

**POLITICS, VALUES, AND THE POWER OF DISCOURSE**

**IN THE REFORM OF THE WELFARE STATE**

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Paper prepared for presentation for the European Community Studies Association biannual meetings (Pittsburgh, PA, Jun. 2-5, 1999). This paper builds on the findings of a conference project, directed jointly by Fritz W. Scharpf (Max Planck Institute for the Study of Societies, Cologne) and myself, comparing the adjustment of twelve advanced welfare states to economic internationalization after the 1970s. The country reports, special studies, and comparative analyses produced by the project will be published by Oxford University Press in the summer of 2000.

# POLITICS, VALUES, AND THE POWER OF DISCOURSE

## IN THE REFORM OF THE WELFARE STATE

### *1 Introduction*

Since the 1970s, the achievements of the advanced welfare state, as developed in the postwar period, have been challenged by a wide variety of external economic pressures often summarized under the rubric of globalization, which are related in particular to the increasing competition in the capital markets, in the product markets, and in tax regimes. The changes in welfare states in response to such economic adjustment pressures vary widely depending upon such things as countries' relative vulnerability to those pressures (see Scharpf 1999a), the relative success of the repertoire of policies they mustered in response (see Hemerijck, Schludi, Vad 1999), and the relative capacity of their institutional structures to promote successful strategies for reform (see Scharpf 1999b). Success, however, is not just a matter of economics, policies, or institutions. It also depends on politics, by which I mean not just the ability of governments to create winning coalitions for reform, and thereby to overcome entrenched interests or institutional obstacles to change, but also, and more significantly, the ability of governments to legitimate reform. It is important to remember that in democratic societies, even policy changes that would be economically effective and institutionally feasible may still be blocked by popular opposition or reversed as a consequence of subsequent elections. And because of this, successful reform also depends upon governments' ability to construct legitimating discourses capable of convincing the public that policies that seemingly challenge their basic values or material interests are not only necessary but also appropriate.

This paper explores the democratic legitimation of reform of the welfare state by considering how governments actively sought to justify policy change through public discourse, whether by appeals to an existing national value consensus or by selectively emphasizing other values. By focusing on moments of crisis or transition when values are generally made explicit through normative discourse in public debates as opposed to continuing as unquestioned background assumptions embedded in institutional practice, this chapter seeks to offer comparative insights not only into the values that remain central to different polities' notions of social justice but also into the discourses that appeal to values in their efforts to legitimate policy change. It also considers how the national institutional context and political climate affect the locus of discourse as well as its effectiveness. Finally, it raises questions about whether there is a new emerging value consensus about the appropriate kinds of policies for a new, less vulnerable, more competitive welfare state in the open economy.

The paper begins with a short discussion of the theoretical and methodological issues related to the use of discourse and values as primary explanatory variables. The paper then considers in turn each of three different families of welfare states, roughly categorized as liberal (Anglo-Saxon countries), social-democratic (Scandinavian countries), and christian-democratic

(Continental and Latin countries), first by briefly discussing the postwar constellation of values as they had crystallized by the mid to late 1970s<sup>1</sup> and, second, by then examining the role of normative discourse in the dynamics of policy reform in the 1980s and 1990s. In this latter part, the emphasis is on those reform initiatives in any given country that represented a major challenge to deep-seated national values and conceptions of social justice, and which therefore were the object of significant public deliberation and debate. Finally, the paper turns to more theoretical questions about normative discourse in policy reform in an effort to generalize about the conditions for its success or failure in different institutional contexts as well as to sort out where interest, institutions, and/or normative discourse matter the most in explaining the outcome of reform initiatives.

## **2 *The Role of Values and Legitimizing Discourse in Policy Change***

The policy changes that have challenged the achievements of the post-war model of the advanced welfare state have also challenged the expectations that developed in consequence of them. These expectations, some of which reflect deeply embedded societal values, include such basic entitlements as the right to an education when young, a job when full-bodied, health care when sick, welfare when poor or disabled, and a pension when old. The policy responses to the economic adjustment pressures of the 1970s, 1980s, and 1990s have in many cases undermined these expectations and the values they reflect.

For example, the expectation of work or even the right to it, reflected in postwar governments' commitment to full employment, has been challenged by an increasing tolerance for high levels of unemployment, while in its place has sometimes come the obligation to work in exchange for the right to compensation through unemployment and/or welfare benefits. The commitment to the equality of results, apparent in some countries' promotion of greater equality in income distribution, greater parity in wages, as well as in the provision of generous welfare benefits, has not only been affected by cutbacks in welfare. It has also been undermined by increasing differentials in wages, as low-skilled workers earn less and high-skilled more, and decreasing differentials in taxes, with the reduction in the top rates of progressive income taxes balanced out by the growth of regressive taxes on consumption, such that the rich pay less and the poor pay more. The right to education, reflected in the vast expansion of the tertiary educational system, has also been challenged in some countries by the switch from a free education to a partly fee-based one. The right to adequate health care has come under attack through the introduction of fees, the rationing of healthcare, and the various cost-cutting measures that diminish access to specialist physicians and reduce time of hospital stay. Finally, the entitlement to support in periods of unemployment, invalidity, and old age has seen givebacks, as the amounts of support and time allowed have diminished for unemployment and invalidity compensation, while pensions generally have become less generous, with the required contribution time extended, the amounts of compensation diminished, and the responsibility for pension provision increasingly placed on the individual through the switch from public to private pension schemes.

These challenges to postwar welfare state expectations and values themselves naturally create new expectations and reflect other values, such as the acceptance of greater individual

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<sup>1</sup> The categorizations follow those of Esping-Andersen (1990). I choose this time period, rather than anything earlier, mainly because in many of the countries in question, the consolidation of their systems of welfare and work was still occurring even as the first adjustment pressures were hitting.

responsibility in the place of collective responsibility or the emphasis on merit over equality. But these are not the only new challenges or values. There are also those tied to endogenous social changes, such as the new “post-industrial” values related to changing lifestyles, attitudes toward work, and the role of women. New expectations and values that were only emerging in the heyday of the welfare state, such as the right to equality of opportunity in employment and gender income parity, have generally been reinforced. Moreover, new groups that were denied access to the benefits of the welfare state, in particular immigrants, have increasingly found themselves included, while women, who previously were mostly covered within family-related benefit packages, now find themselves increasingly individually and (more) equally covered. In addition, the employment structures along with the benefit structures have been changing to reflect the new groups’ expectations of work and welfare, including greater flexibility in the workplace, better provision of child care and other family services, greater long-term or extended educational and vocational opportunities, and so forth.

In brief, the values that underpin the welfare state have been changing along with the practices, as old values are challenged by new practices and new practices are coming to be accepted as valuable. The dynamics of such value-change, however, are not very clear, and it is difficult to anticipate which new sets of practices will be readily accepted, which strongly resisted, and why. Although we can (and will) consider the institutional practices of the “Golden Age” welfare state as representing a set of institutionalized values that reflect countries’ basic normative orientations, given that the patterns were developed in times of plenty when governments could exercise choice, we still cannot be certain which practices persist because they represent the generalization of deeply-embedded societal values, the weight of institutional inertia, or the entrenchment of particular interests. Only when the practices themselves are challenged not just through proposed reforms but also through the value-oriented discourse mustered in support (or opposition) may it become clear whether certain practices are held onto from the force of (moral) conviction, the force of (institutional) habit, or the force of (material) interest.

More specifically, as the policies that had supported a more egalitarian redistribution of societal benefits and accepted greater collective responsibility for citizens’ welfare and work have switched to ones that accept greater distributive inequalities and postulate greater individual responsibility, popular expectations and even values have often, but not always, changed. Given the importance of employment and social security in the lives of ordinary citizens, and given the centrality of the welfare state in the value systems and the political identities of the countries studied, policies associated with rising unemployment and inequality are particularly vulnerable to citizen protest and opposition. But the same is true of policies that try to avoid these outcomes through wage restraint, tax increases, and a reduction or restructuring of welfare-state benefits. Whatever the changes in policies, governments are confronted with citizen expectations that are disappointed, interests that are offended, or even values that seem betrayed. And when this happens, governments engage in normative discourse in an effort to overcome opposing interests, to assuage disappointed expectations, and to convince citizens either that the new policies do not really violate existing values or that a different set of values should apply.

More generally speaking, in the face of opposition to reform initiatives, governments engage in legitimating discourses that seek to convince the public that change is not only necessary, by giving good reasons for new policy initiatives, but also appropriate, through the appeal to values. The ultimate success of adjustment strategies, in other words, may depend not only on

their economic efficiency or institutional implementability but also on their democratic legitimation through discourses that show not only that the new policies are efficient or implementable but also that they resonate with deeper societal values, either long-standing values (whether currently emphasized or not) or newly emerging ones, and either widely shared or more narrowly contested.<sup>2</sup>

The appeal to values in legitimating discourses, however, is a complex process. All societies have a plurality of values, many of them conflicting or applying only under certain conditions or to special choice situations (or “spheres of justice”), and most changing over time, with some emphasized or de-emphasized at any one time or another. Therefore, when governments construct a legitimating discourse, the appeal to values always has the character of “selective activation,” by focusing on a particular value within a (limited) repertoire of values that could also be invoked in the situation (and which may be invoked by the opposition). Moreover, societies also differ in degree of normative integration, with some societies tending to have greater agreement about the norms and values appropriate to any given policy area than others, where there may be one or several rival normative orientations, one or another of which may predominate at any given time. And therefore, the more the normative integration, the fewer the strategic choices open to governments in the appeal to specific values.

Discourses differ across countries not only in the range of values to which they may appeal but also in how they are constructed and where they are focused. This is because different institutional contexts tend to frame the discursive process, determining who is involved in the initial elaboration of the policy program and discourse and toward whom the discourse is directed. In some countries, the elaboration of the program is by a restricted, government-centered policy elite and the discourse directed toward the general public, to communicate the government’s policy decisions. This “communicative discourse,” as we shall see, is mostly the case of single-actor systems where power is concentrated in the executive, such as Britain, New Zealand, and France. In other countries, the elaboration of the policy program is the product of a much wider cross-section of policy-related elites, while the discourse tends to be directed towards those very policy elites involved in the original elaboration, as a way of coordinating the policy construction.<sup>3</sup> This “coordinative discourse” is much more the case of multi-actor systems where governmental power and/or societal representation are more dispersed, such as Germany, Austria, and the Netherlands. While most countries privilege one or the other form of discourse, there are certain countries in which under certain circumstances both forms of discourse tend to have equal weight, as has been the case for Switzerland.

These differences in discursive practices are important not only because of what they tell us about differences in countries’ democratic legitimation processes but also because of how they affect the course of welfare reform itself. For even countries that resemble one another in postwar welfare state values may nevertheless end up with very different policy outcomes in some measure because of differences in discursive practices, as we shall see in the cases of Australia by contrast with Britain and New Zealand, or of Italy by contrast with France.

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<sup>2</sup> Put more theoretically, discourses serve an orienting function through cognitive arguments meant to demonstrate that the new policy program is economically and institutionally necessary and feasible and a legitimating function through normative arguments meant to convince the public that the policy program promotes the collective interest or common good (Schmidt 1998).

<sup>3</sup> For a more detailed discussion of the differences between the “coordinative” and “communicative” stages of discourse, see Schmidt 1998.

By focusing on discursive practices, then, this paper suggests that we can gain insights into the reasons for success or failure of policy reform which go beyond explanations in terms of interests and/or institutions alone. Although the paper makes no claims to being able to predict with any certainty which particular discourses will prove successful, or to which particular values a successful discourse will appeal, it does claim to be able to generalize about the conditions under which governments' discourses are more or less likely to succeed, given certain kinds of institutional contexts and constellations of interests, and given a particular range of values to confront in their efforts to reform the welfare state.

But what then were those postwar welfare state values that governments had to confront discursively when seeking to institute reform? And to what did they refer? In all countries, the value choices center on citizens' social rights and responsibilities with regard to welfare (including social services, health care, social assistance, unemployment insurance, pensions, and so on); on the expected roles and interrelationships of the state, the market, or other intermediary groups in providing welfare; and in the relative importance of social equality, whether in terms of income or gender.

Different countries, however, emphasize these values to differing degrees. The most striking differences in countries' normative orientations toward the welfare state involve whether welfare is assumed to be a matter of individual, family, or collective rights and responsibilities; whether welfare is understood as a right equally accessible to all, distinguishable according to need, or differentiable according to gender or social strata; whether social welfare claims are based on need, citizenship, or work history; whether the beneficiaries are the poor, all citizens, or the male breadwinner; whether the benefits are focused on poverty alleviation, equality, or income maintenance; whether welfare provision is expected to be the exclusive obligation of the state, also a matter for other intermediary groups, or even for the market; and whether welfare is to serve a short-term income replacement function, a long-term income maintaining function across the life cycle, or a redistributive function across classes (from rich to poor) (see Esping-Andersen 1990; Bonoli and Palier 1998).

Although each country is naturally unique in its particular mix of what we might call "institutionalized" welfare state values, countries can be very generally clustered into one of three postwar "families" of welfare states (following the categorizations of Gosta Esping-Andersen, 1990) on the basis of similarities in their normative orientations about what citizens could rightfully expect with regard to welfare and work. In the liberal welfare state, which in this study compares three Anglo-Saxon countries, Britain, New Zealand, and Australia, welfare is assumed to be a matter of individual rights and responsibilities distinguishable according to need, focused on poverty alleviation, provided by the state for the poor and by the market for the rest, and intended to serve a short-term income replacement function. In the social-democratic welfare state, here comparing two Scandinavian countries, Sweden and Denmark, welfare is by contrast seen as a matter of collective rights and responsibilities equally accessible to all citizens, focused on the promotion of equality, provided by the state for all, and intended to perform a redistributive function across classes. In the christian-democratic welfare state, here comparing five Continental countries, Germany, Austria, Switzerland, the Netherlands, and Belgium, and two Latin countries, France and Italy, welfare is instead for the most part understood as a matter of family rights and responsibilities differentiable according to gender and social strata, based on work history, focused on income maintenance for the male breadwinner, provided by intermediary groups and the state, and

expected to serve an income maintaining function across the life cycle (see Table One: Families of Welfare States—Postwar).

TABLE ONE about here

This approach can prove highly useful in comparing and contrasting countries within and across clusters according to their similarities or differences in institutionalized values. But even more importantly for the purposes of this paper, this approach serves to identify the baseline values to which governments made appeal or against which they reacted when promoting policy change through their discourses. The static configuration suggested by the notion of “families of welfare states,” however, should not obscure the fact that the institutions at the end of the “Golden Age” were the cumulative product of successive governments’ particular value-oriented choices during the postwar period, and did not necessarily reflect the range of values in the society, and especially not competing values supportive of unchosen policy alternatives. This is significant because such alternative policies and the values which underpin them can always be appealed to by governments in search of legitimizable solutions to the crisis of the welfare state, which began to be under attack already in the 1970s.

For most of the advanced welfare states under consideration, the early 1970s represented the apotheosis of the “Golden Age” model. Many were still in the process of construction as the first oil shock hit, and some even expanded subsequently, with only one or two beginning the belt-tightening (i.e., Germany and Austria) that would take place in earnest for a number of countries in the 1980s, and for others only in the 1990s. Major welfare retrenchments, though, were not seen until the 1980s in the liberal welfare states, and for most social-democratic and christian-democratic welfare states not until the 1990s, if then. Moreover, although the shift from expansion to retrenchment of the welfare state challenged traditional normative orientations in all three families of welfare states, they represented different kinds of challenges for countries that made up the different families. Faced with rising unemployment, increasing welfare costs, and decreasing ability to pay for their welfare programs, countries reacted in different ways. Whereas the challenges to countries that fit the model of the liberal welfare state were in how far to go in a liberal direction with regard to the promotion of individual responsibility and market-reliance, the challenges to social-democratic welfare states were in how much retreat from social-democratic ideals of collective responsibility and equality could be accepted, while the challenges for christian-democratic welfare states were in whether and/or how much to alter their family-based, status differentiated model to fit liberal or social-democratic ideals.

### 3 *The Liberal Model*

For the three countries in our project that fit the liberal model of the welfare state, Britain, New Zealand, and Australia, major external economic pressures appeared earlier than for most of the other project countries, and only intensified in the 1970s. The policy responses to those pressures also came earlier, in the 1980s rather than the 1990s, and basically challenged the normative orientations of the postwar liberal welfare state system in the name of liberalism. Those challenges, however, went a lot farther for New Zealand than Britain, and for both farther than Australia. But whereas the policy changes were largely accepted by the general public in Britain and Australia, they were not in New Zealand. The differing experiences of reform have to do not only with different institutional structures that made Britain and New

Zealand better able to impose change than Australia but also with the different discourses that served Britain and Australia in their different ways better than New Zealand.

### 3.1 Postwar Liberal Welfare State Values

The postwar liberal model of the welfare state generally associated with the Anglo-Saxon cluster of countries (the United Kingdom, New Zealand, and Australia considered in this project but also Canada, Ireland, and the United States) tends to place major importance on individual responsibility. This comes out most clearly with regard to welfare as income replacement, which is split between those who can provide for themselves and those who require assistance from the state. The principle upon which claims are based is primarily need, with the beneficiaries, the poor, and the goal, poverty alleviation. Within this context, moreover, the liberal welfare state from its very Beveridgean beginnings allowed only limited state interventionism in order to ensure that welfare did not undermine individual incentive and responsibility. The traditional “liberal” work-ethic norm, where “the limits of welfare equal the marginal propensity to opt for welfare instead of work,” entail a benefit structure with strict entitlement rules (generally means-tested) and modest benefits based on a flat-rate, with a stigma attached to those accepting assistance (Esping-Andersen 1990, pp. 26-27). The financing arrangements via general taxation only reinforce the tendency to a generally low level of state provision. What is more, the flat-rate nature of the benefits, combined with the low level of benefits, encourages the turn to the market for private pension schemes, and thus further division between those who can and do turn to the market and those who cannot.

One major caveat, however. Although welfare is understood as a right differentiable according to need and an obligation of the state for those in need when it comes to income provision (e.g., social assistance, unemployment benefits, and pensions), this is not true for publicly provided or subsidized services such as education and health care. Here, the rights are universalistic and non-differentiable, with the claiming principle citizenship and the beneficiaries all citizens on an equal basis (for all Anglo-Saxon countries except for the United States).<sup>4</sup> This is totally in keeping with the Beveridge model introduced in the early postwar years, which sought to ensure a minimum of income security with relatively low, universal flat rate provisions at the same time that it promoted equality of opportunity through universal health care and education. The assumption was that anything more than a minimum of state interventionism in income provision would be a disincentive to work, but that one must ensure equal access to health and education since if you are sick you can't work, and if you are uneducated, you cannot work to your fullest potential.

The obligation to work, however, was a corollary to the right to assistance not only because of concerns about individual responsibility but also about state responsibility. The structure of the welfare system, with the low benefits, the need for private pensions, and the stigma attached to welfare recipients, ensured that employment, and full employment at that, was a necessity not only for the individual who, without work, could not take responsibility for him or herself, but also for the state. For without full employment, the pressures on the welfare state's ability to provide would be enormous, and would raise questions about the economic viability and political legitimacy of the system itself.

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<sup>4</sup> Even in the United States, moreover, one could argue that universalistic, egalitarian values were there even if the institutional set-up was not, as evidenced from the greater access to higher education than in most other advanced welfare states (through scholarships in private institutions, low-cost loans, etc.) and the efforts to close the holes in the safety net when it came to healthcare (through Medicaid, rules about emergency care, etc.).



For the United Kingdom, New Zealand, and Australia, this general description of liberal values institutionalized by way of a modest welfare state serving as a safety net for a system based on full employment held throughout the postwar period until the 1970s or later. But there were nonetheless significant differences among countries, and in all countries such values were contested by strong social-democratic sentiments.

For Britain in particular, it could be argued that the minimalism of the welfare state was less a product of clear moral conviction than of both the economic vulnerabilities that from very early on were an impediment to the expansion of the Beveridge model and of the political cleavages which obviated any consensus among political elites on the desirability of state intervention or welfare expansion. Britain throughout the postwar period was a highly normatively fragmented society, despite the “Butskellism” that assumed that political decisions were matters of tweedle-dum or tweedle-dee. There were strong social-democratic and egalitarian impulses in the society even as there were strong opposing liberal impulses. The Conservatives on the right were ideologically against intervention and held as early as the 1950s that full employment was the ultimate substitute for universal social provision, even though their policies in many cases were expansionary and interventionist. By comparison, Labour on the left only intermittently favored interventionism and, although in principle committed to equality and income redistribution, did little practically to foster either. In the mid 1970s, moreover, Labour’s moves toward a break with the Beveridge model through greater generosity in the welfare system were stymied by economic problems, while it failed to maintain the postwar commitment to full employment at this time (Schwartz / Rhodes 1999).

In New Zealand and Australia, by contrast, parties of the left and the right were agreed on the need for a more interventionist role of the state, and on the need actively to ensure full employment by microeconomic interventionism and external protectionism (as opposed to Britain’s more macroeconomic and non-protectionist approach to dealing with its economic problems). This “informal welfare state” was mainly focused on creating employment through import substitution industrialization (ISI), although parties of the right supported a more supply-side version and the left a more demand-side. The main difference between the two countries in terms of state interventionism came in the 1970s, when New Zealand went much farther in seeking to maintain full employment and to protect the ISI model through greater state interventionism than Australia, which allowed unemployment to rise and experienced greater import penetration (Schwartz / Rhodes 1999).

New Zealand and Australia also engaged in greater interventionism in the industrial relations arena than Britain in efforts to stabilize the “informal welfare state.” Both countries had formalized institutions (the Arbitration Courts) which set wages and work conditions in the event of the failure of voluntary agreements, in great contrast to Britain where the commitment to “voluntarism” left employers and labor free to work out wages and conditions of employment with minimal state interference and few if any rules governing the process. In both New Zealand and Australia, moreover, the Arbitration Courts, by making decisions on the basis of ‘comparative wage justice,’ also promoted a kind of comparative wage equality which led to much lower wage differentials than in Britain, and thereby promoted a greater general society-wide commitment to equality than in Britain, where the unions were clearly in favor but employers were not (Schwartz / Rhodes 1999).

With regard to the welfare state per se, too, there were differences among countries. Up until the 1970s, only New Zealand had a reasonably generous welfare state compared to the residual welfare states of Britain and Australia, although it too was Beveridgean in its universal but small flat rate pension system (Schwartz / Rhodes 1999). In the mid-1970s, however, Australia established a much more generous welfare system, breaking with the Beveridge model to institute a more social-democratic system, whereas Britain, as noted above, tried but failed.

### **3.2 The Role of Discourse in Liberal Welfare State Reform**

For the liberal welfare state, then, one could anticipate that new policies in response to the economic crises of the mid 1970s and would be most likely to be justified by policymakers through appeal to individual responsibility, although not to the exclusion of other values, such as equality or family. Moreover, one can assume that among policies, any challenges to full employment would be likely to be resisted, although perhaps not as much in Britain and Australia as in New Zealand, given that in the first two countries the taboo had been broached already in the mid-1970s. By contrast, one could expect that challenges to the social assistance part of the welfare system through cutbacks by restricting eligibility in the already means-tested Beveridgean systems would not be greatly contested as long as certain minimum standards were maintained, given the split between the haves that benefited little and the have nots that were the principal beneficiaries of the system.

By the same token, however, in areas considered to encompass universal rights, and where all citizens benefited, as with the health service, any challenges to access through a major increase in cost or means-testing would be bound to be problematic. Less problematic would be challenges with regard to access to higher education, as long as scholarships are available (mainly because of the late broadening of what was a highly class-based system and remained so to the extent that parents had still to pay for students' upkeep). Moreover, because of values that limited state-interventionism and accepted a role for the market in welfare provision, the further opening up to the market and to competition would not be threatening in the way it might for countries that envisioned no role at all for the market in welfare.

In some ways, therefore, it is not surprising that all three countries would generally move in a more liberal direction with regard to welfare provision in response to economic pressures, by becoming even more strict on eligibility requirements for recipients and more reliant on private pensions, by introducing competition into still universal services such as health and education, and by being willing to impose fees on students. What is surprising, however, are the differences among the countries in the extent of reform as well as in public responses. In Britain, the traditional welfare system underwent a radical transformation in terms of policies and values which was in large measure accepted by the British public, whereas in New Zealand the welfare system underwent an even more radical transformation which, however, the public ultimately rejected, while Australia's welfare state gradually evolved in a liberal direction without radical transformations but with general public acquiescence.

How do we explain these differences in public response? Certainly, one part of the answer lies in the challenge to basic values, which went much farther in New Zealand than in Britain or Australia. Another has to do with institutional context, and the differences between the single-actor systems of Britain and New Zealand, characterized by a Westminster model of government and unitary institutional structures which increase government capacity to impose change relatively quickly and easily, and the more multi-actor system of Australia in which the Westminster model is moderated by federal institutional structures and a more negotiated

style of governing which makes it harder for the government generally to effect change. But another equally important part of the answer is in the legitimating discourse, not only in terms of its content, that is, its ability to be convincing about the necessity and appropriateness of reform, but also its type, which in the single-actor systems of Britain and New Zealand is a communicative discourse devised by a restricted governmental policy elite and directed toward the general public, and in more multi-actor Australia is a more coordinative discourse focused on a wider set of policy elites representative of major societal interests and associations.

### 3.2.1 *The United Kingdom*

Of all the countries in our project, the United Kingdom provides arguably the best possible case for the power of communicative discourse. Although Ronald Reagan may have been named the “great communicator,” it is Margaret Thatcher who should have had that sobriquet. Thatcher’s success in changing policy clearly had everything to do with the Westminster model of government, which concentrated power in the Prime Minister’s hands. Her success in policy reform had a lot to do with her communicative discourse to the general public, which involved propounding an ideology of neo-liberal reform for which the specific policies were not always initially clear nor was the economic necessity. In vowing to eradicate “corporatism” and “socialism” in favor of traditional values based on individual responsibility and on the importance of the free market as she privatized and deregulated; in attacking the feckless and the idle and promising to “end the dependency culture” as she cut social assistance programs and housing allowances; and in appealing to materialist values as she cut personal income tax, Thatcher was speaking to a normatively fragmented society she hoped to convert to neo-liberal values. But did she succeed? And how would one judge this?

Certainly, if we take as the measure of success the continuation of the policies that represent the new normative implications of the welfare state, and the continuation of the discourse, then she triumphed. During her tenure in office and beyond, the country did seem to move toward greater liberalism with the acceptance of lower levels of social assistance; more tolerance for greater inequalities of income, with a growing divide between rich and poor; and more general acceptance of the assumption that individuals must take responsibility for their future. Only in the case of health care did the traditional universalistic values remain. Moreover, not only did Thatcher’s conservative successor, John Major, continue the Thatcherite rhetoric, but so did the Labour party that followed it. As it geared up for the election that it was to win, “new Labour” adopted much of the liberal rhetoric as it abandoned “old Labour” policy goals or, rather, as it said itself, as it sought to institute old Labour values through new Thatcherite policy means.<sup>5</sup> But what did this entail? The policies as well as the discourse of the “third way” represents more of a renewal of the neo-liberal Thatcherite discourse and policy than something different (see Schmidt 1997a). It is true that Blair speaks of the need for a more humane approach to poverty, and taking care of the truly needy, and follows this up by policies that are slightly more generous for the very poor. But it was Blair, not Thatcher, who introduced workfare. Moreover, we are seeing further introduction of the

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<sup>5</sup> The *Economist* has a very funny table to show the differences in language employed by the right, the left, and the “third way.” Thus, in the economic realm, where the right speaks of “bosses” and the left of “workers,” the third way speaks of “consumers.” In welfare, where the right talks of the “feckless” and the left, “the oppressed,” the third way talks of “the excluded.” Other comparisons are, respectively, small government, big government, clever government; competition, planning, teamwork; silent majorities, vocal minorities, focus groups; market, state, community; and colleague, comrade, contact. (December 19, 1998, p. 40).

market into pension systems, continuing means-testing in social assistance, and rising fees (and thus differential access) in education. Only in health, where British universalistic values are clearly in evidence, are there no cuts, with promises to decrease waiting times for operations. Blair, in short, has in many ways completed the liberal Thatcher “revolution” and, with it, the seeming transformation in British welfare state values.

We have no way of knowing for certain, however, that individual values have really changed, even if the normative implications of the welfare state have. The opinion polls seem to suggest that they have not. For example, if we are to believe the polls of the early 1990s (although believing them is problematic, given that according to exit polls around the same time, Major was to have been roundly defeated in the elections), the British are much more egalitarian than the social-democratic Swedes or than fellow liberal Australians and New Zealanders, let alone Americans, and on a par with the christian-democratic Austrians and Germans on such questions as whether it is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes (see Figure 1). It may very well be, however, that rather than suggesting a values clash between the system people have and the one they think they deserve, it is that people simply felt that the changes had gone far enough—or a bit too far. This is supported by the data on wage inequalities, where for Britain, they are among the highest, by contrast with Sweden, where they are among the lowest (see Figure 2, Earnings Dispersion--discussed below). But if instead of looking at the survey data, we look at politics directly, at the rhetoric of the politicians whose political lives and livelihoods depend on guessing right and thereby winning elections, then we could conclude that values have indeed changed, or at least that people have accepted the changes in the welfare state and have altered their expectations about how to live their lives, and plan their futures accordingly.

FIGURE 1 about here

But how is it that the British public by the end of the Thatcher period had largely accepted the changes in the welfare state, so much so that succeeding governments, including Labour, remained true to the basic policy goals, whereas the New Zealand public showed its ultimate displeasure with the even more radical changes through a referendum that dismantled the very institutional arrangements that made radical welfare changes possible in the first place? And how is it that the Australian public accepted a more incremental process of change, and no going back, albeit with a less radical departure from the traditional welfare system?

### 3.2.2 *New Zealand*

In the contrast between Britain and New Zealand, both Westminster models of single-actor systems, it is important to remember that where Britain maintained a rather meager welfare state that was minimally interventionist and had already experienced growing unemployment in the 1970s, New Zealand had had a more generous welfare state which became significantly more generous in the 1970s, had continued low unemployment in the 1970s, and had increased its state interventionism and protectionism as well in that period. Thus, reforms that were in any case much more radical and far-reaching than in Britain also took New Zealand comparatively much farther given its initial starting point. With the introduction of market principles, the dismantling of state interventionism and protectionism, and rising unemployment in the 1980s followed in the 1990s by the drastic reduction in the generosity of the welfare state with even greater neo-liberalism, New Zealanders experienced a comparatively greater challenge to their postwar value system than the British. And they also

had much less of a choice. Whereas the British could have chosen to reject Thatcherite neo-liberal policy in favor of traditional left-wing Labor policy in election after election, but did not, the New Zealanders had two parties, both of which had majorities from the mid-1980s on that propounded Thatcherite policies. And therefore, whereas Thatcher had to pay attention to electoral response, and in consequence sought to convince the electorate through public discourse of the normative merits of her policies, Roger Douglas, the Finance Minister who was the prime architect of Labour economic policy from 1984 to 1990, did not feel the same compulsion. This may, of course, have simply been a matter of different kinds of authoritarian personalities, with Thatcher an ideologue who wanted everyone to believe what she believed as she imposed reform, by contrast with Douglas who assumed that everyone would come to believe what he believed once he had imposed reform (and thus did not see the need to try to convince, let alone consult) (Quiggin 1998, p. 82). But clearly, differences in electoral pressures, together with the sense of crisis, also played a role. It may even be that the two countries differ in their norms of public discourse, although this is hard to say. But what is clear is that in both cases, a restricted governmental elite with a small circle of neo-liberal advisers devised the reforms, but that only in Britain was there a concerted public persuasion effort through discourse as well as attention to public opinion that had potential electoral repercussions.

Nevertheless, the New Zealand Labour party was reelected in 1987 and was defeated in 1990 largely as a result of its own internal political divisions on its economic policies, and not because of electoral dissatisfaction as such. The Labour party in New Zealand, in fact, had balanced out its unpopular, radically liberal economic policy—the necessity of which it assumed simply spoke for itself in the face of deep and lasting economic crisis—with much more popular social policies. Despite its introduction of competition in both the production system and the welfare system, and the emphasis on market principles and user charges, Labour retained a certain amount of “collectivism” with regard to both welfare and work, by maintaining and even reinforcing the industrial relations system while expanding the welfare state. Thus, Labour claimed to introduce competition into the formal welfare system in order to save it, by making it more sustainable as it increased social spending in social assistance as well as health and education (albeit with reforms designed to reinforce individualism, such as the negative income tax in place of a range of social assistance programs). And as such, its social reforms, along with the legitimating discourse here, managed to appeal to long-standing values with regard to welfare even as it radically altered those related to work.

By contrast, when the National party came to power in 1990 espousing an even more radical neo-liberalism, it broke with welfare state values and policies and went even farther than Labour in the break with those regarding work. Thus, National rejected the “collectivism” of Labour in favor of a radical shift of the management of risk from society to the individual. It sought to destroy rather than save or expand the welfare state by introducing even greater competition and by drastically reducing a wide range of social programs and services, attacking even such seemingly accepted universalistic rights as health care through the introduction of rationing. And it did all of this with even less attention to public opinion than Labour (Schwartz / Rhodes 1999).

The 1993 referendum to eliminate the majoritarian, first-past-the-post system in favor of a German-style, mixed member proportional representation system (instituted in 1996) represented the public rejection of the National and earlier Labour government policies which radically transformed the welfare state. But it did it by way of the alteration of the institutions

that allowed the government to reform without regard to public opinion. The public, in fact, spoke loudly through its vote about its dissatisfaction not just with the policies but with a system that so concentrated power that the government felt such little need to try to legitimate those policies, or to listen to the public debates in response, let alone to enter into public deliberation with those opposed. That public communication in single-actor systems is adversarial goes without saying, but it need not be, should not be, unilateral, which is what it seemed to be in New Zealand.

The fact that the new institutional set-up made it impossible for any government to go back on the reforms that were the real object of protest is one of the great ironies of the changes. But the focus of change is not as strange as all that, once we realize that it brought in an electoral system that would produce a government that required the kind of negotiation and deliberation that characterized the more multi-actor Australian system, which had also reformed in a liberal direction, but had not gone nearly as far as in New Zealand.

### 3.2.3 *Australia*

The contrast in the history of liberalizing reform between Britain and New Zealand on the one hand and Australia on the other is striking, and points out the importance of institutional differences and how they play themselves out in the discursive process. For although in Australia, too, a Labour party with radical neo-liberal ideas came to power around the same time as in New Zealand, it could never impose reform in the way that the New Zealand parties could, given a more multi-actor system that demanded much more consultation and negotiation, nor did it want to. Australia got adjustment with a human face not only because change required consensus, but also because the politicians themselves, such as Prime Minister Hawke in power in the 1980s, valued this. Not only did neo-liberal economic reform come more slowly than in New Zealand, it also did not elicit nearly the same negative response. This was in part because the Labor government negotiated it with a much wider set of actors at the federal and state level and between the House of Representatives, elected on the basis of constituencies (like New Zealand), and the Senate, elected by proportional representation, and with the trade union movement, with which it had strong and cooperative links by contrast with the weaker linkages in New Zealand (Evans et al., 1996; Quiggin 1998, p. 82).

The balance between liberalizing the economy and maintaining or expanding social policy, moreover, continued in Australia into the 1990s, by contrast with New Zealand, in part because of a cooperative relationship in the employment relations sphere that traded wage restraint for a social wage, i.e., a continued high level of social assistance (albeit means-tested) and universal social services in health and education. In fact, part of the Australian success in instituting more moderate and better accepted reform has to do with the development of a quasi-corporatist sets of relations between employers, labor, and government. This began in the early 1980s with the first of the Accords that produced wage restraint through incomes policies, and which labor saw as the only way to save the welfare state while dividing or neutralizing potential business opposition (Schwartz / Rhodes 1999).

Finally, the discourse, which performed as much of a coordinating function with regard to the multiple actors as a communicative function for the larger public, was one with much debate and deliberation, where reforms that were opposed by substantial numbers of actors were

withdrawn, not imposed.<sup>6</sup> This is illustrated by the fate of a goods and services tax proposed by governments in both Australia and New Zealand. Whereas in Australia, the lack of the support by unions, welfare groups, and business led to its abandonment (it remained hung up in the Senate), in New Zealand, the lack of popular support had no effect on its implementation (Quiggin 1998, p. 84). (It is only recently, once the liberal won the elections, that the tax, which had been proposed three times since the mid 1980s, that it passed, with many exemptions, however). Australia, in brief, had a very different history of liberalization in the social policy arena from either Britain or New Zealand, mainly because of differences in its institutional structures which affected the manner and pace of change in policies as well as the character and locus of discourse.

Whatever the differences among Anglo-Saxon countries in their postwar welfare states or subsequent adjustments, however, their differences from the other country clusters is what sets them apart. Their emphasis on individual responsibility contrasts most clearly with the more collective notions of responsibility in the other clusters of countries, even though the content of such collective responsibility differs among the remaining two clusters. The continued Anglo-Saxon focus on the poor and poverty alleviation, along with the low level of benefits, makes for a very different kind of welfare provision from either the Scandinavian countries, more focused on all citizens and income equality with generous benefits, or the Continental and Latin countries, which concentrate on the male breadwinner and income maintenance, and also have generous benefits. Moreover, the voluntary nature of pension contributions (above the low, state-mandated level) for those who are not the prime beneficiaries of the welfare system differs significantly from the compulsory nature of all such contributions on the continent, and the virtual absence of voluntary contribution schemes in many of those countries. With regard to such public services as education and health care, by contrast, there is little difference among clusters of countries in terms of their universalistic goals with the exception of New Zealand, even if the levels of service differ among countries.

#### 4 *The Social-Democratic Model*

For the two countries in our project that fit the social-democratic model of the welfare state, Sweden and Denmark, the major external economic pressures had different effects at different times, leading to different kinds of policy responses—incremental for Denmark, delayed and then more drastic for Sweden. The result is that the challenges to the normative orientations of the postwar social-democratic welfare state were felt more strongly by Sweden than Denmark. So far, however, despite the challenges, both countries have largely maintained their basic commitment to equality, even as they have had to diminish the generosity of the welfare state. But within this context, it is now Denmark that appears to have taken the place of Sweden as the ideal social-democratic model, having gradually moved over time from a position of somewhat less welfare state equality, generosity, and normative integration than Sweden to one of somewhat greater equality, generosity, and integration as Sweden has confronted major economic and political problems, especially in the 1990s. The public discourse, moreover, reflects this, with Swedish discourse less effective in convincing the public of the legitimacy of the move toward a somewhat more “liberal” social-democracy than Denmark.

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<sup>6</sup> This kind of simultaneous public/private discourse may very well be characteristic of Australia because of a combination of country size, the difficulty of carrying on such discussions behind closed doors, given a tradition of more open public debate on all issues, etc.

#### 4.1 Postwar Social-Democratic Welfare State Values

The postwar social-democratic model of the welfare state generally characteristic of the Scandinavian cluster of countries (Sweden and Denmark in our project but also Norway and to a lesser extent Finland) tends to place greatest value on equality, with collective responsibility involved in ensuring such equality. This entails a welfare system that is universalistic in its provision of benefits, with no split among haves or have-nots, as in the liberal welfare states discussed above, or between men and women or categories of employment, as in the christian-democratic welfare states discussed below. Here, the principle upon which claims are based is citizenship, with the beneficiaries, all citizens. Moreover, the goal is equality of income (albeit graduated according to accustomed earnings) and equality of access to social services to the highest of standards (i.e., to the level of the new middle classes), as opposed to equality of minimal needs, as in liberal welfare states (Esping-Andersen 1990). The benefit structure, therefore, is generous, with benefits granted at a high flat-rate (especially by comparison with the Anglo-Saxon countries), and not means-tested. There is no room for the market here, and no need for individuals to take responsibility for their futures through private pension schemes, given the universal solidarity promoted by the welfare state. The egalitarian values are only reinforced by the financing structure, based on general taxation at a highly progressive level, which therefore has a highly redistributory effect.

In social-democratic welfare states, as in liberal welfare states, the structure of the welfare system also ensures a focus on full employment, but for very different reasons and with very different results. Full labor market participation, including that of women, was a central government goal while work itself is enshrined as a basic right, almost coequal with the right to an income in this system (Esping-Andersen 1990). This in turn entailed the provision of a high level of family services such as day care, maternity and paternity leaves, and so forth, to enable all individuals—women as much as men—to reach their full potential. There is an emphasis on the individual's rights and responsibilities here too, then, as it is in liberal welfare states, as well as on the family, as in christian-democratic welfare states, but promoting it is matter of collective responsibility, to be assured through state provision (by central or local authorities) from the first rather than, as in liberal or christian-democratic welfare states, through individual or family provision, with the state as last resort. For social-democratic welfare states, moreover, as for liberal welfare states, work comes before welfare. But for liberal welfare states, this is the result of necessity, given the low level of income replacement from social assistance, whereas for social-democratic welfare states, “work before welfare” is a value.

In work itself, moreover, just as in welfare, equality has been a central value, whether with regard to wages or to gender. The social-democratic welfare state fostered a solidaristic wage policy that entailed not only equal pay for equal work but also a compression of wage scales not seen in christian-democratic welfare states (discussed below), let alone in liberal ones (this was especially the case in Sweden in the 1970s, where the notion of the “same pay for similar” work was transformed by the increasingly radicalized labor movement into the “same pay for all work”) (Vartiainen 1998, p.26). Although we only have reliable figures with regard to wage differentials from 1979 on, and not for all countries, even a quick glance at the numbers shows that Sweden and Denmark have the lowest earnings dispersion by far, and that these persist over time (see Figure 2—Earnings Dispersion; for more detail, see Iversen 1998). Liberal welfare states, by contrast, tend to have much greater wage differentials, which in the



cases of New Zealand and the United Kingdom (but not Australia—given its different employment relations pathway) only increased over time (see Figure 2).

What made the real normative difference for social-democratic welfare states is that commitment to wage equality was joined by commitment to gender equality. In the social-democratic welfare states by the early 1970s, the newly emerging “post-industrial” feminist values were in the process of institutionalization, with women able to move into the workplace in increasing numbers as a result of changes related not only to the workplace, such as wage parity laws, labor market flexibility, and openness to part-time employment, but also to welfare reforms that vastly expanded state-provided family and day care services (and also created large numbers of public sector jobs).

The result is female labor participation rates that far outdistanced other countries. Again, although the data are at times spotty, the figures show that over the course of the 1970s and into the 1980s and 1990s, the social-democratic countries stayed a good ten to twenty percentage points above all other countries in female participation, despite the rise of “post-industrial” values favoring gender equality across advanced industrialized countries, moving from around 60 percent female participation in the early 1970s to 75 percent in the mid 1990s (see Figure 3—Female Participation Rates). By comparison, liberal welfare states such as Britain, New Zealand, and Australia, which were a mix in terms of the female participation rate in the 1970s, had all increased significantly by the 1990s, up to around 60 percent—a testimony, perhaps, to the liberalized economy’s ability to generate jobs and the liberal welfare state’s neutrality with regard to gender issues (given the need for two incomes)—but they still remained around 15 percentage points below the social-democratic welfare state.

For Sweden and Denmark, this general description of highly egalitarian, generous welfare states emphasizing full employment held through the 1970s and beyond, although in both countries it was accomplished late, with the original Beveridgean model of low social welfare benefits only fully transformed by the 1960s and early 1970s into a truly social democratic model with generous benefits (see Benner/Vad/Schludi 1999). In the 1950s, the actual welfare systems looked little different from that of Britain, even though the egalitarian values, with welfare understood as a universal right equally accessible to all, and not distinguishable according to need or differentiable according to gender or social strata, was already present long before (Esping-Andersen 1999). But while both countries greatly expanded their welfare systems in similar ways in the 1960s and 1970s, the Swedish system was somewhat more generous than the Danish, and its pension system more reliant on earnings-based contributions than the Danish, which was largely financed out of general revenues. The fact that Sweden was also more normatively integrated, with the “work society” values reinforced by a strong Social-Democratic party that held power either alone or in coalitions from the 1930s on, meant that it was easier for it to implement social-democratic reforms than in Denmark, where the power and control of the weaker Social-Democratic party was often contested, including by a tax revolt in the early 1970s (Benner/Vad/Schludi 1999). Finally, because Sweden was better able to manage the economic crisis of the 1970s than Denmark, it did not suffer any challenge at this time to its commitment to full employment, whereas Denmark did as a result of rising unemployment. The challenge did not undermine the basic values of the Danish social-democratic system as a whole, however, given generous unemployment compensation, although it deepened the severity of the economic crisis.

## 4.2 The Role of Discourse in Social-Democratic Welfare State Reform

For the Scandinavian countries, then, one could anticipate that new welfare state policies in response to growing economic vulnerabilities would be most successful if justified by policymakers through appeal to the value of equality, while any sacrifices would have to be shared equally to be acceptable, and any deviations would be strongly resented. Similarly, one can be certain that challenges to the universal services of health and education as well as family services and day care would not even be countenanced, given their centrality to the basic values of the Scandinavian welfare state and full employment model. Moreover, one would anticipate that challenges to full employment would be resisted, although perhaps more in Sweden than in Denmark, where full employment had not been able to be maintained even in the 1970s.

Finally, if trade-offs had to be made, one could anticipate that core values of equality and work would be defended more vigorously than the generosity of transfers. The common Beveridgean basis to the welfare system, despite its social-democratic makeover, meant that the logic of retrenchment could be similar to that of the liberal welfare state. In Denmark, like Britain, where basic pensions come from general taxation, pension benefit cutbacks occurred through income-testing or means-testing. In Sweden (and also Finland and Norway), like Australia and New Zealand, where basic pensions are based on contributions, cutbacks took the form of a general erosion of the pension level, and the addition of means-tested supplementary pensions (see Myles and Quadagno 1997; Bonoli and Palier 1998). It is important to note, however, that cutbacks in the basic pension would not have quite the effect as in liberal welfare states, since the pension system in both Denmark and Sweden had three other “pillars” beyond the first, basic pension that were compulsory and state financed out of taxes (Denmark) or co-financed through employer-employee contributions (Sweden), by contrast with the Anglo-Saxon countries where beyond the basic pension was primarily the market.

The main puzzle with regard to Sweden and Denmark, in fact, has less to do with a retreat from basic values, which did not occur, than with how the two changed places: Denmark managed to maintain its welfare system largely intact through incremental adjustments in the 1980s and 1990s while Sweden ran into a major economic crisis largely of its own making in the early 1990s which forced it to adjust its welfare state more radically. Part of the explanation lies with the differing discourses in the two countries beginning in the 1980s.

### 4.2.1 *Sweden*

For Sweden, change has in many ways been harder than for Denmark, mainly because it avoided reform until the 1990s, when it came all of a sudden, in response to crisis. Sweden in the 1980s continued its highly redistributive system, with generous social programs, highly active labor market policies, and little modification in the level of benefits or services, despite slower growth and lower revenues. It also managed to maintain employment at high levels, mainly because of periodic currency devaluations and wage restraint, but also because of its significant interventionism in crisis sectors, the continuing expansion of the public services sector (although at a slower rate than the 1970s) and the huge labor market policy programs (see Benner/Vad/Schludi 1999). Only with the major economic crisis of the early 1990s, which led to a precipitous growth in unemployment and the concomitant crisis in the welfare state, given its dependence on full employment for financial health, was the welfare state affected.

This crisis, however, rather than leading to any major reevaluation of the egalitarian basis of welfare state policies, produced only attempts to contain costs across the board, for example, through a reduction in replacement rates in unemployment insurance or a change in the pension system toward greater reliance on contributions rather than payroll taxes. There has been no “system shift,” despite market-leaning reform of the public services or talk of a move from tax-financed toward individual social insurance, which has little public or political support. While the welfare state is “leaner,” it remains comparatively generous in its treatment of the unemployed, loyal to the “work society” ethic that seeks to treat all citizens as productive individuals able to live up to their full potential. Moreover, although the commitment to wage equality, defined in 1970s terms as the same pay for all work, ended in the early 1980s with the breakdown of centralized wage bargaining, commitment to wage parity largely continued, as wage differentials still did not grow significantly, moving slowly upward to reach or only slightly exceed the level of Denmark (see Figure 2 above). The main challenge to the society’s egalitarian values has mainly been the rise in unemployment, which reduces the effectiveness of the ideological commitment to the work society.

In the face of economic crisis, the Swedish discourse has focused almost entirely on the need for social solidarity and the acceptance of moderate cutbacks in the generosity of transfers. Legitimation has therefore not been much of an issue because the basic values have been defended. Because in Sweden, the state has had sole responsibility for the welfare state, the legitimating discourse has been of the communicative variety with the larger public, rather than coordinative with the social partners and private providers, as it is often is in christian-democratic welfare states.

The problem with the communicative discourse is that the government finds it hard to reconcile its continuing commitment to equality and full employment with the neoliberal economic policies it has had to institute in the interests of fiscal responsibility. In fact, the Swedish Social-Democratic government has yet to decide whether to follow a more liberal course, by promoting deregulation and a more flexible, meaning inegalitarian, wage structure in order to return to full employment, or a more christian-democratic course, sacrificing employment to continued wage equality, which, however, allows for greater inequality through the marginalization of those excluded from full participation in the economy (Iversen 1998; Iversen and Wren 1998). The problem, in short, is that the government hesitates in the face of the fact that either policy course violates the country’s continuing basic egalitarian and cooperative values, and that the government has yet to come up with a coherent discourse to legitimate either course of action, let alone a coherent policy for a discourse to legitimate. What is more, given the breakdown of national level corporatist concertation since the 1980s, it has not been able, as it might have been in the past, to negotiate policy change with the social partners through a more coordinative discourse. Instead, the state is basically alone in having to make choices which it will then have to communicate.

#### *4.2.2 Denmark*

For Denmark, the current challenge to the welfare state has been even less marked than in Sweden, mainly because the problems came earlier, and were dealt with incrementally. Generally speaking, while these changes diminished the generosity of the welfare state, they also did not impinge much on the country’s basic commitment to equality. In fact, in the 1980s, Denmark increased its commitment by way of expanded benefits for the elderly, through increases in the pension system and early retirement system; for women, through increased family and child services as well as parental leaves; and for students, through higher

allowances and loan eligibility. Unlike Sweden, however, Denmark moved earlier to reduce the escalating costs of the welfare state through a greater emphasis on user charges and private co-payments in areas of universal service provision, i.e., in health and education, even as it expanded those programs (Benner/Vad/Schludi 1999). This guaranteed universality of access at the same time that it helped to contain costs (since the charges and fees remained low enough not to deter anyone from using the services).

In areas related to work, moreover, Denmark also sought to limit the expense without jeopardizing its principles of equality, mainly by reducing average replacement rates in unemployment compensation, tightening eligibility requirements, introducing a waiting period for sick pay, and instituting requirements for youth employment. Because the generous unemployment system was increasingly seen as a disincentive to work, such measures were assumed to be completely compatible with Denmark's own values with regard to work. Moreover, in the 1990s, such measures were increased, along with the introduction of active labor market policies, and even workfare. By comparison, other areas of potential reform which clashed more with long-standing egalitarian commitments, such as the reduction in the progressiveness of the tax system, were not changed nearly as much as originally proposed by the conservative government in the 1980s, given resistance by the social-democratic opposition.

Generally speaking, such incremental change in the Danish welfare state was made easier by the on-going economic crisis in the 1980s and 1990s, in which necessity was the justification for political parties and the social partners to agree to active reform measures. This was apparent not only in the communicative discourse of government, which constantly reminded citizens of the crisis as they presented their reform programs, but also in the coordinative discourses of political elites within the legislative context and of the social partners in wage bargaining. Economic crisis, in other words, helped promote normative integration, as political parties in government became more willing to engage in "policy and party shopping" in their efforts to solve major problems, while the social partners became more willing to compromise in the wage bargaining process (Benner/Vad/Schludi 1999). One could even argue, therefore, that the "threat from without" helped consolidate the normative consensus around the need for reform, and thereby served to overcome the fragmentation of a political system characterized by weaker governments and many more veto points than the Swedish system. The result is a welfare state that seems to have changed places with Sweden in terms of its ideal characteristics.

Denmark has already faced the choices that Sweden has yet to on whether to follow a more liberal or a more christian-democratic course. And it has chosen to go some way in both directions—by allowing for somewhat higher unemployment on the one hand and for somewhat greater flexibility and inequality in wages on the other—without, however, destroying its overall commitments to equality. On the one hand, the acceptance of something less than full employment already came in the 1970s, by contrast with Sweden's rude awakening in the 1990s, and it was not experienced as an attack on values related to welfare or work because of the generous unemployment compensation system. On the other hand, even at the height of the "golden age" of corporatism, as we have already seen, Denmark has always been somewhat more "liberal" in its approach to employment than Sweden, with greater employment flexibility built into the system and somewhat greater wage differentiation (mainly because militant unions in the 1970s, in the face of greater crisis as well

as less centralized labor control, could never impose the radical wage equality demands of Swedish labor).

In short, Denmark has in many ways already managed the transition to a more “liberal” social-democratic welfare state while remaining largely true to its original egalitarian and universalistic principles. By contrast, Sweden finds itself as yet unable to make or legitimate the move to a more “liberal” social-democratic welfare state, which in turn may ultimately undermine its ability to uphold its original, even more egalitarian and universalistic principles. As an ideal, therefore, Denmark, may very well have taken the place of Sweden.

Whatever the differences between social-democratic countries, however, their emphasis on citizen equality and universality of state provision to the highest level of benefits and services sets them apart from other countries. And as such, they differ not only from the Anglo-Saxon countries, with their liberal welfare state which allows for a lower levels of benefits and services, greater differentiation in terms of need, and greater provision by the market, but also from Continental and Latin countries, with their christian-democratic welfare state which ensures a high level of benefits, greater differentiation in terms of gender and social status, and greater provision by intermediary groups.

## **5      *The Christian-Democratic Model***

For the Continental and Latin countries that fit the christian-democratic model of the welfare state, major changes in policy in response to external economic pressures come generally in the 1990s. Even before this, however, incremental change in response to newly emerging post-industrial values, in particular with regard to the role of women, challenged the normative orientations of the postwar christian-democratic welfare states, and in particular its emphasis on the family. But while some countries responded early and incrementally to shifting values, in particular France and the Netherlands, others have been much slower to respond, in particular Germany and Austria. The reform of welfare state finances, moreover, have also had differing responses. In some cases, they were largely accepted by the general public and the social partners, for example, in Italy and the Netherlands, but not in others, whether in France, where large-scale demonstrations were manifestations of general public and labor dissatisfaction, in Switzerland, where the general public rejected some reforms agreed to by the social partners and/or government, or in Germany, where state paralysis reflected differing political constituencies' divisions over reform. The different experiences of reform, moreover, are related not only to different institutional structures which enabled France, for example, to impose reform and Germany not, but also to different discourses that served Italy and the Netherlands in their different ways better than Switzerland or Belgium.

### **5.1      Postwar Christian-Democratic Welfare State Values**

The postwar christian-democratic model of the welfare state found in the Continental (Germany, Switzerland, Austria, the Netherlands, Belgium) and Latin (France and Italy) clusters of countries, also called the Bismarkian or Catholic type of welfare state, tends to value the family most highly, with collective responsibility focused on maintaining the family unit. Rather than the liberal welfare state concerned most with individual responsibility and providing for the “have-nots” while leaving the “haves” largely to provide for themselves through the market or the social-democratic welfare state providing for the collective in a universalistic and egalitarian fashion, the christian-democratic welfare state actively maintains

existing differences, whether inequalities between different strata or, in particular, among genders, so long as all are provided for within this context. The christian-democratic state's patterns of welfare provision and financing, moreover, tends to favor the status quo in terms of status and income, with few of the market-expansion pressures found in liberal states and few of the redistributory and gender-equality effects seen in social-democratic states.

Here, the principle upon which claims are based is work, with the beneficiaries, the core workforce of male bread-winners, and the goal, income maintenance. The benefit structure is primarily earnings-related, and generous enough after a full cycle of work to support the family unit in the manner to which it has become accustomed. This, together with the financing arrangements which for the most part involve earnings-related contributions, in and of themselves reinforce the gender division of labor in the family pattern, given the need for the male breadwinner to be employed steadily throughout a full working career in order for the family to enjoy full benefits. Moreover, it also reinforces status differences, given that income replacing transfers (whether pensions, disability, unemployment pay) are proportional to market income and therefore maintained at different levels for the different professions. Other features of the welfare system add to or diminish the impact of the system on the gender division of labor--such as the treatment of non-working wives with regard to pensions, the minimal or maximal provision of day-care and other family services, the tax system which may or may not privilege non-working spouses or which rewards motherhood through generous family tax credits—by acting as incentives or disincentives for women to move out of the house and into the workplace (see Esping-Andersen 1990; 1999).

The state plays a central role in the christian-democratic welfare system, then, as it does in the social-democratic system, by contrast with the more residual role of the liberal state. But often, however, rather than providing the services itself, as in the social-democratic model, it operates on the principle of subsidiarity, expecting that much of welfare provision will be through self-organized, solidaristic groups co-financed by the state, with larger systems doing only what smaller systems do not do, and the family unit as the main service provider, with the state intervening only when this fails. And all of this only further reinforces the status differentiation and gender division of labor in the society.

Clearly, full employment of the entire population is not a consideration here as it is in the social-democratic model, given the gender division that often keeps women at home. Unemployment of the male breadwinner, by contrast, is a catastrophe much greater than in the social-democratic model, given that it jeopardizes the entire family's future, and not just that of the individual earner. Job security for the core male breadwinner, therefore, is a welfare value that also spills over into the work realm. Women's work, by comparison, is may be less valued, and the woman therefore more likely to leave work first in the event of a crisis and ensuing high unemployment (whether out of choice or because dismissed).

The emphasis on full employment for the core workforce in Continental welfare states, together with the reasonably high level of generosity of social assistance, makes for significant differences with liberal and social-democratic welfare states with regard to the balance between welfare and work for the population as a whole. For whereas "work before welfare" characterizes both liberal and social-democratic welfare states, even if in the one because work is an economic necessity, in the other a moral obligation, in christian-democratic welfare states, "welfare above work" is an outcome of policies that make of work neither an economic necessity, given the high level of benefits, nor a moral obligation for

increasing numbers of workers. For although work remains a value for core workers, the male breadwinner upon whom the entire family depends, those who fall outside the core male breadwinner model have of necessity turned to welfare rather than work. This is not only because of the opening up of morally acceptable exit options through disability and early retirement (see Ebbinghaus 1999) but also because of the lack of active job creation policies either in the public sector, through the expansion of public services that benefit as well as employ women, as in social-democratic welfare states, or in the private sector, through market deregulation, as in liberal welfare states.

The Continental and Latin countries considered in this project all generally fit this model. Their welfare states are Bismarckian in their reasonably generous earnings-related benefits focused on income maintenance, which therefore promotes wage differentiation rather than equality. And they almost all understand welfare as a right differentiable according to gender and social strata, with welfare services more limited, leaving much to the family, and to some extent provided by non-state charities, even though typically financed or subsidized by the state or by state-mandated health insurance.

### *5.1.1 Continental Countries*

Among the Continental countries in this project that fit this model the best, Germany, Austria, and Switzerland come closest in all respects, tending to be the most conservative of christian-democratic welfare states. For all three countries, social security was highly dependent on gainful employment and family coverage, while social services (with the exception of social assistance) were provided by a mix of state and non-state providers (often religious groups). For all three, benefits were highly earnings-related, so much so that in Germany, there wasn't even a basic pension until it was reintroduced in the early 1970s. But while the German and Austrian welfare state were reasonably generous, the Swiss welfare state was more meager, reflecting perhaps its more liberal biases. In all three countries, moreover, the core male labor force benefited from comparatively high levels of social protection while women experienced great inequalities—although the consequences for women in the workforce differed among countries. Switzerland, even though more willing to allow women into the workforce, as evidenced by its higher female participation rates than either Germany or Austria in the early 1970s, was also readier to send women home in the event of crisis in order to maintain low levels of unemployment, as it did (along with immigrant workers) in the mid 1970s in response to the first oil crisis (Bonoli, Mach 1999)—which the Germans did not do at the time and the Austrians did only minimally (see discussion below and Figure 2). (Switzerland's greater receptiveness to women's participation, however, meant that women returned to the work force subsequently, and later were no longer willing to leave, as attests the much higher participation rates by the 1990s.) Tax laws also set disincentives for labor force participation of married women, in particular in Germany.

Although the Netherlands and Belgium resembled the three conservative christian-democratic welfare states in their earnings-related, reasonably generous, gender and status-differentiated systems, they also differed in substantial ways. The Netherlands was notable for the even greater generosity and extensiveness of its welfare system, for its more universalist understanding of welfare as a non-differentiable right, and for its even greater gender differentiation, with strong tax incentives for married women to stay out of the workforce and few job protections from dismissal for women in the workforce (only in 1973 was a law forbidding dismissal for reasons of marriage or pregnancy passed). Belgium differed from other christian-democratic welfare states in its even greater differentiation of welfare rights

along linguistic and cultural lines on top of gender and status, as well as in the clientelistic and patronage-laden nature of its welfare system (Hemerijck, Unger, and Visser 1999). These differences made for greater normative fragmentation and difficulties in maintaining consensus in Belgium than in the Netherlands, where the “pillarization” of the society into distinct political, social, and religious camps contributed to, rather than undermined (as in Belgium), the normative integration of a society in which all agreed on the same fundamental set of rights.

While Continental countries may differ in subtle ways with regard to welfare, they differ in more significant ways with regard to work, whether on the basis of wage or gender equality. In some countries, wage equality was almost as important a value as in social-democratic welfare states, and wage compression the result. This was the case where the corporatist collective bargaining process put a high value on solidaristic wage policies and effectively promoted wage relativities within wage systems. In the Netherlands, the high minimum wage had an egalitarian effect for the lower-waged workers. In Germany, wage dispersion was also not highly significant, due in part to solidaristic wage policies that in times of low wage increases would include provisions in contracts for a flat amount that would give disproportionate benefit to the low-wage groups. By contrast, other continental countries with corporatist relations such as Austria tolerated a much greater and rising level of inequality (see Figure 2).

The record on female participation in Continental countries was also mixed, and of course lower than in any of the social-democratic countries. Continental welfare states generally moved from the upper 40 percent range in the early 1970s to the upper 50 to low 60 percent range in the mid 1990s, with Belgium remaining at lower levels throughout while the Netherlands, which had equally low levels in the 1970s, having moved up to the Continental average by the 1990s, due in large measure to the expansion of part-time jobs (see Figure 3). Among Continental welfare states, only Switzerland had high beginning levels of employment rates, above those of all others except for the social-democratic countries, but which dropped in the mid 1970s (when women went home) slowly to move up again, to on a par and then slightly above those of the liberal welfare states by the 1990s, suggesting that more liberalized economies, even within more corporatist contexts, may be more open to female employment.

This history can be explained not only by a lack of normative commitment to gender equality in comparison to the social-democratic welfare states but also with a welfare system based on full-time, life-long employment which thereby naturally privileged the male-breadwinner. A wide range of other factors, of course, also played a role in differentiating female participation rates, including public provision of day care and other family services, availability of part-time and service sector jobs, the tax system, the wage differentials between men and women, and so forth. All of these were uniformly favorable to women in social-democratic welfare states by the end of the Golden Age, and remained so, whereas they were and remained more mixed in others—and a mixed bag even in social-democratic countries, given that the work was in some cases more part-time and discontinuous, lower paying, and “women’s work” (see Daley).

### *5.1.2 Latin Countries*

Although the Latin countries also fit the model of the Bismarckian welfare state, they differ as a group from the Continental countries in their generally lower level of social provision as of the early 1970s and their comparatively late consolidation of the welfare state (in Italy, not



until the second half of the 1970s, even later for other southern Mediterranean countries such as Spain, Portugal, and Greece).<sup>7</sup> Individually, moreover, they differ in their manner of welfare provision, whether because they are much more centralized and state-led, as in France, or because they are much more fragmented and clientelistically-based as a result of a lack of state capacity and great regional diversity, as in Italy (which, in this respect, greatly resembles Belgium).

In Italy, moreover, the welfare state was also more normatively fragmented than other christian-democratic welfare states (with perhaps the exception of Belgium). This was a result of the ideological division between the moderate catholic subculture and the more radical communist subculture; the regional dualism between the rapidly industrializing North and the backward South; and the work-related dualism between the fully protected core workers and more peripheral ones, itself only further complicated by the veritable “labyrinth” of status-differentiated, categorical privileges when it came to welfare benefits (Ferrera 1996; Ferrera and Gualmini 1999).

In France, by contrast, although the system was certainly more normatively integrated than that of Italy or a number of the other christian-democratic welfare states, its institutions represented the sedimentation of successive and sometimes competing welfare agendas and values. These began with the early post-war universalistic Beveridgean aspirations, which were quickly submerged by the more Bismarckian christian-democratic values of the Fourth Republic supportive of differentiated rights and providing fragmented, clientelistically-based services (also typical of the pre-war years), along with strong family policies intended to keep mothers at home. These values were then replaced by the more “Republican” aspirations of de Gaulle, who emphasized universal rights and saw welfare provision as a matter of state obligation. This added a layer of centralized, universal state services not only with regard to health services and education but also in terms of family services and day care which had the effect of giving women the option of choosing home or work—and thereby increasing the female participation rate. But the Gaullist reforms did not do away with other elements of the earlier system that continued to support gender and status differentiation (e.g., family “allocations,” or special subsidies to families; state co-financing of service provision by some charitable groups; and so forth) (see Levy 1999).

The differences in these two countries also extend to wage and gender equality. Wage inequalities were generally greater in contestational Latin countries than in the corporatist Scandinavian countries or in those corporatist Continental countries with a greater commitment to solidaristic wage policies. However, whereas in France wage inequalities were high to begin with and remained high (higher than Britain in the late 1970s and comparable in the 1990s), in Italy they decreased over time as union power and solidaristic policies increased (and became comparable to Germany for much of the 1980s) (see Figure 2). The greater weakness and fragmentation of unions in France than in Italy ensured that whatever their support for greater wage equality, it was the state that would set the minimum standards in sector-wide agreements, allowing for continued differentiation among categories of workers as well as for sufficient management leeway in their preference for differentiation as a way of “buying off” workers.

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<sup>7</sup> These are the countries that are classified as Latin by Ferrera 1996.

But while Italy seemed to have a greater commitment to wage equality than France, the lineup with regard to gender equality was the opposite. Female workforce participation in Italy was the lowest among the countries considered in this project (as well as among EU member-states), whereas that of France was average for corporatist Continental countries (comparable to Germany) although lower than liberal countries and much lower than social-democratic countries. There was approximately a 20 point spread between France and Italy that remained even as female participation increased over time. Here, the explanations have much to do with traditional family values in Italy versus “Republican” values in France that were reflected in differences in welfare state provisions with regard to day care and other family services (extensive in France and minimal in Italy).

## **5.2 The Role of Discourse in Christian-Democratic Welfare State Reform**

For christian-democratic welfare states, unlike the liberal or social-democratic welfare states, one cannot assume that new welfare policies in response to growing economic problems would be most successful if justified by policymakers through appeal to the basic values of the postwar welfare state. This is because, whereas the liberal welfare state’s emphasis on individual responsibility has been if anything reinforced with welfare reforms while the social-democratic welfare state’s emphasis on equality has been largely maintained, the christian-democratic welfare state’s emphasis on the family as sustained by the employment and social protection of the core workforce cannot be maintained, let alone be reinforced. One of the main reasons, of course, comes from the rise in unemployment, which brings with it growing welfare costs as well as an increasing divide between the “haves” in the core workforce and the “have-nots” left outside. But it is also related to the movement toward greater gender equality and the rise of “post-industrial” values, with a greater number of women in the workforce and the rise of two-income households that demand fairer treatment. And this also challenges the the christian-democratic welfare state’s bias in favor of income maintenance for the long-term, full-time employed (and therefore generally) male breadwinner (see Esping-Andersen 1999).

The challenges to the welfare state are also embedded in the very economics of the system. For unlike Beveridgean systems in liberal and social-democratic states that allow means-testing to hold costs down, the Bismarckian contributory social insurance system does not admit of means-testing, since the entitlements are seen as near-property rights, and are often constitutionally guaranteed (Myles and Quadagno 1997; Bonoli and Palier 1998). Cutting costs, in other words, is difficult, to say the least. But the alternative is to retreat generally from the high level of benefits and services in all areas, something very hard to legitimate in societies where people have come not just to expect them but to place great value on them. But how then to afford the current system? One answer would be to move toward full employment of the social-democratic variety in order to take advantage of the full human resource potential of the society. But this would not just mean abandoning the traditional postwar values of the family by welcoming great numbers of women into the workforce, it would also require most christian-democratic welfare states to generate a much higher level of day-care and family services, whether provided by the state as in social-democratic countries and France, by the market as in liberal countries to a lesser extent, or by the non-state and intermediary groups through state co-financing, as could be done in christian-democratic countries. But if provided either by the state or through state co-financing, it would require much higher levels of taxation—just when taxes need to be cut.

What is most interesting about the christian-democratic welfare states is how varied their responses to challenges to their values, especially by contrast with the liberal and social-democratic welfare states. In terms of welfare state adjustment, for example, Germany made minor adjustments all along, beginning already with the cost cuts in welfare programs in the mid 1970s—a necessity given the tight monetary policies of the Bundesbank in response to the first oil crisis—when other countries continued to expand their welfare benefits; but it has only gradually begun to change the basics of its welfare system or the traditional family values that underlie it. The Netherlands, by contrast, which continued to expand its welfare state in the 1970s and put the brakes on only beginning in the late 1980s, has had a near revolution in gender relations and family patterns, bringing female participation just about up to the German level, while reforms in the 1990s have made it the most “liberal” of christian-democratic welfare states. Belgium, by comparison, has not managed the same transition, and remains with much less job flexibility and less welfare state reform or retrenchment.

In terms of levels of public acceptance of welfare reform, moreover, the differences are best exemplified by France, where the challenges to “social solidarity” continue to be contested, and Italy, where pension reform has seemingly been embraced along with other reforms as part of the larger project of European integration. And then, there are Austria, which has gradually evolved with relatively few challenges to the normatively integrated, traditional welfare state; Switzerland, which expanded its welfare state in the 1980s and into the 1990s along the lines of other Continental countries, but which has also had “liberal” challenges which the public, however, has in some case contested; and Belgium, which has become increasingly normatively fragmented as it further decentralized its welfare system.

### *5.2.1 Continental Countries*

Among Continental christian-democratic welfare states, the country that has so far undergone the least policy reform has been Germany (see Manow, Seils 1999). This is due to a number of factors, not the least of which is the fact that incremental change which succeeded in containing costs meant that Germany avoided the kind of welfare state crisis that was a spur to change in many other welfare states—until the fallout from unification. Subsequently, however, the exponential growth of unemployment in particular has been a major challenge to German postwar welfare state values, while the rising costs associated with it raise the price of labor. But as of early 1999, meaningful reform of the welfare state had not yet been accomplished, despite the increasing pressures. The lack of movement was related in particular to the relatively high minimum wages and high social assistance levels (linked to the minimum wage) that encourage “welfare without work” and discourage the move toward service sector jobs. But it also had to do with the continued reliance of the social security system on high payroll taxes that discourage domestic firms from hiring and foreign firms from investing.

This lack of reform cannot be understood without reference to the German institutional structure and its patterns of compromise and discursive consensus-building. Germany has a multi-actor system that demands agreement from competitive political parties, whether coalition government partners (e.g., the CDU, CSU, and FDP in the Kohl government or the SPD and the Greens in the Schröder government) or the opposition (especially when it has control of the upper house, as the SPD did since 1993); from the Länder which jealously guard their powers (through the upper house, given the federal system); from the social partners, business and labor, which bargain separately in their own autonomous sphere through the Tarifautonomie system; and from other non-governmental, intermediary and charitable

provider groups (religious and other). In this system, given the large number of actors, each with its own particular set of interests and values to defend, conflict is often endemic among the various parties (in particular between labor and business) before the start of negotiations, as each sets out its position. But cooperation characterizes the negotiation process.

In Germany, in consequence, the coordinative discourse is most elaborate, given that this is where compromises tend to be worked out behind closed doors. By contrast, the communicative discourse in Germany is necessarily very thin. What could one possibly say publicly, after all, that wasn't in some way a violation of the values of one of the groups party to the compromise, that would therefore put it in an embarrassing situation? Normative fragmentation is necessarily present, given the different parties to the compromise with their different interests or values. But the possibilities of agreement are nonetheless good, mainly because the various parties to the discursive process also share a set of understandings about the values and goals of the postwar welfare state embedded in the social market economy, and a commitment to cooperation (reinforced by institutional rules that promote such cooperation). But why, then, no welfare state reform by the end of the 1990s, despite the deepening crisis?

With regard to welfare state financing, institutional dynamics alone explain a large part of the lack of overall reform beginning in the late 1970s. The easiest way of dealing with the financing problems was for the federal state, which has primary regulatory responsibility, together with the Länder, which have considerable veto-power, to externalize the costs of social welfare onto the social insurance system, that is, onto the employers and employees who had no decision-making power in the matter, not being involved in the coordinative discussions or subsequent agreements (Manow, Seils 1999). Although this indirectly added to the costs of the welfare state, as long as the economy was flourishing, unemployment remained low, and the government was also containing costs through incremental welfare cuts, the underlying structural problems such a financing system reinforced could be ignored. But this was no longer possible once unification hit, when unemployment skyrocketed at the same time that the high payroll costs continued to discourage hiring and investment as well as the move to service sector jobs while high social assistance levels encouraged 'welfare without work.' And yet, still no major reform was forthcoming.

Here, the lack of reform must be explained by reference to values and discourse as much as to institutional dynamics. The generally-held sense of moral obligation to equalize conditions between the two parts of the country, by extending to East Germans the social benefits enjoyed by West Germans, together with the rapid rise in unemployment linked to the collapse of East German industry, led to a major increase in welfare costs which could not, however, be addressed directly, given the taboo in the discourse (whether coordinative or communicative) against naming unification as the cause of the welfare state financing crisis—since this would be tantamount to questioning the value consensus on the obligation to equalize conditions regardless of the cost. It was easier, therefore, to do what the institutional dynamics in any case favored, which was to burden further the social insurance system, rather than to consider reducing social assistance benefits for all, which would directly challenge welfare state values. In the mid-1990s, moreover, the lack of reform was related to labor resistance, even as business pressed for give-backs in social benefits such as sick-pay with a neo-liberal discourse focused on the competitive pressures from globalization. But even once labor became more amenable to reform, it still did not occur.

Here, politics was the main obstacle to change. The political rivalry between government and opposition (in control of the upper house) in the run-up to the 1998 election blocked any compromises on welfare state cuts and tax reform. The campaigning for election, in which the communicative discourse of government and opposition is of necessity more elaborate, worked at cross-purposes with the coordinative discussions behind closed doors, which were particularly non-cooperative, as each side used the lack of reform in their election campaigns to accused the other of responsibility for the lack of reform. Since the election of the Schröder government, however, politics is no longer so much the issue. But reform six months later has yet to occur, although coordinative discussions about structural reforms of the welfare state are proceeding through the Bündnis für Arbeit (Alliance for Jobs) discussion which pulls in all the relevant actors in a coordinative discourse behind closed doors.

In Austria, as in Germany, welfare state adjustment has been incremental, and major reforms have yet to take place (see Hemerijck, Unger, and Visser 1999). Here, too, the challenge to postwar welfare state values resulting from the need to reform has only recently begun. But unlike Germany, Austria has not had the same kind of public conflict. This is not only because of grand coalition governments which avoid the German split between government-opposition or because the interaction between business, labor, and government generally involves a high degree of consensus. It is also because the coordinative deliberations among them typically involves a high degree of secrecy. Rarely does any conflict spill out into the public sphere, as it did in the mid 1990s. And in this case, it occurred because the social partners were for the first time since the 1950s cut out of the negotiation process by the coalition government with regard to a budget consolidation package. The trade unions' vocal, negative response, which criticized the package as "socially disequibrated" because of the kinds of cuts it proposed in such areas as maternity leaves, early retirement, fees for health care, and the like, ensured that the initiative itself failed—and a much less extensive reform was finally put into place. Ironically, the subsequent budget package, with government deciding the issues while the social partners worked them out behind closed doors, recommended cuts that went far deeper than any the government would have dared propose on its own (see Hemerijck, Unger, and Visser 1999). What is more, they were more readily accepted by the general public because the social partners themselves, and not just the government, engaged in a communicative discourse to legitimate the changes. In fact, it would appear that the role of the social partners has been changing in the late 1990s, not only because their centralized coordinating role in wage-bargaining is diminishing with the shift to sectoral level bargaining and even plant-level agreements but also because they now follow government more than lead it with respect to the vast range of policy decisions, working out the details and implementing what government proposes.

The problems for Austria and Germany are similar, however, in that both countries are still in the process of trying to defend their core workforce employment system and the values underlying it. Austria first sought to do this with employment strategies (e.g., through nationalized industries, credits, and subsidies), then with generous exit options for older workers (which allowed them to maintain their family obligations). Both countries have run into trouble because that is no longer enough, and they have no alternative solutions that would be supported by the existing value consensus. Alternative discourses would be needed which appeal to another set of either more universalistic values of the kind found in social-democratic countries or more individualistic of the kind found in liberal societies. Both are present in the polity, of course, as some members of the policy elite talk of the problems of social exclusion and the need to provide work for all while others (primarily business leaders)

speak of the need to reduce the welfare state and introduce more competition into the system. But in these multi-actor systems, elite consensus among all policy actors would be necessary for a shift away from values focused on the defense of the core workforce model alone. And this has yet to occur.

By comparison with Austria and Germany, as well as with all of the other christian-democratic welfare states, the Netherlands has undergone the farthest reaching change (see Hemerijck, Unger, and Visser 1999). From one of the most conservative of christian-democratic welfare states, where the woman's role was clearly defined as being in the home and the man's at work (with some of the lowest female labor participation rates in the 1970s—see Figure 3), it has become much less conservative, with rapid growth in women's participation in the workforce through part-time employment, and with significant change in gender roles (although female participation is still relatively low). Moreover, from one of the more "social-democratic" of christian-democratic welfare states—whether because of its view of welfare as a universal, non-differentiable right; its generous benefit levels, in particular with regard to disability; or its reliance on the social partners for the administration of unemployment and disability systems—it has become one of the most liberal. By the early 1980s, in fact, the Netherlands was in much deeper trouble than Germany or Austria, a result of the breakdown of the social concertation system and wage restraint in the 1970s as well as of the failure of all the traditional remedies to pull the country out of economic crisis. With the arrival of the "no-nonsense" government in the early 1980s, which took upon itself the responsibility for reforms which neither business nor labor were willing or able to gain agreement for among their own membership, alternative remedies, drawn from the example of the liberal welfare state, were instituted. Beginning at this time, the Netherlands saw significant cutbacks in welfare state funding of pensions, unemployment compensation, and other benefit programs, which were followed in the 1990s by the large-scale reorganization of the welfare system through the tightening of eligibility requirements for disability benefits, the minimalization of the role of the social partners in the administration of welfare, and the marketization of a significant portion of the pension system (see Hemerijck, Unger, and Visser 1999).

None of this was popular. The most extraordinary aspect of welfare reform in the Netherlands is that ruling coalitions fell in the 1989 elections and the 1994 elections as the public expressed its discontent with reforms that represented to them an attack on established rights and challenged deeply-held values with regard to welfare as a universal, non-differentiable right. But this did not stop governing parties in election after election from continuing with such unpopular reforms, convinced, as they made clear through communicative discourse, that "tough medicine," in the words of Prime Minister Lubbers in 1989, was necessary for such a "sick country," in particular with so many on disability insurance. The only difference in government policy before and after 1994 is that the new government after 1994 promised not to tamper with the level and duration of benefits, and turned instead to revising eligibility requirements and to instituting market-oriented reforms (see Hemerijck, Unger, and Visser 1999). And this meant that the public really had no alternative, given the conviction of party elites across the political spectrum of the need for austerity measures and liberalizing reform.

Government willingness to persist with reform, even in the face of public opposition, clearly has much to do with normative commitments to act for the "general good" or "collective interest," despite the fact that this clearly went against narrow party self-interest (as party after party suffered crushing defeats as a result of participation in reform governments).

Government capacity to reform, moreover, has much to do with the strength of the Dutch unitary state, which is able to take action even in the face of opposition by the general public or the social partners (in this case labor), as long as it manages to coordinate agreement among government coalition members. Such agreement was facilitated by the fact that the coordinative discourse, which included not just the political parties but also experts on advisory committees and business, achieved a high degree of consensus on the need for reform beginning in the 1980s. And therefore, even if the communicative discourse of government failed to convince the public—which demonstrated this by voting governments out of office time and again—the coordinative discourse succeeded in consolidating a coalition for reform. The strength of the Dutch state, in short, is not dissimilar to that of the New Zealand state, despite the former's multi-actor system and many veto points by contrast with the latter's single-actor system and few veto points, since both have tremendous ability to institute reform in the face of popular opposition. And in both cases, it was the normative conviction that liberalizing reform was necessary and appropriate, regardless of the electoral consequences for party self-interest, along with the absence of an electoral alternative, that were the bases for successful welfare state reform.

Belgium offers a striking contrast to the Netherlands with regard to the process of reform (see Hemerijck, Unger, and Visser 1999). Unlike the Netherlands, where the social partners together with government agreed to a reform program in the 1980s, in Belgium, this was imposed without social partnership involvement, albeit with the tacit agreement of most of them. While a coordinative discourse between social partners and government proved effective in the Netherlands, therefore, it would appear that a coordinative discourse within the coalition government worked for Belgium, as governments used the sweeping powers of enabling laws passed by Parliament to enact welfare reforms even without social partner acquiescence. What is amazing about Belgium is the fact that it was able to reform at all, given the increasingly federalized and fragmented political system and problems that were of much greater magnitude than the Dutch—not only a much worse economic situation, with a budget deficit that was only rivaled by the Italian and much higher unemployment but also much greater normative fragmentation of the society. However, the lack of social partner cooperation has meant that it has still lagged in the extent of reform not only in welfare but also in work, especially in terms of job flexibility and active labor market measures.

Switzerland provides a fascinating comparison with Austria, the Netherlands, and Belgium, in particular with regard to institutional capacity for change. Switzerland, one of the originally more conservative as well as leaner and less gender-friendly of christian-democratic welfare states, really only began to catch up with the other countries in terms of welfare benefit levels in the 1980s and in terms of gender-equality in the 1990s. Moreover, much of its welfare state modernization, which occurred primarily in the 1990s, also brought with it retrenchment and the attempt to contain costs (Bonoli, Mach 1999). And all of this came about within institutional structures that had, if anything, even more veto points than Belgium, given a highly decentralized federal system with significant independent powers for the multiple levels of local government and separation of powers between executive and legislature; oversized coalition governments reflecting myriad political and religious divisions that required wide policy agreement; and a referendum system that allowed a small portion of the public (50,000 signatures) to challenge any law. Like Austria, however, the country benefits from great consensus and a high level of normative integration, such that although it has linguistic and cultural differences as great as those of Belgium, it still manages to achieve a high level of agreement in its coordinative discourse. But unlike all three other consociational/corporatist

democracies with christian-democratic welfare states, where agreement among the policy elites through a successful coordinative discourse is all that is necessary for reform to be instituted, in Switzerland the referendum system means that those reforms that are contested are subject to further public debate and deliberation. This adds another stage to the policymaking process, where communicative discourse becomes paramount as policymakers must justify publicly compromises made in private.

Policy reform “in the shadow of the referendum system” means that policymakers generally make laws with an eye to immediate public response. Whereas policymakers in the Netherlands can institute reforms largely without regard to public opinion, except for elections every five years, policymakers in Switzerland cannot do so, since any reform could be subject to immediate public review and referendary defeat. This means that reforms that withstand the test of the referendum tend to be more moderate and mixed in the challenges to values, in the case of welfare reform by combining expansion with retrenchment measures. For example, the 1995 reform bill was not defeated in referendum because it mixed an appeal to values of gender-equality (through gender-friendly pension reform) with an attack on established rights (i.e., women’s retirement age went from 62 to 64). By contrast, the later bill reducing unemployment benefit levels, which had no balancing benefit, was defeated (see Bonoli, Mach 1999). The moderating effect of institutions in Switzerland by comparison with the Netherlands brings to mind the contrast between Australia and New Zealand, where the Australian institutional structures—equally federal and increasingly corporatist, although less “pillarized” or linguistically and culturally diverse than the Swiss—also ensured against radical changes. But in Switzerland, most importantly, the moderating effect is enhanced by the referendum system, which ensures that in addition to the coordinative discourse among governing coalitions and social partners, there is significant communicative discourse among the wider public in the debate leading up to the referendary vote.

### 5.2.2 *Latin Countries*

Among Latin countries, the most interesting story is the seeming shift in institutional capacities in the 1990s, with the long-paralyzed Italian state better able to bring about welfare reform than the traditionally highly effective French state, and in communicative abilities, with the traditionally obfuscatory and unconvincing discourse of the Italian policy elite having become both much more direct and persuasive, as evidenced by the widespread support for reform, by contrast with the traditionally direct and convincing discourse of the French policy elite, which was unable to persuade the public of the benefits of reform or to avert widespread protest. For both countries, in fact, the key to success or failure has been related to the communicative discourse, although changes in institutional structures have also played a significant role. Italy largely prevailed in its welfare reform efforts because of a normatively integrating discourse by governments which benefited from greater cohesion as a result of institutional changes that diminished the number of veto points in this still highly multi-actor system. France, despite (or perhaps because of) its single-actor system which enables it to impose reform without much consultation, had greater difficulties up until recently because it lacked a discourse able to convince the public of the appropriateness of reforms that challenged basic welfare state values (see Schmidt 1997a; 1997b).

In France, there was never much of a welfare state discourse during the postwar period. French governments’ focus was primarily on industrial policy—not on macroeconomic policy, on industrial relations, or on welfare policy, all of which were seen as secondary to the industrial policy, which they were designed to support. And the discourse of dirigisme, or the



glories of state interventionism to promote economic growth and modernization, reflected this, in particular when the greatest of French communicators, Charles de Gaulle, laid out his vision for French political renewal as a world power and French economic renewal based on state leadership of industry. The communicative nature of the discourse followed naturally from the institutional arrangements of the single-actor system of the Fifth Republic set up by de Gaulle, where power was concentrated in an executive which formulated its “heroic” policies largely absent interest group or societal input (and therefore provided at best a thin coordinative discourse, if that), but which allowed for accommodation in the implementation, or risked confrontation (Schmidt 1996). Given this institutional structure, the importance of a powerful communicative discourse to persuade the public of the necessity and appropriateness of government policies cannot be emphasized enough. This is because in the dynamics of French policymaking, where as often as not the most affected interests protest against the policies for which they had no input, the persuasiveness of the discourse may very well determine the policy outcome, with government generally choosing to wait out the protest if public opinion favors the government or is divided, to accommodate the protesters if it chooses (by allowing the protesters to have their way—often business and professional interests, rarely students or workers), or to withdraw the policy if the protest persists and public opinion is more sympathetic to the protesters.

The Gaullist discourse of dirigisme was largely successful until the mid to late 1960s, but was displaced more and more in the 1970s and replaced in the early 1980s by a Socialist discourse advocating even greater dirigisme through nationalization and industrial restructuring. But by 1983, with the “great U-turn” in economic policies (in response to economic crisis brought on in part by those very policies) that forced an emphatic end to traditional dirigisme and state interventionism as we knew it, the Socialist discourse was also was itself abandoned. A neoliberal, somewhat Thatcherite discourse briefly appeared in the mid 1980s when the right was in power, only to disappear as well with its electoral defeat in 1988—although the policies of privatization and deregulation that accompanied the discourse largely continued (albeit camouflaged by the Socialists between 1988 and 1991 in the language of ni-ni, neither nationalization nor privatization, which nonetheless allowed for significant state disinvestment). In place of an overall legitimating discourse of the left or the right, successive governments used a rhetoric about European integration, talking about the need to rise to the challenge of Europeanization as a guard against the threat of globalization, to justify continued industrial reform (Schmidt 1997a). The European rhetoric worked reasonably well with the general public until the recession of the early 1990s, at which point it was much harder to claim that European integration would solve all French economic problems, since it now appeared to generate some of its own, as the commitment to monetary union appeared to demand cutbacks in a welfare state that had continued to expand even as industry was restructured. This is when the lack of an overall legitimating discourse became particularly problematic. For with the shift away from a focus on industrial reform to the reform of the welfare state, which was by now the only place where the state still saw itself as having an important role to play, the need for a discourse capable of reconciling neo-liberal economic policies, especially in the run-up to monetary integration, with the underlying welfare state values of “social solidarity” and avoidance of “exclusion” became paramount.

In France, although there was much talk about the crisis of the welfare state before the mid-1990s, little or nothing was done while the welfare state continued to expand as it absorbed the costs of restructuring industry through generous early retirement benefits and unemployment compensation. By the mid-1990s, however, something had to be done if the country was to

meet the Maastricht criteria as well as its future obligations with regard to the near-bankrupt social security system. Successive conservative governments in the mid-1990s therefore sought to institute spending cuts along with regressive tax policies. But those governments were unable to reform as they had hoped, mainly because of negative public reaction which came as much in response to the process as to the substance of reform (see Levy 1999). Prime Minister Balladur's tactic of floating reforms like trial balloons, to be withdrawn in the face of protest, involved little attempt to communicate with the public about the legitimacy of the reforms or to coordinate with the social partners on the substance of reform. Prime Minister Juppé's approach, which was a throwback to the old "statist" approach of imposing "heroic" reform without prior consultation, seemingly rejected even the notion of communication or coordination. That Juppé proudly announced that he had put the reforms together nearly single-handedly is illustrative of the problems. The result was the withdrawal of reform in the face of the biggest set of strikes in years, which gained widespread public support precisely because the government had failed adequately not only to communicate to the public how the reforms might legitimately fit with values of "social solidarity" but also to inform the most interested parties of the proposed policies, let alone bring them into the construction of the policies themselves.

It is telling that the Jospin government has sought to ameliorate the policymaking process by consulting more on all reform initiatives at the formulation stage as well as by constructing a coherent discourse to legitimate such reforms. In policy formulation, the government has in some cases used expert commissions to propose reforms on controversial issues (choosing what to do based on public reaction), while in others it has used corporatist concertation "in the shadow of the state"—which is a long shadow indeed, given the weakness and fragmentation of the social partners that often leaves the state still in a position of having to coerce and control in order to ensure the success of its reform efforts. The government has also sought to communicate the left-leaning values behind its reforms to the public—primarily the promotion of equity without sacrificing efficiency—through a legitimating discourse that clearly differentiates its own measures from neoliberal ones, whether because it favors greater redistribution of income toward the poor without increasing spending (primarily by taxing or reducing benefits for the rich); economic reforms that do not reduce benefits to the truly needy; and more "corporatist" negotiation of reform, including the creation of private pensions funds administered by the social partners (rather than private companies as the right had sought to do) (Levy 1999). Although the reforms are so far reasonably modest, the government at least seems to have convinced the public through its discourse that it is possible to reform the welfare state in a way that promotes the values of social solidarity and even egalitarianism and redistribution. In consequence of a more coherent legitimating discourse as well as greater concertation, it has made progress where its predecessors had not.

In Italy, too, welfare state reforms are so far reasonably modest. But for Italy, given the state's traditional incapacity, in the 1980s in particular as social expenditures rose astronomically in response to escalating demands (see Ferrera, Gualmini 1999), the turnabout is all the more remarkable. How do we explain the turnabout? A good deal of credit must go to the communicative discourse about European integration as the "rescue of the nation-state," which was the first truly unifying grand objective of the country since the 1950s, and which helped Italy to overcome traditional normative fragmentation. In fact, even as France was abandoning European integration as its discursive justification for continued reform efforts in the mid 1990s, Italy was stepping up its use of it to justify much more radical (for it) reforms. In no other country has the discourse of European integration played such a central and

sustained role in promoting acceptance of change. Even for the countries which only became members in 1995, the discourse was not nearly as dramatic, nor was it used a legitimation for welfare state reform. In Austria, the public discussion about membership in the European Union, which began in the late 1980s and peaked in intensity in 1994 just prior to the referendum (which passed by 66%), also appealed to national pride, to wit, that Hungary might one day bypass Austria if it became a member of the EU while Austria remained outside, and to the need for modernization. The opposition by the extreme right helped consolidate mainstream party support, and to ensure a taboo against criticism, such that the public communication was something of a monologue by government coalition partners and social partners. Unlike Italy, however, where the EU discourse was to make reform more palatable, in Austria no mention was made of the budget cuts that would necessarily follow membership in order to fulfill the Maastricht criteria (comment by Brigitte Unger, Feb. 1999).

Even for Italy, however, the European discourse alone was a necessary, but not a sufficient condition for welfare state reform. Without the political and institutional changes of the early 1990s, the discourse could not have been successful, let alone the policy changes it supported. These changes include the political renewal related to the end of the cold war, which came with the collapse of the old political parties and the system of “partitocrazia” that promoted governmental “immobilism;” the politico-administrative renewal related to the end of the old system of political corruption and deal-making, the result of the disgrace of the old political, economic, and administrative elites who were exposed by the magistrates in the “tangentopoli” and “mani pulite” scandals; and the electoral reforms that created governments better able to speak in one voice—with the move to a less proportional representation system that produced more of a two party system with a clear majority in power (see Ferrera and Gualmini 1999). These changes made it possible for the first time in the postwar period for governmental leaders with clear political responsibility and control to take effective action, and to engage in a communicative discourse which sought to clarify more than to obfuscate, to legitimate rather than to palliate, and, thereby, to gain widespread public support for its actions. Moreover, the changes also made it possible for such governments to coordinate with labor on reform of the welfare state (in those areas where unions have major responsibility) rather than, as in the past, simply to seek to buy them off.

It is as if, once the impasse created by an impossible set of institutional structures was overcome through political and electoral change, everything was possible. In fact, despite the lack of much-discussed further institutional reforms to strengthen more the leadership capacity of the executive, the Italian government has managed to engage business and labor in a highly effective coordinative discourse which has produced reforms the government has then been able to legitimate to the general public through a highly transparent and elaborate communicative discourse. Most striking about the new Italy—as opposed not only to the old Italy but also to corporatist polities such as Germany and Austria where coordinative discussions are held behind closed doors, and the subsequent communicative discourse is quite thin—is how extensive the communicative discourse, and how close it stays to the content of the coordinative discourse (even if the details of the compromises may be left out). It is as if, after all the years of obfuscation that led to public alienation and disgust with the political, governmental leaders have learned to tell the truth, or at least something more closely approximating it.

The welfare reform discourse itself focused on the need to accept sacrifices now (primarily through cuts in benefits and wage restraint) in order to gain in the long run from the

“risanamento” of the welfare system—not only by the return to financial health and greater efficiency but also by an increase in social equity (through an end to the illegalities of the particularistic-clientelistic system as well as through the reforms that would make the system more redistributive) (see Ferrera and Gualmini 1999). This is when the government made an impassioned plea for “Più ai figli, meno ai padri” (more to the children, less to the fathers), which struck a highly receptive chord (Rossi 1997). By insisting on the importance of balancing economic return to health with social justice, the discourse served to convince both the general public and the social partners of the necessity as well as appropriateness of reform. Moreover, where governments espoused cooperation, sought “concertation” with the unions, and entered into a coordinative discourse with them, as did for example the Dini government in 1995, by contrast with the adversarial stance of Berlusconi, pension reform was particularly successful.

But none of this would have worked without the overall legitimating discourse, and reality, of European integration, and the appeal to national pride related to the question of whether Italy would be able to meet the Maastricht criteria for European Monetary Integration. Although national interest, both political and economic, of course played a major role in the decision to go forward with EMU, the necessary steps to prepare the country for EMU would not have been able to be taken without the discourse which has served as a normatively integrating force for a society torn between North and South, big business and small, management and labor, right and left, rich and poor, and so forth (see Sbragia 1998). For the social partners in particular, who have a large say in welfare policies, the European ideal served as the backdrop for the more consensual, coordinative discourses of the multiple actors involved in reform efforts. The only false note has been in the government coalition itself, where the Prodi government had to scale back some of its proposed welfare reforms and ultimately fell because of the Refounded Communists who were less convinced by the European discourse and more concerned to block welfare reforms that they saw as detrimental to blue collar workers and the very poor. The d’Alema government which took office in October 1998 has not departed much from the legitimating discourse of the Prodi government on Europe as the rescue of the nation-state or on social equity in the reform of the welfare state. As such, d’Alema has perhaps missed the opportunity to make a more clearly center-left appeal to the electorate by claiming to balance the interests of the very poor with the need for continued reform (as has the Jospin government).

Even so, the center-left coalition in Italy since 1996, much like the left coalition in France since 1997, has seen something of a shift in discourse as well as in policy toward a more “human” approach to welfare reform, where the very poor are afforded greater protection even as the welfare state is cut. But this new discursive emphasis, along with the shift in welfare reform values, is not limited to Latin Christian-Democratic welfare states. Although we have yet to see policy change in Germany, the discourse shifted beginning with Schröder’s electoral campaign. Moreover, we have already seen resistance through referenda in Switzerland to the emiseration of the most disadvantaged (with the rejection of a measure proposing to cut unemployment compensation). And certainly, social-democratic welfare states continue to reflect in discourse and in policies their commitment to the most disadvantaged through continued generous unemployment compensation and a relatively high level of benefits for the poor, even if social assistance rates have been cut. Even a liberal welfare state such as Britain, however, proclaims its adherence to the “third way,” as the Blair government claims to protect the very poor even while introducing workfare and continuing to marketize pensions. The

Netherlands is not far from this, as it moves toward greater liberalism at the same time that it retains elements of its universalistic concern with the poorest.

Does this mean that welfare states are converging in discourse, if not also in policies? Not as much as one might think despite the latest rhetoric, since the underlying values remain quite different, as do the policies and the kinds and levels of generosity of welfare provision. Individual responsibility, gender neutrality, and market provision of services have been reinforced in liberal welfare state discourse and policies, while the level of generosity of welfare provision remains low. Egalitarianism in gender and status along with a high level of state provision of services continues to be enshrined in social-democratic welfare state discourse and policies. Only christian-democratic welfare states have moved away from the emphasis on family values, on differentiation in gender and status, and on the provision of services by intermediary groups and the state that so marked its early incarnations. Among christian-democratic welfare states today, we find differing degrees of emphasis on individualism or egalitarianism to compensate for waning family values, with differing amounts of acceptance of gender-neutrality or equality to replace the gender differentiation of the past (status is another matter), and with differences among countries in the resort to market provision of services or in level of generosity of welfare provision.

In brief, countries which conform to the three different forms of welfare states remain very different in their underlying values and legitimating discourses. And this is despite the surface similarities in current left-leaning rhetoric and the general trend toward welfare state retrenchment in response to the successive economic crises in the 1970s, 1980s, and 1990s.

## **6**      *Conclusion*

But if countries' discourses and the policies they serve to promote differ not only across families of welfare states but also within them, what generalizations can be made about the nature and role of discourse, as well as when a discourse will be successful or not? For this, we have seen that differences in institutional context are significant, given that, whatever the institutionalized welfare state values, countries may differ greatly in terms of the construction of the discourse, which in turn may influence the course taken by reform efforts and even the outcome of proposed policy changes. But the substance of the discourse also matters greatly, not only in terms of whether there are convincing arguments which resonate with societal values but also whether the discourses and the policies they promote actually address the problems confronting the welfare state.

The institutional differences are especially significant with regard to single-actor versus multi-actor systems. In single-actor systems, where authority tends to be highly centralized, the discourse, like the policy it seeks to legitimate, tends to be mainly the construction of the central executive, which is focused on communicating with the larger public about the policy's necessity and appropriateness. The emphasis on such "communicative" discourse is typical in countries with few veto points, and where institutionalized notions of democratic representation stress the importance of the direct responsibility of governments to the electorate, without intermediation by societal interests (e.g., France's Jacobin conception of direct representation or Britain's focus on parliamentary sovereignty). This is the case primarily in unitary states where "statist" policymaking processes ensure that policy formulation allows little direct interest input (as in France, where policy initiation tends to be the domain of a small governmental cum technocratic elite; in Britain, where it involves

mainly a small governing party elite; or New Zealand, which was like Britain until the mid 1990s reforms). Here, debate and deliberation over major policy initiatives tends to go on in the wider public sphere (if at all), as policies formulated unilaterally by a small elite face public scrutiny, and where the discursive process is therefore often adversarial, as it may be opposed by those organized interests most affected, members of the opposition, the media, and so on.<sup>8</sup>

In multi-actor systems, by contrast, the discourse, like the policy it seeks to legitimate, tends to be largely the construction of the multiple participants in the policy formulation process who must coordinate their efforts with one another. The emphasis on such “coordinative” discourse is typical in countries with more decentralized, less concentrated authority and many veto points, and where institutionalized notions of democratic representation encourage the intermediation of societal interests. This is where “corporatist” policymaking processes allow for input in policy formulation and implementation by a range of “privileged” interests (primarily the “social partners,” business and labor). The only major difference among countries is that in unitary states (as in the Netherlands and Sweden), governments’ greater central authority enable them to coordinate the discourse and policy process more than in federal states in which power is further dispersed by being divided vertically between central and subnational governments and horizontally among the different branches of government (as in Germany, Switzerland, and Australia). But in either system, the outcome depends less on government central authority per se than upon the ability of all actors together to reach agreement, which is facilitated by the coordinative discourse.

In multi-actor systems, it is at the coordinative stage that the discourse carries out its major legitimating function, as the negotiating partners deliberate about the policy on which they need to come to agreement. And often, only the compromises achieved in the process of coordinative discourse tend to be conveyed to the more general public in what is for the most part a much “thinner” communicative discourse, at least compared to the communicative discourse in single-actor systems.<sup>9</sup> In fact, the more multi-actor the system, the less communicative the public discourse is likely to be, given the number of actors whose preferences must be compromised in order to reach a common agreement. Only in election years do such multi-actor systems tend to have more elaborate communicative discourses. But these may very well work at cross-purposes with the coordinative discourses focused on particular policy issues, since the public pronouncements of government and opposition leaders in their attempts to win (re-)election may undermine the attempts to reach compromise in the coordinative discussions between government and opposition behind closed doors (Germany in 1997-1998 being a case in point).

In multi-actor systems, however, once there is consensus among policy elites, public acceptance of the policy, or at least acquiescence, is practically certain. The only exceptions are the few cases where the general public has a say after a policy decision has been taken, as in the case of referenda (e.g., in Switzerland). In such cases, there may very well be a second

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<sup>8</sup> This is mainly the case with “heroic” policy initiatives. More everyday policies may very well look more like multi-actor systems, where the compromises are worked out at the formulation stage (see Schmidt 1996).

<sup>9</sup> This is not to suggest that actors involved in coordinative discourses do not make public pronouncements, since they often do in an attempt to exert pressure and influence within the context of the coordinative discussions. However, at the end of the process they often remain mum about their policy choices, leaving it to government to communicate the compromise to the general public. They do, however, communicate with their own members, each separately.

round of fuller communicative discourse, where public debate of a variety similar to what occurs in single-actor systems takes place, as all parties weigh in on the issue prior to the vote. For the most part, however, the public is expected to acquiesce because its interests and values are assumed to be represented by the groups central to the coordinative negotiation process (which is not always true, of course). And it has no recourse, needless to say, if it feels that it is not represented. Even throwing the government out in successive elections doesn't change things where there is agreement among policy elites, as was the case in the Netherlands. But this is also true for single-actor systems where opposing political parties nevertheless espouse, and implement, unpopular views, as in New Zealand.

In single-actor systems, however, where a restricted policy elite initiates and communicates the policy to a larger public, acceptance may nevertheless be more difficult to achieve than in multi-actor systems. This is because the groups most affected by the policy had no chance to have their say through any preliminary coordinative discussion, and will therefore be more likely to weigh in at the communicative stage. Moreover, if their cause is taken up by the opposition or opinion leaders and the media, then the public discourse will become more adversarial. This is why the communicative discourse for the most part is, and needs to be, "thicker," or more elaborate. And this is why one often sees governments making great efforts to present their message and to justify their action by appeal to common values. In this context, the fate of the policy, that is, whether the government imposes or withdraws it, generally depends upon the level of disagreement it generates, and the government's level of concern with public opinion, the potential electoral sanctions, the disruption from protest and demonstrations, and so forth. Often, however, the only way to gauge public acceptance of policy reform, and the change in values it implies, is in the electoral process, where citizens can periodically express their general approval or disapproval of government policies in legislative elections (as in France in 1997 with the defeat of the Juppé government) or in referenda (as in New Zealand in 1996 with the institutional change in the electoral system), and where continuity in the policy agenda in the face of party change may constitute the clearest example of public acceptance of previous reform (e.g., as in Britain with Blair's election in 1997).

The discursive process as much as its substance differs among countries, then, with legitimating discourses expressed in different voices and different venues in consequence of their differing institutions. In single-actor systems, legitimating discourses are primarily situated at the communicative stage and found in the pronouncements of governments and in the adversarial debates with the opposition, whereas in multi-actor systems they are more likely to be at the coordinative stage, in the consensus-building deliberations of corporate and governmental actors that may or may not be behind closed doors. The consequences for reform are significant, because even countries that share a similar constellation of values with regard to welfare and work in the postwar period may nevertheless differ greatly in policy outcomes, not just because of differences in economic vulnerabilities, policy responses, or institutional structures but also because of differences in the process of legitimation through discourse which affects its character (consensual or adversarial) and its locus (at the coordinative or the communicative stage). This came out most clearly in the case of Australia, where more gradual, moderate reform was the result of the more consensual, coordinative discourse, by contrast with the more adversarial, communicative discourses of Britain and New Zealand. Such differences help explain the differential development of many countries which in the postwar period resembled one another in their constellations of normative values related to welfare and work.

Finally, the substantive content of the discourse also matters. It is clearly necessary not only to have made sound cognitive arguments, by providing good reasons for policy change, but also solid normative ones, by appealing to societal values. Where policymakers have provided the cognitive arguments on the economic necessity for reform without sufficient normative legitimation, they have often encountered great difficulties, as in France in the 1990s prior to the Jospin government, which failed to link concerns of social solidarity with demands for neo-liberal reform. By contrast, success has been all but assured when the discourse contained not only sound economic reasons but also convincing normative arguments that the changes in the welfare state that would make for a more competitive economy would also promote a more equitable distribution of public goods, as in Italy since 1992 (and perhaps France under Jospin). Both cases suggest, moreover, that a persuasive discourse is also sometimes a necessary condition for change, helping to overcome entrenched interests and institutional obstacles. This was, of course, most dramatically illustrated by the role of European integration in the Italian discourse.

It is important to note in this context that the appeal to values must be to a large extent genuine, rather than simply the expression of interest backed up by power, whether political (because backed up by a political majority) or institutional (because of the concentration of power in the executive). Although there is no doubt that discourses are often strategic and instrumental, designed to ensure the interests of those who use them, there is more to it than this. The trick of a good discourse is convincing the other participants to the debate that this change, even if not in their particular interest, is in the general interest, and for the common good (see Schmidt 1998). This is essentially what is sometimes called the process of "arguing," which in international relations is seen in negotiation settings but here is most clear within the coordinative discourse, which seeks to explain how parties to a negotiation who start with highly divergent positions can reach a common, compromise position (Risse 1998).

Where the argument is persuasive, one could talk about a shift in values, as in the Dutch case following the Wasenaar agreement which led to the renewal of the corporatist wage negotiation system in the early 1980s, which paved the way for a transformation not just of labor relations but also of major features of the christian-democratic welfare state (Hemerijck, Unger, and Visser 1999). Even where the argument does not manage to persuade the parties to compromise, however, if the government nevertheless simply goes ahead to impose the policy, the values appealed to in the communicative discourse which the government uses to legitimate the policy may become the basis for a shift in values for citizens who change their expectations based on changing practices. This may very well be the explanation of the disability reforms in the Netherlands, where the entrenched interests of labor and of voters ensured that they were not persuaded by any attempted coordinative or communicative discourse did not stop the government from instituting reforms which by now seem to have become part of generally accepted values for the welfare state. A similar dynamic may very well have happened in Britain as well, as Thatcher's push for a leaner welfare state, opposed by so many at first, seems nevertheless to have ultimately changed not only expectations but even values. By contrast, where the arguments do not manage to persuade the parties to compromise, where interests remain entrenched and the government does not have the power to impose, then one simply has blockage. All the various parties to the discussion remain captured by their own discourses, unable or unwilling to see the reason or the value of the others,



and unable to reform, caught in a “joint-decision trap” where forward movement is impossible, as seems to have been the case in Germany.

Success, however, should be judged not only on whether a discourse legitimates a policy and leads to a change in values but also whether both the discourse and the policy address the problem to hand and begin moving toward a solution. This is of course much more difficult to establish. But if we consider the problems of each of the families of welfare states in turn, we will see that the more successful are those which confronted head on the challenges with a coherent discourse.

If the problems for christian-democratic welfare states are their concentration on protecting the core workforce, their dependence on work-based financing, their lack of security for those with incomplete work histories, and their asymmetric assignment of gender roles, then we could assume that those countries which addressed these problems most directly in discourse and policy would be most successful. And in fact, if we consider the list of christian-democratic countries, the Netherlands, with its coherent coordinative discourse, appears to have managed adjustment most successfully while Germany seems to have been the least successful so far. In between, Switzerland would appear to have done reasonably well with its balance of policies resulting from the combination of coordinative and communicative discourse, as has Italy since 1992. By contrast, Belgium, with the poverty of its coordinative discourse and its seeming lack of communicative discourse, has not done so well. For Austria, the jury is still out, as it is for France since 1997, given the beginnings of both more coordinative discourse and of a more complete communicative discourse.

If the problems for social-democratic welfare states are high taxes and how to accept greater inequalities in some aspects of the welfare state in order not to bankrupt it entirely, even while ensuring basic egalitarian principles with regard to access and services, then Denmark appears the winner. For while it successfully reformed the welfare state while maintaining a coordinative discourse among social partners on the need for wage restraint and a communicative discourse on the need for welfare state cutbacks, Sweden has provided neither sufficient reform nor convincing discourse.

Finally, if the problems for liberal welfare states are not so much adjustment as adjusting to the problems of adjustment, that is, poverty and the increasing split between the haves and the have-nots in the wake of liberalization, then Britain under Blair seems to have been making some headway, at least in the communicative discourse. New Zealand, by contrast, seems without a coherent communicative discourse or set of policies to address the problems which resulted from its radical adjustment policies. Only Australia, with its mix of coordinative and communicative discourse and its more gradual liberalization, may have successfully avoided the problems of adjusting to the fall-out from liberalization.

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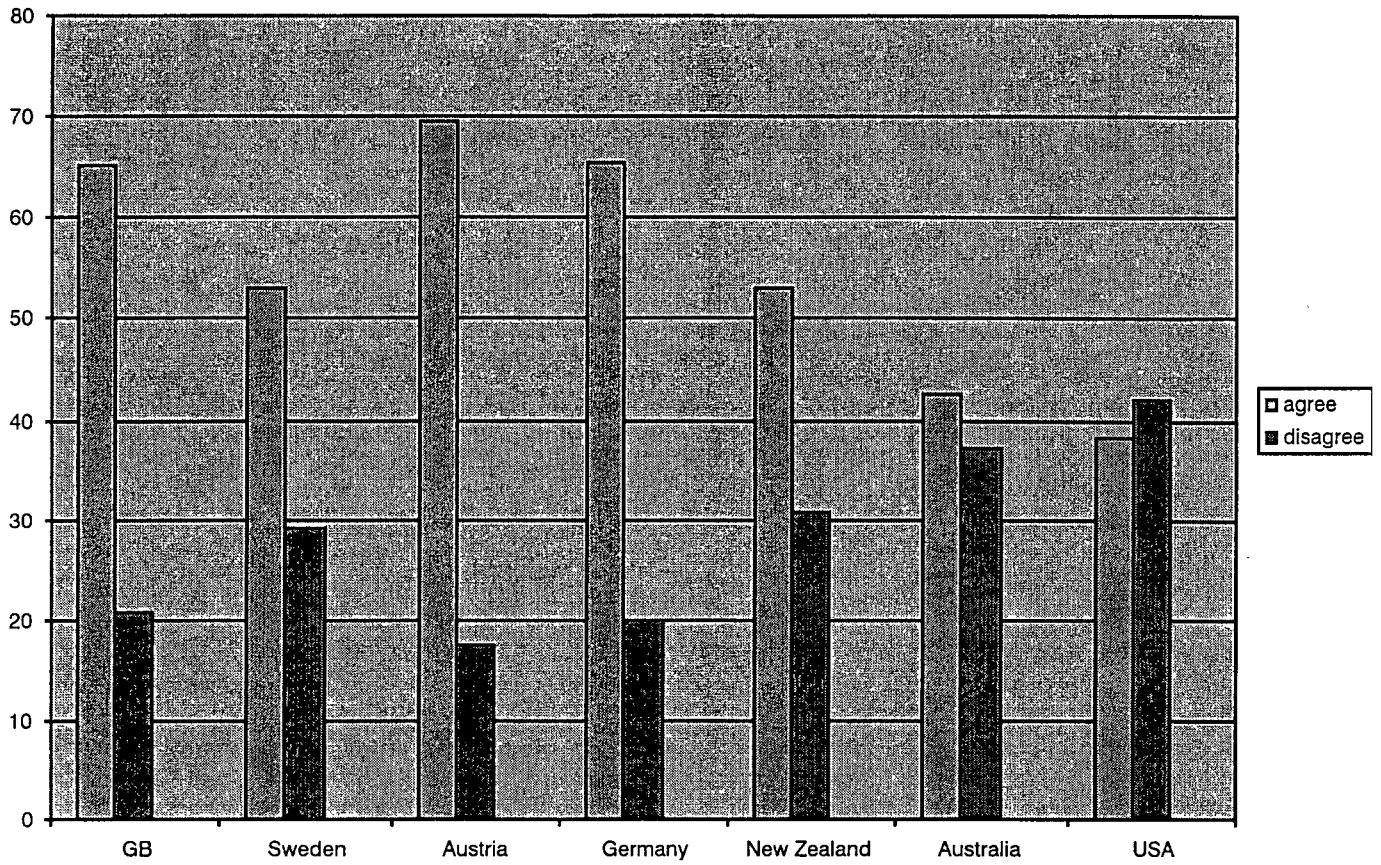
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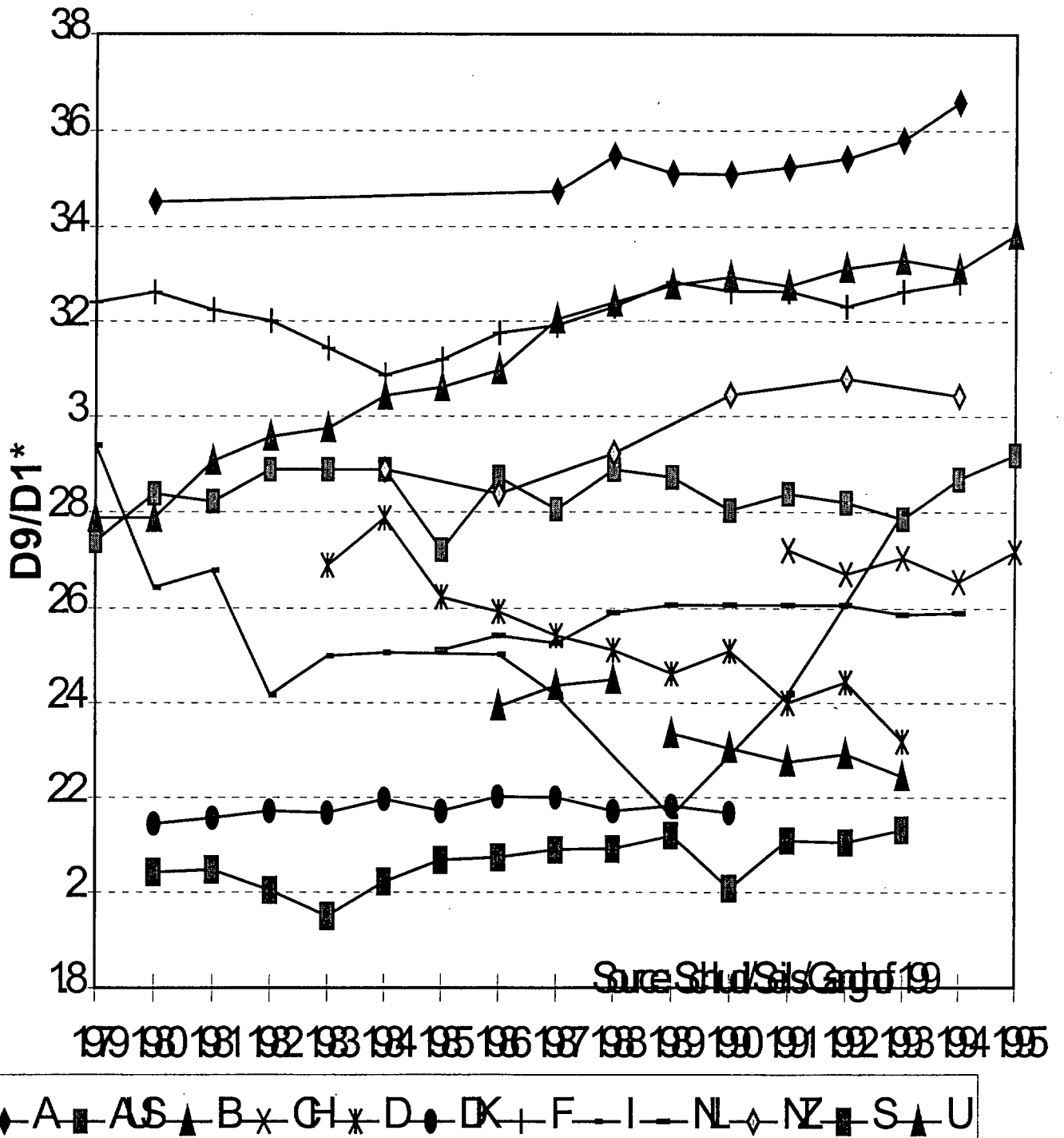
Table 1: *Families of Welfare State Values (Postwar through 1970s)*

Characteristics and Properties	Liberal Welfare State	Social Democratic Welfare State	Conservative Welfare State
Rights	Individual	Individual	Family
Responsibility	Individual	Collective	Collective
Claiming Principles	Need	Citizenship	Work
Beneficiaries	Poor	All Citizens	Male Breadwinner
Goal	Poverty Alleviation	Equality	Income Maintenance
Benefits	Flat-rate/ means-tested	Flat-rate/ Contribution related	Earnings/Contrib- ution related
Generosity of Benefits	Low	High	Medium
Effects of Benefits	Differentiated between haves and have-nots	Non-differentiated	Treated as property rights
Type of Financing	Taxation/ Contribution	Taxation/ Contribution	Taxation/ Payroll taxes
Source of Financing	State/ Market	State	State/Earner
Provision	State/Market	State	State/intermediary groups
Gender and Status Effects	Neutral	Pro-Equality	Differentiated



*Figure 1:* Answers to the Question: It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes. (Source: ISSP 92/ZA-No. 2310, V57 (Social Inequality II) \_

# Earnings dispersion D9/D1, ledning



\*Notes D1 and D9 refer to the upper limits of, respectively, the first and the ninth deciles of employees ranked in order of their earnings from lowest to highest, i.e. 10 per cent of employees earn less than the D1 earnings limit and 90 per cent less than the D9 earnings limit. (5) thus

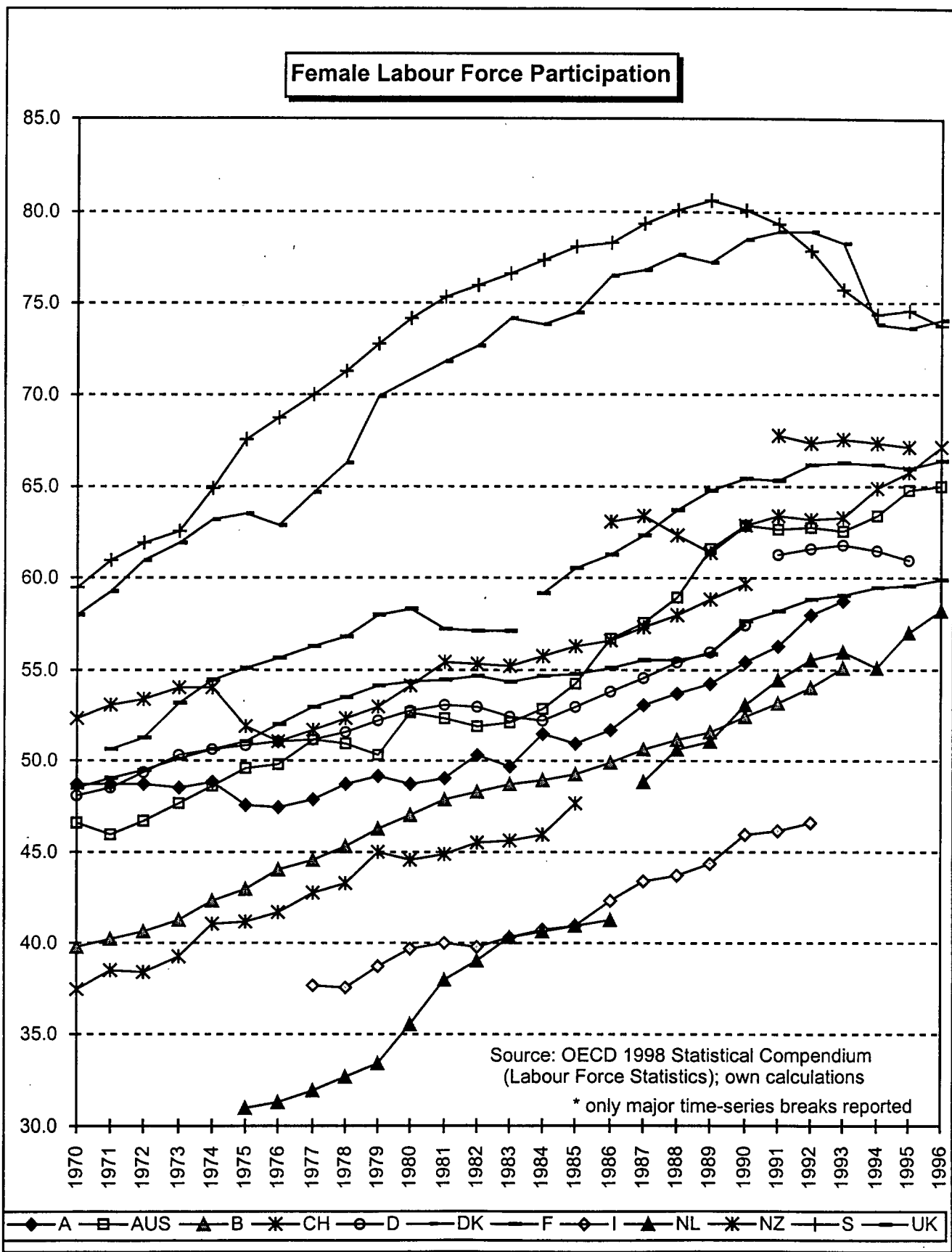


Figure 3: Female Labour Force Participation Rates. Source: OECD 1998 Statistical Compendium (Labor Force Statistics); Schludi/Seils/Ganghoff 1998. \* only major time-series breaks reported