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### **A Cross-National Perspective on the American Welfare State**

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### **Abstract and Keywords**

The welfare system in the United States is not simply “small,” “residualist,” or “laggard.” It is true that protection against standard social risks is generally less comprehensive and less generous in the United States than in other rich democracies, but there are other important differences as well: The U. S. welfare state is unusual in its extensive reliance on private markets to produce public social goods; its geographic variability; its insistence on deservingness as an eligibility criterion; and its orientation toward benefits for the elderly rather than children and working-age adults. Nevertheless, the U.S. welfare state is not *sui generis*. The actors involved in the construction of the U.S. welfare state, the institutions created in response to social problems, and the contemporary pressures confronting the welfare state all have parallels in other countries. The markets that provide so many social goods in the United States are the products of state action and state regulation, and hence should really be thought of as part of the welfare “state.” Even recent expansions to the welfare state in the United States have, with the partial exception of health-care reform, reinforced old patterns of elderly oriented spending and benefits for worthy (working) adults. In order for the U.S. welfare state to adjust successfully to ensure against new social risks, it must focus more on underdeveloped program areas like health care, child care, early childhood education, and vocational training.

Keywords: welfare, Unites States, comparative, West Europe, pensions, health care, unemployment, housing, poverty, social assistance

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## **1 Introduction**

## A Cross-National Perspective on the American Welfare State

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COMPARATIVE studies frequently characterize the American welfare state as less precocious, less comprehensive, less decommodifying, and generally less successful than other welfare states in the advanced industrialized world. Classic comparative studies describe the United States as a welfare state “laggard”; a “residual” welfare state, in which “the state assumes responsibility only when the family or the market fails” (Titmuss 1958, 20); or, at best, a “liberal” welfare state whose heavy reliance on private, market-based social provision makes it hardly seem like a welfare *state* at all (Esping-Andersen 1990). These assessments are broadly accurate. Core social insurance policies at the federal level developed somewhat later than in Europe, and they provide less comprehensive protection against major social risks. The U.S. welfare state relies more on private provision than do others, and it generates worse outcomes in health, education, poverty, inequality, crime, homelessness, and the like.

At the same time, the U.S. welfare state is not *simply* “less than” other welfare states. T. H. Marshall (1950) suggested that democratic countries would ultimately, and necessarily, develop large, comprehensive welfare states as the culmination of democratic development. Esping-Andersen’s (1990) tripartite typology of welfare state “worlds,” however, made clear that even if one examined only the core social insurance programs, welfare states could have histories that gave them fundamentally different internal logics, as well as levels of generosity. These differences have been durable: Since the first oil crisis of 1973, when welfare states in the advanced industrialized world have faced common pressures from declining growth and demographic pressures, different *types* of welfare states have proved remarkably resistant to homogenization (Schmitt and Starke 2011). When it has changed in response to these potentially homogenizing pressures, the United States, like other states, it has often changed in uniquely American ways.

**(p. 113)** This chapter explores similarities and differences in the patterns of welfare state development in the United States and other rich, mainly West European, democracies. All these welfare states consume a large share of Gross Domestic Product (GDP), and insure their citizens against a variety of risks. The U.S. welfare state is unusual, however, in its extensive reliance on private markets to produce public social goods; its geographic variability; its insistence on deservingness as an eligibility criterion; and its orientation toward benefits for the elderly, rather than children and working-age adults.

These differences are the result of political struggles among actors who were differently endowed with political power, and sometimes had different goals, than those who fought for social policies in other nations. American ideals and values have also contributed to American “exceptionalism,” but the effects of these values are filtered through specific institutions and historical patterns, some of which have unintended consequences. To understand how, we need first to place the institutions and structures of the American welfare state in a comparative perspective.

# 2 The American Welfare State as a “Liberal” Regime

The single most influential piece of comparative welfare state research of the contemporary period, Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990), places the American welfare state in the Liberal category, along with the United Kingdom, Ireland, Canada, Australia, and New Zealand. Liberal welfare states rest on a political coalition that includes proponents of individualist and market-oriented philosophies (i.e., classical Liberalism, not liberalism in the American sense of progressive leftism.) The typical Liberal welfare state pushes individuals to secure their livelihood through participation in the market economy and to procure their own insurance against social risks, in part by ensuring that state benefits are means-tested, stigmatized, and generally “less eligible” (i.e., less desirable) than work.

The Liberal model is quite different from the Conservative Corporatist or Social Democratic welfare regimes that Esping-Andersen outlines. The former aims to protect the standard of living achieved by workers and their families during their working lives. It is essentially an occupational welfare state, providing insurance for workers against the risk of income loss due to unemployment, old age, or sickness, with a safety net for those excluded from the labor market. Reflecting the importance of Conservative parties in its historical development, the Conservative Corporatist welfare state model is designed to preserve social stratification while buffering the working classes from extreme risk. Germany resembles the ideal type, but most of the countries of continental Europe outside of Scandinavia conform loosely to this model.

Finally, the Social Democratic model, most closely approximated in Sweden, is a welfare state that emphasizes solidarity across classes and reduction of inequality. In the post-World War II period, Social Democratic welfare states have provided generous, (p. 114) citizenship-based rights to an extended array of social benefits, and have pursued full-employment policies that have created the broad tax base necessary for supporting such a system.

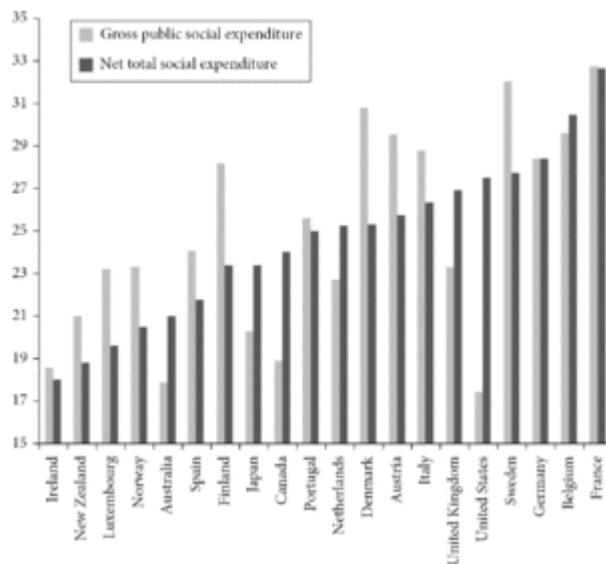
Esping-Andersen identifies the United States as a close approximation of the Liberal ideal type. The American welfare state's heavy reliance on private providers for everything from health insurance to old-age pensions; the stinginess and stigmatization of many of its poverty-alleviation measures; the stringent means-testing of many benefits; and the underdevelopment of public social services like early childhood education or elder care all mark the United States as a prototypical Liberal welfare state.

Nevertheless, there are important differences between the American welfare state and other Liberal regimes (Castles 2010). For example, even within the Liberal group, the U.S. welfare system is exceptionally private, requiring citizens to procure much of their protection in the realms of pensions, health care, vocational training, child care,

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education, and housing on private markets. The United States also relies on the tax system as a welfare delivery device to a much greater extent than do other rich countries, even other Liberal countries (Howard 1997; Adema, Fron, and Ladaique 2011). Such social “spending” includes tax exemptions on payments into employer-sponsored health insurance and pension programs; tax deductions for home mortgage interest, child care, and educational expenses; and the Earned Income Tax Credit (EITC).

Figure 7.1 shows the gap between gross public social spending (the most commonly used measure of welfare state “effort”) and total (i.e., both private and public) *net* social spending. Among the rich democracies, only Australia has a similarly low level of gross public expenditure on welfare goods. But the United States climbs from 20th (last) place to 5th place in social spending if we measure net total spending rather than gross public expenditures (Figure 7.1). Significant private-sector spending, favorable tax treatment of such spending, and benefits delivered directly through the tax system augment the rather small visible, public side of the U.S. welfare state. (A reverse gap, as in the Nordic and some other countries, indicates a low level of private provision and significant taxation of social benefits.)

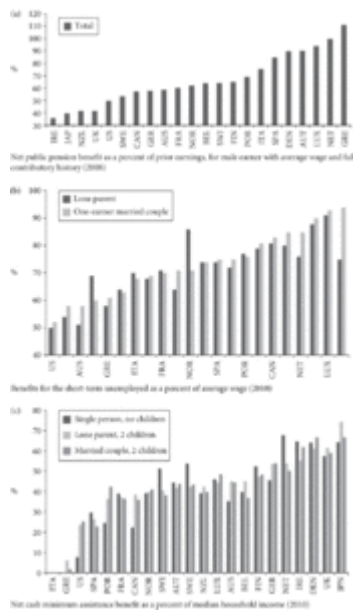


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Fig. 7.1 Gross public versus net total (public+private) social expenditure as a percent of GDP, 2007.

Source: Adema, Fron, and Ladaique (2011), Table I.4

The visible, public and the private, “submerged” (Mettler 2011) parts of America’s welfare system are not functional equivalents, however. Leaving aside whether public or private action is normatively preferable, public versus private and overt versus covert forms of social provision tend to have different distributive consequences, and differently affect public support for the welfare state (Hacker 2002; Mettler 2011).



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Fig. 7.2 Generosity of Social Programs.

Note: y axis = decommitment score

Source: OECD Stat ELS Pensions database <http://stats.oecd.org/Index.aspx?DataSetCode=ELSPENSIONS>

No matter which kind of social spending we consider, however, it may be a flawed basis on which to compare welfare states. In Esping-Andersen’s pithy formulation, “It is difficult to imagine that anyone struggled for spending *per se*” (1990, 21). In order to assess the strength of what welfare states do, rather than what they spend, Esping-Andersen devised a “decommitment score” summarizing the extent to which citizens in a welfare state could sustain themselves without relying on selling their labor

power in the market in 18 rich democracies in 1980. In Esping-Andersen’s original calculations, the United States and Australia had the lowest scores (Esping-Andersen 1990, 52). Subsequent attempts to replicate and update Esping-Andersen’s work (e.g., Bamba 2006; Scruggs and Allan 2006) have found that the original decommitment (p. 115) index wrongly categorized many countries. However, in every one of these studies, the United States remains at the bottom of the heap. Figure 7.2 compares the generosity of cash benefits (pensions, unemployment insurance, and social assistance for low income individuals and families) across nations. The United States ranks in the bottom quarter of countries for the generosity of its public benefits for the poor, the unemployed, and pensioners. Hence, it seems fair to portray the American welfare state, in general terms and on the basis of its core social insurance programs, as less generous and less comprehensive than almost any other welfare state in the community of democratic, industrialized nations. The United States, then, is not a typical welfare state—as is revealed when we examine its policies in more detail.

### 3 Key Differences in Social Programs

### **Old-age and survivors pensions.**

The U.S. Social Security system is similar to Conservative Corporatist welfare states in linking earnings-related old-age benefits to (p. 116) (p. 117) employment. The expansion of private old-age pension provision after WWII, however, means that public expenditure figures underestimate actual pension spending in the United States. Tax incentives for private pension provision would raise total pension spending considerably if they were included in accounts of social expenditure (Adema, Fron, and Ladaique 2011, 29–30). Like welfare states in other patronage-based political systems—for example, Southern Europe, Japan, Austria—the United States is a pension-heavy welfare state. Social Security benefits place a relatively effective safety net beneath senior citizens, something that cannot be said for all other program areas in the United States, but the private nature of much old-age provision in the United States entails significant stratification of risk within the elderly population.

### **Health care.**

The United States spends more than twice as much on health care per capita, from public and private sources, as the average rich OECD country (OECD 2012). Higher costs in the United States are largely a result of higher prices, not of major differences in the volume of services provided (Anderson et al. 2003). Until recently, the United States was unique in the advanced OECD countries for neither requiring enrollment in social or private health insurance plans, nor offering universally available primary health care services at minimal cost. Medicare, Medicaid, the Veterans Administration Health Service, and the Indian Health Service provided social insurance or national-health-service-type coverage for significant segments of the public. However, as of 2012, almost 50 million Americans remained without any health insurance coverage, and were entitled by federal law only to “stabilization” of life-threatening medical conditions. Upon implementation of the Patient Protection and Affordable Care Act (ACA) in 2014, the United States, like Switzerland and the Netherlands, relies on regulated private insurance markets and an individual obligation to purchase insurance to provide protection against the risk of ill health. Unlike these countries, however, neither U.S. states nor the federal government are required to provide insurance coverage for all citizens unable to afford insurance on private markets.

### **Unemployment benefits.**

A national system of unemployment insurance developed late in the United States (1935) compared to the United Kingdom (1911), France (1914), or Germany (1927). Each U.S. state operates distinct unemployment insurance schemes, but benefits are generally lower and of shorter duration in the United States than in most other developed OECD countries (see Figure 7.2). The United States joins Italy and Greece in offering no insurance against the risk of unemployment for first-time job seekers, which means that young adults unable to find employment must rely either on family support or social assistance benefits, for which childless adults may not be eligible.

### **Labor market policy.**

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The United States maintains an unusually liberal labor market. Aside from rendering tax relief to attract businesses, neither the federal nor state-level governments frequently participate actively to promote employment. The United States' reluctance to spend substantial resources on job training or job creation, documented by Weir (1992), stands in contrast to many other OECD countries. Despite some local exceptions, the United States as a whole also has a weakly developed vocational education system compared to many European welfare states, in which publicly sponsored programs train and certify workers with specific skills that match the requirements of (p. 118) local businesses (Estevez-Abe et al. 2001). The United States also regulates employment and dismissal comparatively lightly: employers are required to make contributions for a limited range of social benefits, at-will employment contracts are the norm, and employers may essentially hire and fire workers at will. Even those European countries that have substantially liberalized their labor markets in the last decades have done so mainly by introducing short-term contracts, not by blanket reductions on the social duties of employers as a whole.

### **Social assistance and poverty relief.**

Whereas most advanced welfare states now have national-level, time-unlimited cash assistance programs designed to supply all citizens and households with an acceptable "minimum income," the federal Temporary Assistance for Needy Families (TANF) program allows for considerable state-level discretion in benefits and eligibility. Single childless men may be excluded from aid altogether, and aid for single female heads of households with children may be subject to time limits and contingent on work requirements. Cash transfers and services for the poor are often administered in a stigmatizing manner (Soss 2000; Schneider and Ingram 1993), and benefits are set low so as to encourage participation in a labor market in which the minimum wage still leaves many families with full-time earners in poverty. America's largest antipoverty program is, in fact, the Earned Income Tax Credit (EITC), which offers tax benefits to the working poor. Low wages lead to a relatively high prevalence of in-work poverty in the United States (12 percent as compared to an average of 6 percent in the rich OECD countries [data from OECD 2009, chapter 3]).

### **Child and family benefits.**

The United States is also a major outlier in the area of policies for families and children: paid parental leave, child allowances, public financing, and provision of care for young children (Gornick and Meyers 2005). The United States is unique in the OECD, and indeed is one of only four countries worldwide, in not offering paid leave with job protection for women following childbirth (Heymann et al. 2006). Fewer limitations on working hours and less paid leave and vacation give American parents less time to spend with children (Heymann et al. 2006). Unlike most West European countries, the United States does not offer per-child cash benefits for parents of dependent children. Tax credits for dependent children in the United States play a similar role, but even taking these into account, the United States spends less per child on allowances than most other

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rich countries; only Australia, New Zealand, and the United Kingdom paid less for single-earner, two-parent, two-child families in 1999 (Boeckmann, Budig, and Misra 2012).

The United States also offers relatively limited tax subsidies for child care and few public child-care spots. With the exception of 10 percent of spaces that may be set aside for families above the poverty line, eligibility for Head Start early childhood education programs is limited to children in families with incomes below the federal poverty level, in foster care, or receiving TANF benefits or SSI (Supplemental Security Income) (U.S. Dept. of Health and Human Services 2007, 1-2). No federal programs are aimed at providing broadly available care for 0-2-year-olds. Several states have universal pre-K programs for 3- and/or 4-year-olds, but the majority of state-level programs are not open to all children, and at less than 60 percent, the United States has the lowest rate of enrollment in preprimary (ages 3-5) education of any advanced industrial country save (p. 119) Finland and New Zealand (Heymann et al. 2004). By way of contrast, France instituted public preschools in the late 19th century, and virtually all children ages 3-6 in France are enrolled in preprimary education.

Taken together, American child and family policies offer relatively little protection from child poverty, which is, by far, the highest in the OECD at 23 percent after taxes and transfers, and provide limited public support for the cognitive and emotional development of children, particularly poor children (Heymann et al. 2004, 2006). Siaroff (1994) has noted a strong negative correlation between public support for families with children and child poverty rates after accounting for taxes and social transfers. The United States scores at the bottom on both indicators (Pontusson 2005, 161).

### **Housing.**

Housing policy is often neglected as part of the welfare state, in part because of the many policy levers aside from direct public spending that affect the supply of housing (e.g., tax subsidies for developers, land-use restrictions, regulation of mortgage markets).

Nevertheless, affordable, stable housing is an essential component of personal security that has implications for health and other social outcomes (Pollack and Lynch 2009, Pollack et al. 2010). True to the United States's generally liberal orientation, government has had very little direct involvement in constructing housing, with only 5-7 percent of all housing units either directly built by or subsidized by the federal government (Bardhan, Edelstein, and Kroll 2011, 7). Since the founding of Fannie Mae in 1938, government involvement in housing policy has included regulation of mortgage markets and guarantees of privately contracted mortgages. The tax code has been the other main tool for U.S. housing policy, including the significant tax exemption on mortgage interest (which, in 2012, will account for an estimated \$105 billion [Center for American Progress 2012]) and the failure to tax imputed rent for owner-occupiers.

Both of these tax policies work to promote owner-occupation as the normative form of housing tenure. About two-thirds of housing units in the United States are owner-occupied—roughly similar to the other English-speaking countries, significantly higher than in Scandinavia, and significantly lower than in Southern Europe (Norris and Winston



2012). Government support of owner-occupied housing, if it comes at the expense of social (public) housing, is likely to limit income redistribution (Fahey and Norris 2011, 491). The U.S. housing policy profile, combined with a fragile safety net, has made lower- to middle-income households in the United States particularly vulnerable to housing market shocks. However, there is some evidence that government support for home ownership encourages redistribution across the life course, with housing assets substituting for other forms of income in old age (Castles 1998, DeWilde and Raeymaeckers 2008).

## 4 Structural Characteristics of The American Welfare State

Abstracting from the policy differences outlined earlier, four aspects of the organization and outputs of the U.S. welfare state stand out as unusual: the reliance on private (p. 120) provision; the degree of decentralized discretion; the persistent logic of deservingness; and the bias toward the elderly.

### **Private provision.**

The American welfare state relies to an exceptional extent on the market, rather than the state, to provide social goods. In many countries, both public and private entities provide health care, occupational pensions, child care, housing, and higher education. But only in the United States is the private sector the predominant provider of so many of them. Such an extensive system of private social provision has not emerged organically; it has been engendered by an ideology of the superiority of markets solutions, and by an extensive (and expensive) set of direct and indirect public subsidies to promote the provision and consumption of private benefits and services (Stevens 1988; Howard 1997; Hacker 2002).

### **Decentralized discretion.**

Even in nominally unitary states, subnational units may have important responsibilities for raising revenue, planning service delivery, and carrying out central mandates. Across welfare states, there is wide variety in the responsibilities delegated to subnational units, in the extent of redistribution of tax revenues across these units, and the extent of subnational variation in welfare outcomes. However, in most countries, standards for key welfare state attributes like population coverage, benefit packages, and eligibility criteria are agreed upon and enforceable by the national government.

U.S. states and localities, on the other hand, have significant discretion in establishing the *content* of even those welfare policies that the federal government mandates and finances. Furthermore, the fact that so much of the U.S. federal government's welfare activity comes in the form of low-visibility tax benefits and subsidies for private activity means that state- and local-level policies often appear to be where most of the welfare

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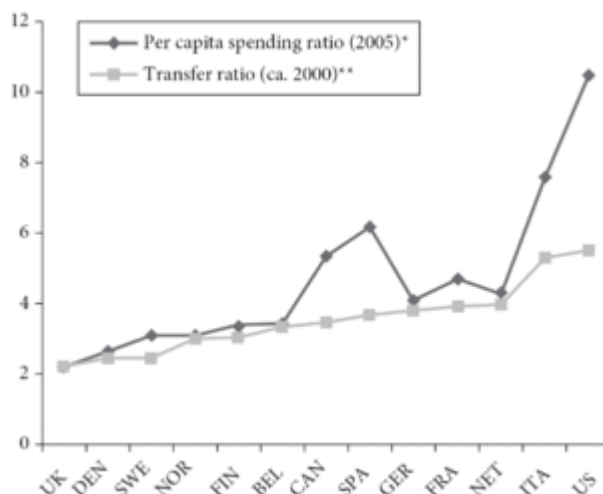
state “action” is in the United States. The sheer size and diversity of the United States in cultural and economic terms also means that sub-national-level control and financing of welfare state institutions can lead to substantial geographic differentiation in programs and outcomes.

### Logic of deservingness.

If welfare state decentralization varies in degrees across the advanced democracies, the persistent and often explicit motivation of U.S. welfare policy by a logic of deservingness is really a difference in kind. Much of the expansion of the welfare state in Europe and elsewhere in the post-WWII period was justified politically by a rhetoric of social inclusion and solidarity that resonated nearly as strongly with the Christian social tradition as with the social democratic one (Kersbergen 1995; Berman 2006). Christian democratic and social democratic actors may have privileged different aspects of social inclusion, but welfare policies across Western Europe, Canada, and the Antipodes reflected the principle of inclusion with elements of universal entitlement based on need and adequacy. America, on the other hand, has maintained a welfare state logic that instead prioritizes personal responsibility, help for the deserving only, and the principle of “less eligibility.”

This feature is particularly noticeable in the field of social assistance, as “welfare” beneficiaries are particularly strongly stigmatized (see e.g. Soss 2000; Schneider and Ingram 1993). Even in other program areas—for example, Social Security, Medicaid, primary (p. 121) and secondary education, public housing, programs for the long-term unemployed—the U.S. welfare state has maintained eligibility criteria and benefit levels that are quite explicit in their intent of excluding the undeserving (the idle and shiftless, noncitizens, those without lengthy contribution records, those who live in poor areas, drug users, convicted felons, etc.) from social solidarity, rather than reintegrating or rehabilitating them.

### Elderly orientation.



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Fig. 7.3 Ratio of social spending on elderly/non-elderly populations.

Source: Ozawa and Lee (2012, Table 2)

The population deemed by many to be most deserving

of access to social support in the United States is consistently the elderly (Cook 1992). In addition to this cultural support, seniors have a powerful and effective lobby group, the AARP, and an activated electorate (Campbell 2003). The combination of the elderly's social and electoral desirability has merged with the particularistic political strategies of American politicians to make the United States one of the world's most elderly oriented welfare states (Lynch 2006, Ozawa and Lee 2013). Older Americans' access to social benefits has been consistently defended and expanded, whereas supports for working-aged adults and children are less emphasized, and less well funded. Aggregate spending data and analysis of individual income from social transfers show a distinct elderly orientation in the United States (Figure 7.3). Lynch (2006) further found a distinct skew toward the elderly in the United States in both tax expenditures for social purposes, and in health care spending.

Pontusson reports that only "[t]ransfer spending that is not targeted on the elderly has a strong positive effect on redistribution among working-age households [...]" (Pontusson 2005, 158). As a result of this elderly orientation of social spending in the United States, poverty, child poverty, and income inequality among the nonelderly population in the United States are all well above the OECD average (see chapters on poverty and inequality in this volume). Unfortunately, the same processes that drive elderly oriented social policy also tend to produce stratification of pension benefits, with the paradoxical result that elderly oriented welfare states like the United States also tend to have higher-than-average poverty among the elderly (Lynch 2006, 182).

## 5 Comparative Welfare State Development

Why does the U.S. welfare state not more closely resemble those of other rich countries? In ordinary public conversation, theories abound, including our Protestant heritage, our large and heterogeneous nation, the legacy of slavery, and the absence of a socialist party. Although each of these explanations contains a kernel of truth, none fully accounts for cross-national similarities *and* cross-national variation in welfare state institutions and outcomes. Comparative welfare state research has centered on the trinity of interests, ideas, and institutions to explain this variation.

### Interests.

Who was for and against the development of social policies in the United States? How do these coalitions compare to those in other countries? The configuration of (p. 122) interest groups in the United States did not augur well for the development of comprehensive, solidaristic welfare states. The strong sectoral split between the industrializing North and agricultural South, whose plantation economy relied on labor-repressive agriculture until well after emancipation, did nothing to encourage solidaristic social insurance programs, which more typically developed when smallholding landowners formed coalitions with nascent urban working-class movements (Baldwin 1990; Esping-Andersen 1990). America did have a politically assertive smallholding class, centered in the country's Midwest and West, but despite their early joint success in establishing an income tax (Morgan and Prasad 2009), working-class partners for agrarian mobilization were notably weak. At the dawn of the American welfare state, unions were fragmented and lacking in the political "power resources" that have been hypothesized to drive welfare state expansion (Korpi 1983; Esping-Andersen 1985). Similarly, and in contrast to the strong social democratic parties in many parts of Europe, the United States has from the beginning lacked a labor-based party. As a result, "red-green" alliances of the type that drove welfare state expansion elsewhere were impossible in the United States.

Although there is much evidence for the argument that weak power resources on the left determined the relatively small size and private nature of the U.S. welfare state, it is not the whole story. Abundant comparative research has shown labor's power alone has not built welfare states—employers have played an important role as well (Mares 2006; Swank and Martin 2001; Swenson 1989). The United States' weak and fragmented organizations of employers, too, discouraged the formation of neocorporatist bargaining structures that elsewhere paved the way for comprehensive welfare states (Martin and Swank 2004). It would also be a mistake to view organized labor as a nonactor in the construction of the welfare state, at least after WWII. In fact, American labor (p. 123) (particularly the CIO), through its collective bargaining, aided the growth of substantial *private* welfare benefits like pensions and health care in the United States (Quadagno and Harrington Meyer 1989; Gottschalk 2000; Klein 2003), and played an important role in the development of public programs such as Medicare.

### Ideas.

Shared values surely explain some of the divergence between the United States and other welfare states. The Liberal welfare state embodies both an ideology—individual responsibility and laissez-faire liberalism—and a set of typical policies—means-testing, low benefits, reliance on markets. But the United States and the other Liberal welfare states like the United Kingdom are hardly carbon copies, as we have seen. A different hypothesized reason for the logic of deservingness that underlies American welfare policy is America's Puritan background, which is said to imbue our national discourse with a Protestant ethic that privileges work as the only road to salvation, and hence has resulted in welfare policies that are particularly meager and punitive toward those who are

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perceived as unwilling to work (Kahl 2009). But U.S. culture has many non-Protestant influences as well, and the predominantly Protestant countries of Northern Europe have welfare states marked by their universalism and generosity. So if we are to use ideas to explain the American welfare state's distinctive features, we must be more specific about the precise content of those ideas, and how they make their way into policies.

More than 20 years ago, sociologist Seymour Martin Lipset sought to outline the key features of the "American creed:" (negative) liberty, equality (of opportunity,) individualism, populism, and opposition to government intervention (Lipset 1989). To this list should be added the ideology of white supremacy, which has, as we shall see later, become embodied in the institutions of the welfare state. American values may indeed be causally related to the limited reach of direct state intervention to achieve redistribution (Brooks and Manza 2007; Page and Jacobs 2009), just as values of social solidarity, a strong state role, and equality of outcomes may have resulted in the construction of more comprehensive welfare states elsewhere (Brooks and Manza 2007; Svallfors 2007). However, existing social policies may themselves cause core values and beliefs about social solidarity among the public (Mau 2003; Rothstein and Uslaner 2005; Brooks and Manza 2007; Svallfors 2007). Powerful policy feedback effects make it hazardous to read welfare policies straightforwardly as results of public values.

### **Institutions.**

The translation of values and policy ideas into policies must occur by way of social and political institutions like political parties, legislatures, and labor and employer organizations. Comparative research has shed light on other institutions that may have even stronger effects on the contours of social policy. In numerous cross-national and case studies, multiple institutional veto points (such as those imposed by federal state structures, presidential systems, bicameral legislatures, and independent judiciaries) have been found to inhibit welfare-policy expansion (see, e.g., Immergut 1992; Huber, Ragin, Stephens 1993; Steinmo and Watts 1995). The United States' numerous institutional veto points have likely contributed to delays in the adoption of universal social programs, as well as to political compromises that have limited entitlements (see the chapter on institutions in this volume).

**(p. 124)** Veto points may have other important consequences, too. In a political context with large numbers of veto points, politicians will be tempted to turn to low-visibility tools—for example, tax expenditures as opposed to direct transfers or services, or policy drift as opposed to public debates over benefit levels (Hacker and Pierson 2010)—in order to secure their desired policy outcomes. In the American context, the use of low-visibility subsidies for private welfare activities has resulted in an ever-more private welfare "state," since the early adoption of private or particularistic solutions to collective welfare problems tends to make it more difficult to construct encompassing public programs later on (Hacker 2002; Lynch 2006).

Institutions of electoral competition, too, may explain the shape and redistributive capacity of welfare states. Iversen and Soskice (2006) find evidence that majoritarian electoral systems are associated with less redistribution because parties representing lower- and middle-class voters have less incentive to cooperate in pursuit of progressive tax and transfer regimes in majoritarian systems as compared to PR systems. Informal electoral institutions, too, may shape the welfare state in profound ways. The patronage-based party system of 19th- and early 20th-century America fueled growth of Civil War pensions and inhibited progress toward more universalistic measures (Skocpol 1992), and Lynch (2006) finds that, in a comparative context, particularistic electoral competition tends to produce more elderly oriented social spending.

Finally, the institution of white racial supremacy has had a profound effect on the American welfare state. The neo-Elizabethan emphasis in American welfare policy on deservingness noted earlier has persisted at least in part because of the association of African Americans with many of the characteristics deemed most undeserving. Some early welfare policies in the United States explicitly targeted African Americans for exclusion (Better 2008). New Deal policies did so indirectly, by excluding job classifications likely to be occupied by African Americans. Since the War on Poverty, social assistance and community development policies have become associated with African American beneficiaries and, as a result, have become less popular with the majority of the public (Quadagno 1994; Gilens 1999).

Most welfare states in the advanced democracies were built before there were significant nonwhite minorities in the population. Although religious and linguistic cleavages may have pushed some Continental European welfare states away from universalistic policies at the dawn of the welfare state, most of these welfare states took decisive steps toward broad, citizenship-based policies in the post-WWII period. In the United States, however, the racialization of welfare policy continued and in some cases intensified after WWII. Racial prejudice that was rooted in America's experience with African slavery filtered through a party system based on alliance between Northern industrialists and Southern landowners, and it affected welfare policy development in the United States. The result was a welfare state that allowed a very high level of subnational discretion over welfare policy, and a heightened emphasis on deservingness criteria.

### (p. 125) **6 Adaptations Since the 1970s**

Similar challenges have confronted welfare states in the OECD area since the mid-1970s: slower growth than in the post-World War II boom, deindustrialization, the disappearance of lifelong employment, the decline of the male-breadwinner-centered family model, population ageing, immigration, and the maturation of expensive social entitlement programs (Pontusson 2005; Esping-Andersen 1999; Pierson 2001). The United States has been somewhat buffered, however. Its large internal market, dollar-denominated

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currency reserves, and slower population ageing (due largely to high fertility among recent immigrants) have relieved pressure for austerity in the post-oil shock, and now post-financial crisis, periods.

Despite these advantages, however, the U.S. welfare state has also inherited unique challenges in accommodating to new social and economic realities. Many welfare states have reallocated their spending portfolios or invented new programs in order to better insure their populations against “new social risks” arising from economic and demographic shifts (Armingeon and Bonoli 2006; Häusermann 2010). However, several sources of rigidity have made it more difficult for the U.S. welfare state to adapt to the new environment. Nonportable employment-based pensions and health insurance prevent labor mobility and adjustment. The continuing importance of the race cleavage, as well as the newer wedge issue of immigration, has made it hard to introduce reforms that would strengthen the social safety net, rehabilitate segregated neighborhoods and schools, and improve the life chances of young Americans. Meanwhile, multiple institutional veto points and the severe elderly orientation of social spending in the United States have made it more difficult to adjust the welfare state to compensate for new social risks.

The American approach to welfare state reform since 1973 has been in some ways quite similar to other countries, particularly those in Esping-Andersen’s Liberal world. Like other liberal welfare states, the United States has sought to avert fiscal catastrophe in a slow-growth world by promoting employment in private markets, spurring job growth with light labor market regulation, low wages, and low public social benefits (Iversen and Wren 1998); and compensating for the decreasing availability of public funds by shifting back onto individuals the burden of insuring themselves against risk (Hacker 2006). If the policy responses to new economic conditions are similar among liberal states, however, the liberal imprint has been more marked in the United States. The United States has relied on even lower wages and allowed much greater income inequality. Similarly, whereas many countries have adopted labor market activation policies, the United States has done it in a way that is both punitive and reminiscent of its traditional emphasis on deservingness (Levy 2004).

Despite the fiscal and institutional limits on welfare state expansion, welfare states have continued to grow, and the United States is no exception: Major new programs (p. 126) including the EITC, the Medicare prescription drug benefit, the State Children’s Health Insurance Program (SCHIP), and the ACA have emerged since the 1970s. However, whereas welfare reforms in many other countries have focused on adapting the welfare state to new types of risk, expansions to the welfare state in the United States have, with the exception of SCHIP and the ACA, reinforced old patterns of elderly oriented spending and benefits for worthy (working) adults. In order for the U.S. welfare state to adjust successfully to insure against new social risks, it will need to focus more on key, underdeveloped program areas like health care, child care, early childhood education, and vocational training.

### 7 Conclusion

The American welfare state is distinctive from a cross-national comparative perspective. The protections against social risks that the U.S. welfare state affords to its citizens, particularly its younger and poorer citizens, are both narrower and shallower than in many other rich democracies. Nevertheless, the U.S. welfare state is not *sui generis*. The actors involved in the construction of the U.S. welfare state, the institutions created in response to social problems, and the contemporary pressures confronting the welfare state all have parallels in other countries. It may be tempting to view the welfare system as somehow more private, less statelike, in the United States than elsewhere, but the markets that provide so many social goods in the United States are the products of state action and state regulation, and hence should really be thought of as part of the welfare “state.” Hence, in this case, comparisons are not odious but both justified and useful. If the U.S. welfare state comes off as odorous, as Shakespeare’s Dogberry would have it, it should not invalidate the comparison, but rather spur the public and policy-makers to demand better.

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