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SOME CAUSES AND CONSEQUENCES OF SOCIAL SECURITY EXPENDITURE DEVELOPMENT IN WESTERN EUROPE, 1949 - 1977

by

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CONTENTS

ABSTRACT

The paper describes and analyzes the post-war growth patterns of the 13 major Western European welfare states based on time-series data on social security expenditure in the period 1949-1977.
Part I describes the common trends and elaborates the major divergences of West European welfare state developments. Despite a common increase of social expenditure ratios in the post-war period and common patterns of accelerated growth since the second half of the 1960s, there is no trend towards convergence. Levels and growth rates of social expenditure differ widely, and institutional set ups of the welfare state show marked variation. Both phenomena, common trends and national variations are pointed out as objects for scholarly explanation.
Part II examines some causes of welfare state expansion. Three major theories on the causes of growth are confronted with empirical data: Marxist theories are tested by comparisons of social expenditure ratios in capitalist Western European and non-capitalist Eastern European countries. Social control theories are examined by an analysis of the relationship between social expenditure growth and changes in family instability. Political explanations are confronted with data on growth patterns under various governments.
Part III analyzes some economic consequences of welfare state expansion. Three groups of countries with different patterns of welfare state development in the 1970s are compared with respect to their record of economic growth, inflation, and public debt. Contrary to fashionable theories on the limits of the welfare state, countries with low levels and modest growth of social expenditures appear to be more severely troubled by economic problems than countries with higher levels and marked growth of social spending.
The concluding part IV discusses the theoretical significance of the findings and suggests some avenues for future research.

SOME CAUSES AND CONSEQUENCES OF SOCIAL SECURITY EXPENDITURE DEVELOPMENT IN WESTERN EUROPE, 1949 - 1977 +)

I Common trends and national paths of welfare state development

The welfare state has recently become the subject of much scholarly and political debate. In the attempt to better understand the causes and functions of its secular growth, sociologists and political scientists have devoted considerable space to a clarification of the concept "welfare state" by elaborating its historical core and changing boundaries.[1] In all these debates there is little doubt that the social security schemes whose origins may be traced to the late nineteenth century[2] still constitute the institutional backbone of present social policies. Since 1949 the International Labour Office has gone far in the attempt to present internationally comparable figures on the expenditure and the financing of these schemes. According to the definition of the I.L.O. social expenditures consist of the outlays for the following six programmes: social insurance (i.e. the schemes which try to protect the population against the standard risks of economic insecurity: old age or death of the family breadwinner, invalidity, sickness, occupational injuries, and unemployment); public health; public assistance; family allowances; benefits for civil servants; and benefits for war victims.

As table 1 shows expenditure for these purposes averaged some 9 % of GDP in Western Europe in 1949.[3] Only Austria, Belgium, France, and Germany had already surpassed the threshold of 10 %, while the United Kingdom was close to it. All other nations had social expenditure ratios clearly below 10 %, with a minimum value in Norway of 5.5 %. In the 1950s all countries increased their shares of social spending in GDP, but the growth of the ratio remained modest. On average the social expenditure ratio rose by 2.1

+) This research is based on a data collection which the author compiled for the forthcoming data handbook of the HIWED-project (Historical Indicators of the Western European Democracies). The project was directed by Peter Flora and financed by the Stiftung Volkswagenwerk. The data handbook will be published this year by Campus in Frankfurt under the title:"State, Economy, and Society in Western Europe, 1815-1975". The author gratefully acknowledges the many stimulating theoretical discussions with the project director, and the kind comments offered by his colleagues at the European University Institute, Maurizio Ferrera and Peter Mair.

Table 1: Social security expenditure ratios in Western Europe, 1949 - 1977

Year	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK	Aver.	Stand.dev.
1977	21.1	25.5	24.0	19.3	25.6	23.4	18.3	22.8	27.6	19.6	30.5	16.1	17.3	22.4	4.1
1976	21.0	24.4	24.2	18.0	24.7	23.4	19.1	22.8	27.0	18.9	27.4	15.9	17.4	21.9	3.6
1975	20.2	23.6	22.4	16.1	24.1	23.5	19.7	23.1	26.8	18.5	26.2	15.1	16.2	21.2	3.7
1974	18.2	20.9	21.0	15.4	21.6	20.3	15.8	21.4	24.8	17.8	24.4	13.9	14.6	19.2	3.4
1973	18.0	20.0	20.9	15.0	20.8	18.9	13.5	19.0	22.8	18.0	21.5	12.5	14.6	18.1	3.1
1972	18.2	19.4	20.5	15.1	20.3	18.5	13.6	20.1	22.3	17.5	20.7	10.4	14.1	17.7	3.3
1971	19.0	18.5	18.7	14.3	15.5	17.4	12.6	18.5	21.1	16.7	20.5	10.3	13.8	16.7	3.1
1970	18.8	18.1	16.6	13.1	15.3	17.0	11.6	16.3	20.0	15.5	18.8	10.1	13.8	15.8	2.8
1969	19.5	17.8	16.9	12.9	15.1	17.8	11.1	16.4	19.5	13.6	17.8	10.3	13.7	15.6	2.9
1968	19.4	18.2	15.6	13.3	14.4	18.3	11.1	16.0	18.8	12.9	17.1	9.4	13.4	15.2	3.0
1967	18.8	17.3	14.3	12.7		18.5	11.3	15.2	18.3	12.0	15.8	9.4	12.6	(14.7)	
1966	18.1	16.5	13.2	11.6	15.9	17.2	10.6	16.8	16.9	11.0	14.6	8.8	12.5	14.1	2.9
1965	17.8	16.1	12.2	10.6	15.8	16.6	10.3	14.8	15.7	10.9	13.6	8.5	11.7	13.4	2.8
1964	17.6	14.5	12.8	10.0	15.4	16.1	10.2	12.9	14.5	10.7	13.1	8.4	11.9	12.9	2.6
1963	16.2	15.3	12.4	9.8	15.1	15.9	9.9	12.7	13.6	10.6	12.3	7.8	11.2	12.5	2.5
1962	15.8	15.2	12.2	9.7	14.5	15.6	9.9	11.9	11.8	10.1	11.3	7.8	11.2	12.1	2.4
1961	14.7	15.3	10.9	9.1	14.0	15.6	9.7	11.4	11.4	9.4	10.9	7.7	10.9	11.6	2.4
1960	13.8	15.3	11.1	8.7	13.4	15.0	9.6	11.7	11.1	9.4	11.0	7.5	11.0	11.4	2.3
1959	14.5	15.6	11.7	9.0	13.4	16.3	10.1	11.9	11.0	9.5	11.0	7.6	10.9	11.7	2.5
1958	14.4	14.7	11.7	9.3	13.5	16.9	10.3	11.5	11.2	8.9	11.0	7.7	9.8	11.6	2.5
1957	13.1	13.3	10.5	9.0	13.7	15.9	10.1	10.6	10.1	8.0	10.5	7.5	9.6	10.9	2.3
1956	12.9	13.1	10.4	7.9	13.7	14.4	9.5	10.5	8.3	7.5	10.1	7.1	9.7	10.4	2.3
1955	12.8	13.2	9.8	7.6	13.4	14.2	9.3	10.0	8.4	7.5	9.9	6.8	9.5	10.2	2.4
1954	13.7	13.7	9.8	7.5	13.2	13.6	9.0	10.5	7.6	7.3	9.4	6.7	9.7	10.1	2.5
1953	14.5	13.6	9.8	8.1	12.9	13.9	8.9	9.8	7.6	7.1	8.9	6.4	10.2	10.1	2.6
1952	14.2	12.5	9.5	7.4	12.6	14.1		9.2	7.9	6.2	8.4	6.4	9.4	(9.7)	
1951	12.9	11.7	8.2	6.3		13.7		8.5	7.1	5.7	7.7	6.0	9.9	(9.1)	
1950	12.4	12.5	8.4	6.7		14.8		8.5	7.1	5.7	8.3		10.0	(9.3)	
1949	11.6	11.9	8.1	6.7				8.2	7.1	5.5	8.2			(9.2)	

_ Breaks in statistical concepts which impair calculation of annual changes percentage points, pushing the mean Western European ratio above 11 % by 1960. In the 1960s the speed of growth doubled, with a marked acceleration in the second half of the decade. On average the social expenditure ratio rose by 4.4 percentage points in the 196os. By 1970 social outlays averaged 15.8 % of GDP. The maximum value - 2o % in the Netherlands - was twice as high as the minimum level reached in Switzerland (1o %).

Notwithstanding the marked growth of the 196os social spending continued to increase its share in GDP by another 6.6 percentage points in the 1970s. As table 2 shows the pace of growth of the social expenditure ratio has in fact been increasing consistently throughout all five quinquennial periods since 1950. Departing from the modest increase of .9 percentage points in the first half of the 1950s it accelerated to an impressive peak of 5.4 percentage points in the first half of the 1970s.[4]

Table 2: Quinquennial increases of the average Western European social expenditure ratio

195o-55	0.9	1950-60	2.1
1955-60	1.2		
1960-65	2.0	1960-70	4.4
1965-70	2.4		
1970-75	5.4	1970-77	6.6
1975-77	(1.2)		

By 1977 the average Western European social expenditure ratio had reached 22.4 % of GDP. Sweden was the biggest social spender with an expenditure ratio of 30.5 %. Switzerland spent least with a ratio of 16.1 %. Only three other nations - Finland (19.3 %), Ireland (18.3 %), and the United Kingdom (17.3 %) remained below the level of 20 per cent (cf table 1).

Throughout the post-war period phase-specific variations in the pace of annual increases of the expenditure ratio are very similarly distributed over the 13 countries (see table 3). On average the GDP share of social spending increased by half a percentage point every year. Five phases stand out as periods of accelerated growth in several countries: the years 1952-53 (average increases of .68 and .42 percentage points); 1957-58 with consecutive increments of .52 and .68 percentage points; 1966-68 with increases of .77, .73 and .58, respectively; 1971-72 with a growth of .99 and .67

Table 3: Annual changes of the GDP share of social security expenditure in Western Europe +)

Year	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK	Aver.
1977	0.1	1.1	-0.2	1.3	1.3	0	-0.8	0	0.6	0.7	3.1	0.2	-0.3	0.55
1976	0.8	0.8	1.8	1.9	1.9	-0.1	-0.6	-0.3	0.2	0.4	1.2	0.8	1.2	0.77
1975	2.0	2.7	1.4	0.7	0.7	3.2	3.9	1.7	2.0	0.7	1.8	1,2	1.6	1.82
1974	0.3	0.9	0.1	0.2	0.2	1.6	2.1	1.7	1.4	0.6	2.9	0.7	-0.1	0.97
1973	-0.2	0.6	0.4	-0.1	-0.1	0.4	-0.1	-1.1	0.5	0.5	0.8	2.1	0.5	0.32
1972	-0.8	0.9	1.8	0.8	0.8	1.1	0.3	1.6	0.8	0.8	0.2	0.1	0.3	0.67
1971	0.2	0.4	2.1	1.2	1.2	0.4	1.0	2.2	1.1	1.2	1.7	0.2	0	0.99
1970	-0.7	0.3	-0.3	0.2	0.2	-0.8	0.5	-0.1	0.5	1.9	1.0	-0.2	0.1	0.20
1969	0.1	-0.4	1.3	-0.4	-0.4	-0.5	0	0.4	0.7	0.7	0.7	0.9	0.3	0.26
1968	0.6	0.9	1.3	0.6	0.6	-0.5	-0.2	0.8	0.5	0.9	1.3	0	0.8	0.58
1967	0.9	0.8	1.1	1.1	0.9	1.3	0.7	-1.6	1.4	1.0	1.2	0.6	0.1	0.73
1966	0.3	0.4	1.0	1.0	1.0	0.6	0.3	2.0	1.2	0.1	1.0	0.3	0.8	0.77
1965	0.2	1.6	-0.6	0.6	0.6	0.5	0.1	1.9	1.2	0.2	0.5	0.1	-0.4	0.50
1964	0	-0.8	0.4	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.8	0.6	0.7	0.25
1963	0.4	0.1	0.2	0.1	0.6	0.3	0	0.8	1.8	0.5	1.0	0	0	0.45
1962	0.9	-0.1	1.3	0.6	0.5	0	0.2	0.5	0.4	0.7	0.4	0.1	0.3	0.45
1961	0.9	0	-0.2	0.3	0.6	0.2	0.1	-0.3	0.2	0	-0.1	0.2	-0.1	0.14
1960	-0.7	-0.3	-0.6	-0.3	0	-1.3	-0.5	-0.2	0.1	-0.1	0	-0.1	0.1	-0.30
1959	0.1	0.9	0	-0.3	-0.1	-0.6	-0.2	0.4	-0.2	0.6	0	-0.1	0.9	0.12
1958	1.3	1.4	1.2	0.3	-0.2	1.0	0.2	0.9	0.9	0.9	0.5	0.2	0.2	0.68
1957	0.2	0.2	0.1	1.1	0	1.5	0.6	0.1	1.8	0.5	0.4	0.4	-0.1	0.52
1956	0.1	-0.1	0.6	0.3	0.3	0.2	0.2	0.5	-0.1	0	0.2	0.3	0.2	0.21
1955	-0.9	-0.2	0	0	0.2	-0.4	0.3	-0.5	0.1	0.2	0.5	0.1	-0.2	-0.06
1954	-0.8	0.1	0	-0.6	0.3	-0.3	0.1	0.7	0	0.2	0.5	0.3	-0.5	0.0
1953	0.3	1.1	0.3	0.7	0.3	-0.2		0.6	-0.3	0.9	0.5	0	0.8	(0.42)
1952	1.3	0.8	1.3	1.1		0.4		0.7	0.8	0.5	0.7	0.4	-0.5	(0.68)
1951	0.5	-0.8	-0.2	-0.4		-0.9		0	0	0	-0.6		-0.1	(-0.25)
1950	0.8	0.6	0.3	0				0.3	0	0.2	0.1			(0.29)

+) Annual changes do not correspond to the differences of the ratios reported in table 1, if there were changes of statistical concepts. All changes reported here rely on identical concepts. The years in which breaks of the statistical concepts occurred are marked in table 1.

percentage points, and the period 1974-76 in which the expenditure ratio jerked up by .97, 1.82 and .77 points.

The generality of these phases of accelerated growth is striking. In 1952-53 9 of the 13 countries witnessed above average increases of .7 percentage points or more. In 1957-58 only France, Switzerland, and the United Kingdom deviated from the general pattern of accelerated growth. In the second half of the 1960s the expenditure ratio rose overproportionately in all countries without exception. In 1971-72 only Austria, Switzerland, and the United Kingdom abstained from heavy increases, whereas the upsurge of the expenditure ratio around 1975 was again a general phenomenon shared by all countries.

After 1975 the pace of growth began to slow down again. Several nations saw either stagnation (Austria, Switzerland) or even decreases of the GDP share of social outlays in 1976/77 (Denmark, Germany, Ireland, Italy, United Kingdom). Whether this denotes a turn of the secular trend towards welfare state expansion remains to be seen. In the past, similar phases of stagnation (1954-55, 1959-60, 1969-70) were only temporary and did not halt the long-term trend towards expansion.

The post-war period was thus characterized by a general pattern of social expenditure growth throughout the Western European democracies. Not only did social spending consistently increase its share in GDP, but the pace of this increase also accelerated over time. These common tendencies are, however, accompanied by some important national variations. In fact the Western European welfare states have not become more similar during the phase of general expansion. If we take the standard deviation of the social expenditure ratio as indicator, there is no trend towards convergence but towards increasing heterogeneity instead (see table 1). Up to 1964 the standard deviation of the expenditure ratio remained practically constant, fluctuating around 2.5 percentage points. In the second half of the 196os the degree of heterogeneity also remained fairly constant, albeit on a slightly higher level (with the standard deviation fluctuating around 2.9). The 1970s then witnessed an almost consistent trend towards increasing diversity. For the first time the standard deviation surpassed the level of 3 percentage points, to reach even 4.1 points in 1977. As figure 1 (page15) shows the margin between the biggest and the lowest spending country also widened continuously.

The increasing heterogeneity of social expenditure levels was accompanied by distinct national patterns of welfare state development which significantly changed the rank order of high and low spending countries over time (see table 4). Only the 1950s were a period of outspoken stability in which all countries practically maintained their relative positions. Throughout the decade neither the four leading social spenders with expenditure ratios above 10 % from the outset (Germany, Belgium, Austria, and France) nor the three laggards (Finland, Switzerland, and Norway) were replaced by other nations. The rank order correlation between the positions held in 1950 and 1960 is correspondingly high (.90).

The 1960s saw much greater dynamics of change. With heavy increases of their social expenditure ratios the Netherlands and Sweden moved into top positions, whereas Norway climbed up by three ranks. Germany, France and the United Kingdom, on the other hand, increased their ratios only modestly and consequently moved down in the rank order of Western European nations. In 1970, Germany, the long standing pioneer of social policies in Europe, found itself in the fifth position, whereas the United Kingdom had dropped from the fifth place occupied in 1950 to the tenth position. In the 1970s Sweden and France dynamically expanded the welfare state whereas Austria, the other European pioneer of social policies beside Germany, was much more restrictive and fell behind most other nations. In 1977 the rank occupied by each country bore little resemblance to its relative position in 1950 (r_s= .35).

Table 4: Rank-order of social expenditure ratios in 1950,1960,1970 and 1977

	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK
1950	3	2	7	11	4	1	9	6	10	13	8	12	5
1960	3	1	6.5	12	4	2	10	5	6.5	11	8.5	13	8.5
1970	3	4	6	11	9	5	12	7	1	8	2	13	10
1977	8	4	5	10	3	6	12	7	2	9	1	13	11

Over the entire post-war period Sweden, the Netherlands, Denmark, Italy, and Norway (in this order) registered the highest increases of the social expenditure ratio. Sweden as the most dynamic country augmented its GDP share of social spending by more than 22 percentage points. The Netherlands were following close behind with an increase of 20.5 percentage points. The other three dynamic countries just mentioned each had increases above 14 percentage points. In contrast, Austria, Ireland, Germany, and the United Kingdom only increased their ratios by less than 10 percentage points. This differential pattern of growth is partly a function of the initial levels reached in 1950. With the exception of Ireland, all nations with sluggish growth had already reached above average expenditure levels in 1950. On the other hand, all of the more dynamic countries had ranked among the half of welfare state laggards at that time (Italy and Denmark were in the middle positions 6 and 7). Despite this pattern the post-war process of welfare state expansion is not adequately described as a catch-up phenomenon in which previous laggards closed up on the pioneers. Rather, it is a process of interchange, whereby former laggards have moved into top positions (Sweden, Netherlands) while traditional leaders have fallen behind (Austria, Germany).

Following the phase of heavy growth in the 1970s the Western European welfare states may be classified into three groups with markedly different profiles of social expenditure: At one extreme we have nations with high levels of social expenditure and extended growth in the 1970s (Sweden, Netherlands, France, Belgium, Denmark); in an intermediate position we find countries with medium levels of social spending and only moderate recent growth (Austria, Germany, Italy); at the other extreme, finally, there are nations with low levels of social outlays and low or modest growth in the recent period of greatest welfare state expansion (United Kingdom, Norway, Finland, Ireland, Switzerland). The following cross-tabulation shows this classification systematically.

Table 5: National profiles of social security expenditure development in the 1970s

Increase of expenditure ratio in '70s	Level of social spending 1977: Low (<20)	Medium (20-23)	High (24+)
Low (< 5)	UK, NO	AU	
Medium (5-7)	FI, IR, SZ	GE, IT	
High (7+)			SW, NE, FR, BE, DE

Besides the different paths of social expenditure development, there are some other important dimensions of variation among the Western European welfare states. Thus the functional distribution of expenditures may vary, the systems of financing show considerable heterogeneity, and there are important differences with respect to the institutional models of social policies pursued in each country.

Table 6 shows the distribution of benefit expenditures among the various schemes in 1977. The lion's share of social outlays is usually devoured by the pension systems which on average spend 37 % of total benefit expenditure. In the single countries the share of the pension system varies between 25 % (Belgium, Ireland) and 52 % (Switzerland).[5] In all nations except Belgium, Ireland, and Sweden the pension system thus is the biggest social spender, with the health system usually ranking second. On average about 30 % of all social security expenditures are spent for health purposes (i.e. sickness insurance and public health). The percentage share of health expenditure is highest in Sweden (42 %), Ireland (41 %) and Norway (39 %), lowest in Austria (17.5 %). In the other countries it varies closely around the European mean of 30 %. Together the pension and the health systems spend two thirds of all social security expenditures.

Table 6: Distribution of social security expenditures among various schemes in 1977 (benefit expenditure in % of total benefits)

Country	Pensions	Health	Family Allow	Civil Servants	Unemploy-ment	Occupational Injur. Ins.	Social Assistance	Other
AU	41.9	17.5	9.5	20.3	2.6	2.3	3.0	2.9
BE	25.2	29.2	12.1	12.3	10.9	3.8	4.6	1.9
DE	27.1	26.9	4.1	3.8	13.6	0.7	23.6	0.2
FI	33.9	27.9	4.4	14.8	3.4	1.4	11.7	2.5
FR	34.3	30.5	11.1	12.1	2.7	0.1	9.2	0.0
GE	40.7	25.4	5.1	13.2	4.1	2.7	4.4	4.4
IR	25.4	41.2	5.6	11.3	12.2	1.6	2.6	0.1
IT	48.2	25.3	5.0	9.8	2.2	2.4	5.2	1.9
NE	40.0	28.5	6.5	13.3	4.3	-	6.3	1.1
NO	40.4	39.4	4.4	5.3	1.2	0.3	7.8	1.2
SW	30.8	42.0	5.1	4.6	1.1	0.6	15.8	0.0
SZ	52.2	28.7	0.3	5.4	1.0	4.2	8.1	0.1
UK	34.0	31.7	2.8	8.4	3.4	1.2	17.1	1.4
Average	36.5	30.3	5.8	10.4	4.8	1.8	9.2	1.4

Among the other schemes the benefits for civil servants (10 % of total expenditures), the social assistance scheme (9 %), and family allowances (6 %) spend considerable sums. The expenditures for civil servants are extraordinarily high in Austria (20 %), and particularly low in the Scandinavian countries except Finland, and in Switzerland (below or around 5 %). The social assistance scheme claims a sizeable share of resources in Denmark (24 %), the United Kingdom (17 %), and Sweden (16 %), but plays only a residual role in Belgium (5 %), Germany (4 %), Austria (3 %), and Ireland (3 %). The share of the family allowance scheme is highest in the catholic countries, Belgium (12 %), France (11 %), and Austria (9 %). It is lowest in the United Kingdom (3 %) and Switzerland (.3 %), but the Swiss case is largely a reflection of institutional peculiarities.[6]

The expenditures for unemployment closely vary with oscillations of the business cycle. Although outlays have been growing in all countries since the 1970s, only Denmark (14 %), Ireland (12 %), and Belgium (11 %) spend more than 10 % of their social security benefits for unemployment purposes. In all other countries unemployment expenditures remain far below 5 %. The outlays for occupational injuries weigh even less heavily. On average only 2 % of social security benefits go to the occupational injuries insurance system. Nowhere do expenditures surpass the level of 5 %. Other schemes are of some importance only in Germany, where a sizeable part of social benefits (4 %) is still spent for military and civilian war victims.

Differences in the <u>methods of financing</u> are another important source of diversity among the Western European welfare states (cf table 7). On average about 39 % of all resources are contributed by employers, while 37 % are paid by the state (central and local authorities). The protected persons themselves only contribute about 19 % of all resources. The remaining rest (scarcely 6 %) comes from income from capital and other sources. Since 1950 the state share in financing has been declining (from 45 to 37 %), whereas the shares of employers (36 to 39 %) and insured persons (16 to 19 %) have tended to increase. However, these changes primarily reflect the differential growth of schemes with different methods of financing rather than institutional changes which consciously shifted the burden of contributions

Table 7: The financing of social security schemes in 1977 (financing shares in percent of total receipts)

Country	Employees	Employers	State	Other
AU	26.4	48.6	22.5	2.5
BE	18.1	41.7	35.3	4.9
DE	1.4	5.5	91.4	1.7
FI	10.1	49.4	36.0	4.5
FR	19.4	55.7	23.2	1.7
GE	29.5	41.1	26.4	3.0
IR	11.4	25.3	60.8	2.5
IT	13.5	61.2	21.2	4.1
NE	35.7	38.2	18.0	8.1
NO	21.8	39.5	37.3	1.4
SW	1.2	44.1	47.3	7.4
SZ	36.7	22.0	32.5	8.8
UK	17.7	29.5	50.5	2.3
Average	18.7	38.6	36.9	5.8

As the table shows the country-specific variation in the distribution of resources is considerable. Thus, the financing share of employed persons varies from 1% in Denmark to 37 % in Switzerland. Contributions from employers figure most prominently in Italy (61 %), France (56 %), Finland (49 %), and Austria (49 %), whereas they play a minor role in Switzerland (22 %) and Denmark (5.5 %). In the other countries they vary between 25 and 44 %. The state share is overwhelming in Denmark (91 %), high in Ireland (61 %), the United Kingdom (50.5 %) and Sweden (47 %), but below 25 % in France, Austria, Italy, and the Netherlands.

Looking at the over-all distribution of financing shares in the single countries, we can distinguish three patterns. First, there is a group of countries with a fairly equilibrated tripartite system of financing where no single source of revenues clearly dominates the others and where the protected persons themselves contribute at least one fourth of the funds (Switzerland, Netherlands, Germany, Austria). Second we have a group with predominantly bipartite financing by employers and the state where employers foot the major part of the bill (Italy, France, Finland, Belgium, Norway). Third, there is a group where the state share predominates and contributions from employers rank second (Denmark, Ireland, United Kingdom, Sweden).

Differences in the <u>institutional type</u> of the social security schemes are a third major dimension of variation. Theoretically we may distinguish three basic models of social policies. Universal social security schemes seek to provide for a minimum level of economic security for all citizens independent of their status in the labour market. In these systems all residents are entitled to benefits, and the social transfers have a strong egalitarian component in which flat rate benefits play a prominent role even though they may be complemented with earnings-related supplements. Status preserving systems, on the other hand, define welfare entitlements in strict relation to the beneficiaries' status in the labour market. In these systems the social programmes are frequently fragmented into a variety of special schemes for various occupational categories. Coverage is often tied to income-limits, and the earnings-related benefits transmit the relative position which the recipients have acquired in the labour market into the system of social transfers. Thus they tend to preserve rather than modify the structure of social inequality. Finally, there is the selective model of social policy which seeks to reserve public benefits to indigent groups which have no or scarce potential of effective self-help. In this model the definition of entitlements is highly restrictive, but the benefits have a strong redistributive effect.

Although the third model figures prominently in recent political debates on the welfare state, it so far is of little practical relevance in Western Europe. None of the major welfare schemes is strictly selective in any of the countries studied here. Empirically only the social assistance programmes bear some resemblance to the model. The universal and the status preserving types of social policies are, however, pursued in actual practice. In Denmark, Finland, Norway, Sweden,and the United Kingdom the social programmes are shaped according to universalistic criteria. The coverage of their schemes frequently embrace all residents, the programmes are administratively unified, and benefits combine flat rate and earnings-related components. Austria, Belgium, France, Germany, and Italy, on the other hand, follow the status preservation approach. In these countries the social security systems are institutionally split up into a variety of special programmes for different occupational categories, coverage is often limited according to earnings, and the income-related benefits strongly reflect the position obtained in the labour market. The Netherlands, Switzerland, and Ireland combine elements of both approaches and may be considered as mixed types. In the Netherlands and in Switzerland the pension schemes cover all residents, but the other programmes have income-limits for coverage or leave deliberately much space to voluntary security schemes by private associations. In Ireland only the family allowance scheme is universal in character, but flat rate benefits figure prominently in most programmes.[7]

The Western European welfare states thus display many common features together with important national variations. All countries have established public schemes of social security which were considerably expanded in the post-war period. Today the welfare state is a common structural element of all Western European democracies. In 1977 even the country with the lowest GDP share of social expenditure (Switzerland) had reached a level of social outlays which no other European nation had attained before the mid-1960s. On the other hand, the dynamics of social expenditure growth differed markedly from country to country and the functional distribution of expenditures shows common elements together with distinct national patterns. The national systems of financing are widely discrepant and the institutional profiles of social policies show marked variation. Despite the common trend towards expansion the Western European welfare states do not seem to converge.

Both phenomena, common trends and national variations call for scholarly explanation. The social scientist studying the development of the welfare state sees himself confronted with a host of questions: Why did social expenditures grow so strongly in the post-war period? Why did some nations increase social spending more strongly than others? How are different systems of financing related to divergent patterns of expansion? What are the consequences of welfare state growth for the cleavage structures of our societies? What is the impact of welfare state expansion on the functioning of the economy? How are different institutional arrangements related to varying patterns of expansion and to negative side-effects in the economic or the political sphere? In the following parts we can only take up some of these questions. Part II will examine some hypotheses on the causes of social expenditure growth and look for some possible sources of variations in the degree of expansion. Part III will then analyze in rudimentary form whether the nations with the highest growth of social expenditure were most prone to meet economic difficulties.

II Determinants of the growth of social expenditures

Although the social science literature on the welfare state has been blossoming in recent years, general theories of welfare state development are still in short supply. Maybe we can distinguish three broad streams of theorizing, i.e. the Marxist tradition, the Durkheimian tradition, and the perspective of political sociology. In the Marxist perspective the growth of the welfare state is rooted in the logic of capitalist development. From a Durkheimian view the expansion of social policies reflects the weakening of social integration and the anomic tendencies in modern societies. In the perspective of political sociology the growth of the welfare state is the by-product of the changing power relations in Western countries where labour unions and left parties have increasingly gained influence on governmental policies. Capitalism, anomie and social democratic reformism are thus respectively identified as the major sources of welfare state expansion. In the following paragraphs the basic traits of these theories shall be elaborated and then be subjected to some preliminary empirical analyses.[8]

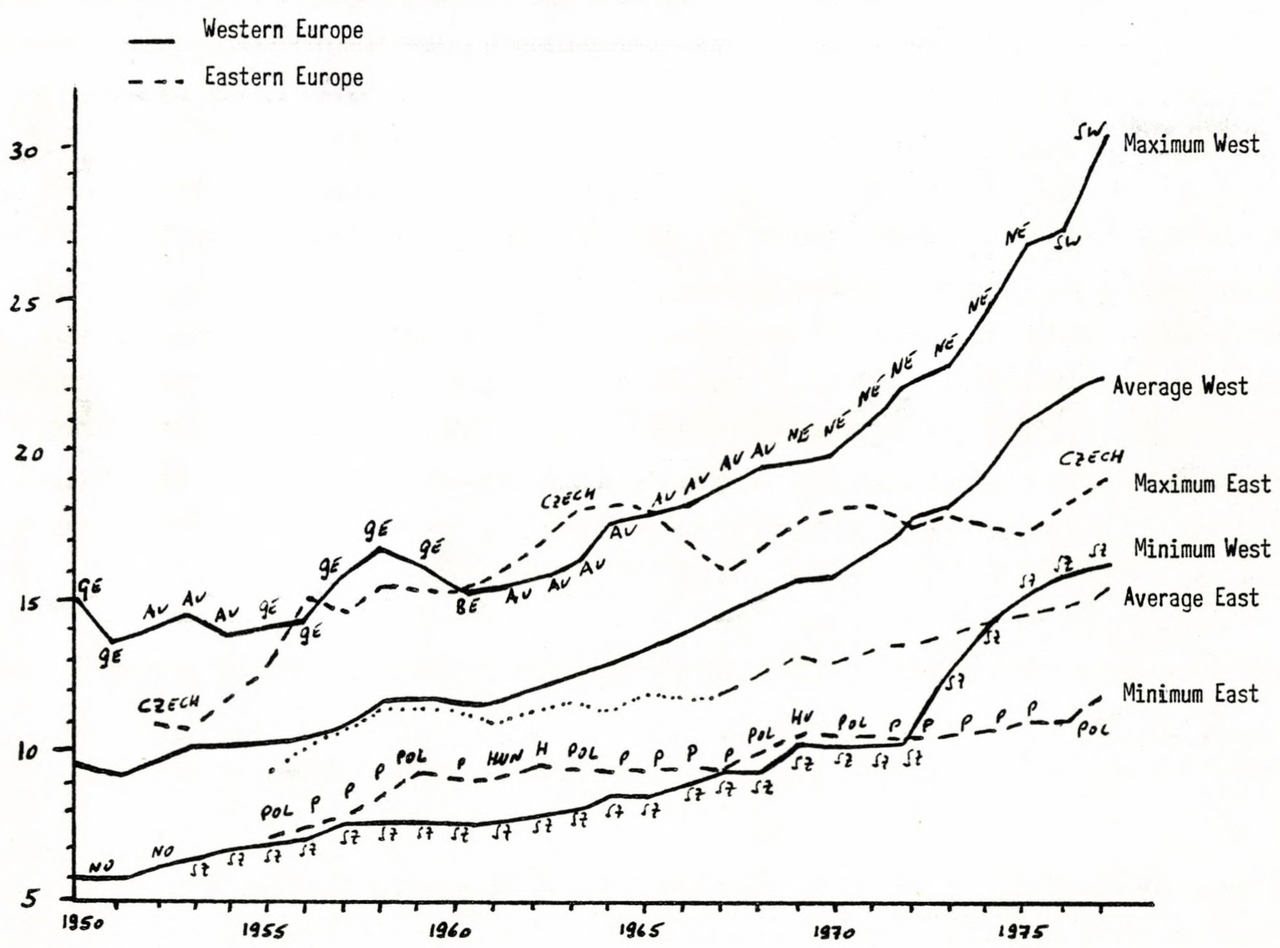
According to marxist theories capitalist development is crisis prone in a triple sense which calls for welfare state expansion. First the profit motive leads to intensified exploitation which endangers the reproduction of labour. Therefore the state must step in with factory legislation, occupational injuries protection and health measures to guarantee the continuous reproduction of labour which in turn is the precondition for the production of surplus. Second the cyclic character of capitalist production leads to problems of oversupply which call for a stabilization of demand. A social transfer system of the state is therefore needed to maintain the purchasing power of groups void of earnings from work (unemployed, invalids, elderly persons). Third the conflict-prone contradiction of capital and labour calls for constant efforts to maintain social control and preserve mass loyalty. If downswings of the business cycle liberate greater numbers of workers from the primary system of social control in the work sphere, a public system of secondary social control must be established in order to contain the potential for conflicts. Making the receipt of benefits contingent upon various conditions the social security systems serve this function of social control while the granting of benefits keeps political discontent manageably low. In the marxist perspective, then, the welfare state grew in the Western European democracies mainly because they are capitalist societies. Examples of this argumentation may be found in the work of O'Connor (1973), Müller/Neusüß (1972), Narr/Offe (1976), Ginsburgh (1979), and Gough (1979).

In a Durkheimian perspective, the growth of the welfare state is related to the more general phenomenon of the weakening of social integration and the withering of the self-help potential of primary and secondary groups in modern societies. The loosening of social bonds between families and neighborhood circles liberates individual aspirations from limiting group restraints and thus leads to increasing hedonistic welfare demands. At the same time the weakening of family ties and the transitory character of social relations in times of growing mobility weaken the self-help potential of associations so that the rising aspirations increasingly turn to the state as the only potential source of effective assistance. This perspective which has a long-standing tradition in French sociology (cf Tocqueville, Durkheim) has recently been revived by Morris Janowitz (1976), and by Peter Flora (1981).

The common denominator of the manifold theorems in the tradition of political sociology is that the growth of the welfare state is related to the democratic decision making process and to the increasing political impact of groups which have an interest in social transfer payments. Thus dependent workers without property resources who have been the traditional target group of modern welfare programmes have consistently been gaining political influence. While the growth of trade unions and socialist parties have augmented their power resources, their relative importance in the electorate has been growing with the decline of self-employment. At the same time the welfare clienteles for whom social transfers are the main source of income have significantly increased their electoral strength.[9] With the upgrading of political skills among the voting population in the course of educational expansion and the spread of modern mass media the mobilization potential of these groups rises to an extent which makes it increasingly difficult for governments to neglect their interests. The generality of the historical shift in power relations in favour of traditionally underprivileged classes may explain the general tendency towards welfare state expansion, while the differential degree to which their organizations actually hold or control political power should explain national variations in the growth patterns of social policies. This theoretical perspective of social democratic reformism or "creeping socialism" is to some extent shared by marxist and non-marxist authors alike (see, for example, Korpi (1978, 1980), Ginsburgh (1979), Wilensky (1975)).

If the marxist theory which relates welfare state development to the logic of the capitalist mode of production were correct we would expect to find significant differences in the development of social security expenditure in Western European and Eastern European countries. Appendix table 1 shows the development of the social expenditure ratio in communist countries (no data are available for Romania). Figure 1 compares this development to the post-war experience of Western European countries by showing the average values in Western and Eastern nations together with the respective maximum and minimum social expenditure ratios.[10]

Figure 1: The post-war development of the social expenditure ratio in Western and Eastern Europe



Up to the mid 1960s social security expenditures in Eastern and Western Europe show very similar patterns of development. The average expenditure ratios of communist countries is only slightly below that of the capitalist democracies, while the ratio of the Eastern country with maximum social outlays (Czechoslovakia) closely corresponds to that of the leading Western nations (Germany, Belgium, Austria). The laggards of social security spending in the East (Poland, Hungary) even slightly surpassed the spending efforts of Switzerland as the Western laggard. This basic similarity only begins to fade in the second half of the 1960s. The Eastern average ratio now increasingly falls below the average of the West. Czechoslovakia as the big spender among communist countries no longer holds the pace of spending in the leading Western countries (Austria, Netherlands, Sweden). Only the laggards of social spending in both contexts remain similar. In the 1970s, then, even the average expenditure ratio in the West surpasses the maximum value of the East, while the Eastern average falls below the values reached by Switzerland as the Western laggard.

In their present formulation theories of the marxist orthodoxy do not seem capable to explain these patterns. Obviously the welfare state schemes are no peculiarity of capitalist countries. In capitalist democracies as in communist people's democracies social security spending has been rising in the post-war period. Even the pace of growth was similar up to the second half of the 1960s, diverging only afterwards. Marxist authors may argue that the growing gap reflects the increased necessity of capitalist countries to secure mass loyalty after the end of the post-war reconstruction period, but in the light of the internal tensions in nations such as Poland and Czechoslovakia this argument seems less convincing than the possible counter-hypothesis which would suggest that the failure to extend the welfare schemes at a pace similar to Western nations is one of the roots of the repeated crises of social integration in the East.

Given the similarity of social expenditure development in the two first post-war decades the question is what made Western nations expand their welfare schemes so heavily since the second half of the 1960s. This is where theories of social integration may have some explanatory value. The phase of increased welfare state expansion indeed coincided with major changes of the two central institutions of social integration: the family, with a dramatic increase of family instability, and the educational system with a massive expansion of educational participation.[11] Both developments presumably enhanced insecurity and anomie whereas the weakening of family ties shifted the potential of effective social support to the state. If there is a systematic link between these changes and the development of the welfare state we should expect a tendency for countries with high family instability to experience the most outspoken growth of social expenditure.

Up to the mid-1960s crude divorce rates remained fairly constant in Western Europe. In a comparative perspective they were on a relatively high level in Austria, Denmark, and Sweden, on a relatively low level in Belgium, France, the Netherlands, Norway, and Britain, with the remaining countries close to the European average (cf Flora 1981). In 1965 there was no relationship between the level of family instability and the level of social expenditures (r= -.o5).[12] In 1975[13] there was still no correspondence between the two developments (r= .09), but as the following cross-tabulation shows, countries with heavy increases in divorce rates between 1965 and 1975 also tended to show the heaviest increases in social expenditure ratios in that period. The average growth of the expenditure ratio consistently increases from 6.2 percentage points in countries with little change in family instability to 7.3 in the middle group and 8.8 percentage points in the group with highest increases in divorce rates.

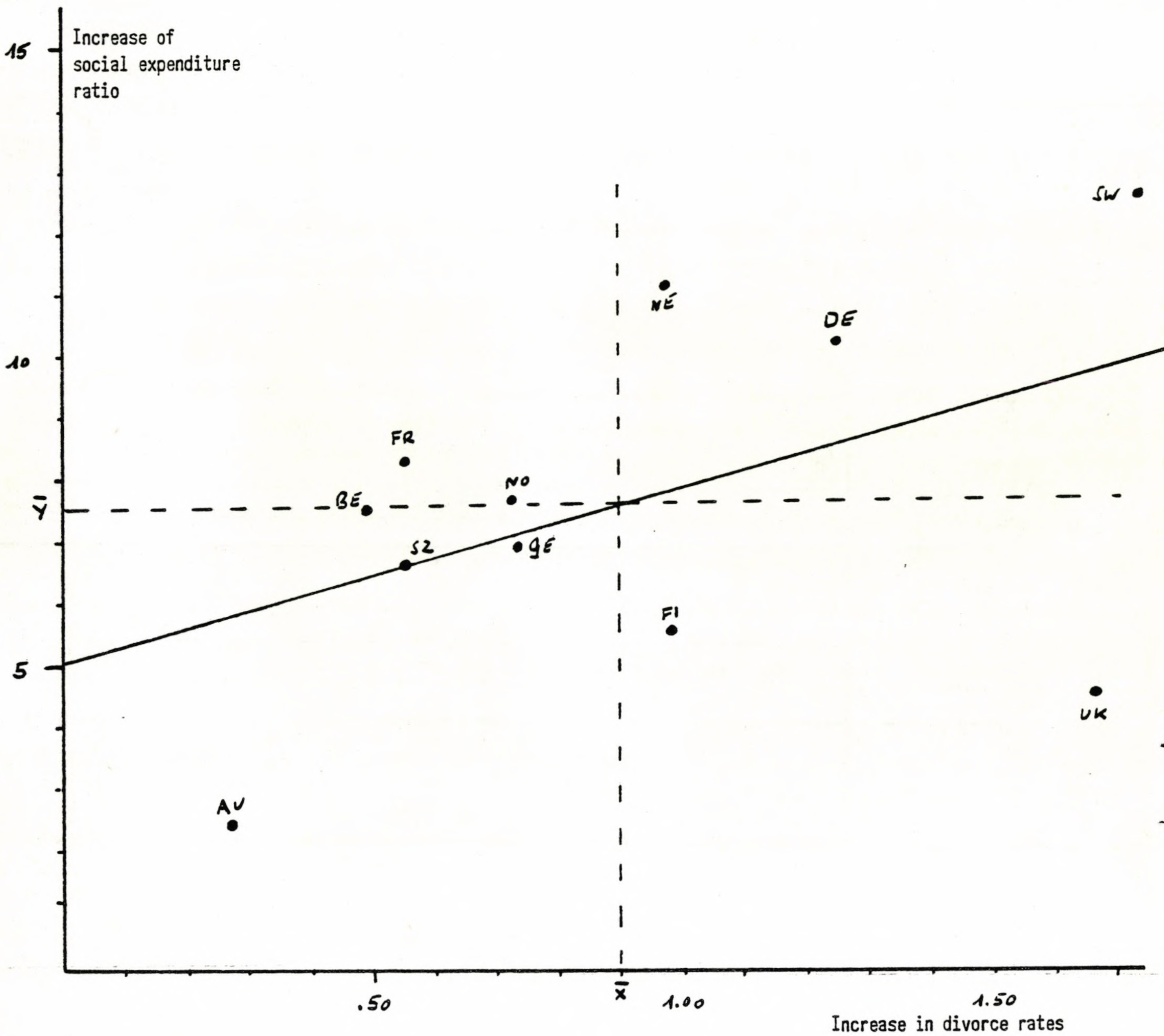
Table 8: Family instability and social security expenditure development 1965-1975 +)

Increase of family instability 1965-75	Level of family instability 1975: Low <1.4	Medium 1.40-1.73	High 1.98 +	Average increase of exp. ratio
Low .27-.55	BE 23.6/7.5 FR 24.1/8.3 SZ 15.1/6.6	AU 20.2/2.4		6.2
Medium .68-.73	NO 18.5/7.6	GE 23.5/6.9		7.3
High .97 +		NE 26.8/11.1	FI 16.1/5.5 UK 16.2/4.5 DE 22.4/10.2 SW 26.2/12.6	8.8
Average level of exp. ratio 1975	20.3	23.5	20.2	

+) First figure: expenditure ratio 1975; second figure: increase of expenditure ratio between 1965 and 1975

A closer examination of the relationship in the scatterplot reproduced as figure 2 shows that similar changes in familiy instability did not preclude discrepant patterns of welfare state development. However, the correlation of both changes is clearly positive (r= .45). Excluding the deviant case of the United Kingdom the correlation coefficient would even go up to .79.[14] The weakening of social integration with the rapid increase of family instability since the mid-1960s in fact appears as one of the roots of accelerated welfare state expansion.

Figure 2: Increase in divorce rates and in social expenditure ratios, 1965-1975



Anomie theories of welfare state growth cannot explain, however, why individual countries increased social outlays in greater independence from the weakening of social integration than others. The perspective of political sociology would suggest that this may at least partly be related to the varying power relations in different national settings. If it is true that the degree of welfare state expansion is a function of the power resources of the underprivileged classes, and if socialist participation in government strengthens their power position we would expect diverse growth patterns of social expenditure to reflect the partisan composition of governments.

The conventional strategy to test this hypothesis consists of static cross-sectional comparisons of the social expenditure ratios in countries with different lengths of socialist representation in cabinets. Based on our time-series data we can here analyze more specifically if different party governments had an impact on the annual changes of social outlays (relative to GDP) in the Western European nations. Appendix table 3 gives the data on the composition of cabinets.[15] Table 9 shows how social expenditures grew under different governments in each country. Cabinets classified as centre-right consist of conservative, christian democratic or liberal parties excluding parties of the left. Centre-left coalitions refer to cabinets in which workers' parties participated in a minority position. Left-centre governments are either coalition cabinets with socialist dominance or cabinets exclusively controlled by left parties.

Table 9 shows that the welfare state grew under all types of governments, but that left cabinets tended to increase the social expenditure ratio markedly stronger than cabinets which excluded socialist parties or centre-left coalitions (.57, .42, and .36 percentage points per year, respectively). The difference between single party cabinets of the left and of the right is particularly striking (.53 vs. .20). Participation of liberal or conservative parties in cabinets dominated by socialists did apparently not contain welfare state development. In fact the social expenditure ratio grew even stronger under left coalition governments than when socialist parties ruled alone (.61 vs. .53). Centre-right coalitions also promoted social expenditure growth in a more pronounced way than cabinets formed by a single "bourgeois" party (.55 vs. .20). The growth of social spending under centre-right coalitions even came close to the dynamic under governments

Table 9: Nation-specific increases of the social expenditure ratio under different governments +)

Country	CENTRE-RIGHT			CENTRE-LEFT	LEFT-CENTRE			Average
	Total	Single party	Coalitions	coalitions	Total	Coalitions	Single party	
AU	.48 (4)	.48 (4)	-	.29 (16)	.21 (8)	-	.21 (8)	.29
BE	.76 (13)	.43 (4)	.91 (9)	.26 (10)	.28 (5)	.28 (5)	-	.50
DE	.74 (8)	.10 (1)	.83 (7)	-	.50 (20)	.30 (8)	.63 (12)	.57
FI	.30 (11)	-.10 (3)	.45 (8)	.51 (8)	.53 (9)	.53 (9)	-	.44
FR	.53 (22)	-	.53 (22)	.03 (3)	-	-	-	.47
GE	.08 (16)	-	.08 (16)	.10 (3)	.73 (8)	.73 (8)	-	.27
IR	.21 (17)	.21 (17)	-	.71 (7)	-	-	-	.35
IT 1)	.33 (11)	.11 (7)	.70 (4)	.35 (8)	.83 (9)	.83 (9)	-	.50
NE	.63 (12)	-	.63 (12)	.32 (9)	1.06 (7)	1.06 (7)	-	.64
NO	.85 (6)	-	.85 (6)	-	.45 (22)	.60 (4)	.41 (18)	.53
SW	3.10 (1)	-	3.10 (1)	-	.71 (27)	.47 (6)	.78 (21)	.80
SZ	.20 (6)	-	.20 (6)	.41 (20)	-	-	-	.36
UK	.16 (16)	.16 (16)	-	-	.36 (11)	-	.36 (11)	.24
Average	.42 (143)	.20 (52)	.55 (91)	.36 (84)	.57 (126)	.61 (56)	.53 (70)	.46

+) Average yearly increases (in brackets: number of years with respective government).

1) Special classification; centre-left: including social democrats, excluding socialists; left-centre: 'centro-sinistra' coalitions including socialists.

dominated by left parties. Among the coalition cabinets only centre-left governments did not record enhanced social expenditure growth. Under centre-left rule the social expenditure ratio increased in fact even less than under centre-right governments (.36 vs. .42).

The general tendency for a stronger growth of social expenditure ratios under governments of the left is confirmed for seven individual countries.[16] Austria, Belgium, Denmark and Norway experienced higher increases of the GDP share of social outlays when parties of the right were in power. The two Scandinavian countries demonstrate most clearly how misleading conclusions based on cross-sectional analyses can be. Although both countries were mostly governed by the left, a sizeable part of social expenditure growth occurred under liberal/conservative rule. In France and Sweden social outlays also grew more markedly when parties of the "right" were in power, but due to the overproportionate dominance of only one type of party government both countries offer little basis for systematic comparisons of welfare state developments under different cabinets.

Changes of the social expenditure ratio reflect to a large extent changes in economic output. If economic growth is low, increases of social spending find much more easily expression in rising expenditure ratios than in times of prosperity. It cannot be excluded, therefore, that left governments appear as promoters of welfare state development simply because they were in power when economic growth was slackening. To control for the impact of different economic contexts table 10 examines the increases of the social expenditure ratios under various governments on a yearly basis (neglecting the different national contexts).

Also this analysis confirms the enhanced growth of social expenditure under governments which were dominated by socialist parties. In 12 of the 28 years since the war expenditure ratios increased most strongly under left-centre coalitions. Nine years saw the strongest growth when centre-left cabinets were in power. Centre-right governments without socialist participation reported the highest incerases of social spending effort only in 7 of the 28 years. While they had the lowest increases in 10 of the years under study, socialist dominated cabinets reported the lowest dynamic of social expenditure growth only in 5 years (with one tie). The follwing cross-tabulation shows the rank-order of annual increases in more detail (table 11).

Table 10: Phase-specific increases of the social expenditure ratio under different governments

Year	CENTRE-RIGHT	CENTRE-LEFT	LEFT-CENTRE	Average
1977	1.38 (4)	-.30 (2)	.31 (7)	.55
1976	.80 (3)	.70 (3)	.79 (7)	.77
1975	1.45 (4)	2.55 (2)	1.81 (7)	1.82
1974	.40 (3)	1.40 (2)	1.08 (8)	.97
1973	.30 (3)	.38 (4)	.30 (6)	.32
1972	.55 (4)	.87 (3)	.65 (6)	.67
1971	1.08 (5)	.60 (3)	1.14 (5)	.99
1970	.56 (5)	.10 (3)	-.10 (5)	.20
1969	.40 (6)	.00 (3)	.25 (4)	.26
1968	.66 (7)	-.25 (2)	.88 (4)	.58
1967	.95 (6)	.95 (2)	.38 (5)	.73
1966	.45 (6)	.75 (2)	1.16 (5)	.77
1965	.45 (4)	.78 (4)	.32 (5)	.50
1964	.32 (6)	.07 (3)	.38 (4)	.25
1963	.47 (6)	.33 (4)	.57 (3)	.45
1962	.33 (6)	.35 (4)	.80 (3)	.45
1961	.14 (7)	.37 (3)	-.10 (3)	.14
1960	-.30 (8)	-.40 (2)	-.23 (3)	-.30
1959	.08 (9)	.10 (1)	.20 (3)	.12
1958	.47 (6)	.55 (2)	.98 (5)	.68
1957	.60 (6)	.10 (2)	.60 (5)	.52
1956	.23 (3)	.20 (5)	.20 (5)	.21
1955	-.08 (4)	-.20 (5)	.12 (4)	-.06
1954	-.02 (5)	-.18 (4)	.20 (4)	.00
1953	.48 (6)	.18 (4)	.70 (2)	.42
1952	.54 (5)	.90 (4)	.60 (2)	.68
1951	-.48 (4)	.03 (3)	-.23 (3)	-.25
1950	.30 (2)	.37 (3)	.20 (3)	.29

+) Average annual changes in percentage points (in brackets: number of countries with respective type of government).

Table 11: Rank-order of annual social expenditure ratio increases under different governments (no of years on each rank)

Rank	Centre-right	Centre-left	Left-centre	Years
1	7	9	12	28
2	11	6.5	10.5	28
3	10	12.5	5.5	28
Years	28	28	28	

The impact of the party composition of government apparently diminished over time. In the 1970s there was in fact only one year in which the social expenditure ratio grew strongest under left-centre cabinets (1971). In the 1960s and 1950s, on the other hand, six and five (one tie) of the ten years witnessed strongest increases of social spending when governments of the left were in power. Accordingly, centre-right governments reported the most heavy increases only in one year (with one tie) in the 1950s and 1960s, but in three of the eight years in the 1970s. As the following comparison of the average annual increases under each type of government shows, the social expenditure ratio grew most heavily under left-centre governments in the 1950s and 1960s, but not in the 1970s when centre-right governments took the lead. Centre-left governments consistently experienced the lowest annual increases. The differences between the more dynamic and the most stagnant group consistently decreased from one decade to the other.

Table 12: Average annual increases of the social expenditure ratio under various governments in the 1950s, 1960s, and 1970s

Decade	Centre-right	Centre-left	Left-centre
1950s	.24	.19	.37
1960s	.36	.30	.47
1970s	.85	.71	.78

Contrary to an hypothessis advanced by Heclo (1981) according to which partisan conflicts shape social policies most noticeably in times of austerity, the impact of parties thus diminished with the decrease in economic growth rates in the 1970s.[17] To validate the theoretical significance of such empirical findings we thoroughly need more systematic replications. Thus it would have to be examined if the absolute increases of social outlays (at constant prices) vary similarly with the partisan complexion of government. As has already been pointed out, the social expenditure ratio can give only very crude indications of the social policy efforts of different governments, because the ratio is influenced by a host of non-political disturbance factors. So far not even the analyses which rely on this same indicator of social policy effort have arrived at unanimous results. Thus the findings of our analyses concur with the results obtained by David Cameron (1981) but differ from the outcomes of a recent analysis of social expenditure developments in Western Europe done by Kohl (1981). Kohl finds the same hesitant growth of social expenditure under single party governments of the right, but does not confirm the overproportionate increase under left-centre governments. Most of this discrepancy is due to a deviant practice in the classification of cabinets[18], but the considerable heterogeneity of empirical findings clearly points to the necessity of systematic replications if we are to obtain cumulative insight into the dynamics of welfare state development. Before we come back to a discussion of some fruitful strategies for future research, the following section briefly examines some of the economic consequences of the growth of social expenditures.

III Some economic consequences of social expenditure development

In recent years the welfare state has increasingly come under attack from critics who charge that the dynamic growth of social expenditure hampers the functioning of the economy. Authors of liberal and marxist political leanings are united in the challenge that the upsurge of social spending has diverted resources from investment to consumption, lowered the profit rates, increased public deficits and inflation rates, and contributed to the erosion of economic growth.[19] Given the immediate political repercussions of these debates it is not always easy to separate scholarly analysis from political attempts to influence public opinion. The problem of the heavy criticisms of the welfare state which currently are en vogue is that the hypotheses on negative side-effects frequently lack sophistication and are much easier maintained in theory than sustained in empirical research.

The empirical studies undertaken so far have contributed much to promote a more differentiated scholarly debate. Thus, Geiger and Geiger (1978) point to the fact that welfare and efficiency need not necessarily be seen as a tradeoff or zero-sum game. They draw attention to the unprecedented increases in both welfare and efficiency over the past hundred years which attest that there may be a positive-sum interaction between the growth of the welfare state and economic prosperity. Based on a study of six European welfare states (Denmark, Norway, Sweden, Germany, Netherlands, United Kingdom) the authors try to distinguish types of welfare arrangements and methods of financing which may interact positively with the productivity of the market sector from types which hamper the functioning of the economy. In a study of 19 OECD nations Cameron (1981) comes to the conclusion that countries with extensive social spending tended to have lower rates of economic growth, higher public deficits and a higher erosion of investment rates than less developed welfare states. On the other hand, he finds that high social spending helped to restrain wage-claims and to keep inflation relatively low. Cameron therefore concludes that "rather than being incompatible with, and harmful to capitalism, a large and expanding welfare state may be beneficial and helpful to a capitalist economy, and to the very groups that are most critical of it." (Cameron 1981:26).

It cannot be denied that the upsurge of social spending since the mid-1960s was accompanied by a decline in economic growth rates. In the Western European countries studied here real economic growth averaged 4.0 % in the 1950s, 4.9 % in the 1960s, but only 3.4 % in the 1970s.[20] The theoretical problem is whether such changes indicate crisis tendencies in welfare states or crisis tendencies of the welfare state itself. In other words, we still need to know whether the European nations which happen to be welfare states are confronted with general economic problems such as a beginning saturation of demand, increasing competition from developing countries, high exchange rates of the dollar and the like, or whether they increasingly run into economic difficulties because they have expanded the welfare state beyond reasonable limits. If the latter is the case, we would expect those countries to be most crisis-prone in which the welfare state has shown the greatest and most rapid extension in recent years.

As could be shown in part I, the Western European welfare states of the late 1970s may be readily subdivided into three groups: those with low levels of social spending and low to moderate growth of social outlays in the 1970s (United Kingdom, Norway, Finland, Ireland, Switzerland), those with intermediate levels and moderate growth (Austria, Germany, Italy), and those with high social expenditure ratios and high increases of social spending (Sweden, Netherlands, France, Belgium, and Denmark). If the hypothesis of a crisis of the welfare state is correct, the countries in the last named group are clear candidates for economic problems. Table 13 examines if they were indeed more crisis-prone than the others.[21]

Table 13: Social expenditure development and economic problems in the 1970s

Economic problems x)	Social expenditure development +) Low UK, NO, FI, IR, SZ (UK, NO, AU)	Medium AU, GE, IT (FI, IR, SZ, GE, IT)	High (SW, NE, FR, BE, DE) (SW, NE, FR, BE, DE)
Growth rates, 70-77	3.1 (3.8)	3.6 (3.0)	3.4 (3.4)
Inflation rates, 70-77	10.6 (9.3)	8.5 (10.1)	8.6 (8.6)
Deficit levels 1977	45.5 (45.4)	37.7 (40.8)	34.1 (34.1)
Debt service 1977	6.2 (5.9)	5.9 (6.2)	4.2 (4.2)
Deficit increase 70-77	128 (162)	206 (155)	120 (120)
Deficit ratio increase 70-77	4.0 (-.3)	15.4 (9.8)	- 4.7(-4.7)

+) Without brackets: Classification according to levels of spending (cf table 5)
In brackets: Classification according to growth of expenditure ratio (cf table 5)

x) Growth: Average annual growth rates 1970-77; inflation: average annual inflation rates 1970-77; Deficit levels: Public deficit as % of GDP; Debt service: Interest on public debt of central government; Deficit increase: Increase of public debt at constant prices, 1970 = 100; Deficit ratio increase: growth of public deficit as % of GDP in percentage points from 1970 to 1977.

In summary, the countries with high or rapid welfare state development in the 1970s had similar economic growth rates as the nations with more restrained social spending, but they tended to have lower inflation rates, lower public deficits with lower debt service, and lower increases of deficits between 1970 and 1977. The data on the public debt are particularly striking. While there was no empirical relationship between levels of social spending and deficits in 1970 (r = -.02), by 1977 nations with restrained social expenditures tended to experience higher deficits (r = -.23). On average public debt in the Western European countries amounted to 39 % of GDP in 1977. Among the five leading welfare states only Belgium (54 %) surpassed this average value, whereas France (14 %) and Denmark (25 %) clearly remained below. The Swedish (37 %) and Dutch (39 %) deficits closely corresponded to the European average. The mean deficit in the group of most developed welfare states (34 %) thus remained distinctly below the Western European average. Among the least developed welfare states, on the other hand, public deficits averaged 45.5 % of GDP, and only Finland (9 %) fell clearly below the European mean.

Since the level of deficits reflects to a large extent national traditions of public debt, an examination of deficit changes in the 1970s is a more reliable judge of the economic consequences of welfare state development. On average public deficits at constant prices climbed from an index value of 100 in 1970 to 143 in 1977. This corresponded to a mean increase of the debt level of 1.9 percentage points of GDP. Among the six countries with above average increases of deficits (Italy, Austria, Norway, Germany, Denmark, and Ireland-in the order of increases) only Denmark had experienced a high growth of social expenditures in the 1970s.

The five most dynamically growing welfare states (Sweden, Netherlands, France, Belgium, Denmark) reported a far lower average increase in public deficits than the other nations (mean growth from 100 to 120 with a corresponding average reduction of the deficit burden by 4.7 percentage points of GDP). The five nations with intermediate increases of social expenditure (Finland, Ireland, Switzerland, Germany, Italy) also had an intermediate average increase of deficits (from 100 to 155), while the three countries with the lowest growth of the social expenditure ratio (United Kingdom, Austria, and Norway) surprisingly had the highest average increase of the public debt (from 100 to 162). In this group the deficits of Austria and Norway increased at a speed far above the European average, while only the United Kingdom was able to reduce its traditionally high debt burden in the context of low social expenditure growth. Consequently, the overall relationship between social expenditure ratio growth and deficit increase in the 1970s is clearly negative (r = -.29; cf. the appendix figure).

The accusation that welfare state growth is one of the most important sources of inflation also lacks empirical substantiation. The four countries in which inflation rates were above 10 % in the 1970s - Ireland, Italy, United Kingdom, Finland - all had low or moderate increases of the social expenditure ratio. While the overall relationship between the growth of social spending and inflation is practically zero (r= -.04), the average inflation rate in the most dynamically growing welfare states was lower (8.6 %) than the inflation rate in countries with moderate (10.1) or low welfare state growth (9.3). Only economic growth rates tended to be slightly higher in the 1970s in countries which kept social expenditure growth low (r = -.18).[22] However, the lowest economic growth rates were recorded in Switzerland (1.5 %) and the United Kingdom (2.2) which did not expand social expenditures heavily. Among the dynamically growing welfare states only Sweden (2.3) and Denmark (3.0) had economic growth rates below the Western European average, while the other three countries-Belgium, France, and the Netherlands - all were above the mean rate of economic growth (3.4 %).

In empirical analyses of the <u>concomitant</u> variations of social expenditure growth and economic problems the charge that the welfare state is the main source of economic crisis symptoms thus receives little substantiation. This does not preclude, however, that heavy welfare state growth leads to negative side-effects in <u>subsequent</u> periods. In this respect the experience of nations which expanded social expenditures despite moderate economic growth in the 1970s would deserve particular attention. Such an analysis would go beyond the scope of this paper, however. The following section shall instead summarize the major results of the analyses undertaken here and discuss some avenues for future research.

IV Discussion of results and prospects for future research

The welfare state has become a central structural element of all Western European societies. In the post-war period all nations witnessed an impressive growth of social outlays, so that the average social expenditure ratio more than doubled from 9 to 22 % of GDP. Since the second half of the 1960s all countries experienced an accelerated growth of social programmes which began to slow down again only in the second half of the 1970s.

Despite this common growth trend of social spending the Western European welfare states have not become more similar over time.

Expenditures grew to a different extent and at varying speeds, and their structural composition shows marked national variations beside common elements. Important national differences also persist in the financing of the welfare state programmes. Whereas some countries predominantly rely on state revenues, others oblige employers or employed persons to bear most of the cost. Finally, the institutional types of the programmes vary. Some national welfare states aim at the preservation of the social status achieved in the labour market as their prime target whereas others seek to secure similar (minimum) standards of living for all citizens.

Common trends as well as national variations need scholarly explanation. In this paper only determinants of the growth of social expenditure were examined neglecting the causes for the emergence of different patterns of financing or different institutional models of social policies. Marxist theories which understand the welfare state as a specific characteristic of capitalist societies received little empirical support. Social security schemes were also established and extended in the communist countries of Eastern Europe where they showed a very similar pattern of growth up to the mid-1960s. Only since then has the growth of social expenditure been distinctly higher in Western European nations. Whether this is a consequence of a greater responsiveness of democratic regimes or of specific political or economic prerequisites of "late-capitalist" societies needs further study. Detailed system comparisons of the institutional shaping of social programmes in Eastern and Western nations would be of significant theoretical interest. Maybe paired comparisons of countries with similar historical traditions- e.g. France/Poland, Netherlands/Czechoslovakia, the two Germanies - would best promote further understanding.

Within the Western European nations the growth of the welfare state was related to the weakening of social integration and to the partisan control of government. Countries with high increases in divorce rates tended to experience also relatively high increases in the social expenditure ratio. Anomie theories in the tradition of Durkheim would see this as evidence that the dissolution of primary groups has liberated hedonistic aspirations and weakened the self-help potential of associations, leaving the state as the only agent which can effectively fulfill security functions. However, family instability taps only one dimension of social integration. It can therefore not be excluded that the weakening of family ties is itself a precondition for a decay of "amoral familism" and a subsequent enhancement of solidaristic values which in turn lead to public demands for welfare state expansion. The interplay between patterns of social integration, changing attitudes and security needs, and the value bases of increasing welfare demands - hedonistic consumerism or enhanced social solidarity - clearly needs more intensive study. An impressionistic overview of developments in the most recent past would suggest that the steep increase in divorce rates was accompanied by a mushrooming of self-help groups which seek to substitute welfare state programmes by new forms of social help rather than to expand them.

The hypothesis which relates welfare state growth to social democratic reformism or the increasing power resources of the working class received rather strong empirical support. Although all parties of the broad democratic centre contributed to welfare state growth in Western Europe, governments headed by workers' parties recorded heavier increases of the social expenditure ratio than governments which excluded left parties. The higher growth of social spending under left governments was substantiated regardless whether the nation-specific impact of various governments (neglecting the time context) or the phase-specific impact (neglecting national contexts) was examined. However, the impact of the party composition of governments diminished over time, being less marked in the 1970s than in the 1960s and 1950s.

To validate the results of the analyses undertaken here they should be replicated with alternative operationalizations of the dependent variable for the same group of countries. The social expenditure ratio studied here is probably the most widely used but certainly also the crudest indicator of welfare state effort. As a fraction it reflects changes of social outlays in the calculator as well as changes of GDP in the nominator. The first step should therefore consist of isolating changes in social outlays from changes in economic output by studying the annual change rates of social spending at constant prices. Even such changes, however, do not lend themselves easily to theoretical interpretation. Obviously, social expenditures do not only grow because responsive governments increase the state supply of social benefits,but also because the distribution of risks and societal needs changes. If social spending rises faster under one type of government than another, theoretical conclusions which relate this to higher social policy efforts of this particular government are therefore rather precipitate. It may simply be that risks such as unemployment, invalidity or ill health spread faster or wider under certain governments. Unequivocal theoretical interpretations of the causes of social expenditure growth presuppose a conceptual clarification of the various components of such growth and a more precise definition of the dependent variable which is to measure social policies.

An important contribution to such clarification has been made by the OECD Studies on Resource Allocation (cf OECD 1976). The OECD distinguishes three components of social expenditure development which it calls "demographic ratio", "eligibility ratio", and "transfer ratio". The demographic ratio specifies the percentage of the population exposed to a given risk (e.g. the percentage of elderly people). The eligibility ratio states what percentage of the population under risk actually receives social benefits (e.g. pensioners as percent of the elderly). The transfer ratio, finally, expresses the benefit expenditure per beneficiary as a percentage of the gross domestic product per capita. This distinction allows to express the social expenditure ratio as a product of the three components and to calculate the contribution made by each component to changes in the ratio.[23] Based on data for 1962 and 1972 the OECD comes to the conclusion that roughly one third of the growth of the social expenditure ratio is due to demographic changes, whereas scarcely two thirds are due to extensions of eligibilty. Only the small remaining rest reflects increases in average benefits.

The OECD studies have certainly contributed significantly to a better understanding of the dynamics of social expenditure . Their great merit lies in the empirical demonstration of the fact that deliberate political interventions are only one factor in the growth of social outlays among others, and that a sizeable part of the increase is due to non-legislated, automatic or "built-in" growth tendencies of welfare programmes. Even the OECD approach does not sufficiently distinguish between voluntary political and automatic non-political growth tendencies, however. Also the eligibility ratio and the transfer ratio which the organization interprets as indicators of deliberate government interventions may change independently of political action. Thus, the eligibility ratio may reflect the different strength of age cohorts entering into pensionable age in possession of pension entitlements, and the transfer ratio automatically goes down if the number of beneficiaries grows faster than the total population (other factors being equal). Sound assessments of the social policy effort of different governments or regimes thus require an even more concise distinction between politically induced changes and automatic growth tendencies of social outlays. Studies of legislative developments seem to be the only approach which guarantees that the impact of political forces is analyzed in an unequivocal way.

In the study of institutional developments we should further distinguish between two types of legislation. On the one hand there are laws which simply serve to preserve the traditional character of social programmes by adapting them to changing social conditions such as inflationary changes in purchasing power. Such laws keep social expenditures "running in order simply to stand still" (Gough 1979: 93). On the other hand, there are acts which actually modify existing institutional regulations, either by improving or by cutting benefits. Detlev Zöllner (1963) who first introduced this distinction, calls the first type "adaptive", the second "inductive" legislation.

Based on these considerations we can develop a typology of changes in social security systems which distinguishes between deliberate interventions and automatic change tendencies caused by factors beyond the immediate control of governments. Figure 3 gives an overview of factors relevant to social expenditure development. The outlays of social security systems are a function of changes in four dimensions: (1) the number of covered risks (scope); (2) the membership of a given programme (coverage); (3) the number of beneficiaries (eligibility); and the quality of the benefits (generosity). Within these dimensions the typology seeks to distinguish between changes induced by institutional modifications and automatic or built-in change tendencies (see figure 3 next page).

As the typology incorporates Zöllner's distinction between adaptive and inductive legislative regulations it also opens the possibility to operationalize the much used but rarely clarified concept of political non-decisions: If the adaptive regulations named in the chart are not realized despite the enumerated changes in the environment, social programmes suffer an effective curtailment due to the non-realization of political intervention. Based on the typology it is possible to classify

Figure 3: A typology of institutional and automatic change factors in social expenditure development

Dimensions of change	Automatic factors of change without legislative interventions (built-in change tendencies of social programmes)	Institutional Modifications Adaptive legislation	Institutional Modifications Inductive legislation
Covered risks (SCOPE of programmes)			Introduction of new programmes or types of benefits to cover additional risks
Membership of the systems (COVERAGE)	Changes of wages (through inflation or collective bargaining); structural changes of the economically active population (where coverage is tied to occupational status); cyclical fluctuations of the labour force	Adaptation of income-limits for compulsory coverage to changes in wage levels (keeping the percentage of the covered labour force constant)	Limitation or extension of compulsory coverage to specific social categories; real modifications of income-limits for compulsory coverage (changing the relationship between income-limit and average wage)
Number of beneficiaries (ELIGIBILITY)	Demographic changes (varying sizes of age cohorts in pensionable age); business cycles changing the number of unemployed persons; changing income levels; changing distribution of risks in the course of socio-economic development (new diseases, industrial accidents etc.)	Adaptation of income-limits defining entitlement to benefits to changes in wage levels	Modification of qualifying conditions (changes of qualifying or waiting periods); extension of entitlements to family members of directly covered persons
Quality of benefits (GENEROSITY)	Changes of cost of living or wages; cost increases (salaries of social bureaucracies, technological change in medicine, public sector inflation etc.)	Benefit supplements to cover inflation; indexation of benefits to changes in prices or wages	Real modifications of benefit levels changing the earnings-replacement ratios of transfers; prolongation or shortening of duration of benefits

the annual development of social security programmes into five types: (1) expansion based on inductive regulations in one or several of the four dimensions; (2) adaptive changes based on interventions which preserve the status-quo in the context of environmental changes; (3) politically neutral changes based on environmental factors; (4) voluntary curtailment based on non-decisions in the presence of external changes; (5) deliberate dismantling through inductive legislation of cuts.

Once the annual change rates of social outlays at constant prices and the institutional developments of social policies have been studied, a third promising avenue for future research could consist of the analysis of the varying growth dynamics of different institutional types of the welfare state. Thus the growth profiles of systems with different methods of financing or different social policy models (universal or status-preserving) should be systematically compared. This type of analysis would probably be of the most immediate relevance to policy makers.

Studies of the consequences of welfare state growth should be developed along similar lines. The crude analyses undertaken here could only show that the linkage between economic problems and the growth of social expenditure is not as straightforward as some currently fashionable theories maintain. The most developed Western European welfare states in fact faced less severe economic problems than countries which had moderate levels and slow growth of social expenditure in the 1970s.

This does not prove, however, that the growth of social spending does not produce negative economic side-effects. To promote a better understanding of the consequences of welfare state development, two types of empirical research appear potentially fruitful. First, economic consequences should be studied in more detail, taking into consideration not only the various methods of financing in welfare states with similar expenditure levels, but also the impact of other variables affecting economic outcomes such as exchange and interest rates. This quest for multivariate analysis does not necessarily mean that the number of countries under study must be augmented. Given the immense problems of international comparability of nationally collected statistics, detailed systematic studies of few (two to four) countries may, on the contrary, be more telling than quantitative analyses of a great number of nations which make it impossible to assess the quality of the data or the context-specific meaning of seemingly identical indicators.

Second, studies of the economic consequences of welfare state growth need complementation by studies of its political and social consequences. If the welfare state increasingly weakens social solidarity, creates social cleavages and produces adverse economic effects, we should indeed ponder upon a deep-reaching institutional restructuring. If, on the other hand, lower economic growth rates and higher inflation should prove to be a price to be paid for the preservation of a high degree of social integration and political legitimacy, the evaluation of present welfare state arrangements would appear in another light. This and similar questions urgently call for empirical analyses which help to replace the abundance of diffuse ideological convictions by some more differentiated rational insights.

Annotations

1 See, for example, Flora/Heidenheimer (1981).

2 For a comparative historical analysis of the development of the Western European social insurance schemes in the past hundred years see Alber (1982).

3 All data presented here were compiled from various editions of the I.L.O. series "The cost of social security". Percentages rest on absolute figures which are presented together with explanatory footnotes in the forthcoming data-handbook of the HIWED-project (Flora et al. 1982). As the HIWED-collection ends in 1974, social expenditure ratios for the years 1974-77 are directly taken from the tenth edition of the I.L.O. series.

4 Since the ratio is a function of both, social spending in the calculator and GDP in the denominator, this does not preclude that the growth rate of social outlays in absolute terms (at constant prices) has been declining over the post-war years. Other research by this author has shown that this has indeed been the case in West Germany (see Alber 1980).

5 These variations partly reflect institutional differences. Whereas invalidity pensions generally form part of the pension system, Belgium provides for invalidity under the sickness insurance system. None of the national schemes is fully comparable in the sense that identically labelled institutions also serve identical functions. Varying expenditure shares of civil servants' schemes, for example, may simply reflect the degree to which civil servants' benefits are incorporated into general security schemes rather than being administered separately.

6 The Swiss figures refer only to the federal scheme.

7 The information in this paragraph relates to the situation in the late 1970s (cf. USHEW 1977).

8 For a more extensive discussion of various theories of welfare state development and their confrontation with empirical findings in a longer historical perspective from the establishment of the first social insurance schemes to 1975 see Alber (1982).

9 In West Germany persons depending on social transfers as their main source of income represented 19 % of the electorate in 1960, but 26 % in 1980 (cf Alber 1982a).

10 The expenditure ratios in Eastern European countries express social security spending as a percentage of the net material product. Since it excludes the service sector, this concept is not fully comparable to the Western gross domestic product, but this sould not seriously hamper comparisons of developments over time.

11 For an extensive discussion of social changes in Western Europe since the Second World War see Flora (1981a).

12 Based on eleven countries, as Ireland and Italy had not legalized divorce (see appendix table 2).

13 The analysis refers to 1975 (rather than to 1977) because the HIWED-collection on divorce rates ends in 1975.

14 The divorce rates for Britain refer to England and Wales only. Including Scotland and Northern Ireland, the growth in divorce rates may be lower.

15 The classification is based on a data collection on the composition of cabinets since World War I which the author compiled for the HIWED data-handbook (cf Flora et al. 1982).

16 This includes Switzerland with its peculiar system of government for which the notion of cabinet composition is not fully adequate. Excluding Switzerland from the calculation of European averages all reported tendencies would remain identical.

17 See the information on the post-war development of economic growth rates on p. 25 .

18 Although he departs from (a preliminary version of) the same data set on cabinets used here, Kohl uses a different classification scheme which reserves the label "centre-left" or "left" to very few governments. Thus the great coalition of Austria is here classified as "centre-left" to denote socialist participation in a government dominated by the conservative "Volkspartei", whereas it is classified as "centre" by Kohl. Similarly socialist participation in Dutch cabinets is labelled "centre" by Kohl, but "centre-left" or "left" (if dominated by the workers' party) here. Deviating from our practice Kohl also classifies the "centro-sinistra" cabinets of Italy together with the other Italian governments as "centre-right". In addition, his data on social transfers are taken from the OECD, and are not fully comparable with the I.L.O. data used here.

19 For marxist discussions along theses lines see Gough (1979), Vobruba (1978); for similar liberal accusations see Janowitz (1976) and Bacon and Eltis (1976).

20 Calculated from absolute data presented in OECD (1981). Data for the 1950s in most countries exclude 1950 and 1951.

21 The data on economic growth and inflation are taken from OECD (1981). The data on deficits stem from various editions of the German "Finanzbericht" and, in the case of Finland and Ireland, from the German "Statistisches Jahrbuch". Of course, the analyses are valid only to the degree that these data are comparable. In the absence of original research on public finance, the quality of comparative data sets on public deficits is to be treated with some reserve.

22 The correlation refers to the growth of the social expenditure ratio between 1970 and 1977 on the one hand, and the average annual economic growth rates in the same period, on the other.

23 The procedure consists of a simple mathematical equation which may be illustrated most easily if per capita social expenditure is expressed as a product of the three components. Reductions then yield the following identity: $S/P = R/P \times B/R \times S/B$, where S stands for social outlays, P for the total population, R for the population under risk, and B for the beneficiaries in receipt of social payments. Following the same logic, the share of social expenditure in the social product is expressed as $S/GDP = R/P \times B/R \times S/B \,/\, GDP/P$.

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APPENDIX

Table A 1: The social expenditure ratios of Eastern European countries +)

Year	BULG	CZECH	GERM	HUNG	POL.	USSR	YUG.	Average[1)]
1977	16.2	19.0	16.2	15.1	11.8	13.4		15.3
1976	15.5	18.2	15.4	15.2	11.1	13.6		14.8
1975	16.0	17.2	15.3	14.8	11.0	13.8		14.7
1974	16.2	17.5	15.6	13.6	10.7	12.4		14.3
1973	14.6	17.9	16.1	12.2	10.6	12.4		14.0
1972	14.2	17.5	15.3	11.6	10.5	12.7		13.6
1971	14.5	18.1	13.6	11.3	10.4	12.2	12.9	13.4
1970	13.7	18.0	13.2	11.1	10.7	11.9	13.2	13.1
1969	14.7	17.7	13.4	10.6	10.7	12.1	12.4	13.2
1968	13.6	16.7	13.1	10.9	9.9	12.0	12.3	12.7
1967	11.4	16.1	12.8	10.8	9.4	11.6	12.1	12.0
1966	10.0	17.0		11.2	9.4	11.1	12.3	(11.7)
1965	10.0	18.0		10.9	9.3	10.9	11.9	(11.8)
1964	10.1	18.2		9.8	9.3	10.0	10.7	(11.5)
1963	11.0	17.8		9.6	9.4	10.2	11.3	(11.6)
1962	11.2	16.7		9.3	9.5	10.0	12.2	(11.3)
1961	10.7	15.9		8.8	9.1	10.4	12.1	(11.0)
1960		15.3			9.0	10.2	11.0	(11.5)
1959		15.3			9.3		10.6	
1958		15.5			8.5	10.2	10.8	(11.4)
1957		14.6			7.7		9.4	
1956		15.1						
1955		12.7			7.1	8.2	9.2	(9.3)
1954								
1953		10.7					10.1	
1952		10.8					11.5	

+) Social expenditure as percentage of net material product.

1) Average excluding Yugoslavia.

Source: International Labour Office

Table A 2: Divorce rates in Western Europe (number of divorces per 1000 population)+)

	AU	BE	DE	FI	FR	GE	NE	NO	SW	SZ	EW	SC	
1975	1.43	1.12	2.62	1)	1.27	1.73	1.47	1.39	1)	1.39	2.45	1.50	1975
1974	1.41	1.04	2.60	2.14	0.96	1.59	1.42	1.29		1.27	2.31	1.29	1974
1973	1.33	0.86	2.52	1.89	0.96	1.45	1.33	1.18	2.09	1.25	2.16	1.28	1973
1972	1.33	0.81	2.63	1.78	0.94	1.40	1.12	1.02	2.22	1.20	2.43	0.99	1972
1971	1.34	0.73	2.70	1.56	0.93	1.31	0.88	0.96	2.06	1.11	1.52	0.86	1971
1970	1.39	0.66	1.93	1.31	0.79	1.26	0.79	0.88	1.91	1.02	1.20	0.82	1970
1969	1.35	0.67	1.53	1.27	0.75	1.20	0.71	0.82	1.80	0.96	1.06	0.75	1969
1968	1.32	0.63	1.56	1.17	0.72	1.10	0.64	0.80	1.72	0.91	0.95	0.85	1968
1967	1.21	0.63	1.43	1.13	.75	1.06	0.59		1.55	0.86	0.90	0.53	1967
1966	1.19	0.61	1.40	1.06	0.74	0.99	0.55		1.56	0.82	0.82	0.63	1966
1965	1.16	0.58	1.37	1.01	0.72	1.00	0.50		1.41	0.84	0.79	0.52	1965
1964	1.16	0.55	1.37	0.98	0.69	0.96	0.51		1.38		0.74	0.47	1964
1963	1.14	0.56	1.38	0.93	0.63	0.88	0.49	0.67	1.27	0.82	0.68	0.43	1963
1962	1.12	0.51	1.38	0.89	0.65	0.87	0.48	0.67	1.25	0.83	0.62	0.39	1962
1961	1.14	0.50	1.43	0.88	0.71	0.88	0.49	0.68	1.21	0.86	0.55	0.35	1961
1960	1.14	0.56	1.46	0.83	0.66	0.88	0.49	0.66	1.23	0.87	0.52	0.35	1960
1959	1.20	0.48	1.42	0.84	0.66	0.89	0.49	0.62	1.30	0.89	0.54	0.33	1959
1958	1.17	0.47	1.46	0.84	0.70	0.93	0.47	0.59	1.25	0.85	0.50	0.35	1958
1957	1.17	0.50	1.43	0.81	0.69	0.86	0.48	0.56	1.23	0.89	0.53	0.34	1957
1956	1.22	0.48	1.46	0.86	0.71	0.86	0.51	0.60	1.26	0.85	0.59	0.37	1956
1955	1.29	0.50	1.53	0.85	0.72	0.91	0.51	0.58	1.29	0.89	0.60	0.41	1955
1954	1.32	0.45	1.52	0.83	0.72	0.96	0.52	0.62	1.27	0.90	0.63	0.43	1954
1953	1.35	0.47	1.49	0.83	0.73	1.03	0.52	0.62	1.26	0.90	0.69	0.46	1953
1952	1.42	0.48	1.55	0.85	0.78	1.12	0.56	0.64	1.21	0.87	0.77	0.53	1952
1951	1.48	0.50	1.55	0.89	0.79	1.25	0.59	0.65	1.23	0.90	0.66	0.38	1951
1950	1.52	0.59	1.61	0.92	0.83	1.67	0.64	0.71	1.21	0.90	0.70	0.42	1950

+) Enframed: above national average in post-war period

1) Finland 1975: 1.99; Sweden 1975: 3.15 (figures calculated from the HIWED data handbook, cf. Flora et al. 1982)

SOURCE: FLORA (1981)

Table A 3: The composition of cabinets in Western Europe 1949-1977

Country	CENTRE-RIGHT Single	CENTRE-RIGHT Coalition	CENTRE-LEFT coalitions	LEFT-CENTRE Coalition	LEFT-CENTRE Single
AU	'66-69		'49-65		'70-77
BE	'50-53	'59-60 '66-68 '74-77	'49 '61-65 '69-72 '73; '77	'54-58	
DE	'74	'51-53 '68-71		'57-64	'49-50 '54-56 '65-67 '72-73 '75-77
FI	'59-61	'50 '57-58 '62-65 '75	'51-53 '54-55 '70-71 '76	'56 '66-69 '72-74 '77	'49
FR	'52-55 '59-77		'49-50 '51 '56-57 '58		
GE		'49-66	'67-69	'70-77	
IR	'51-54 '57-72		'49-50 '55-56 '73-77		
IT	'53 '57-58 '76-77	'51-52 '75	'54-56 '62-63 '72-73	'64-69 '70-71 '74	
NE		'59-64 '67-72	'49-56 '65-66	'57-58 '73-77	
NO		'66-70 '73		'74-77	'49-65 '71-72
SW		'77		'52-57	'49-51 '58-76
SZ		'54-59	'49-53 '60-77		
UK	'52-64 '71-73				'49-51 '65-70 '74-77

Source: HIWED data handbook (Flora et al. 1982)

Table A 4: Public deficits in Western Europe, 1970-1978

a) Public debt at current prices (in billions of national currencies)

Year	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK
1978	285.2	1742	97.6	13.0	337.7	365.5	5.25	141137	116.5	104.2	170.6	46.8	100.6
1977	239.4	1511	71.6	(11.8)	270.4	325.2	4.25	105769	103.3	84.8	135.3	47.8	88.1
1976	198.5	1315	50.7	10.5	244.7	292.3	3.66	93573	95.6	64.2	115.4	46.7	81.8
1975	157.2	1150	33.4		218.5	253.1	2.79	72870	85.0	52.4	106.4	41.0	71.5
1974	109.0	1014	26.9	5.1	160.5	188.8	2.00	56923	75.7	44.3	91.8	35.7	64.6
1973	93.3	935	26.1		146.3	165.3		33459	70.5	36.8	79.9	31.1	59.3
1972	83.8	880	25.8	6.2	140.0	154.2	1.1	26768	69.3	33.1	71.8	28.1	54.2
1971	73.8	761	24.7			137.4	1.2	21340	84.9	28.5	63.0	27.2	48.1
1970	72.8	719	21.9	(7.3)	132.5	123.4	1.1	18273	78.3	25.5	57.2	25.3	43.7

b) Public debt at constant (1975) prices

Year	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK
1978	249.9	1449	75.3	9.7	257.5	328.1	3.53	88057	95.7	83.4	125.3	43.9	69.8
1977	219.6	1310	60.5	(9.5)	225.8	303.5	3.15	75262	89.2	72.8	109.1	46.4	67.6
1976	190.6	1223	46.7	9.3	222.7	283.1	3.05	79287	87.8	59.7	103.3	45.5	71.5
1975	157.2	1150	33.4		218.5	253.1	2.79	72870	85.0	52.4	106.4	41.0	71.5
1974	118.9	1142	30.3	5.9	182.0	201.5	2.44	66892	84.2	48.1	105.3	38.2	81.9
1973	111.7	1181	33.0		184.4	188.6		46578	85.7	44.6	99.6	35.6	86.6
1972	107.2	1188	35.8	10.0	190.2	186.5		41592	91.3	43.8	95.9	34.8	84.7
1971	101.2	1092	37.4			175.4	1.86	35231	122.4	39.6	90.2	37.0	81.4
1970	105.4	1088	35.8	(13.7)	202.1	169.7		32336	122.5	37.8	88.1	37.6	80.8

c) Debt ratios (public debt as % of GDP)

Year	AU	BE	DE	FI	FR	GE	IR	IT	NE	NO	SW	SZ	UK
1978	34.1	58.4	31.1	9.3	15.8	28.3	83.7	63.5	41.4	49.1	41.7	30.9	61.5
1977	30.3	54.4	25.3	(9.2)	14.4	27.1	79.3	55.6	39.5	44.3	36.8	32.8	61.7
1976	27.4	51.1	19.9	9.1	14.6	26.0	81.2	59.7	39.8	37.6	34.0	32.9	66.0
1975	23.9	50.6	15.3		15.0	24.5	75.8	58.1	40.6	35.2	35.6	29.3	78.1
1974	17.8	49.3	13.8	5.8	12.6	19.1	67.9	51.4	39.8	34.1	36.1	25.3	78.1
1973	17.4	53.3	14.9		13.1	18.0		37.3	41.9	32.9	35.6	23.9	81.5
1972	17.6	56.9	17.0	10.8	14.3	18.7		35.6	47.2	33.6	35.6	24.0	85.8
1971	17.6	55.1	18.8			18.2		31.1	65.5	32.0	34.1	26.4	84.2
1970	19.4	57.0	18.4	(16.3)	16.9	18.2	63.3	29.1	68.3	31.9	33.7	27.9	85.9

Source: Bundesministerium der Finanzen; Statistisches Bundesamt (for Ireland prior to 1974 and for Finland); Finnish data for 1970 and 1977 are partial estimates. Figures at constant prices and debt ratios based on GDP data in OECD (1981).

Figure A 1: Increase of social expenditure ratio and of public debt, 1970-1977