

Social Inequalities & the Welfare State

Lecture notes 2015

Lecture 1: Introduction to the course

1. Why study social inequality?

1.2 Social inequality as a key social problem.

1) Social inequality as a *sociological* problem

Or: the *scientific* relevance of the study of social inequality

- Established research tradition
- 'Knowledge gaps'
- Rival theories

2) Social inequality as a social problem

Or: the *societal* relevance of the study of social inequality

- Social and political concern and debates over social inequality

1.3 The unexpected return of inequality as a social problem

- 1980s: Berlin Wall, difference between East and West. Debate about inequality. Which system (capitalist or Marxist) will produce the least inequality? 1989: fall Berlin wall.
- 2001: attack WTC. Debate moved away from social inequality to cultural/religious differences.
- 2007: financial crisis. Again debate about social inequality → occupy movement → 'we are the 99%, the victim of austerity politics, and 1% takes all the riches'.
- Currently: inequality very present in the public debate // almost every day in the news. Just think about the bestselling books: Piketty for example. Issue also highly politicized.

2. The study of social inequality: a political minefield?

2.1 The ideological context

We live in a (western) society where the predominant ideology is: we do not have social inequality that is unfair or unjustified. We believe we have equality and freedom. However, this wasn't always the case.

2.1.1 Romans & Greeks; Christianity; Middle Ages → Natural slavery

Aristoteles: inequality is a natural fact. "For that some should rule and others be ruled is a thing not only necessary, but expedient; from the hour of their birth, some are marked out for subjection, others for rule." Slave-based economy.

2.1.2 18th century → self-evidence of equality.

Things really start to change. Equality should be the normal way to think about mankind. "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty, and the Pursuit of Happiness" → Declaration of Independence.

2.1.3 1990s → expansion to new inequalities.

Homosexuals/heterosexuals; different cultures; etc. Dutch General Law on Equal Treatment: "Equality for all, racism prohibited."

2.2 Social inequality as an essentially contested concept

Social inequality is a concept that:

- (1) tries to describe an empirical reality

(2) Has at the same time strong normative (i.c. “negative”) connotations. Difficult to speak about social inequality in an objective way → typical left-wing term.

Therefore some prefer to use the term “stratification” (critics: term for a ‘natural’ process) or even simply “difference”.

3. The debates over social inequality

3.1 Equality of opportunities and equality of outcomes

1) **Equality of opportunities.** The idea that all people should be equal ‘at the start’. Everyone access to education; everyone equal rights, etc.

- In the debate: almost unanimously accepted. Inequalities of opportunities need to be (1) condemned (so adjusted) (2) denied (everyone is equal) or (3) interpreted as individual responsibility.

2) **Equalities of outcomes.** The idea that people should be equal ‘at the finish’ (or better: not too unequal).

- In the debate: highly contested. We don’t want to accept it.

- Inequalities of outcomes need to be justified by appeals to (1) inevitability (this is just how the market works), (2) welfare (inequality to stimulate growth) or (3) principles of justice (working twice as hard, means twice as much money)

3.2 Equality of opportunity & outcomes : ongoing debates

Equality of opportunity and non-discrimination is almost unanimously accepted, but:

1. Equality of opportunity is a myth: are our societies really free from (overt examples of) discrimination? And is our society characterized by forms of so-called ‘systemic’ discrimination (indirect discrimination)?

2. Equality of opportunity and outcomes cannot be separated: does not inequality of outcomes (re-)produce inequalities of opportunities? For example: the children of rich/poor parents do not have the same equality of opportunity.

3. Equality of opportunity versus individual freedom: how do we balance equality of opportunity and freedom (and does not freedom sometimes goes at the expense of equality)?

Equality of outcome is highly contested, but inequalities of outcomes need to be justified. But:

1. Intrinsic arguments: When and why are inequalities of outcomes really ‘deserved’ and fair? And then again: how much inequality is justifiable?

2. Instrumental arguments: What about the effects of inequalities of outcomes? Is equality ‘good’ or ‘bad’ for society and its individual members?

4. What do we mean by social inequality?

4.1 Global versus national inequalities

1. Inequality between societies (poor versus rich countries)

- International Relations

- Development Studies

2. Inequality within societies (upper classes versus the lower classes)

- Sociology and Anthropology

- Political Economy

4.2 The ‘social’ in social inequality

- Social inequality is sometimes mistaken to refer to a specific type of inequality (political inequality // economic inequality // etc) → this does not work
- The 'social' in social inequality refers to the *origin*, not the type.
- Rousseau: "I conceive that there are two kinds of inequality among the human species; one, which I call natural or physical, because it is established by nature, and consists in difference of age, health, bodily strength, and the qualities of the mind or the soul. And another, the moral or political inequality, invented by men, our social institutions."
- Vranken: natural versus social inequalities (differences versus ranks). IQ natural rank (genetically based).

Lecture 2: Basic Concepts and Questions

1. Social inequality: a generic model of the basic elements and relations (assets, positions, rewards and a justifying ideology)

1.1 Assets, positions, rewards, two "matching processes"

Grusky, 2001

"It follows that inequality is produced by two types of matching processes. The positions are first matched to "reward packages" of unequal value, and members of society are then allocated to the positions so defined and rewarded."

→ Three central concepts/ three steps:

- 1) Positions in the division of labor. If we want to live together, we all have different tasks. Everyone is doing his thing in society. If this was the only division, there would be no social inequality. But these positions are matched to.....
- 2) ...Unequal rewards of valued goods. Various occupations get various incomes. This isn't a conscious: different occupations need different skills. This is caused by...
- 3) ...Specific assets and resources. People require different assets, which gives them the chance to enter a position. So, this gives access to different positions in the division of labor.

1.2 The distinction between opportunities and outcomes revisited

- Grusky does not use the terms equality of opportunities/outcomes, but it is very easy to introduce these terms into the scheme.
- The process of matching rewards (of value goods) to positions (in the division of labor) is more or less the same as the process that causes (in)equality of outcomes.
- The process of 'specific assets and resources give access to positions in the division of the labor' can be matched to (in)equality of opportunity.

2. Specifying the generic model

2.1 The assets: Inequality by what?

What resources do people in society need to get into certain positions? Various thoughts on this. Debate between reductionists and non-reductionists.

Karl Marx, 1-dimensional approach

- Reductionist
- Studied industrial societies in 19th century. One particular resource that determines your position in society: the ownership of the means of production (capital, land, tools, etc.) Privately owned in our society. When you have this ownership, you will be a capitalist and you will be able to exploit the working class.

Pierre Bourdieu, 3-dimensional approach

- Talking about 20th century Europe.
- Distinguishes between three types of resources: 1) economic capital (wealth, money, means of production); 2) social capital (contacts, network); 3) cultural capital (we will discuss this later).
David Grusky, 7-dimensional approach
- 1) Economic; 2) Political; 3) Cultural; 4) Social; 5) Honorific (social standing/prestige/status → in some societies it is an asset to be white/ or coming from an important family); 6) Civil (your basic rights in society); 7) Human (your skills, degree, working experience).
Bader & Benschop, 19-dimensional approach
- Not very workable to use; complicated. Teacher prefers something between Bourdieu and Grusky.

2.2 The positions: Inequality through what?

Marx

- Capitalist (persons that have the resources/means of production) and the workers (persons that don't have the resources/means of production)

Dahrendorf

- Looked beyond capitalist countries, to countries like the Soviet Union. Managers (persons who are in command of the resources/production) and the managed (persons who obey to this command).

Parkin (Grusky)

- Occupational groupings. Different types of occupational groups, for example high-skilled non-manual jobs (like teaching).

2.3 The rewards: Inequality of what?

1. Fundamental level. What do you need and want? We need satisfaction:

- Physical survival
- Self-respect (mentally healthy)

2. But..you are not paid in self-respect. You also have “goods” that may satisfy those needs.

- Food
- Recognition/prestige

3. But..we still don't pay in food. We need means to that goods. Max Weber:

- Income and Wealth
- Power
- Status and Prestige

2.4 Ideal typical 'systems of stratification'

Grusky: in every society, one assets is dominant. He distinguishes between eight ideal, typical society types (see table). In our modern society, human skills/capital is the principal asset.

Society type	Principal asset	Principal positions
Tribal society	Human	Chiefs and other tribe members
Asian agrarian	Political	Officeholders and peasants
Feudalism	Economic	Three estates
Slavery	Economic	Free men and slaves
Caste society	Honorific	Castes
Industrial society	Economic	Classes
State socialism	Political	Managers and managed
Advanced industrialism	Human	Occupations

3. Assessing systems of inequality: four parameters

3.1 Four crucial parameters

1) The degree of inequality

→ How much inequality is there?

- Income and wealth. The difference in income and wealth between the rich and poor.
- Power. The difference in power and influence between the power elites and ordinary citizens.
- Status and prestige. The difference in social status and prestige between the cultural elites and ordinary people.

2) The rigidity of the system

→ To what extent can individuals move between the position (classes or strata). In another words: is there mobility or reproduction?

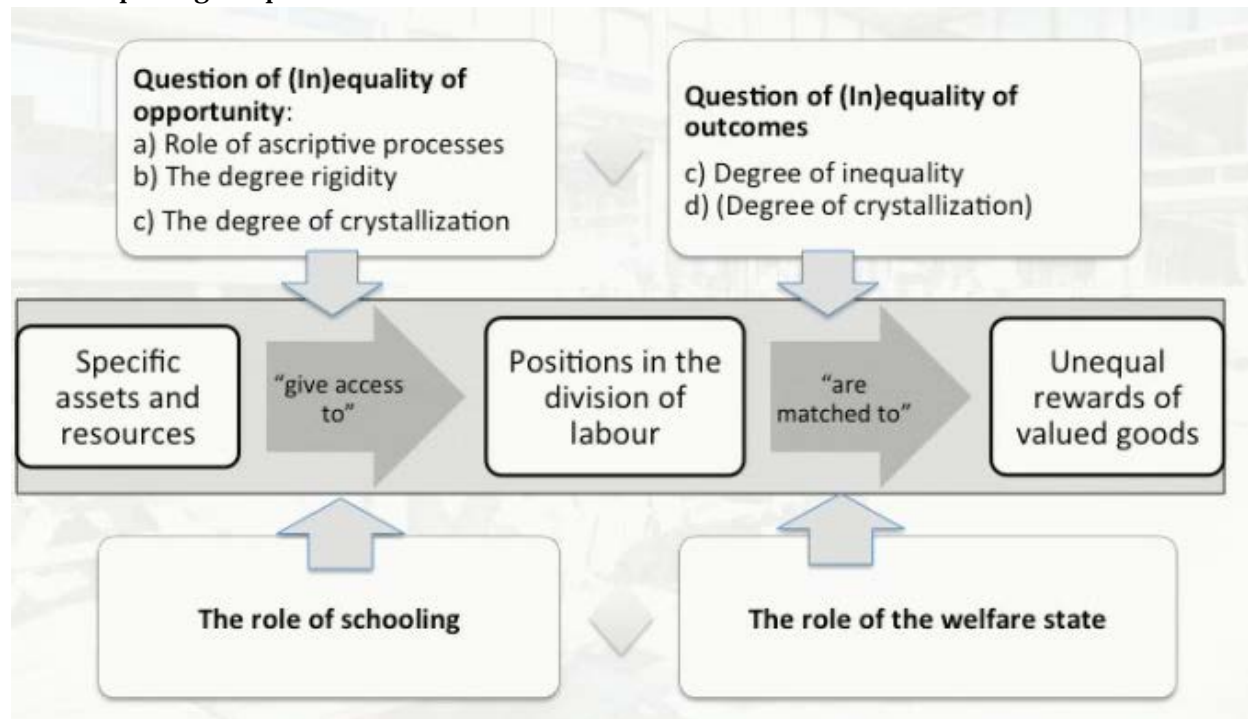
3) The degree status crystallization

→ To what extent do (1) income and wealth (2) power and influence and (3) status and prestige correlate? If we take the Forbes billionaires list and the Times most influential people and the Nobel Prize winners, do we see the same kind of people appearing here? Probably: no. We tend to dislike high degree of status crystallization. Things not necessarily correlated. Nouveau riche → become rich, but are always confronted with the fact that other people have more respect/prestige. So they try to buy their way into the cultural elite.

4) The role of ascriptive processes

→ To what extent do traits presents at birth (sex, race, ethnicity, sexual preference, parental wealth) influence the subsequent social standing of individuals?

3.2 Completing the picture



4. Liberalism as a justifying ideology

4.1 Liberalism as political theory and as ideology

Make a distinction between:

1. Liberalism as a political theory (that may be discussed substantively in terms of its pro's and con's)
2. Liberalism as a de facto justifying ideology (that may be critically analyzed in terms of that function)

What is a "justifying ideology"?

- An worldview that serves to assess the current order of society to be "right" or "just".

4.2 Elements of liberalism as justifying ideology

The level of liberalism as a "manifest" political theory

1. The right and protection of private property: **establishing capitalism**
2. The priority of rights over ideas of the "good": **limiting democracy**. Constitution limits your rights; limits democracy. Democracies can do many things, but they have to follow the rule of constitution.
3. The priority of individual freedom over social equality: **limiting egalitarianism**. First liberty, then we can think about equality, but not at the expense of individual freedom. Example: free school system Netherlands. You can choose your own school → in America, you have to go to the school in your neighborhood.

The level of liberalism as a "latent" ideology

1. The idea that man needs incentives to be productive: **human nature**. If you give people social security, they will not get out of bed to find a job.
2. The naturalization of the economy: **subjection to exogenous laws**. We cannot change the rules in the game.
3. The idea that after equality of opportunity the outcomes are just: **morality of personal responsibility**. Of course, we are not all born equal. Even liberals know that. But after equality of opportunity, everyone has equal rights → it is your own responsibility.

5. Contemporary debates on liberalism as a justifying ideology

5.1 Example 1: the culture of inequality, Lewis.

- The belief in equality of opportunities suggests that everyone can make it to the top
- A failure to do so, must then be understood as lack of talent or effort. If you can't make it to the top, it is your own fault.
- Thus: there is some, but no real equality of opportunity. It is not a myth, but also not completely true. You can also just have bad luck.
- Teachers argument: we cannot all make it to the top. But still, our culture argues that success is dependent on yourself. But there are many other reasons.

This has three effects:

- 1) A general culture that blames the poor for their own condition. Even in the Netherlands, we have poverty. We think it is their own fault: you do not have to be poor.
- 2) A lower class that blames itself for their condition.
- 3) A middle class that develops contempt for the lower classes in reaction to their "failure". The middle class wants to go up, and wants to avoid going back down. They have a negative distinction with the lower class.

5.2 Example 2: Demonization of the working class?

- Reybrouck: Populist parties give self-respect back to the lower class
- Jones: Is ridiculizing Chavs and "tokkies" the contemporary form of class racism? And this

time (also by) the progressive cosmopolitan elite? It is wrong that we laugh at these people. We have declared them the enemy, and we are demonetizing them.

→ The Royle family: romanticizing the working class

→ Vicky Pollard: ridiculizing the underclass

“All of this might be explained as a bit of harmless fun. But: research showed that people think Vicky Pollard was an accurate representation of Britain’s white working class. It is OK for privileged individual like him (the actor playing Vicky Pollard) to mock working-class people – because working-class single mums really are like this.”

“At his heart, the demonization of the working class is the flagrant triumphalism of the rich who, no longer challenged by those below them, instead point and laugh at them”

“Smearing poorer working-class people as idle, bigoted, uncouth and dirty makes it more and more difficult to empathize with them. The people at the very bottom, in particular, have been effectively dehumanized. And why would anyone want to improve the conditions of people they hate?”

Lecture 3: Why is there inequality of outcomes? *Functionalism versus conflict sociology*

1. Functionalism versus Conflict Sociology

1.1 The founding fathers

Functionalism → Spencer (1820-1903); Durkheim (1858-1917). Summary: Social Inequalities are the necessary outcome of requirements of social systems. Inequalities have a purpose. We need it to survive.

Conflict Sociology → Marx (1813-1883); Weber (1864-1920); Summary: Social Inequalities are the outcome of concrete struggles between classes. Inequalities aren’t necessary. Society consists of different groups, that are in competition over scarce resources. Winners of the struggle are on top of society, losers of the struggle are low in society.

1.2 The metaphors for society

Functionalism → Metaphor: society is a body. We all have organs that have specific functions for the body. Same in society.

Conflict Sociology → Metaphor: society is a pyramid (of the capitalist system).



1.3 Key oppositions of the debate (Lenski)

	Conservatives (Functionalism)	Radicals (Conflict Sociology)
Nature of man	Pessimistic → man is inclined to do bad things, only thinks at himself	Optimistic → cooperation between people.
Nature of society	Outcome of functional demands	Outcome of struggles
Role of coercion	Minimal	Crucial. “We shoot you, we fool you, we rule you”.
Effect of inequality	Causes efficiency	Causes conflict
Origins of inequality	Justified means → the role of property, for example. Property is the outcome of labour: I have worked for it, so it’s mine.	Force and fraud
Future of inequality	Inequality is inevitable. An equal future is dreaming and dangerous: the only way to get this is by a totalitarian regime.	Equality is possible, difficult, but possible.
Role of the state and law	Promoting common good	Protecting the privileged → again, look at the pyramid of capitalism.
View on ‘classes’	Aggregation of people	Interest groups

2. The functionalist argument for inequality

2.1 The famous Davis-Moore thesis (1944)

“Social inequality is thus an unconsciously evolved device by which societies ensure that the most important positions are conscientiously filled by the most qualified persons”
 - Social inequality not on purpose, but ‘functional’.

2.2 Structure of the argument

1. If all (a) positions were equally important, and all (b) positions equal in talents required, and (c) all individuals equally talented...then there would be no problem.
 2. As –of course- all three requirements are not met, we need a system of rewards;
 3. Social inequality is thus an unconsciously evolved device by which societies insure that the most important positions are conscientiously filled by the most qualified persons.
 4. Differences in rewards can then be explained by:*
- a) **Relative importance of a function.** The more important functions, have higher rewards. People need an incentive to fulfill these important functions.
 - b) **The scarcity of personnel performing that task and/or the investments in training needed.** The more the important is, the smaller the amount of people that have the talent do this job. We can all clean; we can’t all be a prime minister. You wouldn’t motivated to become a prime minister if the salary was the same as cleaners.

3. Arguments against functionalism

3.1 Three strategies against functionalism.

There are three kinds of arguments against the heavily criticized Davis-Moore thesis:

1. Meta-theoretical: criticize the structure of the functionalist argument as such (sometimes thereby also 'unmasking' it as ideology). NOT DISCUSSED in this course.
2. Theoretical level: provide counter-arguments leading to/taken from a rival theory (Tumin)
3. Empirical: actually testing the observable implications.

3.2 The theoretical critique

- Directed against the first part of the thesis: "Social inequality is thus an unconsciously evolved device by which societies ensure that the most important positions are conscientiously filled by the most qualified persons"

1) It doesn't work like that: in real existing societies there is evidence of discrimination. Not taking in account gender, race, etc. Counter-argument: Davis-Moore speaks about positional inequalities; how positions are linked with rewards; why do some positions pay more than others?

2) Inequality is "dysfunctional" in being a source of conflict (disintegrating rather than integrating). It is not something that people always accept → it creates wars/revolts. The functionalist should also acknowledge that inequality can be dangerous for society. Side note: Middle classes are mostly the ones that revolt; lower classes don't have the expectations/resources. Counter-argument: societies might – from a functional perspective- develop 'welfare states' to account for that.

3) There is no relation between rewards and the importance of a function (occupation).

Strongest argument. Example: TV presenter earns more than prime minister.

→ arguments by students: 1) It is not the case that talented people are always given the important positions. Talent is not all that matters in reality; 2) For some people, income is not important, they do it for the status; 3) What is an important function in our society? 4) Income not always determined by your position.

5. Preliminary conclusions about the Davis-Moore thesis

- Some important functions are not rewarded (university teachers?)
- Some unimportant functions are highly rewarded (consultants, legal advisors, notary)
- Some equally important functions are differently rewarded (different medical specialists)
- Do not the rewards create the (perceived) importance (reverse relationship)? Turning the argument upside down.

6. The thesis of social closure

"Individuals economic and social interest can be advanced not only by (1) their attainment of a highly ranked position in a present hierarchy, but also (2) by the collective upgrading of their position within the hierarchy"

- The core prediction of closure theory is straightforward: the greater the extent of closure characterizing an occupation, the higher the occupation's rewards.

7. Mechanisms and strategies (of social closure)

Four mechanism that upgrade your income:

- **Restrict labor:** not everyone is able/allowed to do your job. For example: restrictions for immigrants to do your job.
- **Increasing demand.** You can do this via lobbying at the government. For example: make

dentil care a standard in the health care packages (lobbied by dentists).

- **Channel demand.** When a product is provided by several occupations, channel demand to your profession.

- **Signal quality.** Make sure you have better quality.

Five strategies:

- **Licensing.** To make sure that a license is required to practice a specific profession.

- **Educational credentialing.** Professionalize your profession. You do not just need a license, you need a special education. You can only call yourself a 'nurse' when you have succeeded that training.

- **Voluntary certification.** There is a special certificate that you can show, but it is not required.

- **Associational representation.** When your profession has a representation (that can lobby at the government).

- **Unionization.** Restrict labor; make demands on income, etc.

8. The empirical test in Weeden

8.1 The results 1: general findings

→ Mixed conclusion: both functionalists and social closures are somewhat right.

1. Skills remain significant.

2. Licensing, credentialing, certification and representation have significant effects (when controlled for individual characteristics).

3. Strong effects of feminization (nurturing skills and proportion of females in occupation).

8.2 The results 2: specific findings

For who does it work?

1. Professional	Credentialing, Licensing & Certification
2. Managerial	Credentialing
3. Technical	Credentialing
4. Sales/Clerical	Credentialing & Representation
5. Service	Credentialing
6. Craft	Unionization
7. Operative & Labour	Unionization

8.3 Trial question

Meet Juan. A chiropractor living and working in Spain. He's making only around 900 EUR per month nowadays, not enough for a decent living. He has tried to find a better paid job, but that didn't work. What can Juan do to improve his position, if he were to apply the mechanisms of social closure spelled out in the article by Kim Weeden? → Increase demand by lobbying health insurance companies.

→ NB: Look at the role of the state. In conflict theory, the state is an important agent: it is a way to get things done (e.g. by lobbying). Also, the state (liberal states) can work against the effects

of social closure through deregulation. In functionalism, the state is a somewhat neutral actor.

Lecture 4: Social Mobility and Reproduction

The concept of social mobility and its various dimensions

1.1 What is social mobility?

- **Definition by Sorokin:** “any transition of an individual (or group) from one social position to another”.

- Related parameter: Grusky’s “degree of rigidity of the system”; Keister & Southgate: “open versus closed systems”.

1.2 Dimensions: vertical & horizontal mobility

(1) **Vertical mobility:** moving up or down in ranked positions (income, power or status). This includes upward social mobility (social climbing) and downward social mobility (social sinking). With social mobility, we often think of social climbing → but of course, it also happens that people sink. This is of course something that people try to avoid → parents don’t want you to have less of an education as they have.

(2) **Horizontal mobility:** moving between social positions of equal rank. E.g. between occupations or “social circles”. How easy can people move to a different occupation of equal rank?

→ We talk about vertical social mobility.

1.3 Dimensions: intra- and intergenerational mobility.

(1) **Intra-generational mobility.** Mobility within a single generation (a person’s life). “From newspaper boy to millionaire”.

(2) **Inter-generational mobility.** Mobility between generations (parents and their children). “My mother was a tailor, I am a lawyer”.

1.4 Dimensions: structural versus exchange mobility

(1) **Structural mobility:** mobility of individuals or groups as a result of transformations in a society. Refers to origins of social inequality. Examples: urbanization, new technologies, economic restructuring, extension of political rights.

(2) **Exchange mobility:** mobility of individuals as a result of individual efforts or talents.

→ In this lecture, we are primarily interested in exchange mobility.

→ Difficult to separate the two.

1.5: Dimensions: Absolute versus relative mobility

(1) **Absolute mobility:** mobility of individuals or groups as a result of general rise (or decline) of living standards. For example: we ALL have risen. → a positive-sum game (or negative-sum game).

(2) **Relative mobility:** mobility of individuals compared to other individuals of the same generation. → A zero-sum game. If some people relatively move up, others relatively move down. What goes up, must go down. Even a functionalist would agree that most people want to prevent social sinking.

2. The measurement of (intergenerational) social mobility.

2.1 Measuring social mobility: option 1

- Annual income of the father at a certain age (origin) / annual income of the son at the same

age (destination). Comparison.

- What is the problem of this method of measuring social mobility? Not taking into account inflation. Not taking into account structural mobility → maybe society is richer now.

2.2 Measuring social mobility: option 2

- Comparing the occupation of the father with occupation of the son (high skilled professional; low skilled professional; non-manual employees; skilled manual; non-skilled manual).

- What is the problem of this method of measuring social mobility? Again, not taking into account structural mobility. For example: manual jobs have decreased enormously because of economic and technology growth. Measuring absolute mobility, not relative.

2.3 Measuring social mobility: option 3

- Relative income positions of the father / relative income position of the son.

- What would be the proportions/percentages be in case of no mobility? All sons/fathers in the same percentage group (upper 25%, 51-75%. 25-50%, lower 25%).

- And in case of perfect mobility? 0.25 in every category.

3. Social mobility: some additional remarks

3.1 The relevance of social mobility

1. Social mobility is a crucial variable for liberalism as a justifying ideology, as high mobility rates fulfill; the promises (a) equality of opportunities and (b) the meritocratic ideology.

2. Social mobility is a crucial variable in the discussion on the existence of “class”: high mobility rates prevent the development of real classes (as anything more than mere statistical categories). Not in the Marxist sense, but classes as a group who have the same position over generations.

3. Social mobility is not just liberalism’s promise: it also reproduces it, as “social mobility promotes individuals, and reduces class solidarities and class antagonisms.”

3.2 The virtuous circle of social mobility

Triangle: Strengthening of (1) Individualism and (2) belief in meritocracy → Liberalism’s ideal of equality of opportunities → High degree of (exchange) social mobility.

4. Contemporary trends in social mobility

4.1 The reality of mobility or reproduction: Great Britain in 2000

- Not a perfect correlation → thus there is social mobility. We also see no perfect mobility.

4.2 Intergenerational income mobility

Scandinavian countries → relatively high social mobility / low income elasticity (around 0,15-20)

Anglo-Saxon countries (US / UK) → relatively low social mobility / high income elasticity / least mobile countries (around 0,5)

Middle European countries → Netherlands, Germany → in the middle (around 0,3)

→ Three groups → with different policies/ welfare states.

4.3 The reality of social mobility in Europe and North America

1) General trend towards social mobility in western society. In modern societies (liberal, democratic, industrial, capitalist) there is much more social mobility than in traditional societies.

2) Social mobility is nowhere perfect. All countries show signs of persistent reproduction.

3) There is variation between countries. There seems to be not a lot of difference between US and UK in reality, but the US is often perceived as 'land of opportunities' versus British 'class society'. US is also very much a class society. Social democratic countries show higher mobility rates.

4) Reversal of general trend. Social mobility has declined since 1990s —> decline welfare states, etc.

5. What does imperfect social mobility mean?

5.1 Should not mobility be perfect?

- Are all signs of social reproduction also a "proof of injustices"?

5.2 Why is there no perfect mobility?

1) Obstacles in mechanism of allocation. Discrimination (direct or indirect on the labour market)

2) Inequality of resources. Parental resources cannot be equalized by education. When we leave school, we are not equalized.

3) Mechanism of self-exclusion (the expectation people have themselves). People think they can't accomplish anything —> culture of poverty. "Als je voor een dubbeltje geboren wordt, wordt je nooit een kwartje". People at the top: society is not just. People at the bottom: society is just —> self-defense mechanisms, otherwise it creates a lot of stress. This, of course, does not help social mobility.

4) Social inequalities become natural inequalities. Rising endogamy within social classes. In the past: "Doctor marries the nurse" —> children have parents from two different classes. Currently: "academics marry academics" —> naturalization of inequalities.

Lecture 5: Schooling: generating mobility or reproduction?

1. Bourdieu's theory of social reproduction

1.1 Pierre Bourdieu (1932-2002)

Pierre Bourdieu is a conflict theorist:

- Privileged groups want to keep their privileges. They will not just simply give it away, but they will develop strategies to keep these privileges.

- Privileged groups "control" dominant institutions in society (laws are not completely neutral, but in favor of privileged groups. So is the education—> not a neutral system)

Pierre Bourdieu is not a Marxist though; he is a non-reductionist:

- Power in society cannot be analyzed via the owners of production and the workers. This is too simple.

- Bourdieu has a multi-dimensional and broad concept of "capital" as a resource. Privileged groups have more capital:

1) Economic capital (property, income, wealth)

2) Social capital (relations, networks)

3) Cultural capital (tastes, lifestyle, language)

4) Symbolic capital —> not important for our discussion

1.2 Social reproduction in Bourdieu

Economic capital; social capital; cultural capital —> the amount of capital you have has an impact on your education achievement (degree from Harvard much more valuable than state

university) —> your education achievement decides your socio-economic achievement —> which will again decide on the amount of capital you have (and what your children will have). It is a vicious circle.

2. The concept of cultural capital

2.1 We know what cultural capital is when we see it

When you don't have enough cultural capital, you can't join the conversation.

2.2 Three dimensions of cultural capital

- 1) Embodied. The way you talk, move, your posture. 'Manners'.
- 2) Objectified. The books in your living room, paintings, your clothes.
- 3) Institutionalized. Certificates, membership cards (e.g. from a golf club)

2.3 Do you have a sense of the value of culture capital?

Are you highbrow (cultural elite); middle brow or low brow (working class)?

2.4 Cultural capital as a scarce resource: example

Liking music bands because they are 'yours'; disliking them when they get famous. Privileged people want to keep the capital to themselves. 'Commercialized' mostly means that the cultural elite will drop it/dislike it. Strategies to distinguish yourself from middle class. Cultural capitalist will even like low brow things (e.g. Eurovision song festival; Andre Hazes)—> this makes the middle class confused. BUT: they will like/experience it in another way —> Eurovision song festival is made fun of, not really appreciated, whilst low-brow people might actually like the music.

3. Cultural capital and reproduction

3.1 The role of cultural capital in education

1. Social classes possess different amount of cultural capital. The privileged class possesses the so-called high culture (most valued);
2. The apprehension and possession of the high cultural capital requires specific skills (instruments of appropriation) —> you can't just say 'I like this painting' —> you need language and knowledge to talk about it.
3. Children of the upper classes learn these skills in their home environment; children of the lower classes do not.
4. The educational system reproduces high culture (art/literature/classical music is important), but does not teach required skills.
5. Therefore, children of the upper classes have a structural advantage over others.

3.2 Documentary Bourdieu

"The reproduction of inequalities is achieved more and more through the transmission of cultural capital".

- Important: the language we speak, the accent you have. Speaking proper (like the upper class) is rewarded.
- Upperclass children will see the teacher as their parents, or lower than their parents. They feel safe/confident, they know the proper behavior in this relation. They interact easier with the teacher, which, according to Bourdieu, influences grading.

4. Kingston's critique on Bourdieu

4.1 Three conditions for cultural capitalist argument

1) There really are distinctive class cultures; not true. Kingston argues that there is little evidence that such distinct upper=class cultures actually exist in the US. There is a cultural elite, but it does not correlate with the economic elite. Some like classical music; others pop. There is a highly pluralistic democratized culture. It might be true for the French, but not in the US.

—> This only challenges the somewhat old fashioned Class Culture of Bourdieu's France (classical music and paintings). The argument does not depend upon the substance of cultural capital.

2) Exclusionary practices in schools; difficult to observe.

—> DiMaggio's study: grades are indeed related to cultural capital. But cultural capital is not related to status (background). As such it does not reproduce class. The relation between cultural capital and school success itself is not straightforward. It might well be a spurious relation (both depend upon parental style).

—> Broderick & Hubbard's study: found that teachers indeed do have expectations that count (they value some attitudes). But that the possession of cultural capital (high brow) was unimportant.

—> In sum: the evidence is poor. If this is because cultural capital is poorly measured as high arts, Kingston replies that this nevertheless was the core of Bourdieu's argument.

3) Reproduction works by means of arbitrary cultural displays.

- Some have tried to 'save' the argument by a broader understanding of cultural capital including a) household resources (books etc.) b) skin color and c) working hard.

- Kingston argues that 'working hard' is simply a necessary skill/attitude that should be rewarded as opposed to arbitrary dispositions (that function as exclusionary strategies).

- But: There are important in-between categories, e.g. your accent, wording, body posture, etc.

4.2 Conclusion

- Kingston concludes that "culture matters" but:

1. Only as general dispositions that are favorable to learning, not because they are -arbitrarily- accorded value by upper classes.

2. It is culture as a resource, rather than as capital.

5. How to combat the effect of cultural capital (or resources)

5.1 Three strategies

1) The social democratic solution: schools should teach in cultural capital (e.g. classical music lessons). Critique: social democratic solution won't help. The elite will always redefine cultural capital, which will mean that schools are always one step behind.

2) The radical solution: challenging (changing) dominant cultural hierarchy. Redefine culture so that it fits all classes. So: not only classes in ballet, but also in hiphop, etc.

3) The liberal solution: eliminating the teacher effects. Take the teacher out as an important variable, focus on efforts and talents.

5.2 Discussion: the role of the so-called "CITO-test"

- CITO-test abolished, does not count anymore.

- School teachers: CITO-test only one moment. We know the students better.

- Jaap Dronkers (sociologist): activist against this development. At the very moment you are going to abolish the test, what now decides on the level of education you get access to as a child? The opinion of the teacher and the pressure of the parents! This is not objective. Teachers treat

children of academic parents differently. A CITO-test is objective.

6. How schooling can make a difference

6.1 Cultural resources, not capital

Green, Preston and Janmaat (2006) define cultural capital as:

1. Cognitive stimulation
2. Cultural codes that are valued
3. Parental ability to navigate
4. Ambition and confidence (no risk-aversion → most children will be happy/satisfied when they have reached the level of the parents).

6.2 Main effects of school systems

→→→ NB: why is early selection unfavorable? The earlier that the school has to decide on the intelligence level of the child, the sooner they will use (subjective) expectations of the child instead of real, objective test scores. Also less time to 'make up' for language deficits (for example of migrant children).

6.3 Conclusion

- Best way to avoid social reproduction by social democrats: "No differentiation between schools, no differentiation within schools"
- Equality is reached when limiting freedom of choice!

Lecture 6 (guest lecture by Thijs Bol): Inequality of educational opportunity

1. Inequalities

1.1 Inequalities of outcome

- Some have more than others → some students have higher grades than other students; some people earn more than other people.

1.2 Inequalities of opportunity

- Not everyone has the same opportunity to achieve something (not the same opportunity to go to university, for example)

1.3 Meritocracy

- Meritocracy → everyone achieves what his/her talent can achieve
- In general, looking from this perspective, we are ok with the first type of inequality
→ "Those students should've studied better"
→ "They just aren't as good as the students who passed the course"
- In more extreme differences, we start to worry about the inequalities of outcome. For example Piketty: "wage inequality is ok, but the gap (of wage inequality) is getting too extreme".
- In sociology and policy we mainly look at inequality of opportunity
- What if you are partly here because you have highly educated parents, and not only because you are smart?
- What if social class affects educational outcomes?
- In that case, inequality of educational opportunity will lead to inequality of outcomes → and the society is not meritocratic.

2. Empirical evidence

"Social class effects educational opportunity" → what is the evidence for this claim?

- So, main question: is there IEO (inequality of educational opportunity)?
- Many studies focus on ethnic or gender inequalities; we will focus on social class as the group characteristics.

2.1 Pisa Study

- Looks at performance on mathematics performance by decile of social background in different countries.
- In all countries → worst performance: lowest class. Best performance: highest class.
- However, differences between countries. Relation lower in Norway; higher in the Netherlands.
- Critique: mathematic test says nothing about educational opportunity. Things that really count are if you finish an (academic) study, attaining a certain level of education etc.

2.2 Shavit and Blossfeld Study (persistent inequality)

- If your father is from a higher class, how likely is it that you as a child will end up finishing university?
- Findings:
 - 1) Yes, there is a bigger likelihood to end in university when your father is from a higher class.
 - 2) Inequality of education opportunity is persistent over time. This is surprising, since education has become more open. There has been a lot of educational expansion.
- Critique: Shavit and Blossfeld used bad data; too small sample size. There is actually non-persistent inequality (Breen et al.).

2.3 Breen et al. (non-persistent inequality)

- Yes, social class effects educational opportunity.
- BUT: this IEO has decreased.
- With educational expansion, and the openness of education systems, social class became a weaker predictor of educational attainment.
- This contradicts the findings of Shavit and Blossfeld.

2.4 Conclusion (for now)

- It is clear that students from lower coal economic backgrounds perform worse in school and end up in worse educational positions
- Partly this might be causing each other (they are worse in math, so they reach lower levels).
- But what about inherited intelligence? Does it really have to do with social class, or do you just inherit the intelligence of your parents? → That's part of the effect, but not all of it. If this would be true, there would never be inequality between twins (but there are)

3. Mechanisms

- So: there is ample evidence for inequality of educational opportunity. The interesting question is then: why do children with a higher socio-economic background perform better in education?

3.1 Bourdieu and Passerson's social reproduction thesis

- Bourdieu argues that the education system does not provide kids with the skills on which they are judged.
- It's all about the cultural capital.
- You need to have the taste of the dominant culture in order to make it successfully through the education system.

3.1.1 Empirical evidence

- Bowen Paulle: argues that ethnic groupings do not matter. It matters if you know the rules, the right taste; basically knowing the cultural capital.

- De Graaf & Kraaykamp: refine the cultural capital perspective. They argue that everything is based on whether parents read books with you. Thus they are critical of Bourdieu. Others might state that Bourdieu is simply too vague → is reading books also a part of cultural capital? It could well be.

3.2 Bowles and Gintis correspondence principle

“Schooling in Capitalist America”

- There are close parallels between capitalist systems and education systems in modern societies. Education exists to determine your place in the capitalist system.
- Why do we have levels of education? Because we also have levels in the workforce → we need managers and workers. We already build this in the education system → changes of revolution smaller, because we can justify different jobs via the education lessons.
- Students working for grades // Workers working for alienated product.
- Finally, there is hierarchy in the education system and at the workplace.

3.2.1 Empirical evidence- Low correlation between IQ and attained educational level. So; there must be a reason why smart kids can end up in low positions and dumber kids in higher positions → because education gives children a place in the capitalist structure.

- Arum & Roksa: found that students learn nothing at university; they don't score better on all sorts of different tests. Why does education get you a good job then? Maybe education gives you a place in the capitalist structure.

3.3. Boudon's primary and secondary effect (relative risk aversion)

Difference between primary and secondary effects

- Parents can affect the educational outcomes of their children in two ways:
 1. By improving their abilities early in their educational career; reading books, helping with homework, motivating them, etc.
 2. By making educational choices; picking a school, decisions about further education.

3.3.1 Relative risk aversion

But why do lower social classes make different educational choices? Breen and Goldthorpe (1997) argue that this because of relative risk aversion. Families will minimize downward social mobility → they don't want children to go downwards, but they don't have to achieve more. When your father is a doctor, he doesn't want you to do anything less than university. When your father is a plumber, he will be super proud when you go to HAVO. As a consequence, children from highly educated parents will direct their educational decisions to that goal (minimally the same education level as parents).

→ Real life example: CITO. Two children score HAVO; parents from high social classes might put more effort in getting their children to a higher track (VWO). Parents from low social classes are satisfied with a HAVO score.

4. Education systems

- Education is organized differently across different countries.
- Education systems vary.
- In general, studies differentiate between three characteristics of education systems:

1) **Vocational specificity** → ‘learning on the job’ → we will not go into this

2) **Standardization**

3) **Tracking**

4.1 Tracking

Definition: group students on base of their ability; sorting students in different educational programs or educational tracks; e.g. courses on different levels.

Education system differ highly in:

- The age that students are first selected. Countries that track late are generally liberal-welfare states and Scandinavian countries.
- The number of tracks that are available
- The proportion of total curriculum that is tracked.

4.1.1 Tracking and IEO

- When there is more tracking, there are more educational decisions to be made.
- Virtually all studies indeed find that IEO is much larger in counties that tracks more students.
- Why is this the case? Focus on two explanations:

1) Life course hypothesis. This hypothesis argues that the effect of social class on decisions weakens over the life course. The older you are, the more you are judged for your merit instead of your background. So, if you're tracked later, you are less dependent on your social class.

When children are tracked at an earlier age, the effect of social class is higher.

2) Track effects. 'Once you are in the (low) track', your motivation might drop. You might think your not that intelligent. Inequalities thus grow once you are in track. Plus, higher tracks get better teachers, more resources, better facilities. Lower tracks have to do with much less.

4.2 Standardization

Definition: the extent to which the same standards are met nationwide (e.g. central testing —> central exit exams, fixed curriculum —> same book methods, fixed amount of contact hours).

4.2.1 Central exit exams

- Central exit examinations are argued to reduce the inequality of educational opportunity
- Schools are held accountable for their performance.
- They will optimize their students' performance
- However: teaching to the test. Not everybody has the resources to teach the test. So; central exit exams could also increase inequality.

4.3 Standardization and tracking

- The IEO caused by (earlier) tracking are especially high in countries with no central examinations.
- Secondary effects with respect to tracking can be countered when track decisions are based less on social class.

Lecture 7: What is a welfare state, why did we need it, and how did we get it?

1. What is a welfare state?

"A welfare state seeks to enhance the welfare of vulnerable groups of people in society and offers or facilitates social protection for all"

"The welfare state is a society in which a democratically elected government guarantees the collective social well-being of its citizens in the context of a capitalist system" (Thoenes 1962)

Narrow definition: (work) accident/disability insurance; pension insurance; sickness insurance (incl. maternity insurance); unemployment insurance; family benefits.

Wider definitions: also includes education and health.

1.1 Characteristics WFS

- Collective. There already were pensions/insurances etc before the existence of the welfare state

(e.g. by the church). The welfare state is different from this → it is about a collective program for all citizens in society. The concept 'welfare' is thus much older (and different from) the concept of 'welfare state'.

- Central role for the state. First: state was there to secure military safety. Now, citizens are tied to the state by these welfare programs. Everything is formalized.

1.2 Welfare state according to Marshall (1950)

- "A welfare state is a state in which the struggle for full, social citizenship is successfully resolved with the granting of social rights to citizens"

- Marshall: One of the founding fathers of the concept 'welfare-state'. Theory about the development of the key institutions in society.

- Marshall puts the welfare state in a broader development of the nation state. He distinguished between a number of developments that all nation states go through when they advance (when they become democratic states).

Marshall's three stages:

1) Citizens get granted civil rights (freedom of speech; right to own property; individual rights) → upheld by court of justice.

2) Citizens get political rights (right to participate in the exercise of power; political authority to co-decide in decision making) → upheld by the parliament and local councils.

3) Citizens get social rights (to live the life according to the standards in society) → upheld by social services of the welfare state. Without this last stage, democratic states would not be democratic states.

Marshall contrasted the welfare state against...

- The concept of social class. Welfare state gives people a status on basis of them being citizens; not on them belonging to a certain social class. The welfare state does not think in 'social classes'. Welfare state is thus a system of equality (and social class of inequality).

- The capitalist system. In a welfare state, the value of a person is defined by the social rights it has (standard of living). In a market system, your value as a citizen is defined by your market income. You're not guaranteed to a certain standard of living.

→ Welfare state is a clash against social class, and will be at war with the capitalist system.

Welfare state thus cannot happen overnight.

→ Marshall positive: welfare state was a good thing. It would be a true enrichment of the lives of people; it would reduce the risks and insecurities within society.

→ Welfare state is targeted at all people in society → thus a system of equality. It does not only lift the bottom, but modifies everything. Altering the structure of social inequality.

Summary: Marshall's theory is a theory about the relation between the welfare state and existing social structures of social class in a capitalist system + a theory about the (positive) effects of the welfare state. It is not a theory about the emergence of welfare states, or why we have a welfare state.

2. Why did we need a welfare state?

Van Kersbergen & Vis identify 4 rationales or logics of the WFS. They are not mutually exclusive.

1. Logic of **socio-economic development** and modernization.

2. Logic of **political integration** and **state-building**

3. Logic of need satisfaction and **risk reappportioning**

4. Logic of **class compromises** and redistribution

2.1 Logic 1: socio-economic development and modernization

2.1.1 Polanyi's double movement

Capital owner can buy everything to suit production: labor, land, machinery. Labor can be bought on the market. Thus labor is a fictitious commodity, but it cannot function as a commodity that is subject to the forces of supply and demand. "Labor power cannot be shoved about, used indiscriminately or even left unused, without also affecting the human individual who happens to be the bearer of this peculiar commodity." In a period of crisis, the capital owner can decide to not use some of their non-human capital. There is less demand, so they produce less → that's fine. Nothing happens to this machinery, and it can be reemployed when necessary. But what happens to the human capital? Some workers have to be fired. When human capital is not being used, people will starve. This is a major problem → people that have starved cannot work for the firm again, so the firm does not have enough workers. This is why capitalism needs some kind of system to preserve the workers in rough times. This is why we have/need the welfare state.

- **Summary:** Welfare state is a mechanism to preserve labor for better times, which guarantees the survival of firms. Commodification of labor (labor put on the market) is necessarily followed by de-commodification of labor (labor protected from the market). This is tolerated by owners of capital (to save the capitalist market from itself) to 'preserve' labor for the market (the industrial reserve army)

- **Difference with Marshall:** In this case, capitalism is crucial for the survival of the welfare state (not at war with it but mutually dependent on each other).

2.2 Logic 2: political integration and state-building

2.2.1 Otto von Bismarck

Otto von Bismarck: implemented the first welfare policies in Germany to unify the people. A tool to bind the nation state. Bismarck was strongly anti-socialist and welfare states, he thought, could temper the socialist danger. Also, he was against liberalism, who wanted to minimize the state. The welfare state tempered liberalism too.

- **Similarity with Marshall:** again, the welfare state is placed in a broader context of society.

- **Difference with Marshall:** welfare state is not used to equalize society, but used to reinforce existing hierarchies in society.

- Bismarck on the 1889 old-age and invalidity pensions act: "I will consider it a great advantage when we have 700,000 small pensioners drawing their annuities from the state, especially if they belong to those classes who otherwise do not have much to lose by an upheaval and erroneously believe they can actually gain much by it".

2.2.2 Logic 2: effects

Welfare State development as state-building strategy has two powerful integration effects:

1. **Social integration:** mediates, regulates and reconciles social conflicts. Lower classes won't revolt against the state as easily because they know they are dependent upon the state financially.

2. **National (territorial) integration:** construct and reinforces a national political community by redistributing means from richer to poorer people and regions.

→ Both effects critical for continuation of nation-building, territorial reconsolidation and the rebuilding of the political legitimacy after the World War II.

2.2.3 Modern integration effect: the cold war

- The welfare state in European countries offered an alternative to communism. Defense against communism.
- Some people thought that social policies should be part of the national security policies.
- Transnational social policy; “Atlantic crossings” → IMF, OECD, World Bank.
- Different effect in U.S.

2.3 Logic 3: Risk reapportioning

- The welfare state is not a redistribution of wealth, but a redistribution of risks. Risk: the probability in wealth loss. Welfare state makes up for market failures.

2.3.1 Types of market failures

- **Adverse selection:** bad risks tend to drive out good risks. People with low risks won't take an insurance, people with high risks will take an insurance. The insurance company will be confronted with a situation in which they need to compensate for a lot of people. In order to pay for this, the insurance company would have to raise their premium → this will again cause people with a medium risk to opt out → premiums become higher again → etcetera etcetera → complete breakdown of market.
- **Moral Hazard:** people become less risk averse for the risk they are insured against. Example: if you are insured against fire in your house, people will behave more risky. If you have an employment insurance, they will make less effort to keep their job.
- **Incomplete markets:** difficult product to sell. Difficult to decide upon average premium. No one (or few people) really want to offer insurances, because it such a difficult market. This will cause incomplete market.
- **Interdependence of risks:** risks are caused by the same underlying variable.

2.3.2 What is the solution to market failure?

Compulsory insurance is a solution to market failure

- “Good risks” contribute to covering “bad risks” → everyone has to contribute to insurances, even if you don't need them → solves adverse selection
 - State can enforce rules of behavior → solves moral hazard
 - Government issue taxes → they can complete the market → solves incomplete markets
 - State cannot solve interdependence of risks, but does have bigger means to deal with it.
- Thus: state is, to a certain extent, able to solve market failures. That's why we have a welfare state and not a welfare market.

2.4 Logic 4: class compromises and redistribution

- The link between class and risks. Motivation for establishing a welfare state: the potential of workers to mobilize against the current policies (e.g. because of high unemployment). The higher the level of collective action and mobilization in a country, the more generous the welfare state. A welfare state is pushed by people.
- Not a functionalist, but conflict approach: welfare state pushed by social actors that fight for their own interests.
- Paradox: risks unequally distributed according to class position. Lower class lack resources to deal with risk.
- Need representatives to articulate interests. Mobilization of “human capital” becomes a source of power.
- Workers not prime movers, but pushing for social reform.
- Crucial of logic: explains why welfare states differ. In some welfare states, there was more mobilization and collective action, which made the welfare state more generous.

2.5 Logics combined

- The logics are not mutually exclusive.

→ Logic 1: explains why the welfare state is tolerated by capitalists and why it is necessary for the survival of capitalism.

→ Logic 2: explains why welfare states are also in the interest of political elites to have a peaceful society.

→ Logic 3: explains the role of the market.

→ Logic 4: explains the difference in welfare states.

Crucial: to understand the differences and similarities between what Marshall said and what the logic says. Might be an exam question.

Lecture 8: which types of welfare states are there?

1. Which worlds of welfare are there?

1.1 Seminal study: Esping-Andersen's (1990) – The Three Worlds of Welfare Capitalism

- Found out via empirical study that “the” welfare state does not exist.

- WFS distinctly patterned → multiple welfare states around the world

- If you follow the reasoning of Polanyi, all welfare states would be more or less the same → all in countries with capitalism. Esping-Andersen's contradicts this.

- Innovative work: in the 80s, the debate was of a normative kind (Marxist versus libertarians).

1.2 Theoretical approach

- Breaks with Marshall's approach

- Critique on the social citizenship conceptualization of the welfare state

→ Spending on welfare is differently allocated in different welfare states

→ Welfare state as a system of stratification. You have to look at the way the welfare states effects society.

- Analysis of WS needs a conception of the state structure

1.3 Which worlds of welfare are there?

→ Esping-Andersen's made a typology:

- (Anglo-Saxon) liberal regime (UK, US, Can, Aus)

- (Scandinavian) social democratic regime (DK, SE, FI, NO)

- (Continental European) conservative regime (FR, GR, BE) (also Netherlands, but Netherlands is hard to place)

→ How was this typology made?

- Esping-Andersen theoretically defined three dimensions of the welfare state:

1) Decommodification

2) Stratification

3) Public-private mix in provision

1.3.1 First dimension: de-commodification

De-commodification → “The extent to which individuals and families can afford an acceptable standard of living independently of market participation (Esping-Andersen 1990:47)”. Exists of three characteristics:

1) Access to benefits; e.g. how many waiting days? (in the Netherlands, you need to work a minimum amount of days before being qualified for unemployment insurance).

2) Level of income replacement; to what extent are individuals compensated for their

employment loss? Netherlands: 75% of your last income in the first two months; 70% thereafter. In the UK this is 350 euros in total → far less. A country that is more decommodified has a higher level of income replacement.

3) Duration of benefits; in UK only six months of unemployment benefits; in the Netherlands 38 months. Longer duration of benefits = more decommodification in welfare state. → United States & Australia least de-commodification (liberal); Sweden and Norway most decommodification (social-democratic).

→ Gender matters: women work more part-time than men. They have lower incomes; thus are entitled to less income replacement. In Scandinavia not many women working part-time → generous maternity leave policies + more gender equality (men also get a lot of time off).

1.3.2. Second dimension: stratification

Epsen-Anderson: welfare state does not really lead to equalization. Three different stratification effects:

1) Liberal principle: the most welfare policies are means-tested. Before you receive the benefit, you need to 'pass'. There are all sort of rules; you have to sell your house first, etc. Benefits are seen as the last option. Means-tested benefits targeted to the most poor people of society → they don't have any other means of survival; they can't sell their house for more money; they are thus the only people receiving benefits. Espen Andersen: this creates large differences in society; polarization. Welfare state does not cause equality, but dualism.

2) Conservative principle: based on occupational benefit. this type of welfare state is fairly generous, but they continue the occupational differences that were already there, because people are very much tied to their profession when receiving benefits. When a doctor loses his job, he gets more money from the government than when a plumber loses his job. Based on occupational status, which creates status hierarchies in the welfare state. The working class can't unite.

3) Social-democratic principle: high minimum standards for every citizen. Everyone counts as the same. Average benefit equality; differential between basic and maximum benefit for sickness, unemployment and pensions. Universalism.

1.3.3 Third dimension: provision logic

→ The way that welfare policies are delivered

1) **Liberal:** the state outsources most of its tasks to the market; policies thus delivered by the market. 'The hidden welfare state'; a lot of tax reduction → for example, when you have children, you get tax reduction. This goes hand in hand with the liberal notion of individual freedom. Because people have to pay less taxes, they could save more and be their own 'welfare state'. It is a form of income security, providing cash directly to individual taxpayers. This means individual responsibility, but also individual freedom. The majority of tax expenditures go to people who earn more than the median income (the more you earn, the more taxes you save by the tax reduction, the more 'welfare' you can save). In the Netherlands, you don't have the option to spend your benefits on anything you want; they don't get handed over to you. If you don't lose your job, you won't get the benefits.

2) **Conservative:** policies delivered by social partners. Again, your profession matters → are you a cleaner or a civil servant? Tied to different social partners! Construction of unemployment insurances is dependent on your profession. Again, creates status hierarchies.

3) **Social-Democratic:** policies delivered by states

1.4 Summary: which worlds of welfare are there?

	SD Regime	Cons. Regime	Lib. Regime
Decommodification	High	Medium; high for wage earner	Low
Stratification	Low (Universalism)	Medium (Status Hierchies)	High (Dualism)
Provision	State	Occupation	Market

2. Why did we get these worlds?

- Logic IV: Class compromises and redistribution → Class differences in risks and power are major source of distributional struggles
- Power of the working class; through trade unions and political parties they shape the welfare state
- But; how can the welfare state have been a working class project, if this class nowhere had an electoral majority? The variation in welfare regimes is explained by diverging extent to which the middle class cooperates with the working class to back the welfare state. Middle is the biggest class → they have the decisive vote.

2.1 The power of the middle class: how does this work?

- More about class coalition building than class mobilization
- 1) Social democratic regime: middle class is an integral part of a firm pro-welfare state coalition. Middle class joins the working class → generous welfare state.
- 2) Liberal regime: Middle class opposes the welfare state → small welfare state.
- 3) Conservative regime: in-between, only parts of the middle class are incorporated.
- Why does class coalition differ in different types of welfare states? We need a theory for this.

2.2 Theory I: Iversen & Soskice

- The difference in class coalition depends on the party system.
- There are two party systems:
- 1) Two-party systems. The middle class only has two option; they can either vote for the central-left or for central-right. When they all vote left, the government will probably tax the middle class. When they all vote right, the amount of benefits will diminish. Middle class have the choice; benefits or low tax? “Rational choice” would be central-right, because benefits are mostly for the lower class.
- 2) Multi-party system. The middle class have more options, they can enter coalitions; they can tax the rich. It isn't as black and white; there are parties for the middle class. Rational choice is central-left → more redistribution and generosity.
- Middle class has more to lose if left governs in a two party system, and more to gain if it enters a coalition with the left in a multi-party system.

2.3 Theory II: Rokkan (amendment of the Iversen & Soskice model).

- The difference in class coalition depends on the representation of cleavages in party system.

- Multi-party system: Higher effective number of parties → more cleavages are represented.

1) North of Europe: industrialization was rather late, so big agrarian sector. So; parties that attracted agrarian voters and parties that attracted industrial workers. Agrarian middle class signed coalition with working class (red-green coalitions) which resulted in generous welfare state. Agrarian people got high farm price subsidies 'in return'.

2) Europe's continent: state-church conflict → needed to be resolved in the political arena.

Formation of parties of religious defense, which resulted in different coalition between religious and non-religious (red-black coalitions). This led to a kind of generous welfare state; however, coupled with conservative elements of status hierarchies which was in the interest of religious parties.

3. How do welfare regimes structure policy response to economic crisis in 2008?

All countries go through the same crisis. (Normal) expectation: all states will act the same way. If we use the welfare state theory, we would expect differences. Are there differences?

Germany: a lot of measures that enabled short-term unemployment; a reduction of working hours of employers. Workers are compensated by the loss in hours by the state; firms have less labor costs. Also early retirement; so people would free-up the labor market. Why is this typical conservative? The largest beneficiaries were people that were already working. Secures the position of the insiders of the labor market.

UK: investment in infrastructure and temporary tax relief for business and consumers (in order to increase consumption). Entirely a market reaction; it tries to enhance the market even more. Individual freedom. Typically liberal crisis respons.

Sweden: new jobs were created; expanding generous unemployment programs (extended the duration and level of unemployment insurances). De-commodification. Typically social-democratic.

Lecture 9: Do welfare states do what they promised to do? Part 1: Trends of poverty

1. Why should we care?

- We see two contradictory things: 1) people are critical of the welfare state, and see it as a sinking ship. 2) People are protesting against the dismantlement of the welfare state.

- Political dimension: whether a welfare state fails or succeeded influences policies and politics.

If a welfare state succeeds, it would be must harder for critics to dismantle the welfare state.

2. To what extent does the welfare state cover social risks?

Welfare state collectivifies welfare loss for individuals. To what extent?

Van Kersbergen & Vis (table 5.1)

Discussion of the table

- Highest coverage rates for pensions and accidents/disabilities. This is logical, because in both cases people are often completely dependent upon their benefits.

- Highest coverage rates in social-democratic welfare states.

- Not much change between 1975 and 2000 → the little change is even an expansion of coverage rates.

- But...what is the quality of this coverage? Example: pension coverage is higher in the liberal welfare state than in the average conservative welfare state. However, the height of these pensions is much lower in liberal welfare states. You thus also have to look at the generosity of the coverage (height of the benefits; number of qualifications needed to receive the benefit and duration of benefit). Liberal welfare states have the lowest generosity; social-democratic the highest.
- Do welfare states do what they promise to do? According to this table, the answer would be 'yes' + welfare states have even become better in doing what they promise to do (in terms of coverage rates and generosity).

DOES THE WELFARE STATE COVER SOCIAL RISKS?
(SOURCE: VAN KERSBERGEN & VIS, TABLE 5.1)

	Pen cov 1975	Pen cov 2000	Unem cov 1971	Unem cov 2000	Accid cov 1975	Accid cov 2000	Gen 1975	Gen 2000
Aver. Lib	78%	84%	52%	58%	83%	88%	19	23
Aver. Con	71%	71%	61%	69%	73%	85%	26	28
Aver. SD	100%	100%	67%	91%	89%	92%	31	36
NL	100%	100%	77%	83%	77%	84%	32	36
US	59%	73%	74%	90%	73%	89%	17	19
Swe	100%	100%	75%	100%	100%	100%	39	36

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3. Measuring Poverty

In order to know whether welfare states really reduce poverty, we need a conceptualization of poverty.

3.1 Measuring poverty relatively

- Using 60% of the median income. In the Netherlands, relative poverty means earning less than 12000, because the median income is 20000. In Greece, the relative poverty line of 12000 is the median income. So it depends on the country you live in.
- Relative poverty is based on the idea that social norms define individual deprivation: “By necessities I understand..what ever the custom of the country renders it indecent for people, even of the lowest order, to be without....Custom has rendered leather shoes a necessary of life in England. The poorest person of either sex would be ashamed to appear in public without them” (Smith, 1776) —> in 18th century England, you needed leather shoes to not feel poor. In

Nigeria, this would probably be something else.

3.2 Does the welfare state reduce relative poverty?

- Correlation: countries that spend more money on social welfare have a higher relative poverty line. This kind of data is not enough → we also need to know how much the welfare state reduces poverty.

3.2.1 Van Kersbergen & Vis (table 5.3)

Discussion of the table

- In this case, poverty is earning less than 50% of the median income.
- Market poverty: does not vary a lot between different types of welfare states. The amount of people that are poor without any redistribution of money are thus almost equal.
- Post-redistribution poverty (so after receiving benefits): liberal welfare states still show the highest poverty rates; social democrat welfare states the lowest. Thus liberals lowest reduction of poverty (40); social-democrats highest reduction of poverty (84).
- Conclusion here would be: yes, welfare states reduce poverty, but there are differences between types of welfare states.
- Problem with relative poverty: being poor in Bangladesh means something completely different than being poor in the US. The question you have to ask yourself is: is greater equality of income in a poor country better than higher relative poverty in a richer country?

DOES THE WELFARE STATE REDUCE RELATIVE POVERTY?
(SOURCE: VAN KERSBERGEN & VIS, TABLE 5.3)

	Market poverty	Post-redistribution poverty	Percent reduction of poverty
Aver. Lib.	32	19	40
Aver. Cons.	33	12	66
Aver. SD	29	5	84
NL	25	8	68
US	31	26	16
Swe	39	4	90

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3.3 Critique on relative poverty measure (Sen)

- Overall gains and losses are discounted. If the whole society becomes poorer or richer, this does not change the relative poverty. Strange; in big recessions, relative poverty doesn't have to increase.
- Relative poverty ignores overall welfare differences across countries. Are you poor when you can only buy one car a year when your neighbors can buy two cars? Isn't it enough that you can buy one car? People in other countries may not even be able to buy food, and still they are seen as equally poor.
- Political manipulative. Politicians can manipulate the poverty line. Sen: it would be easier to battle relative poverty by lowering the level of social assistance. This is contradictory, because raising the level of social assistance would of course be better for poor people.

- The first two critiques are most important. Sen's conclusion: relative poverty good to measure inequality with, but not enough for other conclusions. Absolute considerations cannot be inconsequential for conceptualizing poverty.

3.3.1 Measuring absolute poverty

- Absolute poverty-line: 40% of median equivalent income in purchasing power parity (PPP)

—> Usually based on US income.

—> This measurement is for developed countries; in developing countries, it is usually measured as 'less than one dollar a day'.

—> Equivalent: corrected for household size.

—> PPP: income adjusted to price levels / price level standardized

- Poverty is not measured against the median income, but against a mean income that is standardized and that can be used for all countries. It is absolute because you can compare different countries.

3.4 Does increased relative poverty have costs that reduce any absolute gains?

Some critics argue the following:

- Welfare policies prevents high economic growth; welfare policies increases labor costs, taxes; results in less investments.

- This lower economic growth increases absolute poverty.

- So, the negative side effect of lowering relative poverty via the welfare state, is that the absolute poverty increases.

- Scruggs & Allan: "Welfare state supporters typically focus on relative poverty. Welfare state critics, on the other hand, focus principally on absolute poverty. Across affluent countries, welfare state generosity is very strong associated with low relative poverty. But there has been very little cross-national research addressing the possibility that redistribution may harm the poor in an absolute sense".

3.4.1 Results of Scruggs & Allan

- Question: does the welfare state negatively influence absolute poverty?

- Answer: no. 1980s: Higher absolute poverty in the Netherlands (conservative) and Sweden (social-democratic) than in United States (liberal). So far, the critics are right —> the small welfare state has the least absolute poverty. BUT, ten years later, the Netherlands and Sweden saw a much higher decline in absolute poverty rates than the United States. Other European countries show the same.

- Results: growth rates are not statistically significant. More generous benefits for sickness and pensions are associated with large reductions in absolute poverty, unemployment benefits have no effect. There is not a growth and equality trade-off. The structure of social protection matters more than government spending per se.

- Conclusion: results are problematic for the critics. Poverty in the United States higher than most European countries.

3.5 Alternative approach towards Poverty: Sen

- A measure of poverty should concentrate on the capabilities of individuals.

- The focus shouldn't just be on the commodities that people own. Someone might have a bike, but when he is in a wheelchair, this won't matter.

- Capabilities include; being healthy, being knowledgeable, taking part in the life of the community, retaining self-respect, meet social conventions.

- Poverty is the failure to meet an absolute level of capability.

- Capabilities on their own are absolute. Requirements of capabilities are relative —> there is a difference between countries. The capability to be educated probably means owning a computer or television in the Netherlands to follow educational programs; in Bangladesh you do not need this.

- If you only look at poverty via income, you won't be able to capture the essence of poverty. Consequently, benefits are not the only instrument to stop poverty. Benefits don't enable you to respect yourself, or create a social network, etc.

- Other scholars take this argument further than Sen, by stating that the welfare state is part of the problem. Because of the welfare state, people get caught up in a cycle of dependency. It also leads to more social stigma which could lead to less participation in society. Welfare states creates a lot of dependent citizens with low self-esteem.

3.5.1 How to enhance capabilities for vulnerable people?

- **Early childhood education and care** —> to escape the cycle of poverty.

- **Family services** —> especially important for single mothers, who can then further educate themselves/work.

- **Education and lifelong learning** —> more chances on finding good work.

- **Active labour market policies** —> enabling people to find a job before they get fired, etc. —> All these are based on the labour market, on having work. Which is logical: having no job lowers your self-esteem, can cause depression, makes you disconnect from society, etc.

—> Social-democratic countries have most social investment spending (making sure people participate in society, etc).

Lecture 10: Does the welfare state do what it promises to do II? Patterns of inequality

1. Measuring inequality

- Gini 0: perfect equality

- Gini of 1 (or 100%): perfect inequality

- Cumulative share of people from lowest to highest income vs. cumulative share of income earned

- Index ranges from 0.23 in Sweden to 0.7 in Namibia

2. Does the Welfare State reduce inequality?

- Observation: everywhere, inequality has risen since 1970s.

- On average, the social-democratic states have remained the most equal // liberal states have remained most unequal (already were in 1970 and still are).

- So: negative relation between spendings on welfare benefits and inequality. This relation does not hold to the same extent in all countries. Netherlands has lower inequality than expected from the level of spending on benefits.

- Overall: yes, there is a correlation between inequality and the welfare state. But, the crucial question remains: how does the welfare state reduce inequality?

3. Government Welfare Policy & Inequality

- OECD: 'good government policy can make a difference' (when it comes to curbing the rise in inequality).

- But, what is "good" government policy? Who should it be aimed at? Two approaches:

1) Targeting vs. universalism → targeting specific people (single mothers, poor people, etc), or distributing to all people equally (all citizens are entitled to benefits)

2) Flat-rate vs. earnings related → flat-rate (all benefits are equal for everyone) or earnings-related (all benefits are based on your income).

- This is the central issue in Korpi & Palme (1998).

3.1 Welfare programs & inequality reduction

- In the policy debate: many believe that targeting is the best way to go. The poor really need it → thus most efficient way. Rich can save for themselves.

- OECD: “If governments stop trying to offset the inequalities by either spending less on social benefits, or by making taxes and benefits less targeted to the poor, then the growth in inequality would be much more rapid”. The OECD notes that targeting is important, we shouldn’t distribute to the rich.

- World Bank notes the same thing: “a comprehensive approach to poverty reduction calls for a program of well-targeted transfers and safety nets”.

- Some economists too (e.g. Tullock): “The switch from a means-tested program to a general aid program would, in all probability, hurt the poor”.

- The basic notion here: targeting the non-poor is a waste of resources. Targeting is the rational way; it is efficient, doesn’t waste resources, middle class and up don’t need it anyway, etc.

- Example: 1960s, US, policy “the war on poverty”. That resulted in all sort of programs for the really poor (providing food stamps, etc). Success.

3.2 Korpi & Palme

- Korpi & Palme were the first to test if targeting really is the most efficient, useful policy to decrease inequality

- The focus: “to examine the effects of (welfare) institutions on the formation of interests, preferences, and identities as well as on the degree of poverty and inequality.

3.2.1 Typology of Korpi & Palme

- Relates to the typology of Esping-Andersen, but is defined more narrowly:

→ Bases of entitlements: on which criteria do you receive a benefit?

→ Benefit-level principle: the extent to which benefits should replace lost income?

- Typology shows 4 different models:

Model	Bases of entitlements	Benefit level principle	Countries
Targeted	Proven need. When it is determined that you really need benefits, then you get it.	Minimum, not a high level of benefits.	Australia
Basic security	Citizenship. Everyone gets the same, no matter if you are rich or poor. Close to the ideal of Marshall.	Flat-rate. Everyone gets the same.	US
Corporate	Occupational category. Every welfare benefit is based on income/occupation. Those who are not in	Earnings related	Austria, France, Germany.

	the workforce, get no benefits (e.g. single mothers get no pensions).		
Encompassing	Citizenship & contribution. Everyone gets a basic amount of benefits; those who work can get additional benefits.	Flat-rate & Earnings-related	Scandinavia

3.2.1 Korpi & Palme research

—> Korpi & Palme research two programs: old age pensions, and sick-days —> both target the poor just as much as the rich.

- Duality of structure —> Preferences, interests and coalitions of actors create different welfare regimes. But, after that, institutions again generate how coalitions between citizens are formed.
 - The welfare state is basically about pooling risks together: people who are exposed to risks are compensated by people who are not exposed to risks. The way these risks are pooled matters for inequality.

3.2.2 Targeted model

Distributive strategy: Robin-Hood strategy. Taking away from the rich and distributing it to the poor.

Interests and coalition formation: Zero-sum conflict. Poor gain, which is balanced out by the rest his loss. This separates the interests of the high-income from those of lower working class and the poor. This generates a coalition between the high income against the lower working class.

Outcome: Especially middle class will oppose the welfare state, because they have to pay for it without gaining anything. Consequently, the budget size will be small, thus size of welfare state is small. Also, this will increase the demand for private options —> middle class also needs old-age, pensions, etc. This would lead to more inequality. Korpi-Palme thus don't agree with what others say about targetting.

3.2.3 Basic Security Model

Distributive strategy: egalitarian.

Interests and coalition formation: provide only a safety net for the lower class. For rich people, the benefits won't secure their standard of living. It also separates the interest of high-income strata from those of the poor.

Outcome: Again, the rich people will search for private options. Middle class will oppose to high taxation —> so again, a small welfare state. Same outcome as in the targeted model. Marshall saw this model as 'perfect'. But the outcome is inequality.

3.2.4 Corporatist model

Distributive strategy: Matthew principle —> if you are already rich, you will get richer in the future. This model is about giving more tot the rich than to the poor.

Interest and coalition formation: Separates groups in society —> multiple socio-economic cleavages. Divergent interests among occupation groups.

Outcome: Inequality between wage-earners and non-active + Inequality between occupation groups. Moderate 'overall' inequality. Why is it lower than the targeted model? Low-wage

workers still get a modest benefit. You don't need to be under the poverty line per se, like in the targeted model.

3.2.5 Encompassing

Distributing strategy: inclusive, everyone receives some kind of benefit.

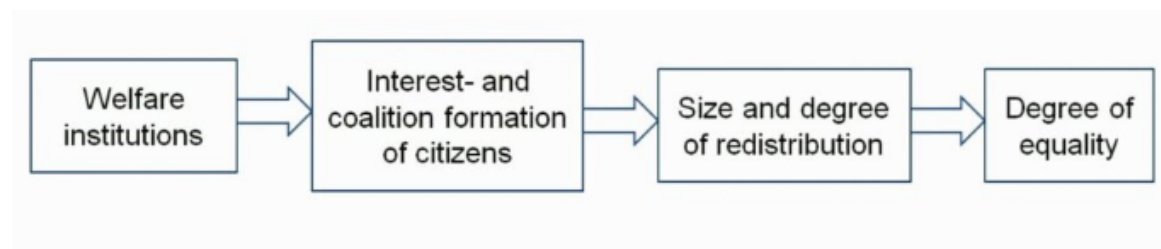
Interest and coalition formation: creates converging interest between working and middle class.

Outcome: All citizens are included in the same program. Thus Middle class favors the welfare state, thus budget size higher, thus bigger welfare state. Thus inequality low.

3.3 Conclusion Korpi-Palme

- Paradox of redistribution: "The more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality".

- Conclusion: it seems that targeting is better for inequality and the poor, but it is not.



4. Zooming in on inequality: the US

Problem in the US: a lot of inequality in a small amount of time (since late 1970s). This is unique. How can we explain that this happened in the US specifically?

4.1 Patterns of inequality in the US

Hacker & Pierson (book: winner takes all politics): a lot of inequality between the absolute top (the really high incomes, the top 1%) and everyone else in the US. The economy in the US grew, but this did not result in large income gains for the lower and middle class. However, richest 1% earn 256% more than late 1970s. It would even be a higher percentage if you look at (e.g.) the top 0,1%. It's not about the "have and the have not's" but about the "have it all's and the rest". The winner takes all economy. The "normal" causes of inequality are technological change and globalization. However, the US inequality has been caused by a different mechanism (because European countries have been effected by technological change and globalization too, yet don't show the same inequality as the US). What mechanism? Hacker & Pierson advocate that it is because of the policies in the US.

4.2 Policies in the US that 'caused' inequality

1) **Tax cuts.** US decreased taxes for more individual freedom → "it is up to the American people, it is their money and we trust them with their money" (Bush). It seems like tax cuts are good for the ordinary citizens → however, it increased inequality. Most of the tax cuts went to the top classes. Bottom paid -0.3 less taxes; top 1 percent -4.3percent less taxes. In the 1970s, US still had a really progressive tax system, but not anymore.

2) **Corporate governance and executive compensation.** Mean pay of top executives

increased enormously since end 1970s.

3) **Financial deregulation.** Explosion of financial services (from 2% to 8% of economy) + introduction of complex financial products. Resulted in more revenue for those behind this → trade firms get a lot more compensation. Also a lot more bonuses. A lot of top-earners in the financial sector. But what role did US policymakers had in this? E.g. abolishment of Glas-Steagolact (that limited banks taking part in commercial activities) and relaxations of other policies.

4.3 So: what explains raising inequality at the top?

- It is “the politics”! But what kind of politics?

1) **Politics as electoral spectacle.** The median voter has the ability to influence policies. Politicians want their support to win votes and will listen to them. However, it is not in the best interests of the median voter to have all these policies changes that increase inequality. Inequality makes the median voter worse off. Why did politicians still do this, and not respond? Hacker & Pierson: median voter doesn't have enough power. 'Politics as electoral spectacle' can't explain inequality.

2) **Politics as organized combat.** Organized interests are strongly involved in policy making and implementation. Lobby groups, wealthy families → they can influence policy making. Why can they, and not the voters, influence policies?

- They have a focus sustained attention of policy issues → they are within the field.

- They have expert knowledge. Normal voters generally don't know exactly what kind of outcomes certain policies will have for them.

- They can influence the frames and agenda-setting (e.g. with financial means that the median voter doesn't have). In order to have influence on a policy, it must first be on the agenda.

- They finance campaigns for politicians. Politicians are responsive to organized interests (who paid their campaigns), not necessarily to the median voter.

→ Conclusion: voting matters in a democratic system, but the median voter doesn't have the most power. More important is the position of organized influence.

4.4 The organization transformation of American politics

If organized interests play such a key role in American politics, this doesn't have to be bad for the lower and middle class per se → trade unions are also an influence group. However, the organized groups in the US weren't for the lower and middle class. Why?

1) Expansion of the collective capacities of employers and wealthy families → US has a history of an history of the rise of power of business organization (Chamber of Commerce, The National Federation of Independent Business, etc). They want the best for business and won't do their best for the interests of lower classes. They created a lot of linkages with parties and politicians.

2) Decline of labor power. Not a lot of trade unions, so no influence groups lobbying for the middle and lower class.

Lecture 11: Welfare state challenges, new social risks and political contingencies

1. The counterfactual of globalization

Economists/policy makers: globalization is the main driver of inequality. Why?

- Because of globalization, there is a greater role of markets. Capital mobility, internationalization of trade, competition.

- Globalization causes a race-to-the-bottom. Because of competition from new industrialized

countries (e.g. India), western countries now have to lower their labor costs in order to keep up. This means lower incomes, lower tax revenues → big problem for the welfare state, that needs taxes to function. Welfare states becomes a burden.

1.1 Pierson on globalization

Pierson: the notion that 'globalization makes welfare state a burden' is not the case. It is not more difficult to finance the welfare state because of globalization. It is also not the case that globalization is not influential at all, however, the relationship between globalization and the welfare state is rather weak.

- Pierson's evidence: "A caused B implies that if A had not occurred B would not have occurred" → but also in the absence of globalization, welfare states would still be confronted with pressures. Therefore, this theory is not true. However, the welfare state IS under pressure and faces some challenges. These challenges are caused by endogenous pressures (that would have existed without globalization), namely:

- 1) All societies have experienced slower economic growth, which is related to the changing mode of production.
- 2) The maturation and growth of welfare commitment put a lot of pressure on the welfare state.
- 3) Democratic aging: the population is growing older.

2. Challenge 1: slower economic growth

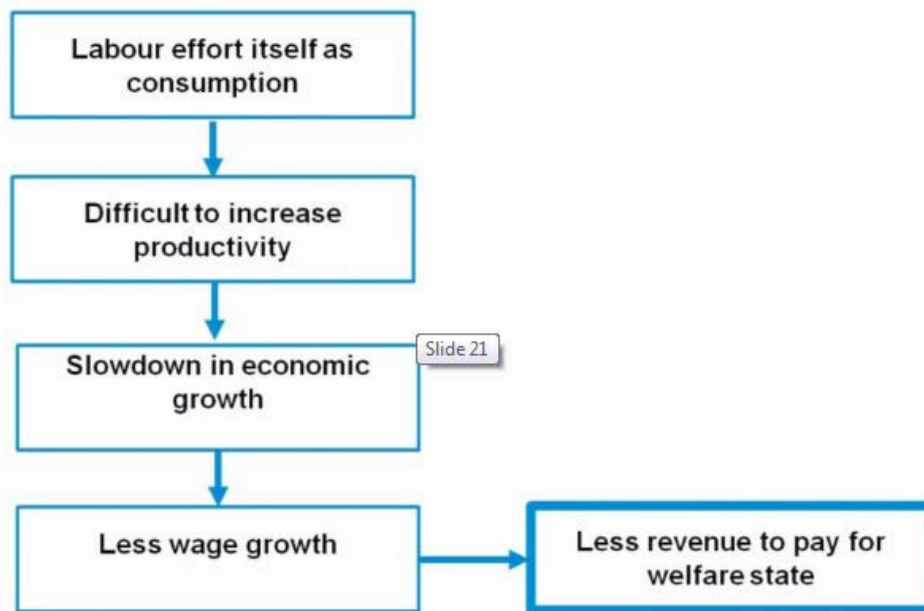
Related to the productivity of the economy. Less hours needed for production = more productivity. If you increase productivity, companies become more profitable. Slow economic growth mean low productivity. Non-OECD countries (India, China, Brazil, etc) have economies that are growing much stronger; in OECD countries, the economic growth is low or even decreasing.

- **Why is this problematic for the welfare state?** The welfare state is being financed by taxes, which are based on the incomes of people. Economic growth is essential for nation states to get more taxation, and thus to be able to sustain the welfare state.

- **Why is this not related to globalization?** Globalization should enhance the production processes because of more efficiency and should thus result in MORE economic growth. Economic growth depended upon productivity. Productivity comes from 'within', not influenced by globalization. Productivity is influenced by the **changing mode of production**. As countries become more richer, they shift from an industry of agriculture to industry to services. Decline of industry caused by technology: machinery replaces human labor.

- **Why does a shift to service industry cause slower economic growth?**

Baumol's Cost Disease (see table below).



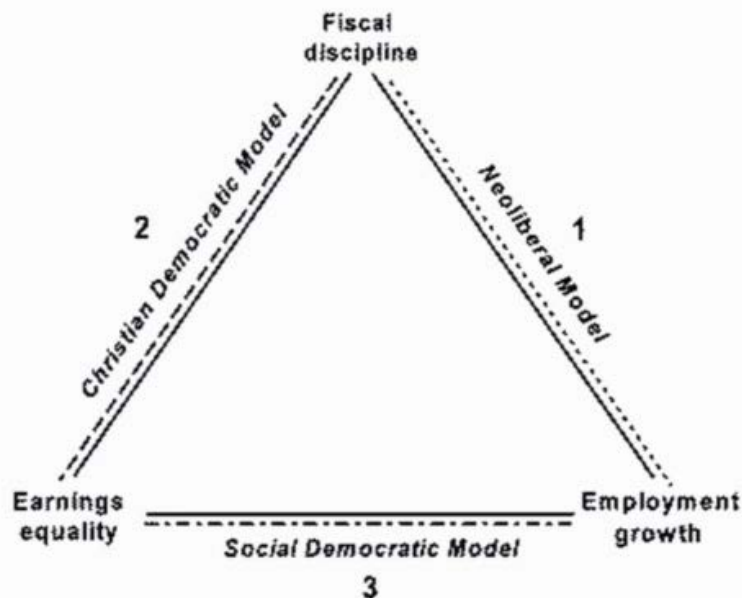
2.1 Trilemma of the service sector

Different welfare models can make different decisions when they have a large service sector; earnings equality, employment growth, fiscal discipline. Not all three things can be combined.

1) **Liberal welfare state** chooses fiscal discipline (to have a sustainable budget; not a lot of government debt) and employment growth. This means NO earnings equality. Reasoning: if you want employment growth in the service sector, the salaries have to be low in order to compete. This means you have to decrease the wages. This would mean earnings inequality → the gap between people in low-skilled and high-skilled services. This is not compensated for by the government.

2) **Conservative welfare states** choose fiscal discipline and earnings equality. They regulate the wages; make a minimum wage. As a consequence, their labor costs are higher, thus less employment growth. They would have more earnings equality and a sustainable budget.

3) **Social Democratic welfare state** chooses for earnings equality (imposing minimum wages as well) and employment growth. They achieve employment growth by providing state services. E.g. child care is state subsidized, not provided by the market but provided by the state. End result is that this costs a lot of money, so no fiscal discipline. However, one can also argue that the Social Democratic model also has fiscal discipline; not a lot of public debt → less than US for example. Something interesting that should be researched further.



3. Challenge 2: Expansion of governmental commitments

Governments need an expanding budget; they have made more and more commitments regarding healthcare, pensions, etc. Also a factor in policy loss/ inflexible policy making; you can't just change all pensions commitment overnight. So also without the existence of, for example, the EU (result of globalization), policy makers still aren't completely free to make policies and decide the budget. A lot of their budget and policies are already fixed.

4. Challenge 3: Population ageing

Result of both low birth rate and an ageing society. This has large implications for the expenditure of the welfare state → more pension costs but also more health care costs. Challenge for the welfare state: fewer workers have to make the money to take care of more older people.

5. The emergence of 'new social risks' (NSR)

In the industrial era, risks were incidental/minimal → most of the working males were able to grow and stay into the industrial labor places. The risks were really work accidents, old age, bad luck, being disabled. Welfare institutions were designed for this structure, under the assumption that people would work 40/50 stable years, and then 5 years of pensions and then death.

- Nowadays, it is completely different. There are 'new social risks' → they didn't exist in the industrial era. Those 'new social risks' are:

- 1) **Possessing low skills.** Shift to service sector → so less demand for low-skilled workers than in the industrial era. Low skilled workers were already there in the past, but then they could easily get a job. Now, they are either unemployed or badly paid. They need multiple jobs, don't earn enough to sustain a good living standard.
- 2) **Single parenthood.** Not a problem in past: divorce rates low, lot of stable families. Now, single parenthood is rising. Being a single person with dependent children increases your chance of poverty or social exclusion significant.

3) **A-typical employment.** E.g. emergent of part-time jobs, 'uitzendbureau's', etc. This means career-breaks, which means less pension building. Increases your risks on insufficient social security coverage.

6. Reform in the Welfare State

How should the welfare-state respond to these challenges and pressures? Two reform objectives:

1) Retrenchments (costs containment). Re-commodification for existing groups + abolishing programs.

2) Recalibration (reforming programs). Extending coverage to new risk groups → more programs specifically for low-skilled workers or single parents. Thus changing the structure of existing program.

→ Two contradictory objectives.

→ Pierson: "Despite the current pressures on the welfare state, not a lot happens". You would expect a lot of policy changes, but there aren't any big changes. Pierson argues this is because of political obstacles against reform.

6.1 Political obstacles 1: Electoral (dis)incentives (Pierson)

1. **Welfare programs create their own constituencies.** People benefitting from the welfare state, are supportive of the welfare state. About half of the people are supportive of the welfare state, also middle class. A lot of people also work within welfare administration → they also profit from the welfare state. And, looking to a future of demographic aging, you would expect an even larger group to support the welfare state in the future (they are pension-holders). Cutting back on the welfare state is not in their interests.

2. **Losses loom larger than gains.** Voters have a negativity bias: they react stronger to losses than to gains. Voters would hold politicians accountable for declining the welfare state, because they would experience some type of loss in the form of declining benefits. Voters react less to the gains that might come from declining the welfare state.

3. **Asymmetrical effect of short-term costs vs. long-term benefits.** The 'pay-back' of cutting benefits is in the future; whilst the negative effects are felt now (in terms of receiving less benefits). Politicians will be hesitate to advocate this, because it doesn't appeal to voters.

→ Conclusion: not in the interests of politicians to cut down the welfare state.

6.2 Political obstacles 2: Institutional 'stickiness' (Pierson)

1. **Veto Points.** Let's suppose voters and politicians want to reform the welfare state. It would still be hard to do this because electoral mechanisms aren't even that important in the policy making (like we discussed last week). There are a lot of opportunities by other interest groups to block reform in the political process. Also: the existence of coalition governments; e.g. in the Netherlands policies are often voted down in first chamber.

2. **Path dependency and 'lock in' effects.** For example, pension policies. Currently, the working people pay for the retired people. But, you could also change into a system where you let people save for their own pension. To make this change would be difficult → current workers still need to pay for the current people in their pension, but also have to save for themselves. Therefore, it is important to change certain benefits, like pension, drastically.

6.3 Political obstacles 3: Limited power resources of NSR groups (Bonoli, 2005)

1. **Participation.** Younger generations aren't that active in politics; low voting turn-out compared to other groups. Thus they influence politics and politicians less.

2. **Representation.** Representation of younger groups is limited. Many trade-unions only

defend the interests of older people. People don't think about reforming the welfare state in order to meet the needs of the younger generations.

3. **Preferences.** NSR groups have diffused preferences; no cohesive political interests. The NSR groups are heterogeneous. A high-educated, working single mother has different interest than a low-skilled unemployed person.

6.4 How can reform be feasible at all? (Pierson)

- **More centrist and incremental response.** Based on negotiating, compromises, in a slow pace. It is not possible to radically change the welfare state.

- **Seeking broad consensus and legitimacy.** Including a lot of different actors.

- **“Nixon goes to China logic”** → Nixon had the reputation of being anti-communism.

Therefore, he was larger immune to being soft on communism. Because of this, he could strengthen the relation with communist China, without critique. Therefore it is also more difficult for parties on the right to implement welfare retrenchments; they are already being criticized of being critical towards the welfare state. Only in the presence of left parties, they can implement welfare retrenchments. You thus also need broad reform coalitions.

Picture below: R = radical reform. Q = status quo (were nothing happens). Pierson argues that the median voter (M) is somewhere in the middle. V = veto points in society / the institution that block reform. Thus the reform shifts more to the left. Because of coalitions (C), the reforms are even more softened (thus closer towards Q). The end result would be reforms far more to Q than to R.

