

POLITICAL SOCIOLOGY

(Michaelmas 2019)

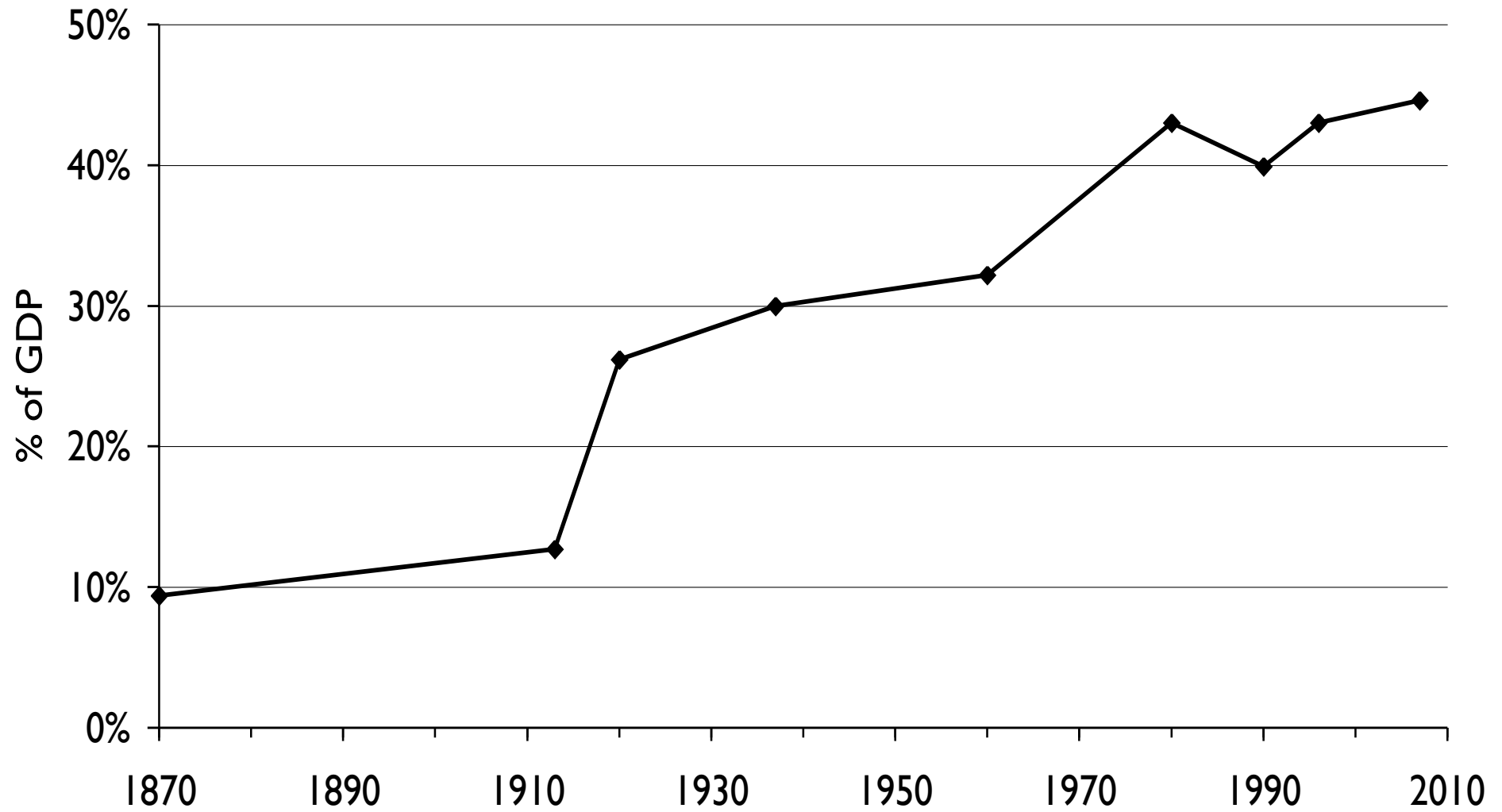
Dr Michael Biggs

Welfare states

<http://users.ox.ac.uk/~sfos0060/PoliticalSociology.shtml>

General Government Expenditure in the UK, 1870-2007

(Tanzi & Schuknecht 2000; OECD)



Introduction

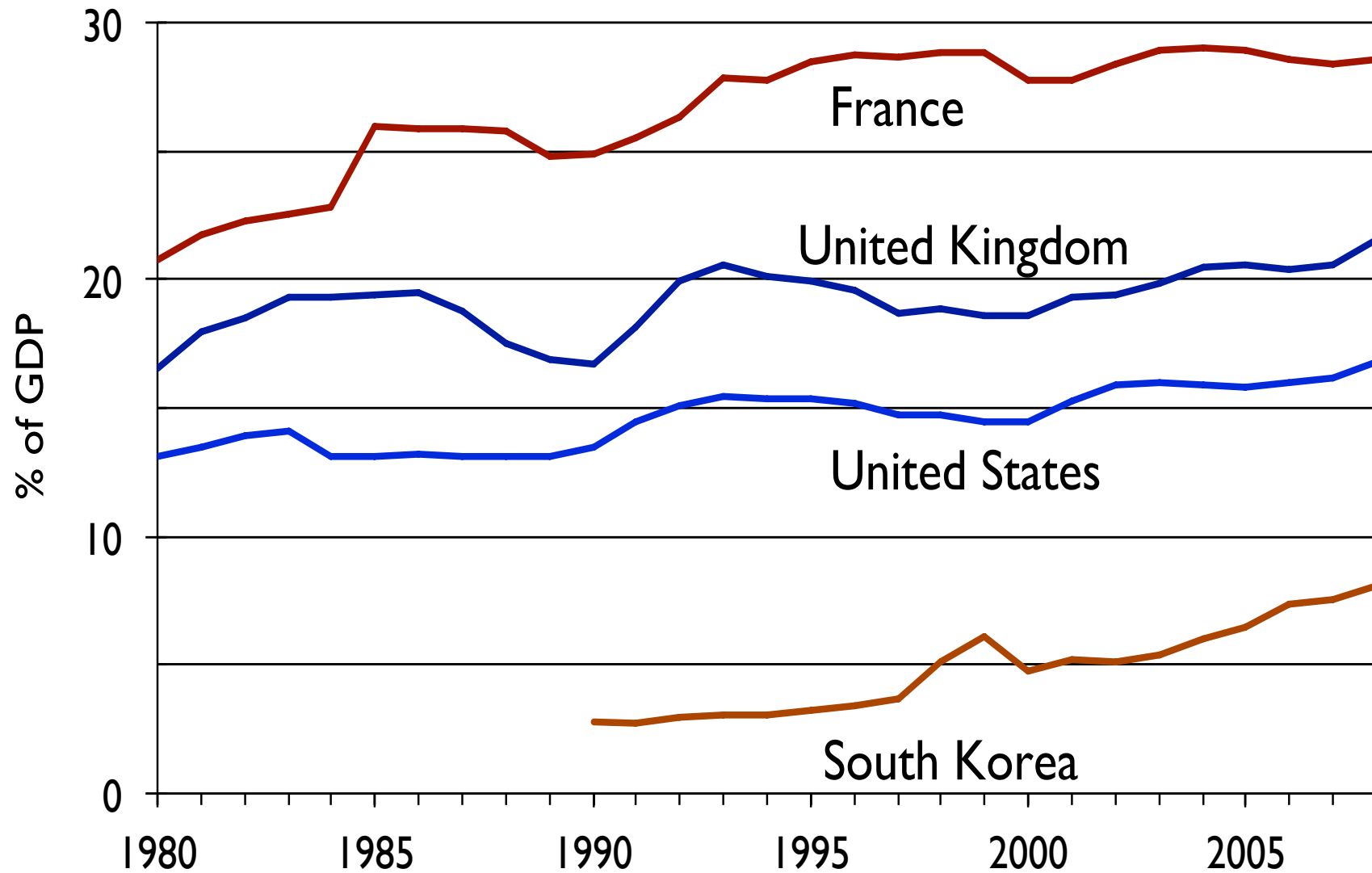
Welfare state:

- insurance and life-cycle smoothing: shift from family to state
- redistribution: income highly unequal => median voter gains from equalization

1. Measuring/classifying
2. Explaining variation at peak, c. 1980
3. Retrenchment since?

Public social spending

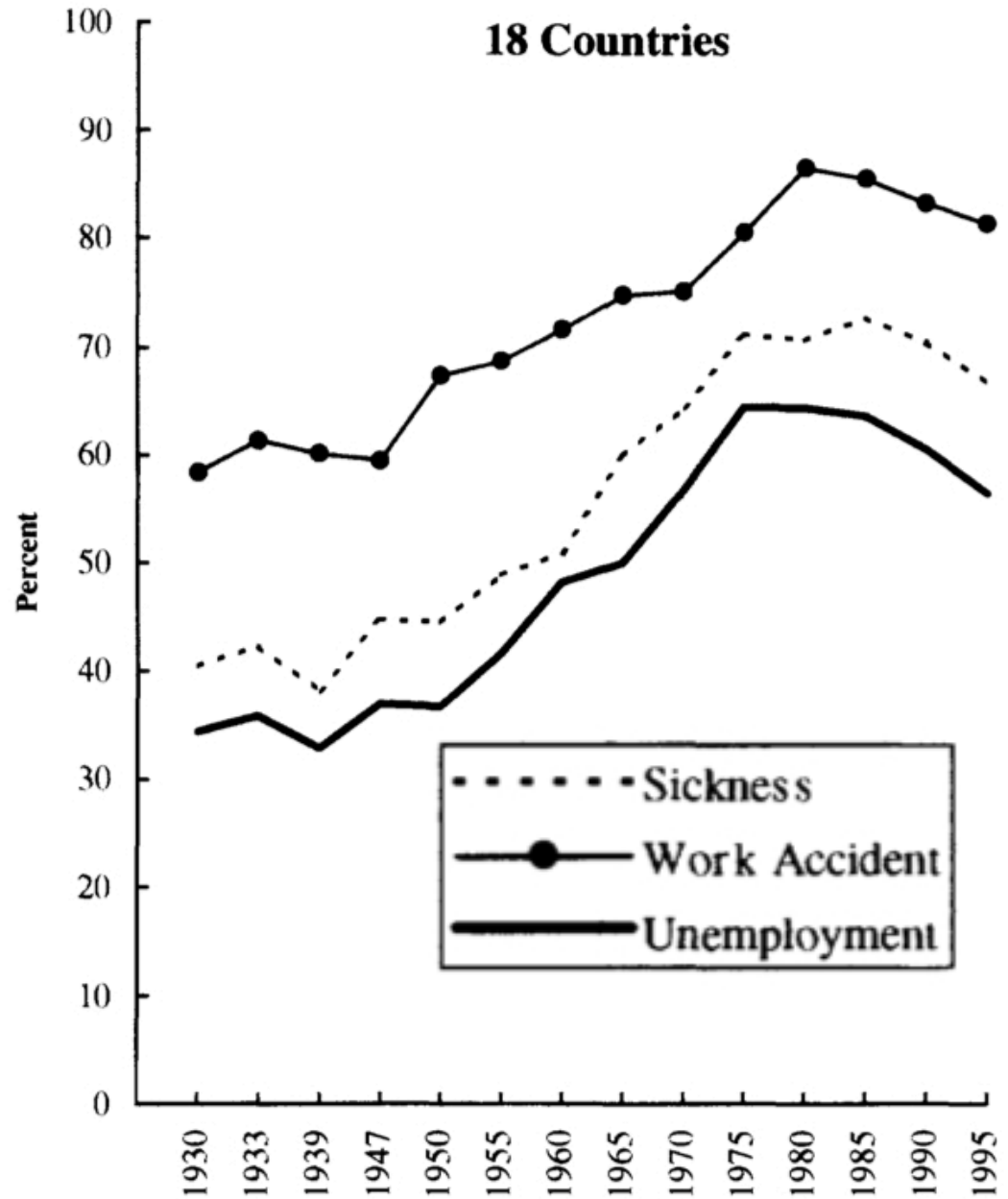
(cash benefits, direct in-kind provision of goods/services, tax breaks with social purposes)



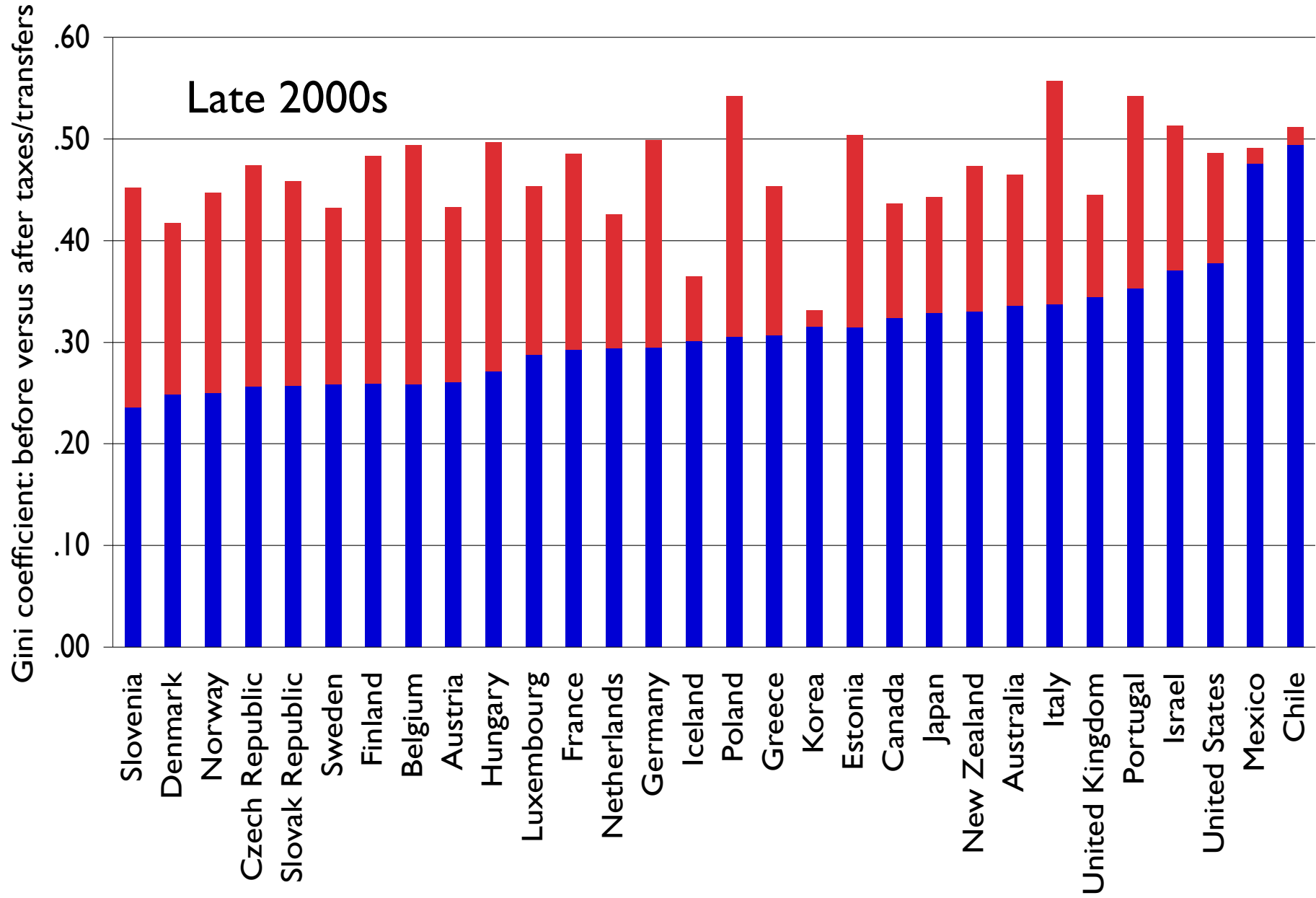
Welfare state generosity
 (Castles 2004) =
 total public social
 expenditure as % of GDP
 /
 (% of pop over 64 +
 % of pop unemployed)

	1980	1998	Change
Australia	0.73	0.89	0.16
Canada	0.78	0.88	0.09
Ireland	0.93	0.83	-0.11
New Zealand	1.61	1.10	-0.51
United Kingdom	0.88	0.98	0.10
United States	0.71	0.85	0.13
<i>Family mean</i>	0.94	0.92	-0.02
Denmark	1.36	1.46	0.10
Finland	1.11	1.02	-0.09
Norway	1.12	1.43	0.31
Sweden	1.57	1.20	-0.37
<i>Family mean</i>	1.29	1.28	-0.01
Austria	1.35	1.36	0.01
Belgium	1.07	0.87	-0.20
France	1.04	1.04	0.00
Germany	1.08	1.05	-0.03
Netherlands	1.54	1.34	-0.20
<i>Family mean</i>	1.21	1.13	-0.08
Greece	0.72	0.81	0.08
Italy	0.89	0.86	-0.03
Portugal	0.61	0.92	0.31
Spain	0.70	0.56	-0.14
<i>Family mean</i>	0.73	0.79	0.06
Switzerland	1.09	1.52	0.43
Japan	0.91	0.72	-0.19
<i>Overall mean</i>	1.04	1.03	-0.01
<i>Coefficient of variation</i>	29.0	25.5	

Replacement rate
(Korpi & Palme 2003) =
average benefit entitlement
/
average wage of production
workers



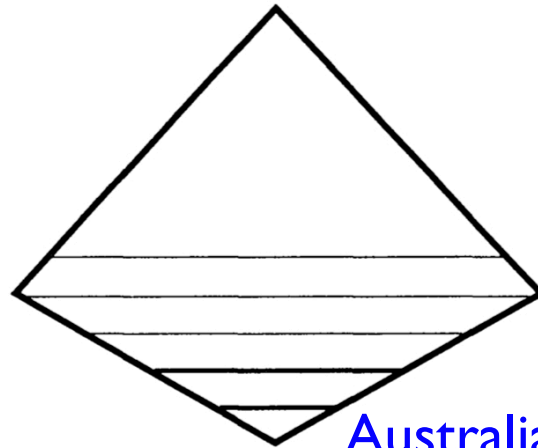
Reducing inequality



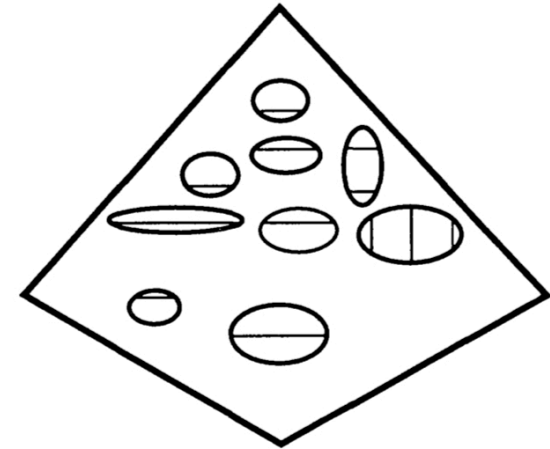
Three types of welfare state? (Esping-Andersen 1990)

- Method fails to replicate (Scruggs & Allan 2008)!
- 1. Liberal (e.g. U.K.) **reducing poverty**
 - Beveridge report, 1942: 'In establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family'
- 2. Corporatist (e.g. France) **maintaining stability**
- 3. Social democratic (e.g. Sweden) **achieving equality**

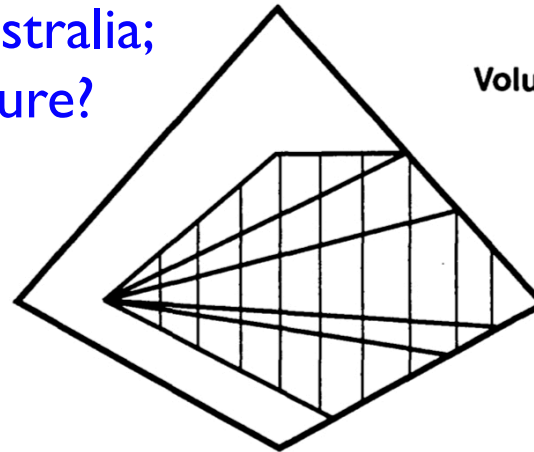
Types of social insurance (Korpi & Palme 1998)



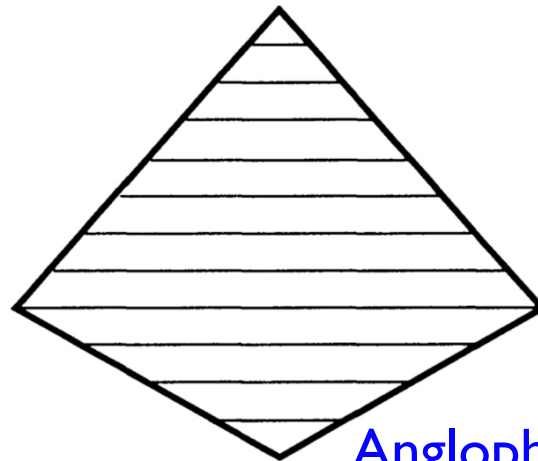
Targeted **Australia;**
future?



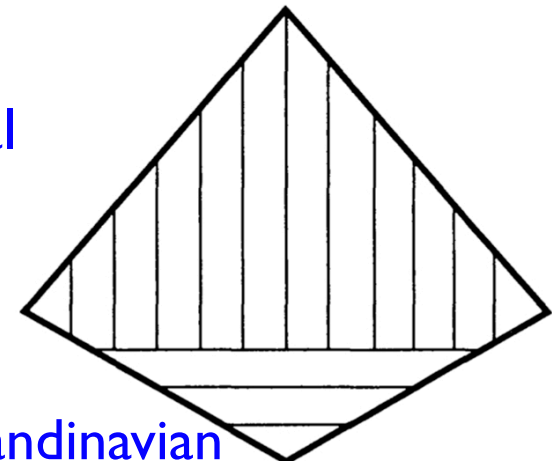
Voluntary State Subsidized



Corporatist
Continental
Europe

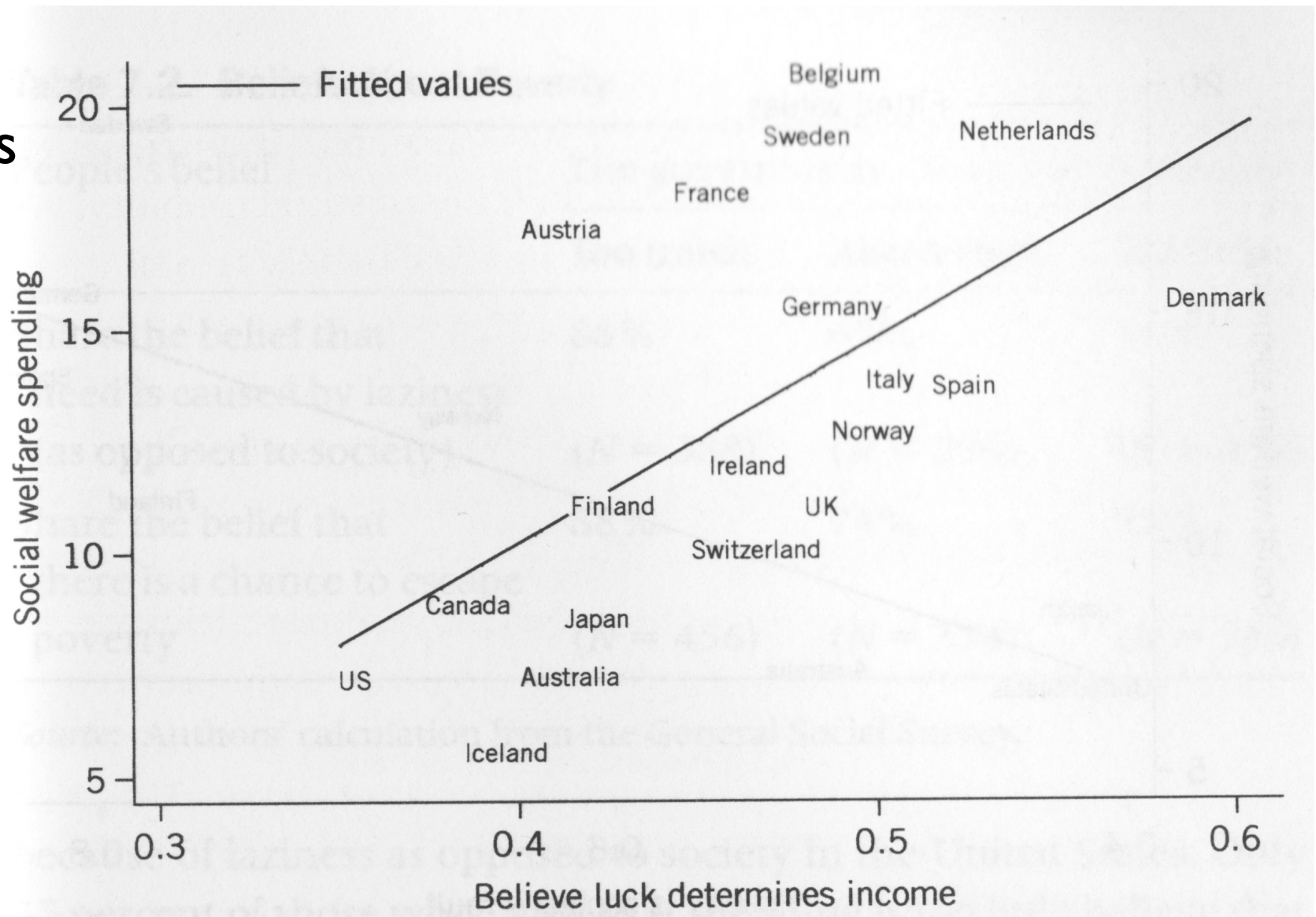


Anglophone
Basic Security



Scandinavian
Encompassing

Beliefs



In the long run, hard work generally brings a better life *versus*
Hard work doesn't generally bring success—it's more a matter of luck and connections

WVS (Alesina & Glaeser 2004; also Fong, Bowles, Gintis 2005)

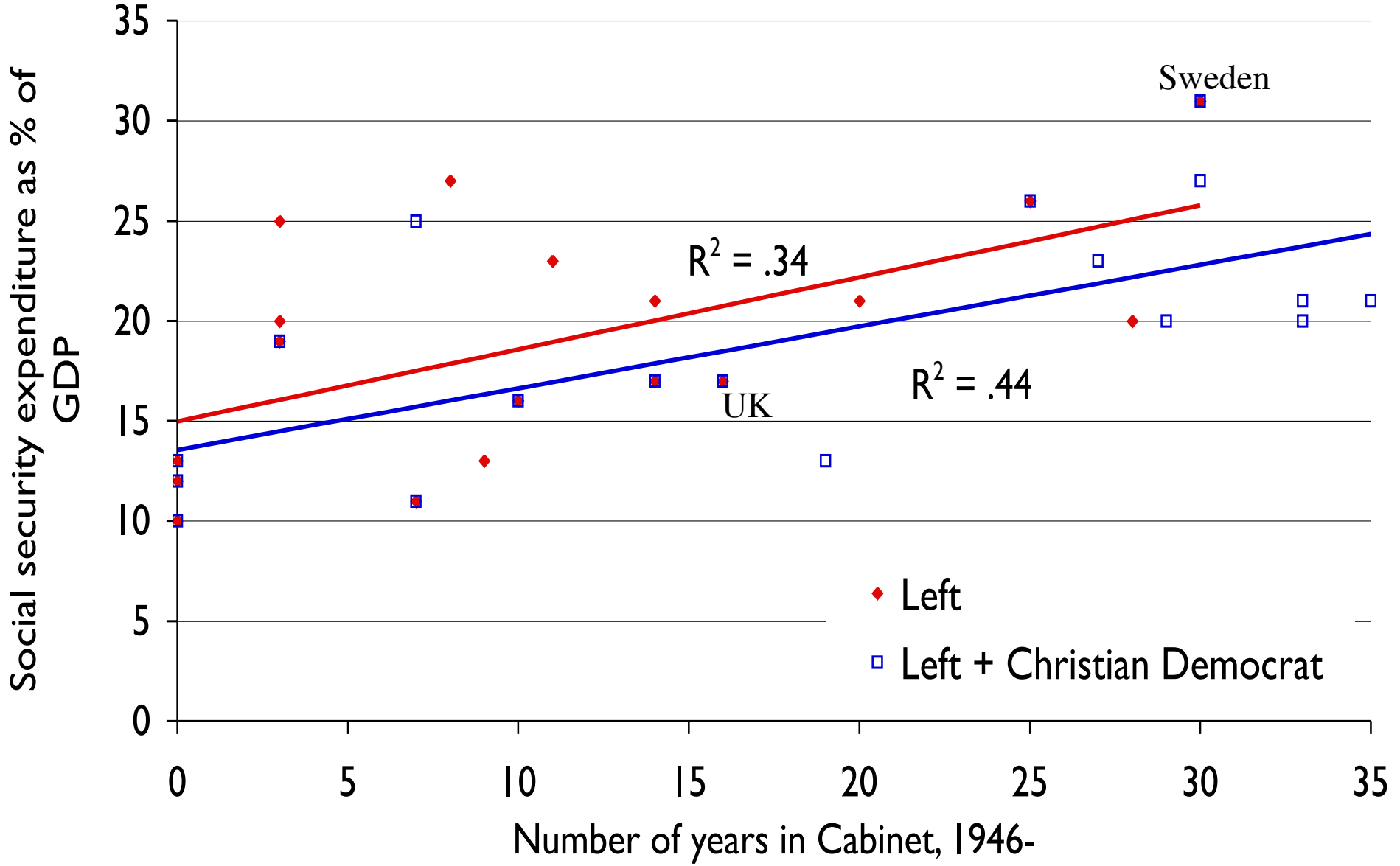
2. Explaining variation

1. Left-wing parties
 - female legislators / voters
2. Political institutions
 - political input—representativeness
 - state capacity—veto points
3. Social homogeneity
4. Insecurity
5. Endogenous: type of welfare state

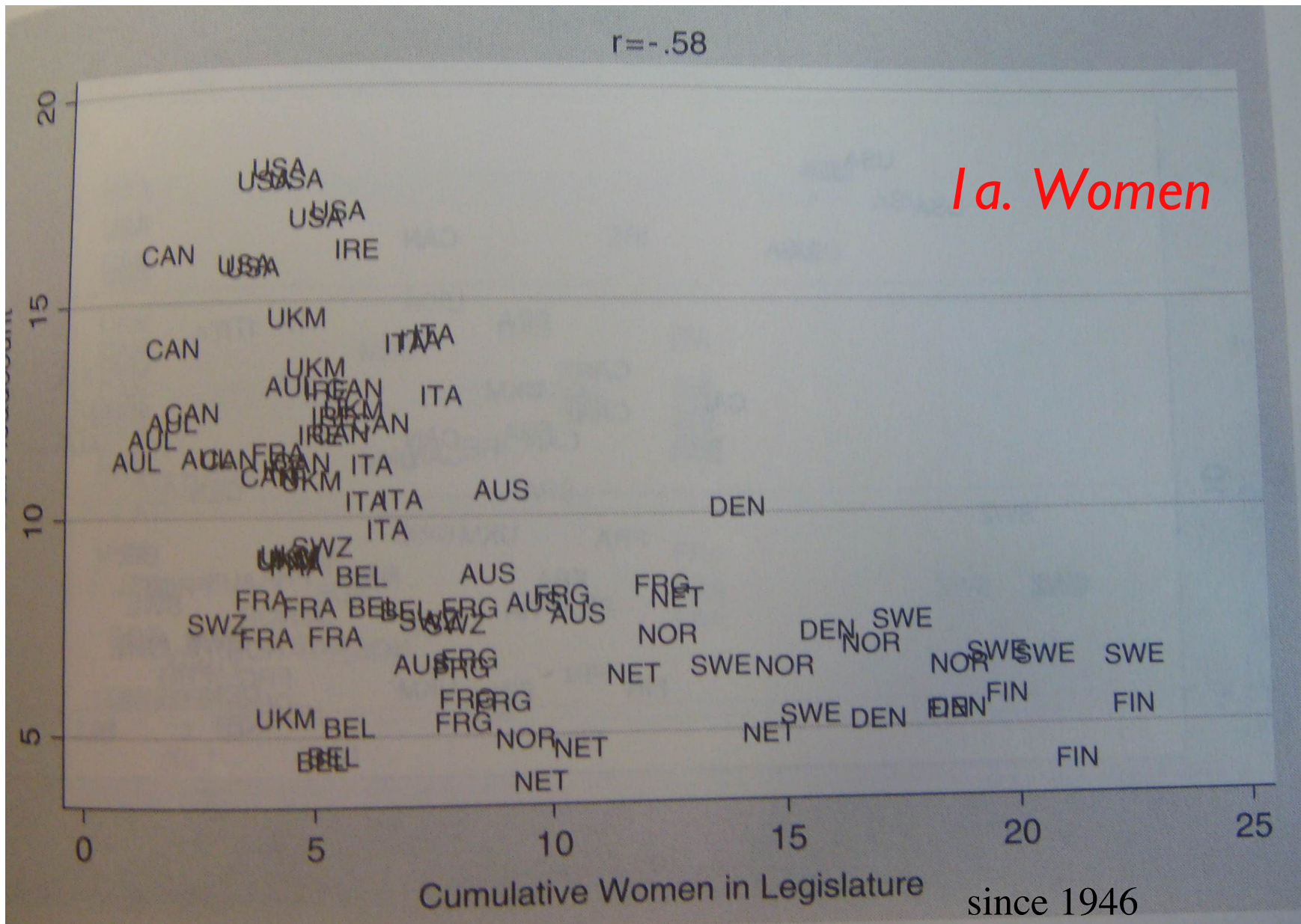
Cross-national time-series analysis ...

1. Left

Party politics and welfare spending, c. 1980
(Huber & Stephens 2001, table 4.1)



Proportion of people
with <50% median income



Affluent Western countries, 1969-2002 (Brady 2009, p. 111)

In USA, enfranchisement of women increased public expenditure and reduced child mortality (Miller 2008)

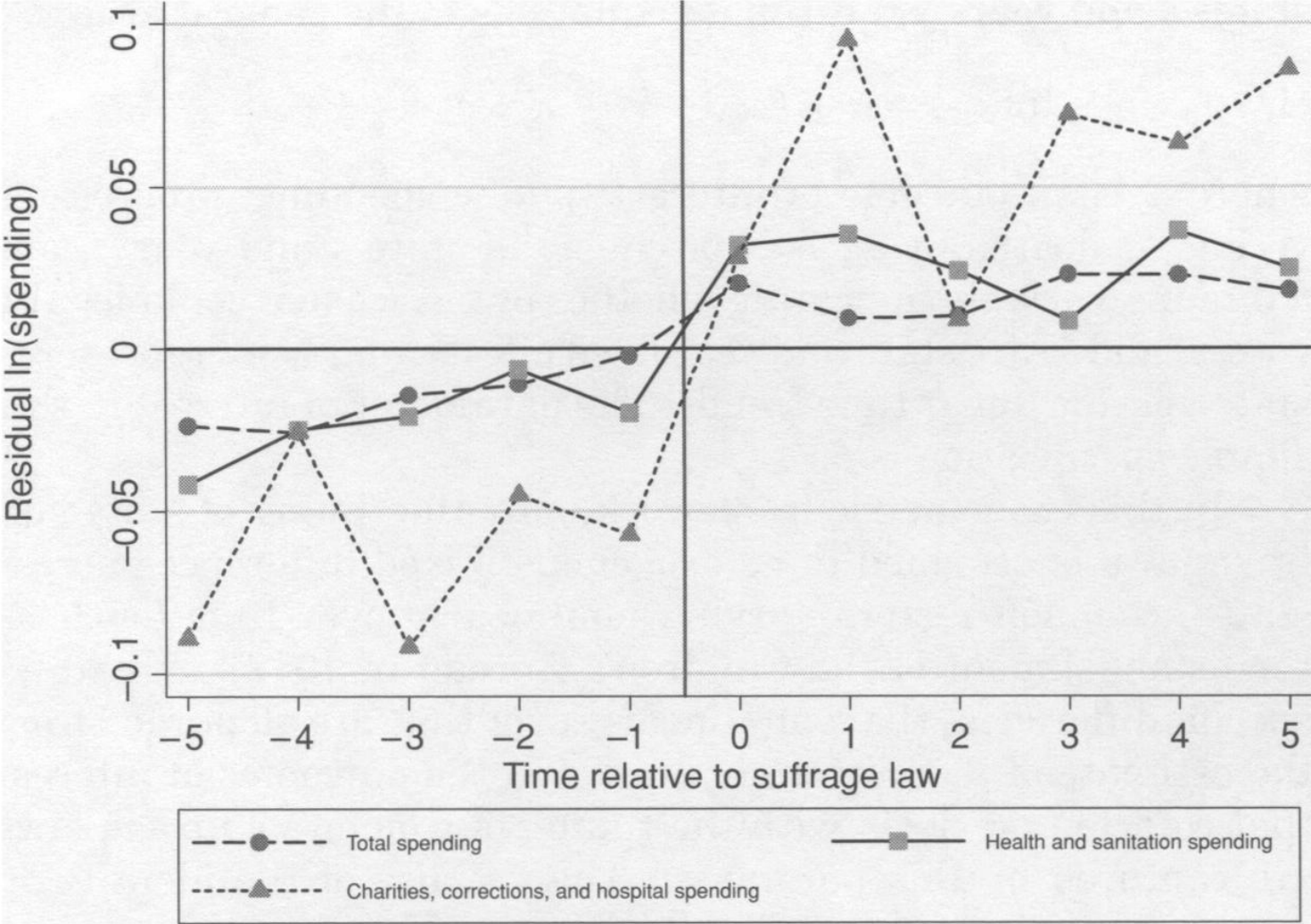
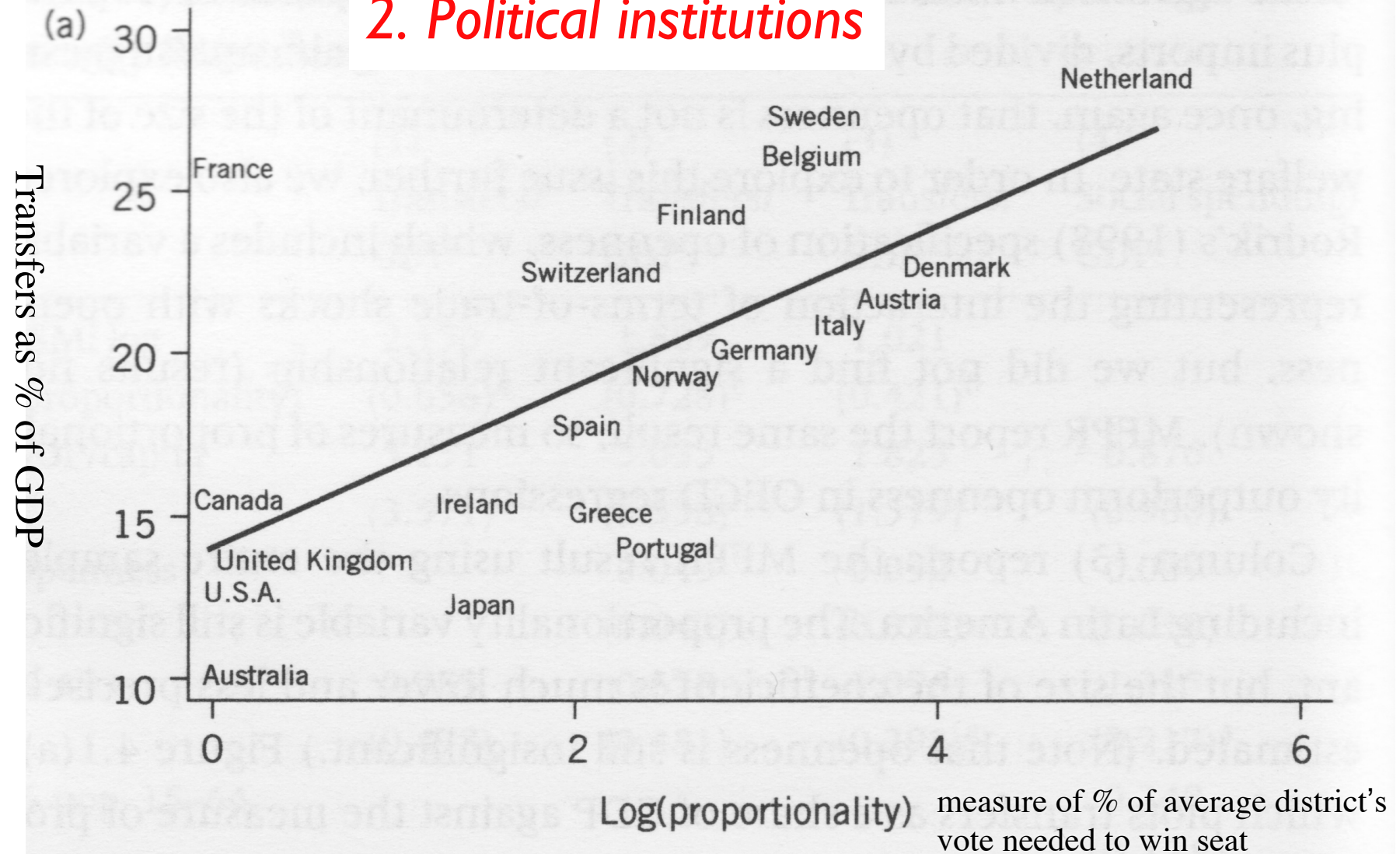


FIGURE II
Municipal Public Spending and Women's Suffrage Law Timing

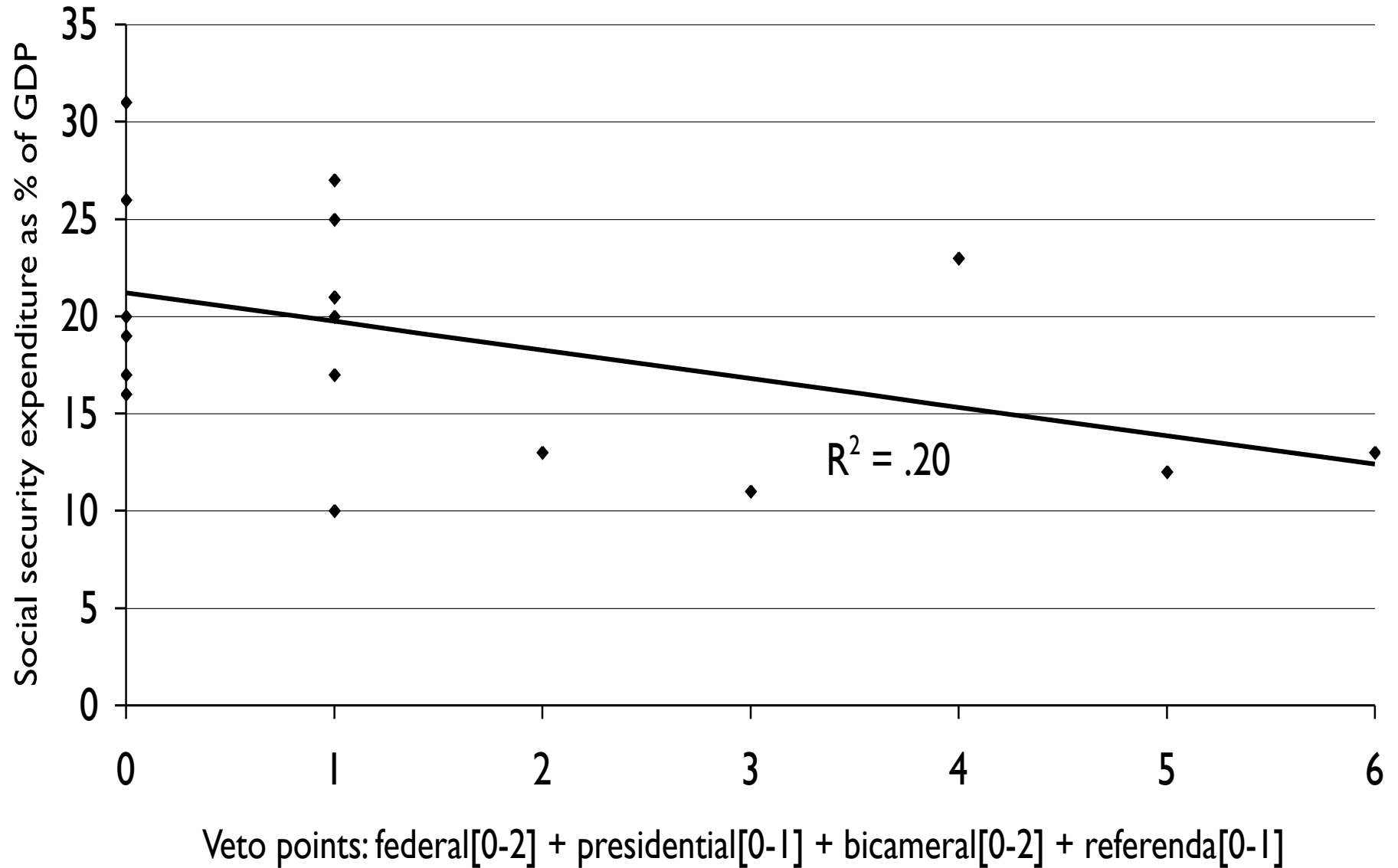
2. Political institutions



(Alesina & Glaeser 2004, p. 86)

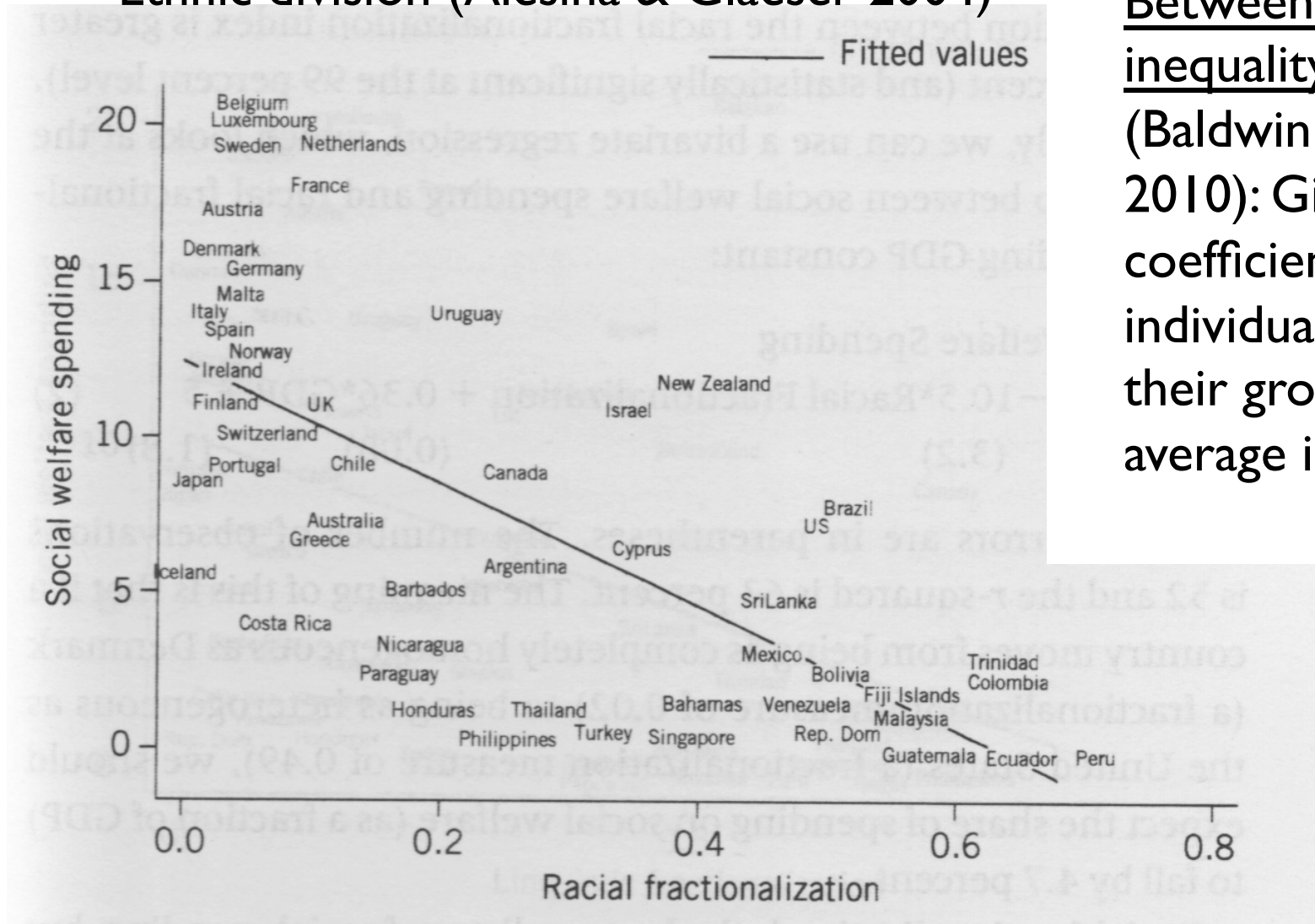
- estimate this accounts for half the difference between USA and Europe

Political structure and welfare spending, c. 1980
(Huber & Stephens 2001, table 4.1)



3. Homogeneity

Ethnic division (Alesina & Glaeser 2004)

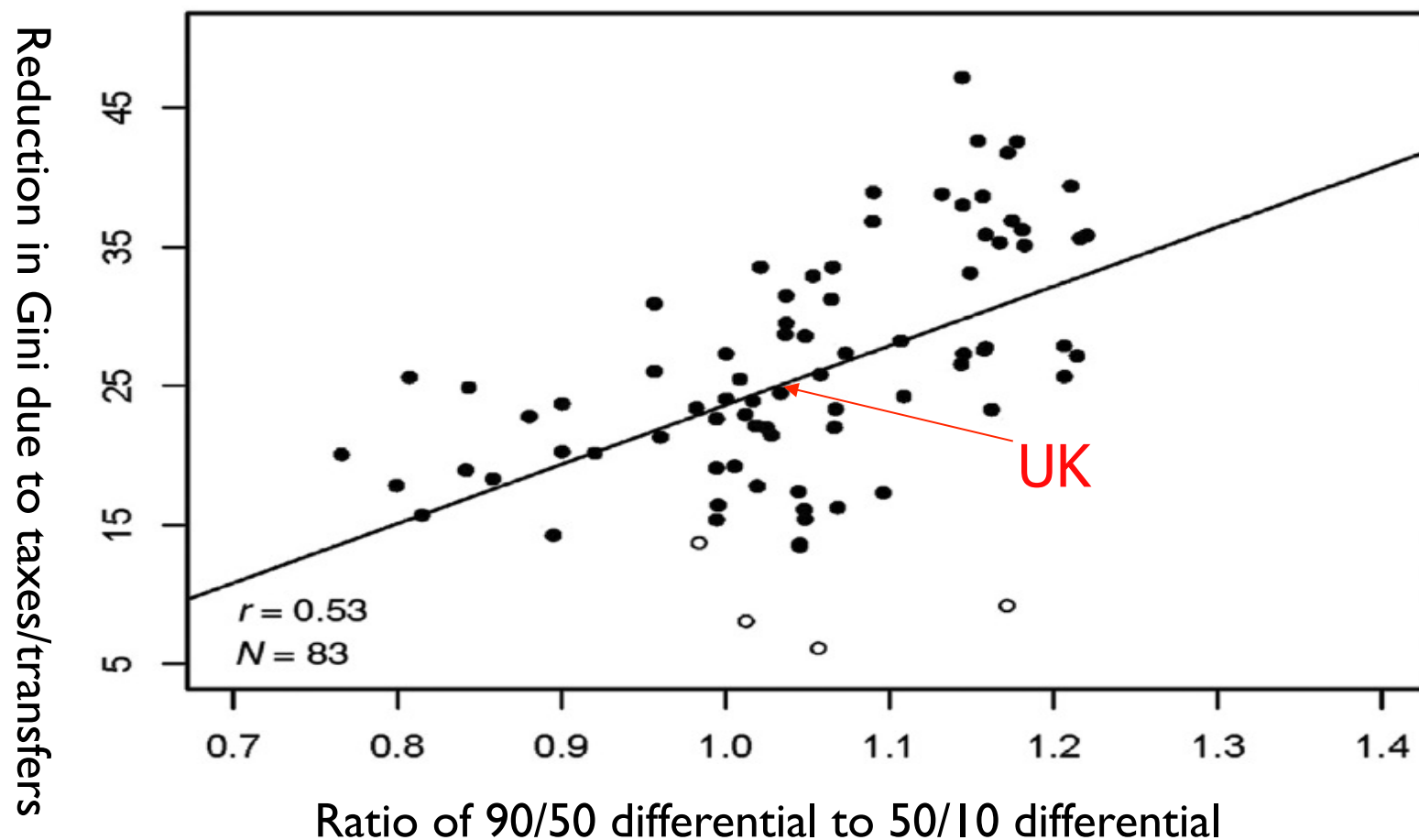


Between group inequality
(Baldwin & Huber 2010): Gini coefficient with individuals given their group's average income

Probability that two randomly chosen people will be from different groups

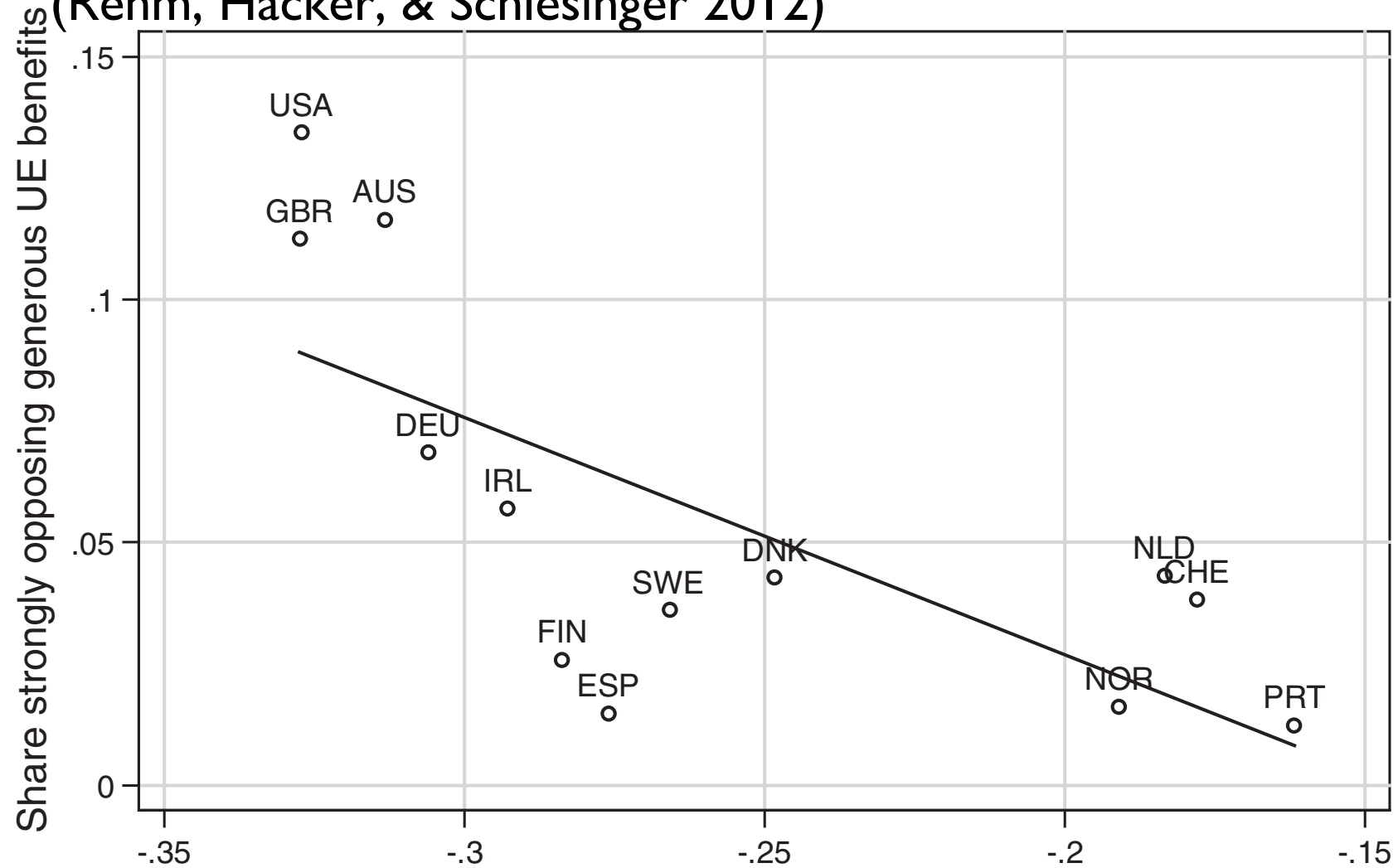
Structure of income distribution (Lupu & Pontusson 2011)

- compressed *upper* half => middle-earners feel closer to *rich*
=> *oppose* redistribution
- compressed *lower* half => middle-earners feel closer to *poor*
=> *support* redistribution



4. Insecurity

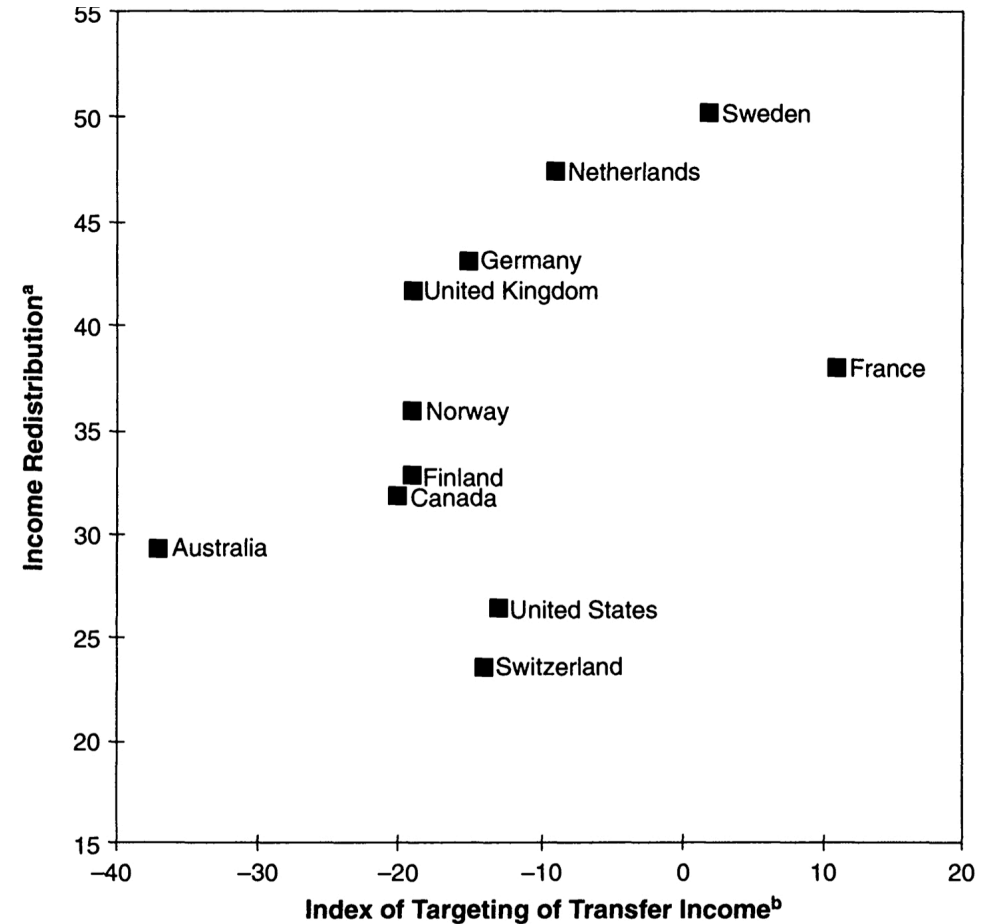
Correlated insecurity and disadvantage weakens support
(Rehm, Hacker, & Schlesinger 2012)



Correlation of market income & unemployment risk across occupations

5. Type of welfare state

reduction in
Gini by taxes/
transfers



Paradox of redistribution (Korpi & Palme 1998):

‘The more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the **less** likely we are to reduce poverty and inequality’

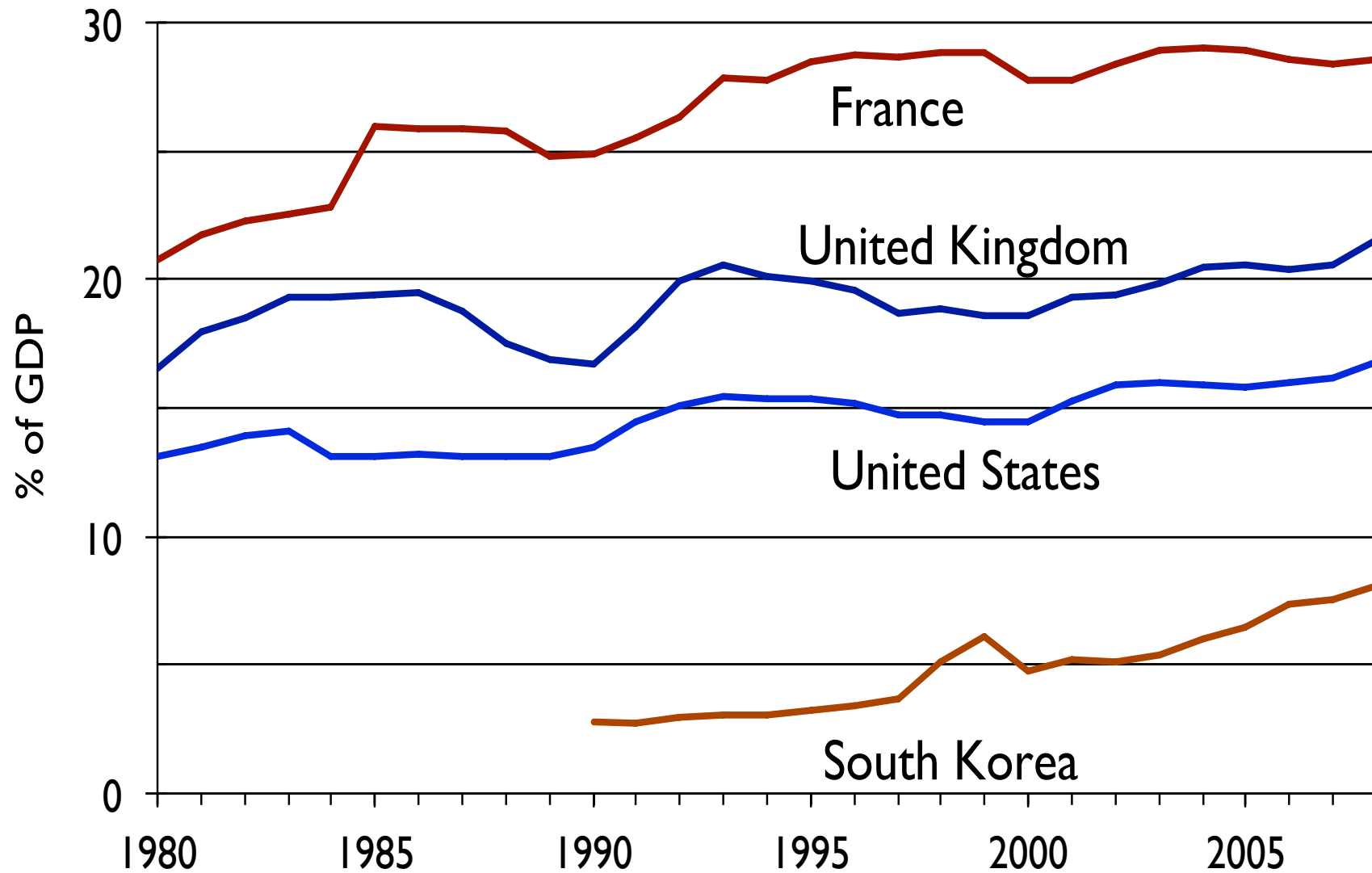
- private provision

3. Retrenchment?

- Crisis trope is enduring:
 - fiscal crisis of 1970s, unemployment—OECD, *Welfare States in Crisis* (1981)
 - ageing
 - fiscal crisis of 2000s

Public social spending

(cash benefits, direct in-kind provision of goods/services, tax breaks with social purposes)

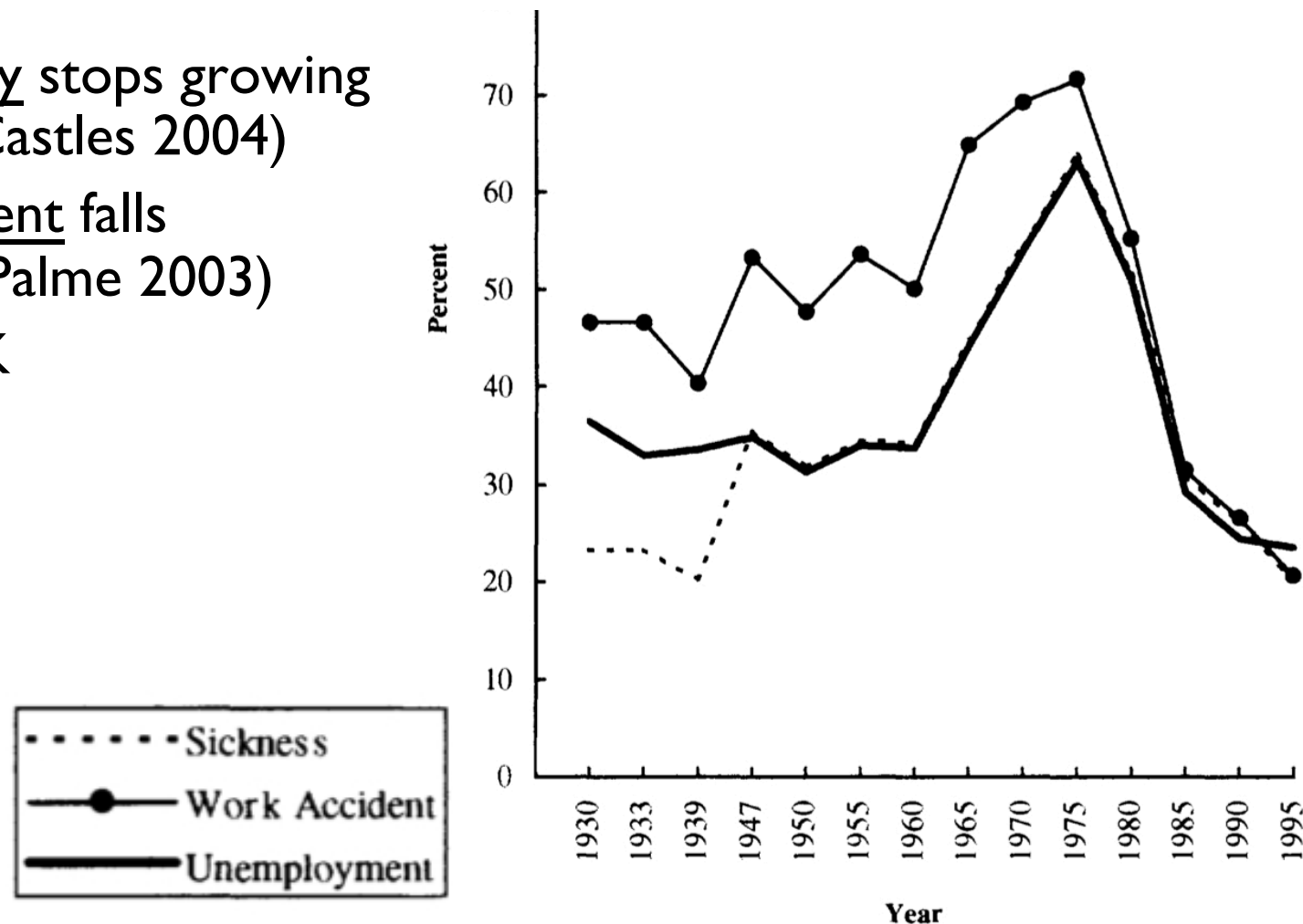


As % of GDP, public spending continues to increase!

- Welfare retrenchment means cutting tangible benefits from large constituencies, in return for diffuse and long-term payoffs (Pierson 1994)

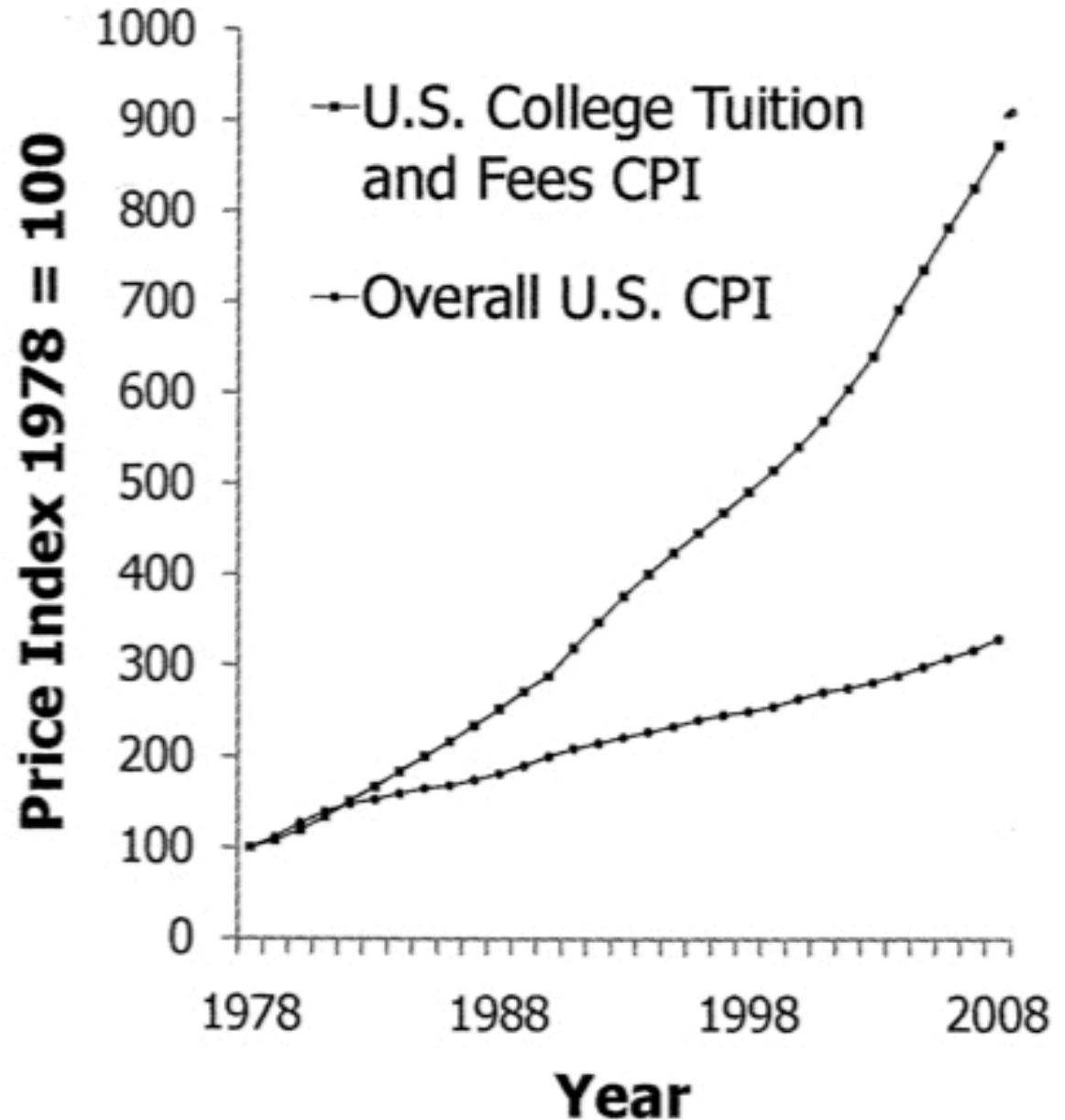
BUT

- Generosity stops growing c. 1980 (Castles 2004)
- Replacement falls (Korpi & Palme 2003)
 - esp UK

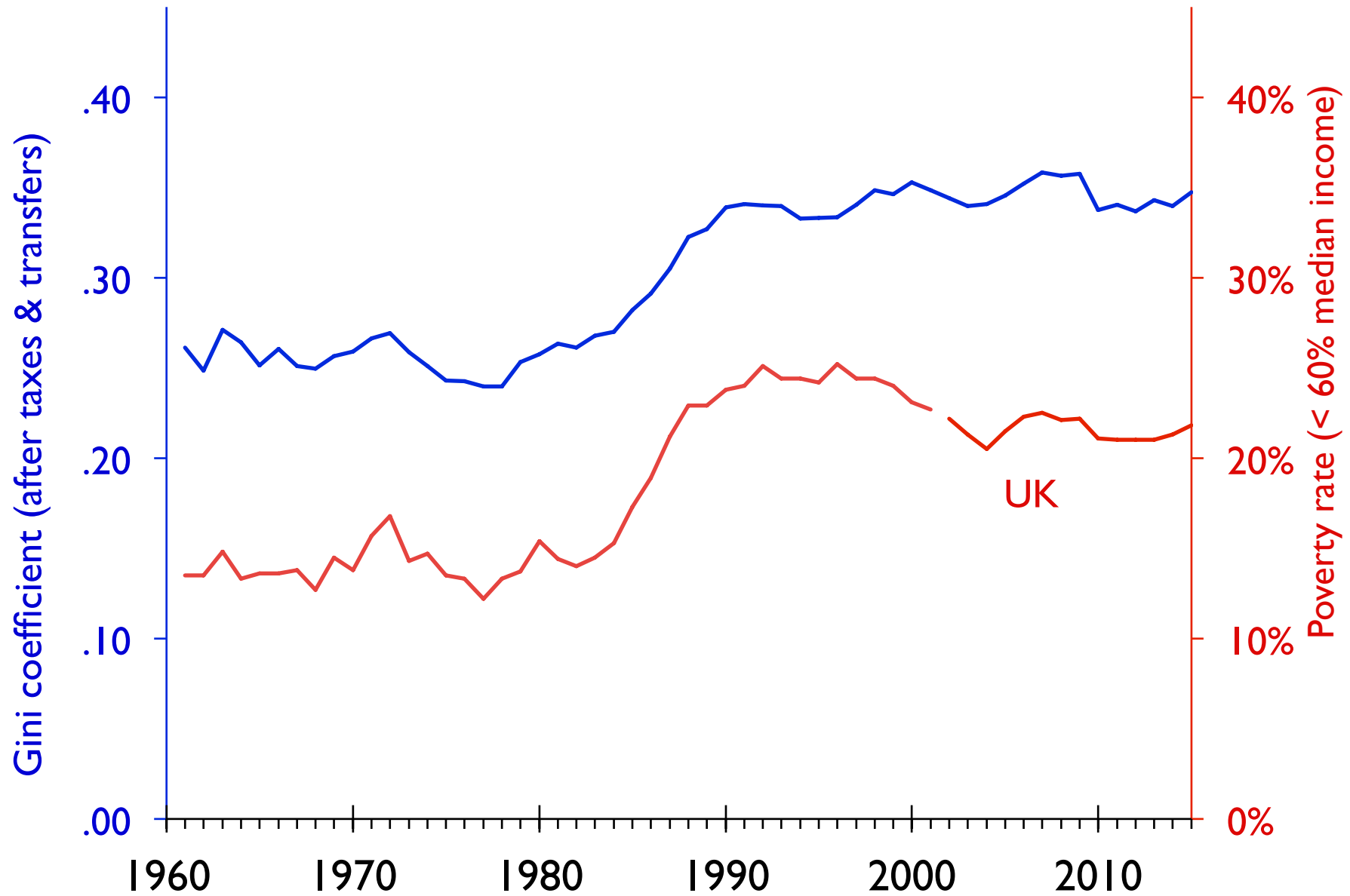


Baumol's cost "disease"

- productivity grows rapidly in some sectors (e.g. vehicles), slowly in others (education, health)
- output in stagnant sectors becomes *relatively* more costly over time
- government spending **should increase** as % of GDP



Inequality in GB (Institute of Fiscal Studies)



Income of top 0.05% – 0.5% in UK (Atkinson 2007)

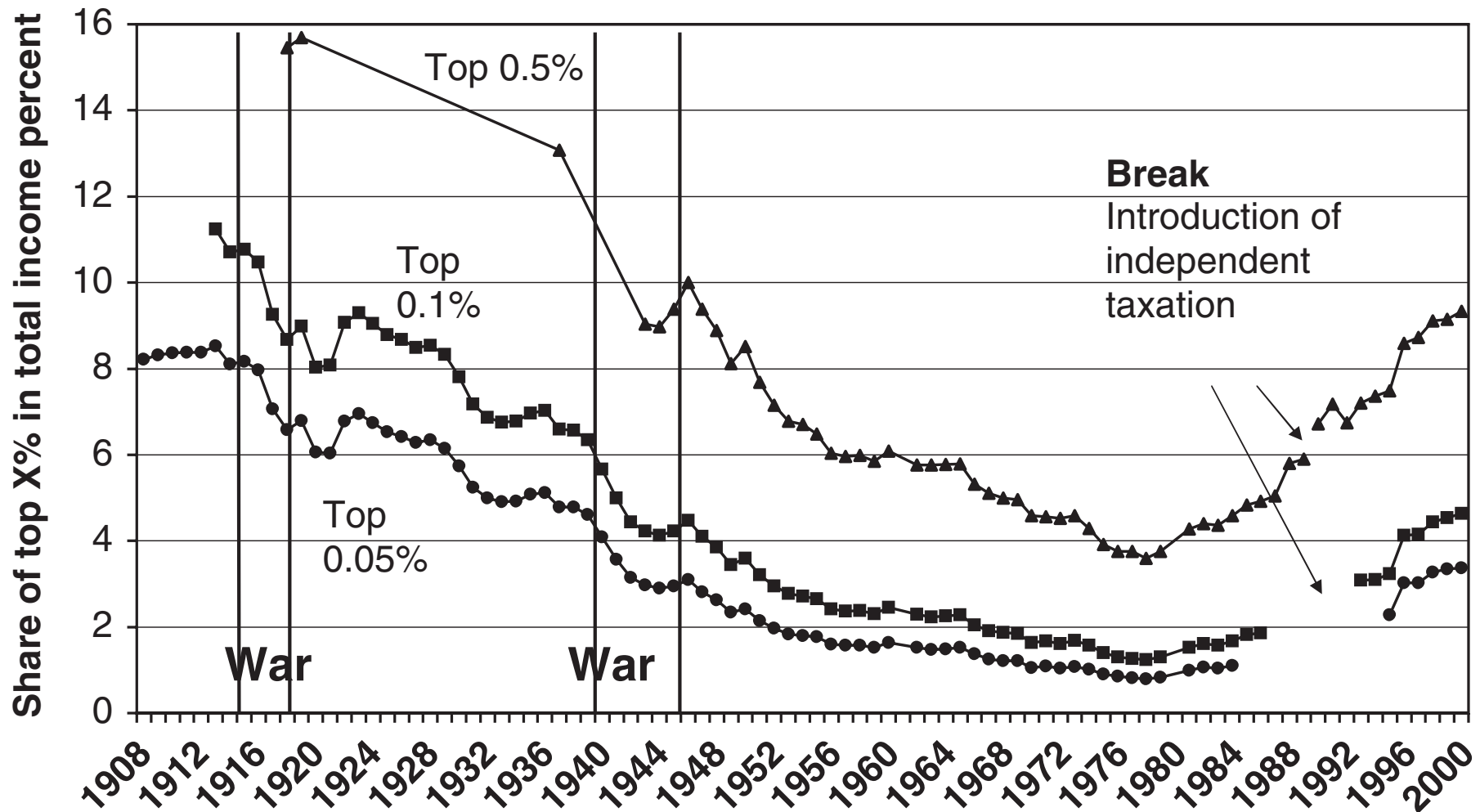


Figure 4.1 Share of total gross income of the top 0.05%, 0.1%, and 0.5% in the UK, 1908–2000

Taxation of top incomes (Atkinson 2007)

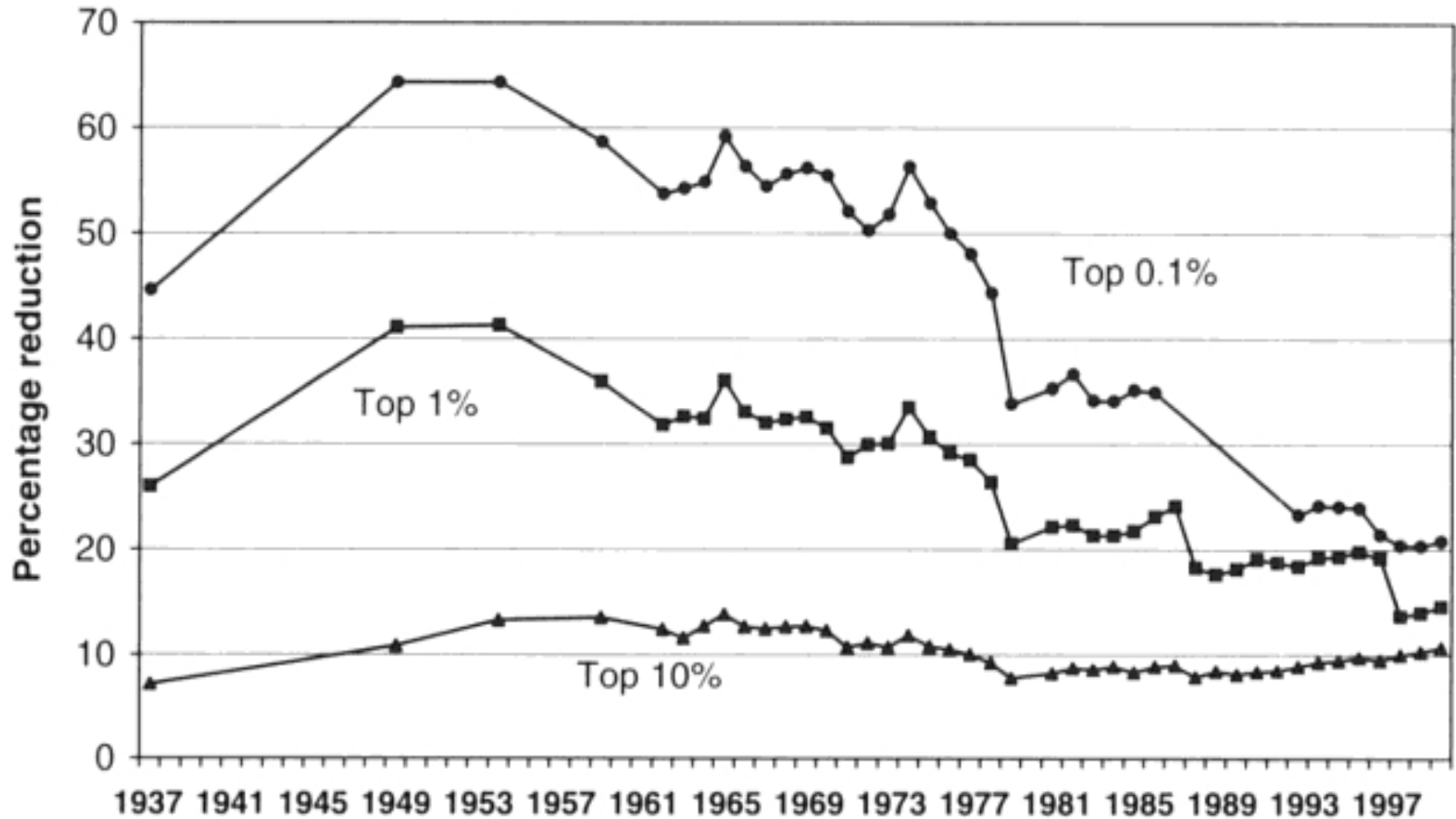


Figure 4.8 Percentage reduction in after tax shares compared with before tax shares, UK 1937–2000

Summary

- Enduring variation in welfare states, from ‘social-democratic’ Scandinavia to ‘liberal’ U.S.
- Variation explained by:
 - left parties in power
 - openness of political institutions, centralization of power
 - social homogeneity and correlation of insecurity & disadvantage
 - endogenous: welfare institutions
- Social expenditure continues to increase as % of GDP, but ...
 - lags increase in need (ageing, unemployment)
 - inequality has increased markedly, esp. in anglophone societies

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