centralization of corporatist relationships in Sweden after 1938.

Urbanization was moderate, since different industrial sectors flourished in different regions, depending on the geographic preconditions. Still, the living conditions of industrial workers initially remained miserable and overwhelmingly cramped until the 1930s. At first it was chiefly the penniless agricultural laborers who flocked to industry, where they found in part paternalistic, in part anonymizing and immiserating working conditions.

The *organization of the industrial workers by unions and party politics* was fast and thorough. Since 1864, there was no longer a legal obstacle to the voluntary association of workers.¹⁷⁵ In 1898, the numerous individual unions came together to form a union umbrella organization (*Landsorganisationen*, LO); in response, the employers also formed a central federation in 1902 (*Svenska Arbetsgivareföreningen*: SAF). Relations in the workplace were at first troubled by numerous conflicts, as a result of which the degree of union organization in industry rose from one quarter (1902) to two-thirds (1909). As early as 1909, the SAF forced the unions, through a threat of lockouts, to recognize the right of employers to run the business and to accept the hiring of non-union members; at the same time, however, the unions were accepted as contract partners, and that same year, the collective labor law, which was based on the principle of freely negotiated collective bargaining contracts, was consolidated on the state level through a mediation law. A labor struggle in 1909, which was marked by lockouts and a general strike and was also politically motivated, and which the unions eventually lost, led to a more moderate union policy, a development that was also facilitated by the grant of suffrage to industrial workers.

Remarkably enough, state-recognized corporatist bodies, that is, bodies marked by the cooperation of employer and union representatives, already developed before the democratization of suffrage: it seemed like a generally recognized principle of political wisdom not to negotiate the “workers’ question” without the workers. And so, beginning in 1902 many cities set up work placement agencies free of charge, run by committees that had equal representation from both sides with a neutral chairman. And the state commission in the area of labor and social policy were from the outset also established with participation from the workers. All in all, conflicts over labor law in Sweden seems to have been settled more through negotiations than through court decisions. To that extent, the effective cooperation between the umbrella organizations after 1938 had precursors reaching far back (Rothstein 1991; Kulawik 1999, pp. 157–166).

The Social Democratic Party (SAP) was founded as early as 1889, even though, given the system of census suffrage, it could not yet hope to achieve any electoral

¹⁷⁵ On the development of the unions see Armingeon (1994, pp. 37–39); Micheletti (1995, pp. 37–39, 46–54).

success. With support from the Liberals, Hjalmar Branting was elected to the *Riksdag* as the first social democrat already in 1897, and thanks to the force of his personality, he was able to win over bourgeois circles for the concerns of the workers. After the introduction of the expanded suffrage for men (1909), the Social Democrats quickly gained in importance, and Branting was the first Minister President from their ranks in 1920; between 1933 and 1976, all governments were dominated by the Social Democrats, and thereafter, as well, they remained the strongest political force in Sweden. In the process, the unions (LO) were closely linked with social democracy. The Communist Party, founded in 1921, was never able to gain larger influence over the working class. It was only the emergence of white-collar unions that competed with the worker unions and resisted the leveling wage and tax policies of the LO and the Social Democrats that caused the dominance of the workers' movement to teeter in the wake of the rise of the service sector after 1970.

The interwar period with its economic difficulties had led once again to harsh confrontations between the parties to collective bargaining agreements, which were now to be legally disciplined by placing their relations on an increasingly legal footing. To avoid the introduction of compulsory mediation, the SAF and the LO signed the Saltsjöbaden Agreement of 1938: it contained substantial reciprocal obligations in the sense of an ongoing search for compromise, and it laid the foundation for further negotiations and the peaceful labor relations in the post-war period.

"The chief points of the Agreement are:

- Collective labor conflicts must first be negotiated at the local level. If no agreement can be reached in this way, negotiations will take place between the central employers' and union organizations.
- If no agreement can be reached and one party wishes to do so, the dispute can be referred to the labor court.
- The decision about a strike must be made by the central organization of the unions, the decision about a lockout by the central organization of employers, that is, not by individual unions or employers' associations" (Waschke 1982, p. 44).

Subsequently, nearly all matters relevant to labor law were regulated through a multi-tiered system of collective bargaining agreements and not through laws. Incidentally, much the same is true for Norway and Denmark.¹⁷⁶ In the process,

¹⁷⁶ "The social partners in Sweden, Norway, and Denmark were from the beginning intent on removing all important questions of labor law from state legislation and regulate them on their own. A substantial reason for the restraint of the state is probably to be found in the fact that the umbrella organizations of the labor market in all three countries early on, in order to pacify working life, entered into major agreements in which they obligated themselves to grant mutual recognition and respect, accepted the right of association by employers and workers, and regulated the rights and obligations pertaining to bargaining. . . . Scandinavians are convinced that cooperation can be promoted much better on this voluntary foundation than through the coercion of the law." Fitschen (1972, p. 18f.).

the unions in Sweden have secured for themselves possibilities of influencing businesses more directly than is the case with their German counterparts. For one, the degree of union organization is substantially higher; for another, there is no doubling of worker representation by the works council and the union. The unions represent workers also on the level of the enterprise: "In Sweden, unions are regarded as the natural representative of the individual worker" (F. Schmidt 1981, p. 15).

The *principle of settling common matters without state intervention* was broken in Sweden after 1972 on the union side in response to a failure to bring about a collective bargaining agreement about co-determination of workers (meaning: unions) on supervisory boards. With support from the unions, the Social Democrats proceeded in 1976 to push through a law to that effect; the law, however, regulated little of substance, and instead prescribed that both parties to the bargaining process were obliged to negotiate (F. Schmidt 1981). Similarly, an attempt was made in 1983 to alter the balance of power within companies through worker funds to be financed by companies and administered by the unions (Heclo and Madsen 1987; Einhorn and Logue 1989, pp. 254–257). That was also the thrust of the co-determination laws of 1974 and 1977.¹⁷⁷ In the wake of these developments, economic and social policy were increasingly drawn into the party-political battles from which the Treaty of Saltsjöbaden had sought to keep them out.

The year 1980 saw the most severe labor struggle since 1909. It took place against the backdrop of a deteriorating employment situation all over Europe in response to changes in the international monetary system and the oil price shock after the mid-1970s, the end of the dominance of the Social Democrats (1932–1976) at the hands of bourgeois governments, and the first tentative attempts to cut back on social services and benefits. The renewed election of Social Democratic government in 1982 led to the growing influence of a macroeconomic policy whose primary goal was to maintain full employment. In contrast to all other European countries, this policy was successfully pursued in the following years, primarily though an active labor market policy, government debt, and the repeated devaluation of the currency. However, the deregulation of international financial markets (1985/86), which Sweden also joined, led to lasting changes to the previously state-guided interest rate level and to a stronger capital export by big business in Sweden. Beginning in 1989, the state of the economy and the employment situation deteriorated rapidly, and GDP declined sharply between 1990 and 1992. This led to substantial cuts in certain social services and benefits, as well as to the abandonment of the previous corporatist cooperation on the part of the Federation of Employers (1991) and to a more flexible and decentralized wage policy (Stephens 1996, pp. 43–51; Forslund 1997; Benner and Vad 2000, pp. 427–429).

¹⁷⁷ The emphasis here was on co-determination in the workplace. A survey of co-determination rights, which on the whole are probably weaker on the employer side and stronger within the economy as a whole than in Germany, is provided by Waschke (1982, pp. 44–58).

Notwithstanding these conflicts, one should not underestimate the effectiveness of the corporatist development in Sweden. The early formation of uniform umbrella organizations and the high degree of organization on both sides made possible agreements that were strongly binding, and for decades a *centralized collective wage policy* that led in the post-war period to a very moderate wage trend¹⁷⁸ and to a highly successful labor market policy that was sustained by both parties to collective agreements. The unions were fully supportive of the modernization of the Swedish economy, and employers favored a state policy of training and mobilizing workers. While the growing international dependencies and the conflicts since 1980 have undoubtedly weakened the Swedish consensus model, so far the internal capacity of the political and economic system to adapt does not seem to have been overtaxed. However, compared to Denmark, Sweden has been less successful at combating unemployment. Denmark combines a comparatively generous system of unemployment insurance with weaker protection against termination, and achieves in this way a higher mobility among workers. By contrast, Sweden has retained the conventional protections for workers, but has reduced the benefits for unemployment (Benner and Vad 2000, p. 431).

As far as *safety at work* is concerned, Sweden introduced state factory inspection in 1889. An Industrial Safety Law was passed in 1912 and amended in 1949 and 1978. The Workplace Environment Law of 1978 was characterized by “a far-reaching and clear emphasis on primarily preventive goals of work safety to achieve a positively defined state of health” (Hauß and Naschold 1978, p. 8), and it goes much further than industrial safety legislation in all our comparison states with respect to a “humanization of working life” (Einhorn and Logue 1989, pp. 250–253). The full-time Safety Commissioners or Safety Commissions elected by the local unions play a central role in implementing the law. They enjoy special protection against dismissal, and in cases of conflict with management, they can approach the government oversight authorities on their own and initiate the appropriate review procedure. With this, the employees are in this area in an even stronger position than in England. Sweden also has a developed system of work-based medical services, which sometimes compete with the general medical care system (Serner 1980, pp. 114–116).

Since collective wage agreements had become the most important instrument for regulating working conditions, the first state regulations of working hours did not come until 1919 (8-h day) and were implemented only very slowly.¹⁷⁹ Until 1926, the code of regulations for servants dating from pre-industrial times formed the regular basis of labor law; however, after 1900 these regulations were increasingly

¹⁷⁸ As the long-term comparison of economic growth and the wage trend in Great Britain and Sweden shows, the development of wages was far more moderate in Sweden until 1960, in spite of stronger economic growth; see Hecló (1974, pp. 25, 28).

¹⁷⁹ Henningsen (1986, p. 91); *ibid.* (p. 92f.), a chronological overview of the most important labor and social laws from 1763 to 1978, which also shows the further progress in the policy on working hours.

replaced by those enshrined in collective bargaining agreements, which constitute the most important source of labor law in Sweden to this day (F. Schmidt 1977). As a result, labor law hardly registers in the Scandinavian welfare state discussion. A separate labor law jurisdiction was introduced in 1928. It has only one layer of courts and seems to have exerted only modest influence on the development of working conditions.

4.2.4 Creation and Development of the Universal System of Income Protection

The Swedish social sector is institutionally differentiated along the lines (theoretically postulated by us) of income guarantee, on the one hand, and services, on the other. The administration of cash benefits (excluding the unemployment insurance administered by the unions and the social assistance administered by the local municipalities) is done comprehensively and uniformly through the Reich Insurance Office with twenty-six regional funds. This is in line with the basic administrative idea of *standard insurance*, which also characterized the Beveridge Plan. This makes it easier to determine and coordinate different legal circumstances as they relate to a single person, and all those insured have just one agency to talk to.¹⁸⁰ Services are planned and administered on either the provincial or communal level, that is, fairly “close to the citizens.”¹⁸¹ In principle, the entire system of cash benefits and services is “universal” in design, that is, every permanent resident of the country is fundamentally entitled to all social services. Of course, that does not rule out specific entitlements (e.g. old age, certain needs). The following account will trace the origins of this model of universal social insurance, which is tied to citizenship or resident status and not to employment status and was first implemented in Sweden.¹⁸²

Prehistory

In keeping with its more liberal traditions, the traditional poor law in Sweden was also less oppressive than in nineteenth century England, for example. State-funded medical care for the poor existed since 1750. Similar to the British Poor Law of

¹⁸⁰ This idea has been implemented even more consistently in Denmark, where a communal social office is the agency that deals essentially with all social services.

¹⁸¹ Henningsen (1986, p. 100f.). Henningsen refers to the provincial level as “secondary community” [*Sekundärkommune*], which exemplifies that in character they are closer to the “primary communities” than to the centralized state [*Reich*]. It is noteworthy that the provincial and communal tasks are qualified as “non-state” tasks.

¹⁸² Plans for a universal social insurance that were not realized already existed earlier in Denmark; see Kulawik (1999, p. 159).

1601, a government decree of 1763 stipulated that parishes were responsible for their poor and had to introduce a poor tax. Between 1847 and 1871, the poor – much as in Denmark – actually had an actionable legal right to support, though it was supplemented, as early as 1853, by the obligation that able-bodied persons provide for themselves. However, in the wake of serious crop failures at the end of the 1860s, the size of the poor population grew so large that in 1871 an exclusively communal poor relief was reintroduced, with the compulsory duty of the able-bodied to work and with no possibilities of appeal.

The Bismarckian social insurance reforms found a strong resonance in Sweden, especially since King Oscar II was leaning heavily toward a German Reich that had been victorious against France. As early as 1884, Adolf Hedin, a “left-liberal” with no party affiliation, introduced in the *Riksdag* a bill to establish a commission to prepare accident and old-age insurance for industrial workers.¹⁸³ The bill was adopted fairly unanimously, with one change: the insurance should apply not only to industrial workers, but also to “*comparable persons*.”¹⁸⁴ The backdrop to this amendment introduced by the leader of the farmers’ parliamentary group was the concern – already familiar from the financing of poor relief – that farmers would have to bear the lion’s share of the tax burden for such a security system. For that reason, the farmers wanted to make sure that they and their agricultural workers, as well as rural craftsmen, were included.

The Workers’ Insurance Committee that was set up in 1884 showed the traditional characteristics of a Royal Commission, in that only three of its eleven members belonged to the *Riksdag*, while the rest were interested parties, independent experts, administrative officials, and, in one case, a worker. The Commission broadened its mandate on its own initiative and also put forth proposals concerning industrial safety, the subsidization of the private health insurance funds, and a compulsory occupational accident insurance.¹⁸⁵ Although the outcome of the Commission was neither unanimous nor politically successful with respect to old-age insurance (1889), it did already lay the foundation for the universalistic conception of Swedish social policy: the majority of the Commission found it “exceedingly difficult, if not impossible,” to draw a clear distinction between “workers and comparable persons” and the rest of the population, all the more so

¹⁸³ On Hedin see Olsson (1993, pp. 44–46). Hedin drew on J. S. Mill and German *Kathedersozialismus*, especially Lujo Brentano. On Hedin’s initiative and its parliamentary aftereffects see Hecló (1974, pp. 178–195); see also Baldwin (1990, pp. 83–94); Schüller (1970, pp. 5–11); Kulawik (1999, pp. 157–175).

¹⁸⁴ Emphasis was also placed on the need of social protection for women; see Kulawik (1999, p. 159).

¹⁸⁵ The Industrial Safety Law, which introduced factory inspection but was otherwise “toothless,” was adopted, as was the subsidization of the aid funds on the principle of facilitating voluntary self-help (“Ghent System”). However, the introduction of an obligatory occupational accident insurance after the German model was repeatedly voted down by the *Riksdag* in the 1890s, with argument that this was a matter of private law and the business owner’s duty of caring for his workers (a duty still seen in paternalistic terms), in which the state should not interfere.

since a fluctuation between independent and dependent employment was not unusual. Only about 6% of the population would fall clearly outside of the area of the regulation, and it was not worth the effort to sort them out. For that reason, the Commission proposed a general system financed by uniform contributions and promising uniform benefits, along the lines of the principles later implemented in England. The main goal was to free the working population from the risk of poor relief, which was humiliating and stripped recipients of their rights.

Under pressure from the social democratic movement that had been growing since 1889, a second commission was set up. Influenced by the mathematics professor Anders Lindstedt, who was intimately familiar with the new German system of disability insurance, it proposed for all dependent workers (with the exception of management personnel) an obligatory insurance after the German model, though it was to be largely financed through contributions from employers. This proposal was blocked by opposition especially from farmers and other independent workers.

After a number of subsequent initiatives, success came only with the proposal from a commission that was set up in 1907 under the leadership of Lindstedt and worked until 1912.¹⁸⁶ This plan had two parts, whose interconnection already anticipated the structure of the 1960s that guaranteed a basic and supplemental security:

- First, the plan introduced an income-based old-age and disability insurance that borrowed from the Bismarckian model and envisioned contributions and benefits (the so-called contribution-pension) according to three classes. In contrast to the German system, however, the entire population between the ages of 16 and 66 would be subject to obligatory contributions¹⁸⁷ and would acquire at age 67 (the retirement age in the public sector) an unconditional, contribution-proportional pension entitlement; the disabled could qualify sooner, with a correspondingly reduced pension. Financing was to take place according to the system of full funding from accumulated contributions (without employer contributions!). For actuarial reasons, however, the payment of complete contribution-pensions would begin only in 1956.

- Second, and especially in view of the long transition period, the plan called for the introduction of a tax-financed system of need-based *pension subsidies*, which already envisioned merely a proportional reduction of subsidies with rising income from other sources (Heclo 1974, p. 191f.).

¹⁸⁶ Heclo (1974, p. 191): "The commission worked for 5 years . . . The difference from the relative improvisation at the top of the British civil service was striking. At least a dozen top administrators contributed to the Swedish analysis, and in the end the commission produced 250 pages analyzing foreign pension programs, 770 pages of statistical tables, and 340 pages of cost calculations worked out largely by Lindstedt himself."

¹⁸⁷ Thus, individuals of both gender who were not gainfully employed also had to make a set minimum contribution. Public sector employees remained exempted from obligatory contributions until 1935. Contributions and benefits were administered on the local level.

This plan became law in 1913 under a liberal government, though with conservative and in part social democratic support, over the opposition from the left wing of the social democrats and the association of those previously responsible for communal poor relief: “For the first time anywhere in the world, an old-age and disability insurance was created that encompassed all inhabitants of a country, independent of an individual’s profession or background” (Schüler 1970, p. 5).

It is important to mention one political circumstance that facilitated the implementation of the universal principle of old-age insurance: Sweden had no aid funds comparable to the “Friendly Societies” that would have regarded the introduction of the new system as competition. The private insurance industry had already been represented in the previous commission and also did not put up any opposition. Unhappy representatives of the previous poor relief were unable to exert sufficient political clout, since the plan revolved precisely around curtailing them.

Old-age Insurance

With minor modifications, this system remained in force until the reform of 1935, whereby the need-based pension subsidies took on greater practical importance than the contribution-financed pension that came on line only gradually (Schüler 1970, pp. 11–51; Hecló 1974, pp. 211–251; Nedelmann 1982, pp. 87–285). In 1935, the scheme of funding through set-aside contributions, which was controversial among economists, was replaced with a pay-as-you-go system and the actualization of pension entitlements, and the term “peoples pension” [*Folkpension*] was introduced. This was in line not only with the recommendations from the preparatory commission, but also with the intentions of the Social Democrats who had been in power since 1932, and who were concerned to institutionally strengthen nationwide solidarity – the “People’s Home [*Folkhemmet*] ideology” of Prime Minister Per Albin Hansson. However, the law was carried only after bitter struggles and new elections, from which the Social Democrats emerged as the big winners.¹⁸⁸

The “contribution pension” now became the “basic pension,” which was made up of a fixed basic amount and a contribution-based supplement; as long as the total old-age income did not exceed a certain threshold, income-based “supplementary pensions” were paid. In 1946, the level of the basic pension was uncoupled from the size of the contribution payment and the old-age pension was standardized for everyone; the previous contribution was converted into an earmarked tax on employment income. At the same time, old age insurance was centralized, while need-based supplementary benefits (especially in the area of disability and survivor insurance) remained the task of local communities.

With this, the “National Basic Pension” (AFP) had become a *need-independent basic security for all elderly*. Subsequently, debates revolved only around the size

¹⁸⁸ Overviews of the development of Swedish social policy are provided by Wilson (1979); Olsson (1993).

of increases, not least in the face of persistent inflation, and around the supplement that depended on personal circumstances – for it was not possible, especially in urban environments, to live from the pension alone.¹⁸⁹ Substantial increases in pensions led to a parallel increase in the special, income-proportional taxes that had taken the place of the insurance contribution.

As early as 1917, employers' associations and employees' unions had created an insurance company to collectively insure workplace-based benefits in cases of old age and sickness (Olsson 1993, p. 266). From the end of the 1920s there was a discussion about the introduction of *supplementary pensions*, which was to guarantee all regular employees, after the model of the benefits for civil servants, old-age income in keeping with the development of their lifetime earnings through a workplace-financed pensions. This proposal was initially negotiated between the umbrella organizations of the two sides to collective bargaining, but no agreeable solution could be found since employers opposed any general compulsory insurance. Beginning in 1944, the proposal of "employers pensions" became embroiled in parliamentary debate and led to the most bitter political clashes of the post-war period, which finally ended in a law in 1960, following a (consultative) plebiscite, new elections, and a dramatic voting procedure with one "borrowed" vote for the Social Democratic party group against the conservative parties.¹⁹⁰ After 1963, the "National Supplementary Pension" (ATP) essentially secured an old-age income that amounted to 60% of the average income during the fifteen highest-earning years, provided the recipient had worked a total of at least 30 years.¹⁹¹

This arrangement, which was very generous by international standards, was increasingly questioned from the middle of the 1980s under pressure from the worsening economic situation. The principles of the ensuing reform were approved in 1998 and have been in force since 1999. The reform was supported by five crucial political parties including the Social Democrats.¹⁹² The most important points are:

- Integration of AFP and ATP into a new system (conceived on actuarial principles) that is compulsory for the entire population and includes a pay-as-you-go (Income-Pension) and a funded component (Premium-Pension).

¹⁸⁹ Most important are the housing subsidies, which are paid out together with the old-age pensions; if necessary, they are supplemented by local aid.

¹⁹⁰ See the detailed analysis in Nedelmann (1982). The central point of conflict was not the burden on businesses from the financing of these supplementary pensions, but the proposal of a partial financing by means of a capital market-based fund, through which, it was feared, the government could exert influence on business policy. This conflict flared up again two decades later over the so-called Meidner Plan regarding capital funds for employees.

¹⁹¹ Added to this in many cases was the work-based pension from collective wage agreements, so that some workers had old-age income that was higher than their last working income.

¹⁹² The following is drawn from diverse Internet information from the Ministry of Health and Social Affairs, and the Swedish Insurance Agency (as of March 2010). See also Benner and Vad (2000, p. 67); Lindbeck (1998, p. 38f.).

- Funding is in principle from contributions;¹⁹³ the *entire* income up to a ceiling is subject to the compulsory contribution; This amounts to 18.5% of the income. For wage earners, 50% of contributions is paid by the employer. Periods devoted to child rearing and several other exceptional situations boost the pension.
- About 7/8th of the contributions flows into a fund that finances pensions through the existing pay-as-you-go system. The size of the individual pensions that are paid out from this fund is based on the amount contributed, the mean life expectancy at the time of retirement, the rate of inflation, and economic growth; the value of the pension has a maximum and a minimum level.
- About 1/8th of the contributions is invested in a personal account within one of the supervised capital or saving funds as chosen by the insured. This entitles the holder to an additional “premium” pension which is also calculated according to actuarial criteria.
- The standard retirement age is abolished. Pension can be drawn at the earliest after the age of 61; if the pension is drawn later, the amount is increased in line with the shorter average length of the payout.¹⁹⁴

The balance of interests in the distribution conflict caused by demographics and economics is altered especially by the change in financing from a payroll tax paid entirely by employers to a contribution financing equally divided between employers and employees. At the same time, the elimination of the AFP eases the burden on the budget.

The reform of old-age security represented the most controversial part of the restrictions on welfare-state benefits that have been implemented in Sweden since the beginning of the 1990s. Since its beginnings, public old-age insurance was the most debated and also the most instructive part of the Swedish system of income security. Nearly all the discussions that have recently been carried out internationally about state-funded old-age security systems were first engaged in Sweden.¹⁹⁵ However, even the most recent reform maintains the principles of universal insurance and social balancing, though the balancing remains limited to extreme cases.

Unemployment

The central concern to the workers' movement was not the risk of old-age poverty, but that of *poverty through joblessness* (Heclo 1974, pp. 70–78; Wilson 1979, pp. 69–91). Thus, most countries saw the creation of aid funds as self-help instruments of the unions, which provided aid in accordance with their financial

¹⁹³ State subsidies are provided only to finance provisions that are above the actuarial value.

¹⁹⁴ The transition problems that are unavoidable in such a profound transformation of the system have been cushioned for those born between 1937 and 1954 through a calculation that is a mix of the old and the new system. Since 2003 all insured have been transferred to the new system.

¹⁹⁵ On the early scholarly discussion in Sweden see Schöler (1970); Heclo (1974, pp. 215–221).

possibilities in cases of joblessness or sickness. However, those funds were quickly exhausted during economic crises. Although Norway (1904) and Denmark (1907) had introduced state subsidies for union-based aid funds in line with the Ghent System, comparable plans and parliamentary initiatives in Sweden were repeatedly thwarted by opposition especially from the conservative and farmers' parties, who believed it gave preferential treatment to urban workers; and from employers, who feared that it would strengthen the unions. As a result, the unemployed remained dependent on local poor relief, unless they enjoyed the paternalistic support of their former employer, a form of behavior that became increasingly rare as industrialization progressed.

The only improvement in the situation of the unemployed resulted from an amendment of the Poor Law (1918), which restored the legal claim to social welfare, but continued to leave the form and amount of support to the discretion or arbitrary decisions of the local authorities in charge of the poor. It was only in 1934 that a law providing state subsidies to union aid funds could be enacted, without abolishing the principle of voluntary insurance.¹⁹⁶ However, contrary to the hopes that were placed in this law, the ratio of the insured among the working population increased only very slowly: at the outbreak of the Second World War, only 20% of union members were insured, by the end of the war (following a massive increase in state subsidies) the figure stood at 45%. At that time, the unemployment funds joined to form their own umbrella organization and subsequently exerted massive influence on the further development of unemployment insurance (Heclo 1974, pp. 131–141). As a result, the system drifted increasingly away from being a self-help institution financed by contributions from the insured toward being an *indirect state administration*. The share of state subsidies soon exceeded the revenue from union contributions, and beginning in 1974, employers were also required to contribute. At the same time, the initially very modest benefits were slowly improved. Insurance became obligatory for all union members, and this led to the demand – prompted also by reasons related to labor market policy – for measures covering non-union members, especially women. Finally, in 1979 the systems was standardized for the entire working population and financing was switched entirely to a payroll tax levied on employers; the administration, however, remained in the hands of the unions (Wilson 1979, p. 82). In this area, as well, the universalistic principle thus carried the day, though it was linked to considerable concessions to the power of the unions.

But this is only half the truth when it comes to the way the state has dealt with unemployment. Beginning in the early twentieth century, a group of civil servants involved in social policy formed within the bureaucracy under the influence of the liberal economist Gustav Cassel (Cassel 1902) with the goal of fighting joblessness

¹⁹⁶ To facilitate protection for the especially vulnerable workers in agriculture and forestry, the relevant funds were paid higher subsidies. However, this 'preferential treatment' was subsequent attacked by union funds with lower risks and rendered politically impossible. This is one example of the dysfunctional consequences of the Swedish ideology of equality.

through *publicly financed work* instead of unemployment benefits (Heclo 1974, p. 75; Olsson 1993, pp. 61–74). A first program of “emergency work projects” was already put in place during the First World War. However, these job-creation measures were initially not all that different from compulsory work ordered under the stipulations of poor law, for while a monetary wage was paid (below the usual minimum wages), the decision to turn down the offer of a job led to the loss of any support at all. But the political attitude began to change already before the global economic crisis under the influence of the economist Ernst Wigforss, who was close to the Social Democrats and who, drawing on the proposals by John Maynard Keynes that were becoming public at that time, demanded a government employment policy based on normal working conditions (Heclo 1974, pp. 99–102). As a result, Sweden became the *pioneer of a government employment policy* already in the thirties, which explains why the policy of unemployment insurance had less importance.

The post-war period initially brought a long phase of full employment, which also eased the already mentioned expansion of income-replacement benefits in cases of unemployment. Under the influence of the economists Gösta Rehn and Rudolf Meidner, who were working in a research institute financed by the LO, unions and Social Democrats in the 1970s developed a new concept of “*active labor market policy*”: on the basis of an administration that was uniform but operated fairly independently in a decentralized fashion, its goal would be to increase the mobility and flexibility of workers and to incorporate new groups, especially women and the disabled, into the labor market (Wilson 1979, pp. 72–81; vom Kolke 1983; Hinrichs 1988). It is a matter of controversy to what extent this substantial contribution to the restructuring of the Swedish economy and the expansion of public sector employment it entailed boosted the productivity of the Swedish economy (Scharpf 1987; for a contrary view: Lindbeck 1997).

With the law of 1974, unemployment insurance, too, was placed in the service of labor market policy. However, this total reform would prove very expensive as soon as the situation of full employment came to an end. One of the most enduring reorientations since the crisis of the 1990s has been the growing realization – also within the Social Democratic Party – that the previous forms of the full employment policy were no longer sustainable under the conditions of open capital markets and rising international competition. As a result, the income-replacement benefits were cut from 100% to 80%, and the policy of full employment by expanding the public sector was also given up. In 2004 the system was reformed under the new authority of the Unemployment Insurance Board. An equal basic benefit is granted to anyone from public funds who is enlisted. A voluntary income-related insurance by independent insurance funds has been set up, and in 2006 it insured about 90% of the workers.¹⁹⁷

¹⁹⁷ This information comes from Wikipedia: Unemployment benefits in Sweden (March 2010).

Occupational Accidents and Sickness

Initiatives to introduce an obligatory health and accident insurance for workers on the German model failed in the 1890s.¹⁹⁸ According to liberal principles, the risk of accident should be borne by the entrepreneur himself,¹⁹⁹ and in the area of the sickness funds, the only thing that proved possible in 1891 was a subsidy of the private aid funds (some of which went back to pre-industrial times) on the basis of reciprocity in the sense of the Ghent System. Unlike the German sickness funds, their Swedish counterparts generally provided only monetary benefits for a limited period of time in cases of sickness and initially did not finance any medical care; that changed only very gradually beginning in the First World War. State subsidies were agreed on in 1891 and 1910 under the impact of worker unrests, and they were seen as a contribution to “social peace” and as a way of easing the burden on the system of poor relief. As late as 1930, only 20% of the adult population was insured through sickness funds. The issue held little interest for the workers’ movement and was driven above all by administrators and liberal as well as social democratic politicians.

The policy of health insurance became politically explosive for the first time in 1930. While concerns against an obligatory insurance still carried the day, the proposed law laid down uniform principles of organization and benefits for the sickness funds, made especially the provision of medical services compulsory, and raised the state subsidies massively. Since the doctors who were opposed were unable to gain access to the critical political circles, the law was adopted nearly unanimously by the *Riksdag*. Subsequently, the ratio of the insured rose from 20% to 48% by 1945. In the wake of the social democratic social policy of the post-war years, the attempt to nationalize the health care system overall in the sense of a National Health Service failed. Instead, *general obligatory health insurance* was introduced in 1955.

Of interest for our purposes here are only the income-replacement benefits, which, in the wake of the generous welfare state policies of the post-war decades, was slowly raised – like the benefits of unemployment insurance – to the level that held after 1974: sick pay amounted to 90% of the income up to a maximum level, was made dynamic, and was in principle paid for an unlimited period. After 90 days, a review was undertaken to determine whether the benefit should be converted into a disability pension. If the disability was work-related, the entitlement to a full wage or salary in conjunction with other benefits remained intact.

The guideline of this generous expansion of the system of social protection can be described with the term “decommodification” (Esping-Andersen 1985, pp. 31–36): what Marx called the “commodity character of labor” was to be abolished

¹⁹⁸ On the discussion that follows see Kulawik (1999, pp. 166–175); Immergut (1992, pp. 190–202).

¹⁹⁹ After liability of employers for accidents in especially dangerous occupations had been introduced in 1901, in 1916 general obligatory insurance against liability was created for employers, though without setting up a special state agency for this purpose.

as much as possible. At the very least, anyone who was unable to work should be able to free himself from the pressure to earn a living without substantial financial losses and without humiliating procedures.

The long success of the “Swedish Model” rested not least on the circumstance that it was possible to maintain a high level of employment and thus keep the costs of unemployment low. This was and is tied to considerable social controls over the willingness to work. However, the improvement in benefits in cases of sickness and disability opened another way to freeing oneself of gainful employment that had become burdensome. After 1974, there was a dramatic rise in absenteeism for sickness and disability (Wilson 1979, p. 154). The very successful efforts to make cuts in health care costs after 1990 have tightened especially the disability criteria and have reduced the income-replacement benefits in cases of sickness, disability, and unemployment to 80%. In addition, a waiting period was introduced and business were obligated to continue paying wages or salaries for 14 days, as a way of boosting their interest in controlling absenteeism due to sickness (Köhler 1997a, p. 29; Köhler 1997b, pp. 94–103).

Benefits for Families and Children

In Sweden, unlike in Germany, marriage has no legal significance for tax reductions or entitlement to benefits.²⁰⁰ The crucial factor is parenthood, and in this regard, as well, Sweden is set apart by the recognition of direct entitlements by children. The two most important benefits are the child allowance and the parent allowance. By 1996, the *child allowance* had grown for the third child to 150% of that for the first and second child, and to 200% for the fourth and subsequent child; intermediate savings measures (Greve 1999, p. 254) have been superseded meanwhile.²⁰¹ The *parent allowance* is modeled after the insurance for sick pay and secures a substantial portion of the income for the parent who – in accordance with the hiatus provided for in the law – leaves the working world temporarily to devote herself or himself to child rearing. These possibilities of taking a leave of absence were considerably expanded until the 1980s. Family benefits also include housing subsidies that are income independent and student grants, and indirectly also the strong expansion of collective care options for infants and preschoolers. These arrangements boosted the participation of women in the workforce in two ways: by taking the burden from mothers, and by creating jobs. The considerable expansion of benefits to families and children in the 1980s, especially an extension of parental leave, was also reflected in a noticeable rise in the birth rate, which was soon among the highest in Europe (Hoem 1993, pp. 19–31). After a drop in the birth rate around

²⁰⁰ For the following see Wilson (1979, pp. 92–107); Olsson (1993, pp. 254–262); Leira (1992).

²⁰¹ w.w.w. Regeringskansliet: Swedish family policy (September 2003).

2000 probably due to makroeconomic crisis it has risen again until 2009 on 1.94 children per woman.

4.2.5 Sweden as a Service-providing State

The previously mentioned cultural orientation of pragmatism and functionalism, as well as the combination of a striving for both efficiency and performance, are evident especially in the administration of services in the fields of education, health, personal social services, and in housing and labor market policy. The same administrative principles are visible in all of these areas: comparatively small ministries that are devoted exclusively to preparing and accompanying the political processes in their sphere of authority; functionally specialized national agencies independent of the ministries; a regionally decentralized structure of likewise specialized agencies at the provincial or municipal level, which are subject to the local authorities and provide their services in close relationship to their clients. We are thus not dealing with subordinated offices of the national agencies with the latter in fact exercising merely professional guidance. The provinces are the central level of control when it comes to the health care system, and the municipalities for all other services.

The Health Care System

Public hospitals existed in the larger municipalities already within the framework of poor relief.²⁰² The hospital system was very slow to develop, and the number of established doctors in private practice also remained modest, especially in the countryside. As early as 1862, the provincial assemblies had been charged with administering the hospital system (whose development until then had been very uneven), and they were subsequently given greater and greater authority over health care policy, with the result that today they can be considered the crucial agencies for planning and coordinating the health care system. Collective bargaining also takes place centrally between the leadership of the Swedish Medical Association and the umbrella organization of the provincial assemblies. However, the Ministry of Health and Social Affairs and the national agency of the same name have the authority to set guidelines and the sustained influence of the power of the purse.

Only the introduction of universal health insurance in 1955 provided the impulse for the expansion of the health care system, which was supported by the state through the establishment of additional medical schools. The number of practicing physicians grew sevenfold between 1947 and 1972. Initially, there was no distinction between outpatient and inpatient care. When treating insured patients, doctors were not strictly tied to regulations governing fees; however, reimbursements to the

²⁰² See *The Shaping of the Swedish Health Care System*; Immergut (1992, pp. 179–225); Wilson (1979, pp. 46–68); Schneider et al. (1995, pp. 419–438); Powell (1997, pp. 168–172).

patients were based on maximum rates, 75% of which were reimbursed. Only a modest copayment was required from patients for hospital stays.

As early as 1948, a plan to nationalize the health care system had failed. However, numerous elements of this plan were gradually implemented by the Social Democratic governments, to whom the independence of the doctors was a thorn in the side. First (1959), the private wards in the already public hospitals were abolished, and hospitals were obligated to treat insured patients in line with the official fee system. This created serious competition for doctors billing privately. Following their triumphal victory in the 1968 elections, the Social Democrats took another step in the socialization of medicine: hospital doctors became public employees and were not allowed to run a private practice in addition. In the case of outpatient care in a hospital, the government eliminated the previous form of upfront payment with later (and only partial) reimbursement: modest copayments allowed patients to have free access to services. With this, the financial disadvantages of using doctors in private practice became even greater. However, to the extent that those doctors were willing to register as a provider and to recognize the public fee structure, under the new system (which had only slightly higher fees) they, too, could bill the insurance carriers directly.²⁰³ Thus the health care system was permanently restructured, in a non-coercive way, in the direction of a public health service. The doctors' associations had little choice but to put a good face on the matter. In principle, however, the possibility of freely negotiated treatment was preserved. By now, a large portion of the outpatient health care is done in municipal health centers. The latter were set up especially with the intent of improving the availability of health care in the thinly populated rural regions. About 90% of the doctors and 50% of dentists in Sweden are now employed in the public sector. A remarkable feature is the systematic integration of nursing care into the regional and municipal health system, also for the mentally disabled. A reform in 1985 strengthened the autonomy of the provinces with respect to how the health care system is run and financed, as a result of which the regional differences in health care will tend to increase.

In 1980, four-fifths of all expenditures for the new health care system was paid from tax revenue, especially a hefty "income-proportional tax" levied by the counties and "averaging about 23.6% of taxable income nationwide. Over the past 25 years, this tax rate has quadrupled" (Schneider et al. 1995). Insurance benefits and patient copayments each financed about 10% of total costs. In the wake of the consolidation measures introduced from 1990 on, the government's share has declined at the expense of social security insurance and individual participation. By international standards, these consolidation measures can be regarded as highly successful: in 1980, the share of Sweden's GDP devoted to health care stood at 9.0%, the highest in the world at the time; by 1992, it had grown by only 0.15%, the third-best development after Ireland and Denmark among all OECD states. In terms of the efficiency measure of the relative increase of

²⁰³ Henningsen (1986, p. 113f.). On the copayment rules see Schneider et al. (1995, p. 427).

per-capita spending and the average life expectancy, Sweden performed the best among the OECD states between 1980 and 1992.²⁰⁴

Municipal Education and Social Policy

A counterweight to the strong position of the state and the umbrella organizations of the parties involved in collective bargaining is the *developed communal autonomy*.²⁰⁵ Following two territorial reforms in the fifties and sixties, Sweden is today divided into 24 provinces (*Län*) and 280 municipalities. In keeping with the largely sparse settlement of the countryside, the combined municipalities are mostly modest in size.²⁰⁶ The central organ is a democratically elected council, which in turn elects other local organs – for our purposes the Labor Market Board, School Board, Social Welfare Board, Child Care Board, and Temperance Board. The head of each board is part of the local council, the other members (at least seven) represent professional knowledge and interest groups.

While the province-level is central to the health care system, the decision-making authority in matter relating to education, social welfare, and social services for children, families, and the elderly is on the *municipal level*. An essential role is played by relevant laws and guidelines from the appropriate national agencies, though it appears that there are few restraints on the decision-making leeway when it comes to the development and expansion of local institutions. Typically, the institutions are always financed simultaneously from central and municipal funds; the municipalities have the right to levy their own taxes. Since the 1980s, the central government, faced with growing budgetary constraints, has tended to reduce its contributions to financing, though there is still a certain financial balancing between the richer and poorer municipalities, most of which are located in the north. For Kindergartens, care of the elderly, and the like, contributions to costs (mostly modest) are also levied on recipients of these services.²⁰⁷

²⁰⁴ Schneider et al. (1995, pp. 5, 13f.). The result remained stable also in the report of 1997 (ibid., pp. 4, 14). Powell (1997, p. 171) references results using other criteria of success that point in the same direction.

²⁰⁵ For the following see Wilson (1979, pp. 111–118); Olsson (1993), pp. 272–287; Elmer (1975, pp. 196–218).

²⁰⁶ According to Boucher (1982, p. 51), 71 communities have a population of over 30,000, 140 have a population of 10–30,000, and 66 have fewer than 10,000.

²⁰⁷ In contrast to Germany, care for the elderly is seen largely as a public task: “The responsibility for seeing to it that a sufficient number of nursing institutions exist remains with the municipalities. For example, the latter are responsible for recourse if inadequate structures of services necessitate an extended hospital stay. Informal care that is performed within the family for free and without the involvement by government agencies is much less common in Sweden than in Germany, for example (not least because of the much higher participation of the female population in the workforce).” (Bräutigam and Schmid 1996, p. 267).

As a result, the *local availability of schools and social institutions varies a great deal*, which makes sense, given the extreme regional differences between the densely populated industrial and service regions in the south of the country, and the sparsely populated areas of the north. There are, however, many reports about long waiting lines. However, intentions of the central government to smooth out the differences, which in recent years were aimed largely at the expansion of institutions for pre-schoolers and the elderly, are also running into political limitations: “Whatever organisational and financial changes are brought about and however much advice and guidance is given, however, the final word rests with the communes, where democratically elected councils jealously guard their autonomy” (Wilson 1979, p. 117).

Against this communal autonomy, which amounts to a *virtually monopolistic control over supply*, private offerings have a chance only with appropriate political support. Private non-profit carriers of welfare services hardly exist in Sweden,²⁰⁸ and private sector offerings focused on the wealthy areas of the cities have so far also had only modest success (Olsson 1993, pp. 268–272). On the other hand, the manageable size of communal conditions makes it likely that communal decisions will not be too far out of line with the articulated needs of the population. That is little help to the socially weakest, however. In the wake of the recent deregulation measures, private suppliers are to be given an equal chance in the social area, though so far their acceptance has been low (Stephens 1996, p. 59f.).

As far as *social assistance* is concerned, until 1982 it was based on a 1955 law that defined the leeway of local authorities very broadly, also with regard to the criteria of need. For example, as early as 1970 the city of Stockholm introduced support for full-time workers whose wage fell below the subsistence level, and numerous communities followed suit.²⁰⁹ The law of 1982 restricted this leeway, though the discretionary maneuvering room of local authorities and their personnel still seems considerable (Behrendt 2002, pp. 3–13). All told, the share of social assistance expenditures did not decline as strongly as the expansion of the anterior systems would have led one to expect. Given the high standard of security for the elderly as well as single parents, the clientele of social assistance is recruited chiefly from younger adults who have fallen on hard times for various reasons and mostly receive short-term support. It would appear that the recourse to social assistance is less stigmatizing than in England, for example (Buhr 1999).

The *educational system* has an old tradition in Sweden, and after the Reformation it took effect on a broad basis (Boucher 1982, pp. 3–31). Already around 1800, about half of all children received some kind schooling, primarily through the church. In 1842, universal obligatory schooling and a state system of primary schools were introduced by law, and a state institution for training teachers was created. Subsequently, the educational system developed along Continental

²⁰⁸ Schmid (1996, pp. 133–137); on recent approaches see Grassman (1999, pp. 601–621).

²⁰⁹ Wilson (1979, p. 113); the experiment seems to have produced few undesirable side effects.

European standards until after the Second World War. Among the post-war reforms inspired by the Social Democrats was the proposal of a 9-year comprehensive school from age seven to age sixteen. Since the proposal ran into intense opposition from the universities and the *Gymnasien*, the new school system was initially introduced in 1950 (not everywhere) for 10 years as an experiment with several variations, and was then evaluated. The School Act of 1962 established the comprehensive school and 9 years of obligatory schooling, and by 1969 all communal school districts had been reorganized. Whereas the original intention had been to release a substantial number of students into the working class after completion of the ninth grade, participation in the upper school level (grades 10 through 12) that was reformed in 1971 increased rapidly, and after 1980, possibilities of continuing education and training – structured by the occupational goal – were introduced in principle for all youths. Since 1994, there has been a 3-year school system for students age 16–19; it is structured into 16 programs (of which 14 are preparatory for a vocation) and is attended by 98% of young people. Thereafter, 30–35% of a birth cohort attended university (OECD 1996, pp. 322–324; Boucher 1982, pp. 129–154).

Alongside this extensive, free primary education, Sweden is characterized by diverse educational offerings for adults: communal evening classes for adults, evening *Gymnasien* and special offerings for adults unable to write, a broad educational offering that is free and non-profit, and goes back primarily to initiatives in the area of workers' education, religious communities, and the anti-alcoholism movement; finally, an extensive array of continuing vocational and professional education and retraining, in part offered by the state, in part by the parties to collective bargaining (Boucher 1982, pp. 154–162). The last-named offerings are elements of the active labor market policy to which about one tenth of the entire education budget is dedicated.

However, the willingness to pursue higher levels of training seems to be in decline most recently. This has been attributed chiefly to the fact that the high marginal tax rates no longer provide the prospect of a sufficient bonus for higher qualification:

From left to right, most analysts of the Swedish model now concur that the extremely egalitarian wage (and social wage) structure gives disincentives to work additional hours, or to augment skills and education: the marginal wage gain is simply too low. In fact, comparatively speaking Sweden suffers from an undersupply of skilled, educated workers. Hence . . . the maximization of human capital must take priority to egalitarianism 'here and now' (Esping-Andersen 1996a, p. 264).

Expenditures for education reach about 7% of national income and are defrayed in roughly equal parts by the central government and the municipalities. It is estimated that about 40% of the population is involved in the educational system in some way at any given time (Boucher 1982, p. 1). Along with the other Scandinavian states and Canada, Sweden is among the countries with the highest educational expenditures in the world.

4.2.6 Summary: Economic Policy and the Welfare Sector

It is a peculiarity of the Scandinavian states, and especially Sweden, that social policy has been accorded a dominant position in domestic politics since the Second World War. Even if the willingness to solve the workers' question in peaceful ways was apparent since the beginning of industrialization (and even before the introduction of general suffrage for workers), it was only the economic upswing of the post-war period that set in motion, on the basis of the Agreement of Saltsjöbaden (1938), a cumulative process in the direction of more equality and security for the entire population. Characteristic for the welfare state development in Scandinavia became the recognition of social entitlements as *civic rights*, that is, rights independent of a person's place within the production process. At the same time, however, the general willingness to work by the entire population was presupposed and demanded, and full employment was pursued through an active labor market policy and, if necessary, through state-funded employment. Accordingly, the cuts in social services and benefits in recent years were oriented chiefly toward reestablishing incentive structures that made gainful employment much more attractive than merely a social welfare income.

The institutional arrangement for the production of welfare in Sweden is thus dominated by state provisions, which not only completely displaced the area of work-based social policy and individual provision until recently, but also shaped behavior within family households.²¹⁰ The high tax burden on individual income and the fact that obligations to partners or spouses are not taken into consideration makes gainful employment by both partners, and thus also the utilization of childcare institutions, nearly inescapable; a "housewife marriage" is not envisioned in the Swedish – or the Danish – social order. With a view toward the arrangement of welfare production, and given the strong pressure toward gainful employment, participation in the labor market seems even more important than the family. The realm of associative welfare production plays an even more modest role than work-based welfare.

While the development of the welfare state in Sweden can be traced back to the beginnings of the liberal era, it acquired its specific direction and intensity from the close connection between the highly organized unions and the long-governing Social Democratic Party. The relative weakness of middle-class parties distinguishes Sweden from Denmark and is probably also one reason behind the very one-sided distribution of the costs to pay for the social expenditures: until the reform of old-age security in recent years, about half were paid from general budget funds and half by contributions from employers, while the direct participation of those insured did not factor in at all. Another consequence of the dominance of the Social Democrats is this: even if the Swedish economy was not transformed on a large

²¹⁰ Lindbeck (1998, p. 22): "While socialist countries nationalized production firms, Sweden nationalized, or more accurately 'communized,' the income and service production of households instead."

scale into national ownership, as the left wing of the Social Democrats demanded, the politically mediated influence of the unions did lead since the 1970s to a considerable shift of power at the expense of business, which led to the collapse of the corporatist consensus. Sweden offers a case that argues in favor of the perspective articulated by the author in the introduction: namely, that a welfare state organization of society remains stable only as long as the independence of entrepreneurial function is not restricted too much.

While Sweden in the post-war decades, thanks to a productive sector left unscathed by the war, achieved an average annual growth rate of 4.5%, that rate dropped to 1.6% between 1970 and 1996 (Köhler 1997a, p. 28). Between 1945 and around 1970, Sweden was able to hold economic development and the gradual expansion of the welfare sector in balance. However, the tougher union politics from the middle of the 1970s and the oil price shock led to the end of the corporatist consensus and thus also of the moderate wage policy. Since the government initially sought to defuse the resulting pressure by boosting exports by devaluing the currency and pursuing a full-employment policy, especially through the expansion of employment in the public sector, a considerable inflation potential was built up, which led to dramatic budget deficits and a rise in national debt. Especially the liberalization of the movement of capital and the resulting dependence of domestic interest rates and capital movements on the development of the international financial markets have led to profound changes in the functional conditions of the Swedish economic and social system.

The adjustment of the tax system – which exceeded the population's willingness to pay and therefore led to massive reactions to circumvent it – began already before the crisis of 1990–92. Still, this crisis produced the “Emergency Brake Law” of 1993 under the government of the middle class parties, the provisions of which were in part further tightened by the Social Democrats after they recaptured the governing majority (1994), and in part rescinded when the economic situation improved. However, a long-term effect can be expected from institutional reforms like the independence of the central bank and its commitment to the goal of a stable monetary value, and from measures intended to ensure greater discipline in public budgets. That is also true of the commitments that were made through entry into the European Union and into the European Currency Union. Clearly visible is the tendency in this context to rationalize the welfare state's network of benefits when it comes to cash benefits and services, but not to cut it back seriously. Sweden continues to impress with its high employment rate and with a distribution of income among private households that is particularly egalitarian by international standards. One structural disadvantage – in comparison also to the even more successful Danish economic and social policy – is the dominant large-enterprise structure of the Swedish economy. Only if it proves possible to improve the growth prospects for small and medium-size businesses can one hope to see a lasting stabilization of both public budgets and the employment situation. In contrast to the other Scandinavian countries, Sweden has so far not been able to reestablish a corporatist system of wage negotiations (Jochem 1998).

Naturally, assessments of how far the reorientation of economic and social policy must go are political in nature, and therefore also contested among economists and political scientists. When it comes to the scholarly treatment of such questions, it is striking that in Sweden, unlike in Great Britain and Germany, “social policy” has not emerged as a separate discipline, but that welfare state themes are addressed by the leading economists and social scientists.²¹¹ That is in line with the dominant macro-economic and socio-political perspective. By contrast, the technical implementation of social policy appears to be an administrative rather than a scientific question.

4.3 France

Among the countries that are part of this comparative study, the identity-constituting elements have their deepest historical roots in France. Following a long Roman colonization and early Christianization, and the settlement of the Franks in the Gaul as part of the migration of the Germanic tribes, the West Frankish kingdom was born in 843. An uninterrupted hereditary monarchy from the end of the tenth century to 1792, France was the power that exerted the most sustained influence on the history of Europe. The centralization of France began under Louis IX (1214–1270) with the creation of central institutions (Council of State, Court, Chamber of Finance), and Philipp IV (1285–1314) already stripped the nobility of most of its power and established the *Etats Généraux* as the representative body vis-à-vis the king. He also forced a transfer of the seat of the papacy to Avignon, and following the restoration of the Roman papacy, his successors asserted broad control over the church at home. The spread of Calvinism in France threw the country into persistent civil wars, which were finally ended with Henry IV’s conversion to Catholicism and the Edict of Nantes (1598). Absolutist dominance of the court in Paris over the entire country began with Henry IV. It was driven forward through ongoing tax and administrative reforms and reached its height under Louis XIV, though his rule already planted the seed of the decline of the monarchy, which came to an end in the French Revolution and the beheading of Louis XVI (1793).

²¹¹ By contrast to the long-standing influence of economists, social scientists, most of them with social democratic leanings, have become influential only since the 1970s, and until recently they were less concerned with the effects of social policy than with the influence of the workers’ movement (which was running out of steam precisely at that time) on the project of the welfare state. See especially Korpi (1983); Esping-Andersen (1985). Most recently, however, a stronger orientation toward pragmatic politics has become apparent also among social scientists.

4.3.1 State and Society

When the executioner held the king's decapitated head aloft at the execution site, with the ironic name Place de la Concorde, the crowd shouted: "Vive la Nation! Vive la République!" The experiences of the French Revolution (1789–1799) shaped the nineteenth-century political discourse throughout Europe. In France, it left deep traces of a division into two equally strong camps (Krauß 1989, pp. 245–275), which were still apparent on the commemoration of the two hundredth anniversary of the Revolution. To put it pointedly, since the Revolution France has been a politically divided nation that is held together by the consciousness of a shared culture and the continuity of its elitist administration.

The *political instability* of France showed itself in the first century after the Revolution in a constant change in political regimes, with the front line running between royalists and republicans. All republican constitutions were based on an idea of popular sovereignty that was expressed in the strong position of the people's assembly vis-à-vis the government. However, the rules of suffrage and the competition among parties in the National Assembly rarely led to stable majorities. One result was the instability of governments and the short duration of cabinets in the Third and Fourth Republic.

During the Third Republic (1871–1940), the frontline of the conflict initially continued to run between supporters of a monocratic and of a democratic system of government, since the republican constitution after the defeat of Napoleon III in the Franco-Prussian war had been adopted with only a single-vote majority. In the years that followed, the dominant struggle was between the followers of a catholic state and the supporters of a secular, laicist state. It was above all the Dreyfus affair and the bitter struggle in its wake over the relationship between church and state that gave rise to the distinct identities of the political parties around the turn of the century. These ideological controversies for a long time overshadowed the opposition between the middle class and the workers.

The laicist "Parti Radical" was founded in 1901, the "Parti Socialiste – S.F.I.O." in 1905.²¹² The instability of party formations, which manifests itself in the constant appearance of new parties, splits, and mergers, is another characteristic of democracy in France, which is why little attention will be paid to the influence of individual parties on the development of the welfare state. In principle, no other country had such a stark opposition of a "bourgeois-right" and a "socialist-left" block, between which Christian-democratic and social-liberal parties were able to mediate only periodically.

The Fourth Republic (1944–1958) made possible for the first time the implementation of far-reaching social reforms, but it was undone by the instability of its party constellations: between 1951 and 1958, France had twelve cabinets. It was

²¹² The "Section Française de l'Internationale Ouvrière" (S.F.I.O.) became the meeting place of revolutionary and reformist forces of the workers' movement and subsequently vacillated in its policy between reform and revolution. On the prehistory see Bourquin (1977, pp. 97–101).

only the establishment of what M. Duverger has called the “half-parliamentary, half-presidential regime” by Charles de Gaulle in the constitution of the Fifth Republic (1958–) that has brought France sustained political stability by strengthening the independence of the government from parliament. As a result, the system of government survived also the political crisis triggered by the unrest in May of 1968.²¹³

It comes as no surprise that the founders of French sociology, Auguste Comte and Émile Durkheim, did not infuse the concept of the state, but that of *society* with expectations of unity, indeed, virtually sacralized it (Firsching 1995). For the political experiences in post-revolutionary France did not allow for the emergence of the idea that the “social bond” could be created primarily through politics. That bond therefore had to be cultural and moral in nature. *France is a unity primarily as a nation, not as a politically constituted state.*

Still, this airy “conscience collective” would have hardly survived the centuries without the institutional core of an *administration*, which had originally arisen at the royal court and had been modernized by Colbert, Louis XIV’s minister of finance. After the Revolution, Napoleon employed it once again as an instrument of his governing will: “The revolution . . . removed all the foundations of French politics, but scarcely any of the foundations of French administration.”²¹⁴ Napoleon reorganized the central administration by ministries and created a *regional administrative structure* subordinated to it. To this day, the *départements* governed by prefects appointed by the central government exist as the constitutive regional entities, and the *préfets* are modeled after the Colbertian *intendants* (Mager 1980, p. 220f.). Even if the local magistrates are now no longer generally appointed by the prefect, but are in part elected by the population, to this day one can hardly speak of local self-government in France, all the efforts at *décentralisation* notwithstanding. A tradition of local government, which we have encountered as an important agency of welfare state policy in Great Britain and even more so in Sweden, does not exist in France.

The coherence of the French administration is based on the basic notion of national unity, which – uncoupled from the principle of absolutism – already materialized in the Napoleonic arrangements of the educational system and the administrative structure. The most important bridge between the two were the “Grandes Écoles,” specialized higher schools with programs and career prospects first in engineering (the military, transportation), then in the humanities (education), and finally also in law and economics (general administration) (Ringer 1979, pp. 124–127). It is characteristic of the French development that these elite universities, access to which depended initially on social background, later on success in entrance exams, prepared students primarily for work in government

²¹³ A good overview of the development of the French constitution is given by Duverger (1986, pp. 31–1986); see also Hartmann (1985).

²¹⁴ Woodrow Wilson, quoted in Barker (1944, p. 14); *ibid.* (pp. 6–18) a concise summary of French administrative history up to the Second World War.

service, and not for work in the private economic sector or in other areas of society. The “Grand Corps” of the French administration are among the most influential but still little-studied forces of the country. Even the highest level of the modestly developed administrative jurisdiction (Conseil d’État) is recruited from among them. Yet in spite of a position that was strengthened even further in the Fifth Republic, one cannot speak of a *political* dominance of an administration that combined within itself many heterogeneous interests (Wright 1978, pp. 84–106). However, the belief “that the effective conduct of a nations’ economic life must depend on the concentration of power in the hands of a small number of exceptionally able people, exercising foresight and judgement of a kind not possessed by the average successful man of business” (Shonfield 1965, pp. 71–72), dominated French economic policy until its opening in the wake of the internationalization of financial markets from the middle of the 1980s, and does not appear to have vanished even today.

The Revolution of 1789 emanated from the middle class, which had to bear the lion’s share of the tax burden of the Ancien Régime. The Napoleonic reforms led to the abolition of all privileges of social estate, and with the Code Civil (1804) and the Code du Commerce (1806/08) it laid down the basis in civil law for a liberal and profit-oriented regulatory system, which in Germany, under the influence of Hegel, was given the label *Bürgerliche Gesellschaft* [Civil Society]. The constitution imposed by Louis XVIII (1814) essentially retained the liberal gains, but the universal male suffrage introduced in principle in 1789 was restricted by such steep property qualifications that of the 29 million Frenchmen at the time, only 100,000 had the right to vote (and of those, 60% were large landowners, most of them royalists). The mostly liberal middle class fought against the rule of this reactionary elite, and in connection with the revolution in July 1830 it brought about a replacement of the monarch, a revision of the constitution, and a reduction in the property qualifications; still, less than 1% of the French population had the right to vote. The “bourgeois king” Louis Philippe now drew his support from the upper classes, which was carving out its place more in the area of banking than industry. On the right he confronted opposition from the royalist “Legitimists,” and on the left from the republicans clinging to the ideals of the French Revolution. Universal suffrage was briefly reintroduced in the constitution of the Second Republic (1848–1852), but became permanent only with the Third Republic. It was not expanded to include women until 1945.

This dry chronology fails to capture the magnitude of political unrest throughout nearly all of the nineteenth century. The collapse of the Napoleonic state (1814), the burden of war reparations, the impoverishment of the farmers compelled by a new inheritance law to carry out a real division of their property, an industrialization that was slow to gather steam, repeated crop failures, and the emergence of an urban proletariat in Paris (“les classes dangereuses”) formed the substrate for political and social unrest. As far as the industrial working class is concerned, which acquired importance only gradually, uprisings by textile workers in Lyon in 1831 and in 1834 in Paris were bloodily suppressed. Segments of the leftist opposition were pushed into illegality. The continued struggles for power created hatred on all sides, and the negative consequences had to be borne primarily by the broad segments of

the population that tended to become increasingly impoverished through economic crises and structural changes. It was this experience of a capitalism intertwined with politics that inspired the socialist critique, which found new confirmation in the events of 1848 and 1871. It therefore comes as no surprise that socialism originated in France, and that Lorenz von Stein and Karl Marx referred above all to French ideas and conditions.

As a result of these developments, the relationship between state and society remained ambivalent. Since the state had already become autonomous during the age of Absolutism, the bourgeois revolution in France had to necessarily focus on the state:

If the revolution thus radically shifted sovereignty from the monarch to the people, it continued to be the state through which the interests of the sovereign were to be in fact expressed. Up to the present, the political history of France has been shaped by this form of the relationship between state and society (Wagner 1990, p. 40f).

At the same time, *Liberalism* became the driving force behind modernization in France. Unlike its British counterpart, however, French Liberalism was strongly centered on economic life and the guaranteeing of democracy. It advocated a *solidaristic conception of society*, not an individualistic one. In France, the concept of solidarity has legal roots, and with the beginning of the liberal critique of society around 1830, it developed as a counter-concept to the individualistic dissolution of social relationships under the conditions of the free-market society (Hayward 1959). It thus had a function similar to the concept of the “social” in German social-science discourse.²¹⁵ Between 1895 and the First World War, “solidarité” then became the guiding concept of a socio-liberal social policy (Kott 1996), whose chief champions were the prime ministers Léon Bourgeois (1895/96) and Pierre Marie Waldeck-Rousseau (1899/1902).²¹⁶

Solidarité became the passionate battle cry of the secular left, the social-scientific articulation of the revolutionary “fraternité”: the concept was supposed to mediate between the liberal claims of freedom, on the one hand, and the necessity of state intervention, on the other. It had largely uncoupled itself from its older legal and moral origins, and contained above all the *appeal to the enlightened self-interest of the bourgeoisie*, to think not only of its independence, but also of its interconnectedness with the fate of the working class and to take timely measures to preempt a social revolution. The argument invoked “scientific foundations” as a way of establishing the “solidarité sociale et morale.”²¹⁷

²¹⁵ Kaufmann (2013, German Social Policy, vol. 1). In French discourses, as well, especially in Émile Durkheim’s sociology, there is a close connection between “solidarité” and “le social.” See Donzelot (1994); Gülich (1999).

²¹⁶ Hayward (1961). Notwithstanding all the state offices he held, Léon Bourgeois (1851–1925), the pioneering thinker behind this ideology, was more of an intellectual than a politician. As a champion of the League of Nations, he was awarded the Nobel Peace Prize in 1920.

²¹⁷ Hatzfeld (1971, pp. 270–281); Hayward (1959, p. 278f.). In substance, this was similar to the argumentation found in Lorenz von Stein, though at a far lower analytical level.

The solidarist justification of social intervention by the state serves . . . the presumption of a quasi-contract as the foundation of a legal and social order that united rich and poor in solidarity and, with respect to the past, makes today's Haves into debtors and today's Have-Nots into creditors . . . The practical demands that Bourgeois derived from his doctrine were free schooling for the entire population, protection against social risks through the 'assurance sociale,' and the paying off of 'social debt' by means of progressive taxation (Bremme 1961, p. 131; also Bourgeois 1896).

As we shall see, while this solidarist program did shape the political rhetoric of the development of the welfare state, its goals were constantly undercut by the institutional protection of the interests of the wealthy.

4.3.2 Economic Development and State Activity

Until the French Revolution, the focal point of the French economy was in agriculture, from which above all the nobility and the clergy profited.²¹⁸ In the countryside, the abolition of all feudal rights, the transfer of land into private ownership, and the expropriation of the landholdings of the church and émigré noblemen set in motion a profound transformation of the socio-economic conditions, which eventually redounded to the benefit of the bourgeoisie and the wealthy peasants at the expense of small tenant farmers and the poor (Soboul 1993, pp. 17–23; Laurent 1993, pp. 642–646).

In addition, a mercantilist economic policy since the time of Colbert had given rise to numerous trades, though they could be practiced only with a royal license. The Revolution abolished all restrictions on economic activity and thus created the legal preconditions for the further economic development of a country that was already comparatively rich. This development was dominated by a liberal-individualistic ideology – radical economic freedom without state intervention, and the right to the selfish pursuit of individual interests:

Les hommes étant également libres et ne se devant rien, ils n'ont le droit de rien se demander les uns aux autres qu;'autant qu'ils se rendent des valeurs égales.²¹⁹

In spite of favorable economic and commercial preconditions, however, the French economy developed only a *weak dynamism* in the first half of the nineteenth century. Agriculture remained the most important economic sector for a long time; as late as the 1930s, more than one third of those gainfully employed worked in agriculture. Financial capital pushed more into commerce than industry, and the export of capital – often to the point of capital flight – continued also after the Second World War. The overwhelmingly small-scale entrepreneurs proved less

²¹⁸ On what follows see Braudel and Labrousse (1993); Dupeux (1964).

²¹⁹ "All men are equally free and do not owe anything to their fellow men; they have no right to claim anything from each other if they do not return equal value." Constantin-François de Chasseboeuf, comte de Volney, *La Loi naturelle ou Principes physiques de la morale* (1821), quoted in Ozouf (1989, p. 179).

receptive to technological advances than in other European countries, and a protectionist trade policy protected them against foreign competition. The industrial upswing was driven ahead especially by the state's railroad policy, and it took place parallel to the German *Gründerjahre* [formative years of German industrialization] during the Second Empire. Still, this economic power, impressively demonstrated at the five World's Fairs in Paris between 1855 and 1900, developed with noticeably less vigor than in the other parts of Europe in the first half of the twentieth century.

Historians have blamed not least the demographic stagnation for this development (Armengaud 1993, pp. 93–116). Probably in response to the abolition of testamentary freedom (1793) and of the right to pass on an undivided estate in the Code Napoléon (1808), farmers and the bourgeoisie initially restricted their birth rate to prevent a fragmentation of their wealth, which led to a noticeable decline in births already from 1830 on. Around 1800, 28 million people – or nearly one quarter of the entire population of Europe at the time – were living in France. Around 1900, there were 40 million, an increase of 43%; however, over the same period the population in other European countries tripled. The French population also aged accordingly: around 1900, 12% of all Frenchmen were already over the age of sixty. Subsequently, the *interest in population policy* became an important motivating factor for French family policy after the Second World War.

And France did indeed experience a “demographic renewal” after the end of the war, which also went hand in hand with an acceleration of economic growth on a scale similar to other West European countries. In the process, the economic modernization did not emanate – as was the case in Germany, for example – primarily from entrepreneurial initiatives and market forces. Rather, a state planning agency, the *Commissariat au plan*, was created in 1946, which was initially charged with comprehensive investment planning for the rebuilding and restructuring of the French economy after the Second World War. In addition, since the governing middle-left coalition nationalized important banks and industrial sectors, the public sector from the outset had greater economic importance here than in other West European countries. As a result, an *économie dirigée* emerged in France, a hybrid between a free market and a planned economy; the instrument of price controls introduced within the framework of the wartime economy remained in force in some sectors of the economy until the 1980s. There certainly is a line of continuity here to the strong influence of state economic policy since mercantilism. Even in the liberal nineteenth century, modernization was driven more by the government than by markets protected against the outside by tariffs.

In the rebuilding phase after the war and even in the early phases of European integration, *planification* proved a fairly successful instrument of economic policy. In the wake of the progressive liberalization of the markets through European integration, the mechanisms of *planification* also became more flexible. Since a reform in 1982, it has been largely in the service of an essentially voluntary coordination of activities that are especially important to the economy, and of

a policy of decentralization that is intended to simultaneously strengthen and coordinate regional economic development.²²⁰

The first sustained challenge to *planification* came in the May unrest of 1968. Until then, economic planning had largely bypassed the interests of workers and their unions. The spillover of the student unrest onto the workers, the call for a general strike by all the large unions, and the subsequent unraveling of economic and public life left lasting concerns within the political elite and prompted a more active social policy by the state. The interventions that followed did not prove very successful, though. When France joined the European currency system, it lost an important tool of French economic policy, the possibility of devaluing the currency. This, along with the growing international influence, gave rise to a – once again dirigiste – policy of liberalization that has led to success in numerous areas, though its Achilles heel is increasingly seen as growing unemployment, especially among young people.²²¹

4.3.3 Class Struggle and Labor Law

A lasting achievement of the French Revolution was economic freedom, which redounded to the benefit especially of those who were able to retain their independence thanks to their wealth and/or skills. For the Revolution had not only abolished all restrictions imposed by the guilds, but had also, as part of the *Loi Le Chapelier* (1791), declared all future associations on the basis of common economic activity – whether as self-employed or hired workers – illegal (Fournier and Questiaux 1989, pp. 13–174; Caire 1971; Rivero and Savatier 1989). The result was ruthless competition in an economy based largely on small enterprises, which led to the growing pauperization of those who were unable to keep up. In spite of the early critique of Liberalism by de Sismondi, it was only from 1840 on that the miseries of the working class became a political issue in France, which was picked up primarily by political reformers first called “Socialists” in that country.²²²

Although the *Loi Le Chapelier* was not directly aimed at unions, which did not yet exist at the time, it subsequently affected primarily the associations of industrial workers. This thrust of the law was substantially reinforced by the Penal Code of 1810, which also penalized associations of entrepreneurs, but which stipulated much harsher penalties for striking workers and especially their leaders.²²³ Prohibitions against organizing were further tightened after the worker uprisings

²²⁰ See the entry “Planification (Économie)” in *Encyclopédia universalis*, vol. 14, pp. 779–781.

²²¹ See Höland (1993). A good overview over the French social policy can be found in the contributions in the volume edited by Ambler (1991). See also Bode (1999); Levy (2000).

²²² However, the greatest public impact came from the detailed descriptions by a French doctor of the miserable working conditions in the French textile industry and its consequences for the fitness of young men to serve in the military: Villermé (1840).

²²³ Hepple (1986, p. 378). Leaders were to be punished with 2–5 years in jail.

and massacres in Lyon and Paris (1834). While the penal provisions were repealed in 1864, the explicit freedom to unionize was not introduced until 1884, and it was still tied to specific restrictions that were completely abolished only in 1927 (Hepple 1986, pp. 208–210; Fournier and Questiaux 1989, pp. 22–24).

Given these circumstances, *French unions* developed only toward the end of the nineteenth century and pursued a more strongly syndicalist-revolutionary line than their counterparts in other countries. In 1902, the organizations of the local and industry-specific unions joined to form the *Confédération generale du travail* (C.G.T.), whose goal was a socialist transformation of the conditions of production. After the First World War, which incorporated the French (and German) workers into the national effort, a general strike in 1920 failed, and a Communist union (C.G.T.U.) split off from the still-socialist C.G.T. At the same time, a *Confédération française des travailleurs chrétiens* (C.F.T.C.) inspired by social Catholicism came into being, and this ideological and party-political split of the union movement has continued well into the Fifth Republic. Moreover, French unions never succeeded in organizing a majority of French workers, and they very rarely came together for larger common actions. As a result, the workers' movement in France remained politically weak, with the exception of the brief periods of Popular Front governments.

In spite of the dominant liberal attitude on economics, state measures of industrial safety and occupational health encountered less resistance than in England. Agencies for mediating labor disputes (*Conseils de prud'hommes*) had already been envisaged by Napoleon I; under Napoleon III, workers were given equal representation and voice in these bodies. A law of 1907 made the *Conseils* into labor courts of the first instance; an appeal moved into the civil courts. In this area, France was the leader internationally (Hepple 1986, pp. 270–272). State employment agencies were introduced as early as 1852. The first child protection law dates from 1841, though it had no enforcement agencies. Industrial safety ensured through factory inspection was provided by law in 1874 and effectively enforced from 1892 on (Bourquin 1977, pp. 107–112). The 10-h work day became law in 1900, and as early as 1910, the first part of a code of labor law (*Code du travail*) regulating the previously almost complete freedom of the labor contract went into effect. A Ministry of Labour was set up in 1906; the same period saw important laws on insurance for accidents in the workplace and the first attempts at the introduction of social security (see below).

As we can see, there certainly were state efforts to regulate industrial work, though they encountered skepticism from both the employers and the socialist unions. The sustaining forces of this “solidarist” social policy were two groups that were ideological enemies: the secular radicals, and social Catholicism, which took shape from 1870 under the influence of the German Bishop von Ketteler and became increasingly active in the wake of Pope Leo XIII's Encyclical “*Rerum Novarum*” (Dumons and Pollet 1994, pp. 185–327). However, they were not able to mediate in a real *class conflict* that was fed by the continued distrust on both sides. This was by no means attributable only to the largely syndicalist-revolutionary stance of the organized workers' movement; rather, it had much deeper roots in an authoritarian paternalism that was widespread in the *patronat*:

One characteristic of the industrial entrepreneur, whatever the scale of his activity, was the will to preserve his authority, and an often intransigent refusal to negotiate on any matter which might appear to threaten this. It was usually believed that concessions would seem as a sign of weakness and only encourage further demands. This explains the bitterness of many labour disputes (Price 1987, p. 205).

The interwar period, an economically and politically unstable period also in France, was not good for the unions. However, violent clashes in 1934 led to a short-lived alliance of the socialist and communist unions, and subsequently to the electoral victory of the leftist parties and the Popular Front government under Léon Blum. This government pushed through far-reaching social legislation and for the first time got employers and workers to sit down together. In the so-called Matignon Agreement (1936), employers, now also organized into an umbrella organization (*Confédération générale du patronat français*: C.G.P.F.), for the first time recognized the unions, declared themselves willing to enter into collective bargaining agreements, and to refrain from discriminating against union members in the workplace. Substantial wage hikes, 14 days of paid vacation, and the 40-h week were agreed upon. That same year saw passage of a Collective Bargaining Law that provided for the possibility of making collective bargaining agreements generally binding and for compulsory mediation (Fournier and Questiaux 1989, pp. 30–32). Parallels to the development in Sweden are obvious, but in contrast to the 44 year governance of the Social Democrats in Sweden, Blum's Popular Front government had to resign after one year.

The subsequent instability of the governments, the Second World War that broke out soon after, and the French defeat initially prevented the social reforms of the Popular Front governments from taking effect. After the end of the war, as well, labor relations remained for the most part tense, and the laws were liberalized to allow for voluntary mediation procedures. The economy continued to be dominated by manufacturing based in small and medium-size businesses, which was hard to bring under an organizational roof. As a result, workable systems of collective bargaining emerged only at the enterprise level, not on a sector-specific or national level. And *planification*, too, paid no heed to industrial relations.

It was only the unrest in May 1968 that provided new impulses to labor laws. The government of Chaban-Delmas now put itself in place of the corporatism that was unable to show any success: it drastically raised minimum wages, imposed negotiations on a national level on the partners to collective bargaining, and declared collective agreement that had been negotiated in state-owned enterprises as generally binding. Other measures were taken after 1982 in the wake of the program of liberalization.²²⁴ In the process, however, the governments were

²²⁴ Levy (2000, pp. 324–329). A chronological survey of industrial relations in France can be found in Armingeon (1994, pp. 185–188).

pursuing a less dirigiste policy of strengthening the influence of workers within enterprises and within the economy overall.²²⁵

It would appear as though the basic historical pattern of class struggle has been overcome during the last decades, even if France, unlike most western welfare states, has not seen the emergence of a stable model of corporatist cooperation. This may have something to do with the *weakness of the unions* in most sectors, which today organize only around 10% of workers. The representation of the interests of workers seems to have shifted much more to the leftist parties today. This is an expression of the increasing importance that the state has assumed for industrial relations and social policy in general since 1968, and even more so since the policy of economic liberalization against the backdrop of globalization (Levy 2000, pp. 329–344).

4.3.4 The Crisis of the Family and of Population Prospects as the Guiding Problem of French Social Policy

For the reasons described above, it was neither poverty nor the workers that stood at the center of the early interest in social policy in France, but concern over the family and population growth.²²⁶ Anxieties about population policy can be traced back to pre-revolutionary times. In contrast to England, where the question of poverty was interpreted by Malthus as the problem of the unrestrained procreation of the lower classes, in France the high ratio of unmarried persons and the high child mortality were addressed from the perspective of population policy already in the eighteenth century. The Restoration period witnessed a changing attitude toward the family: while children born out of wedlock or abandoned by their parents had previously been raised in foundling homes, the view now changed – especially under the influence of De Gerando²²⁷ – to the belief that fighting poverty and preventing a growth of the *classes dangereuses* in the wake of industrialization and urbanization required the promotion and strengthening of families. As a result, “the working-class family moved early on into the center of the sociological and socio-political engagement with the ‘social question.’ . . . [T]he poor housing conditions and the spread of gainful employment of mothers within the working classes . . . were interpreted as the most important causes of the instability and deficient capacity of the working-class family” (Schultheis 1988, p. 109; Castel 1995).

²²⁵ On the influence of workers and their organizations, which remains comparatively modest, see Waschke (1982, pp. 126–140).

²²⁶ On what follows see Bremme (1961, pp. 176–200); Schultheis (1988); Talmy (1962).

²²⁷ In response to a prize question announced in 1817, “What are the means of recognizing true need, of giving alms a form that is useful to both giver and recipient?,” Marie-Joseph de Gerando wrote his essay “Le visiteur du pauvre” (first published in 1820), which for the first time advocated sustained care and programmed the style of French social work, which has been to this day comparatively intrusive and controlling; see Schultheis (1988, pp. 64–70).

The social theory of Frédéric Le Play, which was oriented toward the *ideal of the patriarchal family*,²²⁸ was the primary reason why in France, as early as the second half of the nineteenth century, “the institution of the ‘family’ . . . acquired the status of a model of social order par excellence, whose diffusion and strengthening within the urban underclasses was promoted with vigorous efforts especially by entrepreneurs with a commitment to social policy” (Schultheis 1988, p. 150). Le Play propagated a paternalistic social policy, which led to a great many experiments with family wages, the building of workers’ accommodations, and measures to train housewives and mothers. His student Léon Harmel created the first fund for family subsidies in 1891 (Bremme 1961, p. 179).

However, the interest in family policy was able to succeed politically only in conjunction with the concern about population policy. Concerns about a stagnant population and the loss of military and political power that would result from this led to the founding of the “National Alliance Against the Decline of the French Population” as early as 1896 (Bourquin 1977, p. 300), and the loss of 10% of the male population of working age in the First World War made the problem urgent also in terms of economic policy.

Once gain, the initiative came from the side of business. Employers’ associations set up overarching *family compensation funds* to create an insurance-like compensation between enterprises that employed fathers of large families at different rates. This voluntary measures spread quickly throughout France, though in individual cases it led to very different solutions (Schultheis 1988, pp. 251–261). In the process, however, the motivation of promoting families was largely overshadowed by considerations related to wage policy: introducing elements of a family wage was intended to defuse pressure from the unions for higher wages. The compensation funds were not widely accepted by small businesses: around 1930, only 7% of all businesses and well under half of workers were included in the funds (Ceccaldi 1957, p. 35). The obligatory state program introduced in 1932 adopted the evolved structure of the private compensation funds and put them in charge of a public mandate. This became a precedent for the development of social security after the Second World War.

Parallel to the establishment of the first compensation funds, the social movement in support of families was strengthened with the founding of several organizations, and a “Declaration of the Rights of Families” (1920) called for politics oriented toward the welfare of the family independent of the interests of the state (Schultheis 1988, p. 302f.).

From the side of the government, as well, there came the first family policy initiatives and the creation of corresponding administrative bodies: 1919 saw the introduction of progressive family compensation based on the number of children for all members of the public sector; large families received an annual subsidy from tax revenues and reduced ticket prices on state railroads; family circumstances were

²²⁸ Le Play (1855 and 1864). On Le Play see Bourquin (1977).

taken into consideration in income tax law (1920, 1926); and several *départements* introduced birth bonuses. As another consequence of the First World War, the National Assembly decided to subsidize the construction of affordable housing, with special support given to housing for large families.

The “Code de la Famille” that was enacted in 1939 right before the outbreak of the war was an attempt to coordinate and strengthen these myriad initiatives. It can be seen as the earliest document of social legislation in France, which constituted a separate field of politics, as well as the first comprehensive legislation on family policy anywhere in the world. Henceforth, the basic benefits (*allocations familiales*) for families of all population strata were standardized, and a number of need-based benefits were added, for example, a subsidy for housewives of the lower income groups, and the guarantee of a need-based minimum income.²²⁹ The structure of the associational family compensation funds remained intact, though membership by employers and contribution payments from them was now made mandatory, and supplementary funds were set up. After the war, benefits to families claimed by far the largest share of social expenditures, nearly 46%. Since then this percentage has declined dramatically (1985: 15%), on the one hand because family benefits have not kept pace with the rise in income, and, on the other hand, because the expenditures on sickness and old age have risen at a disproportional rate. However, this 15% does not include a wide variety of benefits from other provisioning systems and the tax system that also benefit families. Susan Pedersen estimated that in the 1980s more than 20% of the French social budget went to benefits for families, compared with 15% in Sweden, 11% in the UK, and 4% in West Germany (Pedersen 1993, p. 415). However, the goal of family compensation has changed over the past few decades: while natalist justifications were dominant until 1968, family policy is promoted today chiefly from the perspective of preventing poverty. This also finds expression in the fact that in the wake of the policy of benefit reductions that began in the nineties, a growing number of benefits for families and children are granted only up to a certain income threshold. The growing unemployment and the deficits in the entire French social system, but also the changes in the private ways of life, are calling the traditional French family policy into question (Commaille 1996).

4.3.5 Solidarité and Sécurité Sociale

The emergence of the system of social security in France has a long prehistory of primarily ideological but also interest-driven disputes, which can be only briefly sketched here. The starting point was the French Revolution, which abolished all intermediary corporations and groups, and thus also the solidarities and entitlements

²²⁹ An overview of the family policy services in France as it existed in 1981 can be found in Schultheis (1988, pp. 372–377). See also Fournier and Questiaux (1989, pp. 549–592). A brief overview of the situation in the late nineties can be found in Becker and Bode (1998, pp. 777–780).

to protection tied to them, as well as the church-run poor relief.²³⁰ What Reinhart Koselleck has called “the individual’s immediate subordination to the state” created by the Revolution was also expressed in the direct proclamation of the state’s responsibility for the social protection of the individual

Public relief is a sacred debt. Society owes maintenance to unfortunate citizens, either by procuring work for them or by providing the means of existence for those who are unable to labor.²³¹

Although this program existed only on paper, it shaped the hopes of the poor and the fears of the liberal middle classes over the following century-and-a-half. The Revolution of 1848 made the short-lived attempt to implement a right to work. The public duty to procure work for the unemployed and the necessary means of subsistence for those unable to work contradicted the liberal self-understanding. Instead, it was regarded as each person’s individual duty to care for him- or herself. As late as 1895, the French Senate refused to approve a subsidy for poor relief and reallocated the money to support the aid funds (Hatzfeld 1971, p. 36). The now commonplace formula for describing the development of the welfare state, “*état-providence*,” was introduced in 1864 as a polemical label for the “*désotisme révolutionnaire sous toutes ses formes*” (Merrien 1997, p. 8).

The Beginnings of a State Policy of Support and Security

The social question was first raised in France by de Sismondi in his dispute with liberal economics.²³² His “political economy,” denounced by Marx as petty bourgeois but eagerly studied, became the theoretical foundation of *interventionist thinking* in France, which was given its ideological baptism by the solidarism of Léon Bourgeois. The starting situation was similar to Sismondi’s times. What held sway was a liberal ideology with its solid theoretical foundations in the British economic theory which Jean-Baptiste Say had also articulated for France. Politically dominant was the liberal notion of self-help, and when it came to dealing with life risks, the notion of *provision (prévoyance) through savings*. Already Napoleon III, in whose “social monarchy” Lorenz von Stein had placed his own hopes at the time, promoted the creation of savings and aid funds for workers. But unlike England, where the “friendly societies” became a core element of the union movement, the prohibition of unions in France and the state policy of promotion meant that most mutual aid funds (*Mutualités*) came under the protection of the local notables, who championed support for the funds and not infrequently

²³⁰ On the following see Hatzfeld (1971); Bourquin (1977); Galant (1955); Igl (1978); Saint-Jours (1981).

²³¹ Article 21 of the Constitution of 24 June 1793. See also Merrien (1997, p. 19).

²³² de Sismondi (1819, 2nd ed. 1827). On de Sismondi see de Laubier (1978, pp. 27–67); Amonn (1945, 1949); Kaufmann (2012a, ch. 2).

prevented their collapse by injecting their own wealth. The large enterprises in the mining and railroad industry were already setting up their own funds. The strong position of the *Mutualités* based on *voluntary membership* exerted a continuing influence on the development of governmental social security in France; they still exist today and form an important branch of supplementary old-age provision (Pollet and Renard 1996).

In the first, social-liberal phase of French social policy around the turn of the twentieth century, the debates revolved around how to deal with occupational accidents and poor relief. A 13 year-long dispute over the *liability of employers in the case of accidents not caused by workers* eventually led (in 1898) to a new liability basis labeled “occupational risk” (*risque professionnel*), though it was not tied to obligatory liability on the part of the employer, let alone a state accident insurance; only the bankruptcy risk of the employer was taken on by the state through a kind of indemnity guarantee. At the same time, the level of compensation vis-à-vis civil fault-based liability was limited.²³³ Only after the courts had additionally strengthened the standing of the harmed worker was the law able to gradually exercise its protective function.²³⁴

As far as *poor relief* is concerned, the prevailing attitude in the nineteenth century becomes evident in this statement from a parliamentary debate over the Relief Act of 1905:

In a truly free land, the role of the state should be limited, with a few exceptions, to the function for which it was created, that is, preserving external and internal peace. The rest is none of his concern, and I believe, in particular, that all problems of public relief could be resolved much more satisfactorily, and at the same time in a less costly manner, if their solution was left entirely to the smaller territorial bodies, that is, the communities and *departements*, and especially the initiative of association and the individual.²³⁵

Around the turn of the century, however, the secular government was intent on pushing the Catholic Church not only out of the school system, but also out of the welfare system. Invoking the justifying notion of *solidarité*, the period between 1893 and 1905 saw the passage of laws about free health care, child welfare, and support and care for the indigent elderly (Alfandari 1974, p. 8s.; Hatzfeld 1971, pp. 65–79; Weiss 1983). The expansion of state old-age care was thus limited to strictly circumscribed target groups; the needy outside these categories depended on the discretion of local poor relief agencies, private charity, and above all family support. The way in which the problems of oppressive poverty were dealt with was

²³³ For total disability two thirds, for partial disability half of the previous income. See Hatzfeld (1971, pp. 37–103); Bourquin (1977, p. 112f.); and the large study by Éwald (1986).

²³⁴ Saint-Jours (1981, p. 219f.). Following the takeover of occupational accident insurance by the medical insurance schemes in 1946, the latter developed measures of accident and sickness prevention comparable in their effectiveness to the German employment injury insurance (*Berufsgenossenschaften*).

²³⁵ Comte de Lanjuinais, 15 June 1903, quoted in Saint-Jours (1981, p. 210).

thus far more restrictive in France than in Great Britain, for example (Merrien 1994).

The law about old-age relief was part of the larger context of a discussion over old-age insurance for workers. More than 30 years separated the first parliamentary initiative (1879) and passage of a law on *compulsory insurance of workers and farmers against the risks of disability and old age* (1910).²³⁶ Bismarck's social security was also in France the topic of lively and controversial discussions, and it was only in this area that a somewhat similar solution carried the day (Mitchell 1991). However, this insurance system, which was oriented toward the capital funding principle and obligated the patrons and the workers to each pay half of the contribution, was not really accepted by either side; moreover, initially it had some issues that were left vague, and so with the First World War and the following depreciation of money, it ended in failure.

A second attempt was made in 1921, and it eventually produced the law about the *Assurances sociales* in 1928, with substantial corrections in 1930. Alongside old age and disability, *the risks of sickness and motherhood* were now also insured. The immediate payout of benefits provided under the law led to a better acceptance of the system, but also to considerable conflicts with French doctors (Bourquin 1977, pp. 291–299; Hatzfeld 1971, pp. 142–171, 250–261; Immergut 1992, pp. 89–99). Insurance now covered all dependent workers in industry, commerce, and agriculture, up to a certain income threshold. The insurance carriers were, alongside the *Caisses départementales*, also associative funds such as *Mutualités* and company funds, above which stood a government-run *Caisse générale de garantie*. Similar to Great Britain, the existing aid funds were thus incorporated into the system, indeed, the establishment of new private carriers was made possible. In addition, possibilities for voluntary insurance were introduced for small self-employed workers and housewives. Separate regimes with higher benefit levels were continued for various groups of public-sector employees; other occupational groups, such as qualified white-collar employees (*cadres*) subsequently got their own arrangements with special conditions.

The Social Security System After the Second World War

The reform after the end of the Second World War, under the energetic leadership of Pierre Laroque, a long-time expert on social security, was intended to put an end to this confusing system, which eventually had 727 social security funds (Saint-Jours 1981, p. 230). The more left-oriented forces of the Resistance and the more right-leaning exile government of General de Gaulle agreed in 1944 that social security should be reformed following the principles of the Beveridge Plan, that is to say, that the entire population should be insured and protected against all

²³⁶ A detailed account of the political process can be found in Bourquin (1977, pp. 145–289).

standard risks by law in a single and unified system. The political debates over this plan led to a substantial dilution of this plan and failure on the question of a uniform organization (Galant 1955; Bremme 1961, pp. 136–175; Saint-Jours 1981, pp. 231–238; Fournier and Questiaux 1989, pp. 442–664; Baldwin 1990, pp. 163–186; Huteau and Le Bont 1993; Immergut 1992, pp. 99–106).

Already the first blueprint of the “*Sécurité sociale*” envisaged a separate system for agriculture; the Family Compensation Funds and their political allies in the realm of social Catholicism pushed through their demand for the separate administration of family benefits by the existing private funds. To prevent the proposed law from going down in failure, further concessions were made regarding the preservation of special regimes that offered more benefits or were more cost-effective: for civil servants, the mining industry, railway workers, certain categories of the self-employed, white-collar workers, and so on – all the way to a special fund for members of the Comic Opera! The original goals were initially also scaled back considerably – chiefly for economic reasons – with regard to the goal of incorporating the entire population. Similar to Germany, however, new population groups were subsequently included in *sécurité sociale*, and in 1978 the option of voluntary participation was introduced for all those not included (Huteau and Le Bont 1993, p. 15f.; Saint-Jours 1981, pp. 248–252). Politically, however, the occupational fragmentation of the system means a *continuation of the class differences* that are already a strain on the French situation, while the structures of most social security systems in other states tend to be oriented toward blurring these distinctions (Wallimann 1986).

Still, the reform did bring important progress: the *Régime général*, which encompasses around 80% of the population, has uniform principles, which function as minimum standards also in the other systems. One factor in setting these minimum standards was the circumstance that the Bismarckean social security system in the formerly German Alsace-Lorraine was continued after it was split off from the German Empire in 1919, and that its benefit level could not be lowered in the adjustment. Risks are more comprehensively encompassed and better coordinated in the French system than the German one. In particular, insurance for occupational accidents and illnesses, which had been inadequately regulated until then, was now also incorporated, which allowed for close coordination with benefits in the case of sickness or disability. However, the reform did not create an unemployment insurance within the framework of the *Sécurité sociale*.

The level of cash benefits depends principally on the previous income as well as the length of contribution payments. However, there are minimums for the wage compensation benefit (Becker and Bode 1998, p. 775f.); the upper level is usually 50% of insured income (up to a the contribution assessment ceiling) averaged out for the ten best contribution years (changed in 1993 to the best 25 years).²³⁷

²³⁷ A detailed account for the case of old-age insurance can be found in Igl and O. Kaufmann (1991, pp. 242–245); see also O. Kaufmann (1996). On disability insurance see O. Kaufmann (1998).

Since the benefits of this basic insurance system are generally not sufficient to maintain a person's current standard of living, the French system of social security has obligatory and voluntary *supplemental insurances*, which are usually set up on the basis of collective bargaining agreements and in the case of obligatory insurance have been declared compulsory for all. In this area the *Mutualités* play a considerable role, but so does the profit-making insurance system.

The special systems (*régimes spéciaux*) either encompass all risks (as with the agricultural funds) or refer only to specific risks, especially to income replacement benefits, where more favorable benefits are agreed upon compared to the *régime général* (Igl and O. Kaufmann 1991, pp. 245–254). In the areas of family benefits and sickness benefits, the general systems are by far the dominant ones.

In a departure from the Beveridge Plan, the reform from the outset dispensed with a nationalization of the social security system. *The funds were administered by the parties in collective bargaining agreements*, usually at a ratio of 3:1 in favor of employees, although a change in the modalities of representation was the subject of reform attempts on various occasions. It was not least the leftist parties that opposed nationalization and sought to colonize this sphere of influence for the benefit of the unions, which were allied to them. Over the years, the government has attempted repeatedly to improve the social security system's accountability and has gained considerable influence in the process (Catrice-Lorey 1983).

Without going into the still bewildering diversity of organizational forms,²³⁸ mention should be made of a governmental reform of the *Régime général* of 1967, which created on the national level three separate, public-law *Caisses Nationales* (CN) for the risks of old age (*Assurance Vieillesse*: CNAV), illness, disability, and occupational accidents (*Assurance Maladie*: CNAM), and for family benefits and services (*Allocation Familiales*: CNAF). The basic idea was that this would create clearly separated streams of financing for the three risk groups. However, this intent was immediately thwarted by the simultaneous creation of a supraordinated *Agence Centrale des Organismes de la Sécurité Sociale* (ACOSS) and the smoothing out of deficits carried out by it.

The costs of occupational accident insurance and of family benefits are born entirely by the employers; old age and sickness insurance is financed by shared contributions, which employers paying a larger share than employees. Health insurance, in particular, is suffering from an uncontrollable rise in costs and structural deficits, with the surpluses from the other branches of insurance frequently used to cover them. In addition, the annual surpluses and deficits of the various insurance carriers are influenced by the fluctuations in economic activity and over the long term by changes in membership (in terms of the number of both contributors and benefit recipients). In view of the multiplicity of insurance carriers and of the factors influencing their financial performance, the funding modalities as well as the extent of the financing problems are largely non-transparent, and the

²³⁸ A good overview is offered by Lamiot and Lancry (1989, pp. 39–57).

manner in which they are addressed depends on the ebb and flow of politics (Huteau and Le Bont 1993, pp. 89–128). In spite of the repeated attempts by numerous governments, it has so far proved impossible to bring transparency to the operation of social security in France. Too diverse and varied are the interests and organizations involved, with the top-level associations of the various establishments themselves acting as socio-political actors of considerable weight.

The financing of the *Sécurité sociale* was originally accomplished exclusively through contributions, which were initially set by the funds or their umbrella organizations, and then increasingly through governmental decrees; as was the case with the precursor systems, systematic subsidies from public budget were not envisaged:

In contrast to the ideology of social intervention by the state that one encounters from the beginning of social security in Germany, the state in France has always limited itself to being merely the administrator of the compulsory social insurance. It restricted its role to law-making, regulation, and the oversight of the administration, and it rejected any state obligation except in exceptional circumstances . . . It is thus no coincidence that of all countries within the European Community, in France the state contributes the least to financing social insurance (Saint-Jours 1981, p. 263).

Accordingly, the problem of equalizing deficits, and thus also of one aspect of the general struggle over the distribution of income, has focused on the *organization of the financial equalization between the various carriers*, on a solution described by its champions as simple, fraud-resistant, predictable, linked to the development of the economy, and legitimizing the management with equal representation by the various parties (Fournier and Questiaux 1989, p. 521). Here the state took on merely the role of the referee. But the circumstance that no tax revenue was earmarked to cover the deficits also meant that the well-off classes, who bear the main burden of direct taxes and pay social security contributions – if at all – only up to a certain cutoff level, participate in the funding of *Sécurité sociale* at most to a degree that declines with rising income.²³⁹

The administration of social security through the representatives of the parties to collective bargaining proved incapable of closing the emerging structural deficits – the result of growing unemployment, rising claims to old-age insurance thanks to easier early retirement, and constantly rising health insurance costs – through corresponding increases in contributions or cuts in benefits. The result was the gradual accumulation of a deficit that was a serious concern within the framework of the national economy, and which made a *stronger engagement by the government* unavoidable. So as not to endanger the liberalization of the French economy – regarded as a necessary step – with labor conflicts, benefits were not cut; instead, the financing basis was broadened. Beginning in 1983, special taxes were imposed (on drugs, hard liquor, and so on) and the contributions to health insurance were set without a ceiling. In 1991, then, the Socialist government of Rocard introduced a

²³⁹ On the financing problem see Fournier and Questiaux (1989, pp. 498–531); Huteau and Le Bont (1993, pp. 89–128).

“social tax” (*Contribution Sociale Généralisée* – CSG) which is levied on all forms of income. It has been increased several times since then and could exert a certain redistributive effect (Huteau and Le Bont 1993, pp. 117–220). However, subsequent conservative government thwarted this redistributive intent with changes to the income tax law (Levy 2000, p. 332f.). Initiatives by the government ran into opposition especially where they pursued the goal of bringing the special arrangements in the public sector into line, as was the case with the *Plan Juppé* in 1995.

The creation of *unemployment insurance* took place in 1958 through an agreement on the national level between the parties to collective bargaining; the relevant ministry declared the insurance obligatory for everyone and in 1967 it was expanded to include the self-employed in the private sector. Unemployment insurance (ASSEDIC) is administrated and financed in equal parts by the parties to collective bargaining; it is organizationally separated from the *sécurité sociale*. In terms of duration and scope, its benefits are noticeably lower than those provided by German unemployment insurance. Where its benefits do not apply, tax-funded social welfare (*aide sociale*) – which was reformed in 1953/56 and has also been administered by the local offices of ASSEDIC since 1967 – sometimes steps in (Igl 1978, passim; Lamiot and Lancry 1989, pp. 53–55). The increase in the structural unemployment since the 1970s has led to repeated clashes between the state and employers about how the funding is divided up, without a stable solution having been found.

Since 1988, a special benefit that helps primarily the unemployed over the age of twenty-five has been the *Revenu Minimum d'Insertion* (RMI). This is a particular kind of social aid, where the granting of a minimum income is tied to the willingness by the recipient to participate in special measures of reintegration into the labor market.²⁴⁰ However, since France does not possess the infrastructure for an active labor market policy, its successes at reintegration appear to be modest. Similar to Britain, it seems to be difficult to get businesses to employ young people on a continuous basis beyond the subsidies.

In sum, the French system of income security can be characterized as *multi-layered, organized by occupational groups, and simultaneously comprehensive and selective*. By international standards, the needs of families receive especially differentiated consideration, and here the well-developed child care system comes into play too (see below). However, France lacks an “ultimate net” of social rights for the most needy, comparable to German welfare:

In contrast to the *Sécurité Sociale*, social assistance does not constitute a global system. It manifests itself in the most diverse and autonomous forms of intervention: medical help, old-age assistance, assistance for the disabled, families, children, etc. The right to a form of social assistance is never definitive, and those affected, in order to enjoy it, must explain and spell

²⁴⁰ O. Kaufmann (1990); Huteau and Le Bont (1993, pp. 354–360); this measure is celebrated in France as a particular advance in social policy: see, for example, Rosanvallon (1995). On its repercussions see Bode (1999, pp. 107–113).

out their unfortunate situation. In this sense, the techniques of social assistance have not completely broken with the practices of charity and welfare (Saint-Jours 1981, p. 257f.).

The critique of the existing systems therefore also emphasizes that it makes an inadequate contribution to reducing social inequality and leads to a growing exclusion especially of the unemployed, whose share among the gainfully employed has been rising continuously since the 1970s. The manifold special arrangements, especially those for the self-employed and civil servants, remain aloof from solidarist equalization, and the bewildering array of services is difficult to access, particularly by those most in need. As a result, the demand has been raised for a stronger role of the state and a guarantee of a status of social protection independent of the employment status (e.g. Greffe 1975; Rosanvallon 1995; Burdillat and Outin 1995; Hassenteufel 1996). Efforts in the mid-1990s to incorporate especially the younger unemployed more strongly once again used the old republican program of a “*solidarité nationale*” (Becker and Bode 1998, pp. 783–789).

4.3.6 Social Services

The term “social services” is uncommon in France, and much as in Germany, education and social policy are clearly separated.²⁴¹ Moreover in France, the care for pre-schoolers is part of the system of education. The area of health policy as well as the area of direct aid for various problem groups (*Action sociale*) are closed linked to the *sécurité sociale* and are usually dealt with in connection with it. The following discussion, however, follows the structure laid out in the introduction.

Health Care System

For our purposes, the history of the French health care system can be quickly told: it was a history of continuous impediments and blockages, which eventually culminated in a fundamental reform carried out with great vigor.²⁴²

The structures through which the political will was articulated under the constitutions of the Third and Fourth Republic allowed the medical profession, and especially the influential doctors in the capital, to push through its interests in a variety of ways. What contributed to this not least was a comparatively strong presence of doctors in politics: from the influence of local notables in the countryside to seats in the Senate or the National Assembly, where a few delegates changing sides was often enough to trigger the fall of a government. In this way, all initiatives in health care policy were suppressed until after the First World War.

²⁴¹ One exception are Fournier and Questiaux, who in their *Traité du Social* (1989, pp. 735–796) also dealt with education policy.

²⁴² An excellent account, which has been largely followed here, is by Immergut (1992, pp. 80–128); see also Fournier and Questiaux (1989, pp. 797–867); Huteau and Le Bont (1993, pp. 131–225).

But what were the interests of the medical profession? In keeping with the prevailing liberal intellectual current, the spokesmen of the elite in the capital developed the *concept of a 'liberal medicine'* (1927): (1) patients should be free to choose their physician; (2) the doctor-patient relationship is to be absolutely secret; (3) doctors should have absolute freedom to determine treatments; (4) fees should be freely negotiated directly between doctor and patient, without the interference of a third party (Immergut 1992, p. 87). This concept arose in the context of a controversy over the introduction of health care insurance as part of the social legislation in 1928, which was liberalized in 1930 in response to the intervention especially of urban physicians, but also of the *Mutualités* and the small self-employed. Rural doctors, by contrast, already recognized back then the potential increase in demand among their cash-poor patients from a compulsory health insurance and supported the law. The regulation agreed upon in 1930 satisfied both sides: it boosted the demand for medical services in the countryside and left urban doctors with the possibility of charging fees that were higher than those contractually set.

The same game was repeated after the Second World War: plans for a centrally guided health care systems were reduced to absurdity, first by the multitude of health funds, and then also by the liberal fee schedules and flexible options for doctors to participate. Although the health insurance was expanded to cover additional segments of the population, as late as 1954 only 20% of those insured were covered by agreements between health insurance funds and doctors who limited their co-payments to the deductible prescribed by the law. The other patients paid up to 70% of their actual doctor's bills out of their own pockets.²⁴³

A reform of the hospital system finally succeeded in 1958: the system of in-patient doctors was suppressed and medical care on the basis of salaried doctors was promoted. Public and private hospitals were largely placed on the same footing in terms of the fee policy, and doctor's fees were limited by collective agreements. A similar reform was pushed through for outpatient care in 1960, and at the same time, the health insurance funds were largely stripped of their previous power to negotiate fees in favor of an interministerial commission on a national level. This reform, enacted over the opposition of doctors, insurance companies, segments of the unions and of business, was possible only thanks to a constitutional reform forced through by De Gaulle, which allowed the government to circumvent the parliament and govern by decree. The reforms of the health care system were the test case for this new form of government, and their implementation was correspondingly relentless and uncompromising (Immergut 1992, pp. 120–124). Thanks

²⁴³ Immergut (1992, p. 110). By way of explanation: In France, doctor's bills must still be paid by patients, who submit them to the insurance for reimbursement. Depending on the fund, the reimbursement rate is between 50 and 80% of the costs for certain services as laid out in the fee schedules; in principle, the services are paid for according to the principle of individual services. On the payment mechanisms and the payment policy see Huteau and Le Bont (1993, pp. 144–153). For the costs not covered by the *secrurité sociale*, patients can take out additional insurance with the *Mutualités* and other insurance carriers. In practical terms, it is thus mostly the poorest citizens who are directly affected by the deductible.

to an intelligent incentive structure, the new system was rapidly adopted by doctors, 96% of whom submitted to the conditions of “socialized medicine.”

While this created a new structure of management, which has remained in force in principle to this day, this system, too, proved vulnerable to the general trend toward a disproportionate increase in health care costs. The initial effort to counter this trend was by raising co-payments, that is, by once again privatizing costs.²⁴⁴ A stronger rationalization of the health care system and a reorientation toward a tax-financed system are also under discussion (O. Kaufmann 1997, p. 5f.).

Action Sociale

French social policy has gaps in the area of aid for the neediest. France has no system of social aid that integrates monetary benefits and services, comparable to what exists in Germany, and there is no general legal entitlement to a guaranteed subsistence level.²⁴⁵ Moreover, the practice of charitable welfare by non-governmental actors is far less developed than in Germany, among other things because of the strict separation of church and state.

Even though there are no legal definitions and the term *action sociale* is used more in a programmatic than institutional sense, the distinction between *aide sociale* and *action sociale* is most usefully drawn between monetary benefits and services (Alfandari 1974, pp. 94–106, 129f.). Thus, *action sociale* is roughly comparable to the area of social work and welfare institutions in Germany.²⁴⁶

While in the area of monetary aid (*aide sociale* in the narrower sense) there is no explicit legal – but in practice, a recognized subjective – entitlement to a multitude of benefits that only experts can keep track of in any given case (Alfandari 1974, pp. 57–72), there is no comparable basis of entitlement in the area of services. Those concern above all the areas of aid for the disabled, the elderly, families, and children. It would appear that the public and semi-public aid for mothers and children is much more developed than aid for the disabled and the elderly. The latter two areas are still dominated by the tendency to leave responsibility within the familial sphere, to avoid costly in-patient placements, and to relieve the family – as much as necessary and possible – through supplementary services.

²⁴⁴ On the varying size of co-payments see Bode (1999, pp. 131–135). A good overview of the developments until the early 1980s is offered by Schneider et al. (1995, pp. 245–264). Recent statistics show that the life expectancy for women in France is the second-highest in the world, after Japan. Between 1980 and 1991, costs increased at a disproportional rate especially in the outpatient sector. The share of health care expenses that are not covered by either the state or by social contributions, that is, the area of supplemental insurance and out-of-pocket payments, has increased further.

²⁴⁵ This assessment, which applies to most Catholic countries of the South, also holds – if to a more limited degree – after the introduction of the RMI too. See Schulte (1991, pp. 555–558).

²⁴⁶ Surveys of the area of activity with different accents are provided by Alfandari 1974, passim; Fournier and Questiaux (1989, pp. 949–958).

The most important carriers are the local *bureaux d'aide sociale*, communal or supra-communal institutions as the successors to the old poor relief and care for the sick. They have primary responsibility for the financing and organization of person-related aid and have control of special budgets. They are subject less to local than departmental oversight and thus indirectly to state control. In addition, the local offices of the health insurance (*régime général*) and the family funds participate in the *action sanitaire et sociale*, for example, by being able to grant individual subsidies or reductions on deductibles; but they are also involved in preventive health care, visiting family and sickness aid, and in support for local, free initiatives with social goals (Huteau and Le Bont 1993, pp. 136–138).

In the area of non-governmental welfare, workplace-based social measures hold the greatest importance. All public and most private enterprises of a certain size employ their own social workers who, in addition to providing the relevant help for employees, are not infrequently charged also with tasks of social control. The recent years, in particular, have also seen the emergence of a multitude of free initiatives for the most varied problem groups, which frequently also function as advocates vis-à-vis government agencies. However, there does not seem to be any systematic subsidization of the free sector. On the whole, then, social services do not appear to be the subject of state policy, but remain within the gray zone of communal and disparate free initiatives.

Housing policy in France also holds a position of secondary importance in terms of social policy. The public promotion of housing construction remained dependent on specific circumstances and lacked continuity. Social housing construction carried far more weight for economic policy and urban planning than for social policy and was hardly the subject of political controversies (Duclaud-Williams 1978).

Education System

Already under the Ancien Régime, France possessed a far-flung though uncoordinated church-based educational system that was dominated by the orders (Jesuits, Oratorians, etc.).^{247,248} The French Revolution abolished these schools, but committed itself at the same time programmatically to erecting a state education system that encompassed the entire population, an *Éducation Nationale*, whose goal was to be above all the creation of a consciousness of national unity, but also the guarantee of more equality. But the various plans and proposals – which differed substantially in their specifics – were hardly put into practice during the unstable years of the Revolution. Until the fall of de Robespierre the program of an equalizing national education was dominant. Subsequently, the bourgeois interest in higher education asserted itself and led to a law for the creation of *écoles centrales*, though it was implemented only in rudimentary form. However, with a view toward the

²⁴⁷ An overview is provided by Lewis (1985).

²⁴⁸ On what follows see Vaughan and Archer (1971, pp. 117–145).

development of the welfare state, it must be noted that here, for the first time in the history of the world, the idea of a uniform national educational system was drawn up, which subsequently carried the day in most European states, but not in the US.

Napoleon adopted the basic idea of the *Éducation Nationale*, though his interest was focused only on higher education. The *Université Impériale* that he created in 1808 was a hierarchically structured, centrally controlled, national corporation with seventeen regional “academies,” which simultaneously assumed the tasks of today’s gymnasial and university education, and – in contrast to the Humboldtian university reform on the basis of the comprehensive Enlightenment ideal of education – promoted specialized training, also and especially for the purposes of the state. A reform that reshaped the academies into universities structured by faculties took place in 1896 (Ringer 1979, pp. 114–116, 122 f.). Finally, the reform in 1968 increased the autonomy of the universities, though it remains weaker than in Germany.

Also under Napoleon, the *Écoles centrales* were transformed into *lycées*, which have remained to this day the dominant form of schooling for the middle class. Primary education did not interest Napoleon, and it was subsequently taken over once again by ecclesiastical orders in an uncoordinated fashion, though the orders also became active again in higher education. This laid the foundation for the tension between state and church in the education system, which erupted towards the end of the nineteenth century.

What became characteristic was the sharp separation between the middle class *lycées*, which also conveyed primary education, and the *écoles primaires* for the general population, an arrangement that solidified social distinctions also politically. And since attendance at a *lycée* involved school fees that were not insubstantial, the educational barriers were reinforced also economically. An ordinance of 1816 for the first time established universal obligatory schooling, but there were no sanctions and no corresponding state buildup of the primary school system. Only the legislation of 1881/82 introduced universal and free state primary education for children ages 6–13, this time with the expressed goal of replacing the religious schools with a secular, national system of education.²⁴⁹ The teachers of the *écoles primaires* were now trained in institutions separate from the universities and were recruited from graduates of the primary school system, which only deepened the rift (Ringer 1979, pp. 116–118; Fournier and Questiaux 1989, p. 738f.). The development of vocational training institutions was also systematically geared toward this dualism.

Attempts to overcome the structural educational barriers brought gradual success only after the Second World War. A standard type of school was introduced in the area of primary education. Between 1930 and 1975, participation in the system of higher education grew twelvefold, and its social structure, too, was changed in the sense of a broadening of educational opportunities. In the wake of the regionalization in the 1980s, some areas of competency in the educational system were also decentralized and another expansion of the secondary education system was set in

²⁴⁹ However, the expansion of the state education system did not lead to the extinction of the church-run and private education system: in the mid-1990s, about one fifth of all students were attending (mostly Catholic) private schools; see OECD (1996, p. 273).

motion: as a result, currently 70% of an age cohort are preparing for a higher (general education or vocational) diploma (OECD 1996, p. 273).

A fundamental school reform as in Great Britain and Sweden did not take place in France. In spite of the many changes in particulars, the French education system retains a central focus in its decision-making structure, and in its structure after the age of twelve the difference between vocational training and higher education.

It would seem that the high unemployment rate since the 1980s, especially among young people, is connected to the high ratio of unskilled workers. Like Great Britain, France lacks a tradition of *enterprise-based* vocational training. Attempts have been made to remedy the problem by creating new vocational tracks of the general education school system. The *Revenu minimum d'insertion* (RMI) introduced in 1988 is also supposed to help provide qualifications especially for the younger unemployed.

It should also be mentioned that the pre-school area from the age of three, in the form of the *écoles maternelles*, is also assigned to the *éducation nationale*. Even if attendance is in principle voluntary, most 3-year-olds and nearly 100% of 5-year-olds participate. In the area of child care, as well, there are – as a supplement to the *écoles maternelles* – forms of private infant care (day care providers) and *crèches* on a large scale that are secured under social law; as a result, 45% of those below the age of three are growing up also in a publicly supported care arrangement. This public interest in early childhood education and care, and the possibility of employment also for young mothers that it entails, is in striking contrast to the situation in Germany (Becker and Bode 1998, p. 778f; Lessenich and Ostner 1995).

4.3.7 Summary

In spite, or perhaps because, of the comprehensive democratic and social welfare vision of the French Revolution, and in spite of an early onset of industrialization, France became a late developer in Europe on both dimensions: democracy and the welfare state. Moreover, France has remained, more strongly so than all the European countries under comparison, a society of obvious social inequalities. Today, these inequalities relate, first, to the relationship between immigrants and natives, but also to the relationship of country and city, of “province” and Paris, and that between the working class, the middle class, and the elites.²⁵⁰ By contrast, social inequalities resulting from gender and the taking on of parenting responsibilities are smaller than in Great Britain and Germany.

²⁵⁰ The measurement of income inequality depends crucially on the statistical basis. Atkinson (1996), for example, working in the absence of relevant household income studies on the basis of the official income tax statistics (!), arrives at a middle position for France when it comes to the inequality in the distribution of income in 15 OECD states. An older, methodologically more complex study came to the conclusion not only that France had the most unequal distribution of primary incomes among all OECD countries at the time, but that it was hardly being changed by the taxation and social services system; see Levy (2000, p. 311f.).

Although France is characterized by a high degree of political centralization, its capacity to act was broken as long as popular sovereignty was anchored in the National Assembly, as was the case in the Third and Fourth Republic. The constitutional reforms of the Fifth Republic have, on the one hand, strengthened plebiscitary elements, and, on the other hand, made the government less dependent on parliament. The increased ability of the government to direct affairs has had an effect especially in the area of the system of social security, and in spite of comparatively unfavorable economic background data, it has so far kept the existing system above water. What has not been so successful thus far, however, is the attempt to establish a synergistic relationship between economic and social policy. Especially lacking in this regard are a labor market policy that is supported by functioning corporatist structures, and a differentiated labor bureaucracy with adequate funds and competencies (Fournier and Questiaux 1998, pp. 325–333).

With respect to the arrangement of welfare production, it is difficult to make clear statements about France. Direct state influence on social security seems weaker still than in the US, where the SSA is at least a government agency. On the other hand, state regulations pervade not only the area of the corporatistically organized *sécurité sociale*, but also large segments of economic life. *The multitude and bewildering array of provisioning institutions and the interwovenness of their regulations with the specific peculiarities of the various professional groups, and also with the specific peculiarities of family conditions, constitute the most salient characteristic of the French arrangement for the production of social welfare.*²⁵¹ Job and family thus appear as the structuring elements, mediated in part by a high degree of associative organization. Both the state and the economy exert their influence rather indirectly here.

As far as the scholarly treatment of social policy is concerned, the engagement with the topic by the fields of economics, political science, and sociology in France leaves something to be desired. Individual works predominate, and the formation of institutional focal points is barely visible. Most useful are the textbooks (usually written by jurists or administrative experts) for various practical areas, in which economic and social questions are sometimes also addressed. In recent years the problem area of *exclusion* seems to have emerged as an overarching topic of social policy, and this has finally provided a discursive home to the problem of poverty, which is hardly addressed in the practice of French social policy.

5 And Germany?

While the German or American reader might welcome this examination of foreign examples as a simplified overview, those with greater familiarity with historical and current conditions might easily see it as incomplete and one-sided. In response to that perception, let me reiterate the intention of the present study: to sensitize

²⁵¹ Bode (1999, pp. 74–89) arrived at a similar assessment.

readers to differences in the development of national welfare states, and thus also to the specific peculiarities of their own society from a comparative, international perspective. The goal is to strip what seems self-evident within a national tradition of its self-evident nature. For that reason, the German case is subjected to the same analytical model as the preceding country studies. With this approach, the abstraction level of the entire project also becomes visible, indirectly, as it were. Where possible, the account will assume the perspective of an observer with no national ties who is trying to elucidate the German case for a foreign reader: the latter, in particular, needs an explanation of the self-evident elements that depart from his or her own. I emphasized in the introduction that there exist in this regard differences in interpretation that cannot be adequately considered here.²⁵² However, the element of comparison will be made more explicit than in the previous country studies. Peculiarities of the German social state are of interest primarily with respect to the similarities to and differences from the countries being compared.

In contrast to all countries I have talked about so far, the identification of Germany from the perspective of its historical unity is not without problems. Located at the heart of Europe, Germany lacks natural borders, and the German language sphere has never found a uniform political organization. The German-speaking lands were home to the core regions of the Reformation and the Counter-Reformation, and this confessional conflict was defused by the *small-scale structure of political authority* in the Peace of Augsburg (1555). After the end of the Holy Roman Empire of the German Nation (1806) that had emerged out of the East Frankish kingdom, the “German League” agreed upon at the Congress of Vienna (1815) led to the creation of 41 entities that were sovereign within the framework of the treaty of the League, among which Austria and Prussia were dominant.

The founding of the German Customs Unions (1834) under the leadership of Prussia, though without Austria, sparked the development of a coherent economic region, which gained density and economic power especially through the construction of railroads. The failure of national unification in 1848/49, the year of European revolutions, led to the erosion of the German League and to the intensification of the debate over a “large German” (under the leadership of Austria) or “small German” (under the leadership of Prussia) solution to the “German question,” as the problem of national unification was referred to since the wars of liberation against Napoleon. The decision came in 1866 in the battle of Königsgrätz (Sadova): under Prussia’s leadership, the North German League was set up with the exclusion of Austria. In the wake of victory in the Franco-Prussian war in 1870/71, the southern German states also joined the League. Its renaming into the German Empire was sealed on January 1871 with the coronation of the Prussian king Wilhelm I as the German Emperor.

²⁵² I have attempted this in Kaufmann (2012b)

This *Empire* – a federal structures of 22 princely states and three independent cities under the hegemony of Prussia – lasted until the end of the First World War (1918). “German Reich” was also the name used by the Weimar Republic (1919–1933), named after the first democratic constitution that was passed in Weimar, the city adorned by Goethe and Schiller. As a result of the conditions of the Versailles Treaty, but also as a consequence of the economic and domestic political circumstances, the political stability of the *Weimar Republic* was weak. This led, from 1930 on, to a presidential regime originally intended to be merely an emergency arrangement, and it ended with the assumption of power by the National Socialists in 1933.

The *Third Reich*, governed in authoritarian fashion in accordance with the Führer principle, eliminated all institutional protections against a totalitarian exercise of power, whose victims would be primarily “foreign races” and dissidents. Adolf Hitler’s expansionistic claim to great-power status led to the Second World War (1935–45) and to Germany’s utter defeat.

With Germany occupied by the four victorious powers, the East–west conflict gave birth in 1949 to *two separate German states*, the Federal Republic of Germany and the German Democratic Republic.²⁵³ Since the latter could maintain itself after 1961 only by fortifying its borders and separating itself physically from the West, the fall of the Wall in 1989 led to the collapse of the existing political structures and to the reunification of the two German states in 1990 on the basis of the Basic Law of the Federal Republic.

In spite of the ruptures of 1918–1945 and the repeated territorial changes, with respect to the question of interest here, one can posit a continuity of statehood since 1870, a substantially shorter period of time than in the other countries examined here. To complete the comparative social history, I will therefore also take a brief look back at the older history of the German hegemonial power of Prussia, which accounted for around two-thirds of the entire territory at the founding of the Empire.

5.1 State and Society

None of the other states examined here was as thoroughly shaped by the *idea of the state* as Germany. This is rooted in the measures by which the Duchy of Brandenburg-Prussia, which was not blessed with natural resources, was rather barren by nature, and unfavorably located, and which had barely played a role in the

²⁵³ There is no need to examine in this book the history and social policy of the GDR, since its institutional influence on social policy in the Federal Republic remained minimal. After reunification, West Germany socio-political institutions were transposed onto the new states almost in their entirety. On the social policy in the GDR see M. G. Schmidt (2013, German Social Policy, vol. 4); on reunification see G.A. Ritter (2013, German Social Policy, vol. 4).

30 Years' War, had risen since the Peace of Westphalia (1648) to become a great European power and finally the center of the German Empire: through the creation of a standing army under the command of the native nobility, through the establishment of a class of civil servants operating according to standard principles, and through a state policy of economic development.

Prussia formed a pioneering country of *modern* statehood, in which the focus was no longer on the personal regime of the ruler, but on the *institutional character of dominion*. A point of comparison: in the architectural center of Louis XIV's palace in Versailles, in the middle of the Hall of Mirror, an inscription proclaims: "Le Roi règne par soi-même" [The king reigns by himself]. The motto of the Prussian kings, meanwhile, followed the maxim of the Teutonic Knights: "Ich dien" [I serve]! The "enlightened absolutism" of the kings of Prussia as the "highest servants of the state" staked everything on the development of power through a strengthening of internal welfare and through a strict, country-wide organization of the polity. In the process, the old patrimonial rights of the nobility were not abolished, but the nobles were taken into service for the state. Early measures to spread general schooling and a disciplinary welfare policy ensured the development of the country's human resources (Dorwart 1971). The political tendencies were also underpinned in terms of administrative theory by cameralism:

In line with the rationalistic ideal of a uniform state policy were both central planning and the centrally guided activity of the officials. Under an absolutistic regime, administrative theory was the almost natural field of endeavor for political thinking. It is no surprise that the future 'bureaucratic absolutism' after 1800 was predicted approvingly by [von] Justi, [von] Sonnenfels, Svarez, and others. . . . From this perspective, the more or less effective organization of the bureaucracy constituted a crucial difference between the strength or weakness of a state (Wehler 1987, vol. 1, p. 234).

For the subsequent period, as well, one can describe as the characteristic quality of the development of the German state that the *influence of intellectual pioneers was comparatively important for the state's self-conception*. That is true for Kant as much as Hegel or the conservatives Friedrich Julius Stahl, Heinrich von Treitschke, and later Carl Schmitt. But Lorenz von Stein, Hugo Sinzheimer, and many members of the *Verein für Sozialpolitik* also contributed substantially to how thinking about the social state evolved in Germany (Kaufmann 2013, German Social Policy, vol. 1).

The rational character of Prussian politics was especially apparent in the *Allgemeines Preußisches Landrecht* that took effect in 1794: "After nearly 50 years of preparation, it sought, on nearly 2,500 printed pages, in around 19,000 paragraphs, each consisting of one sentence, to organize an enormous amount of legal material in a linguistically impressive form" (Wehler 1987, vol. 1, p. 240). This codification, shaped by the Enlightenment idea of natural law, formed the legal foundation of the Prussian social constitution until the enactment of the Civil Code (1900) for the entire Empire.

The modernization of Prussia took place as a *reform from the top down*, also after the defeat at the hands of Napoleon. Governmental and administrative reform, the liberation of the peasants and the de-feudalization of the land, the introduction

of freedom of trade, and financial and military reforms transformed Prussia between 1807 and 1820 into an institutionally modern polity based on the principles of civic freedom, the rule of law, and the free market, all this in contrast to the more inert states in southern Germany. The latter, however, took the lead in the area of constitutionalism and parliamentarism. It was only after the failed revolution of 1848 that the Prussian king granted a constitution that continued to be dominated by the preeminence of the government, and its parliamentary component was further weakened under the influence of Bismarck. Given the weak constitutional decision-making powers of the *Reichstag*, the introduction of universal male suffrage for the elections to the *Reichstag* of the North German League and then the Empire can be seen only as a modest step in the direction of democratization. However, the political influence of the *Reichstag* grew over the course of time, and its influence became considerable especially in the area of social policy. The Weimar Constitution of 1919 then brought universal suffrage for men and women, namely on the basis of a transition to a democratic republic that the conservative camp regarded as a revolution. Alongside the economic difficulties, this deficit in legitimacy played a major role in the seamless transition from the Weimar system into the totalitarian regime of the Nazis. The trauma that resulted from this and the reflection about it are among the cultural conditions of the social order of the Federal Republic, which has becoming more and more liberalized since 1949.²⁵⁴

The Prussian reforms of the Napoleonic era also included the *reform of the educational system and the universities*. The founding of the University of Berlin by Wilhelm von Humboldt (1810) was tantamount to a repudiation of the French principle of specialized universities. Against the reality of the “learning universities” of the eighteenth century, it restored the old principle of the “universitas litterarum” under the aegis of philosophy, though with special openness to the scientific innovations that were on the horizon. The institutions of the University of Berlin set the tone for the reform of the university system in Germany and for that country’s leading role in the natural sciences, as well as in the electrical and chemical industries that were built upon them. But the training of civil servants also remained the task of the universities. Special importance for the education of higher civil servants accrued, in the wake of cameralistics, to what was called *Staatswissenschaften* [political science in the broader sense], which also encompassed economics (Maier 1986). The teachings of Adam Smith were broadly received here, especially in the first decades of the nineteenth century, and they inspired the economic liberalism of Prussian officials. However, in the wake of the assertion of the leading idea of the *Rechtsstaat* [state under the rule of law], jurisprudence became the guiding discipline in the training of officials, and the

²⁵⁴ Concise accounts of conditions in the Federal Republic and their development against the backdrop of reunification are provided by Greiffenhagen (1993); Ritter (1998b).

“monopoly of jurists” in the public sector was abolished only in the decades after 1968.

In economic terms, liberalization initially tended to exacerbate the crisis, in the sense of a growing pauperization. It was only from 1840s on that *industrialization* gained some noticeable traction, and after 1849 it led to the so-called *Gründerjahre*, two solid decades of intense industrial expansion that transitioned rather seamlessly into the second wave of industrialization based on the application of scientific knowledge, in which Germany became a leader. In the process, the development of capitalism and the development of the state went hand in hand:

A lasting capitalism free of political power or the state did not exist anywhere [in Germany]. However, the formation of the state and the formation of capitalism are intimately interconnected. Industrial capitalism also – and especially – depended in a very fundamental sense on the state guaranteeing favorable background conditions, on the legal security of the state, on state help in developing the potential of human resources (Wehler 1987, vol. 2, p. 593).

Although Prussia thus did witness the emergence of a “civil society” in the Hegelian sense, and also a flourishing of civic organizations in the sense of Robert von Mohl’s civil/bourgeois society, their influence on politics remained minimal. While the state remained constitutionally autocratic when it came to “big politics,” internally it allowed, not only through *economic liberalization*, but also through the principle of local (at first only city) *self-government*, a measure of administrative dynamism that was much higher than in France and probably England, as well; in the latter country, the “local government” that was slow to develop gained administrative professionalism only from the second half of the nineteenth century on (Stolleis 1990). By contrast, the development of the economy was far less “framed” by the state in Great Britain, and even less so in the US. When it came to the unquestioned centrality of the state, Prussia was most similar to Sweden, though the federalism that came with the founding of the Empire subsequently caused that similarity to be less pronounced.

The German Empire emerged out of a *federation of states*, and the imperial constitution that was largely adopted from the North German League remained – in line with Bismarck’s intention – a document that provided a balance of power to the elements of the constitutional monarchy, the “league of princes,” Prussian hegemony, and the Reichstag created by general elections that should remain open to future developments (Nipperdey 1992, pp. 85–109). Only foreign and military policy fell within the exclusive purview of the Reich. However, it was within the spirit of the imperial unification that uniformity was to be sought also in the area of the legal and economic realm. Accordingly, criminal, commercial, and civil law were increasingly standardized, and the emerging spheres of labor and social law also became matters for the Reich. In these spheres, today referred to as “area of competing legislation,” the member states remained empowered to enact law to the extent that no legal regulation had been passed by the Reich or later the federal government.

Even though the members states had relinquished their sovereignty, the imperial constitution did guarantee them sovereign rights. In 1871, the authority over cultural, administrative, and financial matters was placed within the sphere of competency of the member states. The courts, too, remained a matter for the member states within an empire-wide court system, with the exception of the Reich Court that was created in 1877. This meant that the aspects of statehood that most directly affected the citizens were essentially a matter for the federated states or later the *Länder*. To this day, these sovereign rights have essentially remained with the particular states of the Federal Republic, even if the influence of the central government has grown substantially, especially in the area of public finance.

A separate administration of the central government was slow to develop. During the Empire, the business of the Reich was at first attended to largely by the Prussian bureaucracy; the Reich Chancellor, as the sole official answerable to the Reichstag, was usually also Prussian Minister President and in charge of foreign policy. Only gradually did separate Reich Offices emerge, though their initiatives could become politically relevant only through Prussia's political representation within the *Bundesrat* [upper house of parliament]. Prussia's special status was abolished with the Weimar Constitution, and the Reich government was reorganized in accordance with the principles of ministerial responsibility. At the same time, the sovereign character of the member states was retained. The totalitarian intermezzo of the Nazi state with its assertion of central power contributed to a solidification of the distrust of centralized attempts at problem-solving, and to a renaissance of federalism and of the notion of self-government within the framework of the Federal Republic.

The Basic Law of the *Federal Republic of Germany* (1949), which was born of the western zones of the occupation regime, maintained the federal structure of the polity, but the number of states was reduced. Since reunification, Germany has been divided into 13 *Länder* and three city-states, whose governments are represented in the upper chamber of parliament, the *Bundesrat*. Legislative power rests fundamentally with the democratically elected German *Bundestag*, though the body representing the states possesses qualified rights of co-determination in all matters that also concern the states. The structure of jurisdiction envisions a broad sphere of politics of so-called competing legislation, which also includes the subject matter of labor and social law. That is to say, the legislative authority of the *Länder* remains fundamentally intact, though only to the extent that no federal regulations have been enacted. The implementation of federal laws is principally the duty of the member states administration. In addition to the status of the *Länder* as member states and their administrative autonomy, Article 28 of the Basic Law also guarantees the autonomy of the communal level. Compared to England, Sweden, and France, the powers of the central government are thus more strongly constrained, though not as much as in the US.

German federalism differs from the federalism of the United States in characteristic ways. In the American states, the powers of the federal government and of

the member states remain fundamentally separated; the influence of the federal government on the policies of any given state is therefore quite small and limited essentially to the principle of “matching grants,” which has recently been pushed back again (see Sect. 3.2.3). On the other hand, the federal government is allowed to establish its own specialized administration in matters that fall within its legislative competency (e.g. social security). In Germany, by contrast, there exists an interwoven, “cooperative federalism”: on most matters relevant to domestic policies, the legal foundations emanate from the federal legislature, while the implementation of the laws is the obligation of the states. In keeping with the Prussian model, legislation and administration follow uniform principles on all levels.

The Basic Law, following the US model, also introduced a constitutional jurisdiction, according to which all acts of the legislature and the administration can be examined as to their constitutionality. Not least the experiences with the Nazi dictatorship have established the feeling for and the *faith in the state based on the rule of law as the foundation of the social order*, especially in the old federal states. However, the new federal states of the former German Democratic Republic have made different experiences from the imposition of the West German legal and social order, as well as from the economic agility of the western interests that asserted themselves in the East. These experiences also seem to affect the relationship to the idea of the state based on the rule of law. In the East, the idea of the social state is accorded greater legitimizing importance.

To this day, statehood [*Staatlichkeit*] forms the ideational framework for the development of society in Germany. That is also true of the development of the so-called “*social market economy*” after the war. The German “ordoliberalism” that became influential in this context differed from the Anglo-American economic liberalism in that its starting point was governmental policy of competition. One can see the cartel law and the co-determination laws, which were pushed through at the beginning of the 1950s over the opposition of large industry, as the basic documents of the social market economy. However, this statehood is internally fragmented not only by federalism, but also by the diversity of public-law bodies that are endowed with the right to self-administration. The principle of self-government characterizes not only communal autonomy, but also broad spheres of the social and economic systems, from social insurances to the chambers of various occupational and economic groups. Public tasks are exercised in Germany to a far greater degree than in any of the countries being compared here by non-governmental organs, though on a legal basis (Schuppert 1981). We are dealing here with a characteristic form of “mediation” between “state” and “civic society,” which was seen as the peculiar feature of “social policy” already before the German-speaking intellectual pioneers of modern social policy around the middle of the nineteenth century (see Kaufmann 2013).

A social policy that mediates between state and society has become a defining characteristic of the development of German society, and it has at the same time

*become more autonomous than in most other welfare states.*²⁵⁵ That is reflected not only in the autonomy of the social insurance carriers and the strong position of associations in the area of socio-political guidance, but also – and especially – in the fact that labor and social law has become a separate and largely independent field of legal practice (von Maydell 1994). These matters, which combine elements of private and public law, owe their importance above all to the internationally unique development of labor and social jurisdiction in Germany. The first local commercial courts appeared in Prussia already before the founding of the Empire, and labor jurisdiction was then gradually expanded down to 1926. The insurance offices created in the wake of Bismarck's social reform were also given judicial competencies in the area of what was later referred to as "social law." Since 1954 there exist for labor and social law two special jurisdictions with three levels, in which lay judges appointed by the parties to collective bargaining participate alongside professional judges (von Maydell 1985). In the field of jurisprudence, Germany is also a leader internationally in the area of social law (Zacher 1993). The Reich Insurance Code [*Reichsversicherungsordnung*] of 1911 already served to systematize social law; a comprehensive codification of all material regarding social law into one Social Law Code was begun in 1975 with a General Part and has been carried on since with every larger partial reform (von Maydell and Ruland 1996). By contrast, attempts to codify labor law into a coherent body have failed. What comes into play here are differences in legal understanding that are not independent of the at times conflicting interests of the bargaining parties, as well as the affirmation by both employers' associations and unions that the system of collective bargaining agreements in the Federal Republic is and should remain largely independent of the state.

5.2 *The Workers' Question as the Guiding Problem of German Social Policy*

5.2.1 From the "Social Question" to the "Workers' Question"

Older than the term "workers' question" is the term "social question." It is initially found in France, and after 1840 also in the German language as a summary designation of the social consequences of the profound economic transformations that were quite inadequately addressed in the word "industrialization": the

²⁵⁵ A concise overview of the history and state of social policy in Germany is offered by M. G. Schmidt (2005); Lampert and Althammer (2007); Ritter (1998b). A recommended reference work for historical details is Frerich and Frey (1996). See also the 11-volume history of social policy in Germany since 1945, published by the Bundesministerium für Arbeit und Soziales and Bundesarchiv (2001–2008), (see footnote on page 222). For the development of social policies before 1945 see Stolleis (2013, German Social Policy, vol. 2). Informative, with an emphasis on the modern development, is Hockerts (1998); also the sociological analysis by Alber (1989).

triggering element was the abolition of feudal bonds and the conversion of land from the basis of political power and the population's means of subsistence into a tradable commodity. This resulted in the loss of possibilities of self-sufficiency and a new kind of poverty that was referred to as *pauperism*. In this situation the emerging industrial employment opportunities already appeared as a potential solution to the problem. However, the concentration of labor they entailed were often linked to such unhealthful working conditions, moral dangers, and exploitative wage conditions that the new kind of misery produced by it was far more provocative than the diffuse rural problems.

It was characteristic of Prussia that the liberalizing economic reform preceded industrialization by decades. Prussia continued to remain an agrarian land, and the estate-oriented powers put up delaying opposition to the reforms. The reform of the state succeeded, the reform of society did not, and that was especially true of agrarian reform (Koselleck 1987). Although the personal obligations of hereditary bondage were abolished without compensation, the reforms failed to secure the property formation of the newly free peasants. As a result, the *de facto* status of the now "free agricultural workers" deteriorated, especially in the eastern parts of the land. The centralization of landed property in the hands of the nobility continued apace. In addition, the cheap import of goods produced by the already developed English industry increasingly destroyed the existing proto-industrial forms of production. Reinforced by an accelerating population growth, these developments gave rise to population surplus in the countryside, which was gradually reabsorbed by industrialization only in the second half of the nineteenth century. From about 1835 on, the term "proletariat" came into common use among writers to describe these lower classes that were sinking into misery (Conze 1954). *Originally, the "social question" thus referred not to industrial workers, but to the unpropertied, pre-industrial poor.* At the same time, however, German writers were already pondering the industrial experiences in England and France, the result being a peculiar overlapping of the two layers of the "social question." It was in this context that the term "social policy" emerged for the first time (Pankoke 1970).

The initial stirring of a *workers' movement* during the revolutionary period (1848/49) were subsequently suppressed, as were all democratic efforts. A clear differentiation between the "poverty question" and the "workers' question" occurred only after 1850, and following the founding of the *Allgemeiner Deutscher Arbeiterverein* (General German Workers' Association) by Ferdinand Lassalle in 1863, the problem of industrial workers and their social integration dominated public concerns as the "workers' question." While in the beginning the hope for "help for self-help" by workers – an idea derived from the British model – stood at the center of the debates, after the founding of the Social Democratic Workers' Party in 1869, which was critical of the state and stood under the influence of Marx and Engels, and its growing electoral successes, the "workers' question" became a political issue. For example, the right of association and the right to strike, introduced in 1869 in the wake of the liberal commercial code, were hedged

about with penal and administrative restrictions. After the merger of the two workers' parties in 1875, Bismarck judged their growing power a "threat to the state" and he sought to suppress it with the 1878 Law against the Public Dangers of Social Democratic Endeavors ("Socialist Law"). In 1890, the workers' party, which now called itself the German Social Democratic Party (*Sozialdemokratische Partei Deutschlands*, SPD), became the strongest electoral party in the German Empire, in spite of the obstruction of party and union work by the police. The young Emperor Wilhelm II, who was initially open to the idea of social reform, dismissed Bismarck not least because the latter was demanding the continuation and toughening of the anti-Socialist law. A few years later, however, the Emperor himself opted once again for a repressive course.

From the beginning, that is, since the 1860s, the formation of *unions* was oriented not only toward the criteria of residence, occupation, or sector of the economy, but also toward ideological considerations. There arose liberal, socialist, and Christian *Richtungsgewerkschaften*, that is, unions committed to a certain political ideology. The Socialist Law substantially impeded the development of unions. The creation of an umbrella organization – the General Commission of German Unions (*Generalkommission der Gewerkschaften Deutschlands*) – was possible only after the end of the Socialist Law, and the first unions by industry were formed. The "free" unions that were close to the SPD recorded the largest influx of members. However, the extent and success of their activity depended on local conditions. It was only under the pressure of the First World War that the unions were recognized politically as legitimate representatives of workers' interests.

As a consequence of this focus on the workers' question, the issues of non-industrial poverty fell into the shadow of political interest (see Sect. 5.4.2).

5.2.2 Workers' Question and Social Policy

The "workers' question" comprised several problem areas:

- First, the question about the *place of the workers within the production process*, their protection against the dangers arising from excessively long working hours, interactions with machines and substances harmful to their health, and the exploitative practices of employers, who should more accurately be referred to as "employment masters" (*Dienstherren*) at this time, since their power within enterprises was nearly unlimited. This area, to which Robert von Mohl, for example, called admonitory attention early on (von Mohl 1835), concerns the law of labor contracts, workplace protection, and liability law connected to workplace risks.
- Second, there is the question about the legitimacy and legality of a *collective representation of interests*, that is, the right to form unions, the right to strike, and the recognition of the unions by the state and the employers. This area

concerned especially the collective labor law, but also the representative assertion of workers' interests in the workplace and in the fulfillment of public tasks.

- Third, there is the issue of *securing the livelihood of unemployed workers*. To be sure, during the second half of the nineteenth century the average wages of workers rose well above the subsistence minimum for a single person. With skilled workers, the income was usually enough to support a family, as well, while other workers' families had to depend on the mother's earnings from part-time work or rent from boarders. However, whenever the possibility of gainful employment disappeared through sickness, disability, or the local lack of work, poor relief – which carried a stigma also in Germany – remained the only option for many.
- Finally, there was the question of the *political rights of workers*. The three-class franchise as well as the drawing of electoral districts disadvantaged the parliamentary representation of workers, and dependence on poor relief also entailed the loss of the already limited possibilities of the franchise.²⁵⁶

Labor Contract and Freedom of Association

Since the very beginning, German labor contract law has had competing ideas drawn from Germanic law and Roman law: according to the conception in Germanic law, the work relationship is a comprehensive, person-focused relationship that includes obligations of providing for workers on the part of the employer, and obligations of loyalty on the part of the employee. According to the conception under Roman law, the labor contract is an exclusive relationship of exchange, like any contract (Wiedemann 1966). During the liberal phase of German economic policy, which overlapped with the founding of the Empire, the Roman legal conception dominated, and it is also reflected in Art. 611 of the Civil Code. In the liberal view, all personal ties were to be eliminated from the contractual relationship:

The notion that entrepreneur and worker cooperated in a personal union to attain a shared goal . . . receded more and more into the background. . . The labor contract thus became purely a contract under the law of obligations aimed solely at an exchange of wage and labor. The entrepreneur sought to obtain the 'commodity' of labor, which meant for him merely one factor of production alongside others, as cheaply as possible, and the worker sought to sell his labor as dearly as possible (Hueck and Nipperdey 1959, p. 8f.).

Accordingly, a contract of service, for example, could be terminated at any time. This was seen as an expression of the freedom of both parties to the contract.

²⁵⁶ The social-reformist literature of the time discussed a large number of additional topics: land reform, housing, the right to work, worker education, consumer and production cooperatives, and so on. The structure as laid out above is thus oriented toward the actual paths that were taken toward a socio-political "solution to the workers' question."

This legal understanding of the work relationship remained essentially in place until the First World War.²⁵⁷

The introduction of freedom of association through the liberal Commercial Code of 1869 provided workers for the first time with the possibility of negotiating working conditions with employers collectively instead of individually. Initially this was mostly done at the business level, provided that the entrepreneur could be prevailed upon to voluntarily agree to negotiations and to being bound by the outcome. In 1873, then, the first collective bargaining agreement was signed for printers; the movement of collective bargaining spread quickly, and “in 1913 there were 12,369 [contracts] for 193,000 businesses with about 1.8 million employees” (Hueck and Nipperdey 1959, vol. 1, p. 12).

In the beginning, adherence to collective bargaining agreements was exclusively voluntary, and as collective contracts they did not enjoy any legal protection. It was only in the wake of the mobilization of the workforce during the First World War and in the immediate post-war period that the unions gained legal recognition (see Sect. 5.3.2). There now arose a *special legal area for those working in enterprises*, which became detached from the Civil Code’s service contract law; in part it was negotiated by way of collective bargaining contracts of enterprise-level agreements and guaranteed by the state, and in part it was directly binding through state law. Before long it was also dealt with on a scholarly level under the label “labor law.” In addition, a Reich Labour Office was set up even before the end of the war, and a Reich Labour Ministry was created in 1919. The Weimar Constitution granted the Reich competing jurisdiction for labor law legislation and stipulated in Article 157: “The Reich will provide uniform labor legislation.” That never happened. During the Weimar Period, labor law developed essentially as state regulatory law in conjunction with the law of collective bargaining agreements. The poor economic conditions and the once again rising tension between employers’ associations and the unions prompted an expansion of the state mediation system, which developed more and more into an instrument of compulsory mediation and thus into a state-managed wage policy (Preller 1978, pp. 255–261, 310–324, 358–363, 399–418; Feldman 1984).

The obligatory mediation decision had the legal force of a collective agreement and obligated the parties to end their disagreement over the now regulated working conditions. This regulation entailed a number of disadvantages. For instead of making a serious effort to come to an agreement, the unions and the employers’ association often preferred to shift the responsibility onto the state. Moreover, political considerations were sometimes strongly in the foreground in the decisions of the Reich Labour Ministry (Nikisch 1961, p. 23).

While the collective labor law that emerged in this way was not completely repealed in terms of its content by the Nazi rulers, its character was completely transformed. As early as May 1933, the free unions that were close to the social

²⁵⁷ The only restriction on contractual freedom, already articulated in the *Allgemeines Preußisches Landrecht*, concerned the prohibition against in-kind payment: wages had to be paid in cash and not in the form of (often inferior) natural produce.

democrats were broken up, and soon after all organizations independent of the state were dissolved. In like manner, the elected works councils and the enterprise-level agreements were abolished. The Law for the Regulation of National Labour (1934) became the basis for labor law: the guidance of the economy was in the hands of the newly created Reich agencies, and the workers were organized in the German Labour Front as an annex to the National Socialist German Workers' Party. The state wage policy of the late Weimar period transitioned fairly smoothly into a wage policy dictated by the powers-that-be (Mason 1978).

In the face of this rupture of tradition, labor law in the period after the Second World War both reconnected with the Weimar tradition but also departed from it in characteristic ways. State influence over the process of collective bargaining was strongly curtailed, and the law of labor contracts became the exclusive domain of the parties to the agreement. On the basis of the Collective Bargaining Law (1949), which was passed even before the Federal Republic became autonomous, labor contract and labor conflict law was subsequently developed almost entirely through judicial decisions, especially by the Federal Labour Court established in 1953. For the judicial layman, the material has remained correspondingly opaque.

Industrial Safety and Employment Injury Insurance

In Prussia, administrative reports had been calling attention since 1818 to the misery of child labor, and they eventually led to restrictions on the practice in a first "Regulation" in 1839. Technical and health-related industrial safety – under the name "*Gewerbehygiene*" – also developed early on in the form of administrative interventions. The inadequate adherence to these regulations led to more far-reaching measures and to the establishment of an initially voluntary system of factory inspection (1853); the latter was slow to gain ground, though, since it was weak in terms of personnel and had no policing authority. After the creation of the Reich, it was chiefly the Catholic Center Party, the Social Democrats, certain segments of the administration, but also representatives of large industry who pushed for an expansion of industrial safety and succeeded in making factory inspection more effective. However, Bismarck was afraid that further state interventions in the area of manufacturing would lead to "an undermining of the authority of the entrepreneurs through amateurish interference in the businesses, a restriction on the free disposal by workers over their own labor and that of their families, and a weakening of the international competitiveness of the German economy" (Ritter 1998a, p. 27), and did not put relevant measures on the political agenda. Still, the Commercial Code of 1869 for the first time established an obligation on the part of factory owners to provide protections for their workers, and these regulations were expanded to all enterprises in 1878. At the same time, factory inspection was made obligatory for all German states. With this there now existed a regular agency for overseeing occupational safety measures and the existing restrictions on working hours for young people and women. In 1890, its jurisdiction was expanded to cover all commercial businesses, and the form of *state*

labor inspection that has existed to this day was created (Windhoff-Heritier et al. 1990, pp. 15–20).

But the question of occupational accidents, in particular, remained an urgent one: unlike the British and French legal systems, German courts were not willing to interpret the liability of businesses broadly, which meant that the victims of such accidents, because of the high burden of proof, mostly came away empty-handed. In an effort to undercut the growing initiatives to tighten occupational safety and factory inspection, Bismarck favored a *solution to the accident issue by way of social insurance law*. After several heated deliberations, the Law on Occupational Accident Insurance that was finally passed in 1884 provided for the compulsory insurance of businesses in newly established “Occupational Cooperatives” (*Berufsgenossenschaften*) structured by economic sectors. The law stripped workers of the right to bring a civil suit for the full damages, providing instead the costs of medical care and a secure accident pension amounting to two-thirds of the last wage in cases of permanent disability. In the process, the principle of liability on the basis of the danger of the business, already introduced in 1838 in the Prussian Railroad Law, was expanded to include the dangers of factory work. It was now sufficient to demonstrate a causal connection between an occupational danger and an accident to enjoy the benefits of insurance. Compared to France, this solution was more “state-based,” but it was also more generous to the workers. The Occupational Cooperatives were initially given the option of passing accident prevention regulations, but from 1900 on it was made obligatory.

This solution has been criticized for leading to a “political de-thematicization” of the operational risks of industrial labor and thus for obscuring the conflictual character of labor relations (Machtan 1985). But it was precisely this that constituted its pacifying character. Externalizing the costs of occupational accidents and dealing with them by way of insurance law made these risks into predictable factors. And the Occupational Cooperatives subsequently developed into important agents of accident prevention: thanks to a structure that was specialized by economic sectors, they developed a familiarity with sector-specific risks and ways of containing them. Accident prevention was thus also in the interest of business owners, since it was one way to lower the cost of insurance. Institutionally, occupational safety in Germany is thus driven by two independent organizations – the state’s labor inspection agency and the Occupational Cooperatives that are the responsibility of business – whose competencies have not been unambiguously clarified, and which occasionally have also pursued contrary interests.²⁵⁸

Nevertheless, because of Bismarck’s resistance, important concerns regarding the improvement of the situation of workers in the manufacturing process remained unaddressed. Bismarck’s dismissal by the young Emperor Wilhelm II had its immediate cause in differences over how to deal with the workers’ question. Wilhelm II, supported by Trade Minister Hans von Berlepsch, enacted significant

²⁵⁸ Simons (1984); on the implementation and development of occupational safety in Germany see Windhoff-Heritier et al. (1990, pp. 24–27, 123–144).

reforms of occupational safety in 1890/92: the 11 hour normal work day for women and youths, Sunday rest, the expansion of occupational hygiene, obligatory factory codes for businesses with more than 20 workers, the right of workers to a hearing, and not least the introduction of a labor court for commercial workers (von Berlepsch 1987). These reforms were flanked by an initiative on international social policy, namely the invitation to the first International Conference on Occupational Safety in Berlin. Germany now seemed the international leader in the area of social policy. However, the pioneering achievements in institutional terms were limited to the sphere of social insurance. In the area of occupational safety, Switzerland (Factory Law 1877) and, in part, England had long since taken the lead.

Bismarckian Social Reform

The project of occupational accident insurance was part of larger context of a worker-focused “positive social reform,” with which Bismarck – following the suppression of the Socialist workers’ movement through the Socialist Laws – sought to win the workers over to the Empire and integrate them into the nation. In addition, he was concerned about an excessive strain on poor relief, which most industrial workers would become dependent upon if they lost their ability to work. The reasons that prompted Bismarck to embark on these initiatives were thus related to both state politics and social policy. And this connection has resonated also in the scientific thinking about social policy, in that the state’s stance on relations between the social classes became a conceptual feature of “social policy” that was mentioned well into the period after the Second World War.²⁵⁹

Prepared since 1880 and announced by an Imperial Message in November 1881, the Bismarckian social reform encompassed three epochal laws to protect against the risk of Illness (1883), Occupational Accidents (1884), and Old Age and Disability (1889). The following are the essential, shared features of these “Workers’ Insurances” [*Arbeiterversicherungen*], as they were called at the time:

- Obligatory (“compulsory”) insurance of the workers²⁶⁰ of certain sectors of the economy (categorically stipulated duty of insurance);
- Structuring of insurance carriers according to risks;²⁶¹

²⁵⁹ For a detailed account see Stolleis (2013, German Social Policy, vol. 2); Ritter (1986, pp. 28–52); on the more recent state of scholarship see Ritter (1998b, pp. 27–41).

²⁶⁰ Placed on a par with workers were (what we would now call) low-income white-collar workers, although this general category took shape only later. See Kocka (1981).

²⁶¹ The division of the social reform into three separate laws was driven not by substantive, but by tactical considerations, so as to get this difficult legislation through the Reichstag in the first place. See Syrup and Neuloh (1957, p. 124f.).

- Financing through contributions from employers and employees,²⁶² in principle without state subsidies;²⁶³
- Independent organization of the insurances in the form of public-law bodies with rights of self-governance by employers and employees in accordance with the extent of their share of the financing; exclusion of private-law alternatives;
- Legal entitlement to benefits whose levels are set by law, and the right of legal recourse: insurance offices with the Reich Insurance Office at the top (1885), and after 1954 the three-tiered system of social law courts.

This institutional result was only partly in line with Bismarck's "state-socialist" intentions. As the carriers of occupational accident and disability insurance, he had originally envisioned "Reich Agencies," that is, government bodies, and considerable "Reich subsidies" from tax revenues in order to signal the Reich's special interest in the workers. However, the "Reich-centric" model was thwarted by opposition from the Liberals and the Federalists.

The model of self-administering bodies of public law already had precursors in the form of the Prussian Societies of Miners. Within the framework of sickness insurance reform, the challenge was to integrate the already existing, approximately 6,000 free and communal aid funds that had emerged in the decades since the passage of the Commercial Code of 1845, and at the same time to build up a comprehensive system of aid funds, whose local anchoring was suggested by the structure of the social risk of "illness." This new type of "social insurances" in the form of public-law administrative entities financed by compulsory contributions and separated from the public budget has now been adopted around the world; the welfare-state alternative are benefit systems that are financed by state budgets and as a rule also administered by the state.

The Participatory Deficit

The self-governance in social insurance and the system of commercial courts did allow workers to participate institutionally, and the unions actively used this pathway for exerting influence. But when it came to the recognition of the unions as the combative defenders of working-class interests, administrative impediments (with regional variations) continued also after the repeal of the Socialist Laws.

"Historians can note that strikes and the clash between official power and strikers was much more violent elsewhere (involving bloodshed and dead, most intensely in the US, which had armed 'strike breakers' and hired company guards), and that the German, legally

²⁶² Because occupational accident insurance replaces liability, it is financed entirely by contributions from employers. Today, the contribution ratio between employers and employees in all other branches of social insurance is 50/50.

²⁶³ Disability insurance had a modest state subsidy from the beginning.

constrained police state was, by comparison, downright ‘civil;’ but that did not affect the workers’ experiences, for whom the non-neutrality of the state, its closeness to the business class remained the crucial point” (Nipperdey 1990, vol. 1, p. 365).

Likewise, workers continued to be discriminated against in voting law, especially through the three-class suffrage system in Prussia and Saxony. However, the more urbanization advanced, the less representative the pattern of the electoral districts became within the framework of Reichstag elections. In terms of social policy, the decade before the First World War has been described as a deadlock between the workers’ movement and a broader movement of bourgeois social reform, on the one hand, and the dominant influence of business interest on the Reich government, on the other hand.

What is crucial to the comparative perspective, though, is the observation *that the formative phase of German social policy was dominated entirely by the engagement with the workers’ question*. Only the “working class” (variably defined in terms of what it conceptually encompassed) stood at the center of political interest. This is also expressed in the name of the relevant ministry created in 1919: the *Reichsarbeitsministerium* [Reich Labour Ministry]. But the *Verein für Sozialpolitik* [Association for Social Policy], as the leading intellectual body of socio-political reflection, examined the “social question,” that is, the consequences of the socio-economic transformation, not only from the perspective of the industrial working class, which was, after all, as a whole in the process of rising socially, but also from that of the groups of losers, especially the rural population and craftsmen. But the institutional innovations that have shaped the structure of German social policy took their cues from the guiding image of the industrial worker. Accordingly, “social policy” – the name established itself in the wake of the Bismarckian social reforms – was understood as the *sum of occupational safety and workers’ insurance*. What remained excluded was the welfare system and thus the issue of poverty, but also the family question that was topical in France. And there certainly was nothing like the “equality” in the Swedish sense.

The innovation in the “social policy” initiated by Bismarck – the term was slow to establish itself internationally – was not the individual measures, for which precursors could be found in Prussia and elsewhere. Rather, it was the novel conception *of seeing workers as a uniform “estate” or “class” and making the improvement of their overall condition the goal of state action*. It does not detract from the historical importance of this novel political orientation that this was done primarily out of considerations of state politics, in an effort to spare the still-fragile Empire the feared revolutionary conflicts that were a reality in France. This orientation grew out of both the old-Prussian welfare state traditions, and the early sociological reflection on the “social question” and its interpretation in terms of social theory by Lorenz von Stein. It was above all Lassalle who introduced his idea of the “social monarchy” to Bismarck, an idea that could fuse with contemporary conservative-Protestant ideas of a “Christian state.” It was the *coincidence* of functional requirements, calculations of political power, administrative competencies, and cultural preconditions that allowed the breakthrough toward the development of the modern welfare state to occur first in the German Reich.

That democratization played no role in this process, that social policy was in fact perceived in the German Reich as an alternative to democracy that did not intrude upon the structure of power, is among the peculiar features of the German case.²⁶⁴

5.3 *Economic System and Collective Labor Law*

5.3.1 *Economic Freedom and State Interventionism*

As already mentioned, in Prussia freedom of trade and commerce was introduced in principle already in the wake of the post-Napoleonic reforms, and it was maintained in spite of vigorous opposition, especially from the trades. The Commercial Code of 1845 for the first time introduced uniform principles for all of Prussia, and the Commercial Code of the North German Confederation of 1869 formed the foundation of the liberal economic system of the entire Empire, which was flanked by a uniform currency policy pursued by the Reichsbank that was created in 1876 on the basis of the gold standard. However, the industrial crisis of the 1870s and the growing problems in agriculture led to a turning away from the free trade doctrine that had been dominant since the 1850s. In the area of academic economics, as well, the *Verein für Sozialpolitik* [founded in 1873] gradually displaced the Manchesterian *Kongreß deutscher Volkswirte* [Congress of German Economists], which eventually dissolved itself. Without questioning the liberal free-market system domestically, Bismarck now sought to contain the undesirable consequences of liberalization through state measures, by means of protective tariffs and social policy. This remained the fundamental approach until the outbreak of the war.

The First World War led to the collapse of the international gold standard and a very high level of indebtedness of the Reich to its citizens. The war was financed in part through bonds, which were purchased above all by the bourgeoisie, but in part also by firing up the money presses, with the inevitable inflationary consequences. Exacerbated by the impositions of the Versailles Peace Treaty, the calamitous state of the economy peaked in the hyperinflation of 1921/23, in which especially the bourgeois middle classes lost their remaining financial wealth and with it also their old-age provision. A comparable decimation of savings, though this time politically guided, took place after the Second World War as a part of the currency reform in the Western zones (1948).

The loss of all savings twice in one generation has created in the political consciousness of the Federal Republic what is, by international standards, an

²⁶⁴ The parallel to the “Bonapartist” policy in France before 1870 that is occasionally drawn in the more recent theory of the welfare state for the most part fails to grasp the historical facts. The modest measures that Napoleon III took on behalf of the aid funds were not exclusively oriented toward the workers, nor did they question the liberal principles of the political shaping of society.

unusual attentiveness to the problem of monetary stability. It is reflected both in the strong position of the German Bundesbank, and in the high priority given to this day to the goal of fighting inflation, also over that of full employment. But it also explains the great confidence in the statutory pension scheme, whose benefits were the only ones not fundamentally devalued by the currency crises.

Politically, the economic difficulties of the Weimar period led to a growing state interventionism, which affected, among other things, wage policy. The National Socialist Third Reich continued this course, which eventually produced a largely nationalized war economy. After the collapse of the Third Reich, the governing forces in the British-American zone set the stage early on for a free-market system, while the Social Democrats – with the CDU, as well, initially tending in the same direction – advocated extensive nationalization within the economy. The Basic Law left the question of the economic system open; it was resolved by the slim bourgeois majority in the first Bundestag in favor of the model of a “*social market economy*” as propagated by Ludwig Erhard, the Minister of the Economy.²⁶⁵ In the “Godesberg Program” (1959), the Social Democratic Party gave up its demand for a socialist restructuring of the economic system; ever since, the principles of a free-market system flanked by social policy has been part of the basic consensus shared by the large national parties and economic organizations.

What exactly was meant by a *social market economy* remained contested.²⁶⁶ Erhard’s thinking was dominated by the notion that the liberation of the productive powers through competition, and the resulting economic growth, that is, the increase in the general prosperity, made up the “social” element of the market economy. This view was correct given the times, in so far as the socio-political framing of the market economy seemed beyond questioning in Germany. Subsequently, however, what pushed to the fore were conceptions that perceived the crucial factor in the *complementarity* of state directives in the areas of the economic system and social policy, on the one hand, and a free-market guidance of economic processes, on the other hand. In this sense, the terms “social market economy” and “social state” can be regarded as specifically German articulations of the welfare-state program. Characteristic of this German view is the maxim that it is the task of the state to counter the accumulation of economic power through a policy of competition, and to keep the market economy on an inflation-free path of growth through global guidance; at the same time, state interventions to ensure social equalization are acceptable to the extent that they “conform to the market,” that is, do not impair competition and growth in the area of production. Even within the framework of the current debates over the “restructuring of the social state,” it is not this complex maxim itself that is really up for debate, but only its interpretation within a situation of increasing global competition.

²⁶⁵ On the creation of the model see Helmstädter (1989, pp. 247–249).

²⁶⁶ For an overview see Blum (1988); Zacher (2013, German Social Policy, vol. 3).

As a result, the Federal Republic experienced a long-term flourishing of its economy since its founding and the accompanying monetary reform. The DM (Deutsche Mark) advanced to the strongest currency in Europe, and the German economy was for a long time the world champion in exports. Even the reincorporation of the former GDR after 1989 dampened the efficiency of the economy only temporarily. After the establishment of the euro –zone, Germany lost some of its advantages in international markets, but remains one of the strongest pillars of the common European currency.

5.3.2 Works Constitution and Collective Labor Law

To the extent that the interests of workers in Germany were also collectively articulated, the focus was neither on the syndicalist claim to a revolutionary overthrow of capitalism (as in France), nor on the principle of collective self-help (as in England), nor on the mere struggle for higher wages (as in the US). Rather, the German workers' movement remained *state-focused* also in the sense that it was primarily concerned about *rights*. The experience that rights that had been granted, such as the right of association and strike, were repeatedly impeded by police or administrative measures, as well as the discrimination within the voting laws, deeply shaped the socialist workers' movement in Germany. Likewise, in their dealing with businesses, the free unions were not primarily concerned with higher wages, but with being *recognized* as negotiating partners and with the rights of workers to have a say in matters that affected them. Even when the revolution seemed within grasp in 1918, not only the majority Social Democratic Party, but also a considerable segment of independents who were leaning toward a democracy of soviets, opted for governing responsibility under the Social Democrat Friedrich Ebert, an arrangement that preserved the continuity of the transition of power. It was not the state itself that was to be abolished, but only militarism and the monarchy which rejected any form of democratization.

Crucial to the transition of social policy from the autocratic monarchy to the democratic republic was the founding of the *Zentralarbeitsgemeinschaft* of employers' associations and unions. While the administrative discrimination against the Social Democrats had already been dismantled during the war, what now followed was the official recognition of the unions as the "appointed representatives of the workers," and as equal partners to collective bargaining.²⁶⁷

²⁶⁷ The basis was the Stinnes-Legien Agreement, which was signed on November 15, 1918, immediately after Germany's surrender, and was named after the chief negotiators, the unionist Ludwig Legien and the industrialist Hugo Stinnes. In addition to an agreement about an institutional framework for collective bargaining, the Pact contained an agreement about the administration of the employment registry (*Arbeitsnachweis*) with equal representation from both sides, the introduction of the 8 h workday, and the obligatory introduction of works councils in businesses with more than 50 employees. For a text of the Pact see Stegerwald (1926, pp. 292–296).

The Weimar Constitution was subsequently the first constitution in the world that contained detailed regulations on the economic and social order, including the possibilities of co-determination for workers at the level of their workplace and above (Art. 165). However, this particular article was already a mere “compromise formula” behind which “were concealed strong divergent opinions about the correct economic order, the degree of state intervention, and its instruments” (Ritter 1994, p. 108). The constitutional establishment of an economic structure parallel to parliamentary representation resulted from the convergence of very different conceptions of social policy: for one, a separate, occupational estate-based representation that went back to Bismarck’s plans about a “German Economic Council,” which was subsequently championed by the Center Party; for another, the radical-socialist demands for politically and economically influential “worker councils;” and, finally, the interest in productive industrial relations that prevailed among the employees as well as the moderate unions (Ritter 1994, pp. 74–82). The version of the hotly debated Article 165 that was eventually adopted put off the real political decisions to the legislative phase, which succeeded only in passing a law about the creation of works councils (1920). In addition, a “Preliminary Reich Economic Council” was set up by decree, though it subsequently had no meaningful influence. The legislation about the creation of business-spanning “worker councils” and “economic councils” failed (Ritter 1994, pp. 102–107).

What seems especially striking in retrospect is the skepticism toward a free, “capitalist” form of economy that extended deep into the middle class; still, because the participants were unable to find a consensus, that economic form was approaching, and it was eventually blocked essentially by authoritarian state measures. The disastrous economic conditions of the post-war period, and the insistence of the workers on the “rights” they had won, led to the revocation of the 8 h workday by employers and subsequently also to a “crisis of social policy,” which ended in a financial crisis and eventually led to the collapse of the last parliamentary coalition government.²⁶⁸

The failure of the “welfare state compromise” spelled out with the Stinnes-Legien Agreement and the Weimar Constitution, and the deligitimization of the constitution it caused, became a crucial reason for the openness of the Federal Republic’s Basic Law to the economic and social order. Within the framework of the so-called social state clauses, and additional constitutional norms only indirectly related to them, the details of the economic and social order were to be created by the regular legislator (Zacher 1980).

This constitutional framework gave rise, for one, to a *system of collective bargaining* largely freed from state influences; although it had a legal basis (1949), it continued to develop largely on its own, though flanked by an established

²⁶⁸ Timm (1952); Maurer (1973). On the debate over the “crisis of social policy” see Kaufmann (2013, German Social Policy, vol. 1).

system of labor courts.²⁶⁹ After the Second World War, the politically or ideologically affiliated unions were not restored; instead, a *unified trade union* structured by economic sectors was created. In the process, region-wide sectoral collective bargaining agreements proved overall an effective regulatory system. At the beginning of 1989, around 32,000 collective agreements were in force, which covered about 90% of all employees (Frerich and Frey 1996, vol. 3, p. 223). However, since the reunification of Germany, and under pressure from intensifying competition over the best place to do business, the region-wide sectoral agreements are being increasingly questioned, and in some places they have been replaced with wage agreements on the level of the individual enterprise.

A peculiarity of German labor law is the extensive legal regulation of the employees' participation rights in the framework of a *works constitution* (*Betriebsverfassung*: regulations governing industrial relations at the company level). Already during the First World War, the creation of works councils in larger companies was prescribed by law, and they were accorded influence over compulsory labor, a product of the war economy. More far-reaching demands for "economic democracy" had made their way into the Weimar Constitution, although the relevant constitutional provisions were realized only in the form of the works council law. When it became clear, after the Second World War, that the creation of a "democratic Socialism" was an illusory goal, given the majority situation in the Bundestag, the unions fought to preserve what the large enterprises in the mining industry had originally offered voluntarily, "equal co-determination" [*paritätische Mitbestimmung*], which eventually led, under the threat of a large-scale strike, to the legal regulation of equal co-determination on the supervisory boards of the mining companies, and to the creation of a labor director on the company board who would be chosen by the workers (1951). The subsequent Works Constitution Law (1952), which regulated co-determination in the larger businesses *outside* the mining sector, did not go as far and strengthened the basis for negotiations within the company, in that it envisioned the independence of the works councils from the unions. In spite of occasional modifications, the compromise setup that was thus arrived at has proved quite stable, and it can be considered the new form of the "welfare state compromise" in Germany.²⁷⁰ To put it in somewhat pointed terms: co-determination is as important to the welfare state compromise in Germany as the integration of the unions into macroeconomic guidance is in Sweden. The German term for describing the peaceful conflict between labor and capital is *social partnership* [*Sozialpartnerschaft*]:

The principle of a peaceful, cooperative settling of conflict . . . has assumed a pronounced behavior-shaping obligatory character for labor relations in the German social model. The institutional differentiation of three relatively autonomous arenas of conflict – work-place, company, collective agreements – has established . . . a mechanism of shifting the

²⁶⁹ Various initiatives towards more far-reaching *legal* regulations of labor law were blocked by opposition from the two sides to the collective bargaining system.

²⁷⁰ Kaufmann (1998a, pp. 88–98); Bertelsmann and Hans-Böckler-Stiftung (1998). On the long prehistory see Teuteberg (1961).

problem with elastic opportunities for engagement, a mechanism that allows the flexible regulation of conflicts within a stable institutional framework (Lessenich 2000, p. 120).

5.4 *State Policy of Income Security*

5.4.1 *Social Insurance*

More so than in the other countries we are comparing, the financing of the so-called “second income distribution” is based on the principle of social insurance. The contribution-financed, public, compulsory insurance against the typical risks of life is the most important innovation in social policy that came out of Germany (see Sect. 5.2.2).

The Bismarckian social insurances were intended to protect workers against the humiliating poor relief, but their benefits, especially in the areas of disability and old-age security, were initially not sufficient to guarantee a subsistence level, and they also left the surviving families without protection. Still, their creation not only provided far-reaching impulses to the social policy of other states, but it also set a variety of dynamic forces in motion within the German Empire. However, unlike in England and France, there was no fundamental reform of the system after the Second World War; instead, the achievements of the Bismarck period were developed further.

The first dynamic concerned the *area of benefits*: while the focus in sickness insurance was initially on sick pay, as had been characteristic for the preceding “aid funds,” the medical care that was also envisioned by the law subsequently developed more and more in tandem with medical advances (see Sect. 5.5.1). The Professional Cooperatives expanded their sphere of activities into the area of rehabilitation and prevention, and they increasingly paid compensation not only for occupational accidents, but also for occupational diseases. In the case of old-age and disability insurance, which included a pension for old age only in the sense that a person who reached 70, already a biblical age for workers, was assumed to be unfit to continue working, and which initially excluded care of widows and orphans, survivor benefits were introduced in 1911. The introduction of a retirement age of 65 was part of the concessions during the First World War. The broadening and improvement of the range of benefits was a continuous trend in social insurance, because these were politically attractive projects, which at times even degenerated into a politics of “election presents” in the Federal Republic. The limits to expansion were essentially only economic difficulties and the distribution conflicts they intensified. Even in the economically very tough Weimar period, unemployment insurance was newly introduced, and its promises that were impossible to keep contributed significantly to the crisis of the “Weimar Coalition.” The most recent *institutional* expansion of social insurance was long-term care insurance in 1994.

The second dynamic concerns the *circle of the insured*: ever new sectors of the economy and increasingly occupational groups, as well, were incorporated into the

various branches of social insurance. A special development took place in the area of old-age insurance, where for the white-collar employees (at the time mostly still referred to as *Privatbeamte*) a separate “Reich Insurance Agency for White-Collar Employees” was set up in 1911, with higher contributions and more generous benefits compared to the area of workers’ insurance. Subsequently, a clear bifurcation between “workers” and “white-collar employees” occurred also in the area of sickness insurance. Equality in terms of social law with white-collar employees, who were regarded as politically privileged, became one of the crucial demands of the workers’ movement, but it was fulfilled only after the Second World War.

If one considers that state *provisioning* for civil servants already existed in pre-industrial times (Frerich and Frey 1996, vol. 1, pp. 69–74), and that a system of self-governing *Knappschaften* had been created for miners in Prussia as early as 1854 as insurance-like compulsory corporations, it is easier to understand the *structured character of the German system of social insurance*, and the resistance to a uniform insurance encompassing the entire population that has persisted down to the present. Especially the privileged status of civil servants has prevented a standardization of organization and benefits to this day.²⁷¹ The consequence of this path of institutional development, which thus went back to early decisions, was the gradual emergence of separate statutory insurance schemes also for the self-employed: for craftsmen (1938), farmers (1957), and eventually also artists (1981).²⁷² The advantage of this was that the regulations could be tailored specifically to the interests of the professional group in question; at the same time, however, it gave rise to a heterogeneous regulatory system, which is all the harder to manage, the greater the weight of overall economic and demographic considerations become to the management of social insurance. In this regard, the structured systems in France and Germany are proving politically much more resistant and vulnerable to group interests than the “universalistic” Scandinavian systems.

The social legislation that has had the strongest impact on shaping public consciousness since the Second World War was the *pension reform of 1957*. It is the only realized part of the “comprehensive social reform” announced by Chancellor Adenauer in 1953.²⁷³ For one, it standardized the principles of old-age and disability insurance for workers, white-collar employees, and miners; for another, it led to a substantial upgrade of the existing pension entitlement through the transition to the “dynamic pension.” Where the Bismarckian disability insurance had provided a *supplement* to a livelihood in old age that was still conceived as

²⁷¹ On the clashes between proponents of a “unified insurance” and the champions of the “structured system of social insurance” after the Second World War, see Hockerts (1980).

²⁷² For the free professions organized into public-law chambers (doctors, lawyers, architects), separate systems were created in accordance with the law of the states. In addition, in 1971 additional professional groups were given the option of joining the statutory pension insurance scheme at especially favorable conditions.

²⁷³ The history of how the pension reform of 1957 came about is described in detail by Hockerts (1980, pp. 216–425).

family-based, the new pension was supposed to allow those who had worked all their lives *to maintain their existing standard of living and to participate in the economy's continuing increase in productivity*. This reform made pension insurance the financially costliest component of the budget for social spending. The counterpart to this high statutory level of security for "normal working conditions" is a weakly developed business-based old-age provision, which essentially plays a larger role only for top-level management.

What all system of state-regulated provision for life's risk in Germany share is that they build on *employment*. Entitlement is acquired through work and (with the exception of the system for civil servants) through income-dependent *contributions*. Analogous to the considerations in private insurance, the principle of an *equivalence of contributions and benefits* also continues to be recognized: in principle, the level of sick pay, unemployment, disability pensions, and old-age pension is determined by the income that is subject to insurance contributions.²⁷⁴ It follows from this that the cash benefits of social insurance to this day do not guarantee a livelihood-guaranteeing minimum. To use the more recent terminology: although it offers basic and supplemental insurance for those who are gainfully employed for a lifetime, it does not guarantee a basic insurance for everyone. With respect to the absence of a basic insurance outside of social welfare, the German system of old-age security differs from the systems in nearly all other countries (Hinrichs 1999).

German social insurance faced a particular challenge with the reunification of Germany. The modalities of the reunification treaty stipulated that the East Germans' entitlements to social benefits would be determined by existing West German law. The costs had to be borne by West German social insurance carriers by way of financial compensation, while the groups who are not subject to social insurance, that is, especially, civil servants and the self-employed, were exempted from sharing in the financing.²⁷⁵ This led to substantial added burdens on households and social insurance carriers, especially in the area of statutory pension and unemployment insurance. The foreseeable financing shortfalls were essentially made up by increases in contributions, which further increased the already high non-wage labor costs in Germany. The distribution conflicts over the last 20 years were the result less of "globalization" or the anticipated demographic distortions than of the arrangement to finance German unification.

²⁷⁴ Typical for the German system is the limitation on compulsory contributions through so-called contribution assessment limits. This places an effective block on a redistribution at the expense of the wealthier individuals within the framework of the social security system. According to the prevailing opinion, vertical income distributions should occur exclusively within the framework of the tax system.

²⁷⁵ For the particular problems of reunification see Buhr et al. (1991); Schmähl (1992).

5.4.2 Social Welfare

The peculiarities of the German system of social insurance laid out above resulted from the early uncoupling of the “workers’ question” and the “poverty question.” In Prussia, *poor relief* ²⁷⁶ first drew the attention of the state as such within the General Law Code for Prussia (*Allgemeines Preußisches Landrecht*), and the legislation of 1842 replaced the existing *Heimatprinzip* [“home principle”] of social assistance with the residency principle; already since 1795, supra-local authorities had been in charge of non-residents and those who were not clearly classifiable. This division into local and supra local tasks of social assistance has continued to this day.

Unlike in England, the question of poor relief barely played a direct role in the German discussion of social policy. However, the emergence of the system of aid funds, and especially of social insurance, was also motivated by the desire to ease the burden on poor relief by establishing obligatory assistance on the part of workers and their employers, and to prevent workers who had become unfit for gainful employment from returning to their – mostly rural – regions of origin. And this reflected not only the workers’ interest in social security, but also the penchant of the middle classes to draw a clear line between “honest workers” and the “poor” who were considered either unfit to work or shirkers (Sachße and Tennstedt 1980, vol. 1, pp. 188–221; Ritter 1986, pp. 32–36). The latter remained in the shadows of German social policy.

Regulating poor relief remained the task of the individual states, and implementing it was the responsibility of local communities. In addition, there evolved in the nineteenth century a number of charities: driven in part by Christian motivations, in part by bourgeois-practical considerations, it dealt with particular groups of the poor, especially children, young people, and the sick, but it also sought to relieve general misery. Within the sphere of the large confessions, central welfare associations also emerged early on (1848, 1897), which were later followed by others with an ideological orientation. This dual structure of *communal-public and private “voluntary welfare”* has maintained itself to this day, whereby the two forms of social assistance in part complement, in part compete with each other. ²⁷⁷

The First World War, and especially the collapse of the currency in its wake, created new miseries that reached deep into the working and middle classes. Leaving these problems to poor relief would not only have overtaxed the local communities, but would have also led to personal degradation and a potential for unrest that the young republic had reason to fear. The result was the creation of new forms of assistance – federally regulated and in part federally funded – for survivors of those killed in the war, people disabled by the war, those harmed by the currency

²⁷⁶ On this see the standard work by Sachße and Tennstedt (1980–1992, vol. 3).

²⁷⁷ On the position of the welfare associations, which is strikingly strong by international standards, see Schmid (1996, pp. 121–125, 195–198); on the historical development see Sachße (1994).

crisis, the unemployed, and so on Stolleis (2012, German Social Policy, vol. 2). Although these measures lay within the purview of the Reich Labour Ministry, during the Weimar period they were not yet considered part of “social policy.”²⁷⁸

The influence of the welfare-state thinking that embraced the entire population instead of only workers, as it developed internationally in the wake of the Atlantic Charter and the Beveridge Plan, manifested itself in Germany after the Second World War in such a way that the diverse forms of income security were now looked at through a common lens of “social protection,” and were distinguished in accordance with the principles underlying them: insurance, maintenance, social help. The circumstance of “maintenance,” that is, entitlement to support from public funds, was now expanded from the maintenance of civil servants to most situations of compensation produced by the war and its consequences. The “insurance principle” combined the features mentioned under Sect. 5.2.2, as well as the principle of the fundamental equivalence of contributions and benefits. The “principle of social help,” as the remaining category, now covered essentially the circumstances of the old poor relief, though it was to be stripped of its discriminatory character as a matter left to the discretion of the authorities.

This was achieved in the “Federal Social Assistance Act” [*Bundessozialhilfegesetz*, BSHG, 1961] (Giese 1986). Without fundamentally questioning the competency of the states and municipalities, the law for the first time granted those in need an actionable *right to assistance*.²⁷⁹ In the process, two basic kinds of aid were distinguished: (1) “cost-of-living assistance” as a *cash benefit* to be granted in accordance to regulations depending on financial need; and (2) “assistance in special life circumstances” as a benefit that covered *material benefits and services* in situations of special need (e.g. motherhood, disability, need for nursing care), which those who qualified could not be expected to pay for given their income and assets. Especially in the combination of the two kinds of assistance, the law created a quite flexible and differentiated instrument of help for all types of need, the proper application of which required a *professionalization of social work*, which got under way more or less parallel to the law. The BSHG²⁸⁰ formed one legislative framework for the social policy of the states and municipalities, but also for the charitable welfare system, which is even accorded a certain priority, especially in the area of social services.

When it comes to income protection, the BSHG should be seen as a supplement to the great reform of statutory pension insurance in 1957. The decision to forego a minimum pension, that is, the consistent application of the principle of equivalence, could be justified only through the prospects of a suitable regulation of *minimum security within the framework of social assistance*. This was achieved in a fairly

²⁷⁸ A systematic attempt at integration was undertaken only by Achinger (1939).

²⁷⁹ To be sure, within the framework of poor relief, municipalities had an obligation to render the “irrefutable assistance”, this was not counterbalance by a subjective legal entitlement on the part of the needy, who therefore had to rely on the benevolent discretion of the authorities.

²⁸⁰ And also the Youth Assistance Act, created in 1922 and last revised in 1990.

efficient form in 1960, since the rules governing “cost-of-living assistance” take their cues from periodically revised “commodity baskets” of a *social* subsistence minimum, and from the composition of a household and the actual payments by the needy for housing, health insurance, and the like.²⁸¹ However, the need-based determination of cost-of-living assistance has created a situation in which the total sum paid out to larger households can be greater than the wage income for simple workers. This, and the growing budgetary constraints, have led in recent years to an uncoupling of the rules for calculating payment from the principle of the “commodity basket.” The level of social assistance benefits has thus become a question of political discretion. Since the 1990s, administrative reforms on the local level have contributed to making social assistance more effective.

By international standards, German social assistance can be seen as a comparatively effective instrument for combating all kinds of need, one that is superior in sophistication especially to the French, British, and especially the American regulations. However, the procedures by which benefits are awarded are strongly legalized and therefore cumbersome, as a result of which its effectiveness in the sense of reaching especially the neediest remains a subject of controversy.

5.4.3 Family Compensation

Although calls for a family policy grew loud already during the Weimar period, it was only the National Socialist population policy that introduced the first measures to promote families, though with a racial and racist cast. As a result, the Allies prohibited the continued payment of *Kindergeld* (child allowance) after the war.²⁸²

In West Germany, as well, family issues for a long time remained the stepchild of social policy.²⁸³ “Family” in Germany was the embodiment of the private sphere, and the breadwinner-housewife principle enshrined in the Civil Code of 1900 made the husband solely responsible for the maintenance of his family. As late as 1953, the creation of a Federal Ministry for the Family [*Bundesministerium für Familie*] drew a protest from one of the leading sociologists of the family (Schelsky 1960, pp. 376–393). Three main conflicts hindered for long the emergence of efficient family policy: the clash between conservative ideals of the family and women’s emancipation, the repudiation of population issues because of the

²⁸¹ On the history leading up to this see Leibfried et al. (1987).

²⁸² For a systematic overview from an international, comparative perspective see Neubauer et al. (1993), especially the essay by Lohkamp-Himmighofen. For recent developments see Lampert and Althammer (2007, pp. 383–407, esp. p. 400ff.).

²⁸³ However, the needs of children are fully recognized within the framework of social assistance; increases in the child allowance thus lead to a corresponding reduction in “cost-of-living assistance.”

atrocities of Nazi population policy, and the tensions between the central state and the *Länder* on competences and finances (Kuller 2004).

To be sure, income tax credits for children were granted, but they benefited only families whose income was high enough to be subject to taxation. An additional child allowance was introduced in 1954,²⁸⁴ which meant that there was now a “dual” system of family equalization, which subsequently remained politically very controversial. A legislative solution was achieved only in 1990: it envisaged child allowance payments, in the sense of a negative income tax, as a complement to tax breaks. Over the past few decades, the most important impulses for the expansion of family equalization came not from the government and parliament, but from the Federal Constitutional Court, which interpreted Article 6 Sect. 1 of the Basic Law, which concerns the family, along these lines.

The basic concept of German social policy was long based on the breadwinner-housewife marriage, that is, the wife and children were assumed to depend on the social security of the husband. When gainful employment of married women outside of the home became common from the 1960s on, disproportionalities arose between two-earner couples and single-earner households, which further reinforced the economic disadvantages of having children (Kaufmann 1995). In this context, additional monetary benefits such as a housing allowance and a childrearing allowance for mothers of infants were introduced. From the 1989 pension reform on, a new principle was introduced in the statutory pension insurance, namely that of crediting mothers with the years committed to child rearing; though initially on a fairly modest scale, this principle assumed growing weight.

What increasingly moved into the foreground was the difficulty of reconciling domestic responsibilities and outside employment for mothers, a problem that could not be solved by monetary benefits alone. From 2003 on, the issue of population decline began to fuel debates on family policy (Kaufmann 2005). Now reforms in the service sector began to move into the fore, especially concerning infants and preschool children.

5.5 Social Services

That the market economy is not able by itself to secure the subsistence of those unable to work or without an income for some other reason is clear even to the most ardent champions of free-market ideas. Also, the redistribution of income, that is, taking some of it through taxes and social insurance contributions and redistributing it in the form of monetary social benefits, does not impair the functioning of market mechanism and is therefore seen as compatible with the market. To that extent, the expansion of monetary social benefits, especially the reforms of old-age security

²⁸⁴ At first, the allowance was paid only beginning with the third child; the political argument was that wages were sufficient to raise two children.

and social assistance, was certainly compatible with the “social market economy.” That is not the case, however, for the area of non-cash benefits and services. By international standards, the state’s involvement in this area must be described as rather restrained. Germany’s social welfare state system is therefore seen as heavily weighted toward social insurance, and as fairly deficient in the area of social services. But this view often underestimated the many indirect instances of guidance by the state.

5.5.1 Health Care System

In contrast to Great Britain and Sweden, though similar to France, the health care system is financed largely through insurance contributions and not through public funds. While initially the financing of wage replacement benefits in the case of illness was at the center of sickness insurance, the focus today has shifted entirely into the area of services and non-cash benefits.²⁸⁵

With the Bismarckian reform of the system of aid funds (1883), medical “sickness aid” was made an obligatory service of the funds. At first, they could fulfill this obligation in various ways in accordance with the principles of contractual freedom. During the first decades of this reform there were more than enough doctors, who were therefore willing to adopt the “fund medical care” on the unfavorable terms dictated by the sickness funds. In this situation, which many doctors regarded as humiliating economically and also in terms of social status, the *Verband für die Ärzte Deutschlands zur Wahrung ihrer wirtschaftlichen Interessen* [Association for German Doctor to Preserve their Economic Interests, 1900, known today as the *Hartmann-Bund*] was created to strengthen the hand of doctors in their negotiations with the sickness funds. In the years that followed, this union-like organization fought 100 of local collective bargaining fights, usually with success. Between 1894 and 1912, the sickness funds also joined into four nation-wide associations. When the Doctors’ Association threatened a country-wide strike in 1913, the Reich Ministry of the Interior, which was responsible for social insurance at that time, sought to achieve a contractual resolution between the umbrella organizations. The result was the “Berlin Agreement,” a kind of framework agreement that regulated practice as a fund-certified physician and envisaged the creation of “joint committees” of representatives of physicians and the sickness funds to deal with all important issues. For the crucial political questions, a small “Central Committee of Physicians and Sickness Funds” with equal representation was set up; its members were pledged to secrecy about the negotiations. This gave rise to what is, on the whole, a very effective body of corporative self-government of the German health care system (Döhler and Manow-Borgwardt 1992a; 1992b).

²⁸⁵ For an overview see Alber (1992a); Lampert and Althammer (2007, pp. 289–305).

The Berlin Agreement was the beginning of the *corporatist management system in German health care*, the basic principles of which have remained in place to this day (Kaufmann 1999). Since the voluntary agreement, originally set for 10 years, expired at the height of the economic crisis in 1923, the government extended it by emergency decree, and this turned it from a relationship under private law into one governed by public law, into a *compulsory working community* of the associations involved. The Central Committee became a Reich (later: Federal) Committee. This *domestication of the associations by the state* proved its worth and was institutionally expanded by the Second Berlin Agreement (1931), once again by emergency decree. Public-law Associations of Sickness Fund Physicians were now set up, who function as negotiation partners with the sickness funds and as billing and oversight agencies for doctors. Since then, the health fund doctors (*Kassenärzte*), who are in principle self-employed, have been subject to a legal mandate, which they can escape only by returning the authorization to treat patients under the insurance schemes. In the 1950s and 1960s, the originally agreed-upon system of flat fees was replaced with payment for individual services, which contributed substantially to the expansion of health care costs. The federally supported expansion of the hospital systems since 1972 has had a similar effect. As a result, beginning in the 1970s there was talk of a “cost explosion in the health care system,” which prompted politicians to seek new ways of controlling costs. Compared to efforts in other countries, German politicians were for a long time fairly successful at this.²⁸⁶ Still, cost containment, and with it the statutory management of the health care system, remains a perennial political issue.

Even though some cost-sharing and restrictions on benefits have been put in place, the German system of regulated health care can be considered fairly liberal (free choice of doctors), qualitatively outstanding (high standard of care), and comprehensive (nearly the entire population is covered by statutory or voluntary insurance), though in recent years costs have been accelerating. In 1992, the method of guidance via multi-tiered negotiations (“corporatist guidance”) was also extended to hospitals. Whether the current maxim of an “income-oriented policy of expenditures,” according to which spending on health care benefits may not rise faster than the income from contributions that remain constant, can be maintained over the long term is a matter of controversy. But it has contributed substantially to containing the rise in costs, and so far it has not led to uncontrollable co-payments, as in France, or to a voluntarily financed system of medicine parallel to and outside of the statutory health insurance, as in England. Although the German health care system is not nationalized, but organized on a free-market or non-profit basis, it is subject to considerable cost control, which is achieved largely through a *state-mandated self-policing through associations*. It is possible, however, that keeping

²⁸⁶ Between 1980 and 1992, only Sweden, the Netherlands, and Denmark posted lower growth in health care spending (per capita and in terms of the percentage of GDP) than did the area of the “old” Federal Republic; see Schneider et al. (1995, p. 5). In recent years, however, the cost dynamic has accelerated again.

this kind of system functioning requires a high respect for state norms, which so far has been characteristic of Germany. Similar attempts in France appear to be less successful.

Over the last few years the issue of financing health costs has become more pressing. A major reform was carried out in 2007 and took effect in 2009. Contributions are now centralized by a *Gesundheitsfond* (health fund), which also gets public subsidies. The health fund finances the sickness funds according to specific distributive rules. Employers who previously paid half of the contributions, are no spared the further excessive growth of costs, which can be expected from demographic aging and technological progress. This last reform was incoherent and inconsiderate to side effects of moral hazard. There is again debate of further reform.

Long-term care insurance (1995) represents the most recent branch of state social policy in the health care sector.²⁸⁷ Whereas numerous systems of public health care in other countries also insure against the risk of long-term care, the statutory health insurance in Germany does not do so (Bräutigam and Schmid 1996). Long-term care was regarded as the task of the family, and was supported merely with outpatient services. If care in a nursing home was required, and family members were unable to pay for it, local welfare had to step in. These costs had risen sharply in the 1970s and 1980s, and they formed the starting point of the discussion about a long-term care law. The highly controversial law, which was already debated against the background of fiscal constraints and growing criticism from employers' associations about the level of non-wage labor costs, deviates from the previous principles of German health insurance, in that it is not the actual costs that are reimbursed, but merely a flat rate depending on the severity of the disability. Should this practice be widely adopted, the German health care system could approach French conditions, though so far that is not being seriously discussed.

5.5.2 Labor Market Policy

Among the problems that made life difficult for workers from the very beginning was that of identifying employment opportunities. Not infrequently, unscrupulous "job brokers" took advantage of the plight of the unemployed. To remedy this situation, numerous municipalities, unions, and employers to set up employment agencies staffed with equal representatives from all camps (Ritter 1998a, p. 60f.). Making employment agencies universal and state-run was thus a demand of the workers' movement, and the Reich government responded with the creation of a Reich Labour Office (1918) shortly before the end of the war. During the Weimar

²⁸⁷ On the background see Götting and Hinrichs (1993); for an overview see Rothgang (1997).

period, with participation from the parties to collective bargaining, it developed a nation-wide system of job placement with local offices, and it also envisioned measures to promote employment, such as suitability tests, job counseling, and retraining. In 1927, as the Reich Agency for Labour [*Reichsanstalt für Arbeit*], it also took over the administration of unemployment insurance, whose problems soon overshadowed all other tasks.

A reform of these institutions took place in 1969, driven by considerations of labor market policy. With full employment seeming to become a permanent state at the time, the primary issue was to secure the flexibility of workers in the face of the dynamic structural changes in employment. On the basis of the new Employment Promotion Act, the Federal Labour Office was transformed from a payment office for unemployment benefits into a service organization for the labor market, whose goal was to promote the qualifications of workers and find jobs for them. With the increase in unemployment after 1975, it also became the administrator of programs for publicly subsidized employment.

The German employment administration has thus evolved into a separate system of social services. Under the aegis of the Federal Ministry of Labour and Social Affairs, it governs itself with participation from the parties to collective bargaining, who also influence the implementation of employment programs on the local level. Still, Germany has been less successful than Sweden in turning the employment offices into coordination centers for a local labor market policy. This, too, reflects the fact that employment policy ranks behind other economic and socio-political goals. Nevertheless, until recently, one could certainly speak of an efficient structure of labor market policy compared to France and England. The last few years have seen growing criticism of the German labor administration in the face of the comparatively modest successes in combating unemployment. However, the rigidity of employment regulations probably plays a bigger role in the stagnation of employment in Germany than does bureaucratic inefficiency.

In 2002 a federal commission was installed by Chancellor Schröder to make proposals for a reform of labor market policies. Most of these proposals were quickly transformed into four laws between 2003 and 2005 and led to a thorough restructuring of the labor market administration, as well as to a restructuring of the benefit systems in order to further employment and the will to work for those groups with difficult employment perspectives.

5.5.3 The Education System

To this day, educational policy in Germany is generally not counted as part of social policy, even though the educational system is one of the most important institutions that determine opportunities and must therefore be considered a central factor in combating social inequality. However, for one, “social equality” is a secondary feature in the socio-political rhetoric in Germany; for another, the educational system has always been the responsibility of the federal states (*Länder*) within

the framework of their autonomy in cultural and educational matters. In addition, the perspective of human resources, which was already familiar to the older, cameralistic theory of welfare, plays little part in the German understanding of social policy, in contrast to the international trend in the welfare discussion.²⁸⁸

The German-speaking lands lay at the heart of the Reformation, the historical event that triggered the upswing and expansion of the European education system.²⁸⁹ For members of the reformist confession, reading the Bible, in particular, was the prime force behind the drive to become literate, although that depended on book printing becoming less expensive. Luther had already charged the territorial princes with ensuring that the clergy were qualified for the job, and the princes increasingly grasped the necessity to train also their own administrative personnel. As a result, the German-speaking lands had a widespread and differentiated school and university system already before the Enlightenment.

In the seventeenth century, education at the *Gymnasium* and university level was joined by the state's interest in *elementary education*. "Forced school attendance" was first decreed in Saxon principalities (Weimar 1619, Gotha 1642) (Paulsen 1912, p. 85f.): it imposed the obligation to attend schools stipulated by the state. Prussia followed in 1716/17 with the introduction of a "universal compulsory education," though it left open the type of school to be attended, and this gave rise in Prussia, not to a state school, but to a pluralistic system of communal, religious, private, and factory-based schools. For a variety of reasons, the demand by the princes to have all children of their subjects educated could be carried out with some degree of consistency only in the nineteenth century: in Prussia, only 54% of all children subject to compulsory education attended primary school in 1816; this ratio rose to 78% by 1848 and 86% at the founding of the Empire (Friederich 1987, p. 127). Still, Prussia was a pioneer in promoting the system of general education, whereby the connection between education and economic progress was recognized early on (Lundgreen 1971).

After the Congress of Vienna, the education system became, alongside the army and the bureaucracy, an essential element of integration in the German territorial states. In contrast to the ideas of the Enlightenment, however, what emerged was not a uniform system, but one divided into *Gymnasium*, *Realschule*, and *Volksschule*, which preserved the existing differences in social status. While *Gymnasium* education fell under state oversight, the *Realschulen* and *Volksschulen* remained local matters. But here, too, improvement in the qualification of the teachers was promoted by the creation of state-run teacher training programs: in 1837, Prussia already had 45 of them (Jeismann 1987, p. 9). Educational reform in Prussia was driven forward chiefly along the administrative track and – in contrast to Great Britain and France – in close cooperation with officials from the territorial

²⁸⁸ Exceptions are the justifications advanced from the Employment Promotion Act of 1969 and more recent arguments related to family policy: see Bundesministerium für Familien und Senioren (1994).

²⁸⁹ A comprehensive overview is provided by Berg et al. (6 vols., 1987ff.).

church: the Ministry of Culture, which was responsible for both church and school matters, was established as early as 1818.

But the practical expansion of the school system suffered from financing difficulties throughout the nineteenth century, especially on the local level. Since a school fee had to be paid even for obligatory attendance, and its amount was one factor in determining teacher salaries, the teachers continued to be interested in having large classes. Exemption from school fees was introduced in Prussia in 1888 for elementary school; in 1919, it was extended to the entire area of obligatory schooling. After the Second World War, the *Gymnasium* and university education also became largely free.

The establishment of the Empire changed the educational system but little, since it remained explicitly within the states' sphere of competence. A similar development had taken place also in the areas that were not part of Prussia, and as a model, the reform of the University of Berlin radiated far beyond Prussia. With minor modifications, a three-track school system thus prevailed throughout the Empire, with only the *Gymnasium* qualifying its graduates, 1–2% of a given age cohort, for admission to the university. State-specific differences remained with regard to the relationship between state-run and independent, especially parochial schools. Higher education was dominated by the primarily philosophically oriented *university education*; specialized colleges focusing on particular fields, especially Technical Colleges, did not appear until the end of the nineteenth century.

Given the economic troubles it faced, the Weimar Period was little suited to providing major impulses to the educational system, and the major development under the National Socialists was the complete nationalization of the primary and secondary school systems. After the Second World War, there was initially no *education reform* comparable to what happened in England and Sweden; rather, the development was aimed at restoring the conditions that existed before the Third Reich. Here one must bear in mind that the German education system was at a much higher level of development. There was thus a revival of federalism in education, and regionally also of the independent, especially confessional school system, though it accounts for only a fraction of the educational offerings.

A nation-wide discussion of educational policy emerged only in the middle of the 1960s, prompted by findings from social scientists about lacking equality of opportunity in the education system. An "educational catastrophe" was diagnosed, and as the cause observers pointed to the inadequate expansion of the system by the *Länder* (Picht 1964). Encouraged by the student movement, the social-liberal coalition under Willy Brandt put *education policy* and the guarantee of a "civic right to education" (Dahrendorf 1965) at the top of the political agenda, a move that also brought education policy within the realm of argumentation over social policy. A reform of the Basic Law opened up possibilities for action in educational policy at the federal level, in the first place: the establishment of the Federal Ministry of Education (1969), financial support for the building of universities (1969), and framework legislation for higher education (1976); in addition, joint agencies were set up for educational planning by the federal government and the *Länder*, and a Vocational Training Act [*Berufsbildungsgesetz*] was passed (1969). But the most

important changes in the educational landscape took place at the level of the *Länder*, which saw especially the broad expansion of the secondary school system, the creation of specialized colleges, and the reorganization of university self-governance (from the *Ordinarienuniversität* [government by tenured faculty] to the *Gruppenuniversität* [governance by the representatives of the university constituencies]). Crucial to the coordination for the country as a whole was a standing conference of the relevant ministers of the *Länder*.

In the Federal Republic, the impulse toward a comprehensive school, which has largely won out in the Swedish and British school system, took effect only in a few *Länder* governed by the Social Democrats. All in all, the multi-track educational system has persisted, in a somewhat more flexible format. However, as a result of expansion measures and the introduction of financial aid programs, the participation of the lower social strata and especially of girls increased dramatically. But this impulse to educational policy waned as public budgets became tighter after 1975. Given the current system of financing in Germany, it is especially the *Länder* and the local governments that come under pressure in times of financial stress. As a consequence, public expenditures on education in Germany are quite modest by international standards.²⁹⁰ Recent international comparisons of educational achievement also point to deficiencies in the general education system (Allmendinger and Leibfried 2002).

Though political debate about the declining birth rate and the growing shortage of young people in the labor force is intensifying, educational reform has remained low on the political agenda also in recent years. It is only on the level of universities that institutional changes have taken place to further self-government and self-financing, as well as the institutional promotion of excellence.

In the German-speaking realm, *vocational training* has always played an important role in the form of trade apprenticeships regulated by the guilds. Even after compulsory guild membership had been abolished, the tradition of vocational training remained, and in many places it was stabilized through state-regulated examinations and communal trade and continuing education schools. At the beginning of the twentieth century, vocational education fell within the legally regulated purview of the commercial sector, especially the chambers of industry, commerce, and trade, and the dominant model that established itself is a “dual” system of

²⁹⁰ According to the OECD (1996, p. 56), among European countries only Greece had a lower percentage of GDP devoted to *public* education spending. German observers criticized the figures of the OECD, since that spending is compensated for by a higher-than-average share of *private* education expenditures (no doubt the result chiefly of the cost of vocational training borne by the private sector). “According to data from the Federal Ministry of Education, the education budget of the state and private sources amounted to around 219 billion DM in 1993. That sum corresponds to a GDP share of 7.1% – Germany would thus, all at once, move up to join the Nordic leaders in education”: Informationsdienst der deutschen Wirtschaft 23 (1997), p. 2. According to the OECD, the percentage of state spending on education in Germany in 1993 was 4.5%, that of the private sector 1.4%, which adds up to 5.9%. These numbers are offered merely as a minor aside on the problem of quantifiable international comparisons.

work-based apprenticeship and an accompanying education in a vocational school. The Vocational Education Act of 1969, as well, did not change this basic structure in any fundamental way.

By comparison, there is little state regulation of *adult education*. To be sure, there is a bewildering variety of continuing education offerings (some also publicly financed or subsidized), which pursue very different goals in terms of labor market policy, cultural policy, and university policy. Apart from universities and communal institutions (*Volkshochschulen*), they are almost exclusively run by independent carriers. However, so far there has been little discussion about the extent to which this uncoordinated diversity of carriers and offerings is a sensible system.

5.5.4 Local Social Policy

In keeping with the tradition of the free imperial cities, and after the City Code (1808) also in Prussia, the right of self-governance – especially in the cities – has played a considerable role within the German system of local government, and it to this day it is enshrined in Article 28, Sect. 2 of the Basic Law. Especially at the beginning of the twentieth century, many large urban municipalities had a strong role in social policy, under the influence of the Social Democrats as well as other individuals with a commitment to social reform. This kind of commitment had deep roots only in the area of poor relief and urban hygiene (Labisch 1986); beginning in 1890, however, per capital expenditures grew rapidly, as did the debt burden of local communities (Gröttrup 1973, p. 16). “Communal *Daseinsvorsorge* [lit. “provision for existence”]” encompasses not only the area of housing and infrastructure policy, but also a variety of activities related to education, health care, and social policy (Rudloff 1998; Ritter 1998a, pp. 59–64). These activities, often promoted also by Jewish citizens, came to an abrupt end in the Third Reich (Leibfried and Tennstedt 1979). After the Second World War, local communities assumed a far more modest role in social policy than did their British and Swedish counterparts.²⁹¹ Important competencies, such as for social insurance, care for the disabled, and labor market policy lie with special bodies or administrative agencies of the *Länder*. The administration of the schools is also divided between the *Land* and the local communities, and local administration continues to remain under the oversight of state agencies. In addition, there is a considerable offering of services by independent carriers, from the free market sector to the churches. Although this pluralism, and the institutional fragmentation of services on the local level, are a typical manifestation of the corporatist model of social organization in Germany, they make it far more difficult to coordinate all of these services on the local level. In spite of rhetorical demands for a decentralization and communalization of the

²⁹¹ The local level in Germany has two tiers, the community [*Gemeinde*] and the district [*Kreis*]; in a few *Länder*, there are also so-called *Landschaftsverbände* as associations of municipalities, but we can ignore this for our purposes.

competencies for solving social problems, actual shifts in that direction can be rarely found (Blanke et al. 1987; Krüger et al. 1990).

Communal housing policy has been of considerable historical importance. Especially in cities and towns governed by Social Democrats, communal housing construction in the first decades of the twentieth century contributed substantially to improving the housing situation of (skilled) workers. Something similar was repeated after the Second World War when the cities were rebuilt, though this time with stronger participation from the federal government and the *Länder*. Housing construction policy was joined by urban planning with the Urban Planning and Development Act of 1971. Increasingly, however, mixed financing became the standard model, by which communal autonomy was once again restricted.

Local communities have considerable functions in the area of *social and youth assistance*, but here, too, they have to share their competency with the independent welfare organizations. This is particularly striking in the area of youth aid, where a Youth Welfare Committee [*Jugendwohlfahrtsausschuss*] involving the participation of representatives of the independent welfare organizations, is integrated into the communal Youth Offices. Independent carriers also have considerable importance in most federal state in the areas of aid to the elderly and the multitude of counseling services. The task of public agencies in the sphere of social services is far more that of coordinating and subsidizing rather than providing them. And since the communal decision-making bodies, as well, usually take only a moderate interest in social questions, larger socio-political initiatives by the communities are the exception, and they come about under the influence of particularly committed, politically influential personalities.

The communal authorities do have central responsibility for implementing the measures of social assistance. The comprehensive character of the BSHG (see Sect. 5.4.2) makes social assistance the safety net for all cases of need for which no other institutions are responsible. Created with the intent that they could deal with complex needs in a discriminating manner, the communal Social Offices are being increasingly taxed also by the consequences of mass unemployment and illegal immigration. Since the rising expenditures this entails are only partially repaid by the *Länder*, communal budgets are coming under considerable financial strain by higher spending on social assistance.

The *socio-political weakness of the communal level* is today particularly evident when it comes to policies dealing with families, youth, and assistance to the elderly. Changes in the forms of private life over the last few decades seem to be weakening the familial networks, and a growing number of young women – almost one third – seem to forego having children altogether. While the long-term care insurance that was introduced in 1994 is well suited to stabilizing the area of assistance for the elderly, there is a corresponding lack of socio-political will and funds in the area of aid to children and young people. Institutions providing infant care – comparable to the French *écoles maternelles*, for example – were almost completely absent in West-Germany, though well established in the former DDR. The expansion of the Kindergarten system is also slow, in spite of relevant legal mandates, and in many cases does not go beyond half-day care. Federal initiatives now plan to establish

nation-wide coverage of nursery services for about a third of the children by 2013, and the development of the kindergarten system into pre-school services. It remains to be seen to what extent the communal authorities will fall in line with these initiatives.

All-day care is also lacking for children of elementary-school age, and in many cases the schools do not even provide reliable care for children for a consistent portion of the workday. In addition, youth work is completely separated from the school system. There is no collective blueprint on how to structure the daily life of children. All of this poses a considerable problem also for the possibility of reconciling family life and gainful employment outside the home, especially for women.

5.6 Summary

In an international comparison, the German social state stands out especially for the great importance of labor law to the socio-political developments in that country, for the dominance of contribution-financed income distribution in contrast to the state's provision of social services, and for the emphasis on the principle of subsidiarity, that is, the delegation of public tasks to non-state carriers.

Among the countries we have looked at, Germany can also be considered the land with the lowest continuity as a political state, and the highest degree of socio-political continuity. It is remarkable how the structures of social protection that were laid down in the Bismarckian social reform have persisted through all political ups and downs and still continued to develop. The discontinuities are greater in the area of labor law and labor relations, which dominated the socio-political struggles much more strongly than did social insurance and social assistance until the passage of the Works Constitution Act [*Betriebsverfassungsgesetz*] in 1952. Here, too, the elements of the Stinnes-Legien Agreement have won out over time.

Social law has remained essentially a creation of the administration, and it has rarely mobilized the opposition between the parties. To this day, one of the political wisdoms in the Federal Republic is that larger social reforms can be successful only if they are backed by the consensus of the large national parties. Conflicting views on economic and distribution policies, which have intensified in recent decades not least as a result of German reunification and the unresolved question of how its costs will be borne, are also being ignited by incidental labor costs, which are in fact high by international standards, but they are not fundamentally challenging the institutional arrangements of the social sector.²⁹²

This basic consensus in fundamental questions of social policy sets Germany apart from Great Britain and France, but not from Sweden (Clasen and Gould

²⁹² On the author's assessment of the current state of affairs, see Kaufmann (1997b). For a supplementary overview with an overall more critical assessment see Leisering (1999).

1995). Nearly all welfare states that have produced a lasting, complementary, and synergistic relationship between economic and social policy are characterized by a basic consensus between employers and employees, or between conservative and worker parties, a consensus that can often be traced back to explicit agreements, “welfare state compromises.” Alongside Denmark, Sweden, and Norway, one could also mention the Netherlands, Austria, and Switzerland. Among these, Germany is by far the largest country; presumably, the demands on stable socio-political compromises increase with the size of a polity.

The particular form of statehood that characterizes the Federal Republic may constitute an important factor – in addition to the lasting memories of the political past – behind this socio-political stability. The relationship between the federal government and the *Länder* rarely allows for clear political majorities, as are the rule in England, for example. Most socio-political institutions are independent bodies and thus also capable, to a certain extent, of articulating and defending their interests vis-à-vis the political arena. The high degree to which the German system is pervaded by associations and the tradition of corporatist systems of negotiation restrict and relieve the political decision-making processes from some tasks of guidance and oversight. The mistrust against democratic forms of decision-making that is dominant in Germany contributes its part to promoting a highly interconnected style of politics, which manifests itself also in the area of social policy.

If one wishes to describe the German arrangement for the production of welfare, one must first of all emphasize this *interconnected character*, which sets it markedly apart from the American, British, and Swedish cases. The intellectual model of the institutional differentiation of “state” and “civic society” (or market economy) and the sustained mediation between the two captures the historical development of the “social market economy” fairly accurately. As a matter of fact, individual welfare depends not only upon private arrangements and forms of legal protection, but also upon the presence of certain trades and their participation in a multiplicity of associations or even public corporations (such as the *Kammern* [chambers] of certain trades).

In spite of the programmatic emphasis on the market economy, the influence of work-based social policy is much smaller than in the Anglo-American world, as is the pressure to take up some kind of employment, also in comparison to Sweden. Rather, there seems to be an indirect consensus between employers and unions that problems of employment should be solved more by taking people out of the labor market (e.g., early retirement, opposition to subsidized jobs) than by an active labor market policy.²⁹³ Employers are interested in employing the most productive workers, unions are interested in tightening up the supply of labor. The idea is that a highly efficient market economy is to be complemented by a generous social state. The balance sheet of employment policy over the last few decades has been correspondingly sobering (Jochem and Siegel 2000).

²⁹³ This statement seems somewhat outdated, given the recent reforms (see Sect. 5.5.2). But it remains to be seen if this is a genuinely new trend.

A person who has had a long working life can feel fairly well protected by guarantees from social security and pension legislation. By contrast, the status of housewives who were not gainfully employed and of those without a continuous work record is comparatively precarious, especially with respect to old age and unemployment. In addition, familial status is much less recognized than in the other states examined here: that is why the pensions of single people and single-earner families, all else being equal, were for long almost the same, while two-earner couples have much higher entitlements. There is only a slow shift from marriage to parenthood in the context of family policies. The breadwinner-housewife model still shapes German social law, even though the private ways of life of the new generations is increasingly moving away from it. Moreover, demographic distortions point to considerable cutbacks for generations that will reach retirement age beginning around 2015. The existing system of pension insurance is thus coming under pressure from various directions. Although a reform several years ago, associated with the name of the Minister of Labour, Walter Riester, opened the way to state-regulated private pension provision, in the face of the looming demographic risks it provides no convincing solution (Berner 2009).

The comparatively comprehensive construct of state-arranged income protection, in the three forms of social insurance, state provision, and social assistance, is juxtaposed to a fairly modest role of the state in the area of social services. That is especially true of the federal government, though it must be noted that it has only modest competencies in this area. But on the level of the federal states, as well, the influence of the government is strongly curtailed by the influence of the associations when it comes to directing the production of services. One exception is the education system: it is subject predominantly to oversight by each state, though after the loss of the earlier, nationalistic legitimation, this oversight lacks a clear concept and, in spite of a great tradition, has seemed comparatively neglected in recent years.

Notwithstanding a comprehensive social state framework, the welfare state policy in the Federal Republic remains fragmented and bewilderingly complex. This has to do less with legislation and more with the multitude of carriers involved in implementing the laws. In contrast to the United States, however, federalism is not leading to a sustained aggravation of social inequality, since the legal framework for most issues is handed down by the federal government, and since the financing arrangements also largely balance out the differences in the states' financial strength. To that extent the Federal Republic is more like the unitary states, although their structures seem more straightforward and more strongly receptive to political guidance than in the case of Germany. Whether this is an advantage or a disadvantage, and to what degree, is not up for debate here, and the answer depends in part on the observer's normative ideas. The point here is merely to show the differences, especially in institutional terms, and to make clear how they are implicitly interconnected as part of different "cosmologies."

6 Synoptic Concluding Remarks

The attempt at a comparative overview reveals the weaknesses of the approach we have chosen here: by seeking to spell out the welfare state development in the various countries in terms of their complex inherent logic, it was necessary to choose very rough dimensions of comparison – which means that they themselves contain a high degree of diverse possibilities and in part divergent contexts. It would therefore be a completely new undertaking to prune these complex case studies after the fact down into useable comparative dimensions. The comments that follow are therefore limited to two perspectives: first, drawing on statistical studies by third parties, I will endeavor to at least indicate the position of Germany and the countries compared here relative to the other states of the European Union and selected other OECD countries. Second, I will conclude with a few observations about the development of the welfare state within the framework of European integration.

6.1 *A Statistical Comparison: Germany and the Other EU and OECD States*

As mentioned in chap. 1, international statistical comparisons presuppose the highest possible degree of standardization of statistics, and even then, they are often plagued by systematic differences as a result of divergent national definitions and data collection routines, differences that cannot be completely clarified for the reasons indicated.²⁹⁴ By contrast, one can assume that the underlying definition remains constant for time series, so that changes over time can be interpreted with some confidence. In what follows, concrete figures are used only for the purpose of illustration; the trends can be sketched largely independent of the underlying operationalization.

²⁹⁴ Differences emerge not only between Eurostat and the OECD as the two most important “producers” of internationally comparable data bases, but also between different publications originated from the same place. For example, the social share quotient in GDP (1990) for Germany, in our context the most important synthetic measurement of welfare state efforts, was 15.2% in one of the OECD’s sources (*Historical Statistics*) and 23.5% in another (*New Orientations for Social Policy*); according to Eurostat (*Grundzahlen*) it is 27%, while the official German source gives 29.0%. The differences can show extreme variations from country to country, which has to do with the different weight given to included or excluded benefit categories. Since the late 1990s, the OECD has been shedding light onto the composition of national social expenditures and their aggregation routines; see OECD (1998; 2004; 2008; 2009). Though the standardization seems still far from being perfect: “Important differences exist between countries in the matter of general concepts, classification and methods used for obtaining the data” (OECD 2009, p. VI).

Ever since the deregulation of international financial markets in the 1980s, and the heightened international competition to attract investors that has resulted from this, political voices that see spending on social measures chiefly as burdens to be reduced and not as historical achievements have been gaining influence also in Europe. Is a particular indicator a *social benefit* or a *social burden*? – the political controversies extend all the way to the labels that are used. The present account has tried to be as neutral as possible, and it cannot be the task of these concluding remarks to refer back to the political debates and controversies, which change almost by the day. Still, any account is also guided by the politically relevant dimensions. Given the intensified struggles over the distribution of benefits, what is of particular interest today are the level of the social expenditures rate and its change over time, as well as the level of the state tax and contribution rate as a whole. This refers to the *expenditure side* of the social state, which is what circles close to the private sector point to. However, of no less interest is the *service side* of the social state, but it is even more difficult to operationalize. An evaluative assessment, finally, would have to relate these two dimensions to each other (in aggregate and with respect to specific subsystems of the welfare sector); this, however, is thwarted by what continues to be an inadequate data base. As a result, there is plenty of room for political speculation.

If one looks at the Federal Republic in the light of relevant international, comparative statistics, the most prominent finding is the *lack of extreme characteristics*:

As an interim conclusion one must note that neither the volume of expenditures, nor costs, nor the level of institutional performance of the German social state stand out in terms of a European comparison. On nearly all indicators, the country occupies an inconspicuous place in the middle. To that extent, Manfred Schmidt's image of 'middle-of-the-road politics' to characterize German *Ordnungspolitik* is also suitable for situating the country in a comparison of quantitative figures concerning the expansion of the social state. Deviations from Germany's typical middle-of-the-pack location have occurred at most in recent times with some individual aggregate data sets as a result of the conspicuously costly German reunification (Alber 1998, p. 207).²⁹⁵

While Germany after 1994 had the third-highest social expenditure rate according to Eurostat data, the "old" Federal Republic was only in seventh place among the fourteen states studied. With respect to the rate of overall state *taxes and contributions*, but also with respect to overall state *expenditures*, Germany has been consistently below the European average, even after reunification (Alber 1998, pp. 202, 210). What is particularly impressive is that Germany seems to have been more successful than nearly all other European states since 1965 in allowing its taxes and social benefits to grow only in tandem with economic growth. This is attributable both to a comparatively minor increase in the number of the elderly over the last two decades, as well as to a consistent – though not spectacular – policy of restraining social expenditures: "Wherever conspicuous restraint was exercised in social policy, Germany was there" (Alber 1998, p. 213, with reference

²⁹⁵ With reference to M. G. Schmidt (1990).

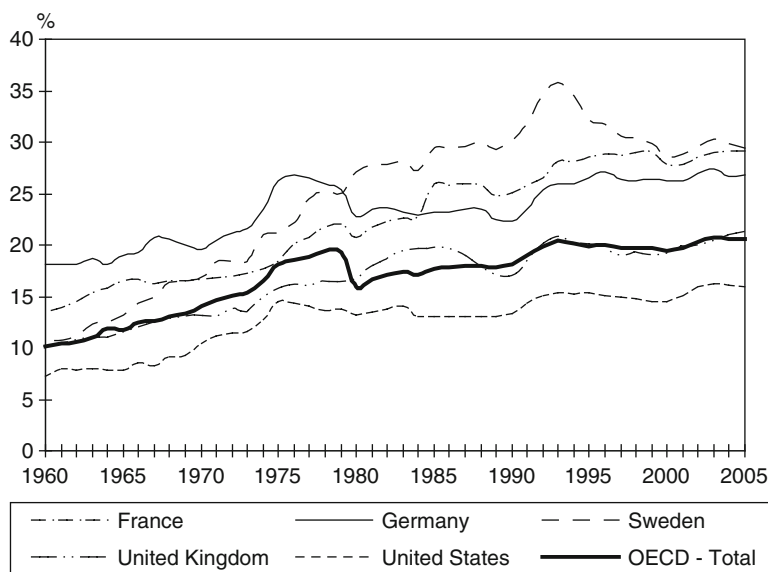


Fig. 1 Social expenditure in % of GDP in selected OECD countries (1960–2005).

Source: 1960–1979: OECD Social Policy Studies No. 12, *New Orientations for Social Policy*, 1994. 1980–2005: The OECD Social Expenditure Database (SOCX), 2008. OECD-Total (Unweighted average): 1960–1979, 19 countries; 1980–2005, 28 countries

to *Europäische Kommission: Soziale Sicherheit in Europa 1995* [Brussels and Luxembourg, 1996].

Figure 1 illustrates the long-term trend in the social expenditure rates for the five states we have looked at and the average for all OECD states.²⁹⁶ While Germany's rate was still the highest in 1960, it gradually moved closer to the average, especially during the 1980s, and then veered away again as a result of reunification. The change of direction in Sweden after 1990 is also apparent, whereas the cost-cutting measures of the Thatcher government in Britain had surprisingly little impact. Impossible to overlook is also the far slower rise of the rate in the US until 1990, whereas from then on the trend is parallel to the mean of all OECD countries.

Crucial to the financing of social services and the degree of the required redistribution processes is the level of employment. The higher that level is, the greater the number of tax and contribution payers, and the smaller the number of those who depend on redistribution processes. Figure 2 shows where 18 important OECD states fall on a grid made up by these two indicators, based on 1996 data; Fig. 3 shows the same based on data for 2004, the latest year for which full information is actually available.²⁹⁷

²⁹⁶ The break between 1979 and 1980 is due to a redefinition of the standard.

²⁹⁷ I thank Tim Vitic (University of Bielefeld) for the preparation of the figures.

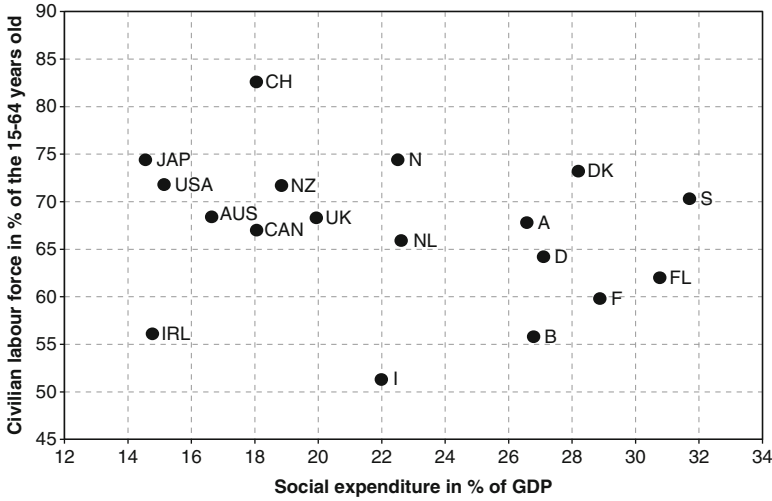


Fig. 2 The share of social expenditure and level of employment in major OECD countries (1996). Source: The OECD Social Expenditure Database (SOCX), 2008

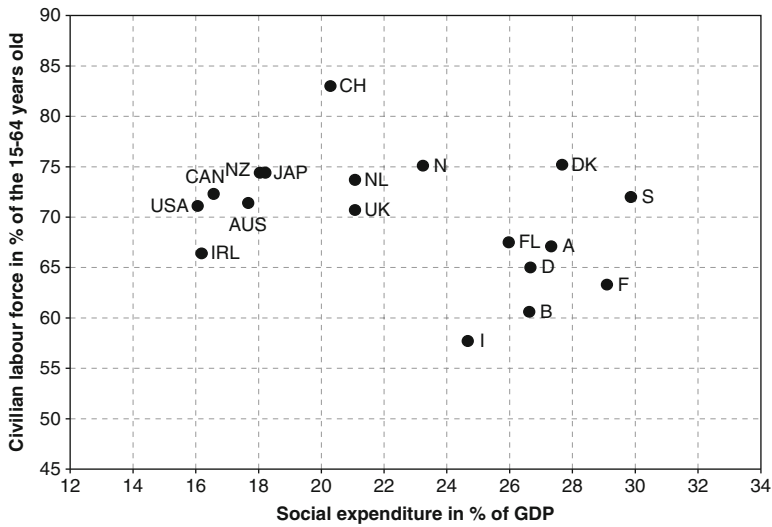


Fig. 3 The share of social expenditure and level of employment in major OECD countries (2004). Source: The OECD Social Expenditure Database (SOCX), 2008

As to the employment standard, the civilian labor force (excluding the military) has been chosen, since arguments about the trade-off between higher social protection and lower employment concern civilian employment only. Already a first glance at Figs. 2 and 3 shows that this argument does not pass the statistical test: the (virtual) regression line is horizontal in both Figures, i.e. close to zero. If the

analytical claim of microeconomics that “the higher the social benefits, the lower the employment level” were true empirically, the states would have to fall along a straight line running from top left to bottom right. A second general impression shows that the dots of the countries cluster closer in 2004 than in 1996; that means that there is a trend of convergence among the OECD countries in both dimensions: social share and employment.

On closer inspection we detect in Fig. 2 on the right the remnants of a Scandinavian cluster of high spenders that has completely evaporated in 2004, due to substantial reductions of the social share in Finland (FL) and Sweden (S). On the left of both Figures we find the cluster of “liberal” welfare states, which moved closer together between the 2 dates, with strong increases in the social share by Japan (JAP) and Switzerland (CH),²⁹⁸ followed by the United Kingdom (UK). Some other countries have reduced their social share moderately, namely New Zealand (NZ), the Netherlands (NL), and Canada (CAN). The growth of the employment rate is highest in Ireland (IRL), Italy (I), Belgium (B) and the Netherlands; the first three had the lowest employment rates in 1996; no country has reduced its employment rate substantially. Germany (D) is again somewhere in the middle of the continental countries and has barely moved on both dimensions, as is France (F), which, due to its inertia, now holds second place in social spending. Norway (N), Denmark (DK) and Austria (A) also have not moved substantially in any direction.

This perspective does not include the impact of national tax systems on redistribution. A calculation of net social expenditure by Adema and Ladaique (2005) shows that the differences in fiscal effort for social purposes are reduced if taxation is taken into account.

As far as the countries of our study are concerned, we can see the extreme welfare state position of Sweden, which continues even after the cutbacks in services in recent years, and on the opposite end, the USA which exhibit in 2004 the lowest social share of all OECD countries included. From the perspective of the comparative criteria used here, France belongs into the same cluster as Germany. Great Britain falls into the middle between the “liberal” welfare states and continental Europe.

So much for the perspective of the expenditure side. On the benefits side there is a substantial lack of synthetic measurements, since benefits are multifarious and are distributed in different ways among the various population groups, and it must be borne in mind that their welfare depends not only on state services, but on the combined effect of the specific arrangement of welfare production. Most easily measured in this context are differences in income, which are also the primary focus of comparative international research on welfare.

With respect to the effects of the welfare state measures, the *fight against poverty* is largely accepted as the goal. However, the definitions of poverty are themselves controversial. The most widely used criteria for the poverty line is 50% of

²⁹⁸ The employment level in Switzerland reached its extreme high only through the inclusion in the data set of commuters from the border regions and a high level of employment of the elderly.

a country's average income. The European Union's Office of Statistics published the relevant numbers in 1993. According to that report, 13% of income earners in Germany were living with less than 50% of the average income, which was (after Denmark and equal with Belgium) the lowest ratio in the EU at the time. In France it was 16%, in Great Britain 23%; Sweden and the US, as non-members (at the time, in the case of Sweden), were not listed (Eurostat 1997, p. 4). Using older but more differentiated data, Jürgen Kohl has shown for Switzerland, Germany, Great Britain, and Sweden, that the effects of the national arrangements of welfare production are quite varied with respect to the frequency of poverty, depending on the posited poverty line (40%, 50%, 60% of the average national income), age, and marital status (Kohl 1992). The poverty rate at all poverty levels is lowest in Sweden; among those over the age of 65, there are hardly any with an income below the 50% threshold. The fight against poverty is also fairly effective at the lowest level (40%) in Great Britain and Switzerland, while no fewer than 5% of those over the age of 70 in Germany (likely mostly women) were below the 40% level. Unlike the other three countries we have looked at, Germany has no minimum pension in the area of statutory pension insurance, and the level of social assistance in 1985 was also much lower than in the other countries.²⁹⁹ In Germany and Switzerland, the poverty rates at the 50% and 60% levels rose only moderately, which suggests an overall positive impact of the fight against poverty through the combined effects of social insurance and social assistance. In Great Britain, by contrast, around 20% of those over the age of 65 have to get by with less than half of the average income, and more than 40% with less than 60%, which speaks to an overall modest social protection in old age (Kohl 1992, p. 239). A 2002 study comparing Germany, Great Britain, and Sweden tended to arrive at similar results, though in the case of Sweden and Germany it emphasized administrative obstacles that stood in the way of an effective implementation of a comparatively favorable statutory level of security, while the more modest British benefits seemed to reach the poor better as a result of their administrative simplicity (Behrendt 2002).

Finally, I will venture a rough comparison regarding the effectiveness of the redistribution by way of the welfare state. Although the political attitudes diverge also when it comes to the desired redistributive effects, the degree of income

²⁹⁹ Kohl (1992, p. 235). A study of all OECD states that employed different methodologies arrived at somewhat divergent results: using as the basis various household types, this study calculated the social assistance income to which they were entitled (including housing assistance) in percent of the median disposable income of the same households of income earners. On average for all household types, the relative social assistance income was 42% in Great Britain, 43% in France, and 44% in Germany, that is, virtually the same. Social assistance recipients were much better off in Switzerland (77%) and Sweden (86%). Conversely, this study revealed once again the weakness of poor assistance in the United States: in New York, social assistance was only 17% of the income of comparable wage-earning households, in Pennsylvania 29%, and in Texas only 6%. See Eardley et al. (1995).

leveling seems best suited to allowing for a comprehensive assessment.³⁰⁰ Using as a basis the net equivalent income, the income leveling, according to Eurostat for 1993, is most pronounced in Denmark (and presumably also in Sweden, which was not included at the time), followed by Germany. France's Gini coefficient was also below the EU average, while the income inequality in the United Kingdom was exceeded only by Greece and Portugal (Eurostat 1997, p. 2). A British study of 15 OECD countries based on household surveys from the second half of the 1980s concluded that income leveling was highest in Scandinavia and Belgium, followed by Germany and the Netherlands. France and Great Britain were already in the group with below-average leveling, while income leveling was lowest in the US, Ireland, and Switzerland (Atkinson 1996, p. 21). The national differences with respect to income inequality thus tend to be the same as with poverty rates: the greater the income inequality, the greater the poverty rates, and vice versa.³⁰¹ Only Switzerland combines high income inequality with an effective system of fighting poverty.

If one compares the ranking of Gini coefficients with that for the rate of social expenditures, a strong correlation emerges, as well: the higher the social expenditure rate, the more equal the income distribution. Germany after reunification is in the range of above-average redistribution on both the expenditure and the benefit side, though without holding one of the top positions.

6.2 *European Perspectives*

The current discussions about a "crisis" of the social or welfare state draw essentially on two lines of argumentation: first, there is the claim that globalization is intensifying the competition over the best place for doing business in such a way that the advanced welfare states will be forced to scale back their social benefits to make themselves more competitive. Second, some assert that the increased implementation of free market principles on the EU level and the loss of sovereignty that comes with entry into the EU will impair the ability of states to act with respect to social policy. As for the globalization argument, it would require a very differentiated examination, which is not possible here.³⁰² The discussion that follows is limited to the questions raised in the introduction, whether the institutional differences of the social sectors in the European countries pose an obstacle to integration, and whether the expansion of institutions of the social state create risks to these countries as places for doing business.

³⁰⁰ The degree of interpersonal income divergence or leveling is most often indicated by the so-called Gini coefficient: the lower the index number, which ranges theoretically between 0 and 1, the more level the income distribution.

³⁰¹ This result is confirmed by the study of Caminada and Goudswaard (2009).

³⁰² For the author's position on this issue see Kaufmann (1998a; 1997b).

In the EU there has emerged an influential supranational actor, one that has so far successfully asserted the superiority of its organs, especially also of the law coming out of the European Court of Justice.³⁰³ Founded in 1957 as a mere economic community of six West European states, the growing joint economic zone has proved highly attractive to other European states and has gradually led to stronger intertwinement, also on the political level. The relinquishing of certain elements of sovereignty by the states involved has gradually transformed a multilateral treaty of international law into a *supranational entity of its own kind, whose legal acts bind the participating states*. Given the original goal of liberalizing economic relations, social policy did not seem to hold any special role within the framework of European integration. In fact, the concern was repeatedly raised that in view of the persistence of national differences in social policy, the liberalization of economic relations could lead to “social dumping,” which would compel the states that were more progressive on social policy to lower their standards of social protection (Leibfried and Pierson 1992; 1998). So far, this fear has not been borne out – at least not directly. To be sure, the institutionally enshrined EU has remained committed to realizing the “four basic freedoms” – free movement of goods, services, labor, and capital –, which reveals a concept of freedom that concerns exclusively the economic sphere. However, all EU states are simultaneously members of the European Council, which was founded as early as 1949 and whose conventions regarding Human Rights (1950) and Social Rights (European Social Charter 1961, European Convention on the Legal Status of Migrant Workers) form an institutional framework that goes beyond economic matters. Moreover, in the wake of the intensification of European integration, and especially as a result of the decisions by the European Court of Justice, questions of social policy have become more important also within the EU (Schulte 1990, 1995). To be sure, it has not been possible to realize basic social rights for all citizens within the framework of a European Social Charter.³⁰⁴ Moreover, the “Community Charter of Fundamental Social Rights for Workers” concerns only the area of employment and its obligatory nature remains weak. But the trend in the social expenditure rates shows that the low-wage countries are clearly “catching up,” a development that is mostly linked to above-average economic growth. Thus, a slow converging of social standards seems the more likely outcome (Schulte 1991).

Beginning with the problem of social protection for migrant workers, it became increasingly clear that a functioning free market zone also drives toward a standardization of social standards in the area of manufacturing, that is, the recognition that competitive advantages must not be based on manufacturing conditions involving greater risks for workers. As a result, there has developed – especially since the Maastricht Treaty – a Europe-wide regulation of occupational safety and health, whose requirements at times even exceed the previously existing norms in

³⁰³ On the influence of the European Court of Justice see Eichenhofer (1992); Eichenhofer and Zuleeg (1995).

³⁰⁴ For a programmatic statements see von Maydell (1990).

the Federal Republic (Majone 1993). In many cases the principle of “best practice” was followed, whereby considerable national differences are undoubtedly still evident when it comes to the implementation of these standards. In Germany, European integration led to sustained social advances especially for women. When it comes to gender equality, Germany has received a conspicuously large number of directives from both the European Commission on Human Rights as well as the European Court of Justice.³⁰⁵

Moreover, one should not underestimate measures of interregional income distribution, of the sort that have been carried out especially by the European Social Fund and the European Fund for Regional Development (Leibfried and Pierson 1992, pp. 151ff.). Although these transfers do not create any individual legal claims on the EU, the funds are used to carry out a variety of socio-politically relevant measures in the favored regions; in particular, the equalization of socio-economic conditions is promoted, or at least they are prevented from drifting apart further.

At the same time, however, *the EU shows great restraint on all questions concerning the interpersonal income distribution*. Both social insurance and income tax laws are not in line to be harmonized and should remain within the domains of individual states for some time to come.³⁰⁶ There are good reasons for this, since the willingness to engage in acts of solidarity is likely to remain much stronger on the national than the European level. Since democratic societies that are ideologically pluralistic, and therefore not deeply fragmented, have no more conflictual area than the policy of distribution, and since politicians believe that it is easy to make a name for themselves in this area, we can expect that this area of politics will be the last to migrate onto the European level. Even if the principle of unanimity were to be abandoned on these questions in the future, it seems unlikely that the Commission would be able to forge qualified majorities on this issue.

For different reasons we should also not expect any significant Europeanization of the sector of *services pertaining to individuals*. The institutions of the health care, educational, and social systems, because of services that depend on direct contact with patients, students, or clients, have strong local ties even within the national welfare states, as a result of which they are usually managed and overseen in a more decentralized manner than is the case with cash benefits. In these areas it is therefore even less advisable to centralize policy at the European level and make it even more remote from direct citizen contact. However, we can expect indirect integration effects through an opening of the markets for services.

On the first question, it follows from these observations *that European unity does not inevitably touch the divergent national character of the institutions of the social sector*. To be sure, there are problems with jurisdiction and coordination, which were addressed early on with respect to migrant workers, but increasingly also with reference to EU citizens who were mobile for reasons other than

³⁰⁵ On the influence of national “fault lines” on the gender policy of the EU see Ostner (1995).

³⁰⁶ A concise overview of the differences in the social security systems in the EU is offered by Hauser (1997).

employment.³⁰⁷ However, in the official language, the efforts to resolve these problems are made in the sense of “coordinating” and not “harmonizing” social benefits. It is true that this need for coordination exerts a certain pressure on administrative alignment. But to the extent that convergences in the development of national social legislation have been apparent, so far they do not seem to have been inspired primarily by developments on the European level, but at best by developments in individual countries within the EU. The additional gap in welfare that results from the expansion of the EU eastward provides another reason for the continued restraint regarding the development of European institutions of social policy or even merely of common European standards. A stronger harmonizing influence on minimum standards could come at most from the side of the European Court of Justice, though the repercussions would have to be processed in turn based on national criteria.

When it comes to the area of *occupational safety and health protection*, in which the European Commission has been successfully engaged with the approval of the Council of Ministers, we are dealing largely with measures whose implementation is suited to boosting labor productivity over the long term and to preventing short-term advantages to companies that try to get a free ride by avoiding relevant measures. A sharp clash of interests between high-wage and low-wage countries therefore does not exist, though of course this does not rule out different priorities and attitudes. The implementation of standards, many of which are higher than the current level in the most progressive states, should be attributed above all to the effectiveness of technical committees, in which progressive positions can more readily garner support. In addition, a high regulatory standard also boosts the authority of the European Commission and is therefore in its interest. Thus, it proved possible – especially through a fragmentation of the decision-making process – to prevent the formation of plausible veto-positions. Moreover, the implementation and oversight over the measures remain in the hands of national authorities, which means that special interests continue to have the possibility to exert influence (Eichener 1993; Gerlinger 2000). By contrast, issues related to industrial relations, most of which are a point of controversy between the parties to collective bargaining, have little chance of moving onto the European level (Streeck 1997).

To the extent that European policy must pass the high hurdle of unanimous or even qualified majority decisions by the Council of Ministers, it therefore seems unlikely that institutional standardization in the social sector will make it onto the European agenda. The entrenched nature of national traditions, in conjunction with institutionally enshrined interests and the populations’ attachment to existing and

³⁰⁷ While the decisions of the European Court of Justice with respect to migrant workers were usually made in the spirit of the principle of benefit to the employee, an attempt has been made to prevent mobility that is driven primarily by differences in social benefits – for example, when it comes to benefits from social assistance or public health care. See Schulte (1992).

thus familiar institutions (Ullrich 2000), should develop a considerable political momentum against such initiatives.

That leaves the politically most controversial question, namely, to what degree the size and extent of the welfare sector can be expected to create disadvantages for a country in the international competition over the best places for doing business. But it is less the extent of social policy as such, and more the economic, financial, and tax policies associated with it that influence employment, capital flows, and investments decisions. The political maneuvering room in that regard is far more varied than the generalizing claims of supporters and opponents of the respective status quo would suggest (Pfaller et al. 1991; Scharpf and Schmidt 2000). Moreover, the structure of the welfare state comprises a much broader spectrum of measures than are discussed in these debates. And these measures cannot be changed at will, but only within the framework of the already existing institutional solutions. This, especially, is what the preceding country studies were intended to show.

At the same time, this essay makes clear that the socio-political development in the four most important European welfare states, in spite of significant institutional differences, show strong similarities in the outcome of extensive protection for dependent workers by labor laws, the protection of the population against extreme poverty, and a substantial alignment in opportunities of access to social services – similarities that set the “European social model” clearly apart from its American as well as its Socialist and East Asian counterparts. Since the fundamental recognition of social rights for everyone has its cultural roots in Western Christendom and in the European Enlightenment, the institutional result should come as no surprise. It should have become clear that with respect to the development of the welfare state, what matters are not individual factors, but the way in which political, economic, cultural, and social conditions interact, and that these conditions are, in the case of dramatic tension, reflected in the controversies over the collective definitions of the problems which predetermine the range of possible political solutions. Likewise, we can see the influence of existing institutional givens: from the structures of statehood to the pathdependency of institutional solutions to individual socio-political problems. Only to the degree that a common European public debate and opinion emerges will it be possible to address highly controversial problems also on a European level. For the time being, however, there is every reason to suspect that the national level will continue to form the crucial socio-political arena also within Europe.

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* Note on changes in the name of the Federal Ministry of Labour in the Federal Republic of Germany. The *Bundesministerium für Arbeit und Sozialordnung* (Federal Ministry of Labour and Social Order) was split into the *Bundesministerium für Gesundheit und soziale Sicherung* (Federal Ministry of Health and Social Security) and an section of the *Bundesministerium für Wirtschaft und Arbeit* (Federal Ministry of the Economy and Labour) in October 2002, to be merged again in November 2005 under the name *Bundesministerium für Arbeit und Soziales* (Federal Ministry of Labour and Social Affairs).

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