

The American Welfare State: A View from Scandinavia

Else Øyen

The United States has many fine qualities, but could hardly, by Scandinavian standards, be called a welfare state!

Let me qualify this statement by introducing some of the basic principles of the Scandinavian welfare state, thereby providing a basis for comparison. My examples will mainly be from Norway, as this is the country I know best; but the different Scandinavian welfare states, seen from the outside, have enough in common to make my discussion valid for all.

The word "welfare" stems from the old Norse "velferd" which was used as a farewell meaning: "May your journey through life go well." The term can be traced back to written sources from the 14th century, but has a much older oral tradition. From Scandinavia the term was exported to the British, but returned to Scandinavia centuries later during the Second World War, now in a new coat and linked to visions of a different kind of state, a *welfare state*. The visions were many and not necessarily new or coherent; but they originated in a wish to construct a society which would never again be ridden by war and deep-rooted conflicts. Some of the visions materialized into social programs for the population at large and for groups in need, and the term welfare state was used to describe these activities. In Scandinavia some of these social programs had been planned well before the Second World War, but could not be implemented financially until after the war. Part of the early ideology of the Scandinavian welfare state consisted of demands for a more just society. As the social programs expanded they became an integrated part of other societal and economic activities, the content of the state changed, and today it is difficult to separate welfare state activities from other state activities.

It is not easy, therefore, to define exactly what is meant by "welfare state." No one so far has given a precise definition and there is much disagreement as to what kind of activities should be included in the definition. To some, a welfare state is synonymous with the concept of the state and embraces the whole political and economic organization as it does in Scandinavia. To others a welfare state is built upon a limited

number of social programs, the aim of which can be to alleviate poverty, protect groups of citizens from certain difficult situations, compensate for loss of income, care for the rights of the citizens, raise quality-of-life in society, distribute income more evenly, or solve social problems in general.

The concepts of quality-of-life and social problems are as elusive as the concepts of welfare and welfare state, and mean different things to different people. They are what sociologists call normative concepts. The difficulties increase when we compare welfare states, because the national definitions are definitely *national* in the way social programs are organized, and almost defy comparisons.

Yet it is not difficult to point to some of the basic principles upon which the Scandinavian welfare state model is founded:

1. It is the responsibility of the government to provide a comprehensive scheme of protection for the population.
2. The welfare state is universal in that *all* citizens are covered under the scheme of protection.
3. The welfare state is compulsory in that all citizens with an income are required to pay their share.
4. The guaranteed "poverty" line is generous enough to secure a level of living which is well above poverty.
5. Economic transfers and comprehensive health care provisions are primary elements in the scheme of protection, but public programs for the general improvement of quality-of-life are extensive and considered part of the welfare state.
6. The "social" economy and the national economy are integrated to such an extent that it is difficult to differentiate one from the other.
7. The ideology of the welfare state is integrated in the political and cultural ideology.

The American welfare state, by comparison, is *not* based on these principles; one could almost say that their negation is a guideline for the American welfare state.

The State and the Individual

The relationship between the individual and the state seems to be different in the United States and Scandinavia. This relationship is reflected both in the way we have developed our welfare states and in the way we perceive the welfare state.

When Scandinavians try to describe their countries to foreigners they are likely to use the term welfare state to make the foreigner under-

stand the kind of society in which they live. They may not be very precise as to what they mean by a welfare state, but it is still an important notion. When Americans describe their country, however, they are not likely to use that term. This does not necessarily mean they do not see their country as a welfare state, but other features such as mode of production, technological innovations, variety of cultures, diversity in lifestyles, etc. are seen as more predominant characteristics.

In the United States one senses an "anti-government" attitude and strong feelings in favor of the individual taking responsibility for his or her own life. Self-reliance and individual initiative are key concepts. The American dream of the self-made man who can make it all the way to the top is also reflected in the reverse process: if the going gets rough and an individual starts descending the social ladder, then it is also more likely to be seen as his or her own doing. Even during drastic changes in society the failure to cope is defined as an individual shortcoming which should be the individual's own right/duty to tackle.

In Scandinavia there are, in general, few deep-rooted anti-government feelings, although some political groups are trying to make this an issue. The Scandinavians have a longer tradition of looking to government support in many situations. Much of the nations' infrastructures are created through government coordination and funding, and many kinds of services are provided by the governments. Social problems may be seen as individual and moral problems, but there is a still stronger tendency to view them as structural problems precipitated by the changing society. The social democratic parties used the structural model when arguing for a broad array of public welfare services in the early days of the welfare state. The parties to the Right stuck to the individual model for many years, but today the differences in political views concerning structural explanations are small. It is generally accepted that society has a responsibility to provide its citizens with sufficient funds to meet difficult and unforeseen situations. Most disagreements are centered around how society should handle these problems and how funds should be allocated.

Main Social Programs

Before we proceed any further, let me give you a rough idea of some of the most important social programs in the Scandinavian welfare state (the examples being from Norway).

The backbone is the national social security system which, except for the name, has very little in common with the comparatively limited American social security system. It is important to be aware of this point;

the two systems are often indiscriminately compared. You might as well compare a horse to a goose.

Social security expenditures are financed by the employee, the employer, the municipality and the state (no federal level in Scandinavia, as you know). The benefits are extended to *all* citizens, including certain categories of foreigners working in the country. The main benefits consist of old-age pensions, invalid pensions, unemployment insurance, sickness benefits, general children's allowance, single providers' benefits and survivors' pensions. All are taxable. Also included in the social security benefits are an extended health scheme which provides free care in hospitals and medical institutions, heavily subsidized primary health care, free dental care for school children, certain kinds of equipment for the handicapped, free transportation if deemed medically necessary, rehabilitation schemes, etc.

On the local level the Social Care Act sets the stage for free institutions for the elderly, subsidized home nursing, home help services, meals-on-wheels, nursery schools and kindergartens, income support and some aid-in-kind. The activities are organized by the local government and financed at the local and state level.

The voluntary organizations are partly financed by public grants, but play a comparatively limited role in the general scheme of social programs.

Public Responsibility and Market Mechanisms

One of the main differences between the American and Scandinavian welfare state lies in the amount of public responsibility involved.

The great majority of Scandinavian social programs are rooted in legislation, organized by public bodies and financed through earmarked or general taxes. Many of the American social programs function more on an ad hoc basis. In the United States private interests and voluntary agencies play a considerable role and are subject to changing political climates, while clients are less protected and therefore more vulnerable to market forces. In Scandinavia it is believed that public responsibility assures a higher quality of social services and a more even distribution of benefits. Ideally, the welfare state is seen as a non-profit organization, and vital social services are not defined as commodities which can be bought and sold on the market. Partly, the welfare state has been created as a counter force to market forces. In the United States competition between different social programs is encouraged as this is believed to ensure higher quality and more efficiency in the services offered. Private initiatives and institutions are welcomed and volun-

tary organizations play an important role both in providing and selling a range of social programs.

The private sector plays a much smaller part in the Scandinavian welfare state. Although there are few formal barriers to establishing a private welfare sector, the main issue seems to be that there is little room for private hospitals, private health and social insurance, and voluntary agencies.

The Scandinavian health scheme is built around public hospitals and institutions to ensure public control and equal access to health care for all groups. Private physicians and paramedics are central to the health care system, but their fees are subsidized through the social security system and they are subject to both professional and public controls. There are few private hospitals as they cannot compete with the publicly financed, high-grade technology hospitals. The profit motive has been minimized within public health institutions, and doctors find no personal financial gain in performing unnecessary surgery. The American health market is looked upon with great suspicion, although Scandinavians return from American hospitals and report with great enthusiasm about private phones for the patients, carpeted floors and the most advanced technology. When looking more closely they can also see that many American hospitals do not meet the standards required in Scandinavia and many patients receive treatment not according to their needs, but according to their wallet. Also, the incidence of hysterectomies, appendectomies and caesarians, for example, is much higher in the United States than in Scandinavia, for no apparent health reasons!

In Norway the private insurance companies have not made much headway in relation to pension insurance, in spite of heavy advertising for life insurance. Old-age pensions in the social security system are scaled according to life-long earnings and will provide sufficient incomes for most people. They are also guaranteed by the state through legislation, even for those who have never been gainfully employed. This gives a basic security which an American private insurance company would never be able to furnish. For those covered under the American social security act the situation is different, of course.

Voluntary agencies initiated many of the social programs in Scandinavia, but gradually the state took over their programs. Charity was seen as humiliating and stigmatizing. And as the programs expanded, the private organizations became too narrow a basis for delivering nationwide programs. The emphasis has been on defining social assistance as a citizen's right and not a hand-out.

Now the voluntary agencies play second, if not third, fiddle in the

picture of the welfare state. Some of them are run in cooperation with professional social services and are partly financed by public sources. During this transfer of social programs to the public sphere, better and more evenly-distributed social services have been secured. But we have also lost valuable initiatives and insights which we have still not been able to re-create. There seems to be little gain, however, in copying the American social services where a huge amorphous mass of uncoordinated and unaccountable voluntary bodies provide services that do alleviate some problems, but present no coherent strategy for social policy action.

Universality and Distribution

The amount of money poured into American social expenditures is enormous, but the size of the social budgets tells little about how effective a nation is as a welfare state. The *distribution* of economic transfers and social services is the crucial issue. If the benefits go to those who are already well-off, while poverty is prevalent, we must question the content of the welfare state.

The Scandinavian welfare state is based on the principle of universality, i.e., welfare benefits are for all citizens. An individual is literally born into the welfare state. Everybody has rights under the social security system, and everybody with an income has to pay into the system. There is no way of withdrawing your payment or entering optional channels. The health care system is for everybody to use. Old-age pensions are paid to all citizens above a certain age, even if he or she has never held a paid job. Invalid pensions, unemployment insurance, sickness benefits and rehabilitation schemes are for those who are or have been members of the workforce. The minimum pensions represent the official poverty line, and although low, provide an income which will not allow you to starve. Other benefits, mainly through local social services, provide subsidies for rent, electricity, telephone service, medicine, etc. The result is that almost all citizens are cared for one way or another during the ordinary life cycle. The care will increase during difficult times resulting from illness, loss of a provider, unemployment, extra burdens, etc.

The whole population is woven into the welfare state in such a way that it is difficult to say who benefits the most. Taxes are high, but so are benefits and the security they provide. The more ill you are, the more you get back from your taxes. The older you get, the more you get back from your taxes. And the earlier a disability may hit you, the more you reap from the tax harvest. The business world, which complains the most

about taxes, is among the real profiteers because the social security system has taken over part of its retirement obligations, and also part of the expenses of employee illnesses.

Although the distributory effects of the social security system are difficult to assess, there is a growing tendency toward well-off individuals getting a still larger share. Like it or not, it can also be considered an advantage because it increases the willingness of the well-off to back the social security system and the welfare state, which in turn secures the basic health and income of the entire population, the less well-off included.

American social security, by comparison, is limited, selective, and virtually splits the population in two. The longer one has been at work, and the more one has earned, the higher the benefits. That is the same principle as the Norwegian system. However, there are no poverty lines built into the American system, and few benefits for those who have not been members of the paid workforce, such as housewives, disabled people, permanently unemployed people and people who were unemployed the last few years before retirement age. Large groups of American people, and presumably those who need it the most, have no rights within the social security system. Although the redistribution effects seem to work in favour of low- and medium-income earners within the social security system, there is no redistribution effect from the well-off members of the workforce and participants in the social security system to those who are unfortunate enough not to be part of the workforce. The social security system works along the lines of a private insurance company, where input is related to output. Most employees are also covered by different kinds of health schemes, either through the job or through private arrangements.

The rest of the population and people who have exhausted their unemployment benefits are left to programs like the AFDC (Aid for Families with Dependent Children), limited federal health care and retirement programs, food stamp programs, grants of various kinds, social assistance from state and local welfare offices, and charity from community, church and volunteer organizations. Most of the programs are means-tested and the criteria for eligibility vary from program to program, state to state, and community to community, making it difficult for people to find their way through the welfare maze.

Many of these programs are valuable and irreplaceable. But in a Scandinavian welfare state context, they are neither sufficient nor likely to provide people with the dignity secured by a decent standard of living and the legitimate right to assistance. Large groups of people fall between the many welfare chairs. Although the American welfare state

is oriented toward the poor, deprivation and poverty are allowed to continue, and extensive slums are found in the richest cities of the world. Health care is said to be free for those who cannot afford to join private health care insurance, but while some of the public health care institutions have high standards, many are of a low standard and insufficient for the demands placed upon them.

How Beautiful is the Welfare State?

The well-developed Scandinavian welfare state is said to be too costly and to produce lazy citizens without initiative and with low productivity. Perhaps this is so, but so far nobody has produced evidence for lower productivity or greater laziness in the Scandinavian countries. What has been demonstrated is a more stable society, a higher level of political participation, a more homogeneous and less violent society, and a more pronounced awareness of injustice at home and abroad. What is due to the welfare state measures and what is due to the national character and history, is difficult to say. The homogeneity of the countries, for example, was an important basis for developing the welfare state. But the homogeneity also has been developed further through welfare state measures.

The costs of the welfare programs are high — probably too high. Many programs have been developed and expanded to an almost unlimited extent through the same forces which make all bureaucracies grow on their own accord. A revision and re-evaluation of the many programs ought to be an ongoing process to determine whether we are getting the most return from our investments or not. The many professionals and other employees in the welfare programs are, in Scandinavia as elsewhere, reluctant to change.

The problem of queues, especially for the health institutions and retirement homes, is evident. When goods and services are attractive and free, they grow scarce. It has been said that market mechanisms should be reintroduced to limit the queues, but this would violate the basic principle of universality and equal access to health care. Also, hospital costs are mainly due to high wages among the health personnel and the cost of advanced technology. One way of cutting costs would be to lower the general wage level and the high-cost technology, but this, of course, is no easy remedy. The aging population contributes to the scarcity of institutions and hospital beds; people live longer in Scandinavia than in most other countries. About three percent of all Scandinavians are past eighty years old (maybe as a result of the welfare state?) and a very large percentage of the health care resources is used

during the last couple of months a person is alive. But would we want it any other way?

Unemployment is a threat, in America as in many other countries. The Scandinavian countries differ in this respect, Denmark having passed the 10 percent mark, while Norway is keeping under 4 percent (the Norwegians having a longer tradition of subsidizing jobs at risk). Unemployment benefits are high and represent a sizable drain on social expenditures. New solutions such as job sharing and six hour workdays are on the agenda, while old solutions such as more subsidizing of jobs, lower wages and lower taxes are being tried.

The problems are plentiful, as they are likely to be in any enterprise the size of the welfare state. But the many assertions that the welfare state is in crisis seem to have little bearing. The welfare state is deeply rooted in Scandinavian culture, and although we can expect changes, they are not likely to touch the basic principles of solidarity with the less fortunate, the responsibility for softening the blows of social change, and the need for an economic safety net under the population at large. We have come to expect guarantees against loss of income through public provisions and risk absorption as part of our rights as citizens. Some will call it socialism, but the Scandinavian economy — in spite of prolonged social democratic influence — is more capitalistic and oriented toward private enterprise than it is socialistic. During the economic stagnation of the last few years, social budgets have continued rising, regardless of the party in power. The welfare state has become a way of life.

The American "welfare state" is more likely to be in jeopardy than the Scandinavian welfare state, because it is less developed and less integrated in the American culture. Therefore it will also be more vulnerable to political and economic changes.

