



Review: What Is Happening to Western Welfare States?

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What Is Happening to Western Welfare States?

The Welfare State and Beyond: Success and Problems in Scandinavia, by GUNNAR HECKSCHER. Minneapolis: University of Minnesota Press, 1984. 271 pp. \$29.50 cloth. \$12.95 paper.

The Welfare State in Crisis: Social Thought and Social Change, by RAMESH MISHRA. New York: St. Martin's Press, 1984. 208 pp. \$25.00 cloth.

Contradictions of the Welfare State, by CLAUS OFFE. Edited by John Keane. Cambridge, MA: MIT Press, 1984. 310 pp. \$30.00 cloth. \$12.50 paper.

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The Western social sciences, both as academic disciplines and as literatures of commentary on social issues of broad public interest, have flourished in the post-world War II period in close connection with the application of Keynesian techniques of macroeconomic management and with the expansion of those governmental income transfers and public programs of social provision often summed up as "welfare states." Entire macroscopic paradigms, from the structural-functional to the neo-Marxist, have been elaborated to explain why, under "advanced industrial" or "late capitalist" conditions, both Keynesianism and the welfare state were inevitable developments in the market democracies of Europe, North America, and beyond.

Suddenly in the 1970s, however, an international economic recession brought the cold grip of stubborn "stagflation" to these nations. Keynesian "fine-tuning" no longer seems certain to insure steady growth and relatively full employment. Meanwhile, large population cohorts covered by pension programs are aging and retiring; substantial groups of un- or underemployed people persist; increasing numbers of individuals cannot or will not depend as much as in the past on help from their families; and more and more people feel entitled to public succor. What is more, in some nations ever-expanding social expenditures have come up against the limits of citizens' willingness to tax themselves to pay for them in an era of persistent economic difficulties. As these trends come together, the expansion—even the maintenance—of Western welfare states no longer seems inevitable, and social analysts of all theoretical and political stripes are scrambling to clarify the situation. The books under review here are by no means the only examples, but they do exemplify a range of such efforts at reappraisal.

Gunnar Heckscher is a Swede who has been a political science professor, a government

official and diplomat, and a leader of his country's Conservative Party in the 1960s. Ramesh Mishra teaches in the School of Social Work at McMaster University in Canada, and clearly sympathizes politically with Social Democrats in Britain and with such "neoliberal" commentators as Lester Thurow in the United States. Sociological theorist Claus Offe is a West German academic, with biographical and intellectual roots in the 1960s "New Left" and current political sympathies of a critical, participatory socialist variety. Despite their evident differences of nationality, occupational location, and political orientation, Heckscher, Mishra, and Offe agree that Western welfare states are currently experiencing fundamental practical and ideological strains. Each tries to diagnose the nature of these difficulties—and each offers predictions and prescriptions for the immediate future.

Easily the most readable of the three books is Mishra's *The Welfare State in Crisis*. As Mishra readily admits, this is not a close analysis of public policies or political realities in particular nations. Rather it is a survey of ideas, especially those of social scientists and commentators on public affairs in the Anglo-American world. Insightfully, Mishra argues that liberal modernization theorists attributed a "spurious finality" to Western welfare states before the 1970s. Now, with the eclipse of faith that governments can insure growth in mixed economies, right-wing intellectual attacks on the economic inefficiency of public interventions have revived, as have arguments that welfare programs inevitably do not work and undermine the moral fiber of the poor. Baldly and unrealistically, the right-wing prescription for both the economic and social health of Western nations calls for a return to the discipline of "the free market." Mishra devotes a chapter to surveying and criticizing this "neo-conservative revolution in social thought," especially as propounded by such

writers as Anthony King, Irving Kristol, George Gilder, and Nathan Glazer.

Mishra does not stop with a critique of the neoconservatives; he also takes on “center leftists” and neo-Marxists. Center-leftists are, for Mishra, a heterogeneous category of left-liberals and Fabian-style social democrats. An assumption that economic growth is unproblematic, excessive faith in the solution of social problems through administrative tinkering, and an unrealistic expectation that capitalist welfare states might produce social equality rather than social security—these are the sins of various center leftists in Mishra’s eyes. But his comments in the relevant chapter, 5, are scattershot, largely because Mishra himself has a kind of center-left position and only seeks to differentiate his views from others on specific points. In addition, Mishra cannot offer an overarching critique, because, as he puts it, this “middle-of-the-road reformist tradition . . . is based on practice and pragmatism rather than theoretical coherence and systematization” (159). As economic growth ceases to be automatic, Mishra suggests, many center-left theorists find themselves at a loss to analyze the crisis of the welfare state or to prescribe new political strategies.

Neo-Marxists, on the other hand, are just as thoroughly given to “theoretical systematization” as the liberal modernization theorists who have explained welfare states as inevitable products of industrial society’s evolution, and the neoconservatives who regard welfare states as unfortunate and self-defeating distortions of the “free market.” As revealed by Mishra’s commentary on the ideas of such theorists as Ian Gough and James O’Connor, neo-Marxists present a complex picture by linking the development of Western welfare states both to the “needs of capital” for state support of the accumulation process and to the struggles of organized working classes for “social wages” above and beyond their economic wages. Neo-Marxist theorists disagree about the mechanisms that determine the political and policy processes of capitalist states. Still, they share the basic perception that the welfare state serves crucial “functions” for capitalism and simultaneously generates new problems for it.

While clearly admiring neo-Marxists for providing nuanced analyses of welfare state efforts in the overall context of Western political economies, Mishra also offers some telling criticisms. “Economic” factors, he suggests, are treated too structurally by neo-Marxists, leading them to neglect the

temporally and internationally varied role of politically weighty economic ideas. “The needs of capital accumulation” do not directly dictate such things as when Keynesian ideas will be politically accepted or rejected: witness the failure of British policymakers to use these ideas in the 1930s, and the uneven spread of “supply-side” notions in the 1970s. Moreover, says Mishra, neo-Marxists tend to identify “working-class” or democratic-political pressures with the social-service aspects of the welfare state, neglecting the fact that workers and democratic publics may care just as much about promoting economic growth as do capitalists or state managers.

“What the economic difficulties of the 1970s have done,” Mishra writes (87), “is to drive a wedge between the Keynesian (economic) and Beveridgian (social) aspects of welfare. It is this rift that the New Right has exploited. . . . The economic difficulties of welfare capitalism have provided the New Right with the soil in which its brand of populism can take root.” Thus working-class Americans and Britons, far from rallying to class struggle for the welfare state, have voted for Ronald Reagan and Margaret Thatcher in record numbers. Mishra interprets these votes not as endorsements for the dismantling of social services, but as support for conservative promises to further national economic growth.

Claus Offe is not one of the neo-Marxists discussed by Mishra, and that is unfortunate because his *Contradictions of the Welfare State* offers especially sophisticated theoretical discussions. This book is actually a translation and collection of many previously published essays; it is an excellent overview of Offe’s developing macrosociological perspective for any English-speaking scholar who has not had full access to his occasional writings. The editor, John Keane, provides a helpful introductory essay and concludes the book with an intellectually wide-ranging interview of Offe.

Offe understands what in one essay he calls the “Keynesian welfare state” very broadly: It is the entire ensemble of government policies and institutions that have managed economic development and social tensions since World War II in the capitalist democracies. In Offe’s view, the welfare state has been functionally necessary to ongoing capital accumulation, in that it has managed the social damage done by market processes and facilitated the supply of properly socialized wage workers. But, at the same time, the welfare state has inevitably generated new contradictions, in three basic ways: by encouraging new political demands

based on social needs rather than market needs; by diverting resources from the private economy; and by attempting to plan and administer policies that are well beyond the inherent organizational and authoritative capacities of capitalist states, which (by definition) cannot themselves engage directly in economic production.

Offe avoids some of the neo-Marxist tendencies to which Mishra objects. He does not treat the working class alone as the prime shaper and sole defender of the welfare state; nor does he confine democratic aspirations to the support of social services. Rather his approach is premised on the idea that the critical sociologist should pinpoint the systemic contradictions inherent in the full array of social and economic interventions practiced in post-war Western welfare states. Yet, ironically, this means that Offe finds himself in openly acknowledged agreement with neoconservative diagnoses of the crisis of the welfare state. As he writes in a fascinating essay on “‘Ungovernability’: The Renaissance of Conservative Theories of Crisis,”

Much of this neo-conservative literature reads like a series of case studies confirming the Marxist thesis that bourgeois democracy and the capitalist mode of production stand in a precarious and immanently indissoluble relation of tension. The difference consists only in the fact that the neo-conservative theorists . . . see the source of crisis and what they wish to eliminate not in the conditions of capitalist *wage-labour* but, rather, in the institutionalized arrangements of welfare state mass democracy. [66]

Offe concludes that neoconservatives and neo-Marxists both correctly perceive the same crisis. Neo-Marxists are simply more accurate in tracing the causes to inherently contradictory socioeconomic tendencies within advanced capitalism. While “capitalism cannot coexist *with*, neither can it exist *without*, the welfare state” (153). As I read his prognostications, political responses to this intractable situation will fall into (or oscillate among) such alternative possibilities as neoconservative attempts at market revival, varieties of corporatist bargaining, and decentralized, participatory socialist movements. But Offe provides little analytic help in predicting which responses will occur in different national settings and he implies that—at least as long as advanced capitalism survives—none of them is likely to overcome the inherent contradictions of welfare capitalism.

Ramesh Mishra also emphasizes the ironic

convergence of neoconservative and neo-Marxist diagnoses, yet he does not agree with Offe that this odd agreement connotes an inevitably intractable crisis of the Western welfare state. “Common to both” neoconservative and neo-Marxist positions, writes Mishra (101–102), “is a rejection of the mix, the attempted synthesis of capitalist and socialist values, represented by the post-war welfare state. There is, however, a third option . . . which does not reject the mixed economy and the welfare state: that is corporatism.” To explain what he means, Mishra elaborates a typological distinction between the “Differentiated Welfare State” (DWS) and the “Integrated Welfare State” (IWS). The DWS bifurcates the “Keynesian” and “Beveridgian” aspects of the welfare state. Only macroeconomic means are used to regulate the economy from the demand side; public social provision is not linked to economic management; and fragmented interest-group pluralism leads to political “overload” and industrial conflict as each narrow interest presses its own concerns. In contrast, the IWS regulates the economy from both demand and supply sides, affecting investments and labor markets as well as macroeconomic parameters. Social policy is closely coordinated with economic management, and this happens through centralized bargaining and trade-offs among major economic groupings and the government.

Mishra calls the IWS “a pragmatic approach to the integrative problems of the political economy of advanced capitalism” (102), arguing that “in the attempt to cope nationally with the effects of a crisis which is undoubtedly international in nature, . . . a sort of societal policy which is based more or less explicitly on voluntary class co-operation and which recognises that the social and economic are two sides of the same coin, offers a better chance of maintaining the essentials of the post-war welfare state” (120). The implication is that all Western nations could choose to adjust their policies and practices into integrated welfare states. Yet Mishra also identifies particular nations with each ideal type. The Differentiated Welfare State characterizes Britain and the United States, he argues, and the clash of neoconservative, neo-Marxist, and other “crisis” theories has especially focused on the stresses and strains of these nations’ policies and politics. Meanwhile, Austria and Sweden are the two Western nations that best exemplify the patterns and the adaptive successes of the Integrated Welfare State.

Are corporatist Integrated Welfare States

truly special, more consensual? Do they show the face of a possible future to all of their fellow advanced industrial democratic nations? A perusal of Gunnar Heckscher's *The Welfare State and Beyond: Success and Problems in Scandinavia* begins to help us answer these questions. The author's background, the book's title, and its basic tone suggest the sober, measured nature of social policy debates in Sweden—especially when juxtaposed to the shrill Anglo-American debates surveyed by Mishra. Heckscher is a prominent “conservative” member of one of Sweden's “bourgeois” parties, yet he takes quiet pride in the pioneering and comprehensive development of public social protections in the Scandinavian nations. Although his book is not as sociologically important as Francis Castles's treatment (1978) of the same subject, it is still a useful descriptive survey of the historical origins, the achievements, and the shortcomings of the welfare states of Sweden, Denmark, Norway, and Finland.

By detailing such “problems” as fiscal strains and tax resistance, continuing social pathologies and inequalities, and concerns about bureaucratic highhandedness and the continued economic productivity of export-dependent economies, Heckscher obviously means to deflate euphoria about the welfare state, suggesting that many policies are open to continuing debate and possible “pruning,” as he puts it. Moreover, Heckscher firmly argues against recent Swedish Social Democratic proposals associated with Alva Myrdal and Rudolf Meidner to push forward toward socialization of capital investment and more active governmental efforts to promote social equalization, not just universal social security. Heckscher suggests that democratic opinion does not accept these proposals and goals, and he argues that more attention must be paid to the national interest in further economic growth.

Nevertheless, for all that Heckscher's position is “conservative” in the Swedish context, it repeatedly deflates the hysterical accusations of Anglo-American right-wingers. There is no evidence that Scandinavian welfare states impeded economic productivity or work motivation in the postwar years, argues Heckscher. On balance, some problems associated with welfare interventions are nonfatal “flaws,” while others are not really caused by government policies, since they are byproducts of urbanization, industrialization, and transnational changes in generational outlooks. “With a more unfavorable economic climate, the maintenance of the welfare states

in all four countries is becoming less easy than . . . it was in the 1950s and the 1960s. . . . The main body remains undamaged, however, and there is widespread agreement that this is as it should be” (252).

Heckscher's book helps to demonstrate the correctness of Mishra's characterization of the Integrated Welfare State, and his suggestion that Sweden fits the type. At the same time, however, the Scandinavian history that Heckscher presents undermines any notion of “the Integrated Welfare State” as a “pragmatic” model that could be used as a blueprint for short-term institutional and policy adjustments in Britain, the United States, or other nations. Some, if not all, of the roots of Scandinavian welfare states—and certainly the roots of the “corporatist” styles of cross-class bargaining that have helped to coordinate and sustain national socioeconomic strategies—go backwards in time from decades to centuries. For Sweden, especially, they include traditions of monarchical and aristocratic bureaucracy that created strong expectations for legitimate public action and the application of expertise to policy problems; ethnic homogeneity and cultural ideals of social solidarity; and—last but not least, and not unrelated to the earlier state structure and cultural conditions—the emergence of an especially strong and reformist Social Democratic labor movement in the first decades of the twentieth century.

The point is not that only Swedish historical developments have laid the basis for generous welfare states and corporatist institutional arrangements for coordinating their social and economic policies. Mishra indicates other “historical and geopolitical” factors in his sketch of conditions facilitating the emergence of what he considers the best approximation to an Integrated Welfare State in Austria. Other analysts with comparative-historical dimensions to their arguments have also pointed to the causal relevance of industrial and union centralization (Stephens, 1979) or strong Catholic center parties (Wilensky, 1981). Furthermore, David Cameron (1978) has convincingly demonstrated that high domestic social spending and corporatist bargaining arrangements are especially characteristic of small nations with openness to international trade in the post-World War II period. Because these nations have a pressing need continually to readjust their industries, wages, and prices in response to international markets, and a need to insure social peace by cushioning their populations during such adjustments, they apparently use historically

available institutional, cultural, and organizational resources to sustain Integrated Welfare States in Mishra's sense.

Whatever the precise causal configurations turn out to be, it is apparent that historically evolved structural arrangements, political parties, and international market and geopolitical positions are hardly open to short-term "choice" by nations. There is thus no reason to believe that Britain or (especially) the United States, with its decentralized pluralism and relatively small dependence on international trade, could suddenly generate the appropriate conditions for an Integrated Welfare State in the style of Austria or Sweden.

Although the books under review here offer many insightful concepts and arguments, they are in the final analysis not much more adequate than the paradigms they criticize to the task of explaining current developments in the various Western welfare states. Modernization theorists may have overgeneralized about the shared "logic of development" of postwar capitalist democracies, but neo-Marxists also overgeneralize about their shared "contradictions." The more nuanced and institutionally sensitive ideal types of Mishra help (like those of Wilensky, 1976) to contrast corporatist welfare states to others, but they fail to explain the differences, they leave us at a loss to differentiate among cases identified with each ideal type, and—perhaps most decisive—they do not allow us to understand fully the current situation and possible future direction of non-corporatist instances like the United States.

Denmark experiences middle-class tax revolts, while Sweden debates whether to socialize the capital investment process, and Austria adopts a new industrial policy. Britain's Margaret Thatcher attacks unions but expresses pride at expanding the national health service, while America's Ronald Reagan cuts taxes and "welfare" spending (including Medicare), yet sidesteps any head-on collision with present-day beneficiaries of "social security." Theories and typologies about "the welfare state" in general will not help us to account for such variations across nations and among policy areas within nations.

Especially in a period of global economic difficulties, the specific features of each national state and party system, and its distinctive array of social policy legacies inherited from the past, become crucial for explaining whether a "crisis of the welfare state" occurs

at all, exactly how the crisis is defined, and what ideas, movements, and leadership maneuvers will define alternatives for the future. Thus the current socioeconomic strains and political stresses facing the advanced industrial democracies should inspire more fine-grained comparative and historical studies (such as those by Aaron, 1984; Castles, 1982; Esping-Andersen, 1978; Tomasson, 1984; and Skocpol, to be published). Only by using such studies to explore more rigorously the broad questions posed by Mishra, Offe, and Heckscher, can social scientists hope to make better sense of the essentially political structures and choices through which the current reworkings of welfare states—plural—are unfolding across the Western world. ¶

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