History of the Welfare State

The Welfare State originated in Germany during 19th century with the policies implemented by German Chancellor Otto von Bismarck.

LEARNING OBJECTIVES

Discuss the historical origins and principles of the welfare state as a concept of government and identify its features in the United States

KEY TAKEAWAYS

Key Points

- Otto von Bismarck, the first Chancellor of Germany, created the modern welfare state by building on a tradition of welfare programs in Prussia and Saxony that began as early as in the 1840s, and by winning the support of business.
- His paternalistic programs won the support of German industry because its goals were to win the support of the working class for the German Empire and reduce the outflow of immigrants to the United States, where wages were higher but welfare did not exist.
- The United Kingdom, as a modern welfare state, started to emerge with the Liberal welfare reforms of 1906–1914 under Liberal Prime Minister Herbert Asquith. These included the passing of the Old-Age Pensions Act in 1908, the introduction of free school meals in 1909, the 1909 Labour Exchanges Act.
- Although the United States lagged far behind European countries in instituting concrete social welfare policies, the earliest and most comprehensive philosophical justification for the welfare state was produced by the American sociologist Lester Frank Ward.
- The welfare system in the United States began in the 1930s, during the Great Depression. After the Great Society legislation of the 1960s, for the first time a person who was not elderly or disabled could receive need-based aid from the federal government.

Key Terms

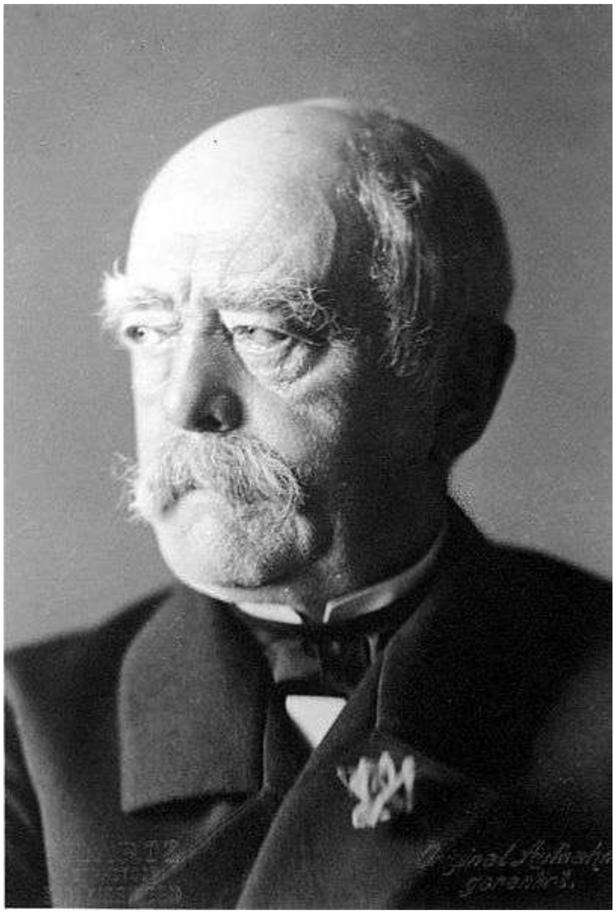
- **Otto von Bismarck**: Otto von Bismarck was a conservative German statesman who dominated European affairs from the 1860s to his dismissal in 1890. After a series of short victorious wars he unified numerous German states into a powerful German Empire under Prussian leadership, then created a "balance of power" that preserved peace in Europe from 1871 until 1914.
- **Welfare**: Various forms of financial aid provided by the government to those who are in need of it (abbreviated form of Welfare assistance).

Introduction

A welfare state is a "concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The general term may cover a variety of forms of economic and social organization. "

History of the Welfare State

Otto von Bismarck, the first Chancellor of Germany, created the modern welfare state by building on a tradition of welfare programs in Prussia and Saxony that began as early as in the 1840s, and by winning the support of business. Bismarck introduced old age pensions, accident insurance and medical care that formed the basis of the modern European welfare state. His paternalistic programs won the support of German industry because its goals were to win the support of the working class for the German Empire and reduce the outflow of immigrants to the United States, where wages were higher but welfare did not exist.



Otto von Bismarck: Otto von Bismarck, the first Chancellor of Germany, created the modern welfare state by building on a tradition of welfare programs in Prussia and Saxony that began as early as in the 1840s, and by winning the support of business.

The United Kingdom, as a modern welfare state, started to emerge with the Liberal welfare reforms of 1906–1914 under Liberal Prime Minister Herbert Asquith. These included the passing of the Old-Age Pensions Act in 1908, the introduction of free school meals in 1909, the 1909 Labour Exchanges Act, the Development Act 1909, which heralded greater Government intervention in economic development, and the enacting of the National Insurance Act 1911 setting up a national insurance contribution for unemployment and health benefits from work.

Herbert Asquith: The United Kingdom, as a modern welfare state, started to emerge with the Liberal welfare reforms of 1906–1914 under Liberal Prime Minister Herbert Asquith.

The Welfare State in the United States

Lester Ward: Although the United States lagged far behind European countries in instituting concrete social welfare policies, the earliest and most comprehensive philosophical justification for the welfare state was produced by the American sociologist Lester Frank Ward (1841–1913) whom the historian Henry Steele Commager called “the father of the modern welfare state.”

Although the United States lagged far behind European countries in instituting concrete social welfare policies, the earliest and most comprehensive philosophical justification for the welfare state was produced by the American sociologist Lester Frank Ward (1841–1913,) whom the historian Henry Steele Commager called “the father of the modern welfare state”. Reforms like those instituted by Bismarck in Germany were strongly opposed by conservative thinkers such as the very influential English philosopher and evolutionary theorist Herbert Spencer, who argued that coddling the poor and unfit would simply allow them to reproduce and delay social progress. Ward set out to systematically dismantle Spencer’s arguments which he saw as delaying and paralyzing progressive government action. Central to Ward’s theories was his belief that a universal and comprehensive system of education was necessary if a democratic government was to function successfully. Ward’s writings had a profound influence on a young generation of progressive thinkers and politicians whose work culminated in President Franklin D. Roosevelt’s New Deal welfare state policies of the 1930s.

The welfare system in the United States began in the 1930s, during the Great Depression. After the Great Society legislation of the 1960s, for the first time a person who was not elderly or disabled could receive need-based aid from the federal government. Aid could include general welfare payments, health care through Medicaid, food stamps, special payments for pregnant women and young mothers, and federal and state housing benefits. In 1968, a woman receiving welfare assistance headed 4.1% of families; by 1980, the percentage increased to 10%. In the 1970s, California was the U.S. state with the most generous welfare system. The federal government pays virtually all food stamp costs. In 2008, 28.7 percent of the households headed by single women were considered poor.

Modern Model

Modern welfare programs differed from previous schemes of poverty relief due to their relatively universal coverage. The development of social insurance in Germany under Bismarck was particularly influential. Some schemes were based largely in the development of autonomous, mutualist provision of benefits. Others were founded on state provision. The term was not, however, applied to all states offering social protection. The sociologist T.H. Marshall identified the welfare state as a distinctive combination of democracy, welfare and capitalism. Examples of early welfare states in the modern world are Germany, all of the Nordic countries, the Netherlands, Uruguay and New Zealand and the United Kingdom in the 1930s.

Foundations of the Welfare State

The welfare system in the United States was created on the grounds that the market cannot provide goods and services universally.

LEARNING OBJECTIVES

Compare and contrast the social-democratic welfare state, the Christian-democratic welfare state and the liberal welfare state

KEY TAKEAWAYS

Key Points

- The welfare state involves a transfer of funds from the state, to the services provided – examples include healthcare, education and housing – as well as directly to individuals.
- Unlike welfare states built on social democracy foundations it was not designed to promote a redistribution of political power from capital to labor; nor was it designed to mediate class struggle.
- Eligibility for welfare depends on a variety of factors, including gross and net income, family size, and other circumstances like pregnancy, homelessness, unemployment, and medical conditions.
- The ideal Social-Democratic welfare state is based on the principle of universalism granting access to benefits and services based on citizenship. Such a welfare state is said to provide a relatively high degree of autonomy, limiting the reliance of family and market.
- Christian-democratic welfare states are based on the principle of subsidiarity and the dominance of social insurance schemes, offering a medium level of decommodification and a high degree of social stratification.
- The Liberal welfare state is based on the notion of market dominance and private provision; ideally, the state only interferes to ameliorate poverty and provide for basic needs, largely on a means-tested basis.

Key Terms

- **entitlement**: A legal obligation on a government to make payments to a person, business, or unit of government that meets the criteria set in law, such as the Pell Grant and social security in the US.

Introduction

Modern welfare states include the Nordic countries, such as Iceland, Sweden, Norway, Denmark, and Finland which employ a system known as the Nordic model. The welfare state involves a transfer of funds from the state, to the services provided – examples include healthcare, education and housing – as well as directly to individuals. The welfare state is funded through redistributionist taxation and is often referred to as a type of "mixed economy."

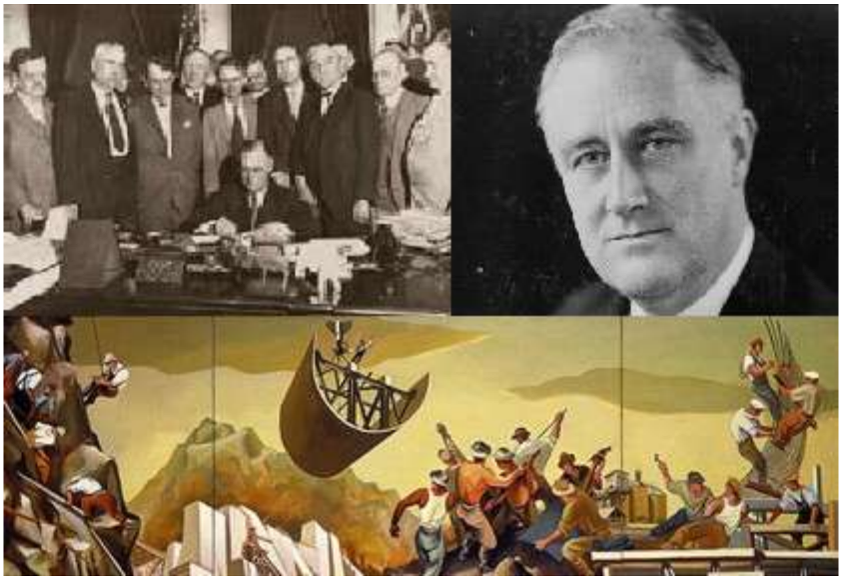
Three types of Welfare States

According to the Political Scientist Esping-Andersen, there are three ways of organizing a welfare state instead of only two. Esping-Andersen constructed the welfare regime typology acknowledging the ideational importance and power of the three dominant political movements of the long 20th century in Western Europe and North America: Social Democracy, Christian Democracy and Liberalism. The ideal Social-Democratic welfare state is based on the principle of universalism granting access to benefits and services based on citizenship. Such a welfare state is said to provide a relatively high degree of autonomy, limiting the reliance of family and market. In this context, social policies are perceived as "politics against the market." Examples of Social Democratic states include Denmark, Finland, The Netherlands, Norway and Sweden.

Christian-democratic welfare states are based on the principle of subsidiarity and the dominance of social insurance schemes, offering a medium level of decommodification and a high degree of social stratification. Examples include Austria, Belgium, France, Germany, Spain and Italy. On the other hand, the liberal regime is based on the notion of market dominance and private provision; ideally, the state only interferes to ameliorate poverty and provide for basic needs, largely on a means-tested basis. Examples of the Liberal welfare state include Australia, Canada, Japan, Switzerland and the United States.

The American welfare state was designed to address market shortcomings and do what private enterprises cannot or will not do. Unlike welfare states built on social democracy foundations it was not designed to promote a redistribution of political power from capital to labor; nor was it designed to mediate class struggle. Income redistribution, through programs such as the Earned income tax credit (EITC), has been defended on the grounds that the market cannot provide goods and services universally, while interventions going beyond transfers are justified by the presence of imperfect information, imperfect competition, incomplete markets, externalities, and the presence of public goods. The welfare state, whether through charitable redistribution or regulation that favors smaller players, is motivated by reciprocal altruism.

Unlike in Europe, Christian democratic and social democratic theories have not played a major role in shaping welfare policy in the United States. Entitlement programs in the U.S. were virtually non-existent until the administration of Franklin Delano Roosevelt and the implementation of the New Deal programs in response to the Great Depression. Between 1932 and 1981, modern American liberalism dominated U.S. economic policy and the entitlements grew along with American middle class wealth.



The New Deal: Top left: The Tennessee Valley Authority, part of the New Deal, being signed into law in 1933.Top right: FDR (President Franklin Delano Roosevelt) was responsible for the New Deal.Bottom: A public mural from one of the artists employed by the New Deal's WPA program.

Costs

In 2002, total U.S. social welfare expenditure constitutes roughly 35% of GDP, with purely public expenditure constituting 21%, publicly supported but privately provided welfare services constituting 10% of GDP and purely private services constituting 4% of GDP. This compared to France and Sweden whose welfare spending ranges from 30% to 35% of GDP.

In a 2011 article, Forbes reported, "The best estimate of the cost of the 185 federal means tested welfare programs for 2010 for the federal government alone is nearly $700 billion, up a third since 2008, according to the Heritage Foundation. Counting state spending, total welfare spending for 2010 reached nearly $900 billion, up nearly one-fourth since 2008 (24.3%).

Welfare Reform

Welfare reform has attempted many times to remove welfare altogether by promoting self-sufficiency, but has been unsuccessful in this regard thus far.

LEARNING OBJECTIVES

Describe the features of the Welfare Reform Act of 1996 under President Bill Clinton

KEY TAKEAWAYS

Key Points

- Prior to reform, states were given “limitless” money by the federal government, increasing per family on welfare, under the 60-year-old Aid to Families with Dependent Children (AFDC) program.
- In 1996, under the Bill Clinton administration, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, which gave more control of the welfare system to the states though there are basic requirements the states need to meet with regards to welfare services.
- Each state must meet certain criteria to ensure recipients are being encouraged to work themselves out of welfare. The new program is called Temporary Assistance for Needy Families (TANF), which was formally instituted in 1997.
- TANF encourages states to require some sort of employment search in exchange for providing funds to individuals, and imposes a five-year lifetime limit on cash assistance. The bill restricts welfare from most legal immigrants and increased financial assistance for child care.
- Critics of the reforms sometimes point out that the massive decrease of people on the welfare rolls during the 1990s was due almost exclusively to their offloading into workfare, giving them a different classification than classic welfare recipient.

Key Terms

- **reform**: To form again or in a new configuration.
- **Temporary Assistance for Needy Families**: The Temporary Assistance for Needy Families (TANF), passed in 1997, encourages states to require some sort of employment search in exchange for providing funds to individuals, and imposes a five-year lifetime limit on cash assistance.

Introduction

Welfare reform refers to improving how a nation helps those citizens in poverty. In the United States, the term was used to get Congress to enact the Personal Responsibility and Work Opportunity Act, which further reduced aid to the poor, to reduce government deficit spending without coining money. Social programs in the United States are welfare subsidies designed to aid the needs of the U.S. population. Proposals for federal programs began with Theodore Roosevelt's New Nationalism and expanded with Woodrow Wilson's New Freedom, Franklin D. Roosevelt's New Deal, John F. Kennedy's New Frontier, and Lyndon B. Johnson's Great Society.

Welfare Reform under President Bill Clinton

Before the Welfare Reform Act of 1996, welfare assistance was "once considered an open-ended right," but welfare reform converted it "into a finite program built to provide short-term cash assistance and steer people quickly into jobs. " Prior to reform, states were given "limitless" money by the federal government, increasing per family on welfare, under the 60-year-old Aid to Families with Dependent Children (AFDC) program. This gave states no incentive to direct welfare funds to the neediest recipients or to encourage individuals to go off welfare benefits (the state lost federal money when someone left the system).

Bill Clinton Signing Welfare Reform Act of 1996: A central pledge of Clinton's campaign was to reform the welfare system, adding changes such as work requirements for recipients.

In 1996, under the Bill Clinton administration, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, which gave more control of the welfare system to the states though there are basic requirements the states need to meet with regards to welfare services. Still, most states offer basic assistance, such as health care, food stamps, child care assistance, unemployment, cash aid, and housing assistance. After reforms, which President Clinton said would “end welfare as we know it,” amounts from the federal government were given out in a flat rate per state based on population.

Each state must meet certain criteria to ensure recipients are being encouraged to work themselves out of welfare. The new program is called Temporary Assistance for Needy Families (TANF), which was formally instituted in 1997. It encourages states to require some sort of employment search in exchange for providing funds to individuals, and imposes a five-year lifetime limit on cash assistance. The bill restricts welfare from most legal immigrants and increased financial assistance for child care. The federal government also maintains an emergency $2 billion TANF fund to assist states that may have rising unemployment.

Following these changes, millions of people left the welfare rolls (a 60% drop overall), employment rose, and the child poverty rate was reduced. A 2007 Congressional Budget Office study found that incomes in affected families rose by 35%. The reforms were “widely applauded” after “bitter protest. ” The Times called the reform “one of the few undisputed triumphs of American government in the past 20 years. ”

Critics of the reforms sometimes point out that the massive decrease of people on the welfare rolls during the 1990s wasn’t due to a rise in actual gainful employment in this population, but rather, was due almost exclusively to their offloading into workfare, giving them a different classification than classic welfare recipient. The late 1990s were also considered an unusually strong economic time, and critics voiced their concern about what would happen in an economic downturn.