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Why the Welfare State Persist: A Comparative Analysis of Varying Welfare States

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The Persistence of the Welfare State: A Comparative Analysis

An Honors Thesis submitted in partial fulfillment of the requirements for Honors in
Political Science.

By
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Under the mentorship of *Dr. Jamie Scalera*

ABSTRACT

The welfare state is a component of many government systems in which the government provides social services to the citizens of a state. The welfare state varies from state to state and is dependent upon different factors such as the demand from citizens, the unemployment rate, and the number of retired citizens. I believe that the welfare state has become institutionalized in economies and governments around the world making it impossible for governments to remove the welfare state. In a comparative analysis I will examine the demands for the welfare state in the United States, Germany, Denmark, United Kingdom and the effect it has on society. I will explore the differences in how welfare states were formed, how they compare present day and differences in citizens' demand. I will shed light on why the welfare state persists and reasons it would be detrimental to end the welfare state. This analysis will demonstrate the effects of the welfare state on society and vice versa for each respective country.

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Introduction

As the election season in the United States shifts into high gear, the political debates and town halls do the same. Topics that range from foreign policy to national security are discussed by the candidates in heated deliberations. One topic that is not new to political discussion is the welfare state. Candidates argue on the amount of funds that should be exorted into social expenditures, who should be on the receiving end, the government's role in private life, and other issue areas swirling around the welfare state. This topic is not shy to political conversation and the question of the welfare state's role in a state's economy has frequently been revisited.

Over the course of the years, political scientists have posed the question: Why does the welfare state persist? The welfare state has been linked to high immigration rates, the theory of welfare tourism, and has been viewed as a burden on the economy of a state. Political leaders have often equated a large welfare state as a "free ride" attraction that places more pressure on the government to take care of people who should be able to sustain on their own. In theory, it would be of interest for the government to repeal the welfare state, but according to research, government has lost its power to control the welfare state. The question is who controls the welfare state along with its expansion and decrease?

In this comparative analysis, I examine several states and their welfare systems. The states I will examine include: the United States (US), United Kingdom (UK), Germany, and Denmark. I show how the history has a direct effect on why some welfare states are more extensive than others, such as Germany versus the United States. A

history of feudalism and paternalism will lead to more government spending on social expenditures than governments with histories of self-sufficiency.

This study will also demonstrate that a welfare state does not have to be extensive to be controlled by other factors besides the government. The welfare state of the United States, being one of the more frugal states, is just as susceptible to this theory as the UK. Operating governments have to find other ways to control the welfare state besides policies that are directly aimed toward the welfare state, which will be further discussed in the theory section.

I am also asserting that the welfare state has become a social institution. Relying on principal-agent theory, I show that the welfare state is an actor on behalf of citizens of the state, responding to their needs and wants. The behaviors of individuals and interest groups directly affect the fluctuations of the welfare state and like an institution, it has a stable and valued recurring behavior pattern.

Literature Review

While studying and researching welfare state literature, I have found that most of the works fall under three waves of literature: expansionist theory, retrenchment and modern welfare state theory. The expansion theory emerges in the 1920s and covers the creation of the welfare state and also the period of growth. Retrenchment grows popular in the 1970s after the energy crisis and remains popular until the 1990s. After retrenchment theory, more modern and diverse theories about the welfare state began to emerge.

The 1920s saw many economic twists and turns that eventually led to the Great Depression. The Great Depression, paired with Keynesian economics, opened the gateway for greater government involvement in the lives of citizens.¹ Keynesian economic theory stated that “the private sector’s ability to make decisions did not always create outcomes that benefited everyone.” Theorists of Keynesian economics believed that government programs and spending on social expenditures would stimulate demand and get rid of the instabilities in the cycle.

After the Great Depression and between World War II (WWII), government intervention was encouraged due to a lack of jobs, low wages and food shortages. Expansion theory became extremely popular and for expansionists, a growing welfare state was “not a puzzle, but a given.”² The post WWII boom reassured the success of expansion and Keynesian economics as it appeared that government intervention was stimulating the growth of the public sector.

Jill Quadango takes an in depth look at expansion theory and lists several reasons why it was able to flourish during the post war period. She asserts that “the high level of economic development between 1945 and 1973 provided the means, Keynesian economics provided the rationale and the centralization of the federal government expanded stateal bureaucratic capacity.”³ These are the three factors that she discovered to be the consensus about expansion theory and the period of expansion. Quadango also

¹ Jill Quadango, “Theories of the Welfare State,” *Annual Review of Sociology* 13 (1987) 109-128, accessed September 15, 2015, <http://www.jstor.org/stable/2083242>; Nicholas Wapshott, “*Keynes Hayek: The Clash that Defined Modern Economics*,” (New York: W. W. Norton & Company) 2012

² Jill Quadango, “Theories of the Welfare State,”

³ Jill Quadango, “Theories of the Welfare State,”

goes on to explain that concepts of class and state, and the tension between them, are heavy influences on the development of the welfare state. Expansionists optimistically believed that welfare state programs and economic growth were in congruence. With the proven success of expansion theory, there was really no need to have other theories. Welfare state expansion is regarded as “the most well-tilled subfield of comparative public policy.”⁴

Literature on the welfare state began to shift in the 1970s after the energy crisis. During the energy crisis, countries with heavy industrial ties faced petroleum shortages and a rapid increase of oil prices. The post-World War II economic boom came to an end and an economic recession began to take place.⁵ The crisis caused economists to question government intervention and most of the economists “attributed the economic crisis to excessive government spending.”⁶

The end of the post-war economic boom led to social programs “facing political challenges.”⁷ Quadagno explains how the aftermath of the crisis “undermined faith” in the government intervention and its usefulness in regulating the business cycle. As government interaction changed, the literature followed suit.

⁴ Jill Quadagno, “Theories of the Welfare State,”

⁵ Paul Pierson, “The New Politics of the Welfare State,” *World Politics* 48 no.2 (Jan 1996) 143-147, accessed April 10, 2015, <http://www.jstor.org/stable/25053959>; Jill Quadagno, “Theories of the Welfare State,” *Annual Review of Sociology* 13 (1987) 109-128, accessed September 15, 2015, <http://www.jstor.org/stable/2083242>

⁶ Pierson, *New Politics of the Welfare State*; Quadagno, “Theories of the Welfare State”

⁷ Pierson, *New Politics of the Welfare State*

New theories began to emerge and they were often referred to as a new world of politics. The most popular and successful to emerge was a theory called retrenchment. Retrenchment became popular because many theorists thought government intervention was too extensive into the economic cycle, and they felt that it helped cause the economic downturn. Moving away from Keynesian theory and expansionist theory, retrenchment began to be explored.

Retrenchment is the government cutting back on spending for the public sector. It includes entitlement cuts, restructuring what the public sector entails, and the reduction of funds being dispersed to certain programs. One of the most influential political scientists during this time was Paul Pierson. His early works began to address what retrenchment is and how it is implemented in society. He reiterates the sentiments of Quadagno by stating that the “vast popularity” of expansion left other areas such as retrenchment to be “uncharted territory.”⁸ He argues that this exploration of new theories is necessary, because continuing to borrow from old literature was damaging to the examination of what he proclaimed to be a new environment. Pierson explains that retrenchment was an unpopular idea for many political leaders to pursue, but they began to push the “importance” of making cutbacks to government spending on social expenditures. Pierson explains that retrenchment gained its popularity with the decline of the welfare state, a shift to conservative views, and new party politics.

Although Pierson is one of the first to give an extensive explanation of what retrenchment is, he also introduces his theory of why it is not what it appears to be.

⁸ Pierson, *New Politics of the Welfare State*

Pierson describes the welfare state as resilient and constrained. It is constrained by interest groups that support the welfare state as well as voters. Pierson goes on to call the welfare state durable, and claims that it is underestimated by the theories that were presented during this time. Pierson proclaims that retrenchment policies may cutback in certain areas, but they are not making major economic reductions as they portray. He examines cases in the US, Europe and the UK to demonstrate how what was promised by retrenchment was not delivered.

In 1994, Pierson continued his work from the article and published “Dismantling the Welfare State” where he made enemies by examining the “repeal”⁹ of the welfare state in the specific cases of Ronald Reagan and Margaret Thatcher. Pierson concluded that despite the effort put into removing the welfare state, at the end of their terms the welfare state was “alive and well.”¹⁰ One central theme of the book is that Reagan and Thatcher did not deliver on their promises because the welfare state was “healthier” than what it was when they took office. He makes the claim that politics controlled the welfare state. In his book, Pierson insists that the welfare state should “not be treated as a single thing... but a conglomeration of programs ranging from housing subsidies to pensions.”¹¹ Pierson directly focused on programs, instead of numbers as a whole. He examines what

⁹ Pierson, *New Politics of the Welfare State*

¹⁰ Pierson, P. *Dismantling the welfare state?: Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge, England: Cambridge University Press, 1994.

¹¹ Pierson P, *Dismantling the Welfare State*

happened to certain healthcare programs, housing programs and others to see how they in turn effect the welfare state.¹²

Suzanne Mettler revisits the theories of the welfare state that were published by Pierson. She argues that his political contribution to the topic of the welfare state “challenged the analytical approach that focused solely on the impact of formal institutional arrangements.”¹³ Pierson argued that policy structures functioned like bureaucratic structures: they can reshape policy and affect policy development. What did this mean for welfare state theory? Pierson’s findings opened up the portal for other theorists to display their findings about what makes the welfare state operate in the manner that it does. Theorists began to look for reasons why fluctuations in the welfare state happened as they did.

One popular study by Clem Brooks and Jeff Manza adds to Pierson’s study of retrenchment and welfare state politics. Brooks and Manza “provide an important corrective to the neglect”¹⁴ of studying public opinion in comparative welfare state research. The authors make the claim that welfare states continue to thrive because of the “popularity amongst citizens and an effort from policy makers to please them.”¹⁵ Brooks

¹² Pierson, P. *Dismantling the welfare state?*; A Rutten, Review of Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment, *Public Choice* 193–195. Retrieved from <http://www.jstor.org/stable/30027042>

¹³ Susan Mettler

¹⁴ Myles, John *Welfare State and Public Opinion*, American Sociological Review 2006; Brooks, Clem *Why Welfare States Persist: The Importance of Public Opinion in Democracies*, Chicago: University of Chicago Press. 2007

¹⁵ Brooks, *Why Welfare States Persist*

and Manza link mass opinion and social policy together to conclude that citizens play an important role in the continuance of the welfare state.

After the retrenchment theory rose and fell, modern theories and research centering the welfare state began to take many paths. Modern literature for the welfare state is inclusive of the types of welfare state as defined by Gosta Esping-Anderson in his highly cited book *The Three Worlds of Welfare Capitalism*¹⁶. In this book, Esping-Anderson lays out three different models of welfare states which are representative for the different types of modern capitalist states. The three models include: liberal, corporatist-statist, and social democratic.

The liberal model is characterized by market dominance and *lassiz-faire* politics. The state only interferes when there is dire need, otherwise the business cycle runs its course allowing private businesses to control the market. The corporatist-statist model, also known as the social insurance model, is characterized by setting up social insurance funds that would serve as a reward for things such as status and work performance. Funds are usually deducted from the payroll and how much a citizen would receive in a time of need would be based on the work and status of that citizen. The social democratic model is a universal system of benefits that essentially guaranteed to anyone who is a citizen. Esping-Gosta says that this type of market limits the reliance on family as well as the market.

¹⁶ Gosta Esping-Anderson, *The Three Worlds of Welfare Capitalism*, Princeton: Princeton University Press, 1990.

This typology can aid scholars in predicting how a state will respond to issues concerning the welfare state and are used as a point to begin analysis of modern welfare states.

From the existing literature I have come to several conclusions about the welfare state: it is influenced by mass opinion, the welfare state helps to shape policy and the welfare state does not always respond in the manner that economists or political scientists think that it should.

Making connections to the literature review, I will demonstrate how the welfare state has become a social institution and virtually controls itself. As stated in the introduction, I will introduce a model based on principal-agent theory that demonstrates how the welfare state acts as an agent on behalf of the citizens in response to their needs. Fluctuations in any sector of public expense and an increased gross domestic product (GDP) are representative of this need. I will also demonstrate how the welfare state programs are vital to a state's economy and, based off of Pierson's work on retrenchment, that government cutbacks may take place in one program but another program may flourish or be created to meet the need.

Theory

Many scholars argue that the terminology known as welfare state has no clear definition or meaning.¹⁷ But as the world evolves, so does the role of the welfare state.

¹⁷ Cousins, Mel. *European Welfare States: Comparative Perspectives*. Sage, 2006.

The modern welfare state can be defined as the political or governmental state assuming responsibilities of the social and economic welfare of their citizens. I define the welfare state as spending by the government on social expenditures such as social insurance, housing, and other programs created. The welfare state consists of the government transferring funds from the state for services that include housing, education, social security, and others.

I argue that the welfare state can be indirectly controlled by the government. The government can try to control portions of the welfare state such as how much money is given for education, or the amount allotted for social security, just like they do with the age limit for social security. The government can take the initiative and create jobs to decrease the unemployment rate, encourage education to keep people from the workforce longer, or other forms of indirect control. The government could also consider an increase in minimum wage to decrease the need of citizens who cannot live off of their pay checks alone. An alternative would be regulation in the business cycle by a state government that could effectively lower inflation rates and the cost of living. This theory can be tested further in another study, but this paper focuses on the unemployment rate as a factor in the fluctuations of the welfare state.

Usually, the welfare state operates depending upon various factors such as how it was developed, the need within a state, as well as policy. I assert that the welfare state in itself has become a vital part of many states. I assert that the state's economy cannot survive without it. Middle and working class citizens depend on the welfare state as a

form of economic assurance especially in post-industrial/deindustrialized societies, just as they did during the time of expansion.

The welfare state acts as an agent for the individuals in a state. It reflects the need of citizens and it represents their interest, which is to survive. Numerous efforts to decrease the welfare state (such as a reduction in the percentage of the GDP spent on social expenditures) have failed because of unwavering support of social programs. These programs have been beneficial to citizens and have become institutionalized. To further provide evidence in my research, I will examine two factors that directly correlate with social expenditures: unemployment rate and the societal composition of the state's citizens. Partnered with the information about the state of corporatism in each case, these factors influence how much is spent on social expenditures and demonstrate how important the welfare state is to an economy. The welfare state, as stated by Pierson, "has the power to shape and influence policy."¹⁸ The welfare state persists because a state's economy cannot survive without it.

In this study, I focus on the unemployment rate's role in controlling the welfare state. Unemployment is often used to measure the "health" of a state's economy. I use the common definition and idea of the unemployment meaning that a person or people who are actively searching for jobs are unable to find one. Unemployment can cause a person to need assistance from the government in order from them to sustain during their time of not having a job. I believe if the government played a bigger role in job and market

¹⁸ Pierson, *New Politics of the Welfare State*

regulation, citizens would not rely on the government as much, thus causing a reduction in the need for welfare.

The two factors that I have found to play an important role in determining my theoretical expectations to a state's welfare state are corporatism and societal make-up. When examining corporatism, several reoccurring conclusions have come up: there is not a big emphasis on free market efficiency, and the implementation of interest groups into the political processes.¹⁹ Corporatist states historically have the connection between church and state which aim to preserve family structure tradition. In my research, I use these findings to aid me in classifying the type of welfare state that my cases hold. If their economy can support a functioning welfare state that lines up with my definition of a welfare state, I consider their state to be corporatist.

Second, I look at the social composition of a society to help determine preconceived attitudes towards the welfare state. I look to answer whether or not a population is homogenous or heterogeneous. A homogenous society has a population that consists of less than ten percent of foreign born citizens, while a heterogeneous society consists of a mixed population with more than ten percent of foreign born citizens. This is important to this study because it reveals several things about a state: a homogenous state is more likely to have a strong welfare state because their citizens have similar interest, culture, language and other shared identities. A state that has citizens with a lot of similarities will not have an issue "taking care of their own." On the other hand, there is more disconnect between citizens in heterogeneous states. There are not many shared

¹⁹ Alan Cawson, *Corporatism and Political Theory*. Blackwell, 1986.

attributes between citizens so there is not the idea of taking care of your own, but more of the self-sufficiency attitude.

The theoretical expectations are as follows²⁰: a state that is corporatist and homogenous (A) will have a highly entrenched welfare state with a large amount of government spending on social expenditures. A state that is corporatist and heterogeneous (C) I expect will have a mixed welfare state that is sensitive to outside influences such as immigration, public opinion and the current economic standing. Finally, a state that is non-corporatist and heterogeneous (D) will have a very low welfare state characterized by scarce government spending on social expenditures and no real external pressure to increase the welfare state.

Research Design

In 2007, the Global Stock Market took an economic downturn and pushed the world into the biggest recession since the Great Depression. At this time, government officials across the world looked for ways to cut back on government spending. The welfare state would appear to be an easy target but after 2007 we do not see much of a decline. In this section, I have studied several cases from the starting point/expansion period of their welfare state to see the reduction in relative poverty and then I studied the welfare state after the time of the crash. I will show the increase in government spending on social expenditures for the cases I have chosen to study.

²⁰ See Table 1

The method that I chose to conduct this study is a comparative analysis. I have examined the following countries: United States, United Kingdom, Germany, and Denmark. I chose the United States because the welfare state is not extensive in comparison to the UK or Germany. I wanted to be sure to include European Union states because they have similar countries and operate in similar ways, but there are some differences. It is also pertinent to use a Nordic state to add variety and a country that spends heavily on social expenditures, which is why Denmark is included.

A comparative case study provides several important elements to this study. The theoretical expectations that I provided in the theory section demonstrate that there are different types of welfare states. With a comparative analysis, I look to show that whether a welfare state is expected to be high or low, it is still effected by apparent need in the state. I also would like to demonstrate that despite the societal make-up, need cannot be ignored. Even in a state that is not composed of citizens with many similarities, the welfare state is vulnerable to change.

In my study, the dependent variable is social expenditure spending. Social expenditure spending is representative of the government providing for their citizens. I will measure the amount of the gross domestic product (GDP) that is spent on welfare related areas that include: education, healthcare, social security and unemployment funds. I expect that social expenditure spending will fluctuate in the different categories of welfare states based upon my independent variable.

The independent variable will be the unemployment rate. When a person is unemployed, they are more likely to have more needs, thus causing them to rely on the

government to fill in the gap where they cannot. A person who is unemployed is going to be the recipient of the types of aid that I mentioned is a part of social expenditure spending. Through data collected from the Organization of Economic Cooperation and Development²¹ (OECD), I show the correlation between variations of the unemployment rate and social expenditure spending.

I have started the study of each case with historical context of the welfare state. This demonstrates where the welfare state in each country begins and how it continued. I look to show how some states started with big welfare states and others started out with smaller welfare states. The different histories have an important role in demonstrating the development of corporatist states and they provide an explanation as to why some welfare states are more entrenched than others. In the appendix, I have included a chart which will show the relative and absolute poverty rates before the implementation and expansion of modern welfare and after the energy crisis in the 1970s for the cases included in this study. These charts are representative of the creation of the modern welfare state, and the size that each of the cases began.

In addition to demonstrating the decrease of relative poverty after the creation of the modern welfare state, I will include information about the unemployment rate for each individual nation. I will explain what the current rate is using information concerning their labor market for the years 2007 through 2014.

A comparison (using graphs) will show that as the variables' standing affects the amount of aid needed in a country, which in turn increases the amount of money needed

²¹ OECD Social Expenditures https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG

for social expenditures. The higher the rate of the independent variable, the higher the percentage of social expenditures in the GDP.

Analysis

In the appendix, I include several tables that are key to my findings. First a collective chart showing the percentage of the labor force that is unemployed in each of the cases in the study. This chart is the harmonized unemployment rate and is inclusive of women, men, and any age group that can legally be considered a part of the work force. I am also including line charts to easily demonstrate the fluctuations in the unemployment rate at the time of the stock market crash and beyond that time. I have included a government spending table in the appendix. This table is representative of government spending on social expenditures that include healthcare, education, public assistance (money, housing and food) as well as social security.

Germany

The welfare state in Germany is linked as far back as the 1840's when it was still Prussia. Otto von Bismarck, the chancellor, created social welfare programs which included old age pensions, accident insurance, education, and healthcare.²² Germany has a rich history of being paternalistic with its citizens, which stems from having a system of feudalism in their history. The lordship did for their citizens and in return the citizens

²² Pierson, *New Politics of the Welfare State*; George Steinmetz, *Regulating the Social: The Welfare State and Local Politics in Imperial Germany*, Princeton, New Jersey: Princeton University Press 1993.;

were loyal to the lords. Bismarck also used these programs strategically. He created these programs in order to stall social unrest from citizens who were not able to survive in the economy and provide for themselves or their family. He also wanted to undercut the ideals of the Socialist party in the state, as well as prevent the migration of large amounts of German citizens to the United States where they did not find welfare, “but higher paying jobs.”²³

These ideals have shaped the modern welfare state in Germany.²⁴ In the 1990s before the expansion of their welfare state, Germany had a relative poverty rate of 9.7 percent and it decreased to 5.1 percent after the expansion. As of 2014, Germany spends 25.8 percent of their GDP on social expenditures, one of the highest rates in the world. Germany has been identified by scholars as a Christian-Democratic model, which even with a welfare state, promotes stratification through decommodification and decentralization.

In 2007, the German unemployment rate reached its highest point for the period that I have chosen to study. Germany’s harmonized unemployment rate reached 8.54 percent for the year. During the year 2007, the percentage of GDP that was spent on social expenditures was 24.8 percent, which is not the highest in the period under study.

²³ Elaine Glovka Spencer, "Rules of the Ruhr: Leadership and Authority in German Big Business Before 1914," *Business History Review*: 53; E. P. Hennock, *The Origin of the Welfare State in England and Germany, 1850–1914: Social Policies Compared* 2007

²⁴ See Appendix

The United States

The United States is regarded as one of the more frugal states concerning welfare. Unlike Germany and others, the United States does not have the history of feudalism, and essentially a war was fought against paternalism. A “limited” welfare state that reflects the modern welfare state formed around the 1930s.²⁵ Sociologist Lester Frank Ward is often credited as bringing the “charge of paternalism” to light in the U.S. In a collection of Ward’s diary entries, he states “Nothing is more obvious to-day than the signal inability of capital and private enterprise to take care of themselves unaided by the state; and while they are incessantly denouncing "paternalism..."²⁶ Out of the push from paternalism stemmed programs from President Franklin D. Roosevelt instituted various social policies in the New Deal after the Great Depression.

In contrast to Germany, the United States is considered a liberal model.²⁷ Countries who are more liberal tend to have high social stratification and are based on market dominance and private provisions. Between 1970 and 1997 before modern welfare system was implemented, the relative poverty rate in the United States was 17.2 percent. After the welfare state was implemented, the rate only decreased to 15.1 percent. As of 2014, the United States spent 19.2 percent of its GDP on social expenditures.

For the year 2007, the United States had an unemployment rate of 4.6 percent. In the years following the global stock market crash, the United States reached a rate of

²⁵ Walter I. Trattner, *From Poor Law to Welfare State: A History of Social Welfare in America.*; Loïc Wacquant. *Prisons of Poverty*, University of Minnesota Press 2009

²⁶ Gerald Friedman, *The Political Economy of Early Southern Unionism: Race, Politics, and Labor in the South, 1880-1935*, *The Journal of Economic History* Cambridge: Cambridge University Press.

²⁷ See Appendix

almost ten percent in 2009. During this period, the amount of money spent on social expenditures came in 15.8 percent in 2007 and increased to 18.5 percent by 2009.

Denmark

Denmark's welfare state has followed the Scandinavian model of welfare state; essentially all citizens have equal rights to social security. Denmark prides themselves on the free services that are offered to their citizens through the welfare state which include healthcare, education and pensions that are separate from their personal savings.²⁸ The Danish welfare state began in the 1870s after their war with Germany and continued until approximately the 1970s. After this war, the Danish lost many who spoke German, making Denmark a very homogenous society. There was very little ethnic or religious mixture, which led to low political conflict. Although there was low political conflict, the fact still remains that there were conflicts as the country developed over the years.

Reformation and laws began as early as 1875, such as laws protecting children from industrial labor, old age pensions, sick-benefits, and paid trips to the hospital. A lot of these programs were boosted by the Second World War as well as the unemployment crisis that took place in the 1970s. Programs created in response to these two events still thrive today, providing citizens with support in many circumstances.

²⁸ Christoffer Green-Pedersen, *The Politics of Justification : Party Competition and Welfare-State Retrenchment in Denmark and the Netherlands from 1982 to 1998*, Amsterdam: Amsterdam University Press 2002; Arthur Daemrich, *The Welfare State as an Investment Strategy: Denmark's Flexicurity Policies*, Cambridge: Harvard University Press 2012

Denmark's type of welfare state falls into the Social-Democratic category. Their welfare state is described as being universal and citizenship allows access to all of the benefits. Critics of this type of welfare state describe it as an "anti-market" form of welfare and feel as if it takes away from regular market cycles.

Today, Denmark has one of the largest welfare states in the world.²⁹ Although globalization is posing a threat to how the Danish live, their current welfare state is ranked between the third and the fifth highest. Between 1970 and 1997 before welfare was implemented, the relative poverty rate in Denmark was 26.4 percent and after the welfare state went through its expansion, the relative poverty rate decreased to 5.9 percent. As of 2014, Denmark has spent 30.1 percent of their GDP on social expenditures. That is \$42,764 U.S dollars per capita.

Denmark's unemployment rate in 2007 was 3.5 percent and they did not see their highest unemployment for this time frame until 2010-2011 where the unemployment rate reached 7.5 percent. The amount of GDP spent on social expenditures went from 26 percent in 2007 to 30 percent around 2010-2011.

United Kingdom

Like other welfare states, the UK found its welfare state emerging in the 1900s. Through enacting old age pension legislation, free meals at school and other legislation aimed toward allowing greater government intervention, the modern welfare state found

²⁹ See Appendix

its start. William Beveridge came out with the “Beveridge Report”³⁰ where he encourages the government to tackle issues in the state by providing income, efficient healthcare, employment, education, housing and other benefits that would help defeat poverty. He felt that anyone who was of working age would pay a national insurance and the benefits would be available to people like the unemployed, widows, etc.

The United Kingdom’s welfare state can be classified into several of the categories depending upon how the current state is. The welfare state is not clearly classified and defined, but because of their spending, I assert that like Germany, the UK has a mixed welfare state and they will respond to changes accordingly. After the modern welfare state was implemented in the 1970s, the relative poverty rate decreased from 16.4 percent to 8.2 percent . As of 2014, the amount of their GDP that was spent on social expenditures was 21.7 percent or \$35,760.

Discussion

My findings are conclusive with my theoretical expectations. The United States has the lowest welfare state, Germany and the United Kingdom have mixed welfare states and the responses to unemployment reflect that. Finally, Denmark has a very high welfare state with a nice percentage of their GDP being put into social programs. By examining the charts and tables, I can tell from the data that the unemployment rate is correlated to spending on social expenditures. Unemployment, especially in long periods of time, causes need within citizens. The government has to aid these citizens who are in

³⁰Bentley Gilbert, "David Lloyd George: Land, the Budget, and Social Reform", *American Historical Review*: 81 Dec 1976

need and it is reflected in their spending. Social security spending is also reflected in GDP percentage.

In the years following the global stock market crash, I see the cases reach high levels of unemployment. I also observed more spending by the government to compensate for the need of citizens caused by unemployment. I also observed that even though unemployment rates decreased during the period that I chose to study, the welfare states either had little to no change or it increased. Although the government took control of the unemployment, the welfare state remained at the rates from low unemployment and some increased. This confirms several things about the welfare state; the welfare state prevails despite retrenchment policy or fluctuating rates of unemployment. It also proves that the welfare state can be sustained instead of continuing to increase if unemployment is controlled.

Conclusion

The study that I have conducted should only be the start. I believe that the government's control comes from their response to citizens' needs and wants. In times of need, like high unemployment periods, people need more help from the government.

Future research should focus on determining what causes fluctuations in citizen needs. The unemployment rate was a great start and it does raise the questions and ideas about the welfare state. I believe that I can further this research by examining the citizens role in welfare more in-depth. In a future study, I plan to view public opinion data concerning the welfare state and other factors that affect their view such as immigration.

From this study, we learn that the welfare state is an institutionalized part of the economy. It functions and responds based upon the policy of a state as well as the need of citizens in a state.

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Appendix:

Table 1. Theoretical expectations

	Corporatist	Non-Corporatist
Homogenous	A (High Welfare State)	B (Omit)
Heterogeneous	C (Mixed Welfare State)	D (Low Welfare State)

Table 2. Relative Poverty Rate Before and After Welfare State Implementation

	Pre-Welfare State	Post Welfare State
Denmark	17.4%	4.8%
Germany	9.7%	5.1%
United Kingdom	16.4%	8.2%
United States	17.2	15.1

Source: OECD

Table 3. Social Expenditure Spending for 2014

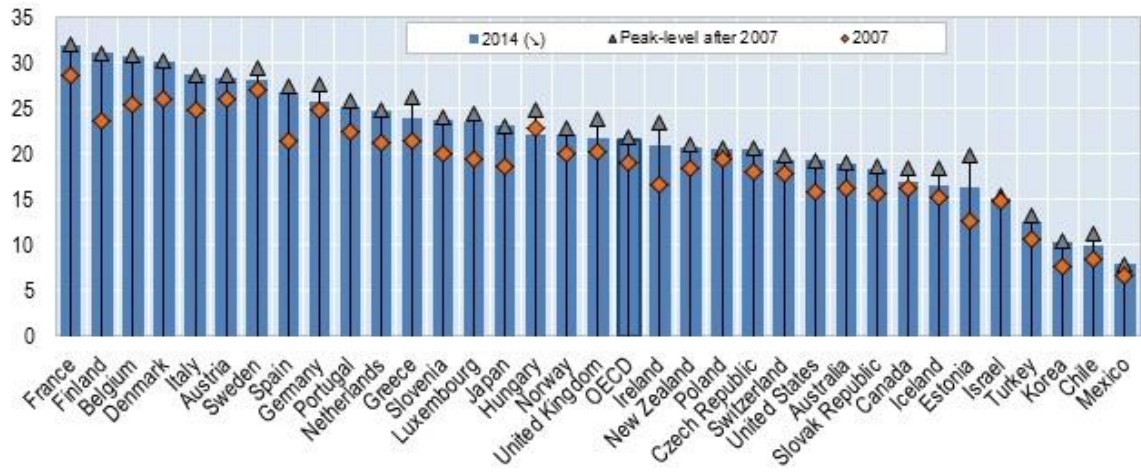
	Social Expenditure (% of GDP)	GDP Per Capita in US Dollars
Denmark	30.1%	\$42,764
Germany	25.8%	\$43,332
United Kingdom	21.7%	\$35,760
United States	19.2%	\$53,143

Source: OECD

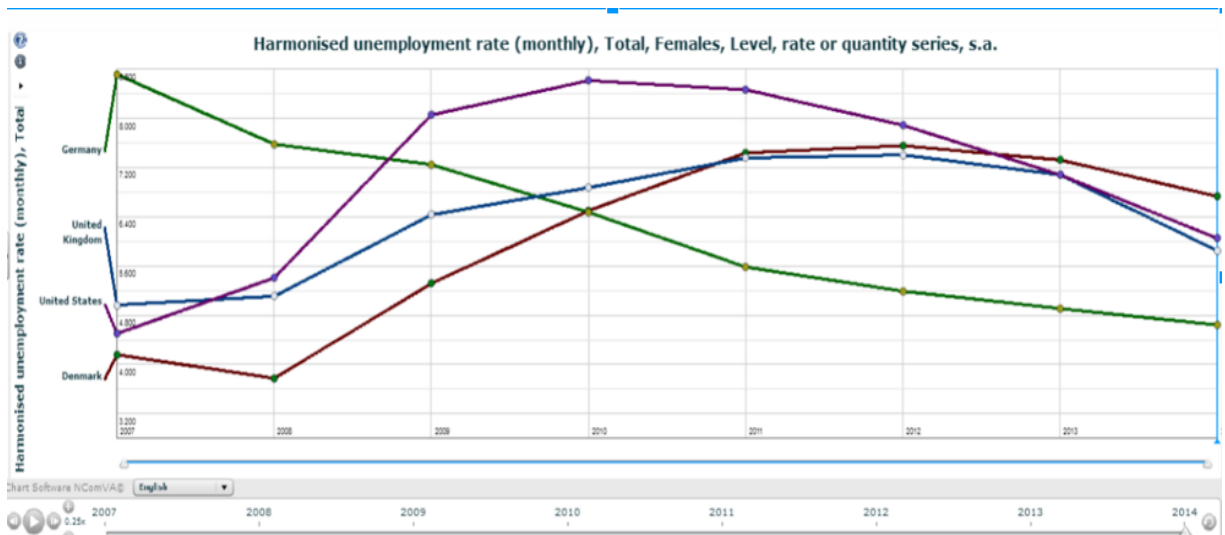
Table 4. Expenditures by year

	Denmark	Germany	United Kingdom	United States
Social Expenditure 2007	26%	24%	20%	16%
Unemployment 2007	3.75%	8.54%	5.25%	4.61%
Social Expenditure 2009	29%	27%	23%	19%
Unemployment 2009	6%	7.6%	7.5%	9.26%
Social Expenditure 2014	30%	25%	24%	20%
Unemployment 2014	6.5%	5%	6.15%	6.17%

Graph 1. OECD Expenditures for 2007-2014



Graph 2. Harmonized Unemployment Rate Line Graph



Source:OECD

