Welfare States and Democratic Citizenship

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need to know how it's supposed to work. Tell me what design you have in
mind.' Hurwicz rightly did not find my reply - 'democratic planning' -
specific enough, and his intelligent scepticism gave me pause.
More decisive was what happened one day in London, in 1981, when I
read David Schweickart's proof of the infeasibility of a democratic plan-
ing design sketched by Michael Albert and Robin Hahnel. From that day
forth, I reluctantly settled for a socialist market, at least for the time being.
The proof appeared at pages 217-18 of Schweickart's fine book, Capitalism
or Worker Control? (New York: Praeger, 1980). He was commenting on
pages 257-80 of Albert and Hahnel's Unorthodox Marxism (Boston: South
End Press, 1979). I should add that Schweickart's Against Capitalism
(Cambridge: Cambridge University Press, 1993) is a rewritten and ex-
\mended version of his 1980 book).

28 A merit good is a good 'the consumption of which is regarded as social-
\ly desirable irrespective of consumers' preference' (Graham Bannock,
R.E. Baxter and Evan Davis, Dictionary of Economics [Harmondsworth:

29 In the rest of this section, and in section V, I reproduce material from
Chapter 11 ('The Future of a Disillusion') of my Self-Ownership, Freedom,


31 See his 'Rights and Duties in an Egalitarian Society,' Political Theory, 14
(1986), Parts III and IV.

32 See page 68 above.

33 See my 'Future of a Disillusion,' section 8, for elaboration of that complex
claim.

34 As the first two indeed were by Bernard Mandeville, whose market-
praising Fable of the Bees is subtitled: Private Vices, Publick Benefits. Many
contemporary celebrants of the market play down the truth in the first
part of that subtitle.

35 It is not, as it is in the Carenian economy, only superficially market
exchange: see page 70 above.

36 See page 67 above.

37 For more on this, see pages 253-7 of my 'Future of a Disillusion.'

38 For more on this, see my 'Back to Socialist Basics,' New Left Review 207
(Sept./Oct. 1994), and reprinted in Jane Franklin, ed., Equality (London:
IPPR, 1997).


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DIETRICH RUESCHEMEYER

The Question: Democratic Citizenship and Equality

Democratic citizenship – autonomous and active membership in the
political community – is inherently a matter of equality, of equality in
the political realm. How are different approximations to political equality
related to inequality in other spheres of life? Are these interrelations
enhanced or undercut by collective systems of social provision? These
are the main questions addressed in this essay.

Democratic welfare states revise the liberal conception of the good
society: the triad of free markets, limited states, and universalist law.
They enlarge the responsibility of the state and limit, but do not elimi-
nate the role of the market. The goals of welfare states include guaran-
teed provisions for the elementary needs of education and health care,
protection against the financial hazards of illness and disability, unem-
ployment, and old age, and – in the more comprehensive cases – in-
come redistribution and a compression of material inequality. One
influential monograph formulates the tension between welfare states
and a free market economy in its title: Politics against Markets (Esping-
Andersen 1985).

Public policy shapes and contains markets to some extent in all
modern states. The model of classic liberalism – of free market, limited
state, and impersonal law – was, as Polanyi (1944) has taught us, just
that: a model. It was a program that defied thorough and stable imple-
mentation.

The more comprehensive welfare states limit market forces more
strongly than other advanced capitalist societies, especially in regard to
the labour market. They create large areas of productive activity (and
stable employment) that are not subjected to the success criterion of profit on the invested capital but rather are judged by broader, politically defined criteria of usefulness. In the technical, Marx-derived terminology these are known as areas of 'decommodification.'

My central claim is that social welfare policies are of critical importance for enabling and invigorating democratic citizenship and that the more comprehensive welfare states give the strongest support to broad-based and autonomous participation in the democratic process. After developing this argument I will consider liberal and neo-liberal claims to the contrary. I close with some reflections on the future prospects of welfare states.

Democracy Requires a Measure of Social Equality

Democracy is a matter of power. It is an approximation of equality in the political sphere of collective decision making, however imperfect in reality.

A certain balance of power in society is a necessary precondition for democracy. In particular, democracy comes about and gains in quality if previously weak groups and classes gain in power (Rueschemeyer, Stephens, and Stephens 1992). Even though state-society relations – the primary concern of liberal democratic theory – and international power relations played their part too, this empirically grounded proposition establishes the central importance of social inequality for the emergence and reproduction of democracy.

Individual engagement in democratic citizenship is also – like democracy at the level of society – a matter of power. As a form of political power, it rests on social power. At the same time, it is conditioned and influenced by inequalities in economic resources and social status.

Democracy relies on the active participation of citizens and atrophies without such participation (Tocqueville 1835-40/1966, Rueschemeyer 1998). The forceful participation of subordinate classes is of special importance for the quality of democracy (Huber, Rueschemeyer, and Stephens 1997).

Welfare states do not create democracy. History knows of authoritarian welfare states as well. But democratic welfare policies strengthen democratic citizenship by giving material and organizational support to subordinate interests and by reducing differences in social status and social power. The neo-liberal claim that the security of comprehensive welfare provisions takes the spur of need out of popular political participation is not borne out by the facts (Huber, Rueschemeyer, and Stephens 1997; Rueschemeyer, Rueschemeyer, and Wittrock 1998).

Welfare State Policies Support Democratic Citizenship, Its Incidence and Quality

Material and Social-Structural Supports for Participation

Poverty inhibits participation. Georg Simmel (1958) saw the inability to participate meaningfully in social life as the mark of poverty beyond the physical survival level. The more comprehensive welfare states virtually eliminate this kind of poverty.

Democratic participation presupposes the expectation that one can make a difference. That explains the class differences in participation found in most societies. It also explains why active and successful social welfare policies stimulate more political participation than is found in political systems that are less responsive to popular interests, less 'substantively democratic.' Democratic participation is more even across class differences in the more comprehensive welfare states because of this 'it-does-matter' effect. This conclusion is supported by the fact that subordinate class organizations are more strongly developed in these countries (Huber, Rueschemeyer, and Stephens 1997).

Participation in and of itself is not sufficient for democratic citizenship. Many authoritarian political systems encourage or even mandate people’s participation in centrally controlled associations. In order to advance the cause of democracy, social and political participation has to express divergent interests with a high degree of autonomy. This is of particular importance for those interests that do not command substantial power resources other than those of collective organization – that is, the groups and strata that possess little or no power grounded in wealth, religion, high status, or the cultural heritage. If these groups and strata are economically, socially, and/or culturally dominated by others, they are likely to replicate dominant interests in their forms of social participation.

The more comprehensive democratic welfare states enhance the autonomy of subordinate class interests since greater social security reduces economic and social dependencies. The stronger development of subordinate class organizations associated with more comprehensive welfare state development, since their mobilization typically made those
policies possible in the first place, similarly enhances the autonomy of subordinate interests.

The Scandinavian welfare states have absorbed some of the caring work done previously in families. This has freed women for more civic engagement and political participation. The greater representation of women in Scandinavian parliaments is likely to have one of its roots in this effect of welfare state policy.⁵

Reducing Differences in Social Status and Social Power

Reducing large differences in social status is as important for democratic citizenship as offering material security. Social status is more than one’s place in a rank order of ‘prestige,’ occupational or otherwise; it represents one’s position in social life that shapes respect and self-respect and gives or denies ‘voice,’ the chance to gain a hearing and influence others. Once this aspect of status is recognized, it is obvious how important social status is for democratic citizenship.

The factors relevant here include the historical background of status orders, facilitating or hindering egalitarian participation,⁶ the status implications of material security and equalization, egalitarian education, evenhanded administration of law, and administrative practices open to the demands and initiatives of popular organizations. I will not elaborate this further.

Social power, finally, must be added to material well-being and status. Social power is contained indirectly by reducing material inequality, by egalitarian systems of education, and by evenhanded judicial and administrative practices. It is limited most directly by social regulations affecting property rights. These regulations are of special importance because they shape social relations in the workplace, softening the profoundly undemocratic character of that central place in most people’s lives. They can, and often do, also limit the impact of private power concentrations based on capital.

Social welfare policies, then — this is my claim — encourage and nurture democratic citizenship. They do much more than offering some support for the worst off, as is suggested by the American meaning of ‘welfare.’ Rather, they nurture democratic citizenship much more broadly, by reducing inequalities (1) in wealth and income, (2) in status and prestige, and (3) in power and influence. The more comprehensive welfare states do so most effectively.

There is evidence to support the claim that this matters. Edward Broadbent has convincingly argued that the welfare states of the North Atlantic community have stabilized democratic regimes after the Second World War (Broadbent 1998). The development of civic participation in the more comprehensive welfare states of northwestern Europe has in recent decades fared better than social and political participation in the United States. At the same time, the Scandinavian societies seem to display in their civil societies, when compared for instance to Germany, the advantages of a more egalitarian status order as well as of a state more open to the demands and initiatives of civil society. Yet all the northwestern European welfare states protect their democratic systems better than the United States against the direct impact of material inequality, which removes much political decision making from democratic determination and stunts participatory citizenship (Rueschemeyer, Rueschemeyer, and Wittrock 1998).

Liberal Objections

I. Why is the Triad of Market, Universalistic Law, and Limited State Not Enough?

The liberal program in its strong form saw an egalitarian and liberating promise in a market economy protected by universal law but untrammeled by state ‘intervention.’

Limiting state action, differentiating the economy from the political sphere, and protecting the steady pursuit of individual interests in the market were the core elements of a larger project of reshaping society: to liberate it from the burden of aristocratic rule and to create large spaces for individual liberty.

Liberal ideas are constitutive of the living constitutions of virtually all modern societies. Yet, the economic claims for free market economies as well as the broader liberal political project are problematic, especially in their strong form. Both the continued relevance of liberal ideas and the critical responses to the shortcomings of the liberal project are embodied in the modern welfare states.

To begin with the broader political project, the fundamental problem of the liberal position is that it commingles arguments about protecting individual liberty and arguments about protecting unequal privilege. The classic liberal claim that equality is incompatible with freedom is one expression of this. (It is a claim that has validity only under special conditions and fails to hold where approximations towards equality are
achieved through democratic politics.) Focusing on the state as the main threat to individual freedom overlooks that the individual freedom of people in subordinate positions — and equally or more their participation in democratic rule — is threatened by social and economic dependencies within society, while a more active role of the state can serve as an effective and needed counterbalance to such dependencies.

Markets are indeed great coordination mechanisms, indispensable in any complex economy. They make the best use of widely dispersed economic intelligence and join in the same process signals about relative scarcity, incentives for efficient responses to changing scarcities, and the allocation of economic resources to the most efficient actors.

Many of the darker aspects of market exchange when it functions as the main or only mechanism of steering the economy are well known and need not detain us here at length. Such a market exchange may ignore

- needs and wants that are not backed up by income;
- the fact that income and wealth are co-determined by historical factors unrelated to economic efficiency, not to mention other reasonable criteria of distribution;
- ‘externalities’ — social costs (and sometimes benefits) that do not enter the price/cost calculus of self-interested economic actors; and
- the self-destructive tendencies of competitive markets — based in part on economies of scale, in part on the desire of powerful economic actors to be free of competition — that favour monopolistic and quasi-monopolistic tendencies and thus create large concentrations of private power.

There are, however, a number of other problematic aspects of market exchange that are less often acknowledged. A pervasive rule of the market principle of self-interest, which it presupposes, leaves little room for people, convictions, and patterns of behaviour that do not fit well with the market. Yet these seem to be a part of most people’s conception of a good society — in the arts, in caring occupations. This has broader implications: social solidarities, such as family and community, as well as moral orientations that any society needs are likely to be undermined by a full-blown hegemony of the market principle. This was one of the founding insights of the continental European ‘ordo liberalism’ in the 1940s and 1950s, which drove the German policies of a ‘social market economy’ after 1949.

It is worthwhile to note that unions and other associations representing shared interests, which are an indispensable underpinning of a functioning democracy, are at odds with strong versions of the free market principle. Unions used to be prohibited as unlawful ‘combinations.’ A noted neo-liberal theorist recently condemned strong coalitions of interests as a major cause of economic stagnation (Olson 1982). And it is no accident that neo-liberal politicians such as Vaclav Klaus and Margaret Thatcher have been explicitly hostile towards intermediary groups and associations.

If competitive market exchange dominates a political economy, it not only makes certain collective goods — such as a strong solidarity in a society — unattainable; if pervasive and taken for granted, market functioning even undercuts the legitimacy of striving and working for these collective goods. Where neo-liberal economic ideas predominate, market exchange is conceived as setting the standard for all collective goals. In its strongest form, the neo-liberal creed denies any legitimate goals beside those that are confirmed by the market.

By contrast, it is possible to conceive of the functioning of the market as a means, an instrument that serves purposes set outside itself. The market in this view is subordinate to collective purposes, open to democratic determination. This instrumental conception of markets underlies — implicitly or explicitly — any argumentation for more or less comprehensive social welfare policies.

Modern democratic welfare states embrace important core principles of liberalism, but they do so with a realistic appreciation of the inequalities in economy and society and their consequences for individual freedom. The legal protection of the participatory rights of expression and association is common to all democracies. And while individual liberties are at some risk of corporate as well as public bureaucratic intrusions, they, too, enjoy vigorous protective efforts across a variety of free market and welfare state regimes. The more developed welfare states differ from other political economies in how the relationship between public policy and the market is structured. The market is appreciated in an instrumental way, but it is subordinated to public policy, limited in its impact on people’s lives, and transformed in significant outcomes. These differences hold both in public conception and in economic and political reality, though their full realization remains a matter of the balance power in society, as well as of favourable or unfavourable conditions in the historical background and in the international environment of a country.
II. The Welfare State Tends to Become an Illiberal Imposition on Its Clients

Welfare states, and especially the more comprehensive welfare states, have—so it is claimed—inherent illiberal tendencies. Whether they grew out of a pacification calculus of dominant classes, the initiatives of partially autonomous state elites, or the demands of subordinate classes, they tend towards paternalist impositions and insist on subordinating individual interests to collective solidarities. They thus infringe on the autonomy of democratic citizenship. They may do so in a different, more benevolently intended way than a political authoritarianism that just seeks to keep a regime in power, but the reduction of autonomy is real nevertheless.

This is a serious charge, and it is a claim that plays a certain role in current discussions in Scandinavia and Germany. It is in my opinion based on real problems but mistaken in its causal analysis. At the same time, the current discussions themselves may be taken as a significant part of self-correcting tendencies.

Some of these problems are no doubt due to increased specialization of services and the difficulties of bureaucratic (or for that matter market) forms of coordination. Bureaucracy, that paragon of administrative efficiency, is also known for its bent towards conveniencing the organization and its administrators at the expense of the clientele. Much like market exchange, however, it is an unavoidable ingredient of any modern society. But bureaucratic rigidities and one-sided orientations are not invariant features of bureaucratic administration. Among the factors that may make a difference are precisely civic engagement and social participation.

Paternalist policies were often developed when the educational level of a good part of the clientele made them more reasonable. This was also a time when differences in the status order were far steeper than they are now. Inscribed into administrative practice and professional cultures, they persisted later, even though the material and intellectual resources, the mentality of the different strata, and the status order as a whole have changed profoundly. As a result, they not only are less appropriate even by the old standards, but clash now with demands for self-determination and recognition of idiosyncrasies that are the result of increased levels of material well-being and sophistication as well as a decline in invidious status distinctions.

A good deal of the arguments about inherent authoritarian tendencies in welfare states appear, then, at least potentially as consequences of the material, cultural, and status improvements that social welfare policies brought about. Many of the problems at stake seem to derive from a lack of synchronization between policies and administrative practices and different groups’ changing resources, demands, and self-interpretations. I see no strong reason to doubt that over time processes of self-correction can straighten many of these problems out.

There is, however, a sense in which the liberal critique is on target, though not all will agree that it is right. Welfare state regimes do presuppose

- that problems and interests are structured socially rather than being simply due to individual choice and behaviour,
- that they can be represented collectively,
- that they can be analysed and responded to as social problems, and
- that adequate responses require social solidarity.

In other words, comprehensive welfare states are indeed premised on a certain subordination of individual to collective interests. This less individualist conception of the good society should in principle be acceptable even to moderate liberals, provided that no serious questions of repression and neglect are involved. Yet there are problems that emerge from such subordination even in a more socially oriented conception of good societies. I comment on two.

The various collective definitions of problems as well as of solidarity obligations are social constructions that involve leadership and organizational fixation as well as responses by the rank and file. These understandings and norms are likely to change over time. In this process, quite serious disjunctures may develop between the understandings and moral assumptions of different groups – of political leaders, administrators, professionals, well-off citizens, and the more needy clients of the welfare state. This first problem is really a broader version of the interpretation I offered above for the sense of imposition articulated in recent critiques.

A second problem is potentially more serious. It derives from the imperfect nature of collective representation of interests, which in a different context we identified as the ‘inherent ambiguity of collective action’ (Rueschemeyer, Stephens, and Stephens 1992). Robert Michels (1949) has pointed to a pervasive tendency in collective organizations towards a self-perpetuating oligarchy at their core. This acquires far greater importance than mere consolidation of power and perquisites
for the few once we realize that collective interests are not simply given but are constructed in the process of organization and are then subject to disproportionate influence by ‘the oligarchy.’ In the extreme, the oligarchic leadership not only becomes autonomous vis-à-vis the rank and file but is able to collude with other elites at the expense of the followers.

Both Michels’ ‘iron law of oligarchy’ and the possibility of elite collusion at the expense of the rank and file are, however, tendencies subject to varying albeit only incompletely understood conditions. It is a good theoretical guess that the conditions that favour broad-based autonomous civic engagement will counterbalance both tendencies in significant ways.

Our discussion, then, suggests two propositions of considerable weight. First, welfare states are under continuous pressure to change partly because of their own success (for instance in raising the level of education). Second, and even more important, the democratic citizenship supported by egalitarian social welfare policies at the same time reduces the chance that welfare states will pursue policies that violate individual liberty and dignity.

Current and Future Problems: Do Comprehensive Welfare States Undercut Their Own Viability?

Welfare states are today facing a number of profound challenges. This is not only because ‘politics against markets’ is an endless struggle, even in the most comprehensive welfare states. Some analysts have in fact diagnosed a worldwide crisis of welfare states. I will leave aside two major issues, the financial problems of welfare states that derive from an aging population and the effects of economic globalization. Instead, I will comment on issues that may have been created by the welfare state policies themselves.

There is no question that welfare state policies are a major cause of social change. The claim of this article that democratic welfare states deepen democracy and strongly support democratic citizenship is one such major change. Massive interventions in the life of societies are, however, very likely to have multiple consequences, not all of them desirable and some perhaps counterproductive of the social policy goals. What are some candidates for such counterproductive outcomes due to ‘perverse incentives,’ and how do we evaluate them?

First is the question whether social security in the broad sense of the word undercuts the commitment to work and to work efficiently. The most radical neo-liberal answer is a simple and resounding yes: social security undercuts efficiency to the point where welfare states simply become unviable. A more moderate claim holds that labour commitment will be whittled away in the long run.

Several considerations cast doubt on these hypotheses:

- The commitment of people to work is deeply grounded – in personality, social reciprocity, and institutional arrangements.
- Labour commitment was not destroyed even in the East European state socialist countries that went much further than any democratic welfare state in removing employment from market forces. Immediately after the fall of Communism, work turned out to be more often a central life concern of interview respondents in East Germany than in West Germany (Mau 1996, 62–4). The dramatic and growing inefficiencies of the East European economies seem to have had quite different causes, among them the radical non-use of the market.
- The history of the northwestern European welfare states, of Sweden, Norway, Denmark, the Netherlands, Austria, and Germany, does not accord well with the decline-of-work-commitment hypothesis either. Surely their success in international markets and their economic growth rates over long periods of time indicate that welfare states are quite able to hold their own economically.
- Finally, the history of these welfare states makes it clear that they have often been able to deal with more specific undesirable consequences of social policies, such as particularly high rates of absenteeism in special sectors of employment, by adjusting and restructuring policy measures.

This last observation entails again the important principle, already formulated, that precisely because social policy interventions have multiple and often unforeseen consequences, welfare states have to continually reproduce themselves, even partially reinvent themselves in order to stay viable. A major challenge for the future may well be to join policies designed to strengthen individual empowerment as well as responsibility with measures that maintain a high level of social security.

A second instance of claimed ‘perverse incentives’ are the changes in the family structure, in particular the rise in single parenthood, which
creates new and financially significant welfare problems. This claim is well advertised politically but it, too, raises considerable doubts:

- Some of these claims give too much weight to limited financial ‘incentives.’ Neither the decision not to marry, nor the decision to get divorced, nor the decision to have a child while unmarried is likely to be influenced by money grants that lie well below the poverty level.
- More generous welfare supports for women do indeed set women free to live singly or in single-parent households. But so does the rise in individual incomes in much less generous welfare states. The difference lies in a different class distribution of this new-won freedom of women.
- Finally, here, too, there are differences across countries. Some of the northwestern European welfare states, such as Germany, pursue policies that shield traditional family structures more and offer less socioeconomic empowerment of women than the Scandinavian countries.

A third possible instance of ‘perverse incentives’ are changes in the patterns of civic engagement. There seems to be a shift in the concerns of associations of various kinds, both in the United States and in the Scandinavian countries (Putnam, Rothstein, and Selle in Rueschemeyer, Rueschemeyer, and Wittrock 1998) away from political and social reform and towards more inward oriented activities, from unions and parties to self-help and mutual support groups. Is such a privatization of concerns as expressed in social participation perhaps a consequence of increased levels of well-being and security and, while also found in rich societies with weak social provisions, a result of comprehensive welfare state policies as well? If a threat to more participatory citizenship, does it also put into question the very functioning of systems of social provision, which as we have seen also depends on active civic engagement?

We know as yet too little about such developments. However, one should not extrapolate trends too easily into the future. For one thing, the very need to restructure and even to reinvent welfare state policies may reactivate social concerns and political conflicts and thus remobilize popular participation. Furthermore, there are new concerns that mobilize people in ways different from the old forms. I think here of the recent waves of the women’s movement, of environmental concerns, and so forth.

Finally, if in a rich society a majority is well off, this may well undercut the political chances of gaining a strong coalition for social policies that deal with the problems of the weaker minority. German political discourse labelled this condition the ‘two-thirds society.’ In established welfare states, this condition may become a threat to the successful reproduction and restructuring of social welfare policies. Once large shares of the national product are committed to a set of programs, their beneficiaries come to represent powerful constituencies that may prevent successful restructuring.

While this may become indeed a serious problem, it should not be forgotten that issues of restructuring and proportional reallocation are much harder to solve politically in situations of economic stagnation than in a context of economic growth. Furthermore, growing affluence may do something more than lift a majority out of immediate concerns with social welfare provisions, leaving the rest to fend for themselves. Growing affluence may make people more generous towards the suffering of those less fortunate. There is anecdotal evidence to suggest that that is the case on the individual level, even though it is a well-known fact that people of moderate means give a higher proportion of their income to charities that the affluent. Whether this translates into politics as well, probably depends on a number of conditions that are more favourable in societies that offer strong social security and limit the sense of competitiveness between groups. Greater solidarity across divisions in society may well be enhanced by secure well-being.

Given that the Communist Manifesto recently had its 150th anniversary, one might relate this problem to a grand issue expressed in Karl Marx’s hope that capitalist productivity would in the society of the future surpass human needs and wants and eliminate scarcity. Marx was, of course, not naive enough to assume that there would simply be an upper ceiling to the proliferation of wants. Rather, he theorized about changes in needs and wants as contingent on social conditions. This suggests the question whether comprehensive welfare states are able to contain needs, wants, and consumptive ambitions better than more liberal and individualist political economies. It is at least a question worth examining if it makes a difference for the development of actually pursued wants and desires whether a society is characterized by unequal private affluence and public poverty or by egalitarian private austerity and public wealth. The assumption that an endless and rapid expansion of needs and wants is built into the human condition and thus independent of social and political construction is surely not as self-evident as we often tacitly assume.


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