

Beyond the Bounds: Reimagining Social Welfare Policy

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Abstract

This paper discusses several challenges to welfare state development in the modern era, with an emphasis on the persuasive nature of schemas, narratives, and framing. Divided into two parts, the paper first provides the conventional narrative of the social welfare state, derived from the seminal work of Gøsta Esping-Andersen titled *The Three Worlds of Welfare Capitalism*, the work of his pupils, and its critique. I introduce definitions of the social welfare state, discuss the post-war ‘golden age’ of social welfare policy, followed by the rise of the neoliberalist thought of the Retrenchment Era beginning in the 1970’s. The latter half introduces a divergent and reimagined approach to social welfare policy, substituting the reductionist, reactionary approach of the current social policy climate for innovation, value creation, and mission-oriented thinking.

Keywords: social welfare policy, the three worlds of welfare capitalism, mission economy, welfare state

A Brief History of the Welfare State

Over two decades have passed since Esping-Andersen wrote *The Three Worlds of Welfare Capitalism*. Defined by Esping-Andersen (1999) as “a unique historical construction, an explicit redefinition of what the state is all about,” the “Dean of Social Policy” crafted a sweeping guide to the development of the welfare state — from the pre-1900 private solutions era that preceded it, to the post-World War II capitalist era, introducing a renewed political commitment and social contract between the state and the people. Policies such as Roosevelt’s New Deal, the “People’s Home” of social democratic Sweden, and the international competition of the Cold War worked to support the idea that citizen and state can work in cooperation.

Castles (2010) identifies the post-World War II era as the ‘golden age’ of welfare capitalism, where social security became an international commonality. Social solidarity rose to prominence with state intervention and the funding to finance it becoming key to international peace. The war and the accompanying economic hardship led to mass displacement and, as a result, a social need for which nations would respond. A Keynesian consensus emerged “promoting high levels of employment and high tax and expenditure levels”, instilling the idea that government intervention in economic and social domains was not only appropriate but necessary (Castles, et al. 2010).

While the ‘golden age’ of welfare capitalism marked a turning point for government’s role in providing social and economic support for people, it was marked by a divergence across welfare states that is visible to this day, with the United States remaining a “residual provider of welfare,” and social democratic nations such as the Scandinavian countries offering a generous

range of tax and insurance-based benefits and public services to support their people (Castles, et al. 2010).

The 'golden age' of welfare capitalism took a turn after the economic challenges of the 1970s and early 1980s. The 'silver age' brought challenges such as the energy crisis from oil shocks in the middle east, and the emerging stagflation crisis which facilitated a newfound skepticism for the role of government in society and in the economy. Neoliberalist theories began to reemerge, reminiscent of Adam Smith's view of the market as the superior means for the abolition of class, inequality, and privilege (Esping-Andersen, *The Three Worlds of Capitalism* 1990, 6). Criticisms of the welfare state as a 'moral hazard', bringing to fruition a 'welfare-to-work' ideology, introducing rational choice theories questioning whether anyone truly benefitted from social policies — all lent to a mental model in which state intervention was viewed as part of the problem rather than a resource for development and sustainability (Castles, et al. 2010).

Today, we're seeing a strengthening of these divisive ideologies. Challenges to intellectual ideas on the value of social welfare policy, a hardening in the idea that government intervention be largely punitive in the U.S. or encompass the enabling 'activation' strategies realized in Western Europe (Castles, et al. 2010). The Retrenchment era has brought with it an anti-government stance by a growing neoliberalist right, who believe markets should replace states, and an increasingly frustrated liberal left, who believe government is not doing enough. A divergence has occurred across socioeconomic groups, pitting the poor against the middle class and the wealthy, concentrating increasingly more wealth at the top (Iversen and Soskice 2006). Nobel Prize winning economist Joseph Stiglitz finds that unequal societies can be neither efficient nor

stable in the long term (Stiglitz 2012). In a liberal market economy, power concentrated at the top leads to influence over state policies that favor these positions of power, leaving less resources to invest in social welfare policies that support economic mobility and benefit those most in need — education, unemployment insurance, social security, care for the aging population (“graying of society”), healthcare, homelessness services, labor protections, and antitrust laws.

As governments around the world veer toward neoliberalist versions of populism, institutions begin to resemble the classical residual state welfare system, in which the state assumes responsibility only when the family or the market fails. Esping-Andersen states that “it is a myth to think that either markets or the state are more naturally equipped to develop welfare. Instead, markets are often politically created and form an integral part of the overall welfare-state regime”. This mirrors the institutional welfare approach of Richard Titmuss (1958), in which the welfare system addresses the entire population, is universalistic, and embodies an institutionalized commitment to welfare (Esping-Andersen, *The Three Worlds of Capitalism* 1990, 20). Through class-mobilization theory, welfare states do more than alleviate the current ills of the system. Esping-Andersen notes that social democratic welfare states establish critical power resources for wage-earners, strengthening labor movements. The social rights, income security, equalization, and eradication of poverty that a universalistic welfare state pursues are *necessary preconditions* for the strength and unity that collective power mobilization demands (Esping-Andersen, *Power and Distributional Regimes* 1985).

This sounds great in theory, but barriers stand in the way. Effective power mobilization, for instance, depends on resources that flow from electoral numbers and from collective bargaining — power that is inclined to shift from parliaments to neo-corporatist institutions of interest. As Esping-Andersen illuminated in her 1990 text *The Three Worlds of Welfare Capitalism*, in very few cases has the traditional working class been numerically a majority; and its role is rapidly becoming marginal (Esping-Andersen, *The Three Worlds of Capitalism* 1990, 17).

As the modern world slides toward populist, authoritarian governance, the democratic bonds that bring us together begin to come apart. As populations grow increasingly more frustrated with the status quo, a gap emerges between those seeking social innovation and those seeking conventional political destruction. As Cheryl Dorsey asserts, “we need a civic moonshot—to come together in new ways and forge a path to a more equitable, just, and sustainable world” (Dorsey 2022). A world that reimagines the social welfare state, inspiring us to meet the moment together, and to favor value creation over value extraction (Mazzucato, *The Value of Everything: Making and Taking in the Global Economy* 2018).

Narratives

It has become understood across several scientific and economic disciplines that human are quasi-rational actors, bounded by attention, cognitive capacity, and willpower, and guided by frames and biases. Additionally, human beings are encultured actors, whereas society shapes cognition & preferences. Culturally specific mental models, categories, identities, and narratives shape how we think and how we behave.

In navigating the social welfare landscape recited above, we have been conditioned by our interactions with our cultural, political, and economic environments. Stigmatization of socialist and communist regimes, such as the “red scare” of McCarthyism in the U.S., and the collapse of communism in 1989 worked to validate neoliberalist views that government intervention leads to inefficiency. The economic destabilization of the late 20th century further established and perpetuated neoliberalist narratives, that “markets create value, and governments de-risk and facilitate.” Instilled into the psyche of society, these narratives became mental models, or schemas, that suggested that the social welfare state should be reduced in size and scope, providing more leverage to the markets, and a greater concentration of wealth and power to a few at the top of the socioeconomic hierarchy.

Depending on which side of the political spectrum they stand, a portion of the population believes that government spending is wasteful and inefficient, while a sizeable share of the population believes that free market wealth accumulation, growing monopolization of industry, and rent seeking is the source of struggle. Both can be right to a degree, but a dichotomy of zero-sum, mutually exclusive perspectives has driven a stake between the two ideological trains of thought. In dualistic majoritarian political systems, politicians are incentivized to take a side, perpetuating narratives that further polarize populations, breaking groups down into factions who find it even more difficult to understand or empathize with those who live different lives, curtailing the forward progress of the social welfare state, and slowing progress for the most vulnerable.

This presents a unique challenge for democratic social welfare states who rely on the support of the people to function and exist, with systems that co-evolve with the changing landscape of these narratives. While Esping-Andersen (1999) identifies the welfare system as an inter-causal triad of the state, the market, and the family, the modern social welfare system is composed of multiple institutions or sectors (Public-Private Partnership, Quasi-State, Civil Society, Social Enterprise) with collaborations that are complementary to one another, arranged in such a way to manage and pool risks. In his 2012 text *The Price of Inequality*, Joseph Stiglitz comments on the role of institutions on outcomes:

“No one succeeds on his own. There are plenty of bright, hardworking, energetic people in developing countries who remain poor—not because they lack abilities or are not making sufficient effort, but because they work in economies that don’t function well. Americans all benefit from the physical and institutional infrastructure that has developed from the country’s collective efforts over generations.” (Stiglitz 2012, 146)

Lest we design innovative solutions and deliver effective storytelling to support them, reframing the narratives we’ve grown accustomed to, we risk further declining into a more constrained, zero-sum equilibrium that is contemptuous of social welfare. Kattel and Mazzucato argue that the role of governments should not be limited to fixing market failures, but instead, they should actively seek to steer the direction of innovation toward desired goals via investment and other policy actions (Kattel and Mazzucato 2018). Whether it be the social democratic states of Northern Europe showing us what’s possible when nations de-commodify society and enact social policies that promote human capital, or further evidence of public-private innovations such

as smartphone technology and the internet, we have the evidence that a value-centered, mission-oriented approach to social welfare states is possible and can yield amazing outcomes for people around the world. We only need to follow the evidence, change the narrative, and *reimagine* what social welfare policy can achieve.

Disruptive Innovation – A Mission-Oriented Approach

To fully utilize the benefits of social welfare policy we must change the narrative around it.

Mazzucato notes that successful national systems of innovation are ones where different sectors of society work effectively together to produce innovations (Mazzucato 2017). We need innovative solutions that simultaneously reshape the public-private partnership while demonstrating through effective storytelling the value of fully integrated, mission-driven social democratic systems.

The welfare state must not be understood solely in terms of the rights it grants, but through the interlocking of the activities of the state with the market and family roles in social provision.

Esping-Andersen (1999) defines the social democratic welfare system in terms of an equality which meets the “highest standards.” Services and benefits that are upgraded to the highest levels of equality, provided through social insurance (social security, healthcare, unemployment, disability); regulatory support (parental leave, employment protection, minimum wage); safety nets (public assistance, old-age allowance, lone mothers allowance); or functional equivalent and in-kind benefits (agricultural subsidies, tax credits or expenditures, housing benefits).

To reach this new equilibrium, social welfare states must take steps to weaken the cash nexus, granting entitlements that are independent of market participation. This includes decommodification — allowing people to become more independent from market sources — and entails better public-private partnerships that value achieving mission-oriented outcomes over profitability and power.

In her 2021 book *Mission Economy*, economist Mariana Mazzucato provides several prominent examples, that when the components of a welfare state are aligned, we can bridge the gap between the market and government to reach our goals (Mazzucato, *Mission Economy: A Moonshot Guide to Changing Capitalism* 2021). Recall that the Cold War worked to encourage participation between the free market and the state. The Apollo mission is an example of public-private mission-oriented collaboration that moved society forward. With the Apollo Program, the United States government assumed a role bearing significant levels of uncertainty and risk taking in the pursuit of a collective goal — putting a man on the moon.

This couldn't have been done without a narrative and the widespread support of the United States population. In a speech at Rice University, Kennedy justified the enormous cost of the Apollo Program citing the new knowledge, new techniques of learning and mapping and observation, and the new tools and computers for industry, medicine, the home, and the school that would result from the mission (Kennedy 1962). The program required a massive amount of coordination, research, and development across several government agencies and outside contractors, often through funding with no-strings attached.

Kennedy was correct in his vision. The mission-oriented structure of the Apollo project combined with the national effort to outperform the USSR created a sense of collective ownership and pride throughout American society — a social cohesion vividly portrayed in Mazzucato's book:

“The story goes that, on a visit to the NASA Space Center in 1962, Kennedy encountered a janitor at work. He asked the man what he was doing. The janitor famously replied: ‘Well, Mr. President, I’m helping put a man on the moon.’” (Mazzucato, *Mission Economy: A Moonshot Guide to Changing Capitalism* 2021)

As Mazzucato (2021) details in her chapter *Lessons from Apollo*, many gains were achieved in this effort, not only in our pursuit of space travel, but through several spillover effects in food, medicine, materials, biology, microbiology, geology and even toilets! And of course, the mission brought technological advancements in aerospace engineering, electronics, and computing — advancements that we benefit from today.

“If you want to build a ship, don’t drum up people to collect wood and don’t assign them tasks and work, but rather teach them to long for the endless immensity of the sea.”

Attributed to Antoine de Sainte-Exupéry

Mazzucato (2021) suggests that to reimagine government for the twenty-first century, we must equip it with the tools, organization, and culture to drive this mission-oriented approach. This

means establishing a vision of *value creation* to policies and programs to not only solve the world's most pressing problems but to deliver the innovations that can push us into a new age of prosperity, equity, and sustainability. This requires stepping outside the bounded, constrained narratives we've grown accustomed to throughout the Retrenchment Era — it requires a reimagining of what the social welfare system can accomplish. Whether it be protecting the elderly in East Asia, providing basic healthcare access to the poor in the United States, lifting people out of poverty in Latin America, solving unemployment in Europe, confronting the negative side effects of globalization, helping the world's most vulnerable avoid the destructive impacts of climate change, or ensuring the most vulnerable have access to vaccines during a pandemic, a mission-oriented approach to social welfare policy brings the potential to solve the world's most pressing problems while generating tremendous value for future generations to come.

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