Federalism and the Welfare State

In this unique and provocative contribution to the literatures of political science and social policy, ten leading experts question the prevailing view that federalism always inhibits the growth of social solidarity. Their comparative study of the evolution of political institutions and welfare states in the six oldest federal states – Australia, Austria, Canada, Germany, Switzerland and the USA – reveals that federalism can facilitate as well as impede social policy development. Development is contingent on several time dependent factors, including the degree of democratization, the type of federalism, and the stage of welfare state development and early distribution of social policy responsibility. The reciprocal nature of the federalism–social policy relationship is also made evident: the authors identify a set of important bypass structures within federal systems that have resulted from welfare state growth. In an era of retrenchment and unravelling unitary states, this study suggests that federalism may actually protect the welfare state, and welfare states may enhance national integration.

Herbert Obinger is Assistant Professor at the Centre for Social Policy Research, University of Bremen, and principal investigator at its TranState Research Centre.

Stephan Leibfried is Professor of Public and Social Policy in the Department of Political Science at the University of Bremen and co-initiator of the Bremen TranState Research Centre.

Francis G. Castles is Professor of Social and Public Policy at the University of Edinburgh.
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Contributors

**Klaus Armingeon**, Professor of Political Science, Department of Political Science, University of Bern, Switzerland

**Keith Banting**, Queen’s Research Chair in Public Policy, School of Policy Studies and Department of Political Studies, Queen’s University, Kingston, Canada

**Fabio Bertozzi**, Research Associate, Department of Social Work and Social Policy, University of Fribourg, Switzerland

**Giuliano Bonoli**, Assistant Professor, Department of Social Work and Social Policy, University of Fribourg, Switzerland

**Francis G. Castles**, Professor of Social and Public Policy, University of Edinburgh, United Kingdom

**Kenneth Finegold**, Senior Research Associate, Urban Institute, Washington, DC, USA

**Stephan Leibfried**, Professor of Public and Social Policy, Centre for Social Policy Research, University of Bremen, Germany

**Philip Manow**, Senior Fellow, Max Planck Institute for the Studies of Societies, Cologne, Germany

**Herbert Obinger**, Assistant Professor, Centre for Social Policy Research, University of Bremen, Germany

**John Uhr**, Senior Fellow, Research School of Social Sciences, Australian National University, Australia
The idea for this volume stems from the observation that, somewhere between the literatures of political science and social policy, there is an unexplored territory where federalism and the welfare state meet, a no man’s land without even a conceptual map to guide us. *Hic sunt leones!* is the warning etched on the uncharted regions of ancient maps, but for us it serves as enticement, an invitation to explore the unknown.

In some OECD federal nations almost one-third of the GDP is tied up in the welfare state, but scholars of the state and federalism typically ignore the welfare constituent of this spending and focus their attention almost entirely on non-welfare public agendas. For these political scientists, the state is always spelled with a capital S, and welfare, if mentioned at all, with lower-case w. As the majority shareholder of public expenditures at the federal level, the welfare state is not just a passive recipient of federalism’s multi-tiered policy-making, but a key player in shaping those policies and, indeed, in shaping the functioning of the federal structure itself. Its size, its indispensability, and the large segment of the voting population it affects make the welfare state a force to be reckoned with. In many instances, it also provides a mechanism for coping with problems the normal federal process has no means of dealing with, as was so clearly demonstrated in the process of German reunification. Scholars of the Welfare state – capital W, small s – have likewise ignored the differences between welfare state development in decentralized and centralized polities, although quantitative charts suggest that they have quite different terrains and profiles. The Welfare state and the federal State have thus been treated as separate hemispheres subject to different academic suzerainty. This may have to do with the implicit and morally grounded assumption that the welfare state is, by its nature, a single and indivisible entity, to be preserved from contamination by the discordant and fickle forces of politics.

As we all know, successful expeditions into no man’s land require funding. The Hanse-Wissenschaftskolleg (HWK) in Delmenhorst, Germany and the Volkswagen Foundation have been crucial for this volume's...
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development and completion. A small workshop at the HWK in May 2002 brought the authors, welfare state scholars, together with experts on federalism from around the world, thereby creating the platform to launch a successful research project. Our thanks to those experts: to Martha Derthick and R. Kent Weaver, who played a vital role in framing the project and several of its chapters; to Jonathan Rodden, Arthur Benz and Fritz W. Scharpf for their on-going participation and support; and to Juan Linz, Alfred Stepan, Manfred G. Schmidt, Richard Simeon and Dietmar Braun for their input to the workshop. We appreciate their generosity with their time and their insights. The HWK also supported Francis Castles’ work in the final stages of academic production.

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There are others who should also be mentioned. Without John Haslam’s on-going editorial encouragement, tactful advice and gentle prodding we might long ago have abandoned our journey. We also wish to acknowledge a number of individuals who helped with everything from suggesting chapter authors and offering intellectual input into chapter revisions, to correcting some thousand foreign quotation marks and wayward commas, not to mention providing much needed moral support. They include Jacob S. Hacker, Hugh Heclo, Paul Pierson, Arthur Benz, Tanja Börzel, Paul E. Peterson, Monika Snigs, Susan M. Gaines, Stefanie Henneke, Hanna Piorter, Frank Vandenbroucke, Ana Guilen, Gitta Klein, Gerhard Roth, Ingeborg Mehser, Dörthe Hauschild and two anonymous referees who evaluated the manuscript for Cambridge University Press.

Mistakes and unruly lions are, as ever, the responsibility of the writers, but fresh insights and new discoveries will, we hope, be the reader’s reward for accompanying this team of political science and social policy scholars on their joint expedition into the unknown territory where federalism and the welfare state consort.
Note on illustrations

The coins and seals depicted on the cover and in the chapter headings illustrate the rich tradition of federalist heraldry (for sources see below). Symbols for the welfare state, on the other hand, are rarely deemed worthy of the national currency, but its insatiable financial need is notorious.

In the oldest federalist nations, the US and Switzerland, symbols for federalism are often used on the common currency, making them part of everyday life. On US coins some variation of the Great Seal of the United States shown in the heading of the concluding chapter has been used since 1782. The national bird, an eagle, is depicted clutching thirteen arrows representing the colonies in one talon, and holding a scroll that proclaims *e pluribus unum* – out of the many, one – in its beak. Above the eagle there may be a ‘glory’ with thirteen clouds or thirteen five-pointed stars, and around the edge of the coin there is often a ring of stars, with one for each state of the Union at the time of minting. The shield on the eagle’s breast shows a band of horizontal lines, unifying and supported by a series of vertical stripes, the former symbolizing Congress, the latter, the founding thirteen states. Similar motifs were used on the 1908 Barber half-dollar, shown at the beginning of the introduction and of chapter 4, and employed in the Seal of the President on the 1967 Kennedy half-dollar on the cover. Like many Swiss coins, the two-franc piece on the cover and in the chapter heading show *Helvetia*, the eighteenth-century symbol of Swiss nationhood, with one hand resting on a shield that bears the white Swiss Cross, which dates from the thirteenth century, and the other holding a lance. Switzerland’s twenty cantons and six half-cantons are represented by twenty-three five-pointed stars around the edge. The common five-franc piece shown at the beginning of the introductory chapter portrays the legendary founding figure of the Swiss federation, the *Confoederatio Helvetica*, Wilhelm Tell (see Georg Kreis, *Mythos Rätli* (Zurich: orell füssli, 2004)).

In Germany and Austria, as in the federations chartered by the Crown, i.e., Australia and Canada, federalism is represented only on coins minted
Note on illustrations

for special occasions. The 1928 Austrian Gedenkausgabe series of two-schilling coins portrays famous historical figures on one side and the coat of arms of the nine Länder plus the Republik situated above the 2 on the other. The 1989 ten-DM silver coin, which celebrates the fortieth anniversary of Germany's post-World War Two refounding, bears the coats of arms of the German Länder, eleven at the time. The design on Canada's 2004 collector's gold dollars displays the combined arms of the founding provinces, Ontario, Quebec, New Brunswick and Nova Scotia. It is derived from the Great Seal of 1868, which was never actually used as a seal, but was, rather, adopted as a national coat of arms. Attempts to add new provinces as they joined the Confederation, however, resulted in a design that was deemed too complex, and in 1921 the Canadian government requested a new arms. The British sovereign assigned a design with royal symbols from Great Britain and France and a sprig of maple leaves to replace their homespun federal theme. For its Centenary of Federation in 2001, Australia minted a special coin set. The fifty-cent piece on the cover shows the Australian coat of arms, which includes the coats of arms of the six founding states with a kangaroo and an emu on either side. The one-dollar piece in the chapter heading bears a symbolic representation of the federated continent.

The multi-tiered nature of the European Union, explored in the conclusion, was reflected in the images on national mintings even before the introduction of the euro. In 1987 Germany celebrated the thirty-year anniversary of the Rome Treaty with the ten-DM coin shown in the conclusion; this depicts twelve horses pulling one cart, a typically federal motif. For the euro, national mints have produced various commemorative coins that emphasize deepening European integration and multi-tier themes, with the French being particularly prolific.

We are grateful to the mint authorities of Australia (Royal Australian Mint), Austria (Austrian-Mint AG), Canada (Royal Canadian Mint), Germany (Deutsche Bundesbank), Switzerland (Swiss Mint) and the United States of America (US Mint) for permission to reproduce their coin images.

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