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0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

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### **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.

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Frontmatter

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# Federalism and the Welfare State

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and FRANCIS G. CASTLES



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Frontmatter

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0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

# Contents

|   |                  |
|---|------------------|
| <i>List of figures</i>  | <i>page</i> viii |
| <i>List of tables</i>   | ix               |
| <i>List of contributors</i>   | xi               |
| <i>Preface</i>  | xii              |
| <i>Note on illustrations</i>  | xiv              |
| <br>  |                  |
| <b>1 Introduction: federalism and the welfare state</b>               | <b>1</b>         |
| <i>Herbert Obinger, Francis G. Castles and Stephan Leibfried</i>      |                  |
| Federalism and social policy  | 2                |
| Varieties of federalism   | 8                |
| Varieties of welfare states   | 23               |
| How federalism affects the welfare state: theoretical approaches      | 29               |
| The book at a glance  | 46               |
| <br>  |                  |
| <b>Part 1 New World experiences</b>                                   |                  |
| <br>  |                  |
| <b>2 Australia: federal constraints and institutional innovations</b> | <b>51</b>        |
| <i>Francis G. Castles and John Uhr</i>                                |                  |
| Introduction  | 51               |
| The federal settlement  | 53               |
| Why no 'old politics' in Australia?                                   | 62               |
| A dialectic of old and new?   | 81               |
| The end of the Australian model?                                      | 86               |
| <br>  |                  |
| <b>3 Canada: nation-building in a federal welfare state</b>           | <b>89</b>        |
| <i>Keith Banting</i>  |                  |
| Introduction  | 89               |
|   | v                |

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

|               |   |            |
|---------------|---|------------|
| vi            | Contents  |            |
|               | Territorial politics and Canadian federalism                                      | 90         |
|               | Federalism and the expansion of the welfare state                                 | 95         |
|               | The impact of the welfare state on federalism                                     | 129        |
|               | Conclusions   | 134        |
| <b>4</b>      | <b>The United States: federalism and its counter-factuals</b>                     | <b>138</b> |
|               | <i>Kenneth Finegold</i>   |            |
|               | Evaluating the effects of federalism  | 138        |
|               | The American federal system   | 145        |
|               | An overview of US social policies   | 152        |
|               | The trajectory of US social policies  | 160        |
|               | Conclusion  | 175        |
| <b>Part 2</b> | <b>European experiences</b>   |            |
| <b>5</b>      | <b>Austria: strong parties in a weak federal polity</b>                           | <b>181</b> |
|               | <i>Herbert Obinger</i>  |            |
|               | Introduction  | 181        |
|               | The birth of the welfare state: the Habsburg monarchy                             | 182        |
|               | The German-Austrian Republic (1918–1919) and the First Republic (1920–1933/34)    | 188        |
|               | Austro-fascism and National-Socialist rule (1934–1945)                            | 195        |
|               | The Second Republic (1945 onwards)  | 196        |
|               | Federalism and the ‘new politics’ of the welfare state                            | 209        |
|               | Conclusion  | 219        |
| <b>6</b>      | <b>Germany: co-operative federalism and the overgrazing of the fiscal commons</b> | <b>222</b> |
|               | <i>Philip Manow</i>   |            |
|               | Introduction  | 222        |
|               | Bismarckian social legislation as a federalist compromise                         | 225        |
|               | Weimar and the conflict over resources and competencies                           | 231        |
|               | The Federal Republic’s welfare state and fiscal joint decision traps              | 242        |
|               | Conclusion  | 260        |

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

|  |     |
|--|-----|
| Contents   | vii |
| <b>7 Switzerland: the marriage of direct democracy and federalism</b>                  | 263 |
| <i>Herbert Obinger, Klaus Armingeon, Giuliano Bonoli and Fabio Bertozzi</i>            |     |
| Introduction   | 263 |
| Switzerland: a multi-tiered welfare state  | 264 |
| The long road to a federal welfare state   | 269 |
| Varieties of cantonal welfare regimes  | 292 |
| Conclusion   | 300 |
| <b>Part 3 Conclusion</b>   |     |
| <b>8 'Old' and 'new politics' in federal welfare states</b>                            | 307 |
| <i>Stephan Leibfried, Francis G. Castles and Herbert Obinger</i>                       |     |
| What the case studies say  | 308 |
| The impact of federalism in comparative perspective                                    | 317 |
| Beyond 'old' and 'new politics': federalism as a laboratory for social experimentation | 340 |
| Feedback effects: the intended and unintended consequences of the welfare state        | 343 |
| The future of the federal welfare state  | 353 |
| <i>Index</i>   | 356 |

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

## Figures

### Introduction

- 1.1 Clusters of social spending at the turn of the millennium *page 29*

### Canada

- 3.1 Union density: unionized workers as a percentage of the non-agricultural labour force (1921–2002) 96
- 3.2 Federal and provincial/local governments' share of total public revenues according to the National Accounts 103
- 3.3 Consolidated public debt as a percentage of GDP, all levels of government (1977–2001) 117
- 3.4 Ratio of UI/EI beneficiaries to total unemployed (1976–2002) 120
- 3.5a Provincial average Social Assistance benefits, single employable (1989–2002) 127
- 3.5b Provincial average Social Assistance benefits, total income, single parent, one child (1989–2002) 127

### USA

- 4.1 Federal, state and local spending (1929–2003) 152
- 4.2 Federal percentage share of domestic expenditures (1840–1962) 153

### Germany

- 6.1 Absolute volume of contribution payments of employers and employees as a percentage of GDP (1975–2002) 252
- 6.2 Total tax revenue, the relative shares of central, state, local government and social security funds, Germany (1973–2002) 253

### Switzerland

- 7.1 Unemployment rate in Switzerland (1920–2001) 284
- 7.2 Social insurance expenditure as a percentage of GDP (1948–1998) 285

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

## Tables

### Introduction

|     |   |               |
|-----|---|---------------|
| 1.1 | Basic political and economic features of six OECD federations   | <i>page 7</i> |
| 1.2 | Constitutional courts in six federations  | 16            |
| 1.3 | Second chambers in six federations  | 18            |
| 1.4 | The partisan complexion of central government, interest group pluralism and trade union membership over the post-war period (1945–2001) | 22            |
| 1.5 | The introduction of core welfare state programmes at the national level   | 24            |
| 1.6 | Distribution of legislative authority for social provision as between state and central government                                      | 25            |
| 1.7 | Welfare states spending patterns and funding at the turn of the millennium  | 28            |
| 1.8 | Potential federalism effects on social policy contingent upon contextual factors  | 45            |

### Australia

|     |   |    |
|-----|---|----|
| 2.1 | Australian welfare state spending (1900–1979)                                       | 63 |
| 2.2 | Australian social expenditure levels and changes as a percentage of GDP (1980–2001) | 82 |

### Canada

|     |   |     |
|-----|---|-----|
| 3.1 | Average monthly provincial benefit levels (1942, 1949)  | 98  |
| 3.2 | Federal transfers for health care as a percentage of provincial health expenditures (1975–2000) | 124 |
| 3.3 | Health services and expenditures by province (2001)   | 132 |

### USA

|     |  |     |
|-----|--|-----|
| 4.1 | State variation in social programme benefits (1999)                | 142 |
| 4.2 | Structural features of the House of Representatives and the Senate | 146 |

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

|     |   |     |
|-----|---|-----|
| x   | List of tables  |     |
| 4.3 | Party control and social policy in the United States (1933–2003)  | 149 |
| 4.4 | Federalism and United States social policy (2003)   | 155 |
| 4.5 | Application of Tetlock and Belkin's criteria for counter-factuals to a unitary United States                            | 164 |
|     | <b>Austria</b>  |     |
| 5.1 | Vetoes of the Federal Council against National Council legislation (1920–2002)  | 204 |
|     | <b>Germany</b>  |     |
| 6.1 | The position of the federal chamber in Wilhelmine Germany, the Weimar Republic and the Federal Republic                 | 234 |
| 6.2 | Percentage tax revenue shares of national, regional and local government (1885–1970)                                    | 237 |
| 6.3 | West–East transfers in billion DM, central and regional governments and social insurance funds (1991–1999)              | 251 |
| 6.4 | Total social expenditures as a percentage of GDP in eleven countries (1950–1970)  | 260 |
|     | <b>Switzerland</b>  |     |
| 7.1 | Responsibilities of the cantons and the federation for social security  | 265 |
| 7.2 | Social expenditure by administrative level as a percentage of total spending for each category (1990–1998)              | 266 |
| 7.3 | Partisan complexion of the federal government (1848–2004)   | 280 |
| 7.4 | Operationalization of variables for the different aspects of cantonal welfare regimes                                   | 296 |
| 7.5 | Worlds of welfare in Switzerland: classification of the twenty-six Swiss cantons by taxation and social security        | 298 |
| 7.6 | Lag effect of obligatory and optional referenda on the introduction of core branches of social insurance                | 301 |
|     | <b>Conclusion</b>   |     |
| 8.1 | Distribution of legislative authority for social provision as between state and central government 1920, 1950 and today | 320 |
| 8.2 | Bypass structures   | 349 |

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

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Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

## Preface

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

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

Preface

xiii

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.

Without on-going support from Bremen University, work on the volume would surely not have gone so smoothly. Thanks are due to the Centre for Social Policy Research, to Chancellor Gerd-Rüdiger Kück, and to Rectors Wilfried Müller and Jürgen Timm. A special contribution was made by the new Research Centre on Transformations of the State (TranState), funded by the Deutsche Forschungsgemeinschaft. TranState identifies four thematic threads in the unravelling of the 'golden age' State after the Second World War: internationalization, nationalization, socialization (*Vergesellschaftung*), and – the subject of this volume, and least studied of the four – sub-nationalization (see Stephan Leibfried and Michael Zürn, eds., *Transformations of the State?* (Cambridge: Cambridge University Press, 2005)). We are also grateful to Francis Castles' colleagues at the University of Edinburgh for generously allowing him the not inconsiderable time required for his editorial tasks on this volume.

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 Hecllo, Paul Pierson, Arthur Benz, Tanja Börzel, Paul E. Peterson, Monika Sniegs, Susan M. Gaines, Stefanie Henneke, Hanna Piotter, 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.

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

## 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 Rütli* (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

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Frontmatter

[More information](#)

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.

Every effort has been made to trace the copyright holders and to obtain their permission for the use of copyright material. We apologize for any error or omissions in the above list and would be grateful if notified of any corrections that should be incorporated in future reprints or editions of this book.

On US coins see Mort Reed, *Cowles Complete Encyclopedia of US Coins* (New York: Cowles Book Co., 1970), pp. 6–10, 29, 31f. *et passim*; Walter H. Breen, *Walter Breen's Complete Encyclopedia of US and Colonial*

Cambridge University Press

0521611849 - Federalism and the Welfare State: New World and European Experiences

Edited by Herbert Obinger, Stephan Leibfried and Francis G. Castles

Frontmatter

[More information](#)

---

xvi      Note on illustrations

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