

Understanding the relationship between welfare state and social forces in Sweden, Spain and the USA

By

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Abstract

In this paper, we compare three cases which are really diverse. On the one side, the liberal welfare state of the USA has a high level of residualism in its social policy and it is dominated in the last few decades by a conservative bias. On the other side, the Swedish case can be considered as the best example of social-democrat welfare state, which drives society to equality through social policy. The Spanish case is in a middle situation, it is usually considered a conservative welfare but was generated mainly under a social-democrat program.

We pay attention mainly to the way welfare states have been a social product and how social forces through organizations and institutions operated over the different cases; additionally, we want to see how these forces have evolved in the creation of each welfare state. The main questions addressed in the USA case are how the economic policy has affected the social one, and what have happened with the coalition formed by the Democratic Party in favor of the welfare state. In The Swedish case we consider the social-democrat line that was in its origin and that remains up to now in the way labor market policy and the social policy are structured. Finally, in the Spanish case we consider in particular how the social policy was developed at the same time that there were relevant reforms to adapt the economy to the European Union.

INTRODUCTION

The debate about welfare state has changed in the last few years. Two works by Pierson (1994, 1996) gives us examples of the old politics of “retrenchment”, as Scarbrough calls it, that occurred after the 1970s crisis. This perspective has changed to one of “recasting” (Ferrera and Rhodes 2000, 279), or the “new expansion” (Iversen and Cusack) of mature welfare states. The new point of view is evident in the case of the emerging welfare states in East Central Europe, Latin America or East Asia (Esping-Andersen, 1998, 20).

In advanced capitalist societies, the present debate is about how to adapt the welfare state to new economic and social conditions. That is to say, one must understand which endogenous and exogenous conditions determine the change and what changes could welfare states have. That leads us to take a wider perspective, since realizing the nature of the reform is only possible through a comprehensive understanding of each case. Although we are aware that reform is a new and distinct process different from the phase of welfare state expansion, when comparing diverse cases, as we do in this paper, it is then that we see how important the formation period is, due to its generation of quite different configurations or regimes in countries.

On the other hand, the formation process can only be understood, as Esping-Andersen writes (1990, 2), as the configuration of a complex structure which integrates different components. In addition, according to path-dependent theory, that configuration must be known as a process in which a set of organizations such as trade unions, business organizations or even firms, and institutions such as social policies, labor market policies, etc. develop together over extended periods, reinforcing each other through processes of mutual adjustment and competitive selection and generating major complements. (Pierson, 2000, 812).

In this paper, we pay attention mainly to the way welfare states have been a social product and how social forces through organizations and institutions operated over the different cases; additionally, we want to see how these forces have evolved in the creation of each welfare state. A particular topic studied nowadays in relation to the welfare state is corporatism because since the 1980s there have been important changes in the labor movement: in the political parties (Piven, 1991, 4), the trade unions (Scarbrough, 241) and the corporatist agreements (Siarof, 198). It is also interesting to see how employer organizations participate in shaping the welfare states (Swank and Jo Martin). In particular, we consider activity of trade unions, the spread of social democratic parties -- Democrats in the USA -- and other social movements such the civil rights movement of black Americans. Furthermore we consider how reformist leadership in terms of Ross, and electoral welfarism according to thesis of Clayton and Pontusson have affected the transformation of the welfare state, specially in the Spanish case.

A factor that we specially consider is the economic pattern since every welfare state regime is linked to a way of organizing capitalism; this is really clear when we compare two opposites regimes as Sweden and the USA. As a matter of fact, understanding how to modify the institutions to regain and improve economic growth is the main way of explaining the principal differences and the process of retrenchment and recasting of welfare states. Economic policy is at the same time a set of decisions supported by crucial actors. We will consider how neoliberal monetary policies had been used and the leeway that some governments had led to Keynesian fiscal policies.

The changes of the last few years can be considered in terms of how it has reconciled the aim of economic efficiency and growth with the objective of social justice, which is one of the most significant aspirations of twentieth century societies (Ferrera and Rhodes, 257) In particular, we will pay attention to the reform of labor markets and social policies since the economic changes radicalized the problem of unemployment and the expansion of poverty. For European countries, in particular Spain, both are increased because of the economic stabilization program linked to the European monetary union.

Another topic of the paper is the public sector change, mainly the question of how decentralization is used in relation to the welfare state, that affects Spain and the USA in particular. In addition, we will pay attention to social expenditure as the main indicator of welfare state development and its functional components, and to fiscal reform on account of its redistributive nature.

In the paper, we compare three cases which are really diverse. On the one side, the liberal welfare state of the USA has a high level of residualism in its social policy and it is dominated in the last few decades by a conservative bias. On the other side, the Swedish case can be considered as the best example of social-democrat welfare state, which drives society to equality through social policy. The Spanish case is in a middle situation, it is usually considered a conservative welfare state according to Esping-Andersen, but was generated mainly under a social-democrat program. It is a new welfare state that, as Castles (291) writes, can now be considered a completely developed one. A main characteristic of the Spanish case is that its fast development was produced in the time of retrenchment. The Spanish case as a result magnifies the question that both formation and reform of welfare states must be considered together. We can say that in some way the aim of this paper is to have a better understanding of what happened in the Spanish case

In pursuit of this aim the paper is structured to examine the two extremes before addressing the unique case of Spain. We first analyze the North American case since its inception and consider the changes in the retrenchment era of the 1980s and in the 1990s; we found a similar pattern in the last decades. The main questions to be addressed in this case are how the economic policy has affected the social policy and what have happened with the coalition formed by the Democratic Party in favor of the welfare state.

The Swedish case is considered after the North American one. We review its origin, and the ideology, organizations and institutions that shaped it. We pay attention to the last changes but we consider the social-democrat line that was in its origin and that remains up to now in the way labor market policy and the social policy are structured. Finally, we analyze the Spanish case: its point of departure, its development by a social democrat-government, and the last reforms with a conservative government. We consider in particular how the social policy was developed at the same time that there were relevant reforms to adapt the economy to the European Union.

THE USA CASE

The welfare state in the USA had two main periods of development. The first in the 1930s with the New Deal and the second in the 1960s with the programs of the Great Society and the War on Poverty. In the 1970s it began a process of retrenchment and reform under a conservative perspective that remains to this day.

The New Deal was due to an economic crisis, the Depression after the stock market crash of 1929, and had to deal with high rates of unemployment and a reorganization of the economy. Through the National Industrial Recovery Act, the National Labor Relations Act and the Social Security Act, among others, in 1935 the North American government for the first time in US history began intervening the economy, regulating the economy and the labor relations, and it was formed the welfare state as we know it today. By that time it was set up the programs known as the social security, such as old age insurance -- to which it was added the disabled insurance in 1955-- , and the welfare programs, such as Aid to Families with Dependent Children (AFDC) and unemployment insurance. As a result, the welfare state was and remains institutionally and symbolically bifurcated (Weir, Orloff and Skocpol ,9) in a system in which there are, first, a universalistic group of programs and, second, a means-tested group for the poor, which make them even more marginalized.

The second period of development was due to the yet unsolved poverty question. In 1965, President Johnson proclaimed the War on Poverty with the aim of helping integrate the poor into the North American affluent society. Poverty was mainly linked to the American black population that emigrated to the industrial regions where there were no jobs for unskilled people coming from the southern rural regions of the USA.

The War on Poverty was also linked to the civil rights movement for southern black Americans who, through different procedures, were prevented from participating in elections. Consequently, the North American affluent society of the 1960s was one in which an important part of the population lived in deep poverty, in “ghettos”, and at the same time, because of racial reasons, was not able to have political influence. American blacks were finally fully mobilized into the Democratic electoral coalition to fight that situation.

As a result, different initiatives were taken. The most important were created in 1965: the Medicare program; public health insurance available to those over 65; and Medicaid to provide health assistance to low income people. In addition several programs were set up which were addressing particular needs such as Food Stamps, aid to schools in deprived areas, mental health clinics, etc. Finally, through Community Action Agencies there was an attempt to increase political participation of recipients of welfare programs. In general terms those programs didn't modify the basic structure generated with the New Deal, and over the time the split between social security and welfare was increased.

For both cases there was a determinant factor which interfered with both developments. As T. Skocpol (1995) pointed out institutional constraints limited the possibilities of development of the welfare state. More precisely they were: the weakness of the state because of the federal system, the lack of a strong state bureaucracy, and the weakness of political parties.

Between the 1930s and the 1960s the federal system gave veto power over the whole welfare state to landowners of the southern states, who controlled the political representation because in the south there was not a real democracy but a perverted racist one. As Democratic party members, southern Congressmen had the control of the committees based on the seniority system, and through this way they vetoed any law that could reduced their economic and social privileges such as the general programs of the welfare state.

Due to the weakness of the Democratic party, Johnson's War on Poverty program was not design as a national full employment assurance strategy, and, consequently, it was not devised as a way to create, in Skocpol words (1995, 247), a universalistic social alliance, including blacks, workers and middle class. Instead it

was thought to help poor blacks get ahead in a growing economy, adding new programs and subsidies for poor. The aim was to add blacks into the Democratic-urban coalitions.

In terms of social forces, both developments were led by the Democratic Party. Under President Roosevelt in the 1930s, a coalition was set up in which the main forces were the industrial workers of the north and the white landowners of the south. In the 1960s under President Kennedy the Democratic Party coalition included the black Americans. But the Democratic Party has always been a very weak organization because of the nature of American federalism and because both labor and blacks were merely supporters not an integrated part of the party.

Though North American trade unions were supporting the New Deal, they were not closely committed to the welfare state. As Orloff explained, since the nineteenth century unions were centered in negotiating labor relations with employers instead of looking for a general and integrated welfare system in the political arena. Once there was not a public universalistic system of welfare after the New Deal, workers, whose trade unions were by that time really strong, began to negotiate improvements in pensions and health insurance linked to the work contract. So that in the postwar period employed workers were well protected in the private sector against any contingency.

Workers protected by the private sector always opposed to any policy that would raise more taxes for welfare for the poor and unemployed. That is why organized labor did not pressure for expansion of the welfare state. It also explains the increasing deepness of the racial cleavage in the USA, since most of the people living on the welfare had been black.

The ethnic cleavage had affected the Democratic party over the time. For example, once the programs in favor of black people of the 1960s were adopted, the southern white members defected from the Democratic party very quickly (Piven and Cloward, 104). Later on white workers defected in general. As a result one can agree with Furniss and Tilton (164) that racial cleavage is one of the main causes for the weakness of the USA welfare state. However, as Ware pointed out, the black community usually votes for the Democratic Party although it is not integrated in the party. The link between the black community and the party is through the “gatekeepers” of the black community: political, local, and religious leaders.

Welfare state changes since the 1980s

The retrenchment period of the USA welfare state which began under the Reagan presidency of the 1980s was linked to the ascendancy of the neo-conservative thought of the “new right”, according to Mishra (1984) terminology, that has continued into the twenty first century. For the conservatives, the welfare state must be based on residual programs that should constitute a “safety net” for the poor, but which never must interfere with the market. As Piven and Cloward (1997, 199) write, the new right has recovered the mythical theory of the “laissez faire” and the natural order of the economy based on the market.

According to Pierson (1994, 6), in the retrenchment period the American Republican policies were oriented to the institutional system and directed towards making impossible the growth of welfare state via social expenditure instead of eliminating welfare programs. In fact, the AFDC, Food Stamps and Medicaid programs were reduced in the amount of expenditures by limiting the amount of benefits and controlling eligibility and entitlement (Quadagno, 102), but they did not disappear. The

same happened with housing subsidies and unemployment benefits. However, the social security programs remained unchanged. The main politics of retrenchment were linked to fiscal policy by controlling the deficit and by a strong resistance to an increase in taxes (Economic Recovery Tax Act of 1981, Tax Equity and Fiscal Responsibility Act of 1981 and Tax Reform Act of 1986). As a consequence, and due to the American divided system, in a sum-zero game the gains for some programs such as social security came at the expense of others, in particular welfare.

In terms of social forces we can consider with Pierson (1996,165) that the retrenchment was suffered by social groups, mainly the poor, which were less organized, if at all, and they were not able to pressure for benefit maintenance. Where there were supporters of programs with political influence, such the middle-class social security system, there was no retrenchment at all. At the same time, part of the politics of retrenchment was to weaken organized labor, for example by shifting the composition of the National Labor Review Board (Pierson, 1994, 160). The Republican activism toward weakening trade unions was reinforced by the looseness of union membership, which diminished the capacity of the unions to lobby.

In the last period, the Clinton presidency, and in part due to the fact that Republicans controlled both chambers in the Congress, there remained the same tendency of reducing public deficit, balancing the budget and lowering taxes; all of which had produced welfare cuts. At the beginning of the Clinton period, when the Congress was controlled by the Democratic Party social expenditure increased and welfare programs were the prime beneficiary, but that changed with the return of the Republican Party to control of Congress in 1994. The social policy was guided by a new conservative proposal: the elimination of “the culture of dependence”. This meant reduction of dependence on welfare for the poor.

According to this idea, the new “new politics” of the welfare state should correct a deviated behavior on the part of the poor. It is understood that welfare programs have eroded the work ethic of poor who prefer to live on welfare instead of working for a salary (Bogard and McConell, 75). It was this thought that led to the approval in 1996 of the “Personal Responsibility and Work Opportunity Reconciliation Act” that substituted AFDC and other programs --among them professional training programs— for TANF (Temporary Assistance for Needy Families), which has been designed to integrating dependent poor and families living on welfare into the job market. It established a five year lifetime limit on receipt of benefits. This law resulted in cuts in the different welfare benefits: denying immigrants eligibility for food stamps; restricting social security eligibility for disabled immigrants and children; cutting federal founding for social services and child nutrition programs (Clayton and Pontusson, 87). TANF is based in block grants to the states, which decentralized the welfare system. Due to fiscal competition between the federal Government and the states (Myles, 128) that measure has produce an stress on welfare programs provoking new cuts at state level and greater differences of benefits among the states, in particular in unemployment insurance.

Public services: health reform

The USA case is the best example of letting the market drive the welfare state. Economic and social policies were oriented toward reduction of public sector, liberalization of the economy, limiting public deficit and lowering taxes, relying on monetary policy instead of fiscal policy and decentralization to reduce both federal intervention and social expenditure. In addition, public expenditure was reduced directly

by cutting welfare benefits. Welfare was restructured and unemployment benefits were reduced with the aim of changing the job market by increasing the number of low salary jobs or part time jobs without any social protection. Economic growth has been the focus for generating a welfare society based on high employment even with low wage jobs.

In terms of public services, the structure instituted in the 1930s remains unchanged and, as Myles (128) writes, this is due mainly to the heritage of the New Deal than to conservative policies, which have reinforced the residual trends of the welfare state. The Social Security system remains well organized with universal programs for middle class, but it segments society to exclude the poor. As a result, the liberal welfare state of the USA discourages coalitions between poor and better off citizens because, in Edlund's words (345), "... (it) tends to split the working class and promote coalitions between better off workers and the middle class against segments of the working class with less economic resources."

One key topic when considering USA public services is health. Esping-Andersen (1999, 75) reminds us that this model is extremely residual because of its lack of national health care. In fact what happened with the health reform of the 1990s is the perfect example of the trend that the US welfare state has taken.

In a synthesis Giamio and Manow write (983):

"Most Americans obtain health care coverage through their employer on a voluntary basis: either as a fringe benefit negotiated by their labor union or as a result of a firm's unilateral decision to offer insurance. The employer's risk pool often extends no further than its own employees. Those unable to obtain insurance through an employer have the option to buy individual policies in the private market, although these tend to be prohibitively expensive. Public insurance programs, in which the federal government acts as payer, cover only certain defined categories, such as Medicare for the elderly and disabled and Medicaid for the poor. State governments have significant jurisdiction over Medicaid and have been the primary regulators of private insurance."

Reform of health care in the vein of reinforcing the welfare state was the initial aim of the Clinton government, though it was relying in market competition. Although the reform led by the government wasn't realized, mainly because of the opposition of small services companies, the USA had a health-care revolution (Mintz, 219) because it promoted the transformation by the employers who have decided to "go it alone" by using market forces in health care. The proposal of reform ended in the big firms reducing health costs of their insured workers by using the HMO system, based on competing Health Maintenance Organizations who offer the lowest cost plan. The other side of the coin is that HMOs reduce the quality of health protection to workers.

Nonetheless due to an increasing number of part time jobs, temporary jobs and subcontracted jobs without health protection and the small services firms which do not give health protection to their workers, the number of people, especially low wage workers, without health care is extremely high. At the same time, government expenditure on health care has been constantly increasing, even when there were cuts in social expenditure, because of the Medicare program. All that resulted in more social segmentation and inequality than ever before in terms of health (Giamio and Manow, 993). In fact, nowadays more than 40 million people (around 15 per cent of the total population) have no health insurance at all (Mishra, 2000, 118)

The economic policy

The USA model has been based since the 1970s on a economic efficiency and the welfare society, in other words, the general wealth of the whole society. In the last two decades, fiscal reform (low taxation), cuts in welfare programs and low wage jobs, have increased inequality and poverty in the USA (Mishra, 2000, 117). However around 1995 things began to change, and, due to high growth and almost full employment, salaries began to recover and family incomes improved. The poverty rate has also gone down from 15,1% in 1993 to 13,3 of four years later and even lower since then (Bluestone, 164). Nonetheless inequality increased because the well off became even wealthier

Thanks to the technological revolution in computing and information sectors that generated new investment and new jobs, there has been economic growth in the USA. In addition, reforms in the labor market helped the growth process because workers had to work over-time to finance their expenditures on account of low salaries and for the fear of being fired out. (Bluestone 162). At the same time the system has been fueled by consumption which is due to the massive use of credit cards and the rise of the speculative stock market.

This model has the contradiction that constant growth and permanent increase of wealth for the society cannot remain for a long time since it stresses the economy and the cycle can change, as it did two years ago. On the other hand the labor market is becoming more and more disorganized because of flexibility and deregulation of work contracts. Since the welfare system is not prepared for dealing with a rise of unemployment in case of a crisis, poverty and inequality are probably going to be sharply and highly increased.

Social and political forces

In the USA, labor has been politically and organizationally demobilized. Changes in the economic structure with the incorporation of women, migrations to the new economic centers and the abandonment of former manufacturing companies, and a conservative policy oriented toward reducing unions' strength, has produced the lowest rate of union membership since 1975. It was less than 15% in 1998 according to the US. Bureau of Census. The main consequence of that is the disorganization of the labor market: high flexibility, low salaries, long work hours, low health protection, low unemployment benefits, lack of active labor market policies and, finally, a big segmentation of the work force with a large amount of low paid workers living close to the poverty line. That is why Edlund (363) supports the idea that there will probably be a new increase of class conflict which will regenerate the USA welfare state

The Democratic Party has been the fundamental factor of the USA welfare state. It has been and should be the main actor in relation with the welfare state. Unfortunately it is highly fragmented (Akard 188) and with a dominant conservative tendency in part due to economic support of businessmen for the expensive electoral campaigns. The divisiveness of the party is due to ethnic bias of the welfare system (Walters 37). Ethnic cleavage was the cause of the rise of the ideological conservatism in society as a whole and thus in the Democratic Party.

In general terms we can affirm that the political demobilization of workers and the weakness of the Democratic party are the main causes for the strong residual tendency that has been developed lately in the USA welfare state. Both causes are linked and both have to change to modify that trend.

A final consideration about the liberal USA welfare state is related to political participation. As Joss (363) has demonstrated, means-tested programs are pernicious for democracy because they destroy citizenship. Poor people depending on American welfare do not have confidence in Government and do not vote. Residual welfare programs have a demobilizing effect.

THE SWEDISH CASE

The Swedish welfare state is well known as the best example of the social democratic regime, in terms of Esping-Andersen (1999, 78), with the highest level of social welfare and equality. Swedish people are proud of their system and for years it has been a good example to follow for many countries and socialist governments.

The model of welfare state

The origin of the welfare state in Sweden was the historical *Saltsjobaden* agreement of 1938 in which we find a positive-sum formula for capital and labor compromise (Esping-Andersen 1985, 200). This pact established the boundaries within which labor-management negotiations proceed and served as the basis for harmonious labor relations, with recommendations on wages, working conditions and fringe benefits that serve as the basis for contract settlements. That consensus was later extended as the basis of the Swedish welfare state among agriculture, white collar, and public sector workers.

The expansion of the Swedish welfare state took place after the Second World War at a fast pace. Public expenditure was 24% of the GDP by 1950 and reached 62% in 1980, with social expenditure 60% of the total. As S. E. Olsson (117) explained, there were several steps in developing a universal service-intensive social policy. After the war, together with housing and employment programs flat-rate benefits were introduced: basic pensions; general child allowances; and cash benefits in cases of illness. Earnings-related national supplementary pension was added in the 1950s. In the 1960s public services, such as health care and education, were expanded. Since the 1970s, there were the extension of the entitlement and the improvement of benefit levels.

Corporatist agreements have been possible because trade unions are strong in Sweden: one is the worker's union (LO) with 90% affiliation and another is a white-collar workers union (TCO) with 60% affiliation. In parallel, there is a centralized business organization (SAF) that since the 1930s bargained social agreements with unions. As Pierson (1996, 150) writes, Sweden is a good example of "power resources" class-based welfare state.

But not only corporatist agreements are relevant: there is such a strong relationship between unions and social-democrat governments that we can affirm that it is the fundamental factor of the Swedish model. According to O. Ruin (230), the Swedish model can also be explained by the stability of the party system and in particular by the preeminence of the Social Democratic party which has had around 45% of the vote since 1930s and has been almost always in the government. Only between 1976-82 and 1991-1994 did the socialists not participate in the government.

There is also a special ideological distinction in the Swedish model as Tilton explains. In fact, the Swedish social democracy has been culturally dominant and

inspired the labor movement during a large part of the twentieth century. Determinant principles of the economic and social policies had been the ideas of the “integral democracy” (O. Palme) or “folkhemmet” (Hansson), related to a way of building consensus. It also had been a determinant for setting up the welfare state the Myrdal’s thesis of integration between economic efficiency and social equality (Tilton, 145) and the Erlander proposal that expansion of public sector will improve freedom and security (Ruin, 214). The Swedish social democracy has been always in favor of a market with an efficient economy, but at the same time it has supported the belief that there must be some social control over the market.

In practical terms, Swedish social democracy developed its ideas on a strategy for the economy based on an “active labor market policy” and a “solidaristic wage policy” based on the centralized collective bargaining. It resulted in workers accepting wage restraints in an exchange of full employment and the institutional welfare state. R. Meidner and G. Rhen designed a typically Keynesian expansive economic policy, helped by wage moderation and fiscal control, but, and this is the most important point, with the aim of organizing a small, open economy oriented toward exports which must be at the same time very competitive and efficient.

The central aspect of the economic policy was to move resources from low-production sectors to high-production ones. Moreover, it directly affected the labor market where, at the same time that it was looking for high productivity, it was also de-commodifying labor in terms of Esping-Andersen. In other words, by occupational retraining, relocation programs for workers and selective employment creation, the non-competitive companies were eliminated. Further, it was produced technological change and improved the competitiveness of the economy, facilitating its structural change. Meanwhile, it eliminated the traditional stress of the workers produced by the fear of unemployment because of a technological change.

The economic policy oriented toward full employment has been a central point of the Swedish economic model and the basis of its welfare state, especially when the universalism of the system, which is a distinctive feature of the welfare regime, is closely linked to universalism of employment (Clayton and Pontusson, 77). In terms of employment, a clue that distinguishes the Swedish case is the participation of women in the labor market, at 80% it is highest rate in the world. It was made possible by creating day care service, parental leave and maternity benefits, and particularly by developing intensive welfare services which are substantially handled by women. This is important because, as Esping-Andersen writes (1998, 13), in contrast with the US, it has generated equality between men and women and poverty among families with single mother has become insignificant.

The success of the social-democratic model was complete before the economic crisis of 1971-1973; there were high economic growth, high salaries and a universal, comprehensive, generous and egalitarian welfare system. One must pay attention to the fact that in the Swedish model the social policy --based mainly on state-produced services-- has been the result of a successful economic policy. In fact, a difference in the Swedish case is that the sequence of building the welfare state is inverted in relation to other cases: the first step was the economic policy based on collective bargaining, the second step, and dependent on the success of the first one, was the redistributive social policy. As a matter of fact, the social security system was set up later than in other countries and it only was possible once there was high growth linked to work productivity. That is why social services could only be developed after the 1960s.

Retrenchment and reform

Due to the economic crisis, the socialists lost the government in 1976 and a period “of indecision and failure to come to grips with economic realities” began according to Heclo and Madsen (61) with subsidies for some industries and taking over other failing ones. In 1982, when the social democrats come back to government the crisis was deepened by high unemployment, high inflation and high salaries limiting the traditional active labor market policy. The measures adopted were cuts in public spending, eliminating subsidies to firms, wage restraint in regards to trade unions, deregulation of financial markets, devaluation of the Krown. By 1985, the international demand resumed and unemployment and deficit fell. However, some important changes were adopted such as the tax reform of 1989 which reduced the rates of marginal taxation to 50 per cent for those in higher income brackets.

A new economic crisis in 1991 provoked a change in the government when the social-democrats had very bad electoral results: only 37.7 per cent of the vote. The economic situation worsened under the new bourgeois government: there was negative growth of the GDP and unemployment reached 12.5 per cent in 1993, so social expenditure peaked at 40.3 per cent of GDP that year. As a result, social democrats come back to government in 1994 when there was a big electoral debate about the welfare state. Since the mid 1980s a public argument was opened about the viability of the Swedish welfare state. Liberals and conservatives, such as G. Heckser, accused social-democrats of missing the neoliberal train that was crossing Europe and made proposals for deregulation, marketization, privatization and retrenchment of the welfare state. On the socialist side a new point of view was developed by finance minister Feldt who proposed that it was necessary to regain economic competitiveness in the international market by strengthening incentives of businessmen, by wage moderation and by tax reform.

As a result of the economic constraints and the political debate, there were important changes in 1990s. An strategy on the conservative side was to reduce the power of unions. With this objective in mind the SAF (a business organization) decided in 1990 to terminate centralized bargaining and in 1991 to withdraw their representatives from the boards of all state agencies (Stephens50). In the same vein, the bourgeois government separated the LO (unions) from the management of unemployment benefits in 1993. In spite of those measures, unions remained central to Swedish politics since centralized bargaining remained at regional level and the socialist government of 1994 returned unions to the management of unemployment. All that means the Swedish welfare state has remained since the beginning a polarized, class-based political system (Kuhnle, 219) .

Further, the bourgeois government of 1991 legislated partial privatization of delivery of services. In education the vouchers system was introduced to permit families to freely choose between public or private schools (the state was then financing part of the private school system). Moreover, the state began financing private day care, and in health it opened the possibility to choose doctor by the “house doctor” system. Social democrats maintained those measures after 1994 to combat unresponsive and distant bureaucracy. In the long run, these measures do not appear to be important since they represent a very small percentage of state expenditure, and, as Kuhnle (211) affirms, the “stateness” of the welfare state remains. They look very limited in its scope in comparison, for example, with the British case (Clayton and Pontuson, 92)

Other decisions made in 1991 were latter supported by the socialists, mainly some cuts in pensions, unemployment and illness cash benefits (Stephens, 48). As

Clayton and Pontuson(87) write, in contrast to the USA, the benefit cuts introduced by the Swedish governments since the 1990 have been spread more or less evenly across the entire range of entitlement programs.

Among the reforms introduced in the 1990s there was a general agreement to change the pension system. The law was approved in 1998 and the reform will last twenty years. The overhaul of pensions was agreed to by a multiparty coalition including the Social Democratic Party (SAP) and the major non-socialist parties, and there was a tacit agreement among employers, blue collar unions, and the SAP leadership about the necessity of reform. The reform explicitly links contributions and benefits, and the new system will lose much of its redistribute character (Anderson, 1079).

However there was a significant change in unemployment insurance which is very representative to what happened with the Swedish corporatist welfare state. The fact is that the unemployment insurance, in particular the income-related benefits, is managed by trade unions, and it is closely linked to an active labor market policy due to the fact that benefits can last indefinitely when the unemployed participates in re-qualification programs. When the non-socialist coalition government took office in 1991, unemployment insurance reform was a top priority (Anderson 1080), on account of the mass unemployment that occurred abruptly at that moment (Clayton and Pontusson,77). Together with cuts in benefits, the government planned the end of union management of income-related benefits and passed legislation abolishing the union monopoly in the summer of 1994. However, the social democrats reversed these measures a few months later when they returned to power, and in compensation they bargained with the unions a benefits cut establishing: 80 per cent of replacement rate-- instead of the former 90-- and a five days waiting (both formerly adopted by the non-socialist government) together with a qualifying period of six months. It is significant that since 1994 a well defined policy of the social democrats was the increase of government expenditure on active labor market policies.

Reform evaluation

Though there were important reforms in the system, we can say with Lindbom (187) that Sweden in the late 1990s remains as a social democratic welfare regime. Moreover, one can agree with Anderson (1064) that the Social Democratic party and labor unions are still central actors in political struggles about the welfare state. In fact, as was pointed out by Clayton and Pontuson (96), reforms in Sweden may be seen as a response to political pressure from a cross-class coalition of employers and workers in the export and multinational sector. On the other hand, the consensual manner in which the welfare state was built up in Sweden made it difficult to reform because it had strong popular legitimacy.

From the whole analysis we learn two basic points. First, that the Swedish welfare system has been and remains a result of an economic model related to the development of a small economy oriented toward exports (Lindbom, 188). We knew that, as a matter of fact, the welfare state entitlements have made little or not significant direct contribution to economic problems of the 1990s (Stephens,33). Second, we understand that the corporatist agreements have been necessary for improving productivity at the same time that they have eased technological change. That is why only with the agreement of trade unions it has been possible to reform the welfare system, since the maintenance of the basic social insurance was a condition for the

private sector unions to support public sector cutbacks and reforms (Clayton and Pontuson , 97).

What we know as a result of all this is that the Swedish social- democrat welfare state remains in a good health and continues to be highly redistributive. Moreover, it is oriented toward making an open economy really efficient with full-employment, so there is no incompatibility between economic efficiency and social equity. The basis of the whole system depends on the strength of the social- democracy and the trade unions (Anderson 1088). The enigma about how the Swedish case is going to evolve in the future seems less related with its economic efficiency than with the understanding that apparently it has grown to the limits in comprehensiveness, universalism or benefit generosity (Stephens, 55, Kuhnle, 224) .

THE SPANISH CASE

In terms of social expenditure, Spain is behind most of European countries even though there has been a large development of the social security system in the last thirty years (Castles, 295). In fact, the average of social expenditure of the UE in 1999 according to Eurostat was 27.6 per cent of GDP while Spain spent only 20 per cent. As Navarro (41) writes, the present situation of the Spanish welfare state is a result of a initial retardation provoked by the Franco's authoritarian government.

The Spanish welfare state has its roots at the beginning of the XX century and particularly in the Spanish Second Republic (1930-1936), but it mainly originated with Franco's dictatorship (1939-1975) in a paternalistic, authoritarian and residual manner. The institutional welfare state was set up in the 1960s when an economic liberalization program from 1959 began to take effect (Plan de Estabilización). It was a consequence of the industrial modernization and the need to improve workers' technical training, as well as the demands of a brand new urban middle class. The Ley de Bases de la Seguridad Social (social security) was approved in 1963 which went into effect after 1967. Step by step, the law modified and unified the former system of insufficient benefits and chaotic financial organization based on mutualism (Gutierrez, 256). Some years later, an education law and a housing financial plan were adopted.

The Franco's regime was characterized by the inability of social groups to have input into the political system, by a subordination of the whole welfare state to the goal of capitalist accumulation, by the welfare's financial system's weakness and finally, by a regressive fiscal structure that didn't permit a redistributive policy (Rodriguez, 1989, 81) . Social expenditure increased between 1960 and 1975, from 9,7 per cent to 13 per cent of GDP, but this rate was far from the 23,8 per cent that was the average of the present 15 European Union countries at that time (Gutierrez 252).

The transition to democracy

A redistributive welfare state was brought into being in Spain at the same time that democracy was established and consolidated, and it can be said that it was part of the transition to democracy. On the other hand, at that time the Spanish economy was strongly affected by the after-shocks of the 1973 crisis. So a peculiarity of the Spanish welfare state is that it was developed in the time of "retrenchment". In sum, according to Castles (306) there is a mixture of factors in the Spanish welfare state development: the

democracy unleashed a socio-economic transformation which was linked to high unemployment.

A distinguished feature of the Spanish transition was the consensus among social forces (Encarnation 1997, 338). Since the first democratic moment, political parties, trade unions and other pressure groups were mostly concerned with the consolidation of democracy and thus channeled social demands on the political system via negotiated compromises by mutual accommodation. The process of consensus is thought to have prevented hyperinflation --basically by restraining wages-- and established the basis for a new system of labor industrial relations as it paved the way for the restructuring of the Spanish economy.

The landmark "Moncloa pact", signed by the parliamentary parties in 1977, started the consensus processes. It comprised of a stabilization plan --to moderate wages and curb inflation-- and it proposed to reform the taxation system, to limit social spending, to reorganize social security and to open the way toward economic liberalization. One year after the Moncloa pact, the new Spanish Constitution was approved, stipulating that social rights and social principles must inspire any government action.

During the transition, there were some more similar corporatist agreements. First, the AMI (Interconfederal Framework Agreement) in 1980 and the AMI-2 in 1981 which were signed by the socialist union, UGT, and the main employer association, CEOE. The AMI's plans aimed to restructure industrial relations after dismantling the Francoist vertical syndicate (fascist) and it served as the basis for the formulation of the Worker's Charter, the basic law that has governed Spanish labor relations and the bargaining process from 1980 to the present. Finally, the ANE , National Agreement on Employment, was signed in 1982 by the government and the two most important unions, the communist CC.OO. and the socialist UGT. It was mainly a "symbolic agreement" concerning wage control after a failed coup de etat in 1981.

There were no strong unions or even well developed employers organizations supporting those agreements. In fact, the Spanish has become a civil society with an organization deficit (Encarnation, 2001, 5). Although in the early days of the transition the levels of unrest and high union affiliation were promoters of public social expenditure, (Ochando and Carrasco write 272), the high union membership in 1978, with a rate of 28 per cent of salaried worker, was really a mirage because union density went down to 13 per cent two years latter (Subirats y Goma, 412).

The employer confederation, CEOE, was a brand new organization at that time and had a fundamentally reactive nature (Molins and Casademont, 126). On the other side, political parties were weak institutions. In fact, there was a liberal reformist minority government supported by fragmented and divided centrist party, the UCD, and there were weakly organized socialist and communist opposition parties, together with brand new small nationalist ones.

One cannot say that the origin of the redistributive welfare state in Spain was a result of a process of corporative arrangements similar to what happened in Sweden or Austria. As P. Heywood (107) writes, social concertation was due first to the generalized desire for compromise and consensus among the social and political reformist elite concerned with the consolidation of democracy. In addition, the governments saw the pacts as a means to add legitimacy to potentially unpopular policy decisions, such as wage restraints. Finally, union leaders believed that social pacts gave them a key role as representatives of functional interests in the political exchange.

As a result, a process of welfare institutionalization took place, grounded on income redistribution through the new progressive fiscal system of 1977 (IRPF) --with

direct taxes on income and property-- and on universalistic welfare services. Additionally, the process of government decentralization began at the same time.

In the political transition social expenditure increased very fast, reaching 22.6 percent of GDP in 1982 because of the explosion of social demands provoked by the arrival of democracy. Transfer programs were the principal part of the social expenditure, particularly unemployment benefits due to economic crisis and a sharp loss of jobs, old age pensions were second place in importance. In 1978, the middle class and agriculture and farm workers were included in the general pension system. Expenses on health and education also grew although not quickly and it was not possible to set up a complete-universalized social welfare system.

The socialist government (1982-1996)

From 1982 to 1996 there was a socialist (PSOE) government in Spain. According to Rodriguez Cabrero (1998, 144), the welfare state was developed in this period with two axis: a social democratic one centered in setting up universal social services, and a neoliberal one based on the establishment of a low intensity protection on pensions and unemployment and the use, as a result, of some means tested benefits. It was due to a political compromise related to European Union integration of developing universal protection and at the same time of controlling public expenditure.

The welfare state of the PSOE government must be understood above all as linked to a general agenda of economic modernization: structural change; the expansion of market forces; and economic development. At the same time this plan was related to the Spanish integration into the EC (now European Union) in 1986. Spain had to accept the compromises of liberalization of markets, preservation of internal stability, control over public expenses and of public deficit, and the creation of an autonomous realm to the monetary policy (the new rules gave autonomy to the Banco de España).

The process of foreign trade liberalization (that began in a very narrow way in 1959) was completed by the time Spain entered the EC, through which Spain mainly participates in the global economy. By the mid 1990s, the level of liberalization (export/imports) of Spain was similar to that of other European countries and the economy was completely integrated into and shaped by the European one, achieving a high dynamism.

The process of economic liberalization and modernization since 1982 has been based on a program of stabilization developed together with a restrictive monetary policy, a very strong progressive fiscal policy, a reform of nationalized industry, and a reform of the labor market. There was also a strong expansion of investment on infrastructures and on human capital during this period.

Because an agreement between the unions and business organization was not possible after 1987, the PSOE government had to implement a restrictive macroeconomics policy based mainly on monetary measures to fight inflation (Boix, 37). Subsequently, the government modernized the fiscal system: in 1985 the annual personal income tax, IRPF, was reformed in a more progressive way; and in 1986 the modern VAT was introduced.

Yet Spain management of the public sector was similar to that of other social-democratic governments. The executive stimulated integration of firms to make the Spanish economy more competitive. This was the case in electricity, gas, electronics, oil and banking. Public enterprises were reformed. An important group of them were privatized; this was sometimes a result of EU rules (as in oil and telephone). After 1993, when the PSOE had a minority government, the privatization process was accelerated

because of pressures from parliamentary coalition partners, the Catalan and Basque nationalists (Christian democrats).

To modernize the economy, the PSOE government also centered its strategy on ameliorating economic structure through public investment in a typical Keynesian pattern. Through fiscal policy, public income increased systematically (8.3 per cent of the GDP between 1982 and 1995) and by containing social expenditure in the 1990s public deficit was also contained, resulting in an increase in the investment rate. Between 1982 and 1990 this rate increased at 2 per cent of the GDP --about two times the OCDE rate--. Investment was channeled into infrastructure.

Expenditure in education can also be seen as public investment in human capital and it must be added to the investment rate. The PSOE Government developed a very active policy in professional training . Expenditure in education increased from 3 per cent to 4,3 per cent of the GDP between 1982 to 1995.

A special point in the socialist period was the labor market policy, determined by a structural high unemployment rate since the Spanish economy has been incapable of creating enough jobs for the people who want to work. It is generally accepted that it cannot achieve full employment at present and, as Perez (660) wrote: "the Spanish case represents an extreme in the EU's unemployment scenario".

In the 1980s and 1990s there were three different causes for the high unemployment. First, the large amount of young people who arrived onto the labor market because of the sixties birth explosion; second, the increase of women's participation; and third, the economic reform (Viaña, 162). Furthermore, there were two crisis periods, one in the late 1970s and early 1980s and the other after 1992, with a very fast rise in unemployment.

Related to unemployment has been the question of a hidden "black" economy especially in small firms. Another problem has been the low qualification of workers and thus the lack of professional training has been the main obstacle to creating jobs (Boix,42). The stabilization and modernization programs together with the high unemployment rate lead the PSOE government to deal with workers through wage control and labor market flexibility (Perez, 673).

Wage control was the aim of signed social pacts until 1987. However, they had limited effects because of the sectorial bargaining and the opposition of the communist union, CC.OO, to two of them. In addition they were never planned as a solidaristic wage policy by the unions.

A labor market law was approved in 1984 that gave some flexibility: it allowed fixed-term contracts and part-time employment. The result of the 1984 reform was a split in the work force into two groups. One is the group of well paid workers, whose wages are fixed in sectorial bargaining. These workers have long term contracts with punitive firing clauses and at the same time they are unionized. The other group is those workers in the risky sectors that can be easily fired (at a very low cost) with fixed-term contracts and a low rate of membership in unions. A large number of these workers are women. Big firms employed workers in the first group while middle size and small firms employed the second group. Moreover, because of the 1984 reform, it is very common to find different wage levels for the same kind of job. A new reform of labor market took place in 1994 giving some more flexibility, permitting new forms of temporary work.

The reform of 1984 created a kind of equilibrium based on a limited flexibility in the labor market, which lasted until 1997. The equilibrium remained stable for a long time because the government used social expenditure on transfers, such as pensions or unemployment benefits and on education to reorganize the labor market.

In sum, the PSOE economic policy had great success in improving growth, development, competitiveness of the Spanish economy and general modernization of the system. Moreover, it showed that there were no contradictions between a policy of intervention, direct or regulative, to promote competitiveness with a privatization process and, if necessary, some deregulation and flexibility. However, the PSOE's policy couldn't solve the structural problem of unemployment and had the unintended effect of rising the rate with a high level of long-term unemployed and splitting the labor market between stable employment and unstable limited-contract positions.

The social policy of the PSOE government basically continued the liberal reformist tendency of the democratic transition to improve universal programs according to the idea of welfare services as social rights and as part of the project of modernization. The difference is that they have been generated mainly by the public sector. The socialist period was characterized by a process of universalization of programs, even though social expenditures didn't increase at the same pace as other public expenses. Additionally, part of the welfare was left to the regional governments so that 63 per cent of expenditure on education and 60 per cent on health was decentralized by 1996 (Carrillo, 325)

Between 1982 and 1995 there was a regular increase of social expenditure. It was 22.6 per cent of GDP in 1982 and 27.7 per cent in 1995. Before 1985, transfers increased quickly especially pension benefits, unemployment benefits and education expenses. After 1990 there was an important increase of social expenditure because of the economic crisis of 1992 and its effects on unemployment and pensions, the growth of means-tested benefits and the final process of universalization of health.

In 1993 there was a socialist minority government and a new economic policy was introduced based on the accords of the EU Maastricht Treaty. With the aim of reducing public deficit and at the same time universalizing benefits, the PSOE government increased the number of means-tested benefits, in a policy that was not only reaching the highest possible number of beneficiaries, but with the kind of benefits which were the less expensive possible.

The development of means-tested benefits is related to the evolution of unemployment. An average of 45 per cent of the unemployed had benefits every year during that period, while about 18 per cent of them in 1982 were means-tested, this rose to 57 per cent in 1995. It consists of a supplementary insurance of 75 per cent of minimum wage for workers whose entitlement has expired, for unemployed workers over 52, for temporary agrarian workers, and for immigrants. It is a program mainly intended to fight severe poverty.

With the PSOE government there was a big reform of education: self government for the universities was established in 1983; democratic participation in schools was organized in 1984; basic education was made obligatory and free until the age of 16 under a new structure in 1990. At the same time, public sector schools were strengthened by increasing their number. The health care system also had a very relevant change in both reorganization and decentralization (Bel, 87). A new arrangement was established by a General Health Law in 1986 that was a clear step toward to creating a social service. Inspired by the British and the Italian examples, a National Health Service was formed in a decentralized Spain. Health care was universalized and it covered 98 per cent of the population, and about 80% of the total expenditure became public, similar to that of Italy or France.

Social Services began to be systematically elaborated and organized (and decentralized) under the PSOE government. A public institution in charge of these services, the INSERSO, was set up in 1985, and in 1988 a Cabinet Department was

created to coordinate and manage economic resources. These services are related basically to the elderly, women, children, immigrants, drug users and organization of NGO work and volunteer help. The most important program developed in the period was a social service center established in every town

The social policy of the PSOE can be seen as having a positively impact in its spread of social rights by organizing social services, and as part of the process of modernization aimed at bringing Spain in line with social standards of its European neighbors (Hopkin, 128). There was a universalization of benefits in health, education and old age pensions and there was a vastly much extended system to protect the unemployed. Health was the most important policy in terms of redistribution and equality. It is also remarkable that health (almost completely) and education (into a high degree) had been placed under the public sector as universal social services. It is evident that social policy of the PSOE had offset (from a social democratic point of view) the negative effects of the labor policy, and, as Pierson (2000, 809) points out, the fact that social policy was so quickly developed by a social-democratic government has been a determinant factor of its present equalitarian nature.

Finally, to better evaluate the economic and social policy one can say that there is evidence that has been an increase in terms of personal income and, unlike other OECD countries, there has been a reduction of inequality since the 1980s, though it reached a plateau in the 1990s (Ayala, 38). Moreover, during the whole period, there had been an economic redistribution greater than any time before (Bel, 85). The increase in equality has been produced mainly by the progressive fiscal system and by the rise of social expenditure, in particular on health, income maintenance, and housing.

The PSOE program of socio-economic modernization was mainly supported by the electorate and only very partially included corporatist agreements. A social agreement was not possible over the whole period because of the weakness of trade unions, the sectorial bargaining system dominant in Spain, and the economic and labor policy adopted by the government. There were three agreements before 1987 concerning wage limits related to inflation (AI in 1983, AES1 in 1985 and AES2 in 1986) but only the first was signed by both unions, UGT and CCOO. The communists rejected the other two. In 1988 there was a general strike against the labor market policy of flexibility which separated and deepened the disagreement between the PSOE government and the trade unions. And since then, social agreements have not been possible.

The conservative government 1996- present

Since 1996, there has been a conservative government in Spain. The Popular Party was a minority government at first, and since 2000 has had a majority. Its economic and social policies were determined by the European monetary union agreement that forced it to continue with a control of the deficit and the public expenditure. However, since 1994 there was an improvement in economic activity that became stronger after 1996 and as a result there was an increase of both employment and public income, with low interest rates and all the benefits of healthier economy.

With the Popular Party there was a mayor reform of the labor market in 1997 restructuring temporary work. As a result, the number of temporary labor contracts increased, quickly reaching more than 11 million in year 2000 (El PAIS, 431). So the unemployment problem and its social consequences were reduced. Likewise, the pension system was reformed in 1997 based on a previous general agreement among political parties and social forces in 1994 (Pacto de Toledo). Contributive pensions

were protected against inflation at the same time that qualifications for entitlement was increased and private pensions were promoted by fiscal stimulus.

Regional governments expanded expenditure in health care and introduced some changes to improve quality because a new law of 1997: which opened the possibility of new private management of health centers through public foundations, and it also established free selection of one's medical doctor. In education, there was a new tendency directed toward strengthening private sector by financing it with public funds (concerted system). In fiscal policy some changes were introduced that reduce progressivity. A new law in 1998 strengthened the relevance of direct taxes and it modified the income tax system, by reducing 8 points the highest rate and establishing fiscal benefits to investments. The conservative government continued the privatization of public companies.

The economic liberalization was based on the assumption that more jobs, even if they were temporary jobs, would increase social welfare. Meanwhile, redistribution was reduced by the conservative government of the Popular Party because of fiscal reforms and modifications in the school system (Del Campo and Ferri, 357).

Conclusions

In the Spanish case, we found that policies concerning the welfare state and the elite that put them into effect had fundamental electoral support. They were not linked to determinant corporatist agreements nor deferred to trade unions power, as there were no strong interest groups structured around them, even though labor movements had influenced some decisions in the mid 1970s and mid 1990s (Ochando and Carrasco, 272). The Spanish welfare state was mainly a product of an elite modernizing and reformist agenda. In the Spanish case, the role of the political leadership has been relevant in the way Ross (13) understands it: leaders shape public opinion, aggregate interests and expand leadership options under conditions of constraint.

However, the elite were helped by the nature of the institutional architecture of the state, which strongly favors the executive (Heywood, 118), and it was supported by a moderate centrist electorate (Laiz, 143). The parties did not play a determinant role because of their organizational weakness and of their low programmatic development (Subirats y Goma, 411).

In fact, the first liberal reformist governments had the electoral support of middle and upper classes and rural areas, but there was not a rational strategy for the mobilization of these electoral base (Hopkin, 123). The PSOE government had a social democrat electoral strategy of redistribution through the welfare state and it was strongly supported by groups such as the lower classes, agricultural workers and subsidized voters (Hamann, 8), but, according to Hopkin (129), the socialist party supporters act in a collective basis rather than selective. They voted for the national party and not for local candidates, so that "clientelism" was not relevant in the Spanish case (Sping-Andersen, 1999, 90), contrary to what Ferrera wrote (85). Moreover, the socialist leadership was linked to reformist technocrats from the Bank of Spain (Perez, 682) who designed the policies to modernize the system. It was also the case for the Popular Party and it is clearly demonstrated that leadership and shifting electoral support was the reason of the change of government in 1996, when the Popular Party won the elections, and again in 2000 when the conservatives received a large parliamentary majority.

CONCLUDING REMARKS

A) About the formation and reform of welfare states

One can conclude that welfare state formation remains a central topic to understand in every case its nature and changes. Thus, the separation between social security and welfare, on the one side, and the ethnic cleavage, on the other, that were in the origin of the welfare state explain why retrenchment policies only affect means-tested benefits in the USA. In Sweden, the corporatist foundation of the welfare state together with the link between social policy and the active labor market policy that set up the system after the Second World War are still determinants of its changes. In the Spanish case the welfare state is a fundamental aspect the recent modernization process of the society, and similar to what happened in Sweden, in Spain social policy is dependent on obtaining economic growth.

What we found is that in the 1990s the welfare state retrenchment of the 1980s was transformed into reform and expansion. The reason has been that liberalization and reform of markets due to the globalization of the 1980s increased the need for economic and social control by the government in Europe. It was due to social-democrat or Christian-democrat governments, as it happened in Spain and Sweden. Moreover, new objectives came up that will increase welfare state strength in the near future: women's integration in labor force, immigration and multiculturalism, help to Third World, etc.

The USA case shows a big difference with the others since its development has been blocked since the 1970s due to conservative ideological pressure and ethnic social division. For example, retrenchment policy of the 1980s only reduced benefits in means-tested programs, which increased poverty and inequality mainly among ethnic minorities. In the 1990s it was not possible to develop a national health social service system, and the failure of the reform program has provoked an opposite reaction of minimizing health benefits established in labor contracts. This fact has even constrained the health protection for most of the working people.

The conservative tendency to treat poverty in a basically ideological way, calling for the work ethic, and not linking poverty to an active labor market policy does not combat the problem effectively. The American TANF program, which relates means-tested benefits to some work activity, is far from the active social democrat labor market policies. TANF must be considered as a program to basically fight severe poverty. However active labor market policy establishes a relationship between unemployment benefits and social services such as education and health care and not only it fights poverty but adapts the workforce to technological change and helps unemployed to find a job.

B) About the social forces and the welfare state

Every welfare state resulted from a particular coalition of social and political groups. For the USA, it was a coalition formed under the umbrella of the Democratic Party, but it was an extended coalition with several groups holding veto power that made it difficult to develop an integral social service welfare state. The trade unions played an important role in the 1930s when welfare state programs related to labor market benefits, such as pensions or unemployment benefits were established. Latter on union

pressure in favor of a welfare state was reduced by the ethnic conflict: well paid white workers vs. black poor dependent on welfare.

The coalition was dominated by trade unions allied with social democrats in Sweden and it founded a welfare state based on social agreements between trade unions and employer associations. The strength of trade unions has always been a determinant factor of the Swedish welfare state.

In Spain, the welfare state was developed mainly by a reformist leadership supported by weak trade unions. It is a clear case of electoral welfarism but linked to a reformist social-democrat program. Trade unions played a limited role since union density has been low and unions are divided in two main groups. However unions are influential in Spain on account of their membership, which is integrated by workers in key sectors of the labor market.

Union density was reduced in the 1970s in western countries but in the 1990s there was a recovery in Europe. New union strength caused the welfare state to be reformed and developed as it happened in Sweden. There is now an estimation that union membership is going to be increased in the near future in the western countries what means more pressure for improvement of the welfare state and new labor market policies.

Evidence of the USA case is that there was a close relationship between the welfare state and the Democratic Party, so that it could only be developed when the coalition of the Democratic Party is working together, and there was strong impetus from the labor movement. Today the crisis of the Democratic Party is due in part to a crisis of the union membership. If AFL-CIO recovers, the Democratic Party would leave its conservative bias.

The weakness and disorganization of American unions was due to the overdevelopment of the service sector and the geographical and sectorial mobilization produced by the technological change, together with a conservative policy of fighting union influence. However, the new economic policy that relies mainly on low wage jobs with short term and part time contracts, and without health benefits, is provoking some new pockets of poverty (or close to the poverty line) among white workers, which are a platform for unionization. It could make possible a new electoral coalition around the Democratic Party in favor of a new labor market policy and, as a result, in support for the development of the welfare state.

In any case this new coalition must take into consideration the minorities such as the Afro-American as they are a large group of beneficiaries of welfare state programs. It must break the dividing line of interests between those minorities, which are mainly low paid workers living close to poverty line, and the majority of well-paid white professional workers. Up to now this line has been the main cause for the lacking of political support in favor of an integrated welfare state.

C) About the patterns of the economic policy

There are new conditions for the economies of the advanced capitalist societies than there were in the 1970s. Together with new labor markets, relocation of companies, and an increase in financial competitiveness, there was a big technological shift added to an overdevelopment of the service sector. The main problem resulting from all that was structural unemployment, increased by new immigrants from the second and third world economies.

To combat unemployment, there were new economic and labor market policies. Social expenditure was expanded through unemployment insurance, pensions and other benefits to fight poverty and new training programs for workers. A side effect of the economic change was the tax reform aimed at an increase in investment due to financial competitiveness, but which reduced income in order to finance welfare policies. The economic problems affected the whole nature of welfare states: deregulation, reform of the public sector, etc.

In Sweden and Spain, social-democratic governments adopted a mixture of old Keynesian policies of state intervention to reform the economy and neo-liberal policies of deregulation, reform of the public sector and new private management of welfare services to reduce their costs and improve their quality. Because of the pressure of trade unions in Sweden, the active labor market policy, that began in the 1960s, remained at the core of economic reform. In Spain there were a mixture of measures such as creating more flexibility in the labor market and high public investment in education and retraining of workers. At the same time, there was high public investment in national infrastructures.

The USA case highlights a big difference on account of its dominant neo-liberal criteria since the 1970s. It was based on a complete flexibility of labor market and the abandonment of the Keynesian fiscal policy by eliminating state intervention and supporting a plan of zero public deficit and of balanced budget. In addition, it adopted a monetary policy centered in low interest rates. The high flexibility of labor market is explained by the North-American traditional lack of interest in a corporative-industrial policy but currently it is mainly due to the weakness of trade unions and the deficient connection between unions and low wage workers.

The new economic policy has been relying on a sustained economic growth for social welfare based on affluence. This means that only a minimal welfare state, a “safety net”, is accepted, which even is seen as an economic burden for the society. As happened with health care, welfare has been considered a product that people as private consumers should choose and buy according to their needs and interests.

Though the main effect of neoliberal policies has been an improvement of the economic growth in the USA, there have been also some other undesirable effects. First, it set up a dualism among workers, a division between well paid professional workers with long term contracts and health benefits, and low wage workers with short term contracts or part-time jobs and without any social protection. Likewise there has been an increase of poverty in the last few decades and a development of welfare dependency, that only began to be reduced in the last years due to the strong economic growth. Finally, there has been also an increase of inequality because the well off have become even richer

D) About changes in social policy

Social policy remains as a source of welfare state strength as is seen in Spain. It is highly relevant under social-democrat rule since it is the way to develop and increase social equity.

Health care is probably the most redistributive public service. That is the case in Spain where it is intensely used by poor. Moreover, it is a centerpiece for generating solidarity among social groups as it happens in Sweden. The USA case is the best example *a sensu contrario* because health care is a private service for most of the people. The access to health is limited to retired workers through the public service

Medicare and to workers with a health insurance linked to their work contract. For the rest, it is a means-tested benefit through Medicaid or a consumer product subject to high market prices. The failure to reform health system in the USA in a solidaristic way during the early years of the Clinton administration was the failure of the Democratic Party as a pro-welfare state party.

There had been some reforms and adaptations in social policies in the three cases. Old age pensions have been reformed according to demographic changes by increasing qualifications and restricting access, by linking pensions to contributions and by promoting private insurance, but in general terms its social function remains the same. Among social services health care has been reformed to reduce costs. In Sweden and Spain there were restrictions in supplying some treatments and it was generalized a limited private management for health services to improve quality.

E) About social equity vs. economic efficiency

In terms of economic efficiency and social equity, one finds two opposite situations in the three cases considered. In the Swedish case, due to trade unions strength and the economic and social policies of the social-democratic government, social equity is an objective that can be reached by state intervention through social policy. However, the success of social policy depends on exports from a small efficient economy. The economy is only efficient if the labor market is well organized. Finally, this results in a social policy that helps to improve industrial relations. In conclusion, social equity depends on the labor market.

Similar to Sweden, Spanish social equity is established in the welfare state and it is a way of organizing society in a capitalist economy. Social equity is considered linked to social and economic modernization, which leads to an institutional welfare state. According to Christian-democrat and social-democrat cultures, which are dominant in the Spanish society, the state must organize social equity, and the level of social protection will depend on the economic resources available. There should not be contradiction between economic efficiency and social equity.

The USA is the contrary case. As in all countries, economic efficiency leads to general welfare which is the basis for social equity. However, the conservative dominant ideology supports the idea that only in the case of retired people should the state intervene with organized welfare, and it is every person's responsibility to obtain through individual effort his own welfare in the market. Moreover, it is considered that state intervention reduces the capacity of society to be efficient. Welfare must be a matter of the society and not of the state. But the results of this dominant ideology are that poverty is not eliminated, that poor people are stigmatized, and that the market drive of social relations generates over-exploitation of workers submitted to low wage jobs.

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