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### The Welfare State

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### Abstract and Keywords

This article provides a review of the avenues of inquiry that students of the welfare state have recently pursued. These recent works have collectively and individually testified to the huge progress that has occurred. This article emphasizes writings on the American welfare state, which has provoked several of the liveliest scholarly debates of the past ten years. The five areas of recent debate are included in the discussion, namely: gender and social policy, the interplay of public and private benefits, race and the welfare state, the politics of welfare and state reform, and the role of business.

Keywords: welfare state, American welfare state, scholarly debate, gender, social policy, state reform, role of business, public benefits, private benefits, race

In the last two decades, students of public affairs have taken an increasingly keen interest in the welfare state—the complex of policies that, in one form or other, all rich democracies have adopted to ameliorate destitution and provide valued social goods and services. Leading scholarly journals are awash with analyses of social welfare policy, and a number of books and articles on the topic now stand as modern classics (notably, Cameron 1978; Esping-Andersen 1990; Hecló 1974; Skocpol 1992). Contemplating this non-stop rush of academic commentary, one prominent social policy expert (Taylor-Gooby 1991, xi) invoked the lament of Ecclesiastes: “Of making many books there is no end; and much study is a weariness of the flesh.”

As natural as this state of affairs has come to seem, it was not always so. In 1974, in one of the first political analyses of social policy, Hugh Hecló observed that “for anyone interested in the human terms of politics, perhaps the most fundamental change that is taken for granted is the growth of modern social policy” (Hecló 1974, 1). Indeed, what is striking in retrospect—not to mention, in light of the huge share of the economy that

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social spending consumes—is precisely how *few* scholars concerned themselves with the welfare state in the years before Hecló's words were penned.

What happened? The simple answer is that the welfare state leapt into the headlines. Once protected by a real, if uneasy, postwar consensus, the welfare state came under increasing political and economic strain in the post-1970s period, making it a subject of debate as it had not been for decades. Ironically, while the two to three decades after the Second World War featured dramatic welfare state expansion, (p. 386) it was only when the welfare state was less “taken for granted,” in Hecló's words, that scholars really started wondering what drove its development and evolution.

Still, the growing debate might not have attracted scholarly attention were it not for changes within the academic world that made the welfare state more attractive as an object of research. Particularly important was the rise of institutional analysis within political science. The goal of many institutionalists was to highlight enduring structural features of modern polities, “bringing the state back in” to political analysis (Evans, Skocpol, and Rueschemeyer 1985). That meant, it turned out, bringing the *welfare state* back in as well, for a major share of what modern states do falls within the bounds of social policy. What is more, the welfare state is not simply a major institution of the state; it is also, scholars soon discovered, profoundly shaped by the basic structure of a nation's political institutions, providing one of the most concrete examples of how the rules of political decision-making shape what government does.

The upshot of these two streams of development—political change and scholarly innovation—was that social scientists woke up to a fact so obvious it had been frequently overlooked: The welfare state is a central institutional feature of modern politics. The seminal trigger for this awakening was Gøsta Esping-Andersen's landmark 1990 study, *The Three Worlds of Welfare Capitalism*. Esping-Andersen replaced the common unilinear view of welfare state development with a hugely influential threefold typology that contrasted the “social-democratic” welfare states of Scandinavia with the “conservative” model of Continental Europe and the “liberal” model found in Britain and the United States. Much as John Rawls' *A Theory of Justice* revitalized first-order political theory, Esping-Andersen's *Three Worlds of Welfare Capitalism* provided a major impetus for criticism, praise, and refinement of arguments about the welfare state both old and new.

And yet a curious thing has happened to the welfare state on its way from the periphery to the center of scholarly concern. Political analysts are now writing about the welfare state, but they are not really all that concerned with the welfare state as such. For most, instead, the welfare state has become a convenient window into some larger system of power or politics. Nor, indeed, are most scholars really writing about *the* welfare state. Some concern themselves with public assistance for the poor; others with social insurance programs like unemployment insurance; still others with labor policies, such as rules governing unions. An increasing number, in fact, are interested in policies well *beyond* the typical conception of the welfare state, such as tax policies and workplace

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benefits. In short, the near-perfect silence on the welfare state that once reigned has given way not to a single or harmonious tune, but to a cacophony of sometimes discordant notes that occasionally threatens to drown out the very subject of the melody.

This should not be surprising. The very breadth and complexity of the welfare state guarantee that scholars will pursue myriad research avenues. The question (p. 387) is whether these diverse inquiries are also leading to a more general picture, or simply making more complex and foreboding the topography that has to be traversed. The premise of this chapter is that while work on the welfare state has dramatically improved our knowledge and understanding, there is a risk that the stories that emerge will read like “one damn thing after another”—study piled upon study, fact upon fact, without adequate integration, explanation, or advancement. One way of avoiding this fate, this chapter argues, is for students of the welfare state to think more seriously of welfare states as distributive institutions whose socioeconomic effects and patterns of evolution are both systematic and systematically interrelated. Three questions should be central: What effect does the welfare state have on the lives of citizens, is that effect changing, and how can we explain the adaptation (or failure of adaptation) of the welfare state to the shifting realities around it?

The positive judgment, however, is the one to emphasize up front: Studies of the welfare state have revolutionized our understanding of comparative politics and policy—and, indeed, have a good claim to represent the strongest area in institutional analysis more generally. The chapter begins, therefore, with a review of the rich and fertile avenues of inquiry that students of the welfare state have pursued in recent years. Collectively as well as individually, these recent works testify to the tremendous progress that has taken place. Given how much of value has been written, in fact, any review will of necessity be highly selective. This chapter places special emphasis on writings on the American welfare state, which has provoked some of the most lively scholarly debates of the past decade—looking in particular at five areas of recent debate: race and the welfare state, gender and social policy, the role of business, the interplay of public and private benefits, and the politics of welfare state reform.

## 1 Race and Solidarity

Students of the welfare state have long recognized that racial and ethnic cleavages pose distinctive dilemmas for social policy. The welfare state rests on a foundation of social solidarity (Baldwin 1990), a sense of kinship among those it protects. Deep cleavages can erode this social glue and, with it, the foundations on which the welfare state rests.

While this observation is long-standing, recent scholarship has started to map out exactly *how* race and ethnicity affect social policy. We learn that racial and ethnic stereotypes—and the exclusionary impulses to which they give rise—informed the (p. 388) original design of many social programs and continue to shape public perceptions of them,

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particularly in the United States (Brown 1999; Faye Williams 2003; Gilens 1999; Lieberman 1998). Moreover, because racial disadvantage is embedded in the larger political economy that these programs seek to influence, race enters into social policy even when it is not on the minds of citizens or elites. Not only, then, do perceptions of racial difference undermine the social solidarity that is the cement of the welfare state; equally important, many features of the world that social policies seek to change are “race-laden,” in the words of political scientist Robert Lieberman (1998), and hence ostensibly race-neutral policies may have deeply racialized effects.

Recently, this new work has extended into the realm of comparative political economy. Two recent analyses by respected political economists take up the question of how the United States' distinctively conflicted history of race relations affects popular support for social programs. Alberto Alesina, Edward Glaeser, and Bruce Sacerdote (2001, 247) look across nations, arguing that US public social spending is lower than that of other nations in large part “because the majority of Americans believe that redistribution favors racial minorities.” Woojin Lee and John Roemer (2004) instead look at the United States over time, tracing out the independent effect of two race-related factors on popular support for redistribution. The first factor is the now-familiar solidarity effect, in which perceptions of group difference undermine the sense of kinship that motivates social provision. The second, and more neglected factor that Lee and Roemer highlight is what they call the “policy-bundle” effect. Candidates in their model can choose to appeal to voters on the basis of their economic self-interest or on the basis of their racial perceptions. If candidates opposed to broader social provision appeal to downscale voters on the basis of racism, this further undercuts the constituency for redistribution.

The new scholarship on race has made major contributions to our understanding of social welfare politics. Yet when it comes to placing race in the context of other forces shaping social policy, it tends to falter. Few scholars, of course, are so bold as to claim that race is the motor force of welfare state development. But in their emphases and their arguments, they generally suggest that citizens inevitably judge social provision through blinders heavily shaped by racial, ethnic, and religious prejudice. Martin Gilens, in his (1991) account of *Why Americans Hate Welfare*, argues, for example, that distrust of antipoverty relief in the United States reflects the twin beliefs of white Americans that “most people who receive welfare are black” and that “blacks are less committed to the work ethic than are other Americans.” While Gilens's point is restricted to antipoverty benefits, the general tenor of the new work on race and social policy is that such benefits are the leading case for a basic relationship: the welfare state and debates about it are explicable first and foremost through the lens of racial analysis.

**(p. 389)** In pointing toward this more ambitious claim, the new scholarship on race risks running aground on two opposed shoals. On the one hand, relatively straightforward arguments about how racist beliefs inform the formation and evolution of social programs are clear in their mechanisms and in their implications about what supportive evidence should look like. Yet they are also limited in their reach, for many areas of the welfare state do not appear racialized in the sense of being motivated by explicitly racist

intentions. On the other hand, the claim that social policies are “race-laden” because they intersect with larger features of society marked by racial hierarchy has considerable—indeed near-total—reach, but the political mechanisms it highlights are diffuse, and quite problematic as subjects of empirical inquiry. Ironically, in fact, the broadest of such claims are quite similar in their observational implications to the arguments of dissenting scholars who have argued that what is notable about social policy development is the general *absence* of explicit attention to race (an argument made with regard to the debate over US social policies by Davies and Derthick 1997). If race is everything—hidden, all-encompassing, unchanging—then it risks being nothing, too.

## 2 Gender and Social Policy

While race has long been a central theme in the study of the welfare state, gender has not. This despite the fact that women represent chief beneficiaries of the major family assistance programs of the welfare state, and despite the fact that female reform leaders have played a large role in the development of social policy in many nations. No doubt a good deal of this neglect can be chalked up to the biases of traditionally male-dominated and -oriented research. Yet this explanation is incomplete. Long after gender was a major focus of work in the social sciences, the welfare state was mostly viewed through the lens of male wage-earners and their struggle for expanded social protection.

To understand this, it helps to recognize that the major theoretical current in welfare state scholarship—up to and including today—draws from Marx in emphasizing class struggle as the root cause of welfare state building. Social policies, on this view, are primarily a means of “decommodification” (Esping-Anderson 1990), a way of freeing workers from wage dependence by providing them with income when they are unable to engage in well-paid labor. Traditionally if women entered into such analyses at all, they were subsumed within the larger category of “worker”—a move that ignored the extent to which women's (p. 390) relationship to the labor market differed from men's and the degree to which ostensibly self-supporting male workers were supported by female domestic work.

This blinkered perspective is no longer tenable. In welfare state research, “feminist” scholarship has had a major impact over the last decade or so. As with research on race, a good deal of this work has concerned the American experience. Emblematic is Skocpol's (1992) *Protecting Soldiers and Mothers*—which, while controversial within feminist circles, details the role played by women's groups and reformers at the turn of the last century in promoting what she calls a “maternalist” vision of the welfare state oriented around state protection for women and children. Against Skocpol's interpretation, other scholars have emphasized the repressive elements of the maternalist vision in the United States, while a growing body of writing has reinterpreted the development of the welfare state in light of the taken-for-granted subordinate position of women. Recent work has

emphasized, for example, that many social insurance and employment programs initially excluded female workers, focused on risks and needs distinctive to men, and were built on the assumption that women would remain home to support male breadwinners.<sup>1</sup>

In comparative research, in particular, gender has become a central frame of reference (see especially Orloff 1993; Stetson and Mazur 1995). Welfare states do not merely “decommodify,” this new comparative work argues. They can also “defamilialize,” lessening the extent to which women are required to remain home and care for children by providing public day care and structuring policies in gender-neutral ways. Put simply, welfare states not only affect citizens place and power in the economy; they also affect their place and power in the household—and, indeed, it is at the nexus of these two realms that women's distinctive role, and dilemmas, lie.

The success of feminist scholarship in reorienting existing theories and suggesting new historical interpretations cannot be gainsaid. Nonetheless, this work has also suffered from a number of common weakness, many of which it shares with recent scholarship on race. The first is that the singular emphasis on gender, like the singular emphasis on race, tends to occlude other forces that shape policy and politics, and to limit analysis to certain corners of the social welfare field—in this case, again, overwhelmingly poverty relief. As with work on race, feminist scholars are also often less than clear whether they are talking about sexist beliefs held by citizens and elites, or about the impact of ostensibly gender-neutral policies in a world marked by vast gender inequalities, or both. Indeed, far more than recent research on race, feminist scholars face the challenge of interpreting *absence*, for what is striking in many early social policy debates is precisely how little was said distinguishing women and men. This contrasts with the clear, repeated, and often breathtakingly crude references to race in many of the same political debates.

### (p. 391) 3 Business and the Welfare State

Work on gender challenges the laborist perspective for its alleged sins of omission. New writings on the role of business, by contrast, tackle it for its alleged sins of commission. The essence of these works' critique is that previous scholarship has overstated the antinomy of interests between capitalists and labor and, in doing so, missed the strong capitalist bases of support for domestic social reform (see, in particular, Gordon 1994, 2003; Jacoby 1997; Mares 2003; Martin 2000; Swenson 2002).

An important spur for much of this work is an emerging literature on “varieties of capitalism” (Hall and Soskice 2001). This work argues that capitalism comes in at least two alternative forms. It may be oriented around the short-term, hyper-competitive, and based on arms-length contracts (the American, or “liberal market economy,” model). Or it may be long-term, consensual, and based on interlocking financial and social ties (the continental European, “coordinated market economy,” model). And while social welfare

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policies that strengthen workers' autonomy and power might interfere with the normal competitive market in the first model, they may be highly market-enhancing in the latter. For example, in an economy based on high skills and wages, protecting workers against the risk of occupational displacement encourages them to invest in skills that are highly specific to an industry or firm—skills they would otherwise fear investing in, because of their lack of transferability from job to job (Iversen and Soskice 2001).

While the “varieties of capitalism” framework suggests strong commonalities of interests between business and labor, it does not rest on the claim that business is a prime mover in the development of the welfare state. After all, the fact that some social policies are economically beneficial is no guarantee that business will support them. Many policies that are good for economic growth have *no* organized defenders. And even if it can be shown that business supports certain social policies, that still leaves open the critical question of whether capitalists were behind their creation. The powerful, distinctive, and controversial claim of the new literature on business power is that capitalists have a strong preference for key social programs *before* they are enacted.

This argument has two main variants, which are not mutually exclusive. One says that businesses want social programs to impose costs on competitors—for example, by requiring that all firms pay for benefits they already provide (Swenson 2002). The other says that businesses want social programs to offload their costs onto the public fisc—for example, by socializing risks to which they are particularly susceptible (Mares 2003). Both variants argue, however, that some (but, crucially, not all) businesses want generous social programs. To be sure, organized labor demands social programs, too. But their success hinges on the emergence of “cross-class alliances” with capitalists (Swenson 2002). Only when the bourgeoisie are on board does the proletariat get what it wants.

(p. 392) The recent sweeping work of Peter Swenson, *Capitalists Against Markets* (2002)—which compares the fate of social reforms in the United States during the 1930s and in Sweden immediately after the Second World War—exemplifies, while deepening, the new business power thesis. Swenson argues that in the United States during the Depression a significant segment of the American business community (large employers that paid generous wages and benefits) was at least latently supportive of new social insurance programs that would cripple their low-wage, low-price competitors. Meanwhile, in Sweden, according to Swenson, business support for social programs emerged only after the Second World War, during a period of acute upward pressure on wages, which Swedish employer associations hoped to compress by socializing non-wage labor costs. The original turn in Swenson's argument is not so much his identification of a capitalist interest in reform, but his attempt to tease out the bases of capitalist influence. Swenson argues that neither the so-called instrumental power of business (its lobbying prowess and resources) nor its “structural” power (its control over investment and jobs, about which politicians care regardless of whether business organizes to press for policy change) were crucial.<sup>2</sup> Rather, it was politicians' anticipation of long-term capitalist support for—and fear of long-term capitalist opposition to—domestic reforms that,

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Swenson argues, represents the primary means by which the largely unexpressed pro-reform sentiments of the business community shaped the making of social policy (Swenson 2002).

As this brief summary indicates, there is more than a whiff of the New Left to Swenson's provocative thesis. Yet unlike earlier New Left scholars who argued that seemingly progressive social reforms were essentially conservative creatures of business interests (e.g. Kolko 1977), Swenson and those who make related claims do not believe that the leftist ambitions of social reformers were hijacked by corporate America. They want to argue instead that underlying business interests were largely consistent with what reformers wanted. This, of course, raises the issue of how one demonstrates *influence*. If reformers want what business wants, that could evidence influence, or simply preference congruence. And indeed, in much of the recent literature, Swenson's contribution included, surprisingly scant and circumstantial evidence is offered that reformers actually responded to actual or anticipated business power in crafting their proposals.

No less serious, for all the close attention to historical detail that characterizes recent business power accounts, these works are often, at their core, notably ahistorical. Swenson, for example, uses large employers' eventual acceptance of the US Social Security Act as an important piece of evidence in favor of his thesis that the Act was initially consistent with their interests. But, of course, the eventual business response to new social programs is hardly an accurate gauge of initial (p. 393) interests. Once legislation is in place, after all, employers may simply believe they cannot realistically overturn it, or the policy may in fact change what employers want by altering market conditions, reshaping the population of employers, or encouraging new conceptions of business interests.

Similarly, many works that stress employers' influence tend to begin the story when reform gets on the agenda, then trace the direct interventions of business on specific policy choices. But this "snapshot" approach makes it nearly impossible to judge the true power of employers, because it leaves unanswered the profound question of whether the policy terrain on which business operates at any particular moment is tilted toward or against it (Hacker and Pierson 2002). Nonetheless, the renewed emphasis on business' role does powerfully call into question the traditional assumption that capitalists are merely recalcitrant stumbling blocks on the road to social reform.

## 4 The "Hidden" Welfare State

In at least one respect, however, new work on business emulates older theories of the welfare state—and that is in its emphasis on public spending programs like government old-age pensions and public health insurance. In this, the business power literature is of a piece with nearly everything that has been written on the welfare state. While scholars often note the importance of taxation and policy tools besides direct social spending,



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studies of the welfare state are, almost without exception, studies of social spending, with little attention paid either to tax policy (including the actual provision of benefits through the tax code) or to the wide range of “publicly subsidized and regulated private social benefits” (Hacker 2002), such as private, employment-based health insurance, that tax policy usually helps underwrite.

On one level, this conflation of social policy and public spending is understandable. Much of what welfare states do, after all, is spend—as much as two-fifths of GDP in some Nordic countries. But on another level, it is unexpected, for taxation and the role of the private sector have probably been the most consistently explosive issues in welfare state development. It is also surprising because one of the most influential writings on the welfare state—Richard Titmuss's (1976) famous *Essays on the “Welfare State”*—placed tax policy (which he termed “fiscal welfare”) and private social benefits (which he called “occupational welfare”) on a par with spending as a means of achieving social welfare ends. Yet Titmuss's insights on this point, unlike many of his other contributions, have produced relatively little follow-up analysis.

(p. 394) That has started to change, but not nearly as quickly or as fully as in the other areas we have reviewed. Much of the credit for the shift must go to Christopher Howard's (1997) *The Hidden Welfare State*, which examines the use of tax breaks with social welfare aims, such as the Earned Income Tax Credit (EITC) for the working poor. Howard argues that US federal social spending is perhaps 150 percent as large as official spending figures indicate when tax breaks with social welfare aims are included in the tally. In making this crucial claim, Howard stresses a point that policy-makers know well, but which welfare state scholars have generally overlooked: Governments have alternative instruments for achieving their ends (see Hood 1983). The welfare state literature has, not implausibly, identified spending as the key instrument of social policy. Yet in the process, it has missed other means by which policy-makers could achieve their goals—from regulation to tax breaks to judicial empowerment to the use of government credit and insurance.

But while Howard and others have examined the tools at policy-makers' disposal, they have had relatively little to say about the vast private-sector field of social welfare, including employer-sponsored benefits, that these tools were often designed to shape. Recent scholarship, however, has started to highlight this even more “hidden” realm of social policy. Interestingly, much of this work has come from historians, rather than political scientists (Gordon 2003; Jacoby 1997; Katz 2001; Klein 2003). Political scientists have been slower to move into the field, perhaps because there is so little secondary historical work to build on. But recent work by political scientists (Brown 1999; Gottschalk 2000; Stevens 1990; Hacker 2002, 2004) indicates a growing interest in incorporating the role of private benefits into theories of the welfare state.

In the process, this new scholarship has fundamentally challenged at least one prevailing verdict in the comparative policy field—that the American welfare state is much smaller than its European counterparts. In fact, properly measured, American social welfare

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spending is at or above the average for comparable advanced industrial democracies (Hacker 2002). “Properly measured,” in this case, means adjusting for relative tax burdens and including private employer-provided benefits that are substantially regulated or subsidized by government. Because US tax levels are comparatively low and its private social welfare sector is far and away the largest in the world, these two simple adjustments raise US social spending from approximately 17 percent of GDP to nearly 25 percent. In short, “what is distinctive about US social spending is not the *level* of spending, but the *source*” (Hacker 2002, 7).

This does not mean, however, that the distribution of social benefits in the United States is the same as it is in other advanced industrial democracies. The United States may spend as much as many European governments when private social benefits and tax policy are taken into account, but the distribution of benefits up and down the income ladder is almost certainly much less favorable toward lower-income citizens.

Employment-based benefits are much more (p. 395) prevalent and generous at higher ends of the wage scale, and tax subsidies, because they forgive tax that would otherwise be owed, are generally worth the most to taxpayers in the highest tax brackets. Overall, only about two-thirds of workers receive health insurance through employment, and fewer than that have a pension plan, much less contribute to it (Hacker 2002)

All of which raises a deeper questions: By what standard are we to call indirect policy tools and government-supported private benefits part of that body of state activity conveniently, if often imprecisely, termed the “welfare state?” The scholarship just reviewed makes a strong case for thinking that these tools and benefits should, indeed must, be analyzed in studies of social policy. But despite frequent use of the evocative (and highly contestable) term “private welfare state” to describe workplace benefits, much of this recent work has surprisingly little to say about why these benefits and tax breaks are on a par with the public programs that students of the welfare state usually study. To the extent, moreover, that it is simply assumed that the concept of the welfare state can be “stretched” to include all these diverse instruments and policies, then it is not immediately clear why it could not or should not stretch even further—to include almost anything that government does to affect social welfare. Certainly, once the rubric of the welfare states opens up, it cannot be assumed that the generalizations about welfare state development advanced to explain public programs hold equally well in explaining other realms of social provision. Yet why and how indirect policies and private benefits differ from traditional programs—enough that they require new theories and histories, but not so much that they fall outside the bounds of social welfare policy—are questions scholars have only started to explore.

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The literature on indirect policy tools takes on particular significance in the context of current struggles over the welfare state. In a number of nations, leaders have issued impassioned calls for the “privatization” of social duties once handled primarily by government. Many of the proposals that travel under this controversial label envision shifting from direct state spending toward less direct forms of social provision, such as the subsidization of private social benefits. But even in nations where such reforms have not been on the table, citizens have witnessed major debates over the restructuring and trimming of social programs that were once considered politically sacrosanct. Not surprisingly, then, the progress and consequences of welfare state “retrenchment” have become leading topics in contemporary scholarship on the welfare state.

(p. 396) The beginning of the recent wave of interest in retrenchment can be conveniently dated to Pierson's groundbreaking book on welfare state retrenchment in Britain and the United States, *Dismantling the Welfare State?* (1994). By “retrenchment,” Pierson means “policy changes that either cut social expenditure, restructure welfare state programs to conform more closely to the residual welfare state model, or alter the political environment in ways that enhance the probability of such outcomes in the future” (1994, 17). On the basis of this definition, Pierson concludes that “the fundamental structure of social policy [in Britain and the United States] remains comparatively stable” (1994, 182). The reasons for this resilience, according to Pierson, are multiple: Cutting programs entails imposing losses rather than the more electorally attractive activity of distributing benefits. The possible benefits of restructuring in the form of lower debt-spending or stronger economic growth are diffuse, while the costs are highly concentrated on specific populations. Political institutions that give governments centralized power to cut popular benefits also create clear lines of political accountability that make it difficult for them to do so without risking electoral defeat. Above all, social programs are popular, and they have created powerful constituencies well positioned to fight retrenchment. In short, the prospects for retrenchment are—to use a phrase Pierson deploys in more recent writings—highly “path dependent” (Pierson 2000). Past social policy choices create strong vested interests and expectations, which are extremely difficult to undo even in the present era.

A wave of subsequent research, relying on both large-scale statistical modeling and detailed historical analysis, has largely ratified Pierson's evaluation (see, e.g., Bonoli, George, and Taylor-Gooby 2000; Esping-Andersen 1999; Huber and Stephens 2001; Pierson 1994, 2001; Weaver 1998). In this now-conventional view, welfare states are under strain, cuts have occurred, but social policy frameworks remain secure, anchored by their enduring popularity, their powerful constituencies, and their centrality within the postwar order.

This research has produced major gains in understanding. Yet it has some significant limits. The first and simplest is its emphasis on authoritative changes in existing social welfare programs. Although this may seem an obvious focus, it excludes from consideration a host of “subterranean” (Hacker 2002, 43) means of policy adjustment that can occur without large-scale policy change: from “bureaucratic disentanglement” (Lipsky 1984) caused by the decisions of front-line administrators to decentralized cutbacks in

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social welfare benefits caused by the actions of nongovernmental benefit sponsors and providers. Almost all this scholarship, moreover, leaves out of consideration the “hidden” policy tools just discussed. It thus misses not only the restructuring of employer-provided benefits (which, in many nations, has been profound), but also the creation of new indirect policies that encourage highly individualized private benefits, such as 401(k) retirement plans in the United States.

(p. 397) Perhaps most important, in emphasizing affirmative decisions, the retrenchment literature also excludes from consideration a wide range of agenda-setting and -blocking activities that may well be quite crucial in shaping the welfare state's long-term evolution. Like the pluralists of the 1950s and 1960s (Dahl 1961), retrenchment scholars have assessed power mainly by tracing observable decisions. The influential critique made against pluralism (Bachrach and Baratz 1970; Lukes 1974) thus carries weight here too: By looking only at affirmative choices on predefined issues, retrenchment analyses tend to downplay the important ways in which actors may shape and restrict the agenda of debate and prevent some kinds of collective decisions altogether.

Most critical in this regard are deliberate attempts to prevent the updating of policies to reflect changing circumstance. In the United States in the early 1990s, for example, President Bill Clinton embarked on an ambitious campaign to counteract the declining reach of private health benefits and provide universal health insurance—something the United States, almost alone among rich democracies, lacks (Hacker 1997; Skocpol 1996). His efforts ultimately fell victim to a concerted counter-mobilization among affected interests and political conservatives, who denied that government should step in to deal with the increasing hardships caused by skyrocketing costs and dwindling protections. This defeat has enormous implications for the scope of US social policy, as well as for judgments about the relative influence of pro- and anti-welfare-state forces in American politics. Yet from the standpoint of the conventional approach to retrenchment, the failure of health reform in the United States is a non-event.

This example only hints at the broad range of policy processes and outcomes occluded by a single-minded focus on formal policy change. Historically, welfare states have been directed not just toward ensuring protection against medical costs, but also toward providing security against a number of major life risks: unemployment, death of a spouse, retirement, disability, childbirth, poverty. Yet the incidence and extent of many of these risks have changed dramatically in recent decades, leading to potentially significant transformations in the consequences of policy interventions, even without formal changes in public programs. As Esping-Andersen (1999, 5) puts it, “The real ‘crisis’ of contemporary welfare regimes lies in the disjuncture between the existing institutional configuration and exogenous change. Contemporary welfare states ... have their origins in, and mirror, a society that no longer obtains.”

To be sure, we should not assume that the welfare state should naturally adjust to deal with changing risk profiles, or that gaps between risks and benefits are always deliberate.

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And yet, we cannot ignore these disjunctures either. Welfare states, after all, constitute institutionalized aims as well as an arsenal of policy means for achieving them, and their development over time must be assessed in that dual light.

In this respect, the literature on retrenchment runs into a problem that all of the scholarship we have reviewed so far faces: how at once to do justice to the (p. 398) complexities of social welfare policy *and* provide relatively simplified accounts that add to our common knowledge. It is fair to say that this is a problem that work on retrenchment faces acutely. But difficulty advancing general claims that can unify disparate research agendas is a notable characteristic of nearly all the scholarship taken up thus far. The closing portion of this chapter discusses two particularly salient examples of this difficulty: The typically underdeveloped understanding of the link between politics and policy in welfare state research, and the general failure of welfare state analysts to develop broader arguments about institutional change.

## 6 Risk, Redistribution, and the Welfare State

Perhaps the most striking feature of discussions of social policy is the extent to which, until recently at least, they have proceeded without much hard evidence on policy *outcomes* of any kind. Traditionally, work on the welfare state took public spending as the measure of program generosity (Wilensky 1975). Even after the conflation of spending levels and program generosity were subject to withering critique (e.g. Esping-Andersen 1990), many scholars continued to use public spending as a convenient proxy for program effects. Government spending was easy to measure and widely available, and there were few, if any, competing metrics that scholars could utilize.

As a consequence, well into the 1990s informed works had to piece together scattered evidence to come to even a preliminary judgment about how welfare states affected income and well-being among citizens (e.g. Goodin and Le Grand 1987). As Frances Castles noted in 1993, “The centrality of the welfare state in the comparative public policy literature has until now drawn its rationale from plausible inferences concerning the impact of government intervention on distributional outcomes....However, in the absence of any independent measure of outcomes, both aggregate expenditures and types of instruments necessarily became proxies for distributional consequences, making any serious distinction between means and ends impossible” (Castles and Mitchell 1993).

We now know far more about the income effects of social policies, thanks in large part to the development of the Luxembourg Income Study (LIS)—a cross-national analysis of income and demographics that began in 1983 and now encompasses twenty-five nations, with data in some cases spanning three decades. (p. 399) The LIS assembles and harmonizes data from cross-sectional surveys of households, which include fairly comprehensive measures of household and personal income and expenditures. This allows the LIS data to be used to construct intuitive measures of the effect of government

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taxes and transfers on inequality. The LIS data show that inequality before taxes and transfers rose sharply in most nations in the 1980s. What they also show, however, is that taxes and transfers have done much more to offset this rise in market income inequality in some nations than in others, with the United States and the United Kingdom standing out as distinctly unresponsive.

The LIS data represent a huge advance in the study of the welfare state. For one, they provide an essential reminder that the formal rules written into social policies are not always obediently followed by administrators or consistently responded to by citizens. For another, they allow much firmer conclusions about the *interaction* of social policies with broader changes in the economy and society. Yet the LIS data also have notable weaknesses. Perhaps the most glaring is that they rely on cross-sectional surveys, which provide only point-in-time estimates of the distribution of income in any given year. In other words, these data can tell us how much of the population is poor or rich in any given year, but not whether the same people are poor or rich from year to year. Similarly, they can tell us how much redistribution transfers and taxes create at a specific time, but not how much redistribution occurs over the life cycle or across risk classes or between those experiencing an adverse event and those not experiencing it.

Responding to these shortcomings, a handful of scholars have started to turn to an alternative source of evidence: panel studies of income dynamics. These are studies that repeatedly interview the same families and individuals over many years—in the case of the longest such study, the US Panel Study of Income Dynamics (PSID), over more than thirty years. To date, however, only a small handful of studies attempt to use panel income data to analyze the effects of welfare states. Because most of these studies are cross-national in focus, they are limited by the availability of panel data comparable to the PSID, the gold standard in the field. Only two other long-term panel studies of comparable scope and consistency exist: the German and Dutch socioeconomic panel surveys. Because neither is available before 1984, researchers interested in longer-term patterns have essentially found themselves forced to focus their cross-national analyses on the period between the mid-1980s and mid-1990s—all years that postdate the major shocks to the welfare state and economy of the 1970s and early 1980s.

Nonetheless, these studies have already contributed important insights. The most basic is that there is, in fact, a great deal of variability in family income from year to year. For this reason, point-in-time estimates of the redistribution effected by public programs almost certainly overstate the extent to which welfare state policies take from the rich and give to the poor. Over time, the population at the lower and higher ends of the income scale change considerably. One year's [\(p. 400\)](#) benefactor may be next year's beneficiary. Moreover, recent research suggests that the effect of the welfare state on these income dynamics differs significantly across nations. For example, although per capita GDP is higher in the United States than in Europe, household income is considerably less stable in the United States than in Germany and the Netherlands. According to comparative panel research, this is partly because Americans are subject to greater labor- and family-

related income shocks and partly because the US social insurance system is less extensive (DiPrete and McManus 2000; Goodin, Headey, Muffels, and Dirven 1999).

Nonetheless, our tools for linking family income dynamics to concrete policy changes within the welfare state—much less to the political processes that produce those changes—remain quite blunt. Put simply, our knowledge of policy effects is improving, but our ability to link those policy effects back to theories of the welfare state has not kept pace. Nothing better illustrates this gap than the general absence of careful theorizing by welfare state scholars about the ways in which politics and policy remake each other over long stretches of time.

## 7 Welfare State Change as Institutional Change

Perhaps the most common theme of recent works on the political development of social policy is that contemporary debates have their roots in the past. Yet *why* the past is so important, and its effects so enduring, is much less clear. In some cases, the argument appears to be merely that past conflicts created present policies. In others, it seems deeper: that past policies have given rise to self-reinforcing dynamics that push the welfare state down highly resilient historical tracks. This does not, of course, exhaust the possibilities. In some cases, the claim is not about endurance but fragility—for example, the relative political *weakness* of antipoverty programs in many nations since the 1970s. But what is at stake in all these claims is the place of time, if you will, in studies of social policy. Why must we take the long view in analyses of the welfare state? Why are some policies resilient, while others are not? What explains continuity and change within specific policies? And how do policies reshape political life after they are enacted?

The deepest shortcoming of social welfare scholarship to date is its inability or unwillingness to engage with these critical issues. This shortcoming is all the more glaring because, in the last decade, mainly because of the pathbreaking scholarship of political scientists Paul Pierson (1993, 1994, 1997, 2004) and Theda Skocpol (p. 401) (Pierson and Skocpol 2000; Skocpol 1992), there has emerged a relatively powerful set of generalizations about the effect of public policies, once implemented, on political dynamics going forward. This notion of “policy feedback” has built upon and furthered a related theoretical enterprise in the social sciences: the exploration of processes of “path dependence” in which early developments structure later ones by giving rise to institutions and dynamics that are inherently difficult to reverse. For the most part, however, welfare state scholars have not engaged with these theoretical currents, and in the rare cases when they are invoked, they are usually treated quite superficially.

Happily, greater engagement appears to be the direction in which institutionally minded political scientists are heading. Pierson, for example, has written a new book, *Politics in Time* (2004), that lays out his own arguments about how path dependence creates change as well as continuity. Kathleen Thelen (2003) and Eric Schickler (2001), in quite different

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ways, have pushed forward the study of institutional development by tracing the evolution of German labor-market institutions and the US Congress, respectively. In a recent article (Hacker 2004), I have built on these authors' to present a fourfold model of policy change. In this model, once policies with strong support coalitions are in place, "big bangs" of policy reform or replacement are rare, requiring as they do a consolidation of political power that most nations' political institutions make difficult. Nonetheless, even without epochal transformations, social policies may change markedly through three less studied processes. The first is what Thelen calls "conversion"—the internal transformation of policies without formal change. In programs run by private organizations or front-line agents, there are numerous opportunities to reorient programs without going through the legislative process, and many of the most consequential changes in US social policy over the past two decades—such as cutbacks in antipoverty benefits and the decline and restructuring of tax-subsidized workplace benefits—have occurred through such conversion processes.

The second process of change that occurs without formal transformation of the existing program is what Schickler terms "layering," the creation of new policies that can alter the operation of older policies. "Layering" requires legislative action, but it does not require dismantling older programs—a far more difficult prospect. Thus, for example, conservative critics of social security in the United States have been consistently rebuffed in their effort to scale back the program significantly, but they have succeeded handsomely at capitalizing on periods of conservative ascendance to enact new policies encouraging highly individualized tax-subsidized retirement accounts, like 401(k) pension plans.

The third process of change is perhaps the least recognized, and often the most important—what might be called "drift" within the bounds of formally stable policies. Drift occurs when changes in the environment of policies make them less capable of achieving their initial goals, but the policies are not updated, either because the gap between goals and reality is not recognized or, more interesting (p. 402) still, is recognized but there is active opposition to the updating of policies.<sup>3</sup> In the past three decades, the employment market and structure of families have changed dramatically. Yet most of the welfare state has not. The result is a growing gulf between the new social risks that citizens face and the existing framework of social benefits on which they depend. This gulf is no accident: Opponents of the welfare state have faced great difficulties in cutting it back. But they have proved extremely capable of blocking the updating of social policies to reflect changing social realities—as they did, for example, when they decisively defeated President Clinton's ill-fated 1993 health plan in the United States.

The observation that welfare states may fail to respond to changing social risks turns on its head the traditional institutionalist argument about welfare state retrenchment—and in so doing, suggests how important a longer-term historical perspective can be. Early institutional research on the welfare state showed conclusively that political institutions that created a large number of "veto-points" or "veto-players" retarded the creation of large and generous social programs. Based on this important finding, it was often argued



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that in the era of retrenchment, it was (ironically) precisely those countries with the most veto-point-ridden political structures whose welfare states were most secure. Yet, as the foregoing discussion makes clear, this claim was only half the story. Institutionally induced stalemate makes direct retrenchment of the welfare state more difficult, but it also makes it more difficult for advocates of welfare state adaptation to reorient welfare states to accommodate new and newly intensified social risks. A longer-term perspective shows that in the present era institutional obstacles to policy change are a double-edged sword, blocking full-scale retrenchment but also stymieing necessary adaptation.

Although issues of institutional development are rightly moving to center of debate and analysis in political science, it is certainly premature to declare that robust generalizations about processes of institutional change are destined to shift into studies of social policy, much less that generating arguments of this sort will become a primary concern of social welfare scholars. Nonetheless, for analysts of the welfare state to ignore these emerging issues would be to pass up a tremendous opportunity for the development of a set of explanatory tools that could create greater cohesion and clarity in a field that, for all its richness and depth, would benefit from both.

In all this, however, the ultimate goal should be to understand not merely the details of social policies, but what they do—to and for citizens and to and for polities and societies. The welfare state expresses, at root, a sense of solidarity, a belief in a shared fate. At a moment when the fates of citizens often seem to be (p. 403) shared more in fear than in hope, the link between policies and the collective commitments they reflect and nurture is as vital a subject for political leaders as it is for political analysts.

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### Notes:

(1) Notable works include Gordon 1994; Mink 1995; Mettler 1999; Kessler-Harris 2001; and the essays in Gordon 1990.

(2) On the distinction between structural and instrumental power, see Hacker and Pierson 2002; Lindblom 1982.

(3) Of course, drift can and does run in the opposite direction—that is, toward expansion. The proliferating use of disability insurance as a means of early retirement in Europe is a powerful contemporary example.

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