DEFINING WORK AND WELFARE:
THE POLITICS OF SOCIAL POLICY REFORM IN EUROPE

VOLUME ONE OF TWO

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Over the past twenty years European policymakers have enacted the most substantial reforms to social and employment policies seen since the institutionalization of the European welfare state. Vocational training has increasingly replaced unemployment, social assistance, and other transfer payments, and labor market participation has begun to displace citizenship as the basis for certain rights and entitlements. What explains this general shift from passive to active social policies and the rise of new ideas about the proper relationship among the individual, the state, and the market? How can we account for this break with a durable feature of postwar European politics? And what explains differences in the conceptualization and implementation of new welfare policies from one country to the next?

The dissertation addresses these questions through a discourse-theoretic approach that focuses on the manner in which elites construct and frame a compelling set of reform ideas, engage the public, and reshape existing patterns of institutions and interests. It argues that social policy reform was most centrally a process of renegotiating key cultural values and principles within European societies, and that an
adequate explanation of institutional change requires attention to the framework of ideas and beliefs within which they are embedded and from which they gain their legitimacy. Empirical support for the argument is drawn from fieldwork conducted in Germany, Great Britain, and Denmark. The study outlines and illustrates a new approach to policy and institutional change relevant to other social, economic, and cultural policy areas within Europe and beyond.
For my parents,
Paul and Beth Boesenecker.

Many thanks for your love and support,
Aaron P. Boesenecker
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Chapter 1: Introduction

"Not everything that counts can be counted,
and not everything that can be counted counts."

-sign in Albert Einstein’s Princeton office

Shortly after sweeping into office, flushed with electoral success and astounding levels of popularity, Tony Blair and his New Labour government announced a new initiative to assist the elderly and disabled in finding employment as part of their program to reinvigorate the British economy. The New Deal for the Elderly and Disabled was a public relations disaster. Handicapped protesters were photographed handcuffing themselves to the gates in front of No. 10 Downing Street, and the general sentiment on the signs held by picketers was something like “don’t kick grandfather out of his rocking chair.” Individuals on disability and early retirement benefits were understandably concerned about a proposal that would curtail their benefits and “force” them back into work. The Blair government quickly backtracked, promising to review the policy. Shortly thereafter, the New Deal for the Elderly and Disabled was rolled out again, and was met with popular acclaim by constituents and stakeholder groups alike as a great step forward in empowering important segments of society.
What is truly remarkable, however, is that the actual substance of the policy had not changed. Benefit levels and duration were curtailed, eligibility requirements tightened, and reciprocity measures (e.g. job training in exchange for benefits) were instituted, just as in the original policy proposal. The interests of those originally opposed to the program had not changed, as the elderly and disabled were still opposed to benefit cuts; the institutional framework had not changed, as benefits were still administered under the old system. The “new” policy proposal was, for all intents and purposes, the same as the old one. What, then, explains the dramatic reversal in the position of the individuals most directly affected, and the general social acceptance of the “new” policy? Simply put, the language changed. The initial New Deal proposal was framed as a matter of necessity—the need to respond to the pressing challenges of globalization, and the need for people to take a stake in Britain’s economic future. The revised proposal was couched in the language of empowerment and well being, emphasizing the activation of “forgotten” segments of the population by invoking a particular notion of British (Victorian) individual industriousness and expressed with themes such as “work makes one happy and healthy.” This is not to argue that the public was fooled into supporting the program, but rather that the new framing resonated with larger British cultural and historical associations in ways that the initial proposal had not.

The story of the New Deal for the Elderly and Disabled – from handcuffs to handclaps, so to speak – is representative of a larger set of puzzles concerning
institutional and policy change in European politics. Throughout the 1990s policymakers across Europe enacted some of the most substantial reforms to welfare and employment policies seen since the institutionalization of the modern welfare state in the post-WWII era. Generally speaking, European welfare states have shifted from passive welfare provision towards active labor market policy (ALMP). Vocational training and job search assistance have replaced direct transfer payments in an attempt to reduce social expenditure and better coordinate economic and social policy. As a consequence, labor market participation has begun to displace citizenship as the basis for certain rights and entitlements vis-à-vis the state. Moreover, the precise form that ALMP has taken varies in important and, I argue, systematic ways across national contexts. For example, in Denmark ALMP has meant a new focus on education and training to address structural skills gaps and empower individuals. In Britain, it has translated into a “work first” approach that combines job training with a “rights and responsibilities” agenda that is more punitive than empowering. In Germany, ALMP has been employed more as a cost-cutting measure than as an idea centered on empowerment or job placement, and has been perceived as an attack on fundamental rights.

Several puzzles thus emerge from this series of events. First, what explain the general shift from passive to active social policies and the rise of new ideas concerning the proper relationship among the individual, the state, and the market? Second, how can we account for the fact that the rise of ALMP represents a fundamental break with a
durable feature of postwar European politics? And third, what explains the differences in conceptualization and implementation of new economic and social policies from one country to the next?

I argue that social policy reform in Europe was most centrally a process of renegotiating the values and principles that underpin European welfare states, and European societies more broadly. As such, an adequate explanation of the observed institutional and policy changes requires attention to the framework of ideas and beliefs within which they are embedded and from which they gain their legitimacy. More specifically, I focus on the manner in which actors construct and frame a compelling reform program by forging linkages among cultural values, historical experiences, and new ideas to make sense of a given situation and advance a response that appears “natural” and appropriate and, in turn, reshape existing patterns of interests and institutions.

Indeed, as the example of the British New Deal for the Elderly and Disabled suggests, the puzzles surrounding social policy reform in Europe present difficulties for standard interest-based or institutional explanations. Without attention to ideas, it is difficult to explain how policymakers and the population arrived at a new understanding of the same set of “facts”. An explanation becomes apparent, however, when one considers how New Labour leaders were able to forge a linkage between the new policy and a set of ideas and tropes that resonated with deeper values and cultural experiences perceived to be uniquely “British” and thus appropriate and legitimate.
THE ARGUMENT

I advance two overarching claims, one theoretical and one empirical, concerning European social policy, and I substantiate these claims with case studies of post-1945 social state development in Great Britain, Germany, and Denmark. First, I argue that a discourse-theoretic approach explains important aspects of social policy development and reform that are overlooked in standard institutional or interest-based approaches. Because the renegotiation of shared ideas and broad cultural values was central to welfare state reform, it is essential to focus on the ideas and rhetorical devices used to make sense of a given situation, the arguments deployed in searching for a solution, and the historical and cultural references assembled to help legitimate policy change. To substantiate this claim, I develop a set of key concepts and analytical tools that guide inquiry. In general, this approach places agency at the center of the account. Actors develop and deploy discursive frames, or coherent interpretations of the world, in response to political crises and problems. These frames are drawn from a society’s cultural-historical resources, or the constellation of values, norms and shared experiences that inform an actor’s interpretation of a given situation and suggest appropriate responses. The struggle over the appropriate discursive frame to make sense of an issue and guide responses is a critical dimension of politics. Finally, I

1 These cases are chosen as representative examples from each of Esping-Andersen’s three worlds of welfare capitalism. Gøsta Esping-Andersen, Three Worlds of Welfare Capitalism, Cambridge: Polity Press, 1990. Case selection is discussed in more detail in the “Cases and Data” section below.

2 The role of language, agency and culture, and their neglect in large segments of contemporary social science research, are discussed in more detail in chapter 3.
specify a set of causal mechanisms that explain how these various elements are linked to one another and to particular institutional and policy options. This discursive-theoretic approach is developed in detail in Chapter 3.

Second, I argue that this discursive-theoretic approach better explains a set of observed patterns (and puzzles) within European social policy. In the post-1945 European welfare state settlements, the economic and social policy spheres were closely connected, in that social policy was viewed as a key component to a successful reconstruction and economic recovery. This view was captured in the British “postwar consensus,” in the German “social market economy,” and in the Danish “universalism-social liberal consensus.” These understandings grew into overarching discourses that cast economic and social policies as two parts of a whole and informed policymaking in the postwar era. In each case this linkage between economic and social policy was severed at some point between the 1960s and 1990s, but not at times or in ways consistent with the basic expectations of institutional or interest-based accounts. For example, the German “social market economy” understanding persisted through the oil shocks and associated economic turmoil of the 1970s and 1980s, even as these shocks would seem to constitute a material cause for reform or a critical juncture that would prompt a move down a new institutional path.  

Finally, in the 1990s the economic and

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3 Although institutional “stickiness” may explain part of the lag in this reform, institutional theories do not explain the subsequent course taken by economic and social policies in these cases. I discuss these issues in more detail in chapters 2 and 3.
social policy spheres were rejoined with the broad shift towards ALMP in Europe, but with important variations across countries.

I argue that attention to the discursive landscape – the manner in which cultural-historical resources were combined with new ideas to shape the way in which policymakers interpreted the crisis (or interpreted events as not a crisis) and the appropriate solutions – does explain both the timing and the nature of this “divorce” between economic and social policy and the subsequent rejoining. This approach also explains why the common scheme of ALMP took different forms in different national contexts once the economic and social policy spheres were rejoined. This general relationship between the employment and social policy spheres, within the broad constellation of institutions and policies that compose a country’s social model, is illustrated in Figure 1.
To briefly preview the case-specific findings, the divorce between economic and social policy was most dramatic in Britain, as the complete collapse of the postwar consensus during the stop-go period (the 1960s and 1970s) and the Winter of Discontent (1979) led to the emergence of Thatcherism. The manner in which the Labour party interpreted these events and linked them to other elements of the British past while in opposition explains the way in which the New Labour agenda rejoined
economic and social policy in a series of “New Deal” policy packages that emphasized rights and responsibilities and the primacy of employment. In Germany, a set of understandings concerning economic and social policy summed up as “the social market economy” persisted well into the 1990s, due largely to historical associations with rapid postwar reconstruction and recovery along with the fact that neither major party (CDU or SPD) spent much time out of power (and each allied with the same small party, the FDP, when in power). As a result, divorce between economic and social policy was much less dramatic in the 1970s and 1980s, and the ALMP program adopted in Germany rejoined economic and social policy much in the same fashion as these relationships were understood in the post-1945 era. The result was a limited set of ALMP measures and an unsettled discursive landscape that explains the tenuous and contested nature of the ALMP shift in Germany. In Denmark, a tradition of consensus and minority governments in the postwar period explains a pattern of general continuity through the 1970s and 1980s. However, the upheavals in the party landscape in the late 1980s, including the ascendency of the center-right and the introduction of a new set of experts (carrying new ideas) into the policy process, explain both the timing and the particular emphasis on education and empowerment within the ALMP program that rejoined economic and social policy.

Two important implications grow out of these broad claims concerning European welfare state development and reform. First, the symbiotic connections between economic and social policy demonstrated in these key cases mean that it makes
more sense to speak of “European social models” – the combination of the welfare state and the employment relations system – than it does to speak of the welfare state alone.\(^4\)

The concept of the European social model better captures all of the institutions and understandings at play when speaking both of “welfare state” formation and “welfare state” reform. Indeed, it is precisely because of coincidence that the stuff of welfare states developed largely during the period of when economic and social policy were divorced from one another that such analyses focus on only certain institutions and not others. For the sake of clarity and consistency, I use the term “welfare state” throughout the following chapters, but return to the notion of reconceptualizing the European welfare state in terms of a “social model” in the conclusions.

Secondly, these sketches of the empirical cases suggest that political parties play an important part in the overall account. In particular, I focus on the ways in which parties collect and interpret information about the world in which they operate, often through interaction with other key actors (unions, employers associations, think tanks, experts, etc.). For example, understanding the postwar British story presented here is impossible without an understanding of how the transformation of the Labour party was, at its core, an intellectual engagement with the ideas of Margaret Thatcher and the

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\(^4\) Ross defines the abstract “European social model” as the “institutional arrangements comprising the welfare state (transfer payments, collective social services, their financing) and the employment relations systems (labor law, unions, collective bargaining) that occur primarily in northern and continental Western Europe.” George Ross, “Danger, One EU Crisis May Hide Another: Social Model Anxieties and Hard Cases,” Comparative European Politics 4, no. 4 (Dec 2006): 309-330, quoted material from p. 310. For the present account, there is no theoretical reason not to include Great Britain, especially as the post-1945 Beveridge social security model and understanding reflected Ross’ general idea.
Conservatives more than it was a process of retooling electoral strategies. In this sense, parties are an important repository for the cultural-historical resources that are essential to constructing a compelling discursive frame, and are also (together with other actors) central to the development of new ideas in the course of confronting policy challenges. As with the conceptualization of the welfare state, I return to this theme in the conclusion.

THE GENERAL APPROACH – WELFARE STATES AND IDEAS

Since its inception with the provision of social insurance under Bismarck in Germany, and especially since its most recent institutionalization in the post-1945 era, the welfare state has been one of the most durable features of European politics. Despite challenges from globalization, political reforms, institutional evolution, changing voter preferences, and nearly 30 years of discussion about its impending demise, the archetypical European welfare state remains strong—a well-defined constellation of institutions, policies and interests. Indeed, when viewed in institutional terms, the welfare state appears to be surprisingly robust.

As a European invention, it is also no surprise that the welfare state still commands immense popular support and political importance across Europe. Survey evidence consistently points to the defense of the welfare state as a top priority among European populations, and politicians of all parties recognize the welfare state as a highly salient topic that must be handled with care. This popularity is not just the
manifestation of an economic calculation to protect a system of entrenched interests for the “insiders” or to preserve a particular benefit scheme. Indeed, a majority of respondents in across Europe agree that governments should continue to provide a wide range of social benefits, even if this means increased taxes and contributions. The European welfare state is valued and defended as a critical element to society in general – as a way of life, or as an expression of the way things “should” be – because it is a set of ideas and institutions that is at the intersection of many of the things that people value and over which they struggle on a daily basis, such as security, freedom, solidarity, health, work, and money. Thus, as Albert Einstein’s sign reminds us, the welfare state counts, or matters, in ways far beyond those that are easily captured through numbers or other quantifiable aspects.

Too often, however, the analysis of welfare state development and reform has focused only on the things that are easily counted. To be sure, figures on social expenditures, numbers of programs, numbers of beneficiaries, and unemployment rates are all important indicators on their own right, yet they are little more than that—indicators, or proxies, for the decisions taken by actors in the social world. As proxies, they tell us little about the reasons why certain choices were made, why some pathways were chosen, and why some ideas or solutions came to be viewed as legitimate and appropriate, and others not. Few accounts have looked beyond those characteristics.

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easily quantified to examine the content of reforms, let alone how such reforms were also challenges to established systems of meaning and ways of understanding the world for citizens and policymakers alike.

In short, the study of welfare states has become trapped within various static typologies and categorizations that obscure fundamental changes in the constellation of values, rights, and principles within which welfare states are embedded, and from which they gain their legitimacy. Much more than a collection of policies, institutions, laws, and transfer payments, the welfare state and its variations across European societies reflect broader cultural-historical understandings about the relationships among the individual, the state, and the market. Viewing the welfare state in such terms helps us understand why policymakers don’t simply take decisions that make the most economic “sense.” For example, why did Thatcher’s vigorous attempts at privatization and retrenchment, undertaken with an explicit aim to pare back state spending, result in a doubling of the social security budget? Why did a program of fiscal austerity in Germany under Kohl’s conservative coalition lead to the expansion of entitlement programs? Neither outcome can be reduced to the unintended consequences of the institutions and interests at play, as each stems directly from the understanding of what was right and appropriate on the part of those making the decisions.6

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6 As is discussed in Chapter 5, Thatcher’s privatization and retrenchments efforts focused so heavily on means-testing as the morally appropriate way to handle social welfare that it required the construction of a massive bureaucratic system to actually go out and means test all benefit recipients. As is discussed in Chapter 7, entitlement expansion under Kohl resulted from early retirement schemes that were viewed as
Such counterintuitive outcomes are difficult to explain in terms of economic self-interest alone. Institutional explanations are useful, but as will be discussed in the empirical chapters, the move of European states from passive to active provision of welfare in the 1990s also departed from the existing institutional frameworks in unexpected ways. What is lacking in most scholarship on the welfare state is attention to the ideas and shared understandings, themselves rooted in cultural values and historical experience, that underpin interests, institutions, and policies. Such factors are notoriously difficult to quantify, but are extraordinarily important in accurately explaining and understanding political outcomes.

European welfare state reform is thus the substantive concern of this project, but it is also a project that is fundamentally concerned with the role that ideas play in social life. In social science research, ideas are notorious for being difficult to grasp and nail down. They tend to change over time, take on different meanings in different contexts, and be employed through different means for different ends. It is even harder to trace where they came from and what outcomes they may cause. We know, intuitively, that ideas are important to social and political life, and history is rife with examples of great struggles over ideas. Seminal political events such as the Cold War or the civil rights movement were, at their root, struggles over ideas concerning what is right and wrong, appropriate or not. The social sciences have known since at least the time of Max

appropriate way to handle unemployment, but which also lead to increases in state spending, especially as the proper treatment of pensioners was a major cultural-historical element to the German social model.
Weber that shared ideas, culture, values play a powerful role in structuring political outcomes. Yet in trying to trace the path from their sources to their impacts, one gets the sense of aiming at a moving target while the ground simultaneously shifts underfoot.

To more fully capture the role that ideas and culture play in political life, I first discuss the ways in which political scientists have incorporated ideas into their analyses and what this means for welfare state research (Chapter 2). I then develop an analytical approach centered on the discursive and rhetorical aspects of welfare state reform in contemporary Europe, or the manner in which new political agendas are constructed from loosely shared, yet contested, ideas and values in attempts to reorganize and legitimate social, political, and economic relations (Chapter 3). Welfare states embody some of the most powerful ideas that have shaped recent history, such as solidarity, equality, justice, opportunity, work, and welfare. Understanding how these ideas have shaped the choices made by policymakers in the face of the uncertainty that characterizes much of politics, especially in periods of crisis and reform, and how these understandings then translate into period of continuity and stability, adds up to a much larger story about the shared values and ideas that underpin a society and, ultimately, drive the decisions taken by those in the design, construction, and reform of specific institutions and policies. The scope and diversity of changes in the last thirty years points to the powerful role that ideas and culture have played in reshaping interests, institutions, and common understandings surrounding even seemingly straightforward ideas such as “work” and “unemployment” as well as the very nature of welfare itself.
All of this means that investigation must focus on the manner in which the various ideas underpinning welfare states are contested and the way in which shared understandings are constructed. My focus on the discursive aspect of politics, or on understanding the way in which the combination of language, culture, and ideas can explain political outcomes, is part of the larger “argumentative turn” in the social sciences that emphasizes language, rhetoric, discourse, and narrative as central to explanations for empirical puzzles in the social world. The approach employed here is fundamentally concerned with the intersection of ideas and actors in explaining why certain policy choices were made, how they were justified, and why they were either viewed as legitimate and appropriate or rejected as illegitimate. At a fundamental level, people act based on what they believe (and believe to know), often in direct contradiction to actions that might be expected given the “objective” evidence, and politics in particular is built around the way that ideas and language shape these understandings.

Empirically, this means focusing on both the building blocks (ideas, history, memory, narrative) and the tools (rhetoric, appeals to emotion and tradition, cultural practices) that actors employ to assemble coherent understandings of the world and appropriate policy and institutional responses. This process, manifested in the debates

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among actors as they develop new ideas and reconsider old ones in order to make sense of the world and work out the proper course of action, is critical to understanding “politics” as something larger than the utilitarian pursuit of self-interest. In focusing on the ideas and language employed in these debates, a discourse-theoretic approach also draws the analysis back to the actors. After all, ideas are developed, deployed, and debated by living, breathing, creative people.

CASES AND DATA

As Einstein’s quote suggests, this is an explicitly qualitative project, informed by the resurgence in attention to qualitative research methods and comparative macro-historical research as well as the more recent “discursive” or “argumentative” turn in political science. I take as a point of departure three key cases that were at one time the archetypical “welfare states” of Europe, as categorized by Esping-Andersen’s Three Worlds of Welfare Capitalism—Germany (the continental-conservative model), the United Kingdom (the liberal or Anglo-American model), and Denmark (the social democratic or Scandinavian model). Each country case is broken down into 4 historical periods to allow for both within and cross-case comparisons. Each case begins with the post-1945 social policy settlement – a set of interests, institutions, and

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9 Esping-Andersen, Three Worlds of Welfare Capitalism.
policies embedded in a larger set of ideas concerning the role of economic and social policy and the relationship among the individual state and market – and then traces out the manner in which this set of ideas and understandings was transmitted over time, challenged, and reformed. Within each case, and each time period, the discursive frames and cultural-historical resources in play are documented and the causal mechanisms linking these elements to actors and new ideas, and to institutional and policy reform options, are analyzed.

Both the historical component and the contemporary policy analysis component of the case studies highlight how each case diverges from established expectations of institutional and interest-based accounts. Examined in more detail, these significant and varied reforms to welfare state policies and institutions are not easily subsumed under a singular logic, such as retrenchment or institutional path dependence. In each case, the reform mixture across different policy sectors exhibits retrenchment as well as expansion, increased private sector participation as well as wholly new public sector elements to the welfare state. The differences in the content of new policies and institutions, or the qualitative purpose and impact of policies and reforms, is not readily discernable from standard measures (e.g. welfare state spending), thus necessitating a closer, qualitative examination of the cases.

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The distinguishing factor in each case is the manner in which actors (political parties, party leaders, think tanks, experts, etc.) combined particular ideational elements (culture, history, memory) to construct unique discursive frames that were deployed to challenge conventional wisdom and establish new meanings concerning work, welfare, and the economy and, in turn, guide specific policy and institutional reforms. Although country-specific factors are most relevant in the post-1945 welfare state settlements, general notions of globalization and modernization served as overarching “master narratives” for the discursive frames deployed in the later (post-1980) periods as economic and social policy were rejoined under the shift towards ALMP.¹¹ In this latter period, the different interpretations of the challenges or opportunities presented by globalization, interdependence, or European integration resulted in very different policy and institutional responses across the individual country cases. In each case, a discussion of individual rights and responsibilities vis-à-vis the state as well as the role of the state in the economy played central roles, but these discussions were mediated and structured by extant cultural values and shared ideas. Policymakers in all three cases drew on these cultural elements in conjunction with the “founding” principles of

¹¹ Cf. Colin Hay and Ben Rosamond, “Globalisation, European Integration, and the Discursive Construction of Economic Imperatives,” *Journal of European Public Policy* 9, no. 2 (2002): 147-167. As is discussed in the conclusions, the role of European integration is also important to the latter period, although social policy remains primarily an issue handled at the national level, as the EU has no formal competence in this policy sphere. However, the intertwining of economic and social policy in the latter period mean that EU activity in the economic sphere does impact the national-level processes discussed here. For an overview of these issues, see Maurizio Ferrera, “The European Welfare State: Golden Achievements, Silver Prospects,” *West European Politics* 31, no. 1-2 (2008): 82-107.
the welfare state in constructing discursive frames to interpret the challenges they faced and devise appropriate responses.

In Great Britain, this process was closely linked to a process of political reform (the re-invention of the Labour party). The construction of a reform discourse in Denmark is more closely linked to shifts in expert and academic ideas concerning economic crisis and reform. In Germany the relative continuity of economic and social policy, even amidst significant upheaval and the shock of unification in 1991, is explained by persistence of the social market economy discourse shared by both major parties well into the 1990s. In other words, substantial policy and institutional reform has been achieved in Germany, but it has not been grounded in cohesive discursive frames that makes sense of the current challenges and responses facing the German economy and social welfare state. This disjuncture explains the tenuous and contested nature of reforms in Germany.

The selection of these three cases for detailed historical examination conforms with the important role that case studies play in theory testing and development.12 The cases are consistent with the criteria and purposes of “disciplined configurative case studies”13 specifically because of the focus on areas where existing theories should, but

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12 George and Bennett, *Case Studies and Theory Development*, 213-214.
don’t, “fit.”

There is also an important heuristic element to the cases selected here, in that the overall investigation is centered on identifying key causal mechanisms not captured by existing theories. Each case exhibits a well-documented set of discussions and debates, and this material forms the core of the discursive process under investigation, providing rich material for detailed process tracing. The cases are linked, and can be compared, inasmuch as actors in each case engaged in a discursive process have the reshaped shared understandings that were at the root of the postwar welfare state.

The key comparative aspect to the study, then, centers on the discursive processes through which actors combine and recombine cultural-historical resources and new ideas to construct frames that, in turn, define the boundaries of the possible in a given situation by placing certain policy options on the table as appropriate while others are dismissed as inappropriate. As detailed in Chapter 3, comparisons are made across two components of the discursive landscape – tropes (a singular expression) and discursive frames (a combination of tropes) – as well as across the mechanisms through which tropes and frames are linked to one another and to particular policy options. At the broadest of levels, tropes and frames combine to constitute an overarching discourse, such as the British postwar Keynesian consensus, or the German social market economy. An overarching discourse provides a credible reading of the past, an

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14 George and Bennett, *Case Studies and Theory Development*, 75.
15 Ibid.
interpretation of the present, and provides appropriate steps for the future.\textsuperscript{16} As such, these overarching discourses are causal. However, because the discursive tropes and frames deployed by actors are constructed out of historical and cultural material that is specific to each country case (and thus can’t be directly compared), comparison among cases is also made at the level of the causal mechanisms that connect actors to ideas and connect frames to policies.\textsuperscript{17} Thus, both the presence and absence of a coherent set of frames (or an overarching discourse) as well as the mechanisms through which actors construct these frames and link them to concrete policies can be measured and compared, both within and across country cases.

Data has been gathered from three main sources: historical primary texts (archival material), contemporary primary texts, and semi-structured interviews, each supplemented with secondary source research. Archival material is used to trace the main lines of debate and discussion in the post-war founding moments that defined Europe’s contemporary welfare states through the 1990s and informed the contemporary reform debates. Contemporary primary sources include a range of


\textsuperscript{17} In their study of contentious politics, the authors note that comparisons across cases in different contexts at the level of causal mechanisms is possible and methodologically appropriate, assuming that cases selected because “(a) they involved substantially different varieties of contention within significantly different sorts of regimes, (b) they lent themselves to analytically valuable comparisons, and (c) there exist sufficient scholarly materials to make sense of the events in question.” Doug McAdam, Sidney Tarrow, and Charles Tilly, \textit{Dynamics of Contention} (Cambridge: Cambridge University Press, 2001), 8-9. Although the substantive focus of this project is different, the logic of case selection and comparison across different cultural and historical contexts at the level of mechanisms is appropriate for the present project as well.
sources that documents the language and frames deployed by those involved in contemporary reform debates. These sources primarily constitute an elite-level record, as is found in sources such as parliamentary transcripts, policy speeches, interviews, and statements by policymakers, stakeholders, and other actors involved in the reforms. As discussed in Chapter 3, the elite record is not the “complete” social record, yet focusing on the elite level, where the major discursive frames cohere and are disseminated, is the most effective way to capture the broader social debate. The contemporary period in each case study is also substantiated with semi-structured interviews conducted with policymakers.\textsuperscript{18} It is important to note that the logic behind the interview evidence was not to discover the motive of an actor or uncover a particular “truth” (e.g. “what was the \textit{real} point of policy X?”), but rather to further contextualize and understand the empirical record by gaining a sense of how individuals involved in policy and institutional reforms talk about these processes—what tropes do they deploy? Is there consistency between an interview record and the official “party line” or frame used by policymakers and governments more generally? Such interview evidence is thus essential to establishing the discursive field in which actors are operating, and mapping the various frames deployed as part of the overall debate. All of this is then supported with additional descriptive data (general economic trends, public survey information) designed to capture the world as it is viewed, described and

\textsuperscript{18} A total of 24 semi-structured interviews were conducted on a not-for-attribution basis. See appendix A for a general listing of interview dates and locations, and citation formats (e.g. “Trade Unions Congress,” London 2007).
discussed by individuals involved in policy reforms. Finally, a wide range of secondary historical literature is used to round out each case study.

**Plan of the Dissertation**

As outlined above, this dissertation offers two main contributions to comparative politics scholarship. First, I advance a discourse-theoretic approach to understanding and analyzing social and political outcomes. This approach offers insight into three key elements that are essential to the social world (and any sound social scientific account), but often overlooked: agency, the role of ideas and culture, and the causal mechanisms that link the two and explain particular outcomes. The second major contribution is found in the empirical findings. The analysis of key European cases sheds new light on our understanding of the founding, development, and reform of European welfare states.

The dissertation proceeds accordingly. Chapter 2 reviews the existing literature on welfare state development, focusing on the institutional literature that has dominated the field in recent years but also discussing recent efforts to reincorporate ideas, culture, and language into the analysis of politics. Chapter 3 then develops in detail my own discourse-theoretic perspective. In Chapter 3, I discuss both the intellectual history of discourse analysis as well as the tenuous relationship that such approaches have had with political science. I show that a theoretically sound discourse-based approach to political analysis need not entail the radical deconstruction of meaning nor the rejection
of a material world, as is often assumed when one hears the term “discourse.” Indeed, by incorporating agency and culture, and by directing our attention to causal mechanisms, I demonstrate how a discourse-based perspective offers numerous advantages over extant approaches and produces a fuller understanding of the observed empirical outcomes.

The empirical case studies are then discussed in Chapters 4-8. The primary cases studies (Britain and Germany) are each broken into two chapters in order to adequately analyze the historical background as well as the transmission of ideas and shared understandings over time. The first chapter for each primary case analyzes the postwar welfare state settlement and the process through which particular understandings about economic and social policy, work and unemployment, institutionalized in the post-1945 era. The second chapter for each primary case then analyzes the period leading up to the ALMP shift in 1990 and locates contemporary policy and institutional reforms within the broader cultural and historical context for that case. As such, chapters 4 and 5 cover the British case, chapters 6 and 7 cover the German case, and chapter 8 covers the Danish case. Chapter 9 then summarizes these empirical findings and locates them within the broader comparative politics literature on welfare states and European politics. The conclusion also discusses the implications

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19 The Danish case is presented as a secondary or “shadow” case because language limitations limited the extent to which I could undertake primary source archival research for the historical periods. Historical evidence is thus drawn from secondary sources, while the analysis of contemporary reforms is based on both semi-structured interviews and a selection of primary source material now available in English.
associated with the new theoretical approach I adopt, and the possibilities for future research.
Chapter 2: Ideas, Politics, and the Welfare State

“Ideas have exactly as much power as men convey upon them.

Thus, an idea that permeates an entire people or era, whether true or not,

is the most material of all political powers.”

- Ludwig August von Rochau

It is something of a paradox that academics make a career of studying ideas, yet few ascribe great importance to them, especially as the causes of political outcome. In this chapter, I address this paradox by first reviewing the scholarship on ideas and the relationship among ideas, interests, and institutions in comparative politics, with special attention to the literature concerned with the substantive object of this study—the welfare state. In the next chapter, I develop a discourse-theoretic perspective that offers an alternative approach for incorporating ideas into the study of politics and linking it to actors and agency. The result is a new understanding of how we should investigate the empirical puzzles surrounding the development of the European welfare state, discussed at the end of this chapter, and a new methodological approach to investigating these empirical puzzles, developed in the next chapter.

1 “Ideen haben immer gerade so viel Macht, als ihnen Menschen leihen. Daher ist eine Idee, welche, gleichviel ob richtig oder unrichtig, ein ganzes Volk oder Zeitalter erfüllt, die realste aller politischen Mächte.” Rochau is famed for his invention of the word and concept “Realpolitik.” It is no small irony that the term has since come to connote power politics or the hard-nosed pursuit of interests and is often juxtaposed against ideas or culture as causal factors in politics. Rochau, for his part, was much more convinced of the power of ideas and beliefs.
To access the relationship between among ideas, institutions, and actors, I begin here with Weber’s famous “switchmen” observation:

Not ideas, but material and ideal interests, directly govern men’s conduct. Yet very frequently the ‘world images’ that have been created by ‘ideas’ have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest. ‘From what’ and ‘for what’ one wished to be redeemed and, let us not forget, ‘could be’ redeemed, depended upon one’s image of the world.² Weber’s observation contains two key elements that underpin the theoretical approach developed here. First, taking ideas seriously means understanding the proper interrelationship between ideas and the material world.³ Secondly, Weber highlights the crucial importance of understanding the overall social context in which ideas are deployed and discussed. In noting that any understanding of interests (and ideas) depended upon “one’s image of the world,” Weber is making an argument that foreshadows modern discussions of framing, rhetoric, and discourse, as will be discussed in the next chapter.

Critically, Weber’s view on economic and political life suggests a dynamic social world much different than the one pictured in much of social science.⁴ In this sense, Weber is the point of departure for developing an approach to understanding

³ Weber further developed this notion in his classic study of the Protestant Ethic and rise of capitalism, and refers to an the “elective affinity” between interests and ideas, which suggests an understanding of ideas and interests as mutually constitutive, rather than giving one or the other primacy of place in the study of politics. cf. Max Weber, The Protestant Ethic and the Spirit of Capitalism, translated by Talcott Parsons (New York: Charles Scribner’s Sons, 1958), especially ch. 2, “The Spirit of Capitalism.”
⁴ This view stands in contrast to the study of Weber that has focused on the routinization and rationalization (or institutionalization) of politics.
politics in general, and welfare state development and reform in particular, that emphasizes agents and agency grounded in ideas, norms, and beliefs. As Seabrooke notes, Weber was concerned with the fundamental struggle over the norms (ideas) that govern social and economic life and the fact that “economic norms” are not static, but dynamic.\(^5\) Politics is thus a process, and Weber’s insights point to a central role for ideas and culture as well as actors and agency involved in a process of contestation and negotiation. After reviewing the general scholarship that has treated these themes, I return to a discussion of their implications for the study of the welfare state in particular.

**Ideas in Political Science**

The ideational turn in political science scholarship is closely tied to the development of the new institutionalist paradigms of the 1980s and 1990s. Indeed, the “three institutionalisms” discussed by Hall and Taylor have been among the most influential schools of thought in contemporary political science and political economy.\(^6\) Most scholars focusing on the role of ideas in political life and the intersection of ideas and interests have grown out of the historical and sociological institutionalist traditions, though all variants of institutionalist literature represented a corrective to the reductionism and methodological individualism of the rational choice and behavioralist

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paradigms. Within their fundamental focus on institutions, institutionalists have also sought to theorize the role of ideas in politics and incorporate ideas in a more sophisticated way than conventional rationalist approaches. A subset of scholars influenced by, but not confined to, the historical institutionalist tradition, such as McNamara, Blyth, and Schmidt, have grappled more fully with the independent role of ideas.\(^7\) Characterized as “economic constructivists” by Seabrooke, this research tradition has advanced understanding of ideas as independent causal factors, yet remains grounded in its institutionalist foundations.\(^8\)

These recent advances notwithstanding, ideational scholarship has not yet thoroughly explored ideas as causal and explanatory factors in their own right. This is due primarily to the insistence (even among constructivists) that ideas, and their power, are a function of the institutional environment in which they exist. Many of the same

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\(^8\) Seabrooke draws a distinction between the three institutionalisms and “economic constructivism” to denote those scholars focused more explicitly on the role of ideas in political life. Seabrooke, The Social Sources of Financial Power. Schmidt advances a new institutionalism, “discursive institutionalism”, in her work on the intersection of ideas and institutions. Schmidt, “Discursive Institutionalism.” There exists a plethora of overlapping terms used to characterize scholars concerned with the role of culture and ideas in the social world. Social constructivism is the term most common in the international relations and international political economy fields; within the field of economic sociology, scholars with similar concerns are referred to as economic constructivists; within the comparative politics subfield, scholars that share these concerns and approaches are often referred to as culturalists. These terms are not necessarily equivalent, as each emphasizes specific methodological choices and substantive interests, but all share a general focus on the role of ideas and culture in politics. For the sake of clarity and consistency, I use the general term “constructivist” throughout to denote this broad field of inquiry.
scholars appear to have passed over Weber’s observations concerning the (elective) affinity between ideas and interests, choosing instead to treat them as distinct concepts. Scholars have thus failed to engage with both concepts, and their relationship, in a theoretically productive way.\(^9\) Ideas are thus separated from the actors that are their creators and carriers, and are instead tied to institutions. As Schmidt points out, this bifurcation of the object of study, where institutions are commonly thought of as external to actors, and as constraints on actors, tends to write actors and agency out of politics and leaves unanswered important questions about how and why institutions change, or how they go from being sticky and constraining to malleable and socially constructed.\(^10\) At a more fundamental level, even the renewed attention to ideas in political science leaves a fundamental question unanswered: “We still have no way of considering the process by which such ideas go from thought to word to deed, that is, how ideas are conveyed, adopted, and adapted, let alone the actors who convey them to whom, how, where, and why.”\(^11\)

The institutionalist critiques of the paradigms that dominated political science in the 1960s and 70s, most notably structural-functionalism, behavioralism, and the general rational choice approach, have pushed the social sciences into a more complete understanding of political activity and opened the door to bring ideas back into political analysis. However, a review of institutionalist and ideational approaches also suggests

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\(^9\) This point is also made by Blyth. Blyth, Great Transformations, 2002.
areas where Weber might point out that the debate has been sidetracked, so to speak. In particular, the discourse-theoretic perspective that I develop in the next chapter draws on these critiques to more thoroughly link ideas, as independent causal factors, to the actors who carry, debate, and transmit those ideas.

**Rational Choice Institutionalism**

Rationalist institutionalism has its roots in neoclassical economics and is characterized by its methodological individualism and rationalist logic. Individuals make decisions based on a stable preference set and behave instrumentally to maximize their utility. As such, politics is essentially reduced to a series of collective action problems. In such a context, institutions provide the rules of the game to lower transaction costs, reduce information asymmetries and maximize utility. This means, however, that “individuals actually do very little other than respond to incentive structures provided by institutions and which generate change.” Perhaps more problematic, Seabrooke points out a logical inconsistency in the relationship between actors and institutions in rational institutionalism: the same institutions that provide incentives for actors also embody the equilibrium reached in the struggle among actors; it is logically inconsistent to assert that institutions are at once the cause and the effect

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12 Hall and Taylor, “Political Science and the Three New Institutionalisms,” 945.
13 Hall and Taylor, “Political Science and the Three New Institutionalisms,” 943.
Because institutions, once designed, are presumed to provide equilibria and aid individuals in realizing their preferences, the sources of institutional change are limited to exogenous shocks. As a result, rationalist accounts portray institutional creation and change in terms of a path-dependency and punctuated equilibrium.

Within such an account, institutions follow logical patterns of development and remain stable until interrupted by an exogenous shock. Ideas, norms, and culture provide (at most) focal points for organizing actions in cases of multiple equilibria, and are only invoked as a residual variable to “solve” the aforementioned logical contradiction in cases where rational individuals are not able to realize their interests. More central to the present account, given the rationalist assumptions that individuals have stable, known preference sets and that institutions exist to fulfill a certain function (gains from cooperation), less attention is paid (and less of a causal role is attributed) to the meaning that actors give their environment. Weber’s picture of actors puzzling over both ideas and interests is defined out of the rational institutionalist perspective. Within rational institutionalism, “politics” is limited to the calculations of rational, utility-maximizing actors operating inside of an institutional environment designed by them to further their interests. The things that many people know to be involved in politics, such as conflicts over values, uncertainty, or even contingency, have no place under

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rational institutionalism. As Hall and Taylor point out, rational choice institutionalism is highly functionalist, intentionalist, and voluntarist, presenting a sterile picture of the social world that stands in stark contrast to Weber’s account. Importantly, though, the need for rational institutionalist scholars to turn to ideas to solve intractable theoretical issues within this approach does suggest a more complex relationship among ideas, interests, and institutions and opens the door for considering ideas a independent causal factors.

Sociological Institutionalism

Sociologists developed another variant of institutionalist scholarship in response to the distinct line drawn by rational choice scholars between social activity oriented around means-end rationality and social activity concerned with “culture.” Sociological institutionalism places greater explanatory weight on normative and cognitive ideas. Drawing on theories from Weber and Durkheim, contemporary sociological institutionalists (such as Dobbin and Fliigstein) emphasize the intersection between ideas, values and culture on the one hand, and institutions on the other. For example, Dobbin’s study of railway and industrial policy in the United States and

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16 Seabrooke The Social Sources of Financial Power, 26-28.
17 Hall and Taylor, “Political Science and the Three New Institutionalisms,” 952.
France demonstrates how different deep-seated ideas concerning the role of the state in the economy explains why railway-building was state-led in France and led by private actors in the United States. Sociological institutionalists aptly point out that, in many cases, particular institutions were “not adopted simply because they were the most efficient for the tasks at hand, in line with some transcendent ‘rationality’. Instead […] many of these forms and procedures should be seen as culturally-specific practices.”

Organizations and institutions infused with a set of ideas or values often act or operate according to these values, which may conflict or even diverge with the stated objectives of their constituents and their mandated goals. In short, organizations respond to their environment and seek to act appropriately, rather than (just) behaving instrumentally. Often, selecting the most efficient institutional form is not the overarching goal for actors, and in responding to their overall environment, organizations (such as the firm) are also relational, or aware of the position and practices of other similar organizations.

Importantly, sociological institutionalists define institutions more broadly than the other two variants of institutional scholarship, including not just formal rules, procedures and norms, but also the “symbolic systems, cognitive scripts, and moral

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20 Dobbin, Forging Industrial Policy.
21 Hall and Taylor, “Political Science and the Three New Institutionalisms,” 946.
22 Campbell, Institutional Change and Globalization, 17
24 Fligstein, “Markets as Politics.”
templates that provide the ‘frames of meaning’ guiding human actions.” Under this approach, institutions “influence behavior not simply by specifying what one should do but also by specifying what one can imagine oneself doing in a given context.” As such, sociological institutionalism blends the line between institutions (as organizations) and culture as shared attitudes and values, depicting a social world of both of individual action and institutions, mutually constituted and interactive. Indeed, in this view, rational action, or the very idea of what is considered “rational,” is itself considered to be socially constituted, because institutions play a critical normative and cognitive role in helping actors decide what their self-interests or goals are in the first place, and then in guiding behavior towards choices viewed as appropriate based on these ideational factors. In a similar sense, sociological institutionalists have examined how and when shared ideas travel across institutions. Although scholars have long observed this tendency towards institutional isomorphism, the underlying mechanisms of diffusion (discussed in more detail below) are not always precisely specified beyond a fairly general reliance on path-dependence. However, the insights concerning a normative

25 Hall and Taylor “Political Science and the Three New Institutionalisms,” 947.
26 Hall and Taylor “Political Science and the Three New Institutionalisms,” 948.
27 Campbell, Institutional Change and Globalization, 19.
28 Campbell notes three essential processes that underpin and differentiate sociological (organizational) institutionalism: mimetic processes, whereby organizations facing uncertainty copy the practices of other successful organizations; normative processes, in which professionalized leaders share ideas and views; and coercive processes, whereby organizations conform to others around them due to adaptive pressures for standardization. Campbell, Institutional Change and Globalization, 21.
role for institutions and the exploration of a causal mechanism are important building blocks for the approach I develop in the next chapter.

In sum, sociological institutionalism carves out space for ideas, norms, and culture in institutional analysis and suggests that much can be gained from pushing farther in this direction. Yet the approach suffers from several shortcomings. Like the other variants of institutional analysis, the mechanisms behind institutional development and change are poorly specified (although attention to diffusion as a mechanism is an important step in the right direction). Secondly, although sociological institutionalism points to an important role for ideational factors in explaining policy and institutional outcomes, the focus on macro-level norms and a broad conception of culture means that there is comparatively little attention paid to the actors who carry, discuss, debate, transmit, and implement ideas. To the extent that actors play any role, they tend to act according to larger cognitive or cultural scripts, without much reflection or volition of their own—a peculiar situation of agents without agency. The resulting conception of politics is curiously bloodless, missing the extent to which power struggles or clashes over values themselves (some of the most consuming struggles in politics) shape the political world. Sociological institutionalism’s tendency to over-socialize agents in this way suggests the need for a more refined concept of agents and agency within a given institutional and normative context, as well as a more refined specification of the ideas at work. Ideas can be differentiated along many different dimensions, such as the

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level at which they are held (individual beliefs vs. social values) or the level of permanence of the idea (a policy paradigm or frame vs. cultural value). On top of this, different types of actors (political elites, the media, individuals) may be active in carrying, transmitting, or otherwise influencing these different types of idea.\textsuperscript{31} Taken together, these critiques also point towards the three contributions made by the theoretical framework developed in the next chapter: actors, ideas, and mechanisms.

**Historical Institutionalism**

Historical institutionalism builds on the type of inquiry found in classical works of political economy, particularly those of Marx and Weber, with subsequent foundations in the movement to bring the state back in and in research asserting an independent causal for specific institutions, specifically as regards intervention in the economy or world markets.\textsuperscript{32} In studying how institutional arrangements, ranging from government agencies to electoral systems to the institutional features of the economy, affect political and economic decisionmaking, historical institutionalists are sensitive to the dynamics driving institutional development and change. Path dependency, unintended consequences, and critical junctures are key concepts within the historical

\textsuperscript{31}Campbell differentiates ideas along two dimensions: whether the idea operates in the foreground or background of a debate, and whether it is cognitive or normative in nature. The resulting typology of programs, paradigms, frames, and public sentiments is discussed in more detail in the second part of this chapter. Campbell, *Institutional Change and Globalization*, Ch. 4.

institutional approach. In contrast to their rational choice counterparts, historical institutionalists tend to produce rich historical accounts of a given phenomenon and broad, macro-level comparisons, as seen in studies on the development of welfare states, the responses of governments to economic crises, or the manner in which path-dependent institutional dynamics help explain divergent choices to similar value-laden issues in different societies. As Steinmo and Thelen observe, the key feature of historical institutionalism is that “institutions constrain and refract politics, but they are never the sole ‘cause’ of outcomes.” Historical institutionalism thus offers a more balanced approach between an emphasis on interests and the logic of instrumentality, as in rational choice approaches, and ideas and the logic of appropriateness, as emphasized in sociological institutionalism.

Several important insights emerge from historical institutionalist research, most notably the fact that history and context matter. Similar forces or factors in different

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contexts may generate different outcomes, and “the institutions that guide decision making reflect historical experience.” In this regard, historical institutionalists emphasize the importance of initial choices for subsequent paths and the options available to actors at a later point in time, stressing the path-dependent and evolutionary nature of institutional development and change. As Campbell has pointed out, though, there is an inherent tension between historical institutionalism’s analytical framework emphasizing evolutionary change through path-dependence and typical explanatory accounts that rely on punctuated equilibrium, critical junctures and radical, revolutionary change: “If institutions are so important in constraining policy-making outcomes at one moment, how can they suddenly become so unimportant at another?” North has suggested that what may appear to be revolutionary change may actually turn out to be less dramatic than initially perceived. For example, Pierson’s study of U.S. welfare reform in the 1980s shows that what appeared to be radical change at the time turned out to be much more evolutionary when viewed at a later point in time and with an eye to the broader context. Yet even as some historical institutionalist accounts have adopted a more nuanced view of temporality, path-dependence and change, the fundamental tension between these

38 North, *Institutions, Institutional Change and Economic Performance*.
40 North, *Institutions, Institutional Change and Economic Performance*.
dynamics remains and the mechanisms of change and continuity are often underspecified.

Historical institutionalism is also sensitive to questions of power and the manner in which institutional arrangements may create asymmetries of power, such that some individuals or groups gain disproportionate access to decisionmaking processes. The insight that some groups lose and others win is an important corrective to the sterile, conflict free conception of rational choice institutionalism. Moreover, accounts such as Gaventa’s analysis of the second and third faces of power shed light on subtle or less direct power dynamics. Similarly, Banchoff points out the importance that institutional control of agenda setting, framing, and rhetorical resources can play in shaping policy debates and choices. Both of these enhancements to basic historical institutionalist scholarship suggest that power struggles are not always straightforward “knock down, drag out” conflicts or direct confrontations. These are important insights that are incorporated into the discourse-based perspective developed in the next chapter.

Two specific subsets of historical institutional research are particularly relevant to the present study, namely the varieties of capitalism (VOC) literature and the literature covering welfare state development and reform. The varieties of capitalism research tradition is principally concerned with variations in national economic systems and seeks to explain the features of national economies on basis of constellations of

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43 Banchoff, “Path Dependence and Value-Driven Issues.”
institutional arrangements, more specifically the complementarities between firms, sectoral organizations and government institutions. In their highly influential approach, Hall and Soskice draw a distinction between coordinated and liberal market economies, based on ideological regulatory framework that inform path-dependent evolution of different (complementary) institutional forms. The broad assertion within the VOC paradigm – that capitalism follows national trajectories based on these complementarities – is an important step in exploring the interrelationships among institutions within political economy.

However, the strict national focus of the VOC approach overlooks the important effects of cross-national institutional and ideational diffusion and policy transfer for institutional development and change. Moreover, despite the institutional focus, the firm-centric VOC paradigm is still largely rationalist in its assumptions about how institutions work: firms are characterized as efficiency-seeking entities solving coordination problems, yet oddly detached from the real-world political disputes that often surround institutional creation and persistence. As such, it presents a rather static (or stable) picture of institutional arrangements, with little indication of how institutions might change. Although the stability of certain institutional features, especially in post-


war European political economies, is striking, the VOC approach overlooks the extent to which these institutional systems have changed and evolved over time, as well as the prospect that national traits may not be homogenous throughout an entire political-economic system; there might be counter-examples or exceptions within a given set of national institutional arrangements. To the extent that VOC is reliant on exogenous shocks to explanation institutional change, it overlooks the possible endogenous sources of change. As is discussed in Chapter 5, changes to the British economic and social system in the late 1990s cannot be explained without such endogenous factors, such as the “rediscovery” of Victorian-era traditions of education and innovation that, in turn, prompted the institution of a vocational training scheme in Britain (training arrangements being a central object of study in the VOC approach). Moreover, the seemingly “natural” complementarities and stability of the systems portrayed in the VOC literature overlooks the substantial debate and contestation that surrounds the creation, institutionalization, and reform of national political economies. Re-introducing agency is one key advantage offered by the theoretical approach to developed in the next chapter.

Much of the influential literature on the welfare state and the development of national also emerged out of the historical institutionalist approach. Chief among these, Skocpol, Wier and Skocpol, and Scharpf and Schmidt have examined the development

of welfare states and social policy, Katzenstein has explored variations in corporatist arrangements and industrial policy, Immergut has traced the development of health care systems, and Rothstein has traced the specific institutional development of universalistic welfare states institutional and policy change across European welfare states. Perhaps most famously, Esping-Andersen’s influential “three worlds of welfare capitalism” categorizes European welfare states based on their degree and type of “decommodification”. Historical institutionalist perspectives have produced important insights concerning the role of individual state histories (and even cultures) in the development, change, and comparison of welfare states. At the same time, these works also tend to reflect historical institutionalism’s broader weakness in underspecifying mechanisms of change and in downplaying agency and actors. Typologies of the welfare state tend to be static, and do not fully capture the change and

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48 Katzenstein, Small States in World Markets.

Historical institutionalist scholarship has produced important insights concerning the development and change across a range of contexts, and also comprises an important corrective to purely material or interest-based conceptions of the world. However, these approaches also remained trapped within the object of their criticisms. Ideas (and culture, values, norms, etc.) remained largely a function of the institutional environment in which they exist, thus at least partially reifying a material perspective on the social world. Ideas and identities are viewed as important, but only to the extent that they are roles within a particular, stable, institutional environment. Ideas may be used as “weapons” to restructure the social world, but only at certain times—usually when institutional equilibria break down.\footnote{On ideas as weapons, see Blyth, Great Transformations, 39.} Moreover, the predominant focus on institutions has tended to write actors and agency out of explanations of political outcomes.

A subsequent generation of historical institutionalist scholarship has focused more explicitly on the role of ideas in politics, often incorporating insights from the constructivist tradition in international relations and international political economy. Scholars concerned with the role of ideas and culture have moved from debates on
whether ideas matter and how and when they matter to more nuanced discussions of how they interact with the material world.\textsuperscript{54} Much of this research tradition takes Hall’s notion of policy paradigms and the influence of Keynesian ideas on monetary policy as a point of departure.\textsuperscript{55} Going a step farther, McNamara’s study of European monetary policy links policy (and institutional) failure and the subsequent establishment of a neoliberal policy consensus to the search for new ideas and changing beliefs about monetary policy. McNamara’s conceptualization of ideas as “shared causal beliefs” born of the interaction and experiences of actors within a specific institutional environment is important in highlighting how ideas may play an independent causal role in politics.\textsuperscript{56}

In her innovative study of Social Democracy in Europe, Berman also focuses on the independent causal power of ideas by looking at the choices actors make in situations where no structural factor can account for the outcome.\textsuperscript{57} This approach


\textsuperscript{55} Hall, “Policy Paradigms, Social Learning, and the State;” Hall, \textit{The Political Power of Economic Ideas}.

\textsuperscript{56} McNamara, \textit{The Currency of Ideas}, 3-4.

\textsuperscript{57} This approach is, in some sense, the opposite of the “hard case” for ideas presented by Flynn and Farrell, who argue that a compelling case can be made for ideas (in this case, international norms) when actors choose ideas in situations where other options (direct power, institutions) were also available. See Gregory Flynn and Henry Farrell, “Piecing Together the Democratic Peace: The CSCE and the Construction of Security in Post-Cold War Europe,” \textit{International Organization}, 53, no. 3 (1999), 505-535.
explains the capitulation of German Social Democrats to Nazism due to their inability to think beyond a long-held set of ideas (Marxism), whereas the Swedish Social Democrats, being free of such an ideational legacy, were able to resist fascism, reconstruct social democracy and institutionalize it into the structures of the state. At the heart of the account is an interaction between actors and “large” identity factors, such as cultural legacies. Berman’s account highlights how ideas as philosophies or “programmatic beliefs” guide the choices actors make concerning specific policies. This perspective is an important precursor to the concept of “cultural historical resources” developed in the next chapter as one way to analyze how cultural legacies and larger conceptions of what is right and appropriate guide actors in specific policy choices.

Blyth focuses on times of crisis and uncertainty in theorizing about the role of ideas in decisionmaking and institutional reform, drawing a key distinction between risk and uncertainty to highlight crisis situations where institutions and the ideas embedded within them have broken down and offer no reference point for a future course of action. In these moments of Knightian uncertainty, the causal and explanatory power

58 Berman, The Social Democratic Moment.
60 Schmidt notes that programmatic beliefs define “the problems to be solved by such policies; the issues to be considered; the goals to be achieved; the norms, methods, and instruments to be applied; and the ideals that frame the more immediate policy ideas proposed to solve any given problem.” Schmidt, “Discursive Institutionalism.” 306.
61 Blyth, Great Transformations, 7-11.
of ideas as ideas is accessible, and is the critical determinant of action, as by definition no structurally defined interests exist.\(^\text{62}\) Although the reliance on extraordinary moments to “see” the role of ideas limits the overall framework, Blyth’s approach is critical in defining and conceptualizing ideas as separate from (yet related to) a given institutional context. In particular, Blyth’s detailed theorization of uncertainty is important for the approach developed in the next chapter, which goes one step farther in specifying what type of ideas actors might look to in such moments.

Finally, historical institutionalism is also sensitive to cultural dimension to institutional life, even if it is not often the primary focus of the research program. As Hall and Taylor point out, “[t]he individual is seen as an entity deeply embedded in a world of institutions, composed of symbols, scripts, and routines, which provide the filters for interpretation, of both the situation and oneself, out of which a course of action is constructed.”\(^\text{63}\) This cultural dimension “stresses degree to which behaviour is not fully strategic, but bounded by one’s worldview” as individuals turn to established routines or familiar patterns (acting as satisficers rather than utility maximizers) in making decisions.\(^\text{64}\) The shortcoming, though, is that the role for ideas and culture is still dependent upon the institutional context. As Seabrooke points out: “…actors can only use ideas that have the right ‘fit’ with the institution concerned, because institutions define the context within which individuals make their self-interested

\(^\text{62}\) Blyth, *Great Transformations*, 31-34.
\(^\text{63}\) Hall and Taylor, “Political Science and the Three New Institutionalisms,” 939.
\(^\text{64}\) Quote from Hall and Taylor, “Political Science and the Three New Institutionalisms,” 939.
choices.”65 It is the institution that determines roles and appropriate ideas for actors, and ultimately the explanation rests on either material interests (albeit interests shaped by institutions and perhaps ideas) or on the institutions themselves. Put another way, historical institutionalism does not specify a precise role for ideas and their carriers (actors). There is still no real mechanism for understanding “why actors agreed that $x$ was just and appropriate and $y$ or $z$ were not.”66 Overall, historical institutionalisms’ detailed, inductive approach to understanding complex social phenomena is an important building block for the approach developed in the next chapter. In developing my own approach in the next chapter, I build on historical institutionalism’s insights concerning the importance of institutional origin and development, as well as the strengths of historical institutionalism in constructing detailed historical accounts of complex social phenomena. Specifically, I seek to better theorize the mechanisms of institutional change as well as specify a precise role for ideas and their carriers (actors).

**Beyond the Three Institutionalisms**

Institutionalist approaches have made important contributions in moving political science beyond the rational choice and behavioralist paradigms and towards a more complete understanding of the relationship among interests, institutions, and ideas. Even rational choice institutionalists have allowed room for ideas, norms, and

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the logic of appropriateness in explaining political outcomes, and more recently have shown greater willingness to consider ideas in a more sophisticated manner.\textsuperscript{67} Although all variants of institutional analysis thus recognize ideas, norms, and culture as important to understanding institutional development and change, the central problem is that studies of ideas and norms have remained trapped within the material and institutional frameworks which also serve as their primary foil or object for critique. Ideas remain largely a function of prior or extant institutional arrangements. Blyth has referred to this as the “homology of ideas and institutions that precludes the development of a theory of ideas and institutional change that take ideas seriously as explanatory categories.”\textsuperscript{68} As a result, most institutionalist accounts tend to draw a false dichotomy between interests and ideas, usually because a critique of rational choice intuitionism is the point of departure for historical and sociological institutionalists.

Recent scholarship has begun to address these issues. Campbell has suggested that interests can be seen as “a particular type of idea among many” and has proposed a joint typology of actors and ideas to overcome the structural bias of many existing theories of ideas.\textsuperscript{69} Similarly, Blyth argues that interests are “ideationally bound” and


\textsuperscript{68} Blyth, \textit{Great Transformations}, 17.

\textsuperscript{69} Campbell, \textit{Institutional Change and Globalization}, 91.
that ideas “are indeed intimately related to interests but are not reducible to them.”

More recently, Seabrooke has addressed the same issue by linking ideas back to specific actors and the broader social context in which they exist, *apart* from a given institutional environment. Drawing on Weber, Seabrooke points out that ideas saturate politics and social life and are important (and analytically accessible) in the debates and struggles that constitute politics and economic life. This leads to an explanation of the social (and non-elite) sources of international financial orders, based on several key concepts drawn from Weber: belief-driven action, economic norms, and legitimacy. Actor’s “rational” decisions “are strongly informed by the economic and social norms of their time.” As a result, actors are guided by a particular kind of idea, economic norms, that helps them make sense of the world, gives meaning to their actions, and in turn structures life and provides legitimacy for a given political order. Under Seabrooke’s framework, the causal importance of ideas is not dependent upon stable institutions, nor upon their instrumental value in cases of institutional breakdown or in moments of radical uncertainty. As such, ideas are more than just residual variables used for explanation when other accounts fail. Ideas are central to understanding the stability of an economic and political order, in addition to understanding critical junctures or moments of uncertainty. By focusing inquiry into society, separate from

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70 Blyth, *Great Transformations*, 34.
its institutions, and specifying the mechanisms that link society to institutions, elites, and political outcomes, it becomes clear that is the process of contestation and debate among actors and ideas gives meaning to social life and ultimately produces specific institutional arrangements.75

Even with this renewed attention to ideas, we are still left with questions concerning the process by which certain ideas are conveyed to others, transformed into action (while others are discarded or discredited), and who the actors are in this process.76 Building on the aforementioned scholarship, Schmidt’s “discursive institutionalism” represents the latest iteration of scholarship concerned with the power of ideas and the linkages between institutional and ideational approaches.77 Schmidt’s contribution provides two key insights: first, a typology of ideas based on their level and type, and second, an explicit link to discourse as a dynamic process that re-introduces agency into explanations of political outcomes. As is discussed in the next chapter, incorporating discourse as a way to capture both the substantive content of ideas as well as the interactive process of who says what, when, where, and to whom, addresses the critical nexus among ideas, actors, and institutions.

As Schmidt observes, the different periods of scholarship covering the role of ideas can also be divided into different levels of analysis, with one group of scholars such as Kingdon focused on the specific policies or “solutions” proposed by

75 Seabrooke, The Social Sources of Financial Power, 45.
76 Schmidt, “Discursive Institutionalism,” 309.
77 Schmidt, “Discursive Institutionalism.”
policymakers, another group focused on ideas as general organizing principles or paradigms behind these policy solutions, and a third group focused on ideas as the fundamental worldviews or Weltanschauung that “undergird the policies and programs with organizing ideas, values and principles of knowledge and society.” These more fundamental beliefs are less likely to be openly discussed except for times of crisis.

On another dimension, ideas may be either cognitive (“what is the problem?” or “what is to be done?”) or normative (“what is good/bad about this situation?” or “what ‘ought’ we do?”). Cognitive ideas generally provide guidelines for policies and programs, and speak most directly to “interest-based logic and necessity.” Normative ideas, on the other hand, are more associated with March and Olsen’s “logic of appropriateness” and are the ideas important to legitimating policies and programs, or reconciling policies and programs with large sets of values in a society. Schmidt’s dimensions dovetail nicely with the four-fold schema of ideas and associated sets of actors proposed by Campbell. These typologies of ideas are important for two

reasons. First, they highlight the fact that not all ideas are the same—a point often
overlooked in the study of “ideas” (though Hall’s early efforts are an important
exception). Secondly, breaking down the general concept of “ideas” into a typology
by type also points our attention to specific actors who are likely to carry, express and
transmit these ideas, along with the institutional locales where such processes may take
place. Thus, according to Campbell, we might expect decision-makers to be most
cconcerned with “programs” or day-to-day cognitive ideas, whereas constituents (both
individual and collective) are associated with the broad “public sentiments” or the
deep cultural-historical values that “constrain the normative range of legitimate
programs available to decision makers.” The present account of welfare state crisis
and reform in contemporary Europe focuses most directly on the latter set of ideas.

On the whole, the most recent generation of scholars concerned with the role of
ideas in politics are also in agreement in their critique of a strict (analytical) separation
of interests and ideas. In addition to a more careful theorization of ideas vis-à-vis
institutions and interests, it is imperative to incorporate agency as a way to both correct
the static nature of institutional analysis, and to more fully understand the role and
causal impact of ideas. Before developing these insights in more detail (in the next
chapter), I turn briefly to an analysis of what the overview of institutions and ideas
implies for analyzing the substantive object of this study, the welfare state.

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86 Hall, “Policy Paradigms, Social Learning, and the State.”
87 Campbell, International Institutions and Globalization, 94.
88 cf. Blyth, Great Transformations; Campbell, International Institutions and Globalization; Seabrooke,
The Social Sources of Financial Power; and Schmidt “Discursive Institutionalism.”
INSTITUTIONS AND IDEAS IN THE STUDY OF THE WELFARE STATE

As noted in the introduction, a central contention of this project is that the study of welfare states has become trapped within a set of typologies that direct (and limit) attention to the institutional development of a select few policy areas, such as unemployment insurance, social assistance, health care, and pensions. Such analyses concentrate on statutory transfers and services, leaving aside education or other broad policy areas. Basic measures such as the level of social expenditure as a percentage of GDP often provide the first dimension for comparison, while other studies develop more sophisticated measures such as T.H. Marshall’s notion of social citizenship or Esping-Andersen’s concept of decommodification. In turn, explanations for welfare state development generally follow one of three logics: that of industrialism (the welfare state as a byproduct of economic development), that of power resources and political class (the welfare state as the result of working-class mobilization and left party power),

or a state-centric explanation (the welfare state as the product of state structure and bureaucratic activity).

However, these standard conceptualizations of the welfare state are inadequate on both empirical and theoretical grounds. Empirically, recent welfare state reforms (and specifically the shift to ALMP) have challenged the assumption that welfare states are stable, coherent institutional patterns. Theoretically, these approaches generally underemphasize two key elements of a robust social scientific account—namely agency and a precise specification of causal mechanisms linking actors and their ideas to observed outcomes. After briefly discussing these theoretical and empirical challenges to the study of welfare states, I develop (in the next chapter) a discourse-theoretic approach that addresses these shortcomings and provides a more complete understanding of welfare state development and reform.

_Beyond the Institutional Paradigm_

The last 30 years of scholarship on welfare state development and change have yielded an impressive body of literature that first categorized welfare states into various typologies and then parsed the welfare state into individual policy areas for the purposes

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of comparison. Numerous studies of reform, recalibration, retrenchment, restructuring, and reprogramming have yielded valuable insights into specific policy reforms, but these have also been abstracted away from a larger context and have reinforced the institutional bias in the welfare state literature. As Torfing notes, “A fundamental problem with the intellectual industry preoccupied with categorizing various forms of welfare regimes...is that the emphasis on the (static) differences in the basic institutional forms of the modern welfare state tends to distract attention from the changes in the basic content of the modern welfare state.” Unpacking the “black box” of the welfare state, rather than focusing on select policy areas as representative of the welfare state, directs attention towards the actors involved in the construction and reform of welfare states and the ideas that inform and structure their actions. Indeed, few studies have maintained a broader historical overview and fewer still have focused on the linkage among ideas, cultural values, and political discourse that have been prominent at all major junctures in the history of Western European welfare states. In

short, existing typologies of welfare states are important as a point of reference, but any analysis should not be too constrained by these ideal types.97

The most notable example of institutionally focused welfare state scholarship is undoubtedly Gøsta Esping-Andersen’s influential Three Worlds of Welfare Capitalism. Esping-Andersen outlines three welfare state “clusters” or regime types – liberal, conservative-corporatist, and social-democratic – that stem from political class coalitions.98 To be sure, Esping-Andersen’s concept of decommodification, which denotes the capacity for individuals to make their life situation independent from market forces, is an important effort in distinguishing the content or substance of welfare states from their institutional form.99 However, Esping-Andersen’s analysis is still grounded in the assumption of relatively static and known group (class) interests that translate naturally into parliamentary coalitions and, in turn, yield stable institutional patterns

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97 On the one hand, many of the prominent typologies of the welfare state, and the theories of development and reform that have developed out of them, rely entirely on the selection of specific policy areas for analysis. For example, Esping-Andersen’s highly influential “Three Worlds of Welfare Capitalism” would have looked much different had the focus been broader than just labor market policy and the (de)commodification of labor, let alone considering more comprehensive conceptions of welfare that include education, child, family, and elderly care policy. See Robert Henry Cox and Josef Schmid, “Reformen in westeuropäische Wohlfahrtsstaaten – Potentiale und Trends” WIP Occasional Paper Nr. 5, Tübingen, 1999. On the other hand, these ideal types break down rapidly when considered in relation to new social risks and new welfare responses. See Peter Taylor-Gooby, “New Social Risks and Welfare States: New Paradigm and New Politics?” In New Risks, New Welfare: The Transformation of the European Welfare State, ed. Peter Taylor-Gooby (Oxford: Oxford University Press, 2004).


98 Esping-Andersen, Three Worlds of Welfare Capitalism, 1.

99 Esping-Andersen, Three Worlds of Welfare Capitalism, 3.
take to be “given” facts. Subsequent empirical developments in Europe (the oil shocks, budget crises) would challenge Esping-Andersen’s stable patterns. Moreover, the historical research presented in the empirical chapters (4-8) suggests a different account of welfare state development and institutionalization.

Critically, political struggle and process are absent from Esping-Andersen’s account. There is an underlying assumption that the outcomes Esping-Andersen observes were the natural outgrowths of a set of clear class interests, and that other pathways were unlikely no matter how hard actors may have tried to influence the course of history. In other words, the actors in Esping-Andersen’s account are actors without agency, their actions and the subsequent social outcomes being pre-defined by group interests, not their own actions. Esping-Andersen does outline important patterns of covariation, yet these patterns tell us little about the actual causal mechanisms behind them, and say little about the constitution of the actors and interests involved. Indeed, the “Three Worlds of Welfare Capitalism” have so influenced our study that we see these patterns as givens and are in part blinded to changes or exceptions.

In contrast, I propose a conception of the welfare state that is both dynamic and holistic. As a basic rule, the conceptualization of the object of study should not a priori

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101 Ferrera correctly points out that Esping-Andersen’s account captured welfare states at the height of the *Trente Glorieuses* in Europe—a period of prosperity and stability. Esping-Andersen’s subsequent work has expanded beyond the state and market interaction to include the family, yet still remains institutionally bound. Fererra, “The European Welfare State,” 85. See also Gosta Esping-Andersen, *Social Foundations of Postindustrial Economies* (Oxford: Oxford University Press, 1999).
define out certain policy areas or activities. The content of the welfare state has, in fact, changed with its development over time, as has the constellation of actors involved in the construction of the welfare state. I draw on T.H. Marshall’s idea of welfare as a set of social rights based on citizenship and on Titmuss’ conceptualization of the broader principles of security that underpin social policy as basic points of departure.\(^\text{102}\) A holistic conception of the welfare state pays particular attention to the ideas, values, and rights at the heart of its constitution, and helps the analyst put the puzzle pieces back together by linking isolated stories of policy or institutional reform into an overall narrative of welfare state development. For example, Alber offers a more dynamic definition of the welfare state:

The term \textit{welfare state} designates a set of policy responses to the process of modernization, consisting of political interventions into the functioning of the economy and the societal distribution of life chances that seek to promote the security and equality of all citizens in order to foster the social integration of highly mobilized industrial societies.\(^\text{103}\)

Albers also points out that a dynamic definition of the welfare state is not necessarily a new phenomenon, noting that Helco has referred to the welfare state as struggle over


various principles such as equity or equality, equality or security, security or liberty.\textsuperscript{104} This struggle over principle points directly at the central role that ideas and culture play in explaining welfare state development and reform—precisely those factors often overlooked in institutional analyses.

Focusing on a comprehensive notion of the welfare state also sheds light on why traditional interest-based or institutional explanations are inadequate in understanding contemporary reforms. Conventional accounts fall under two broad headings, domestic institutional explanations and power/interest explanations. Accounts emphasizing the domestic institutional context, such as Esping-Andersen (1990) suggest that distinct patterns of national institutions provide constraints and opportunities that in turn explain the presence/absence and direction of reform. However, such accounts provide little leverage in cases where institutional and policy innovations run against established expectations, as in all of the cases examined here. In addition, as noted in the introduction, such perspectives obscure changes to the \textit{content} of welfare states that may occur within relatively static institutional formations. Although institutional accounts rightly emphasize the importance of history and path-dependent change, they are unable to specify the precise internal dynamics that yield a particular policy

outcome at a particular point in time. More importantly, it is particularly in cases of high uncertainty or crisis that prior institutional structures are often of little value in explaining new outcomes. Rather than assuming a constitutive role for prior institutional arrangements, the degree to which old institutional arrangements impact new outcomes, together with a specification of the mechanisms linking the two stages, are questions for empirical investigation.

Power and interest based explanations constitute a second set of alternative explanations. The role and strength of entrenched interests in relation to economic and social welfare policies (e.g. unions in support of universal pension and unemployment schemes), have been used to explain the initial creation of employment and social welfare polities as well as patterns of retrenchment or recalibration. But this same logic has also been turned on its head in analyses that see the entrenched interests of middle-class parties as the driving factor in welfare state development. A related line of explanation focuses economic conditions and expected gain of distinct groups such as political parties, interests groups (e.g. unions, business associations), and class cleavages. However, such approaches are also unable to distinguish qualitative shifts in

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105 For examples from Germany and Denmark, see Robert Henry Cox, “Reforming the German Welfare State: Why Germany is Slower Than Its Neighbors,” German Policy Studies / Politikfeldanalyse 2, no. 1 (2002): 471; Torfing, “Workfare with Welfare.”
policy, such as the difference between straightforward budget cuts (as seen in Germany in the 1980s) with a fundamental shift in thinking behind policy (as seen in Denmark in the 1980s) that also entails budget cuts for the sake of “reprogramming” rather than curtailing service provision.\textsuperscript{110} Moreover, such economic interest approaches tend to generally overemphasize the relevance of economic challenges and perceive welfare state reform as straightforward functional responses to these challenges.\textsuperscript{111} Either way, contemporary policy and institutional changes do not neatly align with either the ideological orientation of the governments undertaking the reforms, nor do they correspond to the assumed interests of classes or economic sectors.\textsuperscript{112} These approaches all overlook the discursive process of defining and articulating what actually constitutes a crisis and an appropriate response in situations of uncertainty where institutions and interests are uncertain and subject to renegotiation.

Although the insights from interest-based and institutional perspectives are an important part of the overall story of welfare state development and reform, it is crucial to locate both interests and institutions within the broader ideational framework within which they are nested and from which they gain their legitimacy. The approach I adopt here (and develop in the next chapter) also brings the study of the welfare state back to the tradition of macro-social comparative research. This research tradition, which

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\textsuperscript{110} Cox, “The Social Construction of an Imperative,” 469.
\textsuperscript{112} Cox “The Social Construction of an Imperative,” McNamara \textit{The Currency of Ideas}; Baldwin \textit{The Politics of Social Solidarity}.
\end{flushleft}
traces its roots back to Smith, Durkheim, Marx, Weber and later Polanyi, is less concerned with the individual elements of politics or economics than with how these elements are woven together in society as a whole. Reconnecting welfare state research to the larger narratives of industrialization and social transformation returns our attention to how the shared understandings underpinning a given collection of policies and institutions “make sense” and suggests compelling new explanations for the mechanisms behind patterns of change and stasis seen in contemporary European welfare states.113

**From Social Right to Earning Potential**

One way to empirically substantiate the claim that the welfare state is better considered as a dynamic social construct than a static set of institutions is to demonstrate how changes in the content of welfare states has changed over time, even if the institutional scaffolding remains unchanged. I use the term “content” to describe the qualitative meaning and impact that welfare state policies and institutions have in a society. If the meaning and substance of a particular policy or institution changes over time, then we have a case for ideas (often expressed as principles or values) as the key drivers for political and social outcomes. Such a process is in fact observed in the empirical cases. For example, consider the differentiated meanings attached to policies

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and institutions associated with the “workfare” concept that came into vogue in the 1990s. Most European states adopted parts of the activation paradigm that placed stricter requirements on benefit recipients, such as a requirement to enter a job search program or a vocational training program in exchange for unemployment benefits. However, the basic set of institutions and that make up the activation paradigm cannot explain why activation translated into a set of policies centered on education and poverty alleviation in Denmark, and on job placement and “work for work’s sake” in the UK. In other words, ALMP is not ALMP in all contexts, but the very meaning or understanding of an “activation” approach varies. Explaining such variation requires attention to the discursive construction of what activation actually meant in each society, and why it was deemed appropriate to emphasize different elements of the general paradigm.\footnote{As discussed in Chapter 9, Danish policymakers were acutely aware of the “red line” or taboo against placing individuals at risk of poverty. This combined with a strong social value for education resulted in policies that cut the duration of unemployment benefits, but not their level, and sought to raise an individual’s skill level rather than reduce wages in cases of wage-skills gaps. In Britain, on the other hand, a general social tradition of individual industriousness and a view of work as a sign of social worth translated into policies that concentrated on moving people back into the job market without as much regard for the fit between individual skills and work.}

These changes in meaning, and the resulting substantive differences in policy and political outcomes, are masked by the fact that the institutions themselves have not changed in form, even as important changes going on behind and within this structural framework. At the same time, in cases where the formal institutions \textit{have} changed, these changes have not been consistent with the path dependent development

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(punctuated by critical junctures) expected by institutional models. For example, Cox has observed a fundamental shift away from the connection between the welfare state and citizenship status towards a connection between an individual’s employment status and the provision of welfare rights and responsibilities. Small reforms that have not change the institutional features of the Danish welfare state (further discussed in Chapter 9), such as requirements to supplement state pensions with small private contributions, constitute large challenges to underlying principles such as class solidarity and liberal neutrality that have been fundamental to the Danish welfare state. Moreover, these qualitative shifts are rarely captured by standard institutional or quantitative analyses: “Research that employs quantitative measures of welfare spending fails to capture how these small changes have shifted with categories of eligibility and altered the conception of entitlement.”

The critical insight, again, is that structures and concepts presumed to be stable and given are, in fact, socially negotiated and subject to important changes in meaning, even as their (institutional) form remains stable. Cox notes that, in Denmark, these “minor” reforms “. . . have changed the idea of welfare entitlement from a social right of citizenship to a more discursive right.” Similarly, Ross prefers the term “social model” rather than welfare state to capture not just central institutions, but the fact that

these institutions are embedded in certain understandings that “have combined to make citizenship, more than markets and families, the most significant axis of solidarity.”

The accounts differ on the extent to which citizenship has been displaced by a labor market relationship as the basis for rights and entitlements, but both Cox and Ross highlight the importance of a broader conception of the welfare state (beyond just institutions and certain policy areas). The empirical cases discussed in subsequent chapters substantiate this claim that welfare states, especially in the era of ALMP, are now more connected with an individual’s employment status than with citizenship or place.

With this perspective, it should be clear that neither institutional structures and policies nor common categories such as “class” or “interest” are absolute or unequivocal concepts, but are in some measure socially constructed and carry cultural meaning. In other words, a discursive view to welfare state development and reform suggests that both the “concrete” institutions and policies as well as the actors’ understandings of these institutions are socially constructed—for example, the meaning of a job training requirement may be viewed as either empowering (Denmark) or punitive (Britain) or entirely foreign to the notion of employment policy (Germany) depending upon the manner in which the requirement is framed and located (or not) in the discursive field.

Similarly, Biernacki historical study of labor and production practices in 19th century Germany and Britain demonstrates how even the abstract categories of “labor” and “work” and “added value” are in fact culturally enacted ideas that vary in meaning (and thus in the way they influence politics and the economy) across societies. Biernacki’s comparison of how producers in Germany and Britain arrived at different, culturally constructed, conceptions of “labor” based on their individual experiences helps explain how differences in the observation of time, in wage calculation, in structures of supervision and organization, and ultimately in production regimes, developed over time. In demonstrating that it was not cross-national differences in market or technological factors, nor in regulatory structure, nor in legal frameworks, that explain the difference in production regimes in early industrial Europe, Biernacki highlights the explanatory role of individual agents and of the social process of meaning production in which they engage that, together, yield institutional arrangements:

Since early assumptions about labor steered the subsequent evolution of factory regulations and of judicial statutes of employment, it is not the discontinuous and dramatically changing technical frameworks of law, only the agents’ popular understanding of labor that comprises the explanatory key.

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121 Biernacki, *The Fabrication of Labour*. In particular, Biernacki draws on Marx’s distinction between “labor” and “labor power” in discussing the culturally distinctive commodification of labor as “Arbeitskraft” (or labor power) in Germany, vs. the more general “labor” in Britain. Richard Biernacki, “Labor As an Imagined Community,” *Politics & Society* 29, no. 2 (2001): 189.
Biernacki demonstrates that common explanatory factors in welfare state research such as class groups and class conflict are not given or natural, but rather are socially constructed and subject to contestation.¹²³

Finally, considering how and when cultural values change, and understanding the circumstances under which people adopt a new set of beliefs and expectations, help us better understand how actors construct their ideas about, and responses to, crisis and change and in turn “prod” institutions to respond to new situations.¹²⁴ As Rochon points out, this process of cultural and value change generally happens before we see institutional change, and is in fact a key causal factor in explaining changes in institutions and interests that are often characterized as straightforward (functional) responses to environmental factors: “Even when the existence and severity of a problem are matters of incontrovertible fact, naming the causes of the problem and the best solution to it are not. The facts do not speak for themselves.”¹²⁵ Because new policy and institutional outcomes cannot be deduced simply from new conditions, explaining contemporary change requires attention to the sets of values and cultural that preceded and informed the observed changes.¹²⁶

¹²⁵ Rochon, Culture Moves, 90.
Drawing these insights together, scholars have more recently started to pay attention to the “discursive recalibration” of welfare states, which “has to do with norms, arguments and justifications and denotes symbolic initiatives and new discourses address the functional and distributive dilemmas of the status quo and the future directions of policy.” In the next chapter, I build on the important insights from institutional scholarship discussed here – the normative role of institutions, the central role of uncertainty, the differentiation in types of ideas, and the role of actors as carriers of ideas – to develop a discourse-theoretic approach that incorporates these elements and offers a powerful approach for understanding and systematically analyzing the process of meaning construction and its translation in the reform and recalibration of welfare states.

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Chapter 3: Understanding Politics Through Discourse

"Language is the cracked kettle on which we beat out tunes for bears to dance to, while all the time we long to move the stars to pity."

- Flaubert

Perhaps more than any recent study on the power of language and discourse, Flaubert’s aphorism highlights both the power and the limitations of language, and by extension, of human agency and our ability to shape the social world. We long to shape the social world, and our actions to this end are motivated and informed by the way in which we experience, think about, and talk about the world. The same factors also constrain us, insofar as our ideas about history, culture, values, and particular situation make certain actions appropriate and others illegitimate, unintelligible, or wholly unthinkable.

This chapter outlines a set of theoretical concepts and an analytical approach that allows us to understand how language and ideas, woven together into frames by actors and deployed in political debates, shape social life. I build on the insights developed in the previous chapter concerning the need to consider actors (agency) and ideas in the analysis of institutions, and the need to consider the meanings embedded in institutional arrangements. Here, I argue that language is a powerful window onto the actions that constitute social life. I first discuss two key concepts – culture and framing
– that are central to a discursive-theoretic approach. I then develop the key concepts of cultural-historical resources and discursive frames and link these to the previously discussed elements of agency and ideas. The result is a discourse-theoretic approach that allows for a more complete understanding of political outcomes and the causal mechanisms that explain a particular set of events.

FROM CULTURE TO LANGUAGE TO POLITICS

Despite considerable advances in the study of ideas in political science, as discussed in the previous chapter, Schmidt observes that we are still left with a fundamental question remains: “We still have no way of considering the process by which such ideas go from thought to word to deed, that is, how ideas are conveyed, adopted, and adapted, let alone the actors who convey them to whom, how, where, and why.”¹ In this section, I first trace out several strands of scholarship that address the intersection of ideas, language, and culture in the study of politics. I then develop a discourse-theoretic approach that draws on, but differs in important ways, from Schmidt’s discursive institutionalism.² I focus explicitly on the broad, constitutive ideas that inform change and continuity in policy paradigms, characterized by Schmidt as normative ideas, or those ideas that enter into debates about the fundamental purpose of societies. The approach developed here echoes Schmidt in focusing on ideas as the

² Schmidt, “Discursive Institutionalism.”
substantive content of discourse, and discourse itself as the interactive process that links ideas and actors. However, I place less weight on the specific institutional environment in which communication (discourse) takes place, and substantially more weight on the content of the discourse and the actors involved in that discourse, with particular attention to the connections among policy decisions and larger social values.

Just as the scholarship treating the role of ideas has a rich and diverse history, the study of discourse in political science is also a product of several strands of scholarship, including the study of political language, political accounts, framing, rhetoric, narrative, and post-structuralist discourse theory. Each of these literatures contributes important insights into the discursive-theoretic approach developed below.

In particular, I emphasize the role that culture plays, as both structure and practice, and

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3 Schmidt, “Discursive Institutionalism,” 303.


the connection between culture and language as a critical nexus for the construction of discursive frames.

**Culture in Political Science**

Writing in 1958, Murray Edelman aptly mused: “If politics is concerned with who gets what, or with the authoritative allocation of values, one may be pardoned for wondering why it involves so much talk.” The point remains true today: language structures political processes and outcomes, and an approach that focuses on language provides considerable leverage in explaining outcomes not adequately captured by institutional and interest based approaches alone. Several fundamental questions emerge from Edelman’s rumination: What are we talking about? Need the talk be “true” or “accurate”? How does it influence politics? Most importantly, perhaps, what is the substance, or constitutive material, for all of this talk?

Ideas are the fundamental building block of political talk, and a particular type of ideas, those grounded in a particular society’s historical and cultural experiences, are the key to understanding how discourse (the synthesis of ideas and language) can explain political outcomes. In seeking to investigate the language-politics nexus, many social scientists began with the re-introduction of culture as an explanatory variable and

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7 More recently, Giandomenico Majone, a Bayesian statistician turned political analyst, observed that “As politicians know only too well, but social scientists too often forget, public policy is made of language” Giandomenico Majone, *Evidence, Argument, and Persuasion in the Policy Process* (New Haven: Yale University Press, 1989), 1.
then moved to more nuanced conceptions of the relationship between ideas, culture, and language. Culture is thus central to the ideas that matter in this account. To be sure, culture itself is a notoriously slippery and vague concept in political science, the study of which has been as difficult and contested as the study of ideas discussed above. I draw on contemporary conceptualizations of culture as a dynamic, intersubjective set of practices rather than conceptions that see culture as a static “primordial” traits that influence behavior. This understanding of culture is critical to a discourse-theoretic account that places agency together with ideas at the center of explanations for politics.  

Early efforts to incorporate culture into explanatory frameworks often viewed culture as a set of essential properties or characteristics, which, in turn, produced “cultural” accounts of how certain attitudes and beliefs aided or hindered “progress” or modernization. For example, the political culture approach of the 1950s and 1960s, captured in Almond’s seminal essay and the subsequent collaboration between Almond and Verba in *The Civic Culture*, views “culture” as a stable set of values, beliefs, and orientations toward the political system thought to be both universally held throughout societies and in some sense primordial, or at least irreducible past a certain set of differences and defining characteristics.  

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8 On culture as a dynamic set of intersubjective practices, see Wedeen, “Conceptualizing Culture.”
9 Wedeen, “Conceptualizing Culture,” 713.
Cultures also reflected a conception of culture that was static, coherent, and stable.\textsuperscript{11} In focusing on symbols and the process of meaning-making within “systems of signification,” Geertz highlights the power of symbols (an important advance in the study of culture), yet leaves little room for divergent interpretations, alternatives to the given system of symbols, or contestation within these closed systems.\textsuperscript{12} In short, Geertz’s “systems of signification” left little room for agency within a distinct culture. Later work by Huntington concerning “The Clash of Civilizations” also reflected this static and deterministic view of culture, though without the nuanced attention to the power of both symbols and the production of meaning observed by Geertz.\textsuperscript{13} Within this framework, there is no room for inter-cultural learning or adaptation in Huntington’s set of civilizations. More importantly, Jackson points out that there is not any real evidence that societies spoke in terms of “civilizations” or the “West” prior to 1945, suggesting that even these categories are socially and linguistically constructed categories rather than “social truths” that have existed since time immemorial.\textsuperscript{14}

These early efforts to integrate culture, identity, and ideas into political science differed substantially, but shared a frustration with strict rationalist accounts of political behavior. Indeed, rational choice scholars themselves soon began to grapple with the

\textsuperscript{12} Wedeen, “Conceptualizing Culture,” 716.
\textsuperscript{14} Patrick Thaddeus Jackson, \textit{Civilizing the Enemy: German Reconstruction and the Invention of the West} (Ann Arbor: The University of Michigan Press, 2006), viii.
role of culture, as in the 1997 *APSA Comparative Politics Newsletter* piece “Can the Rational Choice Framework Cope with Culture?” that summarized a roundtable discussion on the subject. Subsequent works from scholars such as David Latin represented more sophisticated attempts to incorporate culture and ideas into rational choice frameworks. Yet the underlying understanding of culture as essential traits and determinants of behavior limited the explanatory value of cultural factors to situations under which rational decisionmaking was not possible, such as situations of incomplete information or multiple equilibria. The cultural essentialism of these approaches, and its reappearance in more contemporary efforts to incorporate culture in political analysis, has been criticized as outmoded and unhelpful.

The broader cultural turn in political science reflected these early frustrations, and more recently scholars have developed a more dynamic understanding of culture, language, and identity as an intersubjective (and causal) element in social life. Wedeen conceptualizes culture as shared semiotic practices, or “practices of meaning making,” along two dimensions: culture as what language and symbols do (culture as an explanatory variable) and as culture as a lens onto political phenomena, offering a

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“view on how and why actors invest them with meaning.”18 The focus is on both agency and relations of power, or the empirical problems of which actors become involved, and “the ways in which certain meanings become authoritative and others do not,” we gain an appreciation into the concrete mechanisms by which political identifications, meaning, and practices are established.19 Importantly, this approach allows room for both agency and contested understandings of the same cultural elements (semiotic practices), meaning that prior beliefs and assumptions can be contested, and new understandings may gain salient within societies.

A more nuanced understanding of culture, conceived of as contested semiotic practices, contributes to the overall discourse-theoretic by allowing us to understand ideas (and culture) as the basic “raw material” that is the substance of political language and, ultimately, of political outcomes: “Culture consists of the linked stock of ideas that define a commonsense beliefs about what is right, what is natural, what works. These commonsense beliefs are not universal, but are instead typically bounded by time as well as space.”20 In this same vein, Swidler conceptualizes culture “as a ‘tool kit’ of symbols, stories, rituals, and world-views, which people may use in varying configurations to solve different problems” by constructing strategies of action.21 Culture serves as both the raw material (repertoire) and as a guide in this process, but it

is not deterministic. Politics takes place as the basic cultural material of a society is referenced, reinterpreted, re-packaged, and ultimately communicated in discursive frames that address the challenges, issues, and passions of the day.

Culture has independent causal influence in unsettled cultural periods because it makes possible new strategies of action—constructing entities that can act (selves, families, corporations), shaping the styles and skills with which they act, and modeling forms of authority and cooperation. It is, however, the concrete situations in which these cultural models are enacted that determine which take root and thrive, and which whither and die.22

Such a conception of culture means that institutional change, such as the types of changes associated with welfare state reform, “cannot be understood without consideration of past cultural values, the institutions that grew up around those values, and the ways in which demands for change have been linked to new values and new behaviors.”23 With an understanding of culture as both toolkit and practice, or as both structure and agency, we move closer to understanding how and why certain sets of ideas and practices (such as economic reform) are constructed at particular points in time, how actors interpret and give them meaning, why they may or may not resonate, and how actors ultimately decide upon appropriate responses.

23 Rochon, Culture Moves, 14.
Framing

A second strand of scholarship, framing is important to discourse-based perspectives because it helps explain how and why certain ideas, and not others, become salient in certain contexts or at certain points of time. Common sense tells us that the way in which we talk about an issue impacts how we think about it. A public demonstration may be cast as a free speech or a public safety issue. Welfare may be seen as a handout to the undeserving poor or support for those suffering under the strains of globalization. Energy conservation may be thought of as an environmental policy or a question of national security. Fundamentally, framing is about presenting alternatives. Gamson and Modigliani provide a general definition of a “frame” that speaks to the central issues in question: a frame provides “a central organizing idea or story line that provides meaning to an unfolding strip of events, weaving a connection among them. The frame suggests what the controversy is about, the essence of the issue.”24

Framing effects have been well documented, and two insights from the framing literature have become something of conventional wisdom in the study of politics: first, how an issue is framed impacts the political judgments of citizens; and second, elites regularly cast issues in certain terms in an attempt to manipulate public opinion or, less nefariously, to gain support for certain policies and political positions. Fundamentally,

framing effects are a real part of politics, even if they are often viewed in negative terms: “Framing and symbol manipulation by elites are sometimes discussed in conspiratorial tones, as if, in a healthy democratic polity, they would not occur.” Most centrally, the study of framing reminds us of the basic fact that language matters in politics.

Framing has been applied to studies of social movements, welfare policy, foreign policy, public choice, public opinion, voting, campaigns, and constitutional politics, and many other areas. Scholars generally distinguish between two main types of framing effects: equivalency framing and issue framing. Equivalency framing refers to framing effects where different, but logically equivalent, words or phrases lead to a change in individual preferences. The experiments conducted by Tversky and Kahneman drew on equivalency framing to demonstrate how (presumably) rational individuals viewed and responded to the same information differently when the information was portrayed in different (e.g. positive vs. negative) ways, thus calling the

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26 As Druckman notes, the wide application of the framing concept across fields of study complicates efforts to develop a consistent definition. A definitive definition and thorough discussion of framing is not necessary, however, to highlight the important intersection between language and politics that is the fundamental insight from this field of study. For a thorough list of definitions, see Druckman, “The Implications of Framing Effects for Citizen Competence,” 226-227.
28 Druckman, “Political Preference Formation,” 671.
consistency of preferences, a key assumption of individual rational choice perspective, into question.  

The second type of framing effect, issue or emphasis framing, is more relevant to the present discussion. In an emphasis frame, a speaker can bring an alternate set of relevant considerations to the forefront of a debate or discussion, leading individuals to focus on these considerations when forming their opinions. This basic perspective highlights the fact that a single issue often has several salient dimensions or relevant considerations to which elites can appeal and to which an audience may respond. For example, individuals tend to support government spending for the poor when it is cast as a chance for the poor to get ahead, rather than when framed as higher taxes. As such, issue framing points to the manner in which elites use different arguments and emphases in constructing a political account or frame around a particular issue.

29 Amos Tversky and Daniel Kahneman, “The Framing of Decisions and the Psychology of Choice,” Science, New Series, 211 no. 4481. (1981): 453-458. It is important to note that the results are not so straightforward as to totally discard the rationality assumption. Druckman notes several factors, including context, heterogeneous discussion groups, and counter-frames, that may diminish framing effects. Druckman, “Political Preference Formation.”  
30 Druckman “The Implications of Framing Effects for Citizen Competence,” 230. Druckman also notes that issue framing does not directly challenge the assumptions behind rational choice theory, as individuals may legitimately hold different preferences on an issue when different substantive information is brought to bear on that issue. Druckman “The Implications of Framing Effects for Citizen Competence,” 235.  
Importantly, framing is not as straightforward as just hearing a message and responding to it. Druckman finds that framing effects are diminished as people are confronted with competing frames that may promote deliberation, obtain new or additional information, and encounter alternate viewpoints. In addition, the relative strength of a frame is a powerful influence the reception of ideas, as “strong” frames are more likely to exert an influence than those perceived as “weak.” Thus, framing may be more of a nuanced learning or contemplation process, and not just brute manipulation by political elites. For example, Nelson et al. show that framing welfare as either “a giveaway to the undeserving” or “a harmful drain on the economy” not only influenced their views of a particular policy, but had a powerful impact on the types of beliefs that respondents drew upon in developing overall opinions on welfare. Individuals exposed to the former frame tended to be more reliant on their beliefs about the causes of poverty in forming opinions about welfare as a whole.

The role that value priorities play in an individual’s evaluation of a particular frame as strong or weak, or in deciding among competing frames, has also emerged as a

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32 This is the “basic” framing perspective wherein individuals draw on the most accessible considerations in their memory (usually the most recent) when forming political opinions. Druckman, “The Implications of Framing Effects for Citizen Competence,” 235.
33 Druckman, “The Implications of Framing Effects for Citizen Competence;” Druckman, “Political Preference Formation.”
35 Druckman, “The Implications of Framing Effects for Citizen Competence,” 244.
key explanatory variable. Individuals tend to revert to fundamental principals and beliefs in cases of conflicting frames, such as when evaluating the sort of arguments one might expect in contentious politics such as welfare or redistributive policy. As Sniderman and Theriault point out, “when citizens can hear the clash of political argument the positions they take on specific issues are markedly more likely to be grounded in their underlying principles.” Similarly, Bennett points out that it is precisely in contexts where principles or values clash that elites refer to normative elements to construct a legitimate and appropriate argument for political action. In this context, “…a coherent political response must incorporate the terms of a normatively appropriate account. As a result, even the most dubious and trite accounts can dominate the definition of a political situation by establishing the terms to which supporters and opponents must respond.” Thus, it is more accurate to suggest that people “…appear to consciously weigh the considerations suggested by elite frames, compare these considerations to their predispositions and information, and contemplate about the source of the frame. This all suggests that citizens deal with elite frames in a relatively competent and well-reasoned manner.”

The framing literature points to the importance of deeper cultural-historical values that are at the heart of the discursive frames that are discussed below. Providing

39 Bennett, “The Paradox of Public Discourse.”
meaning to events is a necessary first step to developing plausible responses, and this entire process involves the incorporation of elements such as memory, narrative, or shared norms and values in developing a frame that “makes sense”. Not surprisingly, then, we should expect elites to draw on factors such as culture, history, ideas and symbols when developing a discursive frame.\textsuperscript{42} Not only is it logical that frames couched in these terms will resonate with an audience, they also make sense to those delivering them, often unconsciously, as policymakers and elites are every bit the product of the same cultural-historical environment as those to whom the message is directed. The literature on framing thus forms an important point of departure for a more thorough theorization of the role of language in politics, especially in dispelling the notion that political language is simply a blunt tool used by elites to manipulate an ignorant or unreflective audience.\textsuperscript{43} A more sophisticated approach towards language and politics needs to incorporate factors such as norms, values, culture, and history when analyzing the construction, dissemination, and reception of frames. This in turn points to a greater constitutive role for language together with fundamental beliefs than is posited under basic framing perspectives.

\textsuperscript{42} This need not be a conscious or explicitly instrumental process. These cultural elements are also natural background elements that unconsciously shape an actors interpretation and response to a situation. Indeed, as discussed below, it is methodologically impossible to prove “true” intent or motive in this process, but the analyst can observe and record which cultural factors are employed (and which are ignored), and how they are deployed in discussion and debate.

\textsuperscript{43} At the same time, the overwhelming focus of much of the framing literature on whether citizens are ignorant or (ir)rational, based on an engagement with the rational choice paradigm, overlooks the larger constitutive role that language plays in politics and the manner in which normative “fit” is a critical component of constructing a discursive frame.
**Discourse: Combining Ideas, Culture, and Language**

The insights from the study of ideas, culture, and language in politics come together in a discourse-theoretic perspective for analyzing and understanding political outcomes. Scholarship on institutions and ideas both suggest a place for ideas as independent causal factors. A conceptualization of culture as both structure and agency – as shared experiences and resources that form a social “toolkit” as well as a set of practices – provides the social raw material for constructing frames and deploying them in politics. Finally, the framing literature emphasizes the specific impact of language and the importance of certain types of ideas, and directs attention to the manner in which ideas are expressed. Although the source and composition of “strong” frames are not fully understood, it is at least clear that a connection to the fundamental principles and values held by individuals and, by extension, shared by a society, play an important role.  

A discourse-based perspective links the elements of ideas, culture, and language into a coherent framework for analyzing political outcomes.

Most perspectives on discourse, and especially those in the structuralist and post-structuralist traditions, point to language as the key element through which meaning and identity (and by extension “truth” or “social reality”) are constructed. I deliberately use the term “discourse” in the approach I develop below, despite the methodological debates and associations that the term often evokes in political science. Discourse embodies the key dynamics of process and negotiation in politics that are lost

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in more static analyses of ideas or norms or culture alone. Taking insights from discourse theory seriously does not necessarily mean limiting analysis to a narrow interpretation of “texts” and an understanding of reality as words and words alone; when “stripped of post-modernist baggage,” the term more accurately denotes an approach that captures both the substantive content of ideas, the process by which they are conveyed, and the context in which this process takes place.45

Scholars in the fields of critical studies and linguistics have long emphasized the role of language and discourse in understanding social life.46 Within political science, more attention has been paid to language and discourse since the “post-modern” or “cultural” turn in the social sciences that took place in the late 1980s and early 1990s.47 At its heart, discourse theory as understood here consists of relatively new set of analytic perspectives concerned with the “rules and meanings that condition the construction of social, political, and cultural identity.”48 Howarth and Torfing identify three generations of discourse theory as scholars moved from a relatively narrow focus on texts and content analysis, through the development of Critical Discourse Analysis (CDA) by Norman Fairclough and an understanding of discourse as a set of social and semiotic practices and its relationship to power, and then into the present generation

45 Schmidt, “Discursive Institutionalism,” 305.
46 Discourse theory itself emerged as a coherent approach in the wake of the events of the student demonstrations and social upheavals of 1968 that challenged many accepted understandings in both academic life and (European) societies more generally.
concerned with a conception of discourse that is considered centrally concerned with the social. Most recently, Laclau and Mouffe have endeavored to distill a post-Marxist, post-structuralist, postmodern political theory that employs discourse analysis as a fundamental approach to social and political analysis, an approach that has become influential even within mainstream political science.

In general, discourse theory focuses on the rules and meanings that condition social, political, and cultural identity as seen through language. The aim is to understand how particular ideas, grounded in intersubjective cultural understandings and practices and expressed through language, are contested and (re)combined into relatively stable discursive frames that “make sense” of the world and circumscribe a realm of appropriate political and social choices. At an abstract level, discourses can be defined as “systems of signification” constructed around “nodal points” or “signifiers” – for example, terms such as “globalization” or “modernization” – that are commonly accepted, yet not fully agreed-upon in either their definition or their

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implications, and are thus open to contested interpretations.52 In turn, discourses can be observed and analyzed as collections of cognitive schemes, rhetorical strategies, narratives, values, and actions or structures.53 Ultimately a discourse seeks to provide “a credible principle upon which to read past, present, and future events.”54

A discourse-based approach focuses on concepts familiar to (constructivist) political scientists—knowledge paradigms, identity formation, the construction of values and symbols, and rule following.55 However, contemporary discourse-theoretic perspectives offer additional leverage by illuminating the relationship between language and power, and, in particular, focusing on politics as process.56 In the understanding of discourse employed here, the discursive construction of meaning refers to the process of

52 Signifiers of discourse are also, themselves, parts of discourse, and as such are continually being redefined and reinterpreted. Yet instead of everything being in constant flux, we (and discourses) usually exist within a relatively stable discursive regime which specifies criteria for judging claims true and false and provides a partial “anchoring” of systems of meaning and identity (Torfing 2005, 13-14).
taking ideas that are grounded in the concrete cultural and historical experiences of a
group of people and giving them a culturally- and historically-contingent meaning by
linking them to a certain set of events, and then communicating them throughout
society. This process defines what might be a “problem” or a “crisis” in politics and
delimits appropriate responses and solutions. As Hajer notes, “discourse is defined as
an ensemble of ideas, concepts, and categories through which meaning is given to
phenomena. Meaning is thus produced and reproduced through an identifiable set of
practices.”\textsuperscript{57} Put another way, “we can define discourse structurally as organized sets of
symbolic meanings and codes representing a pattern of opposition and distinction, and
as ‘symbolic practice through which people create and reproduce their cultural codes for
making sense of the world’.”\textsuperscript{58} In this way, a discourse-based perspective allows us to
link actors and ideas to the broader social and cultural context within which they are
embedded.\textsuperscript{59}

A given discourse, or understanding of the world, contains several different
types of ideas, including myth, narrative, history, collective memory and history,
stories, contemporary rhetoric and political language and shared values. Conversation

\textsuperscript{57} Hajer, “Discourse Analysis and the Study of Policy Making,” 63.
\textsuperscript{58} Anne Kane, “Reconstructing Culture in Historical Explanation: Narratives as Cultural Structure and
Practice,” \textit{History and Theory} 39, no. 3 (2000): 315; quote from Steinberg: Marc Steinberg, \textit{Fighting
Words: Working-Class Formations, Collective Action, and Discourse in Early Nineteenth-Century
\textsuperscript{59} Schmidt provides an alternate definition in the same spirit: “Discourse, as defined herein, is stripped of
post-modernist baggage to serve as a more generic term that encompasses not only the substantive
content of ideas, but also the interactive processes by which ideas are conveyed. Discourse is not just
ideas or ‘text’ (what is said) but also context (where, when, how and why it was said). The term refers
not only to structure (what is said, or where and how) but also to agency (who said what to whom).”
Schmidt, “Discursive Institutionalism,” 305.
and debate takes place around these tropes that are shared, yet are also imbued with different meanings and understandings.\textsuperscript{60} An individual discursive frame is a particular combination and interpretation of these ideational elements that is then linked to specific policy or institutional conditions, thus producing a relatively stable and coherent system of meaning that in turn both delimits choices and stands against alternative frames.\textsuperscript{61} Each individual discursive frame defines an alternate vision of the “politics of the possible,” making certain choices obvious or seem matters of common sense, while at the same time characterizing others as unacceptable or illegitimate.

The focus on ideas does not mean, however, that a discourse-based perspective denies the existence of a material world, as posited by some in the critical theory or post-structuralist traditions. Such a perspective does, however, maintain that the meaning and intelligibility of most of what is commonly regarded as “material reality” is, in fact, socially constructed. Here the distinction between “brute facts” and “social fact” is useful, the crux of which is whether intentional agents are required to confer meaning or existence on a given thing.\textsuperscript{62} Things such as mountains are brute facts, in that they exist “regardless of whether sentient (intentional) agents acknowledge their existence or have words for them.”\textsuperscript{63} Social facts on the other hand, are those things that exist and have meaning because of intentional agents. Schmidt observes that much of our social and political world, including basic institutions, fall into the realm of social

\textsuperscript{60} Jackson, \textit{Civilizing the Enemy}, 28-29.
\textsuperscript{61} Schmidt makes this very same point. Schmidt, “Discursive Institutionalism,” 309.
\textsuperscript{63} Schmidt, “Discursive Institutionalism,” 318.
facts: “Institutions are not material because they do not exist without sentient agents; but, like money, they are real and have causal effects.”

This means both that much of the social and political world is uncertain, unknown, and even contingent, rather than given and “real.” This also means that the role of agents in constructing and defining the social world is much greater than often acknowledged. This is of fundamental importance for politics, as “whether or not a situation is perceived as a political problem depends upon the narrative in which it is discussed.” To illustrate the point, Hajer, in his study of environmental policy, observes that large groups of dead trees are by no means a social construct; the key question is how one makes sense of the dead trees. With regard to the present study, large numbers of unemployed individuals in a society is not a social construct, but what the appropriate response might be (train them? punish them? provide unconditional benefits?) does require a coherent frame that explains the source of unemployment, makes sense of the situation, and prescribes a solution. As such, the group of unemployed is a social fact and not a brute fact.

Finally, any discourse or discursive frame is open to antagonism from the competing frames that both stabilize and challenge a discourse. Yet this is not a question of “truth” or of whether a discursive frame corresponds to the “facts.” As

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64 Schmidt, “Discursive Institutionalism,” 318
65 cf. Blyth, Great Transformations.
68 For example, we understand “liberalism” through reference to “socialism,” but they also challenge each other.
Schmidt and Radaelli observe that, “As a set of ideas, a ‘good’ discourse requires arguments in which truth or coherence are not so much at issue as the ability to introduce new ‘facts’, to emphasise different values, to ‘argue’ even in the context of ‘bargaining’.‘⁶⁹ A discourse becomes dislocated when confronted with new events that it cannot explain or integrate, and the result is a struggle to re-articulate a coherent discursive frame that makes sense of the social world, usually observable through a proliferation of vaguely defined notions such as revolution, modernization, etc., that offer multiple readings and interpretations. Actors confronting the breakdown or delegitimation of extant policies and institutions (the dislocation of a discursive frame) look to both new ideas and cultural-historical narratives and values to define a crisis, construct solutions, and legitimate change.⁷⁰ This process involves a recombination and reconstruction of old and new ideas (as represented in values, myths, narratives, etc.) aimed at establishing a hegemonic discourse over economic crisis and reform.⁷¹ Economic and political crises “emerge within a discursive field in which competing social forces seek to interpret them in terms of failure and crises understood from their own distinctive perspectives” where all actors – politicians, interest groups, citizens – “act upon discursive constructions of the ‘real world’ rather than upon the brute facts

New discursive frames are thus constructed through the invention or re-combination of ideas, values and cognitive assemblies available within a given context.

**APPRAOCH AND RESEARCH METHODOLOGY**

**The General Approach**

In the following sections I identify the critical components of a discourse-theoretic approach and specify their use in analyzing the political world. I discuss, in turn, cultural-historical resources, discursive frames, actors, and causal mechanisms, and then conclude with a discussion of how the approach looks in practice. In contrast to more critical perspectives centered on radical deconstruction of meaning or a focus on “text” alone, the central concern here is with role of discourse in policy and institutional change. Linking ideas, language, actors, and mechanisms into a coherent account provides a robust explanatory framework for understanding institutional and policy change in contemporary European welfare states.

In general, a discourse-theoretic approach directs attention to specific (and overlooked) dynamics within the politics and process of welfare state reform—most notably, the social construction of crisis, opportunity, and reform observed in the articulation of contesting political projects. The language employed by actors is a critical indicator of the mechanisms used to contest and redefine conceptions of culture,

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values, historical narratives, and interpretations of “objective” problems in an attempt to establish a discursive frame over the problem or policy field in question. Different discursive frames are based upon both readings of the failed policy/institution as well as differing constructions of potential solutions. The construction, contestation, dislocation, and rearticulation of discourses combines old and new policy elements and relies on both reinvention and innovation: “Some strategies will attempt to restore the past by rehabilitating old virtues, habits, and regulations whereas other strategies will aim to put things together in an entirely new way. Some strategies will be nurtured by a pioneer spirit, whereas others will rely upon imitation.” The result is a set of ideas comprising a diagnosis of problem to be solved, the conditions for a solution, the overall goals or principles to be achieved, and new meanings assigned to new and old policies/institutions alike.

Torfing provides an example of how this looks in practice with regard to an analysis of contemporary welfare state reforms:

Linguistic forms and rhetorical operations are constitutive of the social world. Hence, when ‘workfare’ is linked to ‘opportunity’ and ‘duty’ rather than ‘welfare’ and ‘right,’ and opposed to ‘welfare,’ ‘greed’ and ‘patronage,’ the consequence is that social benefits are cut, repressive quid-pro quo schemes are introduced, and the incentives to take insecure low paid jobs are augmented. This shows that rhetoric cannot be reduced to a quasi-logical art of persuasion that helps politicians to sell their policy by means of providing an eloquent linguistic

A discourse-based perspective captures this key element of contestation among different discursive frames (such as “welfare-opportunity-duty” vs. “welfare-right”) deployed by actors to locate ideas and policies within a broader social context. Attention is thus directed to the struggle and social antagonism that constitutes the political and social world as seen through, but not limited to, language and ideas in different historical and relational contexts.76

By incorporating an explicit focus on language and culture, discourse analysis problematizes the formation of social phenomena such as interests or institutions that are often taken for granted. In addition, a discourse theoretic perspective is attentive to continuity and change, as well as the power struggles that accompany the dislocation and relocation of key ideas and shared social understandings.77 This is especially important, as shared ideas, norms and culture are typically used to explain patterns of stability, yet the approach employed here highlights how they are central to the dislocation of stable discursive frames and the formation of new frames. Lastly, the focus on agency is critical. Institutions do not have a cognitive capacity of their own, and interests, particularly in times of uncertainty or change, are poorly understood and

in flux. Thus agents, regardless of true motive, are always central to the story, even if those agents are puzzled and uncertain, and are ultimately part of the discourse themselves.\textsuperscript{78}

\textit{Tools, Concepts, and Research Methodology}

The approach discussed here is \textit{empirical}, \textit{qualitative}, and \textit{comparative}. It is empirical insofar as it is problem-driven research, seeking to explain political outcomes not adequately addressed by other perspectives. It is qualitative in that it draws on the methods and techniques of qualitative research as the appropriate tools to investigate the puzzle at hand. In particular, qualitative case-based research, process tracing, and structured comparison among cases offers a methodology for exploring the causal mechanisms and developing a sound historical explanation for the observed outcomes.\textsuperscript{79} Finally, this approach is comparative in that it is focused on the similarities and differences between employment and social welfare institutions and policies across European states, as well as the similarities and differences in the responses of these societies to crisis and the subsequent process of reform. It is important to note that the object of comparison is not equivalent units, as is often set out in quantitative research or even some qualitative research. Instead, the focus is on sets of patterns that share


\textsuperscript{79} George, Alexander L. George and Andrew Bennett, \textit{Case Studies and Theory Development in the Social Sciences} (Cambridge: MIT Press, 2005), 19-21, 147-149.
certain key elements even if they are not fully interchangeable across societies (cultures). Thus, the approach is sensitive to the historical context and specificity of each case: “The basis for comparison must be thick descriptive interpretations of particular empirical phenomena (despite being able to discern important similarities and resemblances among a group or class of phenomenona [sic]).”80

This point of comparison deserves further clarification. There are important qualitative differences between the institutions and policies of the cases under consideration, to the extent that a citizen or policymaker of one state dropped into the system of another without any prior knowledge would be hard pressed to recognize the “welfare state” as such, let alone the proper terms, frames, and arguments to deploy in making claims regarding that welfare state. Furthermore, it is impossible to equate the discourse of one society with that of another. Each draws upon distinct cultural-historical experiences that shape even the interpretation of “shared” experiences such as globalization. This does not mean, however, that such societies, policy areas, institutions, or reform processes are not comparable. As Howarth notes, “Even though we are interested in why and how one set of patterns exists rather than another, comparative research in discourse theory does not involve the comparison of identical practices or institutions which are treated as purely equivalent units. Instead, we compare practices and objects which share certain family resemblances.”81

To the extent that this approach is not suitable for generating general theories, it is nonetheless possible to draw mid-level generalizations both within and across cases and to advance modest, carefully contextualized, claims about social processes and mechanisms. In this sense, George and Bennett have pointed to the important role that case studies can play in developing mid-range theories and systematic comparisons across contexts, so long as one is mindful of the limitations of such an approach. In particular, properly conducted case studies are well suited to exploring causal mechanisms and complex causal relationships. Indeed, this is the standard approach in the analysis of contentious politics, wherein the authors ultimately identify important mechanisms that can be generalized across contexts—an appropriate mid-range theorization and systematic analysis of political reform and change that provides valuable insights into why politics happens as it does, but without asserting a general theory or covering law concerning contentious politics.

A discourse-theoretic perspective allows us to understand and analyze the constellation of actors, ideas, and culture that make up discursive frames in a systematic way. Naturally, this requires an understanding of history and the qualitative details of a society not common in large-N or quantitative research. Here again, though, the

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82 George and Bennett, *Case Studies and Theory Development in the Social Sciences*, 21-22. Clearly, case studies, and any comparisons among them, are bounded by the scope and context of the cases themselves, and a study based on one or a small number of case studies is not suitable for generalizing to larger populations or generating general covering laws. However, these methodological choices are tradeoffs, and should be recognized as such rather than being characterized as weaknesses in method or approach. Ibid., 29-31.

emphasis on *Verstehen*, or understanding and comparing thick narratives, rather than looking for covariation among particular variables.\(^{84}\) Such an approach is to some extent ideographic, in that it concentrates on “understanding rather than explaining” in specifying what is unique about a political and economic period and how actors attribute meaning to themselves and others within everyday life.\(^{85}\) Although not concerned with developing covering laws or general theories, the approach does lead to more than just a detailed understanding of everyday events, by uncovering the mechanisms behind institutional change that link ideas, actors, and political outcomes.

The remainder of this chapter details the central analytical concepts that underpin the subsequent empirical analysis. After moving through a discussion of the central concepts of discursive frames and cultural-historical resources, I discuss the specific method for analyzing causal mechanisms and agency. The end result is a set of concepts and tools for analyzing political and economic change.

**Cultural Historical Resources**

Cultural-historical resources are the main building blocks or “raw material” that actors draw upon in constructing discursive frames, which are then deployed in the discussions, debates, arguments, and pronouncements of politics. The concept draws on culture as both structure and agency at once, as discussed above—a toolkit and a set of

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\(^{85}\) Seabrooke, *The Social Sources of Financial Power*, 44.
day-to-day practices and resources upon which actors draw to negotiate situations and solve problems. As Kane notes, culture constitutes “symbolic systems of embodied meaning by which people understand their experience in the world, and in turn act upon it—is as constitutive of social structure, social order, and social change as material and institutional forces, and causally significant in historical events, transformations, and process….”86 As such, these systems of meaning provide the resources and strategies, and are the fundamental element that actors use to make sense of their world and make decisions in that world.

One way in which we can access and identify the cultural-historical resources upon which actors and societies draw is to pay attention to the narratives that characterize a society—the stories people tell, and the way that people tell them. These stories “…embody symbolic meaning and codes of understanding; through ‘story-telling’ meaning is publicly shared, contested, and reconstructed. Thus, through analysis of narratives the historian can access the causal power of culture, but as structure and as practice.”87 Both the idea of politics as discursive process and the importance of normative ideas at the heart of the stories that people use to make sense of the world are embodied here: “By suggesting both what is a norm and what is a departure from the norm, all narrative suggests an interpretation of the what the state of

86 Kane, “Reconstructing Culture in Historical Explanation,” 311.
87 Kane, “Reconstructing Culture in Historical Explanation,” 314.
the world ought to be.” In this sense, narratives capture the things actors take for granted in everyday life—cultural-historical resources, in other words. Narratives thus serve as key markers or indicators for what is important in a given situation or time period, as “[w]e do not narrate all the details of any circumstance; what we choose to narrate is generally noteworthy because it stands out by posing a problem or exception. The point of the narrative is to resolve the imbalance or uncertainty of the problem and restore equilibrium.”

In practical terms, this means that the analyst should be sensitive to not just the stories told, but the specific cultural-historical elements that are included and excluded in these stories. Narratives are selective versions of reality, including and emphasizing certain elements and excluding others to locate individuals vis-à-vis each other and within larger events and occurrences and to make sense of these relationships. Much like the notion of settled or dislocated discourses, narratives can serve to sustain a general order or set of political and social arrangements, or can challenge them. Narratives may emphasize connections between particular circumstances and the general, thus helping to sustain hegemony. However, a narrative that “helps bridge particularities and makes connections across individual experiences and subjectivities” may also subvert the established order by posing an alternate discursive frame or

suggesting the possibility of an alternate reality. Overall narratives are one type of indicator (or marker) of the particular cultural-historical resources in circulation in society at a given time. These cultural-historical resources are key components of discursive frames, discussed below.

The key here is for the analyst to remain attentive to the specific cultural-historical resources that are drawn upon in a given narrative or account. Actors don’t say, outright, “I’m drawing on X, Y, and Z from history, and ignoring A, B, and C, in making sense of this situation and telling you what I think should be done.” This is, however, what is revealed through a look at the stories they tell. Thus, when the stories explaining high unemployment and the fiscal strains on the welfare state in Denmark in the 1980s turned from cyclical explanations (“the downturn is a normal part of the business cycle and is ‘OK’ within a larger meta-narrative of capitalism”) towards structural explanations and other ways of making sense of the situation (“this is a unique situation of skills mismatch, similar to recent developments in the US and reminiscent of a different period in Danish history”), the story became subversive, such that it unsettled established understandings of employment and welfare policy and opened up space for competing discursive frames based on an alternate reading of current history and cultural-historical resources. The result in Denmark was the recovery of a “forgotten” Danish/Scandinavian work tradition (the key cultural-

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historical resource at the root of the new frame) and a policy shift towards ALMP (entailing a unique Danish interpretation, “workfare”) in lieu of passive welfare policy. In short, culture, history and ideas are the tools inside the toolkit of cultural-historical resources from which actors draw their material for telling and retelling history, packaging and repackaging policy solutions, and understanding the world.

Discursive Frames

Discursive frames are coherent statements of political programs that are in turn embedded in a larger cultural-historical discourse or narrative. A given discursive frame is shared in a “weak” sense by actors across a society, in that all sides of a debate draw upon and deploy the frame, but they do not share the same interpretation or understand the same meaning behind the frame. Each discursive frame draws on shared cultural-historical resources, makes sense of challenges and prescribes logical/natural solutions. As a result, particular elements of a crisis or challenge (often previously deemed “natural” or unchangeable) are made actionable or amenable to intervention. Because discursive frames are constellations of ideas expressed through language and practice, identifying them involves “tracing the development of a few key concepts, their historical origins, their transformations, and not least their constitutive relationship

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to other concepts. 94 Discourses and individual frames are most readily identified through *tropes*, and can be evaluated according to their *strength* and *coherence*. 95

Tropes are the key building blocks of discursive frames, and are the terms, concepts, and expressions that are both common and contested within a society. Many actors in a given sphere deploy them, but they are imbued with different interpretations and meanings by different actors and through the process of communication. 96 Tropes are important flags for areas of contestation, indicating a struggle over the meaning of an issue and debate over the appropriate policy responses. Oft-used, but vaguely defined notions such as globalization or modernization are key signifiers in welfare state debates, employed by actors on all sides, often without an explicit definition but with general references to broader cultural-historical values or traditions. 97 Identifying tropes involves attention to two empirical levels—that which is “out there” in the form of general ideas, phrases, expressions, and understandings within a society, and a more

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95 Language varies on the key building blocks of a frame or discourse. The term “signifier” is used by many in the post-structuralist tradition (e.g. Torfing, Howarth). Jackson uses the term “rhetorical commonplace.” I choose “trope” for its relative familiarity within political science and because it is slightly more accessible to most. On the other options, see Torfing “Discouse Theory,” 16; Jackson *Civilizing the Enemy*, 27.


97 Other examples might include notions such as “revolution” or “the nation” that are often deployed in crises of state order (secession, civil war, etc.). Each side of such conflicts hold a distinct, if vague, interpretation of who/what the revolution is for, or who does/doesn’t belong to the nation, but all sides of such conflicts invoke “revolution” and “the nation” to make sense of such crises and legitimate their actions.
specific level of the elements actually “deployed” by actors to make explicit linkages to policy.98

Analyzing leading politicians acting in their official capacity, along with intellectuals and other public figures, constitutes the main step in identifying discursive frames.99 Although official statements such as party platforms or press releases are important sources, these tend to be scripted and negotiated. It is important to also pay attention to, and perhaps place more weight on, statements that individuals make in “difficult situations...[such as] interventions in heated debates (for instance, in Parliament). Here they need to mobilize rhetorical power and therefore draw on those semiotic structures that generate the most meaning for their purpose.”100 In particular, when examining such sources, the key is not who takes what position, but how an argument is made. Drawing on foreign policy examples, Wæver illustrates the point: “What are the powerful categories on which the argument rests, how are they related, are some concepts presented as, by necessity, companions (for example, ‘us’, Europe, Germans, civilization), are some presented as self-evident opposites (for example, Balkan and peace or nationalism and Europe)?”101 Similarly, attention to the unstated assumptions and elements left out of a given statement can also be key indicators. As such, scripted policy documents and unscripted interventions in politics as well as

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98 Jackson, Civilizing the Enemy, 28.
100 Wæver, “European Integration and Security,” 40.
evidence obtained through archival and interview research all constitute important sources for discerning the discursive frames that are in play in a given context.

In evaluating a given discursive frame, the strength of the frame is also important in explaining how it drives political outcomes. Scholarship on framing has suggested that the strength of a discursive frame is difficult to judge and that the sources of a strong frame are somewhat unclear. However, a discourse perspective points to elements that help clarify when and why a particular discursive frame may be perceived as strong. In particular, a connection to the fundamental principles and values held by individuals and held collectively in a society appear to lend strength (and, by extension, credibility and legitimacy) to a frame. The deployment of a discursive frame linked to cultural and historical values and ideas in a society forces adversaries to answer on the same terms, and accept, at least in part, the appropriateness of this frame. As Radaelli and Schmidt observe, “the transformative power of discourse is evident in entrepreneurial actors’ ability to entrap their ‘publics’ in rhetorical action.” In accepting the validity of a frame, actors are obliged to honor their rhetorical commitments even if they are opposed to the consequences, and even if they do not change their preferences as a result. The key here, again, is the linkage to the deeper normative values or paradigmatic beliefs that constitute a society. Thus, the

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102 Chong and Druckman, “Framing Public Opinion in Competitive Democracies.”
103 Radaelli and Schmidt, “Conclusions,” 369.
strength of a discursive frame cannot be simply read off of the situation in which it is deployed, but must be evaluated in historical context.\footnote{This is the point where the outside observer or analyst must take care to locate a discursive frame within a particular society with careful attention to historical and contextual specificity. It is also why a given frame on welfare reform in, say, Denmark, is not directly comparable as an equivalent “unit” to a welfare reform frame in Britain. Instead, as noted earlier in the chapter, comparison takes place on the level of patterns and family resemblances.} The most powerful discursive frames are those that establish a link to a “foundling moment” recognized and held in high esteem by a society. For the cases of social welfare reform, powerful discursive frames tend to invoke Beveridge and the spirit of postwar reconstruction in Britain, a deep-seated work tradition in Denmark, and the notion of the \textit{Sozialmarktwirtschaft} in Germany.\footnote{Critically, each of these cultural-historical references was tied to a specific party and entailed a specific set of policies and institutions when viewed in their own context (generally, the post-1945 welfare settlements). Their power comes from the fact that they have evolved into narratives that are shared and even valued across society even as they are interpreted in slightly different and selective ways. Patterson and Monroe, “Narrative in Political Science,” 325-326; Ewick and Silbey, “Subversive Stories and Hegemonic Tales,” 214.}

Finally, it is necessary to consider the \textit{coherence} of a discursive frame.\footnote{In addition to the dimensions discussed here, Schmidt and Radaelli and Schmidt (2004) have argued that the institutional context within which communication and interaction (discourse) takes place is also a central factor for evaluating the causal impact of discourse, drawing a distinction is between the coordinative (internal policymaking) and communicative (government to public) spheres. These insights are valuable, but also have the consequence on moving the analysis away from discourse as a communicative and rhetorical practice and placing the explanatory emphasis back on institutions. See the previous chapter for a critique of this analytical strategy. Schmidt, “Discursive Institutionalism;” Radaelli and Schmidt, “Conclusions.”} A discursive frame that does not face much contestation can be considered to be coherent and settled. However, the coherence of a discursive frame is more nuanced than might appear at first glance. On the one hand, a discursive frame may be considered coherent when actors deploy the same ideas in different or contexts or policy arenas, but this sort
of logical coherence is not a prerequisite for a “good” discourse, nor is it always possible. On the other hand, a measure of ambiguity in a discourse may also allow actors room for maneuver and negotiation. Importantly, all discursive frames are subject to contestation by other ideas, and may also confront events that they cannot integrate. This results in the process of dislocation, discussed in more detail below. As such, the coherence of a discursive frame is not so much a question of the logical combination of certain elements as it is the perception that a discourse “makes sense” by appropriately capturing the issue at hand as well as guides any policy response.

In general, identifying tropes and evaluating the strength and coherence of a discursive frame requires knowledge and understanding of the general discursive landscape as well as an understanding of the ideas and understandings in play. Rather than aiming to uncover some objective “truth” about a situation, the focus is on whether actors in a given context believe, or come to believe, a certain discursive construction of an issue to be true or false:

…the truth…may very well be constructed in the process of making an argument, even if losing the argument does not necessarily entail that a discourse was false. We need not be relativists to make this claim, since all we are suggesting is that truth is something that is itself contested, with discourse part of a dynamic process in which one hopes to convince others of one’s own ‘truth’ or vision of the world. In such a vision, however, we are not talking about creating something out of whole cloth, but rather of constructing a convincing picture or narrative from various elements, only some of which may be in contention.

In this sense, a “good” discourse may inject new facts or knowledge of a technical nature into a debate, may introduce newly emerging values, may emphasize long-standing values, or may represent a combination of these elements. The truth or falsity of these arguments is often dependent upon context and upon the specific actors making and receiving the claims. Thus, it is not the task of the present inquiry to determine the “truth” of given frames and arguments deployed in policy reform. Instead, returning to the Weberian notion of Verstehen and the intersubjective nature of discourse, I aim to map and understand these frames within their cultural and historical context, and then to compare these patterns. To draw an example from one of the case studies, whether Danish economists correctly diagnosed the source of their economic stagnation in the late 1980s as structural unemployment is not as relevant as the fact that the discursive negotiation of a new set of ideas engendered a new understanding of long-held concepts such as “work”, “welfare”, and “solidarity”, and produced an entirely new concept and rhetorical device, “workfare,” and resulted in a new set of policy options for addressing unemployment.

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111 Schmidt, “Does Discourse Matter in the Politics of Welfare State Adjustment?”
112 It is interesting to observe, post-hoc, that many Danish economists, including those involved in the decisions at the time, now argue that the diagnosis at the time was incorrect, or was a misinterpretation of the “objective” economic data. Nonetheless, this “false” interpretation (though true in the specific cultural-historical context in which it was made) resulted in a very real set of decisions and policies and the exclusion of others.
Mechanisms

Causal mechanisms link actors, ideas, and outcomes, and provide the bridge between agency at the micro-level and macro-social outcomes such as cultural shifts or major policy and institutional reforms. Investigating mechanisms yields a more complete understanding of how and why particular outcomes obtain at a particular point in time, and allows for limited generalizations based on these mechanisms, producing a more systematic (albeit bounded and contextualized) understanding of political and economic change. As Elster points out, “[t]he elementary unit of social life is the individual human action.”[^113] Although the approach developed here does not fully share Elster’s strict methodological individualism, instead emphasizing that actors and social action can also be viewed through a relational perspective, the fundamental point that political outcomes result from actions taken by identifiable actors.[^114] Tracing these connections provides a detailed account of the mechanisms behind political outcomes, and these mechanisms are, in turn, the “elementary building blocks of middle-range theory.”[^115] Uncovering these mechanisms requires detailed qualitative process tracing to uncover the actors and ideas behind events, and outcomes, but this level of detail yields a much better understanding of how, why, and under which circumstances, social phenomena are related.

At a most fundamental level, I follow Elster in conceptualizing mechanisms as the “cogs and wheels” that connect two events or outcomes. More precisely, Elster notes that “mechanisms are frequently occurring and easily recognizable causal patterns that are triggered under generally unknown conditions or with indeterminate consequences. They allow us to explain but not to predict.” In a more thorough definition, George and Bennett define causal mechanisms as “ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, or matter to other entities. In so doing, the causal agent changes the affected entity’s characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon it.” Although Elster and George and Bennett differ on the abstract “observability” of mechanisms, the definitions share two critical elements: a focus on connecting causal agents and outcomes, and identifying the conditions under which certain mechanisms are triggered. These elements are important points of comparison when analyzing discursive processes across diverse cases.

An approach focused on mechanisms seeks a middle ground between law-like generalizations and a purely descriptive account. For instance, much has been written in the social sciences about the relationships among concepts such as “class” and “income” or “health”. In the language of positivist social science, these variables tend to covary in regular ways, expressed through statistical associations. We know that

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117 Elster, *Nuts and Bolts for the Social Sciences*, 45. My emphasis.
118 George and Bennett, *Case Studies and Theory Development in the Social Sciences*, 137.
individuals of a certain “class” have lower incomes and worse health than others, but such associations say nothing about why this might be the case. Focusing on mechanisms thus generates middle-range explanatory accounts with an explicit emphasis on actors and on the precise linkages between events and outcomes. As George and Bennett point out, “…explanation via causal mechanisms involves a commitment in principle to making our explanations and models consistent with the most continuous spatial-temporal sequences we can describe at the finest level of detail that we can observe.”

Discourse theory itself posits two general mechanisms: articulation and dislocation. Articulation refers to the basic construction and expression of a discursive frame, or more specifically, “the practice that establishes a relationship among discursive elements.” Dislocation refers to the situation that occurs when a discursive frame confronts a situation that it cannot explain or integrate. Most discursive frames are flexible and can integrate or “make sense” of new information and events, but when a frame is confronted with information or events that it cannot accommodate, the struggle for new meaning is observed in a proliferation of tropes—general terms and concepts that are used by all involved in a given situation, but with different and contested meanings as various actors attempt to capture the discursive high ground by anchoring their interpretation of the issue and appropriate solution

120 George and Bennett, Case Studies and Theory Development in the Social Sciences, 140.
within society as the new “common sense.”\textsuperscript{122} In the general process of dislocation and (re)articulation, actors try to anchor events to concepts and ideas that they already understand, interpret events in that light, and ultimately make sense of the world once again.

In addition to articulation and dislocation, which apply primarily to the overarching discursive landscape, there are several mechanisms that are important in explaining how actors connect ideas and tropes to each other and to specific policy options. I adopt the mechanisms of diffusion, translation, and bricolage from Campbell as well as the mechanisms of joining, breaking, and specifying from Jackson.\textsuperscript{123} Diffusion refers to the spread of ideas or practices with little modification through a population of actors and highlights a possible mechanism behind processes such as policy transfer.\textsuperscript{124} Translation, refers to the process by which new principles are adapted for local practice through a precise specification of a “combination of new externally given elements received through diffusion as well as old locally given ones inherited from the past.”\textsuperscript{125} Finally, bricolage is a “mechanism within which actors call upon extant institutional resources and recombine them in a way that can make new

\textsuperscript{122} Torfing, “Discourse Theory,” 16. Discourse theorists commonly refer to “floating signifiers” in this sense. Ibid.
\textsuperscript{123} Campbell, International Institutions and Globalization, 65. Jackson, Civilizing the Enemy, 44-45.
\textsuperscript{124} Campbell, International Institutions and Globalization, 77-78. Diffusion is a relatively rare mechanism, though, as new ideas or practices are rarely adopted in toto without consideration or modification in the new environment.
\textsuperscript{125} Campbell, International Institutions and Globalization, 80.
normative claims upon an institution.”126 Drawing on the idea of an actor as a “cognitive bricoleur” from Bhaskar, the image is one of “a sculptor at work, fashioning a product out of the material and with the tools available to him or her.”127 Importantly, bricolage directs attention to locally available practices and ideas that may be combined and recombined in new fashion. This suggests that periods of institutional crisis and reform are not wholly “blank slates” for new ideas, as vestiges of prior understandings and even institutions influence how actors think about the future in devising solutions to problems:

the solutions that actors devise must be acceptable and legitimate within the broad social environment […] in order for new institutions to take hold they must be framed with combinations of existing cultural symbols that are consistent with the dominant normative and cognitive institutions. The utilization of symbolic language, rhetorical devices, lofty and culturally accepted principles, and analogies to what is believed to be the natural world are central to this framing exercise…128

As such, bricolage suggests that understanding political outcomes requires detailed attention to the resources available to actors at a given moment and how actors then choose to deploy these resources. The mechanism forms a conceptual linkage to the

127 In a more precise translation, *bricoleur* may be rendered as “handyman”. The image is thus not as elegant as that of a sculptor, but the connotation of an individual making repairs with whatever material may be available (and perhaps not being a specialist in the field) is perhaps more accurate in describing the actual process of struggle and negotiation in day-to-day politics. Roy Bhaskar, “On the Possibility of Social Scientific Knowledge and the Limits of Naturalism,” in *Reclaiming Reality: A Critical Introduction Into Contemporary Philosophy*, ed. Roy Bhaskar (London: Verso, 1989), 78.
128 Campbell, *International Institutions and Globalization*, 70. This specification of how ideas may matter during periods of institutional change differs from Blyth’s account, which tends to see such moments of upheaval and uncertainty as a *tabula rasa* for new ideas. cf. Blyth, *Great Transformations*.  

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concepts of cultural-historical resources discussed above and that of agency, developed in more detail below.

The final three mechanisms, joining, breaking, and specifying are relevant for the ways in which tropes are connected to each other and/or to specific policies and programs.129 Specification refers to the expression of a trope and an attempt to define its meaning such that it is a commonly used rhetorical resource.130 Breaking involves the attempt by an actor to sever the linkage between a rhetorical construct and its naturally associated policy and social implications, thus “capturing” the concept from others, whereas joining entails an attempt to link such a trope to others or to a particular policy direction.131 These mechanisms are more precise specifications of what may occur under the general situation of “dislocation” employed in discourse theory. Joining and breaking both involve the struggle over contested meaning and take the form of linking various cultural-historical resources into coherent frames and “fixing” their meaning, insofar as the frame then legitimates certain actions and policy options and makes others illegitimate or untenable. The universe of mechanisms employed here is summarized in table 3.1, below.

129 These mechanisms are developed by Jackson in his “transactional social constructivist” account of the post-1945 reconstruction of Germany and the construction of “the West.” Jackson’s account offers an excellent example of how actors, language, and mechanisms are linked into a causal explanation. On the mechanisms, see Jackson, Civilizing the Enemy, 44-45.

130 “Specification participates in an ongoing process of attempting to ‘fix’ a commonplace’s meaning and policy implications, so as to make the commonplace available as a rhetorical resource for use in legitimating a course of action.” Jackson Civilizing the Enemy, 44.

131 Jackson, Civilizing the Enemy, 45.
**TABLE 3.1 – MECHANISMS**

**MECHANISMS APPLYING TO THE DISCURSIVE LANDSCAPE**

*Articulation:* Practice that establishes a relationship among discursive elements (such as tropes, frames, and cultural-historical resources).

*Dislocation:* Occurs when a discursive frame confronts a situation that it cannot explain or integrate; markers include contestation over “floating tropes.”

**MECHANISMS APPLIYING TO ACTORS AND IDEAS**

*Bricolage:* Process by which actors recombine extant resources in a manner that can make (new) normative claims upon an institution.

*Translation:* Process by which new principles or ideas are adopted into local practice through a combination of new (external) elements and old (local) elements.

*Diffusion:* Process by which ideas or practices from the outside spread through a population of actors with little modification.

**MECHANISMS APPLYING TO THE LINKAGE BETWEEN TROPES AND POLICIES**

*Specification:* Expression of a trope with the aim of fixing its meaning.
**Breaking:** Severing of the linkage between a trope and a naturally associated policy or program; part of the process of recapturing a trope from others.

**Joining:** Linking a trope to others and/or a policy or program in order to specify a natural relationship.

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**Actors and Agency**

A mechanisms-based approach is necessarily linked to an approach that focuses on actors and agency. As Hedström and Swedberg note, mechanisms-based explanations invoke a “causal agent” and, in the social sciences, “the elementary ‘causal agents’ are always individual actors.” Yet these individual actors are not the isolated, rational actors of rational choice theory or (neo)classical economics. Rather, they are social actors, “in the sense that what links macro-level conditions to outcomes are individuals (or groups of individuals) acting at the micro-level in response to their social and institutional situations and each other.” As George and Bennett note, a mechanisms-based approach involves commitment to microfoundations, and by extension implies a methodological individualism that underpins the approach. However, this need not take the extreme or “strong” form prevalent in economics and

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134 George and Bennett, *Case Studies and Theory Development in the Social Sciences*, 137.
psychology that insists on finding the absolute “rock bottom” or original cause, whether traced all the way back in history or all the way to an individual’s “actual” motive. In contrast, the “weak” methodological individualism that underpins the approach employed here (and elsewhere in the social sciences\textsuperscript{135}) draws on Weber’s insight that all action is social: “The action being analyzed is always action by individuals that is oriented to the behavior of others.”\textsuperscript{136} The critical point is that actors, not variables, do the acting and a mechanism-based approach refers directly to the causes and consequences of individual action oriented towards the behavior of others.\textsuperscript{137}

In contrast to the general idea of understanding agency in terms of identifying influential individuals (or getting inside people’s heads to access motivations and true intentions), properly studying agency involves locating individuals and their actions within a social context, and focusing on the causal effects of their actions. To be sure, innovative people in the sense of Hall’s or Kingdon’s policy entrepreneurs, or those who creatively engage in bricolage, are central to understanding agency.\textsuperscript{138} Yet “understanding the role of the entrepreneur begins not with an assessment of their individual qualities, like talent or charisma, but with an appreciation of their position

\textsuperscript{135} Other mechanisms-based approaches in the social sciences also rely on this “weak” methodological individualism. See Hedström and Swedberg, “Social Mechanisms;” McAdam, Dynamics of Contention.
within a set of social relationships and institutions."139 Jackson makes a similar point in noting that it is important not to reify agents, or their beliefs, as these are both subject to the ongoing negotiation and renegotiation through the discursive process.140 Instead, it is appropriate to map out the pattern of arguments and frames deployed by agents and evaluate whether and how they produce relatively stable social arrangements.141 At the same time, it is also important to avoid reifying structure, or the context and environment in which actors are taking decisions.142 Social structure does not “cohere on its own” but is a constant process of stabilization as meanings and social arrangements are produced and reproduced through the action of agents.143 Such a “loose” conception of structure returns us to the idea of the bricoleur operating within a certain space with a certain set of resources (and constraints) to bring about a particular outcome.

In contrast to the tendency to focus on individuals (or individual agents) when discussing agency, it is really the manner in which actors deploy ideas, tropes, and frames to shape outcomes that is critical. As Jackson notes, we are not concerned with the individual mind (the workings of which are inaccessible and unverifiable), but the

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140 Again, this is not to assert that there is no real or material world, but rather that much of what we take as “real” is socially constructed in terms of its meaning and causal impact on politics. Recall the distinction between “brute facts” and “social facts” from Searle (1995) discussed above.
141 Jackson, *Civilizing the Enemy*, 31.
142 Indeed, the term “structure” itself is misleading, implying a stable situation that in fact is under continual negotiation and contestation, and is perhaps better referred to as “social arrangements.” Jackson, *Civilizing the Enemy*, 37.
143 Jackson, *Civilizing the Enemy*, 40.
manner in which agents deploy arguments in a given context. This is consistent with George and Bennett’s call to strive for consistency between theory and the lowest observable level of observation, thus problematizing the “as if” assumptions that underpin structural accounts. Understanding agency in this manner addresses problematic assumption (especially among rational choice theories) that the interests or preferences of an actor can be simply read off of their position in a given situation. This notion has already been challenged by McNamara in showing that the assumption of sectorally-based preferences for actors in international political economy breaks down because it cannot account for the specific institutional and informational context that (empirically) determine interests and decisions.

Put another way, the analyst should be mindful that particular events or outcomes could have ended up differently. Attention to agency in explaining outcomes means understanding that “particular actions had to be performed in particular ways in order to bring these structural elements together in precisely the way that they were in fact brought together, but these actions themselves were not predetermined.” The coherence of a given account or discursive frame is by no means guaranteed in advance, though such an outcome may appear as the only possible outcome when viewed as a

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144 Jackson, *Civilizing the Enemy*, 35.
145 George and Bennett, *Case Studies and Theory Developmenn in the Social Sciences*, 141-143. Implicit here is the notion of problematizing the “as if” assumptions that underpin many rationalist and structuralist accounts.
147 Jackson, *Civilizing the Enemy*, 37.
past event. In short, an account attentive to agency and contingency must investigate the choices of actors as they take place and hold open the prospect of historically plausible alternatives in explaining outcomes.

For the analyst, this conception of agency means investigating both the actors (individual and collective) and the specific discursive frames that they deploy in a given context. Doing so involves an inherent bias in focusing on the elite level, yet this level of analysis is not entirely misplaced. As Zaller has noted, the process of shaping ideas and opinion in advanced democratic societies is by and large a top-down process.]

148 Similarly, Jackson points out that it is precisely within the institutional apparatus of the modern state that key frames are deployed and debated and in which decisions are ultimately taken, thus justifying a general emphasis on elite level actors.]

149 At the same time, the subversive stories contained in some narratives, and the activities of non-elite actors, are important parts of the cultural-historical resources that make up discursive frames, and are often involved in challenging established understandings and dislocating frames.]

150 Accounts of non-elite actors and action help provide a more complete picture of elite level politics and of the resources that such actors draw upon. In general, though, the work of assembling, packaging, and disseminating discursive

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149 Jackson, Civilizing the Enemy, 49-50.
150 Recent scholarship on social movements and, more importantly, on subversive stories within the narratives that help define a society’s cultural makeup has challenged the notion that only the elite level matters. See McAdam, Tarrow and Tilly, Dynamics of Contention; Ewick and Sibley, Subversive Stories and Hegemonic Tales.
frames is largely an elite phenomenon, hence the general focus adopted here on key actors involved in the decisionmaking process.

Causality

The approach developed here does not employ a strictly positivist conception of causality, namely the isolation of specific factors and the identification of their systematic variation across cases.\textsuperscript{151} Dissatisfaction with this type of causality, expressed as a simple “if A, then B” statement of regularity (or what George and Bennett discuss as the deductive-nomological (“D-N”) model) has led to a focus on causal mechanisms in order to distinguish between spurious regularities and causal effects and separate out the assumed equivalence between explanation and prediction.\textsuperscript{152} The approach taken here does incorporate causal mechanisms, as discussed above, and also focuses on a deep understanding of specific cases as the basis for careful, bounded comparison of patterns or configurations (but not of individual factors or “variables” as if they were interchangeable). Explanation via causal mechanisms means going to the finest level of detail available, and more importantly, avoiding “as if assumptions” at


\textsuperscript{152} George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 131-135. For a detailed critique on both the general deductive-nomological (covering law) approach to social science, as well as specific criticisms of macro-quantitative research and problems of statistical inference, see Kittel “A Crazy Methodology?” Bernhard Kittel, “A Crazy Methodology? On the Limits of Macro-Quanititative Social Science Research.” \textit{International Sociology} 21, no. 5 (2006): 647-677.
higher levels of analysis.\textsuperscript{153} Research centered on exploring causal mechanisms also relies on detailed process-tracing as a method to uncover the causal chain.\textsuperscript{154} This, in turn, forces the researcher to consider equifinality, or the alternative paths through which an observed outcome could occur and also suggests a range of methods by which to make meaningful comparisons once causal chains have been established.\textsuperscript{155}

An analysis based on causal mechanisms helps to square the circle of causality and contingency. As George and Bennett note, “[o]ur definition of causal mechanisms states that these mechanisms operate only under certain conditions and that their effects depend on interactions with the other mechanisms that make up these contexts. In other words, a causal mechanism may be necessary, but not sufficient, in an explanation.”\textsuperscript{156} Similarly, Jackson notes that discursive frames or “…public legitimation claims are (jointly) sufficient to bring about an outcome, but we can never determine whether they are strictly necessary for a particular outcome.”\textsuperscript{157} Jackson’s account shares an emphasis on sufficient causation with George and Bennett’s definition or, drawing on Weber, what might be termed “adequate causality”—an account in which the given historical constellation certain ‘conditions’ are conceptually isolatable which would have let to that effect in the presence of the preponderantly great

\textsuperscript{153} George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 149.
\textsuperscript{154} George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 207.
\textsuperscript{155} In particular, George and Bennett emphasize the role that typological theory can play in sorting out various causal paths and the conditions under which they occur. While the present approach does not adhere strictly to such a conception of typological theory, it does share the general focus on identifying configurations of factors and actors that aid in both understanding and explaining specific cases, as well as the iterative back-and-forth between theory and evidence. George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 207; 239-249.
\textsuperscript{156} George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 145.
\textsuperscript{157} Jackson, \textit{Civilizing the Enemy}, 42-43
majority of further conditions conceivable as possibly occurring, while the range of those conceivable causal factors whose presence probably would have led to another result...seems very limited.\textsuperscript{158}

Both conceptions of causality built around causal mechanisms share the idea that outcomes are brought about by a configurations of context-dependent factors, some of which contribute to the effect and some of which may act to counteract or mitigate the effect.\textsuperscript{159}

In concrete terms, this means that the analysis is not concerned with merely identifying discursive frames as “units” that can be compared across cases. Instead, the key is empirically investigating which frames are deployed (and which are not), and how their deployment affects policy outcomes within a particular context.\textsuperscript{160} The researcher must thus study a situation with the aim of uncovering a configuration of factors and a causal chain robust enough, such that the analyst can conclude that “we cannot plausibly conceive of that configuration not producing the outcome in question.”\textsuperscript{161} For example, without the actors that deployed the specific discursive frame of “flexicurity” in Denmark in the 1990s, the diagnosis of the economic crisis of the 1980s and the subsequent policy decisions, as well as the actors involved, would


\textsuperscript{159} George and Bennett note that Paul Humphreys terms this “aleatory theory” or explanation, or the idea that Y occurs because of A, despite B. George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 145. Similarly, Jackson emphasizes the importance of empirically ascertaining which causal mechanisms are relevant and how they are interrelated. Jackson, \textit{Civilizing the Enemy}, 43-44.

\textsuperscript{160} Jackson, \textit{Civilizing the Enemy}, 42.

\textsuperscript{161} Jackson, \textit{Civilizing the Enemy}, 43.
have looked much different. This is not to say that the employment crisis wouldn’t have been addressed in some fashion, but rather that the combination of a crisis, a select group of actors carrying a certain set of ideas, and the ability of these actors to construct a frame that “made sense” of the crisis as others could not, produced a unique outcome—one which can be traced, and one that would not likely have been produced by any other combination of factors.

**The Approach in Practice**

Accessing and analyzing the discursive frames at play in a society and in specific policy debates involves several steps. It is first necessary to develop a sense of the frames and tropes deployed, the actors involved in a debate, and the larger cultural-historical resources that are serving as referents for a given debate. At first glance, such a method seems both subjective and vague. Yet in more formalized terms, the approach is consistent with the use of process tracing to first construct a detailed narrative and then develop an analytic explanation from that narrative. In letting the empirical record speak for itself, this approach involving detailed process-tracing in

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162 In plain language, Wæver states “…one has to establish a general sense of the country and its politics, read an awful lot, gradually recognise recurring patterns, and stumble across puzzling formulations – often details – that afterwards reveal important general insights. Thus, one has to pursue a kind of knowledge characteristic of the humanities…This is one of the reasons why this method is not always received with enthusiasm in political science.” Ole Wæver, “European Integration and Security,” 40. Jackson refers to identifying the “topography” of debates around a given issue. Jackson, *Civilizing the Enemy*, 46.

163 George and Bennett, *Case Studies and Theory Development in the Social Sciences*, 210-211.
each individual case produces a detailed account that, done properly, captures the full range of factors at play in a given case.\textsuperscript{164}

Concretely, I follow the more formalized method as described by Jackson, which consists of three general steps.\textsuperscript{165} The first step, identifying the key players and sites of contestation, is inductive. It is not, however, simply left to the whimsy of the researcher: “modern states have specific institutional locales in which such debates are carried out and specific points in time at which debates take place…”\textsuperscript{166} Events such as electoral contests, political debates, press conferences, parliamentary hearings, party conferences, and major policy pronouncements all provide material for developing a basic understanding of the discursive environment. The general public record of such events provides an overview of the key actors and debates, which is then bolstered and confirmed by interview evidence (for contemporary debates) and archival research (for the historical component).

In identifying the actual frames deployed and cultural-historical resources in play, the analyst should focus on the entire debate, rather than simply describing the positions taken by different sides in a debate. This focuses inquiry into the frames and resources deployed by all sides in a given debate, and individual positions “…are then understood as deployments of some subset of those resources in a specific

\textsuperscript{164} Specifically, George and Bennett note the strength of case study research combined with process-tracing and the use of primary sources in identifying new variables and hypotheses, as opposed to statistical methods that are limited to the variables that an analyst decided to code into a database. George and Bennett, \textit{Case Studies and Theory Development in the Social Sciences}, 21-21.

\textsuperscript{165} Jackson, \textit{Civilizing the Enemy}, ch. 3.

\textsuperscript{166} Jackson, \textit{Civilizing the Enemy}, 49-50.
configurations. The emphasis remains on the process of claims making, rather than on the finished product that often appears in the guise of fully determined opposite sides. Thus, the analysis of a given debate is not concerned with exactly what the left says in opposition to the right, or the differences between the Christian Democratic and Social Democratic positions on a given question. Rather, the focus is on the frames and cultural-historical resources shared by all actors, yet understood and deployed in different fashion. The process of deploying frames is interactive in nature, and a focus on the general field of debate, rather than specific positions, captures this dynamic element of contestation over meaning.

In analyzing the general discursive field, it is important to point out that frequency is not necessarily the best indicator for identifying key frames; the most common tropes, statements, concepts are not necessarily the most important. Indeed, simply counting the occurrences of certain frames or tropes moves the analysis away from the discourse itself and back “toward an explanation of the rhetorical choices made by individuals.” This is problematic, as it then implies the impossible task of assessing motivation or the true meaning behind an actor’s rhetorical actions, rather than the causal effect that these statements have: “Obviously, speakers select arguments because they think that they will be effective, but this tells us little about the causal impact that particular arguments have. Only analyzing the discourse surrounding

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167 Jackson, Civilizing the Enemy, 47.
168 Jackson, Civilizing the Enemy, 50.
policy rather than merely the frequency of words used can usefully illuminate the social outcomes of come particular policy-making process.”

The researcher thus seeks to identify a set of frames or tropes that are used by all, but are not necessarily shared in the strong sense of complete agreement on meaning. The meaning of a given trope is not a univocal, completely fixed bit of meaning that is *identically* possessed by multiple people; that would be a strong form of shared meaning, and (besides being virtually impossible to ascertain empirically) would also have the logical consequence of making debate and discussion unnecessary: if we already agreed in this strong sense, why would we have to talk about it?

Indeed, were the frames or tropes shared and deployed in similar fashion by most actors, there would be no debate at hand, as meaning and understanding would already be anchored.

Finally, such observation allows for the analyst to highlighting significant features of the debate and, in turn, the mechanisms involved that link actors and outcomes. This is much more than just a description of the debates, in that the aim is to systematically identify key tropes, frames, and mechanisms, and to link these to actors in developing an explanation for a particular outcome. As such, there is not necessarily a “magic moment” of choice or decision to be found, but an observation of the undulating process of debate and discussion among actors deploying common tropes,

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170 Jackson, refers to this as a “minimal spanning set…sufficient to capture the basic outlines of the debates under consideration.” Jackson, *Civilizing the Enemy*, 50.

and the shifts in the actors themselves, the types of argument and, ultimately, the policies that are deemed appropriate and legitimate.\footnote{cf. Jackson, \textit{Civilizing the Enemy}, 55.}

Such an approach helps produce the middle-range theorizing that systematically delineates the precise mechanisms that explain the associations between events and connect them to one another.\footnote{Hedström and Swedberg, “Social Mechanisms,” 1-2.} With this approach, the analyst is able to construct a framework for comparing elements that are difficult to grasp directly, such as the role of culture and values in politics. Practically, this means analyzing the records of parliamentary debates and speeches, examining a great deal of archival material to understand the historical connections that help constitute cultural-historical resources, and using interviews with contemporary policy- and decisionmakers as a check on the documentary evidence. In this context, interviews are not designed to ascertain factual information (e.g. the substantive content of policy x), but to capture the manner in which individuals talk about policies and decisions – the words, tropes, frames, and rhetoric used – and also to capture a sense of the actors and networks involved by fleshing out who is talking to whom within the discursive process.

\textit{Expectations}

The discourse-theoretic approach outlined here is designed to provide a deep understanding of the empirical material within particular cases (in the Weberian sense
of Verstehen as a path to explanation), with the aim of elucidating causal mechanisms and exploring cases where existing theories do not adequately explain the observed outcomes. As such, the approach does not generate specific hypotheses to test “if A then B” relationships or law-like statements. However, the foregoing discussion does generate broad a set of expectations against which the empirical case material can be assessed. These expectations are as follows:

- Facing situations of uncertainty, actors will turn to both cultural-historical resources and new ideas to make sense of their situation and construct a response. Moments of crisis are neither “blank slates” nor is the outcome easily derived from pre-existing interests.

- The most powerful discursive frames should be those in which actors combine cultural-historical resources with new ideas, through either joining or bricolage. Absent these mechanisms, a reform discourse is unlikely to capture the discursive landscape.

- The mechanism of breaking is necessary for the dislocation of an overarching (or settled) discourse; breaking in operation is a marker of a contested discursive frame.
• Because welfare states are deeply intertwined with national institutions, understandings, and histories, the mechanisms of translation and diffusion are less likely to be in operation in the process of welfare state development and reform.

More generally, when considering the macro-level model for the economic and social policy spheres (figure 1.1), the process of discursively constructing and contesting frames takes place in the “arrows” of the diagram, between the settled periods. It is in these transitions between established understandings (settled discourses) that the approach described in this chapter can explain the timing and nature of change between periods. This means that the approach here will not predict a particular policy outcome, nor is it designed to assess the “success” or “failure” of policies. It can, however, explain why a particular policy option was chosen from a menu of possible choices when actors confront a functional imperative (unemployment, public debt, etc.) and why other options were removed from the “menu” as inappropriate or illegitimate.

In sum, the discourse-theoretic approach developed here emphasizes the intersection of ideas, language, and actors. It focuses attention on a specific, yet often overlooked, element of politics—the struggle over meaning. The central object of investigation is how actors interpret situations, weave together cultural-historical resources and new ideas in response, and deploy these to pursue a specific course of
action. This approach is applied in the case studies of Britain, Germany, and Denmark that follow.
Chapter 4: Great Britain 1948-1979 – The Rise and Fall of the Postwar Consensus

“But Want is one only of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness.”

- Sir William Beveridge (1942)

INTRODUCTION

The story of British welfare state development and reform can be broken down into four historical periods, two of which are treated in this chapter and two in the next: the wartime debates centered on the Beveridge Plan that led to the creation of the postwar British welfare state, the crisis of the British welfare state and economy in the 1960s and 1970s, the conservative revolution and rise of Thatcherism in the 1980s, and the subsequent Third Way counterrevolution led by New Labour under Tony Blair in the 1990s. These periods also correspond to major periods of economic growth and decline in Britain, from the postwar reconstruction boom to the stagnation of the 60s and 70s to the malaise and then recovery of the 80s and 90s. However, the material circumstances in a given period do not fully explain the development and reform of the British welfare state. This can only be accomplished through attention to the discursive linkages forged by actors who weave cultural historical resources together with

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contemporary ideas to make sense of a given situation. In turn, these discursive frames explain how and why certain institutions and policies became part of the political agenda at a particular point in time while others were left off of the agenda.

In the British case, the postwar settlement guided by the ideas of Sir William Beveridge is the foundation for the debates and discourses in subsequent periods. Actors constructed new understandings of employment, welfare, and security through the mechanisms of *bricolage* and *joining*, and this understanding of social and economic policy informed a postwar consensus that lasted through the 1970s. The inability of governments to effect any meaningful change in the turbulent 1960s and 1970s *despite* material circumstances (economic crisis) that would seem to provide fertile ground for reorienting economic and social policy is explained by the lack of leadership, or the failure to construct and disseminate discursive frames that made sense of the crisis and suggested logical, appropriate responses. As discussed in the next chapter, the discursive frame of Thatcherism displaced the postwar consensus in the 1980s, yet soon collapsed due to internal contradictions and a weak grounding in broader cultural-historical resources. In contrast, the mechanisms of *bricolage* and *joining* again became central in the reinvention of social policy under Blair and New Labour, as cultural-historical resources that already existed within the British discursive
field were recombined or reinterpreted to create frames concerning present challenges and appropriate responses.²

This chapter begins with a discussion of Beveridge and the 1942 report from the Committee on Social Insurance and Allied Services that came to be known as the “Beveridge Plan.” Many of the principles and ideas from the welfare discussions in 1940s have carried through to contemporary policy debates and will also be discussed in the next chapter. In particular, key tropes such as “want,” “universalism,” and “something for something,” as well as broader debates concerning the role of “work,” “means testing,” and definitions of poverty in British constitute the cultural-historical resources that are central to understanding welfare state development and reform in Britain. Above all, though, the idea of “social security” is critical to understanding the development of the British welfare state. Both “social security” and “welfare” were novel terms introduced into the British discourse and imbued with specific meanings during the war years.³ After finding one of its first acknowledgements in the British context in the 1941 Atlantic Charter, social security became the fundamental principle

² Stone mentions “causal stories” in describing the way that circumstances are made amenable to human action and intervention; similarly, discursive frames, especially those that are grounded in bricolage, draw on elements of extant narratives in society. Deborah A. Stone, “Causal Stories and the Formation of the Policy Agenda,” Political Science Quarterly 104, no. 2 (1989): 281-300.
³ Although the term “welfare state” was first coined in Germany in the 1930s (Wohlfahrtsstaat) as a critique of an overburdened and oppressive Weimar Republic, the term “welfare” later entered into British discourse during the Second World War as an antonym to the “warfare” or power state (e.g. totalitarianism) and became emblematic of a state “as an organ of the community whose role was to serve the welfare of its citizens and respect international law.” Rodney Lowe, The Welfare State in Britain Since 1945 (Houndmills: Palgrave MacMillan, 2005), 13. Lowe also cites the 1941 book Citizen and Churchman by the Archbishop of Canterbury, William Temple, as the apogee of the usage of “welfare state” to denote a benevolent state grounded in the community.
of the Beveridge Report and remains one of the central discursive frames in welfare state debates.4

Tropes such as “social security” and “welfare” were shared by all actors involved in welfare state debates, yet the meaning with which these terms were imbued changes over time and varies depending upon which actor is employing the concept. For example, Beveridge envisioned participation in a vocational training scheme as a condition for receiving unemployment benefits over a long-term. This early focus on training and job placement disappeared in the 1950s, only to reappear with the activation paradigm that became part of New Labour’s “New Deal” initiative in the 1990s (albeit in conjunction with means-testing, a principle that Beveridge rejected). In fact, each of the major principles outlined by Beveridge was rejected by the mid-1950s, either through direct policy reversals or by virtue of never having been addressed in the first place. Nevertheless, the notion of social security is at the heart of all postwar welfare state debates as actors deployed various elements of Beveridge in different discursive combinations as they confronted new challenges and constructed new solutions.

To understand the different ways in which actors understood and deployed concepts such as social security, it is necessary to sketch out the broader ideas that informed postwar debates on the welfare state and the economy in Britain. Lowe

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4 Lowe, *The Welfare State in Britain Since 1945*, 136. The general idea found expression in point 6, concerned with the advancement of social welfare, and point 7, freedom from want and fear.
identifies four main intellectual streams: reluctant conservatism, democratic socialism, the New Right, and the Third Way. Reluctant conservatism underpinned the center-right up through Thatcher’s conservative revolution and was grounded in classic liberal belief that viewed the market as the best mechanism for ensuring personal freedom, economic efficiency, and social justice. Interestingly, the two chief architects of the British welfare state, Keynes and Beveridge, stem from this thought tradition. Both sought to maximize opportunities for individual liberty, but recognized the limitations and failings of the market, especially in light of the British wartime experience. As a result, both argued for limited, targeted intervention (Beveridge emphasized the need for regulation for the sake of providing positive freedoms such as freedom from want), and this pragmatism was later the justification for the Conservative Party’s defense of the welfare state after its return to power in 1951.

Although Beveridge and Keynes were the chief intellectual forces behind the British welfare state, it was democratic socialist thought that shaped the implementation of the British welfare state under Attlee’s 1945-51 Labour government. Democratic socialists not only viewed the unregulated market as inefficient, but also saw it as inherently unjust and supported state intervention as a means of engineering a more egalitarian society. Grounded in the thought of T.H. Marshall, Richard Titmuss and A.R. Crosland, democratic socialist ideals provided an intellectual and discursive basis

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to the welfare state that formed the basis of a cross-party postwar consensus on social security and economic policy that remained unchallenged even when the Conservative party took power. Democratic socialist ideals were based on several assumptions (economic growth, the benevolent state, an altruistic society) that did not necessarily conform to the empirical “reality” but were powerful forces in shaping interpretations of the circumstances that Britain confronted through the 1970s. As is discussed in the next chapter, democratic socialism and the postwar consensus were eventually dislocated by the New Right under Thatcher, and Thatcherism was then dislocated by New Labour and the Third Way discourse under Tony Blair. The following sections trace out how actors the postwar period up through the 1970s constructed and disseminated the discursive frames that provided interpretations of political and social circumstances and, in turn, placed certain responses on the agenda as appropriate while taking others off the table. The main discursive frames, tropes, and mechanisms for the postwar settlement period are listed in table 4.1, below.
**Table 4.1 – Frames, Tropes and Mechanisms in the 1940s Beveridge Debates**

**Overarching Discourse:** none; debates over interwar, war period and capitalism develop into the articulation of a Keynesian demand management discourse in 1948-1979 period.

**Frames**
- Social security, which develops into postwar consensus
- Reconstruction

**Tropes**
- Social security
- Welfare
- Want
- Universalism / contributory insurance
- Means-test
- Something for something
- Poverty / families / children
- Interwar/pre-war “capitalism” (as a negative)

**Mechanisms**
- Bricolage
• Established a connection between security and enterprise and thrift, rejected the “free contract society” that had bred inequality and poverty, and promised a society in which freedom is underpinned by security and in which security promotes thrift and enterprise
• Traditions of individual freedom and responsibility, decentralization, state separation blended with solidarity, community, government role in providing security; security in turn a precondition for thrift, enterprise, and individual achievement
• Lloyd George’s old insurance principles and new universalism/national minimum

  ▪ Joining
    • Elimination of want joined to flat-rate contribution scheme (insurance principle) and universal care
    • Beveridge Plan principles produce 1948 “Appointed Day” legislation
    • Reconstruction and necessity of social insurance
    • Social security and “welfare”

  ▪ Breaking
    • Individualism and means-test broken apart from social security/welfare
    • Capitalisms/self interest separated from reconstruction/progress

  ▪ Specifying
    • Welfare as a right,
    • State role in alleviating poverty
BEVERIDGE AND THE POST-WAR SETTLEMENT (1945-1948)

The Inter-Departmental Committee on Social Insurance and Allied Services was created in June 1941 with the following terms of reference: “To undertake, with special reference to the inter-relation of the schemes, a survey of the existing national schemes of social insurance and allied services, including workmen's compensation, and to make recommendations.” Under the Chairmanship of Sir William Beveridge, a prominent economist and social reformer, the Committee held hearings through September 1942 and received testimony from over 100 experts and organizations, and debated both the technical details and the principles underlying various proposals for social security. The Committee Report, which came to be known as the Beveridge Report, was published on December 2, 1942 and was greeted with widespread public enthusiasm in Britain and abroad. Although the wartime coalition government did organize a Parliamentary debate in 1943 and subsequently submitted a White Paper on National Insurance in 1944, it was the post-war Labour government under Attlee that finalized

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7 Beveridge Report, Preface. The Committee was created on the initiative of the Labour Minister Without Portfolio, the Rt. Hon. Arthur Greenwood
8 Beveridge had also been and advisor to David Lloyd George (Liberal) on questions of old age pensions and national insurance (1906-1914).
9 The final report was signed only by Sir William Beveridge, and not by all 12 members of the Committee. Because the other members of the Committee were also members of the Civil Service, Beveridge, the Government and the Committee decided to leave their signatures off of the report so as to avoid any perception that members of the Civil Service were taking positions on behalf of their ministries, and to avoid any possible conflict of interest. LSE/Beveridge/8/48, Parliamentary Debates, House of Lords Official Report, 21st January 1943. In addition, there was some debate within the War Cabinet over whether to release the report to the public at all, for fear of raising unrealistic expectations. Wiki/Barnett cite.
and implemented Beveridge’s proposals. On the “Appointed Day” of July 5, 1948, the five key pieces of legislation that formed the core of the postwar British welfare state were enacted, among them National Insurance Act that stemmed most directly from the Beveridge Report.

Perhaps more than any other person, and more than any other document, Sir William Beveridge and the Beveridge Report shaped the postwar British welfare state and the course of postwar social and economic reconstruction in Britain. The Beveridge Report itself had something of a dual character. On the one hand, it contained a detailed set of recommendations for national insurance. On the other hand, it offered general principles related to work and welfare that were grounded in an examination of British society and the economy. Beveridge’s conceptualization of social security was the single thread that connects these elements. For Beveridge, achieving social security was an essential first step towards the greater goal of abolishing “want” and the other giants of disease, ignorance, squalor and idleness that threatened Britain’s postwar recovery. Beveridge’s concept of social security was also a revolution in thinking on the relationship between the individual, the state, and society. Government involvement

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10 Indeed, there was frustration in the interim parliamentary debates that nothing had been done, and that “promises given” were not being implemented. Beveridge/LSE/8/48, Parliamentary Debates, House of Commons Official Report, vol. 395, no. 7, Tuesday, 30th November 1943, col. 800-916.
12 The idea of the “giants” such as want stems from the 1941 Atlantic Charter. Beveridge defined want as “…the circumstances in which, in the years just preceding the present war, families and individuals in Britain might lack the means of healthy subsistence […] abolition of want requires a double re-distribution of income, through social insurance and by family needs.” Beveridge Report, 7.
in society and the market came to be seen as a precondition of, rather than a threat to, personal responsibility and freedom: “It was this revolution in values and in the role of government which led to the coining, and the public acceptance, of the term ‘welfare state’.”

Although many of Beveridge’s proposals proved unworkable in the postwar era, the overarching aim of establishing social security and abolishing want defined the discussions on welfare and the economy in postwar Britain and grew into a powerful cultural-historical resource for subsequent eras.

The Beveridge Report established a holistic view of welfare through the articulation of three general principles: 1) tackling future challenges demanded consideration of more than the “sectional interests” associated with welfare to date; 2) social insurance was just one part of a comprehensive social policy focused not just on want, but also on the ills of disease, ignorance, squalor and idleness; and 3) achieving social security required cooperation between the state and the individual. In turn, Beveridge elucidated three key assumptions necessary to achieve social security and the abolition of want: the need for children’s allowances, comprehensive health services, and the maintenance of employment. Initially set against a backdrop of wartime suffering and the challenges of postwar reconstruction, the interwar and postwar debates over the Beveridge Report centered on these principles and generated key tropes such as such as universalism, subsistence, fairness, insurance (the contributory principle), and

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14 Beveridge Report, 6-7.
15 Beveridge Report, 120.
idleness (the sources of poverty or thrift) that were discussed in the context of a larger narrative British social security traditions. Although they find different expression in subsequent historical periods, these elements are at the core of the loosely shared yet contested discursive space underpinning discussions and understandings of work and welfare—in short, the core of the cultural-historical resources necessary to understand the British case.¹⁶

Examining the debates and discussions surrounding the Beveridge Report, one senses the uncertainty with which the actors were grappling, as well as their awareness that postwar reconstruction was a revolutionary moment for Britain. Beveridge, Churchill and the War Cabinet, and the post-war Labour government were all navigating uncharted waters in attempting to eliminate the “five giants” and guide Britain through economic and social reconstruction. Identifying the key actors in these debates and understanding how these tropes shaped the framing of the social security discussion in Britain are the first steps in the analysis of how the British welfare state took the form that it did. At the elite level, Beveridge was active in advertising and promoting his proposals in the interwar and postwar period. In the spirit of wartime cooperation and consensus, Beveridge (a Liberal) generally had the backing of Churchill and the Coalition War Cabinet. However, his proposals were ultimately modified and enacted by the post-war Labour Government led by Clement Attlee, with

the extensive involvement of Aneurin Bevan.\textsuperscript{17} In addition, a dizzying array of interests and organizations had a stake in the social insurance debates, from the trade unions, which had traditionally assumed the responsibility of caring for injured workers, to the “Approved (or Friendly) Societies,” a hodge-podge of organizations and insurance agencies that had grown up to administer the existing patchwork of insurance and benefit schemes.\textsuperscript{18}

Within this web of conflicted interests and uncertain actors, the elements of agency and contingency are critical. The policies and institutions that became the British welfare state were not pre-ordained outcomes, nor were they the direct result of the material circumstances facing Britain in the postwar era.\textsuperscript{19} Instead, they resulted from a process of contestation in which actors debated and chose from a range of possible policy areas and institutional options. A typical or rationalist or material-based account would focus on these conflicting interests as the stuff of politics and the source of an explanation for the subsequent outcomes. However, it is precisely in such instances where interests are fragmented or unknown that interest-based explanations break down.\textsuperscript{20} Given this backdrop, the key question, then, is why these particular

\textsuperscript{17} Bevan was central in crafting the National Health System.
\textsuperscript{18} The Approved or Friendly Societies were state approved non-profit groups that provided and administered health and pensions services through the interwar period. On the debate over the role of the Approved Societies, see LSE/Beveridge/8/26, Social Insurance and Allied Services Minutes, 1942.
\textsuperscript{19} Specifically, the National Insurance Act and the related Acts that instituted the National Health System and the state pension scheme were not pre-ordained outcomes.
\textsuperscript{20} The Beveridge Report itself makes clear in numerous places that that information about who received what benefit, at which rate, and from whom, was sorely lacking, and that interests were fragmented across the various groups involved in the debate. LSE/Beveridge/8/26, War Cabinet Interdepartmental Committee on Social Insurance and Allied Services, 21 January 1942. See Mark Blyth, \textit{Great
principles and recommendations, among many other options, were selected as appropriate? Why, in particular, did Beveridge defend the flat rate contribution system so vigorously, despite his own admission of the fiscal difficulties that this might entail? How were the various elements linked together to form a coherent discursive frame concerning social security? And perhaps most importantly, what led to the acceptance of a principle of welfare and social security that turned centuries-long traditions of individual freedom and decentralization completely on their head? The development of the British welfare state from the Beveridge Report to the post-war institutions and policies demonstrate how, in such uncertain situations, actors turn to their cultural-historical resources to interpret new information and make sense of their world.

*The Committee on Social Insurance and Allied Services and the Beveridge Report*

The 1941-1942 deliberations of the Committee on Social Insurance and Allied Services and the 1943 parliamentary debate on the Beveridge Report provide a window onto the cultural-historical resources that are central to welfare state development and reform discussions in Britain. After a detailed discussion of both technical issues and matters of principle within the Committee, the publication of the Beveridge Report on December 16, 1942 was followed by a period of public excitement and a sense of hope.

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21 As is discussed below, the war legacy is an important part of the constellation of factors that led to this shift in values. See Lowe, *The Welfare State in Britain Since 1945*, 15.
and renewal in Britain. The publication of the Report had created a great deal of public expectation, even as the public realized that the plan called for significant contributions by wage-earners. However, the mood soured as progress towards implementation stalled, and the 1943 parliamentary debates on the Beveridge Report were characterized by a combined sense of concern and urgency, as well as a deeper uncertainty concerning the prospects for postwar economic recovery. In confronting these challenges, discussion within the Committee, the War Cabinet, and the Parliament was generally characterized by consensus; few dared oppose a plan that had garnered such widespread public enthusiasm, though many questioned particular details.

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22 Initial surveys indicated that 90% of the British population was familiar with the Report by early 1943. In addition, Beveridge’s own notes contain records on the number of versions sold in Britain and abroad: 265,000 full, 369,000 abridged, 40,000 American; translations permitted into Spanish, Portuguese and German, with report then published in Argentina, Brazil, Portugal, Mexico and Switzerland; partial versions in Czechoslovakia, Italy, and China. LSE/Beveridge/8/48, Parliamentary Debates, House of Commons Official Report, vol. 395, no. 3, Tuesday, 30th November 1943, col. 221.

23 Lord Addison observes of the public reaction to the Report that “I think it is fair to say that in its broad outline it was well understood by people that it did mean a substantial contribution each week by every wage earner […] It is remarkable that, with that understood, it still received an immense volume of popular support.” LSE/Beveridge/8/48, Parliamentary Debates, House of Lords Official Report, vol. 126, no. 31, Thursday, 25th February 1943, col. 308.

24 Lord Addison notes that “It is quite evident that the questions uppermost in the mind of every man and women [sic] at the end of the war will be: ‘Am I going to get a job of work?’ and ‘Am I going to be able to get back my home or have a home that is worth calling a home and be able to live in reasonable security and comfort?’” LSE/Beveridge/8/48, Parliamentary Debates, House of Lords Official Report, vol. 126, no. 31, Thursday, 25th February 1943, col. 309. See also LSE/Beveridge/8/48, Parliamentary Debates, House of Commons Official Report, vol. 395, no. 1, Wednesday, 24th November 1943, col. 33-34 and Parliamentary Debates, House of Commons Official Report, vol. 395, no. 7, Tuesday, 30th November 1943, col. 831-832.

25 One interesting source of opposition came from the Armed Services, where there was a great deal of concern that conducting postwar planning before the war was won was both a distraction to the troops and a misplaced effort. The Army Bureau of Current Affairs temporarily banned distribution of the Report to the armed services in 1942 as a result. Beveridge/LSE/8/48, Parliamentary Debates, House of Commons Official Report, vol. 395, no. 2, Thursday, 25th November 1943, col. 94-16.
Against the background of a set of principles and assumptions on one hand, and a multiplicity of actors and interests on the other, Beveridge maintained a single-minded focus on constructing a social security system to replace the myriad of insurance and assistance schemes in place up to that point. Beveridge conceptualized social security around four key contingencies that could undermine an individual’s basic subsistence – unemployment, sickness, or industrial accident during the normal working period; old age and the continuance of life beyond the working period; maternity; and death – backed by an assumption that any intervention should be geared at returning an individual to work as soon as possible.\footnote{The term ‘social security’ is used here to denote the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident, to provide for retirement through age, to provide against loss of support by the death of another person, and to meet exceptional expenditures, such as those connected with birth, death, and marriage. Primarily social security means security of income up to a minimum, but the provision of an income should be associated with treatment designed to bring the interruption of earnings to an end as soon as possible.” Beveridge Report, 120; see also LSE/Beveridge/8/46, “Social Insurance – General Considerations.”} In turn, Beveridge identified six elements to social insurance that guided his recommendations: a flat rate subsistence benefit, flat rate of contribution, unification of administrative responsibility, adequacy of benefit, comprehensiveness, and the classification of individuals for benefits and contributions.\footnote{Beveridge Report, 121.} Beveridge’s principles and policy recommendations were all informed by a new “scientific” understanding of want derived from a series of surveys conducted in the interwar period that revealed a far larger proportion of the British population living below the basic subsistence level that had been expected.\footnote{The Beveridge Report notes that “The plan is based on a diagnosis of want. It starts from facts, from the condition of the people as revealed by social surveys between the two wars.” Beveridge Report, 8.}
Initial discussions among the Committee focused primarily on the flat-rate contribution and benefit system at the heart of Beveridge’s proposal for national insurance, as well as on the classification scheme that would be used to determine an individual’s rate of contribution and benefit. Despite objections pointing out that regional differences in the cost of living (“rents”) posed problems for a flat-rate benefit and contribution scheme, Beveridge insisted on this component as essential to ensuring a national minimum for all.29 At a basic level, setting contribution and benefit levels was a question of simple calculation, and Beveridge included in the Report several fiscal projections for various rate and benefit levels.30 The larger question was whether the insurance and contributory principles would work in practice, as many actors shared a concern that any provision for private insurance (on top of the contributory principle) or other measures that accounted for individual circumstances would “take on the character of Assistance” and thus represent a de facto means test.31

Beveridge’s defense of the flat rate benefit/contribution system as the primary component of social security stemmed from a combination of personal conviction and historical precedent. The extent of the want and poverty among the British population revealed in the social surveys led Beveridge to conclude that poverty and unemployment were the primary impediments to Britain’s postwar economic

29 LSE/Beveridge/8/26. War Cabinet Interdepartmental Committee on Social Insurance and Allied Service Meeting, 28 July 1942; War Cabinet Interdepartmental Committee on Social Insurance and Allied Service Meeting, 25 August 1942.
30 See, for example, Beveridge Report, 104, on projected social security expenditures and Beveridge Report, 152, on suggested contribution rates.
31 LSE/Beveridge/8/43, memo, 12 October 1942; also LSE/Beveridge/8/46, Summary Report.
development. The logical consequence for Beveridge was to ensure a national minimum (subsistence level income) and to promote employment, rather than focus on sanctions for the unemployed and/or impoverished. This translated into unwavering support for universal benefits according to the contributory principle and opposition to funding national insurance through taxation.\(^\text{32}\) Beveridge’s notes in preparation for a later (1946) speech highlight these principles of solidarity and universalism: “This says: rich or poor, we put first things first – bread and health for all at all times before cake and circuses for anybody.”\(^\text{33}\) Moreover, the pension (1908) and health insurance (1911) schemes established under Lloyd George (with Beveridge as an advisor) were important reference points, as Beveridge noted in a 1946 hearing over the Report.\(^\text{34}\) In doing so, Beveridge established a discursive linkage between a popular and shared element of British history, joining his advocacy for universalism and a national minimum guaranteed through the contributory principle to Lloyd George’s social insurance “foundations.”

\(^\text{32}\) “The distinction between taxation and insurance contribution is that taxation is or should be related to assumed capacity to pay rather than to the value of what the payer may expect to receive, while insurance contributions are or should be related to the value of the benefits and not to capacity to pay.” Beveridge Report, 107

\(^\text{33}\) LSE/Beveridge/6/23, 6. The statement was then spoken in parliamentary debate, 20 March 1947 in a hearing on the economic situation.

\(^\text{34}\) “What are we doing? We are building on the foundation of the social insurance scheme laid by Mr. Lloyd George more than thirty years ago. He fought the battle of social insurance when it needed fighting, and when others of us came on the scene—and many of us came on the scene afterwards—the victory had been won. Mr. Lloyd George will always be regarded as the father of social security in Britain. We are building on the foundations he laid.” LSE/Beveridge/6/24, Hansard, House of Lords, vol. 141, no. 105, Tuesday 25 June 1946, col. 1106.
One logical consequence of this particular discursive construction was the rejection of means testing.\textsuperscript{35} On the surface, a universal national minimum sounds appealing, but it also clashed against deep-seated British values such as individualism and decentralization of authority.\textsuperscript{36} A test of income (or lack thereof) as a prerequisite for receiving social assistance had long been standard, having been established under the Poor Laws with the aim of encouraging thrift and hard work and preventing undeserving (lazy) individuals from claiming benefits.\textsuperscript{37} Beveridge squared this circle by turning the traditional logic on its head, setting the stigma associated with the Poor Laws against the more favorable legacy of Lloyd George’s insurance principle and his own subsistence principle. Beveridge argued that providing anything less than a subsistence level, irrespective of the means available to an individual, would ultimately cost the community in terms of both money and lost output.\textsuperscript{38} In notes to himself, Beveridge emphasized that “compensation for loss of earnings should not be subject to any means test” – a condition “necessary to prevent the insurance system from

\textsuperscript{35} Beveridge noted that financing social security through taxation “...breaks with the contributory principle and logically, as is seen by some of its advocates involves dropping the term ‘insurance’.” Beveridge Report, 107.

\textsuperscript{36} Lowe, The Welfare State in Britain Since 1945, 15.

\textsuperscript{37} This apparent contradiction to the individual spirit was the primary point of contact for foreign commentary as well. A 1942 report from The Milwaukee Journal noted: “The main charge that can be leveled against this proposal is that it would destroy personal initiative by making the state a sort of fairy godmother. That is contrary to both the British and American ideas of an individualistic society.” LSE/Beveridge/8/49, The Milwaukee Journal, “Freedom From Want,” 4 December 1942.

\textsuperscript{38} “The scale of benefits is based on subsistence needs. To give less, if the individual has no other resources, means paying for unemployment or disability in lower physical efficiency; this is more costly to the community than paying in money. To give less, because an individual has other resources, means applying a means test.” Beveridge Report, 118.
discouraging self-help and mutual help.”

Beveridge reiterated the same point in noting that:

…social insurance should be comprehensive, in respect both of the persons covered and of their needs. It should not leave either to national assistance or to voluntary insurance any risk so general or so uniform that social insurance can be justified. For national assistance involves a means test which may discourage voluntary insurance or personal saving.

In Beveridge’s view, the very behavior that means testing sought to encourage – personal savings and private insurance for those that can afford it – are in fact discouraged in such a system. This linkage was so effective that few in Parliament lobbied for a means test, although the debate over the meaning and impact of a means test would reappear in subsequent periods as part of a larger discussion of work and unemployment in Britain.

The Committee also needed to organize the technical questions concerning the payment of contributions and receipt of benefits. This required, quite literally, the construction of new social categories. The Beveridge Report divides individuals into six population classes (I-Employees; II-Others gainfully occupied; III-Housewives; IV- Others of working age; V-Below working age; IV-Retired above working age) according to their security needs. These are not “given” or natural social categories, and in defining the population the Committee divided society in a way that it had not been organized in prior eras. For example, the Committee struggled with how to define

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40 Beveridge Report, 122, my emphasis.
41 Beveridge Report, 122-123, paras. 310-319.
women, whether as single individuals, as spouses (either employed or acting as a housewife), or as widows. Since the entire scheme depended upon contributions based on employment status and a pre-defined security need, the Committee was also creating new understandings of basic terms such as “gainfully employed” and “working age” as part of their deliberations. The fact that the Committee spent several days discussing the seemingly minor issue of how to classify blind individuals highlights just one way in which the Committee wrestled with the question of what “unemployable” really meant, both in practice and for the contribution scheme. Overall, the debate over classification was much more about the way in which the scheme may include or exclude certain segments of the population from paid work.

Even after establishing on a flat-rate contribution/benefit scheme and organizing population classes, the Committee still faced the challenge that a flat-rate benefit may not be sufficient to lift some individuals up to the national minimum. Because a means test had been discredited, the Committee turned to family allowances as the method to

42 LSE/Beveridge/8/26, War Cabinet Interdepartmental Committee on Social Insurance and Allied Services Meeting, 21 January 1942; War Cabinet Interdepartmental Committee on Social Insurance and Allied Services Meeting, 11 February, 1942; War Cabinet Interdepartmental Committee on Social Insurance and Allied Services Meeting, 23 September 1942.

43 “The term ‘unemployable’ does not imply so much unfit to work as outwith [sic] the scope of available employment in Institutions or home workers’ scheme. It is the blind who fall under this group who suffer most from the various enactments and means tests. […] Because of this risk of losing their stable income, good, fit, capable men and women find themselves condemned to a life of idleness as accompaniment [sic] to their darkness.” LSE/Beveridge/8/26, War Cabinet Interdepartmental Committee on Social Insurance and Allied Services Meeting, 7 July 1942, comments from Mr. William Edgar representing the Scottish Branch of the College of Teachers of the Blind.

44 Similar debates also took place concerning the classification and special treatment of a range of disabled groups and the general category of incapacitated individuals. LSE/Beveridge/8/43, Correspondence and Memoranda Commenting on Draft Report.
bridge the subsistence gap for lower-earning families.\footnote{Beveridge's own notes indicate that this linkage was not in his initial draft of the Report, but came about as part of the 1942 revision and discussion process. LSE/Beveridge/8/43, Correspondence and Memoranda Commenting on Draft Report, 1942.} One of the key insights from the pre-war surveys was that poverty was not just an individual phenomenon, nor was it a situation that applied to only the unemployed. Instead, and arguably for the first time, the Beveridge Report established that the cycle of poverty, malnutrition and ill-health was linked to family size and also was detrimental for society as a whole.\footnote{Beveridge Report, 114-115. Similarly, a reader comment in a 1941 issue of the Manchester Guardian noted that: “Our society is so arranged, as Sir William Beveridge has pointed out, that young children are the chief single cause of poverty.” Letter to Manchester Guardian, 3 March 1941, LSE/Beveridge/8/49.} The role that family size and child welfare played in broader questions of employment and poverty reinforced the social nature of the challenges facing Britain. In presenting children’s allowances as the means by which low income workers would gain the capacity to both pay the required insurance contributions and secure a subsistence income level, the Beveridge Report also argued that addressing want was not just an economic question, but one that required attention to social relationships and required a new understanding of poverty and unemployment.\footnote{Beveridge Report, 114-115.} In this way, the Report established a discursive linkage among child welfare, families, and the general economic and social health of British society.

The larger national and international context also entered into the deliberations on social security and welfare, as the Beveridge report was developed and discussed amidst pressing concerns over mass unemployment and postwar reconstruction. On the
one hand, Beveridge’s plan relied upon an end to mass unemployment to sustain the flat rate contribution/benefit scheme after the war. On the other, Beveridge pointed to the pre-war era as evidence that simply growing the economy and increasing wages would not be sufficient to combat want and establish a national minimum. Participants in the debate expressed a particular fear of renewed mass unemployment and, with an eye to the effects of the war on the British economy and psyche, expressed a parallel *certainty* that capitalism as practiced to date had failed Britain. Mr. Ellis Smith (Labour, Stoke) noted that: “Capitalist enterprise has had its opportunity to build a society worthy of our people; this war is the decisive proof that it has failed [...] Capitalism stands condemned, because it fails to provide for the needs of the common people of this country with whom we are concerned.” Smith’s comments reflected a general sentiment that prior approaches to employment, social insurance, and economic management were not suited for postwar Britain—ideas that would find fuller expression in postwar democratic socialism.

For Beveridge, the experience of the interwar period also indicated the need to link welfare and economic governance: “The social surveys of Britain between the two

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48 LSE/Beveridge/8/48, Parliamentary Debates, House of Commons Official Report, vol. 395, no. 7, Tuesday, 30th November 1943, col. 894-899. Stoke was attacking the statement in Marques of Salisbury’s *Post-War Conservative Policy* that “Insecurity is unfortunately an essential condition of human life. We cannot, I am afraid, altogether avoid it.” His statement continues: “In our view there are six essentials that will enable us to plan our way forward and bring about a new economic policy. First, is social security to give people confidence and provide a contribution to our population problems; second, is social ownership of the land; third, is social ownership of essential industries and services; fourth, is control of finance; fifth, is a planned economy; and sixth, is a fair distribution of wealth.”

49 The democratic socialist line of thought would go on to be the most influential in post-war British economic and social policy, founding the basis of the cross-party consensus that lasted through the 1970s, as discussed in the second part of this chapter.
wars show that in the first thirty years of this century real wages rose by about one-third without reducing want to insignificance, and that the want which remained was almost wholly due to two causes—interruption or loss of earning power and large families.”

Beveridge argued that maintaining employment was the key to combating want, as the payment of benefits would only be practical for short periods of unemployment. Concretely, the Report recommended that receipt of benefits over a longer term be made conditional on attendance in training program or work scheme (an idea that would reappear in the “rights and responsibility” discourse of Tony Blair and New Labour in the 1990s). Acknowledging that “idleness” was detrimental to the individual and economy, Beveridge turned the conventional wisdom that security bred idleness and dependency on its head. Beveridges’s assessment was supported by the Archbishop of Canterbury, who observed that “...nothing is so deadening to enterprise as the sense of insecurity, specially for the man with a family.” The mechanism of bricolage underpins the way in which the Beveridge Report articulated a connection between security and British values such as enterprise and thrift, rejected the “free contract society” that had bred inequality and poverty, and promised a society in which freedom

50 Beveridge Report, 154.
51 Beveridge notes that “…complete idleness even on an income demoralizes.” Beveridge Report, 163.
52 Beveridge/LSE/8/48, Parliamentary Debates, House of Lords, vol. 126, no. 31, Thursday, 25th February, 1943, col. 317. His comments continue: “If you can secure for a man a real foundation for his life so that he knows that not himself so much but his wife and children are really cared for, and that they will not be reduced to great straits even if he himself suffers some misfortune, you instill into him indeed a new source of energy, and the result will be, on the whole, not a diminution but an increase of initiative and enterprise.”
is underpinned by security and in which security promotes thrift and enterprise.\textsuperscript{53} As such, Beveridge and the Committee linked social insurance to the recovery of the British economy after the war by casting them as mutually reinforcing: economic recovery would not be possible without a national minimum and social security for all, while social security was not sustainable without an end to idleness and security from mass unemployment.

The main criticisms of the Report revolved around potential inequalities that could result from a flat-rate benefit/contribution scheme given the wide geographical variations in wages and costs of living in Britain.\textsuperscript{54} As Lord Ruschcliffe noted, the Report contained conflicting principles in guaranteeing a single flat rate of benefit for subsistence while also guaranteeing equal contributions to ensure equal benefits, yet the same rates could not be expected to ensure subsistence across all of Britain.\textsuperscript{55} Beveridge nevertheless defended the universal, contributory system as a fundamental principle necessary to the new conception of social security contained within the report. As is discussed below, the National Insurance Act broke with Beveridge’s recommendations and instituted a supplementary means-tested national assistance

\textsuperscript{53} Comments by the Lord Archbishop of Canterbury, LSE/Beveridge/8/48, Parliamentary Debates, House of Lords, vol. 126, no. 31, Thursday, 25\textsuperscript{th} February 1943, col. 319.

\textsuperscript{54} The degree of respect with which parliamentarians of all parties granted Beveridge and the report borders on exaggerated flattery, as even critiques were prefaced with statements of admiration. For example, Lord Ruschcliffe prefaces his critique of flat rate benefits in light of geographical rent differences with the statement “I yield to now one in my admiration both of the Report and of Sir William Beveridge himself. He is the greatest living authority on the questions with which he had to deal.” LSE/Beveridge/8/48, Parliamentary Debates, House of Lords, vol. 126, no. 31, Thursday, 25\textsuperscript{th} February 1943, col. 323.

\textsuperscript{55} Comments by Lord Ruschcliffe, LSE/Beveridge/8/48, Parliamentary Debates, House of Lords, vol. 126, no. 31, Thursday, 25\textsuperscript{th} February 1943, col. 327.
scheme, which had dramatic consequences for the practical operation of social security. However, the general principle espoused by Beveridge remained salient in subsequent debates.

Many in Parliament also raised concerns about the cost of Beveridge’s plan, yet even these debates were not strictly about the pounds and pence needed to finance the plan, but were based on principle: “...what we want for the purpose of this plan is not money – that would be no use – it is the means, the material, on which to base and implement the report.”\(^5\) The Beveridge Report notes that “The economic argument set out above is in terms not of money, but of standards of living and of real wages...The problem of how the plan should be financed in terms of money is secondary...”\(^6\) As Lord Snell noted: “To neglect on purely financial grounds to provide for future social security might be a mistaken policy in itself and would betray the aspirations of the most order-loving and worthy people in the world.”\(^7\) To be sure, some doubts were raised, as participants voiced concern over elevating social security above all else and raised questions as to whether Britain could produce the wealth necessary to pay for Beveridge’s social insurance scheme.\(^8\) In general, the discursive field had largely

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\(^6\) Beveridge Plan, 167, para. 448.
\(^8\) Viscount Bledisloe noted that “By too much concentration on our internal problems, we have twice within the last quarter of a century been lulled into a sense of false security, with resultant unspeakable loss of life and treasure.” Comments by Viscount Bledisloe, LSE/Beveridge/8/48, Parliamentary Debates, House of Lords, vol. 126, no. 31, Thursday, 25\(^{th}\) February 1943, col. 339. In addition, many were concerned that the government was not giving enough attention to the transition from wartime production
settled in the year of debate over the Beveridge Report, such that not enacting social security as the central element of the reconstruction and recovery effort was not a serious option.

In sum, the Beveridge Report reflects a mixture of important cultural and historical legacies linked to new information and new ideas regarding welfare and social security. The foundations established by Lloyd George provided a measure of legitimacy to Beveridge’s efforts to refine social insurance. At the same time, the Social Insurance and Allied Services Committee was informed by a new data-driven approach to social policy. The interwar social surveys provided important information for the Beveridge Report, but more importantly, the scientific paradigm created a particular understanding of want based on the available data.60 This understanding, by no means the only way of measuring and defining want, generated certain questions (and not others), in turn led to a social security frame that embraced certain solutions (universal insurance, the contributory principle, and children’s allowances) and delegitimized others (means testing, or a reliance on wage increases alone to combat want). The central mechanisms at work in this period were bricolage (the linkage of old cultural values to new ideas) and joining (the connection of specific ideas to appropriate policies). The result was a new way of looking at social security as a collective (social)

60 The social surveys also had the effect of constructing new social divisions or classes, insofar as the new knowledge placed individuals into categories (below or above the subsistence level) with which they may not have necessarily self-identified.
issue linked to family relationships, life stages, and employment status rather than, for example, Victorian-era class divisions.

The primary manifestation of *bricolage*, though, was in the way in which Beveridge created a discursive link between elements of tradition and new information by casting these proposals for social security as a *British* solution suited to the time and the spirit of the British population.\(^6^1\) The Report was cast as both revolutionary and traditional at once. As a result, many voiced support for the Report’s far-reaching proposals; others identified with the connection to Britain’s social security heritage.\(^6^2\) In blending public desire, British tradition, and economic arguments, the Beveridge Report cast social insurance as a matter of right in return for contributions, not of charity, and as a solution that was the appropriate British solution to the challenges facing postwar Britain.\(^6^3\) Beveridge’s strategy allowed all involved in the debate to find an angle through which they could support the Report, and shifted the discursive field away from questions of *whether* to adopt a comprehensive social security plan to a

\(^{6^1}\) As Beveridge notes in the report, “The capacity and the desire of British people to contribute for security are among the most certain and most impressive social facts of today.” Beveridge Report, 119.

\(^{6^2}\) For example, the conservative *Daily Telegraph* characterized the Report as the “consummation of the revolution begun by Lloyd George in 1911.” LSE/Beveridge/8/49, quoted in *The New York Herald Tribune*, “British Press Praises Report by Beveridge: Only ‘Daily Sketch’ is Cool to Social Security Plea; Much Space Is Given to It”, 2 December 1942.

\(^{6^3}\) “There is no reason for fearing that for the ordinary industrial wage-earner a contribution on the scale suggested in this Report would be either beyond his capacity or beyond his desires. The popularity of compulsory social insurance today is established, and for good reason; by compulsory insurance, so long as it is confined to meeting essential needs, the individual can feel assured that those needs will be met with the minimum of administrative cost; by paying not, indeed, the whole cost, but a substantial part of it as a contribution, he can feel that he is getting security not as a charity but as a right.” Beveridge Report, 119.
debate on the details of that plan; the “no social security” or “status quo” option was taken off of the table altogether.

From the Beveridge Report to the “Appointed Day”

Following the 1943 debates on the Beveridge Report the fears of many were temporarily realized, as the government took no immediate action on social security. It was not until September 1944, 21 months after the Beveridge Report, that a White Paper on National Insurance was submitted to Parliament. Beveridge also introduced a separate White Paper on Employment Policy in 1944 that influenced the debate on postwar reconstruction. In the midst of these efforts, the end of the Second World War in Europe brought an end to the wartime coalition cabinet as Labour pushed for immediate elections, leading to Churchill’s resignation and a Labour victory under Clement Attlee in 1945. The new government immediately took up the issue of postwar reconstruction, within which the questions of social security figured prominently. The 1944 White Paper on National Insurance became the basis for the National Insurance Bill (the most direct progeny of the Beveridge Report) that was debated throughout 1946. Parliament also acted on Beveridge’s recommendations for comprehensive reform, drafting bills for the National Health Service, National Assistance (supplementary means-tested social assistance), the Child Act, and other components of
the welfare state. The principal pieces of welfare legislation all took effect on July 5, 1948, the so-called “Appointed Day,” amid much public fanfare.64

That the Beveridge Report underwent discussion, debate, and modification is not surprising. What is important, though, is the degree to which questions of principle, values and tradition were central to policymakers’ construction and understanding of the issues at stake, and for the way in which priorities were selected among a multiplicity of policy and institutional options. Drawing on Beveridge’s “revolutionary” proposal, policymakers exhibited a spirit of optimism and spoke of remaking British society for the better. This sense of renewal was grounded in a critique of the old “capitalist” system that was blamed for both the war and Britain’s decline, and provided an “other” against which new plans could be constructed. Themes such as regaining control over the British destiny, advancing together as a community, and freedom underpinned by security ran through the discussions. In the process, the Beveridge Report became a foil for, and symbol of, Britain’s postwar reconstruction and recovery. The British welfare state that was established in 1948 also became the foundation of the postwar cross-party consensus that characterized British politics and society through the 1960s.

The 1944 White Paper on National Insurance and the Beveridge Report differed on the fundamental question of flat-rate insurance contributions. The government

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64 The key pieces of legislation were The National Insurance Act, the National Assistance Act, the National Health Service Act, the Town and Country Planning Act, and the Children Act. See Jones and Lowe, From Beveridge to Blair, 3.
proposal incorporated a supplementary assistance scheme based on means “a test of need” instead of relying solely on a flat-rate contribution/benefit system, primarily because the government proposed setting contribution rates at a level lower than those suggested by Beveridge. This introduced the possibility that some individuals may not realize the guaranteed subsistence level income with the flat-rate benefit alone, and re-opened the debate over means testing. An analysis of the two proposals by the Social Security League sought to reconcile this discrepancy by historicizing the meanings associated with a means test.

The old ‘means test’ had a bad name. This was first because it was harshly administered by the Poor Law which was obliged to recover cost of maintenance from a wide range of relatives. [...] If the means test had not originally been associated with deterrent treatment of poverty, it might not be in disrepute to-day. A declaration of income is frequently required for other purposes—Income Tax returns for example, and the allotment of free places in secondary schools....

The problem with a means test was thus not the idea itself, but the stigma attached to such a forced, public declaration of poverty, which conflicted with the universal spirit of Beveridge’s proposal. Moreover, the rejection of private charity as a legitimate means to make up any gap between flat-rate benefits and the subsistence level reflected an important tenant in the democratic socialist line of thought, namely that it was the state’s responsibility to abolish want. However, making a claim on the state and

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67 “The spirit of Social Security requires above all that want shall be abolished and that this should be a recognized part of State policy. This means both the provision of sufficient cash to meet basic needs, and
receiving charity was a major social stigmas in Britain. Ultimately, the Attlee government accepted a supplementary means-tested assistance scheme (the National Assistance Act) to help minimize insurance contribution rates, but would do so with very careful language to avoid the perception of a return to the Poor Laws. In this manner welfare and social security were specified as a right provided by the state, not a matter of individual concern or value.

The new role of the state in guiding and improving society also surfaced in debates over economic recovery and unemployment. The centrality of social security to postwar reconstruction raised concerns as to whether the government could, or should, be the guarantor of employment and prompted questions about the relationship between the individual, market, and the state. In this context an idea first expressed by Beveridge resurfaced, namely that in cases of long-term unemployment the state had a continued coercive role to play and that individuals should be required to participate in a training scheme or undertake some other activity in return for continued receipt of

the elimination, as far as possible, of the actual cause of poverty. Charity does not enter in, nor patronage. Whether the mechanism is insurance or assistance, public money is applied, by public wish, to finish poverty. In the one case the recipient has it by right of contributions paid, in the other case by right of need. In the past those who had assistance were thought to have inferior status to those who were receiving benefit. In the future this need not be so.” LSE/Beveridge/8/58, “Social Security Guide: The White Paper and the Beveridge Report Compared,” London: The Social Security League, October 1, 1944, 5-6.

68 “We have shifted a great part of the responsibility for finding work from the man to the Government, but still some responsibility remains upon the man to co-operate with the Government.” Comments by Lord Pakenham, LSE/Beveridge/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25th June 1946, col. 1148.
benefits.\textsuperscript{69} Importantly, though, calls for such measures were tempered with assurances that ruled out a return to a broad application of means-testing: “There is no question here of using the pre-war sanction of the means test. That is eliminated for ever.”\textsuperscript{70} Beveridge’s 1944 White Paper on employment also stressed that the maintenance of employment was not dependent on government alone, but on the “understanding and support of the community as a whole—and especially on the efforts of employers and workers in industry.”\textsuperscript{71}

The view that social security and employment were questions for the entire community and the state marked a significant move away from values of individual responsibility. Yet, as noted above, retaining a connection to British traditions was also an important part of the social security frame. To achieve this, Beveridge reinterpreted ideas of independence, industriousness, and responsibility by emphasizing the quid-pro-quo nature of benefits on the condition of services, which evolved into the notion of “something for something” rather than a perception of receiving “something for nothing.”\textsuperscript{72} Providing benefits in return for service provided security for the individual, which actually strengthened, rather than weakened, British traditions of thrift and

\textsuperscript{69} “I think it is right that in the matter of long-term unemployment the State should not be encouraged to remain passive and disinterested; it should realize that it has a direct obligation to do something about it, and not simply to rely on the Fund.” Comments by Chancellor Lord Jowitt, LSE/Beveridge/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25\textsuperscript{th} June 1946, col. 1091.

\textsuperscript{70} Comments by Lord Pakenham, LSE/Beveridge/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25\textsuperscript{th} June 1946, col. 1148.

\textsuperscript{71} William Beveridge, Employment Policy, Cmd 6527 (1944), Foreword, quoted in Lowe, The Welfare State in Britain Since 1945, 2.

\textsuperscript{72} On benefits as a matter of right, see Comments by the Lord Archbishop of York, LSE/Beveridge/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25\textsuperscript{th} June 1946, col. 1113.
Such an interpretation was also a tacit critique of British class society, as Beveridge observed that those individuals who emphasized initiative as the source of success “...had social security from birth by having chosen their parents well.” The view that security could be positively related to thrift and industriousness was new to the British discourse, and in this manner ideals of individual responsibility were preserved but joined to a new role for the state and the community in providing social security and economic well-being.

More than just providing security, though, Beveridge was arguing for a new conception of the relations of production and socio-economic organization. Given

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73 The Lord Archbishop of York noted: “But does not all experience show that it is insecurity which discourages thrift; that when a man feels that at any moment his savings may be wiped away by some calamity or other, he does not save? It is when he knows that he has a certain measure of security that he is much more ready to save, and I believe that that will be the case under this Act.” Beveridge/LSE/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25th June 1946, col. 1114.
74 “Let me say one word, and one word only, on a doubt which is sometimes raised about this whole plan of insuring a minimum income at all times on condition of service. That is the doubt as to whether that will destroy initiative, responsibility or the penalties for idleness. You do not give unemployment pay if there is work. You do not destroy the incentive to thrift if you say to people ‘You are certain of a minimum, and you are free to build on that minimum.’ Most people, I am certain, will wish to build above that minimum. I am sure that if you really look at the people whose initiative and incentive have most enriched the world, you will find that most of them had social security from birth by having chosen their parents well. I do not believe that we need fear for a moment that this scheme, if adopted, will destroy the initiative, the responsibility, the thrift, of the British people.” Comments by Lord Beveridge, Beveridge/LSE/6/23, Parliamentary Debates, House of Lords, vol. 141, no. 105, Tuesday, 25th June 1946, col. 1111-1112.
75 Recall that the Beveridge Report was a new conceptualization of social security that redistributed purchasing power among times of wage-earning and times of not earning, and across periods of varying family responsibilities: Abolition of want cannot be brought about merely by increasing production, without seeing to correct distribution of the product; but correct distribution does not mean what it has often been taken to mean in the past—distribution between the different agents in production, between land, capital, management and labour. Better distribution of purchasing power is required among wage-earners themselves, as between times of earning and not earning, and between times of heavy family responsibilities and of light or no family responsibilities. [...] Such better distribution cannot fail to add to welfare and, properly designed, it can increase wealth, by maintaining physical vigour.” Beveridge Report, 167, para. 449.
that the destruction of war had put everybody’s standard of living in jeopardy, Beveridge argued that changing attitudes about “appropriate” roles in society was the only way to rescue the accustomed standard of living Britain and Britain’s influence in the world: “They can only be saved by a change of behavior by all of us—the people as a whole, the leaders of various sections of people, the employers, the trade unions, and above all, the Government.” 76 This critique of the pure (individual) profit motive that had underpinned the pre-war market economy was also reflected in comments from the Archbishop of York: “I, for one recognize that the profit motive has its place… But the profit motive by itself is wholly insufficient…there must be the far higher motive of working for the whole community.” 77 Ultimately, the conjunction of the war and the prospect of universal social security contributed to a sense of solidarity in postwar Britain. The British war effort was not just against the Axis powers in Europe, but was also an effort to eradicate the insecurity of prior eras and build a better society overall.

We must not overlook the psychological aspect. […] The grim spectre of uncertainty is vanishing before a new hope in the mind and a new warmth in the heard. And there is a feeling of comradeship about it. We are all together,

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76 LSE/Beveridge/6/23, Parliamentary Debates, House of Lords, vol. 146, no. 47, Thursday, 20th March, 1947, col. 588. Beveridge goes on to note: “We want a change in attitude of the individual and we want a change, of course, in the attitude of the leaders of the workers; that is, the trade union leaders. If only the trade unions would suddenly turn round and realize that the most important thing for them to do is to increase productivity, and realize that so far from thinking only about higher wages and shorter hours they need not worry about the division of profit any longer because they will always get that in due course, how much better would things be!” Ibid., col. 588-589.
as we were during the war – prelate and peasant, professional man and manual worker – all of us are in it. Similarly, the Lord Archbishop of Canterbury cast a marked contrast between postwar hopes and the “two nations” of Britain described by Disraeli in his novel *Sybil,* observing that universalism was “…a greater form of national fellowship and unity than we have ever had before us.”

The christening of the British welfare state on July 5, 1948 marked the culmination of this feeling of solidarity and renewal and left a lasting imprint on the course of British economy and society. The National Insurance Act, National Assistance Act, National Health Service Act, the Town and Country Planning Act, and the Children Act all embodied a new understanding of work and welfare, government and society that had been worked out through the course of the Beveridge debates. The shift in values, belief and policy in postwar British society is related to the shock and devastation of the Second World War, which shook the faith of many in the market capitalism that had developed in the pre-WWI and interwar years. The war experience was also a crucible that forced people of all classes and backgrounds into the same situation, forging a new sense of “togetherness” that challenged traditional class and social divisions. The “others” of the war and insecurity, together with new notions of

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solidarity and security, opened the door for new ideas on economic and social organization.\textsuperscript{80}

**Conclusions**

Neither the material consequences of the war nor the uncertainty that it bred are adequate causal explanations for the particular path of postwar reconstruction. Understanding why social security and welfare were imbued with these particular meanings, and why certain options were chosen over others (universalism over means testing, child allowances over voluntary insurance, the primacy of place accorded to the health services) is impossible without understanding the discursive linkages made by key actors among deep-seated values and new ideas in the face of pressing challenges. It took actors like Beveridge to legitimize new ideas by establishing linkages to cultural-historical resources that resonated with the population, but did not suggest a return to the disastrous past.

The debates over social security from 1941 through 1948 established social security as the only viable option for addressing a wide range of postwar economic and social challenges, and thus delegitimized competing frames that sought to re-establish free market capitalism or limit the government role in the economy and society. The primary mechanisms at work were *bricolage*, which explains the unique conjunctions of

\textsuperscript{80} Beveridge observed: “Now when the war is abolishing landmarks of every kind,” he said, “is an opportunity for using our experience in a clear field. A revolutionary moment in the world’s history is the time for revolution and not for patching.” LSE/Beveridge/8/49.
British values and traditions with new ideas (e.g. the blending of individualism and solidarity), and *joining*, which highlights how certain frames and ideas were connected to a particular policy response (e.g. universal insurance requires a flat-rate contributory scheme). In the process, some contemporary ideas were given new meaning through *specification*, such as the framing of welfare as a right connected to a government role, rather than an individual issue. In the end, the deep-seated traditions of individual freedom and responsibility, decentralization of authority, and a separation of the state from the workings of the market remained a part of the postwar settlement, but they were blended with notions of solidarity, community, and the idea that government could help provide security which, in turn, was a precondition for thrift, enterprise, and individual achievement. These understandings shaped British social and economic policy through the 1970s.

**STAGNATION AND THE CRISIS OF THE WELFARE STATE (1948-1979)**

A powerful hegemonic discourse based around two frames – social security and Keynesian demand management – defined the postwar period and shaped how governments of both parties interpreted and responded to social and economic challenges through the 1970s. This “postwar consensus” focused attention on issues such as employment rates, the balance of payments, and wage policy, and understated the importance of information and ideas that did not fit this discourse. A competing frame based on the perceived decline of the British manufacturing sector emerged in the
1960s, and the tension between these discursive constructions explains the reactionary “stop and go” economic policies in the 1960s and 1970s as actors struggled to make sense of new information and competing explanations for ongoing economic and demographic changes. By the end of the 1970s the postwar consensus grounded in Beveridge’s visions had been fully dislocated, opening the door for the articulation of a new set of ideas that would eventually lead to Thatcher’s Conservative revolution in the 1980s.

The Beveridge Plan had not only guided specific policy decisions important to Britain’s postwar recovery, it had also contributed to a narrative of optimism, renewal, and solidarity grounding in the promise of social security for all. The idea of the welfare state enjoyed astounding levels of popular support in the postwar years, even as survey evidence revealed that much of the public was poorly informed or wholly apathetic concerning the specifics of the welfare state. A 1956 poll revealed that 49% of mothers neither recognized nor could define the term “welfare state” and a 1964 survey found “widespread civic illiteracy” regarding the (actual) cost of social services. Despite Beveridge’s warnings against means testing, the number of individuals receiving means-tested national assistance rose dramatically in the postwar years as successive postwar governments refused to set contribution rates at a level sufficient to make flat-rate benefits adequate. The NHS was immensely as popular

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both a service and as a symbol of the welfare state, even as studies revealed significant cost overruns and shortcomings in service provision cast doubt.  

The sense of optimism (and ignorance) among the population is understandable, though, when viewed in light of the Britain’s postwar experience. A rapid economic recovery led to increases in living standards and a surplus in the National Insurance Fund, in turn creating the perception that poverty and want had, in fact, been eliminated. In this manner, the popularity of the welfare state was linked to the rapid economic recovery, creating a cross-class consensus that not only accepted the welfare state as a fundamental component of British politics and society but also viewed the linkage of economic and social policy as responsible for Britain’s postwar recovery. Even as economic and demographic changes challenged several of Beveridge’s principles and assumptions, debate focused on elements within the social security discourse rather than challenging the broader set of understandings that had informed the postwar settlement. As such, understanding the postwar consensus is critical to understanding the ways in which actors interpreted new information and made policy choices in the postwar period. The key tropes, frames, and mechanisms for this period are summarized in table 4.2, below.

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**TABLE 4.2 – FRAMES, TROPES AND MECHANISMS IN BRITAIN 1948-1979**

**Overarching discourse:** Postwar consensus based around Keynesian demand management, social security, and full employment; gradually dislocated with economic challenges in 1960s and 1970s and broken apart with Callaghan’s 1976 Blackpool speech.

**Frames**

- Social security
- Welfare
- Selectivism vs. universalism
- Declinism

**Tropes**

- Full employment
- Poverty (debate on the causes)
- Something for something vs. something for nothing
- Means testing
- Nationalization
- The British (industrial) worker

**Mechanisms**

- Bricolage
- Joining
• Social security joined to full employment (contribute to postwar consensus discourse)
• Welfare state joined to economic and social policy
• British worker, manufacturing decline, labor activism, and wage policy joined into
  “declinism”
• Breaking
  • Beveridge insurance principles broken from social policies (earnings-related policies
    instituted)
  • Poverty broken from ideas of a moral failing
  • Declinism breaks assumptions about economic growth and postwar recovery apart
  • Keynesian demand management, full employment, and social security broken apart
    (1976)
• Specifying
  • Combination of economic growth, full employment, altruistic society, and benevolent
    state specified as the content of postwar democratic socialism
  • Welfare state specified as central to the growth of state itself and idea that state could
    achieve outcomes not possible in a market-based society
  • Poverty specified as structural
The Postwar Consensus

Postwar British politics was characterized by a consensus among the major parties concerning employment and social policy that was rooted in shared (if not totally agreed-upon) ideas concerning economic management. The consensus embodied the acceptance of full employment as the primary economic policy goal and an acceptance of the inherent value of the welfare state as a tool of economic and social policy and a contributor to the growth of the British economy. Although it found its fullest expression in the democratic socialism that dominated political thought and policy from 1945 through 1975, the roots of the postwar consensus are located in the 1944 debates on employment policy.

The government’s 1944 Employment Policy white paper and, to a lesser extent, in Beveridge’s 1944 Full Employment in a Free Society, provided the basis for a consensus on maintaining full employment and on the use of Keynesian demand management to achieve this goal. The government paper argued forcefully for a new role of the state in counteracting demand shortfalls in the economy, and Beveridge went so far as to propose a 20-year nationalization of industry and planning before returning to the market. In staking out such an extreme position, Beveridge awakened public opinion and “aroused within the electorate an expectation which politicians

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84 The government white paper noted five particular areas of the economy (private consumption and investment, the government’s current and capital expenditure, and foreign trade) vulnerable to reduced demand and amenable to government intervention. Beveridge’s proposals were critical to establishing a general frame that put government intervention at the center of any effort towards economic recovery and social security. Lowe, The Welfare State in Britain Since 1945, 116, 119.
subsequently felt unable to disappoint." Anxious to avoid the embarrassment of 1942 when the publication of the Beveridge report “stole” popular acclaim and support from the government, Labour swiftly committed to full employment in 1944. Wary of reawakening unemployment fears, the Conservatives followed suit in practice, and although Conservative rhetoric downplayed their commitment to full employment and state intervention, their decisions once in government after 1951 “…proved beyond doubt that they had by then accepted the maintenance of full employment as an electoral and moral, if not an economic, necessity.” In forcing the government’s hand on employment policy, Beveridge helped establish a specific discursive frame centered on full employment and demand management that would structure the responses of both Labour and the Conservatives through 1975.

The postwar consensus was primarily grounded in the democratic socialist approach that emerged from the thought of T.H. Marshall and Titmuss and A.R. Crosland. In a series of lectures in 1949, Marshall had outlined the development of

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85 At one point, Beveridge proposed a massive, 20-year nationalization of industry and planning before a return to the market. This radical proposal was critical to the large effort of framing government intervention as central to economic recovery and social security. Lowe, The Welfare State in Britain Since 1945, 119.

86 Lowe, The Welfare State in Britain Since 1945, 119. In particular, the rejection of proposals to float the Pound in 1952, the 1962-1964 Modernization Program emphasizing Keynesian principles, and Heath’s dramatic 1972 reversal of the “disengagement” policy and subsequent expansion of the government’s interventionist powers all indicate the power that the full employment frame had on shaping actual policy apart from economic considerations.

87 Crosland (1918-1977) was a elected as a Labour MP for South Gloucestershire in 1950 and later represented Great Grimsby. He served as Secretary of State for Education and Science (1965-1967), President of the Board of Trade (1967-1969), Secretary of State for the Environment (1974-1976), and Secretary of State for Foreign and Commonwealth Affairs (1976-1977).
“spheres” of rights (civil, political and social) in Britain over time. The solidification of social rights in the interwar era meant that citizens were entitled to social services, and further argued the reduction of inequality that resulted not only benefited society as a whole but also ensured that each individual enjoyed “equal social worth.” These specific rights, as well as the general sense of community that had developed during the war, were institutionalized in the welfare state. Richard Titmuss later articulated a more comprehensive vision for social policy explicitly grounded in the values shared by a society. Titmuss was also a passionate advocate of the NHS as the embodiment of universal service provision and “welfare” in general. His research into the administration of social policy and health care would be central to the “rediscovery” of poverty in the 1960s.

Democratic socialism found its fullest expression in A.R. Crosland’s *The Future of Socialism* (1956), which built on the ideas of Marshall and Titmuss in outlining a

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90 Lowe also argues that Marhsall’s conception of social rights helps resolve a fundamental conflict between the capitalist need for incentive (unequal monetary incomes) and the democratic need for egalitarianism (unequal status). Lowe, *The Welfare State in Britain Since 1945*, 26.


vision for a classless society that was grounded in a critique of Marxism. Crosland argued that capitalism had been “peacefully transformed” through the advent of universal adult suffrage, full employment, and the provision of social security by the welfare state. As such, the traditional Marxist underpinnings of the Labour party were no longer relevant. Instead, the transformation of British society and the tools of Keynesian demand management offered the prospect for an active state to improve society by ensuring growth and social justice. The assumptions of continued economic growth and full employment, as well as a belief in the altruistic nature of society and the inherently benevolent nature of the state underpinned democratic socialism. Although these assumptions would run up against the economic and demographic challenges of the 1970s, they formed the basis for a consensus shared broadly among the Labour and Conservative party in the postwar era.

Although Marshall, Titmuss, and Crosland were all active in the political arena, democratic socialist ideas found their most direct expression through the person of Sir Robert Hall, who served as a trusted economic advisor to each Chancellor of the Exchequer from 1948 to 1961. Hall, regarded as Britain’s leading specialist on Keynesian economics, headed the government’s small group of special economic advisors and helped translate somewhat lofty and abstract ideas into policy: “Treasury

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94 The London School of Economics was an important base for the development of democratic socialist thought in general. Marshall (1893-1981) was a Professor of Sociology, 1954-1956, and Titmuss (1907-1973) was a Professor of Social Administration, 1950-1973.
ministers and officials had reservations about the use of economic analysis, especially Keynesian theory, in policy-making, but Hall’s ability to interpret economic trends gave him enormous influence...”\(^9^6\) As a result, British economic policy took on a Keynesian flavor under Labour and Conservative governments alike.\(^9^7\) In brief, Hall helped to promote a broader vision of Keynesian economics attentive to monetary, fiscal and wage policy beyond just attention to questions of demand management and unemployment.

In sum, social democratic ideas and ideals played an important role in sustaining popular support for the British welfare state into the 1970s, despite Labour’s electoral defeats in 1951, 1955, 1959 and 1970. Democratic socialist ideas also informed a major rhetorical shift in the postwar period surrounded the meaning of the welfare state itself, which came to refer to the literal growth in the power of the state, coupled with a faith in the state’s ability to achieve outcomes not possible in a purely market-bases economy and society. It was this sense of the term that grew and became widely accepted as an expression of aspirations for security and freedom from poverty.\(^9^8\) Although these ideals rested on the questionable assumption of continued economic growth, they also suggested that government and social services were the key vehicles of progress in reducing inequalities and empowering “Middle England” (individuals with low to

\(^{9^6}\) Booth, *The British Economy in the Twentieth Century*, 175.


modest skills and income). The postwar consensus on welfare and economic policy was not seriously challenged by the Conservative party, even when they were in power, due to the combined popularity of the welfare state and, more importantly, the shared belief that social security had been a fundamental part of the postwar economic recovery. Even though the Institute of Economic Affairs was founded in 1955 to propagate traditional liberal ideas such as the thought of Hayek, it would not be until the mid-1970s that the “New Right” became a viable challenge to the democratic socialist consensus.

**Policy Changes, 1948-1979**

Economic and demographic trends challenged many of Beveridge’s key assumptions almost immediately after the 1948 legislation that created the British welfare state. In responding to these challenges, shared understandings concerning postwar recovery and welfare (the postwar consensus discourse) meant that actors focused primarily on the areas of social security and employment policy. Even though the major principles underpinning the Beveridge Report would be abandoned in practice, the discursive process of interpreting the economic situation in the context of Beveridge’s assumptions explains why particular choices were made from a larger menu of options and why, in particular, the 1960s and 70s were characterized by ad hoc

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100 Lowe, *the Welfare State in Britain Since 1945*, 29.
and often contradictory policy decisions. Most importantly, those actors faced with crisis (such as Wilson, Heath, and Callaghan in the late 1960s and early 1970s) were not able to combine new information and ideas with extant cultural-historical resources to form a coherent discursive frame that could make sense of the new challenges facing British society. The failure of political leadership (agency) to craft a discursive account led to the dislocation of the postwar consensus on social security and employment policy by the actors and ideas of the New Right.

Social Security

The most fundamental change to social security was the abandonment of the flat-rate contributors and benefits, which undermined the very idea of providing a subsistence-level income for all.¹⁰¹ The commitment to a guaranteed national minimum had already been watered down during the 1944 social security negotiations to a "reasonable assurance against want."¹⁰² Subsequently, postwar governments proved reluctant to levy contribution rates above 2% of GDP, even though Beveridge had envisioned rates of up to 3% to ensure subsistence. This major break in principle went largely unnoticed because it was cast as a technical adjustment to the social insurance scheme, and because the speed and success of postwar reconstruction had fueled the perception that significant progress had been made in eliminating want. However, the

¹⁰¹ Lowe, The Welfare State in Britain Since 1945, 144.
¹⁰² Social Insurance, Part I (Cmd 6550), para. 13, as quoted in Lowe, The Welfare State in Britain Since 1945, 144.
ranks of those unable to contribute yet dependent on benefits (such as one-parent families) grew dramatically in the postwar era, resulting in an increasing number of individuals relying upon means-tested national assistance to supplement inadequate insurance benefits.\textsuperscript{103} In the end, the decision to underfund insurance contributions turned out to be the first in a series of decisions that left policymakers without guiding principles just as they confronted unexpected demographic and economic challenges.

As it became apparent that social security policy had produced an outcome diametrically opposed to the principles and goals outlined in 1948 a new debate on poverty took shape. The Beveridge Report defined poverty as an absolute concept measured as a specific set of subsistence needs (basic expenditures for a working class family), but relied on the vague principle of “adequacy” to square the circle of providing a flat-rate benefit when the cost of living varied dramatically by region and season.\textsuperscript{104} The rapid postwar economic recovery had lifted most individuals out of absolute poverty as defined in the Beveridge report, but many were effectively excluded from fully participating in society due to a marked lack of resources in comparison to the average standard of living. Utilizing new national data sets (rather than local surveys) and a relative definition of poverty, Brian Abel-Smith and Peter Townsend documented a rapid increase in the population living in poverty from an estimated 600,000 people in 1953 to 2 million in 1954 and 7.5 million in 1960 and also suggested

\textsuperscript{103} Lowe, \textit{The Welfare State in Britain Since 1945}, 145.

\textsuperscript{104} Beveridge initially suggested a rate of £2 per week, based on Rowntree’s household surveys, but also admitted that estimating subsistence income was “to some extent a matter of judgment.” Lowe, \textit{The Welfare State in Britain Since 1945}, 144.
that a large number of children were among those living in poverty.\textsuperscript{105} The discovery of a greater number of people reliant on national assistance than had been assumed, the fact that many of these individuals were still living below subsistence standards despite the additional aid, and the discovery of a “substantial minority” of the population that qualified for national assistance but were not receiving it all challenged the legitimacy of the social insurance system.\textsuperscript{106}

The rediscovery and redefinition of poverty in the 1960s also produced a new understanding of the \textit{causes} of poverty. In the 1940s and 1950s the concept of the “problem family” had dominated both popular discourse and elite interpretations of poverty. Cast as a segment of the population living in squalor and incapable of dealing with modern life due to personal failings such as “emotional immaturity” or the “fecklessness” of the mother, the problem family could only be “cured” by sympathetic social workers.\textsuperscript{107} Audrey Harvey’s 1960 publication \textit{Causalities of the Welfare State} marked a shift in how poverty was understood. In documenting the plight of the Stevens “problem” family, Harvey highlighted the failure of Beveridge’s approach and challenged popular perceptions of the poor as lazy: “There is a pronounced loathing

\begin{footnotesize}
\textsuperscript{105} Abel-Smith and Townsend were colleagues of Titmuss’s at the LSE. Jones and Lowe, \textit{From Beveridge to Blair}, 74; Lowe \textit{The Welfare State in Britain Since 1945}, 148.


\textsuperscript{107} Lowe, \textit{The Welfare State in Britain Since 1945}, 149. Lowe also notes that this view of a “dangerous residuum” of about 10\% of the population with “irremediable hereditary failings” drew on the views of Edwardian social commentators and informed more radical measures, such as the interwar eugenics movement. Ibid.
\end{footnotesize}
among families of low income of anything that smacks of charity, and the number of those trying to get something for nothing is, in actual experience, very small indeed.”

The “something for something” and “something for nothing” tropes were revived from the Beveridge Report and would later resurface in debates over welfare free-riders in the 1980s and 1990s. More generally, the work of Harvey and Abel-Smith and Townsend helped redirect inquiry into the social and environmental causes of poverty and away from a view that blamed the poor for their plight by ascribing poverty to individual biological or moral failings.

With the reframing of poverty as a structural, rather than a moral, problem a new set of policy options became appropriate. Governments began speaking of “social exclusion” and addressing poverty through housing and education policy. At the same time, though, the extent and continued growth of poverty also called attention to the collapse of the assumptions upon which social security had been built. Conservative and Labour governments cast about for explanations, frames, and policy solutions, often contradicting themselves and their own principles in the process. The Labour party advocated earnings-related pensions, despite a stated commitment to egalitarianism, and thus replicated rather than reduced employment inequalities in retirement. The Conservative party emphasized means-tested benefits and attacked the principle of

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109 As Lowe notes, and as is discussed below, the structural view of poverty was displaced in the 1980s under Thatcher, due in part to the American commentators such as Charles Murray, leading to a renewed focus on individual behavior and the need to “remoralize” the poor. Lowe, The Welfare State in Britain Since 1945, 149.
universalism even as its own supporters, especially pensioners, had benefited from this principle. Across society, the lower-paid segments became the most vociferous opponents to more generous poverty relief and were especially critical of the involuntarily unemployed.\textsuperscript{110}

In response to concerns over poverty and the underfunded National Insurance Fund, Conservatives under MacMillan (1957-1963) sought to build an “opportunity” rather than a “welfare” state by emphasizing values of individual hard work.\textsuperscript{111} This frame proved unsustainable as poverty continued to increase, even among individuals with work, and a balance of payments crisis necessitated wage freezes in 1961. The adoption of an earnings-related contribution scheme to supplement state flat-rate pensions similar to other European systems was cast as a reward for hard-working individuals and proved to be electorally popular. However, the move was not only a further break with Beveridge’s principles, it also contradicted the message of individual thrift because, as a state-administered scheme, it threatened both voluntary insurance and private initiative.\textsuperscript{112} Finally, reforms to the National Insurance Fund designed to cap state expenditure effectively transformed social insurance from an actuarial to a pay-as-you-go system.\textsuperscript{113}

\textsuperscript{110} Lowe, \textit{The Welfare State in Britain Since 1945}, 170-171.
\textsuperscript{111} Lowe, \textit{The Welfare State in Britain Since 1945}, 155.
\textsuperscript{112} Over Treasury objections about lost revenue, the decision was made to allow individuals to opt-out of the state scheme and into approved tax-subsidized occupational pensions. Lowe, \textit{The Welfare State in Britain Since 1945}, 155.
\textsuperscript{113} Lowe, \textit{The Welfare State in Britain Since 1945}, 155.
The subsequent Labour government under Wilson (1964-1970) attempted to move away from means-testing by introducing additional earnings-related contribution schemes.\textsuperscript{114} However, the government’s credibility was damaged by the overall growth in the number of means tested programs and the grown in the number of people receiving such benefits to 7.7\% of the population in 1970, up from just 3\% in 1948.\textsuperscript{115} Attempts were made to reduce the stigma associated with receiving such benefits, but Labour could not reconcile the contradiction between the measures put into practice and the party’s stated principles. As a result, the policies actually contributed to declining popular sympathy for the poor and public protest: “Government action reflected the popular prejudice that – despite the deteriorating economic situation in the 1960s – unemployment was the fault of the individual and should under no circumstances be condoned.”\textsuperscript{116} The introduction of the means-tested Family Income Supplement under Edward Heath’s Conservative government (1970-1974) continued this general trend. Finally, the 1975 Social Security Act introduced and passed by Wilson’s Labour government made all insurance contributions earnings-related. Even with this radical departure from Beveridge’s social insurance principle was not enough to stem the steady increase in the number of individuals caught in the “poverty trap,” whereby the


\textsuperscript{115} Lowe, \textit{The Welfare State in Britain Since 1945}, 157.

\textsuperscript{116} Lowe, \textit{The Welfare State in Britain Since 1945}, 166.
take-home pay of low-wage workers decreased after a wage increase due to the corresponding increase in insurance contributions.\textsuperscript{117}

Although Beveridge had, in fact, envisioned a small role for national assistance (and even private insurance), the increasing reliance on such means-tested schemes was the great surprise of the 1960s and 1970s. Part of the problem stemmed from the fact that the universal system envisioned by Beveridge was not fully implemented. By the mid-1960s the Ministry of Social Security was largely superficial, as “want” was addressed by a complex web of means-tested benefits administered by local governments and the NHS that had the perverse effect of discouraging personal initiative and doing more to perpetuate poverty and unemployment traps than mitigate them.\textsuperscript{118} More broadly, the Beveridge Plan had been turned on its head as policymakers confronted precisely those outcomes that social security had been designed to avoid.

Attempts to fix the system failed because no underlying discursive frame existed to make sense of the crisis and prescribe solutions. In a situation where the core principles of Beveridge had been abandoned or broken down, each initiative, whether from Labour or the Conservatives, only begged the more fundamental question concerning the purpose of social security. This debate pitted the “selectivists” (such as the Institute for Economic Affairs) against the universalists (such as Titmuss and the

\textsuperscript{117} Lowe notes that the number of individuals caught in the poverty trap rose from approximately 12,000 in 1975 to 63,370 in 1979. Lowe, \textit{The Welfare State in Britain Since 1945}, 157.

\textsuperscript{118} As Lowe observes, even this supplementary benefit system was “so uncoordinated and complex that it not only discouraged personal initiative (through the creation, for example, of the unemployment and poverty traps), but it actually denied the poor their legal rights through either a lack of information or the deliberate action of officials. Lowe, \textit{The Welfare State in Britain Since 1945}, 159.
LSE social policy scholars) over whether social security was designed to redistribute income relative to need or to reduce inequality in a significant and comprehensive sense.\textsuperscript{119} The debate played out within and across party lines. For example, Jim Callaghan, Chancellor of the Exchequer (1964-1967) under Wilson, favored selectivity as a means to reduce public expenditure.\textsuperscript{120} In contrast, Brian Abel-Smith conceded that selectivity (means-testing) had increased under both Conservative and Labour governments, but argued that means tests related to basic subsistence were qualitatively different that the tests applied for university fees or rates for council housing because of the stigma associated with the admission of poverty required to receive social insurance benefits: “In a society which places great emphasis on monetary rewards an admission of poverty is an admission of failure.”\textsuperscript{121}

By the time Callaghan was elected Prime Minister in 1976 the major founding principles of social security had been abandoned or modified beyond recognition.\textsuperscript{122} Although both economic developments and demographic trends confounded some of Beveridge’s best predictions, the plan was ultimately backward looking in planning for

\textsuperscript{119} Lowe, The Welfare State in Britain Since 1945, 161. The increase in means-testing in the late 1960s reflected the greater influence of the selectivists in policy, although the discursive landscape remained contested. Ibid.


\textsuperscript{122} Over the same period of time the insurance principle was abandoned in pension policy as well, beginning with the 1948 decision to fully fund pensions rather than phase in contributions and benefits gradually and the 1954 decision to abandon the subsistence principle in favor of an earnings-related contribution scheme. The process culminated in the 1961 move to a graduated pension scheme that abandoned the principle of universality. See Lowe, The Welfare State in Britain Since 1945, 169-170.
the contingencies that had plagued Britain in the interwar and wartime periods.\footnote{In a retrospective essay on the Beveridge Plan, Arthur Seldon observed that “Beveridge could not be expected to foresee full employment and the unprecedented high employment of married women. And he did not allow for their consequences. The report looks back rather than forward.” Arthur Seldon, “Beveridge: 20 Years After,” \textit{New Society} 20, 14 February 1963, 9.} To be sure, the Report was revolutionary in its “vision of a society freed from the historic fear of absolute poverty,” but the story of the postwar period up through the 1970s is one where the hard decisions needed to resolve contradictions and address new challenges were not taken.\footnote{“Hard decisions were not taken when necessary, at either a political, administrative, or popular level, about the amount of resources that should be devoted to social security and how, in the national interest (however defined), those resources should be apportioned. Had such decisions been taken it would have been possible for government to encourage individuals to provide for themselves all the other services they wanted.” Lowe, \textit{The Welfare State in Britain Since 1945}, 171.}

The replacement of Beveridge’s insurance principle with an earnings-related scheme and means-tested benefits mirrored a broader European trend in the 1960s. However, the root causes of these choices in Britain are located in the discourse surrounding the redefinition and rediscovery of poverty. Consistent with the expectations outlined in Chapter 3, the predominant social security frame broke down as it confronted a series of events that it could not accommodate. The proliferation of floating tropes discussed and debated but without a settled meaning (in particular “means-testing” and “poverty”) was the chief indicator that the overarching discourse, the postwar consensus, was being challenged. The lack of a coherent frame to make sense of new information and events limited policymakers to short-term, crisis-management policy decisions. Even though all sides of the debate agreed on the
fundamental “facts” of the time, namely that poverty was widespread and increasing, and that addressing the structural sources of poverty through greater spending on health, education and other social services was the appropriate response, it proved impossible to convert these problems into action without a discursive frame to guide such decisions.\textsuperscript{125}

The story of social policy from 1948 to 1979 is one where the “facts” were clear, and actors even shared an interpretation of these facts, yet did not construct a compelling discourse to make these facts actionable.\textsuperscript{126} The construction of such a discursive frame would have required actors to assemble new ideas and cultural-historical resources in to a coherent account \textit{(bricolage)} that made sense of the current crises against the backdrop of the larger British social security story. The difficulty in doing so highlights the fact that politics, even in cases where the facts are clear, is much more than a simple process of acting on known interests, an insight that is bolstered through a brief account of the dilemmas of employment policy during the same postwar period.


\textsuperscript{126} Recalling Searle (see Ch. 3), even the black-and-white “reality” of budget gaps on paper were social facts, in that their meaning and significance relied on sentient actors interpreting these facts rather than taking them as a given material reality with a logical and rational response. John R. Searle, The Construction of Social Reality (New York: Free Press, 1995).
Employment Policy

Beveridge’s plan to eliminate want depended on achieving full employment in order to guarantee sufficient insurance contributions such that the welfare state could take care of those who fell short of the subsistence threshold. As part of the overarching postwar consensus, the social security and full employment ideas were joined to develop a shared commitment to Keynesian demand management as the appropriate economic policy for postwar Britain. This discourse proved remarkably resilient, even in the face of information and events that might have cast doubt on the suitability of government macroeconomic policy as a tool for “fine-tuning” short term social and economic outcomes. It also structured the interpretation of the economic slowdown in the late 1960s as a matter of wage policy and union obstructionism. The inability to integrate new information and events produced a competing discursive frame, and the tension between the postwar consensus and the newly articulated “declinist” frame explains the sequence of a “stop-go” economic policies and reactionary decisions in the 1970s that contributed to the public’s loss of faith in both major parties. The 1987-1979 Winter of Discontent marked the full dislocation of the demand management and social security frames and the articulation of ideas from the New Right.

Although it is difficult to determine the extent to which government intervention contributed to Britain’s rapid recovery, the crucial point is that policymakers, experts, and the public all believed that government intervention and Keynesian demand
management were behind the growth and achievement of nearly full employment in the immediate postwar period.\textsuperscript{127} As a result, support for social security and government intervention in the market and society as an essential component to economic growth and social well-being grew even stronger.\textsuperscript{128} Because the postwar consensus entailed a shared commitment to full employment and state planning in economic affairs, the chief debates were not over whether government intervention was appropriate, but over second-order questions such as the causes of unemployment or the precise nature of government intervention.\textsuperscript{129} The authors of the 1944 White Paper (primarily academics in the War Cabinet’s Economic Section) focused on short-term demand shortfalls and cyclical unemployment, whereas Treasury officials emphasized industrial restructuring and international competitiveness in light of the interwar experience with structural unemployment. Treasury officials also expressed concern about the growth of public expenditure and the difficulty of knowing exactly how and when to intervene, especially given the difficulty of obtaining correct and current information.\textsuperscript{130} Indeed, planning was hampered by inaccurate statistical information and the fact that the national budget is a blunt tool for making short-term economic interventions. Budgetary errors stemming from the Treasury’s inability to estimate the actual effects

\begin{footnotesize}
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\item[127] Booth notes that little in terms of substantive policy changed when the Conservatives regained power in 1951, and that the general lines of policy remained similar through the late 1970s. Booth, \textit{The British Economy in the Twentieth Century}, 175.
\item[128] Lowe, \textit{The Welfare State in Britain Since 1945}, 115.
\item[129] John Maynard Keynes played a significant role in providing “intellectual coherence” to the Treasury and the thinking that, together with Beveridge’s proposals, underpinned the postwar consensus. Booth, \textit{The British Economy in the Twentieth Century}, 173-174.
\item[130] Lowe, \textit{The Welfare State in Britain Since 1945}, 117.
\end{itemize}
\end{footnotesize}
of tax cuts on demand in 1959 and 1963 led to excessive reflations of the economy. These technical errors led many to conclude, in error, that the Chancellor was deliberately playing politics with the budget prior to elections.\textsuperscript{131} At the same time, these errors are “logical” (or natural) when viewed from the perspective of the overarching discourse that made such steps appropriate.

The Treasury’s concerns over escalating public expenditure led to the 1961 Plowden report, which noted the contradictions inherent in using taxation and demand management to achieve both economic and social goals (such as how tax policy changes undertaken for one reason spilled over into other policy areas with adverse effects) and criticized the 1944 Government white paper on employment for overestimating the impact that short-term government intervention could have on the economy.\textsuperscript{132} Although the report recommended minimizing the use of social expenditures to regulate the economy and called for improving the technical and informational capabilities of the civil service, actors interpreted the report as general endorsement of planning with recommendations for modifications to the technique, but

\textsuperscript{131} At the time, many believed these reflations to be deliberate actions on the part of the Chancellor prior to impending general elections. Subsequent information demonstrates that the outcome is linked to a combination of uncertainty and insufficient information, as policymakers attempted to implement policies according to the frame that defined the situation and appropriate responses. See Lowe, *The Welfare State in Britain Since 1945*, 121. Note, as well, that explanations suggesting the reflationary measures were deliberate actions calculated to influence voter behavior in the pending elections ultimately depends on ascertaining individual motivations of the Chancellor or others in the government which, as discussed in Chapters 2 and 3, is fraught with methodological pitfalls.

\textsuperscript{132} “…tax changes made for economic reasons could jeopardize the effectiveness of other policies designed to reduce poverty or to achieve greater equality of income….more seriously, however, constant variations in the level of social expenditure could demoralize those responsible for its administration and thereby jeopardize all attempts to achieve maximum cost-effectiveness.” Lowe, *The Welfare State in Britain Since 1945*, 124.
not the underlying principle. In response, the government expanded its policy goals and used the Report as justification to acquire new tools for intervention, and the subsequent “Keynesian era” of planning lasted through 1975.

Although the Plowden Report was not a major challenge to the prevailing demand management frame, it did suggest that macroeconomic management needed to be supplemented by microeconomic industrial intervention. At the same time, new information on the British economy revealed a steady decline in balance of trade in manufacturing since the 1951 high point and a slowdown in export growth rates compared to other OECD countries. In response, the Treasury instituted measures aimed at improving the skill level of the workforce (such as the 1964 Industrial Training Act) and encouraging industrial investment and modernization. With these steps, a new trope centered on the quality of the British workforce and the position of the British economy (especially as measured by manufacturing output) vis-à-vis the rest of Europe emerged and would influence debate through the 1960s and 1970s.

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133 Notably, the call for greater technical expertise led to the creation of the Public Expenditure Spending Committee (PESC) in 1961. The PESC collects all departmental spending plans in advance of the government’s annual public expenditure white paper (first issued in 1963, and then regularly after 1969). Lowe, *The Welfare State in Britain Since 1945*, 125.

134 Booth, *The British Economy in the Twentieth Century*, 176. Lowe also notes that immediately after the Plowden Report, the government adopted an overly optimistic growth estimate that allowed it to avoid hard decisions on policy priorities and little was actually done to improve the informational and administrative capabilities of the agencies involved in planning and setting policy. Lowe, *The Welfare State in Britain Since 1945*, 125.


137 Booth, *The British Economy in the Twentieth Century*, Ch. 2. Booth contends that the nearly single-minded focus on manufacturing overstated the degree of British decline, fed an “ideology of declinism,”
The tropes concerning the British workforce and the decline in manufacturing were joined to issues of labor activism and wage policy in the late 1960s to produce the “British disease” or “declinist” frame. Although it began as localized “shopfloor” action and only later expanded into the full-scale “rank and file” militancy, labor activism in the 1960s was concentrated in sectors that were easily presented as vital to national economic strength, such as coal, autos, and the docks. Those looking to break the linkage between social security and demand management thus seized on the preoccupation with manufacturing decline and on popular discontent with union activity to cast the strikes as dangerous, selfish union activity that jeopardized the economic health of the nation. Distinctions between the issues in different industrial sectors and the fragmented nature of union activism were written out of the frame to create a narrative of greed, threat, and economic decline. At the same time, the frame cast

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138 Tomlinson refers to the “ideology of declinism” which was a specific interpretation of the economic changes in Britain during the 1970s that were captured to a narrative of individual laziness, industrial strife, and the irreversible loss of economic vitality in Britain. It was a frame necessary to justify the approach taken by the New Right though, as is discussed below. Britain’s decline was not all that different from the situation of other European economies in the 1970s and the narrative does not necessarily correspond to the empirical data or “reality” of the 1970s. Jim Tomlinson, “Inventing ‘Decline’: The Falling Behind of the British Economy in the Postwar Years,” Economic History Review 49, no. 4 (Nov 1996): 731-757.

139 Booth identifies four major phases of industrial unrest: the 1945-1952 postwar peace, a period in the mid-50s as the strike returns as an industrial action option, the 1960-1968 period of the shopfloor movement, and the rank and file militancy of the 1970s. Booth, The British Economy in the Twentieth Century, 143.

140 Booth notes that each of these three sectors were facing very different issues and much of the strike activity was localized and sporadic, even though it was perceived to be coordinated and part of a unified movement. Similarly, much attention has been focused on the role of coal miners during these periods, but the British auto industry and public service workers more generally were at least as important to the story of industrial unrest. Booth, The British Economy in the Twentieth Century, 143-145.
British workers as lazy and managers as technologically amateurish. In blaming the individual and moral failings of the British worker the former image was reminiscent of the “problem family” debate, while the latter recalled a Victorian-era critique of British entrepreneurs.\textsuperscript{141} Although evidence does not support these caricatures, or the popular image of unions as “agents of disruption and greed” that stubbornly resisted new technology, these perceptions fueled public frustration and informed a series of policy decisions that concentrated on the unions and manufacturing sectors.\textsuperscript{142}

In a context of uncertainty characterized by a weakening consensus on macroeconomic power and a growing “declinist” frame, economists interpreted matters of inflation and competitiveness in terms of union wage pressures and policymakers alike lost sight of the forest for the trees, focusing on short-term incomes policy abstracted from wider questions of economic governance.\textsuperscript{143} In focusing almost solely on wage policies, the 1968 Donovan Report on industrial relations reinforced the diagnosis of union demands as the root of Britain’s economic difficulties.\textsuperscript{144} As a result, policymakers worked themselves into a “stop-go” cycle wherein the government would institute a tough wage policy in response to new economic data, only to relax

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\item[141] Booth, The British Economy in the Twentieth Century, 120.
\item[143] Booth, The British Economy in the Twentieth Century, 144-145.
\item[144] The Report blamed management for failing to develop an internal pay policy and led to the withdrawal of many companies from industry-wide collective bargaining in favor of company-level negotiating frameworks. Booth also notes that the conclusions of the Donovan Report were almost certainly overstated, as has been admitted by the chief author, Hugh Clegg of Warwick University. Booth, The British Economy in the Twentieth Century, 146.
\end{enumerate}
these restrictions once the immediate crisis had abated. In response, workers disadvantaged at the outset issued excessive “catch-up claims,” thus initiating a new crisis cycle.\textsuperscript{145} Policymakers locked in this crisis-avoidance mode were not able to question the veracity of the “declinist” frame that presented information concerning manufacturing and supply side weaknesses as representative of the entire economy.\textsuperscript{146}

The period of “stop-go” economic policy was most visible in a series of decisions and reversals on questions of government intervention. Over the 1950s and 1960s a key element of democratic socialist thought, nationalization, was gradually reworked into more general strategies for state intervention in private industry as Labour governments set broad targets for the economy and relied on persuasion to push industry towards achieving these goals.\textsuperscript{147} Despite rhetoric to the contrary, this variant of planning remained central to the Conservative Party’s approach to economic governance. The National Economic Development Council (NEDC), established in 1962 under MacMillan (1957-1963) as a tripartite forum for discussing economic problems and developing plans, was largely a reactive move but also one deemed necessary precisely because of the demand management frame.\textsuperscript{148} Wilson’s Labour

\textsuperscript{145} Booth, \textit{The British Economy in the Twentieth Century}, 145.
\textsuperscript{146} Booth, \textit{The British Economy in the Twentieth Century}, 31-32.
\textsuperscript{147} This shift in focus from full nationalization of key industries stemmed from the unresolved debate over whether nationalized industries should serve a social purpose (providing jobs and services, even at a cost) or be run according to commercial criteria. Lowe, \textit{The Welfare State in Britain Since 1945}, 128-129.
\textsuperscript{148} Selwyn Lloyd, Chancellor of the Exchequer (1960-1962) under MacMillan downplayed the idea that governments could do much to increase economic growth, but then noted that “the positive idea of ‘growth’ is a valuable means of presenting many politically difficult decisions…” Quoted in Tomlinson, \textit{An Unfortunate Alliance}, 77.
Government (1964-1970) established the Department of Economic Affairs and Ministry of Technology in 1964 to enhance planning and unveiled the first National Plan, designed to grow the economy by 4% over five years, in 1965. The Conservative opposition criticized such planning measures and Heath (1970-1974) instituted a policy of “disengagement” upon gaining office. A confluence of factors, including the 1971 bankruptcy of Rolls Royce and an increase in unemployment in 1972 to over 1 million people for the first time since 1945, led to an abrupt about-face from non-intervention to an active industrial policy by Heath, who restored the interventionist powers of the Ministry of Technology in 1972 and sought to draw the TUC into incomes policy once again. The Heath government also returned to a Keynesian reflationary program to combat rising inflation, but the series of policy reversals created the perception that the government had lost control of the economy even before the 1973 oil crisis further complicated matters.

When Labour returned to power in 1974, it was only as a minority government. The election of 1974 marked a significant step in the dislocation in the postwar consensus as voters had lost faith in both major parties. Cronin notes that neither

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149 In addition, the 1968 Industrial Expansion Act gave government the power to finance individual investment decisions, and the Industrial Reorganization Corporation was charged with organizing (and encouraging) industry mergers. Lowe, The Welfare State in Britain Since 1945, 129-130.
150 The Industrial Reorganization Corporation, established by Wilson in 1968 and abolished by Heath in 1970 was then reinstituted in 1972 as well. Lowe, The Welfare State in Britain Since 1945, 130.
long-term social change nor different policy stances explain the dramatic shift in voter preferences because both major parties lost support. Instead,

…what turned voters off was in all likelihood not the things that distinguished the parties in the minds of the electorate but what they did that looked and felt similar. […] What both parties shared was a corporatist style of governance operating within a broad consensus on the need for the state to manage the economy with the aim of securing full employment, relatively modest levels of inflation and, as a means to these ends, higher rates of growth.153

Neither Labour nor the Tories had been able to break with the postwar consensus. The economic crisis of the mid-1970s thus presented a tremendous challenge to Wilson and then Callaghan at a time when Labour enjoyed only the most tenuous of support.

Wilson acted quickly to fulfill election promises of calming industrial relations and modernizing British industry, and also returned to Labour’s social security agenda with increases in pension, unemployment, and sickness benefits, along with additional food and housing subsidies, offset by only modest tax increases.154 Wilson’s decisions were based on key Labour principles – expanding social protection and protecting jobs – yet reflected only the latest in a series of policy reversals rather than decisions grounded in a discursive frame that could link new information with deeper cultural-historical resources to provide a more coherent course of action. Wilson’s pursuit of expansionary policies at a time when other countries were using deflationary policies to combat inflation illustrates how the prevailing discursive frame blocked the potential

translation of ideas and practices from abroad that may have led to a different outcome. Wilson’s decisions produced monetary instability that was further compounded by the decline of the Sterling in 1975-1976, all of which would require an IMF loan to rescue the British economy.  

As inflation increased from 9% in 1973 to 16% in 1975 and 24% in 1975, the Wilson Cabinet reversed a key postwar Labour principle and introduced £1 billion in social expenditure cuts. As former Labour minister Edmund Dell noted, the decision was another indication that the postwar consensus was collapsing: “Healey’s budget had, for the first time since the war, given the battle against inflation priority over full employment. It was a turning point in Britain’s post-war economic history.” The decision created irreconcilable rifts within the party and Cabinet, and Wilson resigned on May 16, 1976, after a White Paper on Public Expenditure proposing an additional £3 billion in cuts was defeated in Parliament.  

Upon taking office as Prime Minister, James Callaghan (1976-1979) faced the same divisions within the party and a worsening economic situation. A mildly reflacionary budget in 1976 only strengthened the perception that Labour was beholden to the unions. Callaghan’s 1976 speech to the Labour party conference at Blackbool was the final acknowledgement that the postwar consensus built around the nexus of

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155 Booth, The British Economy in the Twentieth Century, 81.
156 Quoted in Cronin, New Labour’s Pasts, 169.
157 Cronin, New Labour’s Pasts, 168. The Bill later passed when Wilson re-submitted it as part of a no-confidence vote, but Wilson took the initial result as a clear call to step down.
158 The budget increased expenditure on employment schemes and social security benefits and included a slight reduction in standard rate of income tax. Cronin, New Labour’s Pasts, 175-176.
social security and Keynesian demand management had been discredited: “Britain has for too long lived on borrowed time, borrowed money, borrowed ideas […] the cosy world we were told would go on forever, where full employment would be guaranteed by a stroke of the Chancellor’s pen, cutting taxes, deficit spending, that cosy world is gone.”

Callaghan went on to emphasize that using government spending to counter a recession and unemployment was no longer an option, thus marking the end of the postwar consensus on social security and Keynesian demand management in postwar Britain.

The government still faced an economic crisis, though, with public sector expenditure ballooning above 50% of GDP fueling a collapse in international confidence that placed the Sterling under additional pressure. At this point, Callaghan had little room for maneuver and no clear way to make sense of events given that the predominant discourse, the postwar consensus, had collapsed but the challenging frame, declinism, offered no positive guidance. Turning to their last resort, the government opened negotiations for an IMF loan in November 1976. Although the final terms were less harsh than the 8% reduction in public expenditure initially demanded, the Conservatives wasted no time in casting Labour as a party and government forced to beg from foreign bankers, while the left wing of the Labour party felt betrayed by Callaghan’s willingness to abandon traditional party principles and

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159 Quoted in Cronin, New Labour’s Pasts, 179-180.
160 Booth, The British Economy in the Twentieth Century, 163, 179.
commitments. These breaking moves discredited the Labour party as a party capable of governing the economy, even if the frame did not offer an immediate alternative solution (which would have required joining and/or bricolage). As a result, Callaghan’s government lost public trust and was perceived as inept even as the economic conditions improved. Inflation decreased from 24.2% in 1975 to 8.3% in 1978, the balance of payments was positive by mid-1977, and Callaghan was even able to forego the last IMF installment and introduce a mildly expansionary budget in an attempt to return to the Keynesian principles so recently abandoned. Nonetheless, the trust of voters and union support remained low due, and by 1977 the party could not even muster a majority in Parliament.

The 1978-1979 Winter of Discontent was not only the final nail in the coffin for Callaghan’s government, it also represented the first step in the articulation of a coherent set of ideas from the New Right that would supplant democratic socialism and the frames of social security and demand management. As inflation returned, unions and workers resisted calls for restraint and demanded wage increases of up to 40%, backed by militant strike action. In contrast to the industrial unrest of the 1960s, the strikes of the 1970s were concentrated in state services, such that “It was now less often a contest between capitalist and workers than a struggle that pitted public sector

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161 Cronin, New Labour’s Pasts, 184-185.
162 Cronin notes that although public expenditure dropped as an overall proportion of GDP from 46.4% in 1975 to 42.9% in 1979, and social expenditure correspondingly declined as a share of GDP, social spending actually increased as a share of total public expenditure and had grown by nearly 2% in real terms. As such, Labour distributed the burdens of the 1970s relatively equitably, in line with its broader social-democratic traditions. Cronin, New Labour’s Pasts, 186.
workers against the state and the public it was supposed to serve.”

Union activism culminated on January 22, 1979, the “day of action” that saw 1.5 million public service workers strike at once, launching a wave of unrest that spread to trash collection, emergency services, schools, and hospitals. Public outrage was captured by the February 1 Daily Mail headline “They Won’t Even Let Us Bury Our Dead” in reference to the refusal of grave-diggers in Liverpool to bury the deceased. “They” in this context were, properly speaking, unionized workers, but as the majority of union workers were state employees, the unions had by this time become synonymous with the government in the public eye and the government was blamed for the intransigence of the unions. The fact that Callaghan was on vacation during the Winter of Discontent only compounded perceptions of ignorance, as did the generous settlement terms granted to the unions without any corresponding review of the Labour-TUC relationship as the strikes petered out.

When Margaret Thatcher took office in May 1979 she was by no means beloved by the British people and the Conservative Party’s victory was not spectacular (44%-37%, taking 339-238 seats). However, the election was less about Thatcher than it was a referendum on Labour’s outlook and policies, and the result was quite clear. Economic management had devolved from a discursive frame centered on social

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163 Cronin, New Labour’s Pasts, 190-191.
164 The January 22 strikes were concentrated among truck drivers, railway employees, water and sewer workers, port/harbor workers.
165 Cronin, New Labour’s Pasts, 193.
166 Cronin, New Labour’s Pasts, 192-194.
167 Cronin, New Labour’s Pasts, 195.
security and employment policy to a perpetual crisis-management exercise over the course of the 1970s. Although the technical economic questions may have been manageable, the perception that governments, particularly Labour governments, had lost the ability to govern the economy, were insurmountable.¹⁶⁸

Both Labour and the Conservatives were generally supportive of “state supported capitalism” up through the 1970s (especially when in power), and economic growth provided the resources for welfare expenditure, which in turn helped legitimate the welfare state as a central part of the postwar British narrative.¹⁶⁹ At the same time, the difficulty in implementing effective policies due to administrative and technical limitations, combined with the rapid increase in unemployment in the mid-1970s helped to discredit the planning approach and undermine the full employment assumption. At one level, the difficulty was in reconciling four simultaneous but incompatible demands: full employment, balance of payments equilibrium, price stability, and economic growth.¹⁷⁰ These functional imperatives are not sufficient to fully explain the course of events, though, as actors needed to both interpret these challenges and then construct appropriate responses. This discursive process was manifested in the frequent reversals of the parties (in both rhetoric and policy) as they entered and left power and grappled with new information and new ideas.

¹⁶⁸ Booth, *The British Economy in the Twentieth Century*, 178. Booth also observes that historians have been “rehabilitated” Labour (particularly Heath) over time, recognizing the party to have done well under very challenging circumstances. Ibid, 180.
¹⁷⁰ Lowe, *The Welfare State in Britain Since 1945*, 120.
To be sure, actors confronted a great deal of uncertainty over how to properly diagnose the economic developments of the 1960s and 1970s. There was enough conflicting information that actors “saw what they wanted, and acted in response to what they selectively saw. Even the great big, new factor of the moment – the historic increase in the rate of inflation – was interpreted and assessed according to prior visions, predispositions and interests.”

Indeed, this was precisely the case in the frame that joined manufacturing, labor activism and a particular image of the British worker into a story of decline. Similarly, actors embracing the ideas of the New Right (with the inadvertent aid of the Labour Left) were successful in breaking the linkage between Keynesian demand management and the postwar success story of full growth and social security, thus reclaiming the issue of economic governance.

The frequent policy reversals of Labour and the Conservatives are less puzzling when viewed from the perspective of the discursive frame within which they were operating. The postwar consensus, and the demand management component in particular, made it easier to dismiss information and policy failure that, in a purely “objective” world, would have cast doubt on the course pursued. The frame essentially blocked the mechanism of translation that might have facilitated policy learning from the same foreign examples (particularly the US, Germany) that were cited as evidence

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171 Cronin, New Labour’s Past, 173. Cronin goes on to note that the financial community focused on the value of their assets, industry was concerned about the cost of materials and labor, and workers worried about inflation as consumers but were mollified by wage increases as employees. The diverse interpretations of such a seemingly straightforward “fact” further highlights the role that discursive frames have in making sense of, and responding to, the social world.
for Britain’s economic decline. Events that “should” have been read as requiring a deflationary response (inflation, balance of payments issues) did not make sense within the Keynesian demand management frame and were instead interpreted as wage and demand issues, and were handled by the tools offered by the frame. Indeed, the strength of the postwar consensus helps explain the “tragicomic slide” of Wilson’s first government “from promises of faster growth to devaluation and ultimately to major retrenchment” that then played out twice more before 1979. What at first glance appears in retrospect to be either sheer ignorance or incompetence was in fact “logical” when understood in terms of the context of the predominant discursive frame within which actors were operating.

**CONCLUSIONS: BRITAIN 1948-1979**

The story of the postwar British welfare state is the story of the articulation and dislocation of the postwar consensus, a hegemonic discourse built around a shared commitment to social security and economic management based on full employment and Keynesian demand management. The seeds of this process are visible in the debates surrounding key tropes in social security policy such as the means test and the nature of poverty, and discussions concerning the nature of the British workforce, manufacturing policy, and the role of the unions in employment policy. As these debates developed, the New Right regained discursive control over these tropes through

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a *breaking* and *joining* process that eventually established a new discursive frame for welfare and economic governance. However, it would not be until the mid-1980s that the New Right frame would be fully articulated (and largely uncontested) in the form of Thatcherism.

Although the economic crisis of the 1970s, coming on the heels of a period of remarkable growth, played a role in this discursive shift, the root cause for the events of the late 1970s is to be found deeper within British society and history. Attention to the discursive frames constructed in postwar Britain as actors grappled with new ideas, new information, and deep-seated values helps clarify the persistence of the postwar consensus in the face of crisis, why it broke down when it did, and why this discursive process is a more thorough and accurate account than institutional or interest-based accounts that often only focus on the most proximate events in explaining crisis and reform.\(^\text{173}\) Key decisions are understandable only when viewed from within a discursive frame that gave credibility to certain types of data and discredited other information. For instance, the reliance on a new “scientific” planning approach from the Beveridge Report that based policy decisions on social survey data was the source of some dramatic miscalculations and policy errors in this period. Similarly, the focus on manufacturing output in comparison to other OECD states became the single

\(^{173}\) As Paul Pierson has observed, the most proximate events are not always the actual causes of events—especially in “big and slow moving” social phenomenon that gradually build to a tipping point. Paul Pierson, “Bit, Slow-Moving, and...Invisible: Macrosocial Processes in the Study of Comparative Politics,” in James Mahoney and Dietrich Rueschemeyer (eds.), *Comparative Historical Analysis in the Social Sciences*, Cambridge: Cambridge University Press, 2003, 177-207.
measure for Britain’s economic health in the 1960s, overlooking the (readily available) data on the shift to a service economy or the continued aggregate increase in welfare still being experienced despite the (relative) decline in manufacturing.\textsuperscript{174}

In the end, the discursive frames and consensus that fueled postwar recovery also contributed to the stagnation in both ideas and leadership in the 1970s. In some sense, Labour and the democratic socialists had unwittingly sown the seeds for the economic crisis of the 1970s long before, and had thus earned the misfortune to govern over the economic crisis. Once within such situations of crisis, actors cannot simply take new ideas and new information “off the shelf” for instant use. Instead, these must be integrated into an existing discourse or assembled into a new one. The Labour left’s alternate vision for economic organization based on centralized control and state ownership (the so-called “alternative economic strategy”) was discredited with the financial crisis and IMF loan. The “New Right” began discussing the economic circumstances in the 1960s with reference Milton Friedman’s work on monetarism in the United States and Hayek’s Austrian neo-liberal tradition. It would take several years, though, before these ideas would coalesce into a coherent program that would resonate within the British context, articulated as new discursive frame based around monetarism, deregulation, and a call to Victorian-era British values.

\textsuperscript{174} Booth, \textit{The British Economy in the Twentieth Century}, 6, 94.
“Economics are the method; the object is to change the heart and soul.”

- Margaret Thatcher¹

“Our purpose is to take the 1945 Welfare Settlement and radically redraw it.”

- Tony Blair²

INTRODUCTION

When Margaret Thatcher took office in 1979 Britain was facing an economic crisis as well as a crisis of the welfare state. The postwar consensus had been largely discredited, but it would not be until the mid-1980s that the ideas of the New Right, centered around a program of deregulation and privatization, would coalesce into a set of frames that guided policy choices. Attempts to construct a more cohesive discourse foundered on the divisions between the Conservative party and Thatcher’s more aggressive vision of concerning welfare state reform. In particular, Thatcher’s attempts to insert a moral dimension into debates on poverty, dependency, and the welfare state lacked the discursive connection to broader cultural-historical resources that would have created an interpretation of past and present that would have provided a vision for the

¹ Margaret Thatcher, Interview with the Sunday Times, May 1, 1981.
future. The failure to ground these “new” ideas in broader cultural historical resources meant that “Thatcherism” was dislocated within a relatively short period of time as it was challenged by new ideas and interpretations of events that it could not assimilate.

The collapse of Thatcherism opened a window for new actors and ideas, but it did not predetermine subsequent outcomes. During their prolonged period in opposition Labour undertook an extensive process of intellectual engagement with both Thatcherism and the ideas and history of the Labour party itself. New Labour reformers linked together new ideas on economic management and the welfare state with cultural-historical resources such as the legacy of Beveridge and British traditions of industriousness and opportunity to articulate the Third Way discourse, which dislocated Thatcherism and established a new welfare state consensus and overarching discourse in the 1990s and 2000s. The Third Way discourse reestablished the Beveridge-era linkages between social security and economic policy that had been broken by the New Right, but also reinterpreted important cultural-historical resources as part of the discursive process to yield a particular constellation of policies and institutions. As with the other periods, the predominant discursive frames and tropes legitimated certain policy and institutional choices as appropriate and discredited others.

Across all four periods of the British postwar welfare state discussed in the previous chapter and below, two key relationships emerge concerning welfare state development and reform. First, the discursive frames with the most power in driving reform are those that are thoroughly grounded in cultural-historical resources and thus
create new understandings of past and present. Second, actors are central to explaining why reforms happen in some periods and not others. The discursive combination of new ideas with cultural-historical resources is, in itself, not sufficient in explaining why reform happens in some periods and not others. The major periods of welfare state reform in postwar Britain (the 1940s and the 1990s) are the periods exhibiting a conjuncture of key actors and coherent discursive frames. While ideas are always “out there,” those periods where actors do not recognize them (the 1960s/1970s) or assemble them into a coherent discourse that is also linked to cultural-historical resources (the 1980s) tend to result in stalled reform.

**Rolling Back the State: Thatcher and the New Right**

The ideas that guided Thatcher and the Conservative party once they took office in 1979 had begun to germinate amidst the economic turmoil of the 1970s. As Callaghan accepted an IMF loan, unemployment reached 1.5 million and Labour had fully lost the confidence of the public on questions of economic and welfare state management. At the same time, the Conservative party was influenced by range of new ideas from sources such as the Institute for Economic Affairs (IEA) and the Centre for Policy Studies as well as the ascendency of neo-liberals from within their own ranks. Although the New Right was successful in *breaking* the discursive linkages between social security, economic growth, and Keynesian demand management that had framed policy since 1945, and was also successful in *joining* their own tropes and frames to
specific policy initiatives, they were less successful in creating a cohesive discursive frame that linked back to key cultural historical resources. In this sense, the absence of a thorough process of *bricolage* helps explain the tenuous and fractured nature of Thatcherism. For instance, Thatcher’s appeal to Victorian values concentrated on notions of individualism and self-sufficiency that did not resonate. Later, Tony Blair and Gordon Brown would emphasize industriousness and innovation as they linked Victorian values to New Labour’s social policy reforms.

This lack of cohesiveness is manifested in the fact that it wasn’t until the late 1980s that major reform measures were enacted and only in the early 1990s did the tropes and ideas of “welfare reform” and “rolling back the state” find coherent expression in a policy statement (the 1993 “Fundamental” Review). Although Thatcherism dislocated the prior Keynesian demand management discourse, it was never fully settled due to inconsistencies in both principle and practice as well as competing frames from the political left. The tension between the economic frame, built around first monetarism and later privatization, and the social policy frame based on the “welfare to work” and “dependency culture” tropes embodied contradictory principles and made conflicting policy choices seem appropriate. This discursive dissonance left plenty of space for Thatcherism to be challenged and dislocated by New Labour and the frames of the Third Way. The central tropes, frames, and mechanisms for this period are summarized in table 5.1, below.
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<th>Table 5.1 – Frames, Tropes and Mechanisms in Britain 1979-1997</th>
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**Overarching discourse:** New Right/Thatcherism holds through 1990, then dislocated by the articulation of the New Labour/Third Way discourse.

**Frames**
- Monetarism: roll back the state, discipline, free market, control public spending, later emphasis on privatization
- Welfare reform: dependency/benefit culture, Victorian values, self-sufficiency, welfare to work

**Tropes**
- Monetarism, replaced by privatization after monetarism fails (79-82)
- Roll back the state
- Deregulation
- Welfare to work (US/Charles Murray ideas) and the dependency/benefit culture
- Individual responsibility and self-sufficiency
- Internal markets and purchaser-provider
- Means testing becomes “income support”
- “Stand you your own feet”
- Unemployment benefit becomes “Jobseekers’ Allowance”

**Mechanisms**
- Breaking
• New Right *breaks* apart social security—demand management—economic growth nexus of the postwar consensus

- **Joining**
  - Welfare frame to means-testing, welfare sanctions
  - Welfare equated with personal social services and the NHS, making them targets of reform and privatization

- **Specifying**
  - Monetarism as an appropriate set of economic policies
  - Benefit culture as the key problem to be addressed

- **Translation**
  - Monetarist ideas; “internal markets” and “welfare to work” from US
  - Ideas of poverty, the poor, and dependency from US critique of the welfare state

- **Bricolage**
  - New Right attempts to establish linkage to Victorian values (failed)
The Ideas of the New Right and Thatcherism

Two think tanks, the Institute for Economic Affairs and the Center for Policy Studies, provided the ideational underpinnings of the New Right’s criticism on democratic socialist thought and the postwar consensus. The IEA had been founded in 1955 and Sir Keith Joseph founded the Center for Policy Studies in 1975. Both institutes drew heavily on the ideas of Friedrich Hayek as well as the monetarist ideas emanating from the United States in attacking Keynesian demand management ideas and advancing a free-market agenda centered around the tropes such as the “discipline of the market” and “rolling back the frontiers of the state.” In the early 1980s it became clear that monetarist policies had not addressed Britain’s economic woes and Conservative reformers replaced monetarism with privatization as their flagship policy. A new frame casting the welfare state (and welfare recipients) as emblematic of Britain’s social woes also took shape in the mid-1980s, drawing on both domestic discontent and ideas about “remoralizing” the poor from welfare reform debates in the United States. This second frame cast welfare policies as bad for society because they reduced individual freedoms and, implicitly, challenged traditional authority by

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3 Joseph went on to become a central voice in the new Right. He noted that “…the blind, unplanned, uncoordinated wisdom of the market…is overwhelmingly superior to the well-researched, rational, systematic, well-meaning, cooperative, science-based, forward looking, statistically respectable plans of government.” Keith Joseph, Stranded on the Middle Ground, London: The Centre for Policy Studies, 1976, 57.


empowering disadvantaged groups.⁶ John Moore (appointed Secretary of State for the Department of Health and Social Security in 1987) undertook a deliberate effort to institute new language, as “social security” became “welfare” and the “benefit culture” became the primary object of reform.⁷ These tropes combined with the “welfare to work” idea and Thatcher’s call for “Victorian values” to form a welfare reform frame that made up the second component of the Thatcherite discourse.

Most importantly, the Thatcherite discursive frame enabled actors to decouple welfare policy from economic policy. Instead, it was appropriate to link welfare policy to the personal social services and the NHS as a constellation of ideas and institutions focused on “the poor” that needed both fiscal reform as well as a new guiding idea. On a conceptual level, this new discursive construction of welfare as separate from employment entailed the return to a pre-war understanding that accepted a “natural” level of unemployment and did not make the eradication of unemployment a measure of a government’s success. The major policy consequence was the widespread move towards on means tested benefits and decentralized, privatized service delivery. The seeds of a “rights and responsibilities” agenda was born in requirements for training or other activity on the part of benefit recipients, and increased means-testing led to a greater stigmatization of poverty and unemployment. Finally, the NHS was cast as a symbol of waste and inefficiency, although reforms meant that the service was in far

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better shape after Thatcher than the public perception (or the Labour election campaign) suggested. The principal mechanism in this discursive process was *breaking*, as the New Right disassembled the understandings that had underpinned the postwar consensus. Some instances of *translation* and *joining* were also present as tropes from abroad were assimilated into the British welfare state critique. Although Thatcherism developed into a relatively coherent discursive frame, it was not sufficiently grounded in the cultural historical resources required for longevity, and the internal fissures stemming from its somewhat *ad hoc* combination of ideational factors led to its dislocation by the New Labour/Third Way frame in the late 1990s.

*Policy Changes 1979-1997*

The first few years of Conservative government were characterized by the implementation of a monetarist, free-market economic policy, embodied in the Medium-Term Financial Strategy (MTFS) that set out clear targets for monetary growth and for limiting public expenditure, which was viewed to be “at the heart of Britain’s economic difficulties.”8 Even though industrial output fell 5%, GDP fell 16%, inflation peaked at 22%, and unemployment reached 3 million over the 1979-1981 period, Thatcher held fast to the “eternal truths” of monetarism, famously declaring at the 1980

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party conference that “the lady’s not for turning.”

However, the failure of the monetarist agenda to significantly impact the British economy led to a reframing of the Conservative reform program in the mid-1980s. Having already separated economic and social policy both in principle and policy, the focus on public expenditure within the monetarist frame together with the new emphasis on privatization and deregulation naturally led to the framing of the welfare state itself as part of the economic problem. The new set of appropriate solutions involved measures to reduce costs, reduce the number of claimants, and reduce the size of the public bureaucracy as well as initiatives to instill new values of individualism and self-sufficiency. As the largest and/or fastest growing elements of the welfare state, and as the services most involved with serving the poor and disadvantaged, social security, the personal social services and the NHS all became “natural” targets within the frame of Thatcherism.

From Social Security to Welfare

The 1987 appointment of John Moore as Secretary of State for the Department of Health and Social Security was symbolic of Conservative efforts to reshape public policy and public perceptions surrounding unemployment, social security, and poverty. Under Moore, social security was re-termed “welfare,” means testing was renamed “income support,” and the “benefit culture” replaced the “poverty trap” as the principal

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9 Quoted in Lowe, The Welfare State in Britain Since 1945, 325.
target for reform. Recalling the language used by Poor Law reformers in the 1830s and critics of the “problem family” in the 1950s, this language once again linked poverty and unemployment to individual moral shortcomings. Moore’s efforts were also influenced by the welfare reform discussions in the United States, leading to the translation of the “welfare to work” trope into British discourse, although Moore’s conceptualization emphasized the “sticks” to push people back into the labor market far more than the “carrots” to incentivize the process.

Two major policy reviews, following the 1986 Fowler Review and the 1993 Fundamental Review, led to “bursts” of regulation that were supplemented by many smaller policy changes. The principal reform was the end of earnings-related benefit supplements in 1982, marking the first removal of a right that had been guaranteed to all via insurance contributions. The administration of sickness and maternity benefits was transferred to employers (in 1982 and 1986, respectively) and government reimbursements for these benefits ended 1994. The transfer of responsibility for service delivery from the government to executive agencies was so extensive that by 1996 all but 3% of DHSS staff were employed in such agencies, and the 80-year old Department of Employment (originally the Ministry of Labour) was disbanded in 1995. The DHSS Employment Service, responsible for “delivering” the “welfare to work” measures, had fully displaced the traditional activities of the Department of Employment such as

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coordinating policy with the unions and delivering active labor market policies. In addition, eligibility requirements for all benefits were steadily tightened over time and work/training requirements, a part of Beveridge’s original proposal, were re-introduced for benefit recipients. Finally, means testing (now “income support”) replaced universal benefits in most cases.

After a burst of economic growth in the mid-1980s, renewed recession in the early 1990s (with growth falling from 4% to less than 0.5%) prompted a new round of internal policy battles among Conservative reformers and led to the 1993 “Fundamental” (or Portillo and Lilly) Review of the welfare state. Most significantly, the 80-year old unemployment benefit was rebranded the “Jobseekers’ Allowance” and reshaped to emphasize responsibilities, rather than the rights of the claimant. The right to contributory benefits was reduced from twelve months to six, and claimants were required to prove that they were actively seeking work (recalling the pre-war test). The Jobseekers’ Allowance and the corresponding rights and responsibilities agenda would later become an integral part of New Labour’s “New Deal” unemployment program, albeit with a different balance among the rights and responsibilities components.

Many of Thatcher’s reform measures encountered resistance from her own Cabinet. Chancellor of the Exchequer Kenneth Clarke (1993-1997) and Treasury civil

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12 Lowe, The Welfare State in Britain Since 1945, 244.
servants were particularly skeptical of the idea that means testing and privatization would actually bring cost savings. Clarke and the Treasury helped reshape the Jobseekers’ Allowance and similar measures to emphasize incentives for encouraging those on benefit to return to work (such as subsidies to employers) rather than just sanctions on the claimant. As is discussed at the conclusion of this chapter, the compromises brokered by Clarke were “the germ of a new consensus between the Conservative and Labour parties, if not within the Conservative Party itself.”

The Personal Social Services

As the largest component of the welfare state, social security was in some sense a “natural” target for Conservative reformers, although the precise nature of the reforms is impossible to understand without reference to the discursive frame within which they were grounded. The personal social services, a small and ill-defined component of the British welfare state up through the 1960s, are more puzzling. It wasn’t until the 1968 Seebohm Report on Local Authority and Allied Services that the institutions and services provided through local authorities to aid the elderly, disabled, children and “problem families” were referred to as a coherent whole, and even though the personal social services were one of the fastest growing welfare state components from 1968 onwards, they only amounted to about 3.9% of all social expenditure by 1976.16 That

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The personal social services became a primary target of welfare reform can only be understood with reference to the discursive construction that cast these services as part of the dependency culture “problem” facing Britain.

In caring for the most vulnerable members of society, these services also raised questions concerning the proper relationship between the individual and the state. Given that reorienting this relationship was a central part of the Thatcherite discursive frame, the personal social services were also a logical target because of what they symbolized. The work of the personal social services had been integral to the broader postwar shift in attitudes from blaming the poor and disadvantaged for their misfortune to accepting those that sought help from the state as full citizens. In casting the personal social services as a service for the poor, Conservative reformers reopened this debate between the “rights” and the “duties” (or responsibilities) of citizens, and the broader Thatcherite frame on both economic management and welfare reform underpinned policies that emphasized community and voluntary (rather than state) care for the disadvantaged and also re-stigmatized social assistance.¹⁷ In short, the discursive constructions that made reforming the welfare state possible also led to the massive expansion of the personal social services, quite literally creating another target for Conservative reformers.

The personal social services first took on some coherence following the Seebohm report, which took a holistic view of child and family services and

recommended both functional and professional coordination across social work fields. Soon thereafter, though the 1978 Wolfenden Report highlighted the increasing cost of supplementary benefits and recommended both an extension of means testing and a greater role for voluntary organizations. The voluntary sector had always been important in this field, but the shift away from any state role whatsoever was further reinforced by the 1981 white paper *Growing Older* that redefined community care as care not by the community but by family or voluntary agencies, explicitly linking this discursive shift to the governments’ priority for cost cutting.\(^{18}\) Subsequently, the 1989 Children’s Act made clear that parents, not the state, were responsible for the care of children even in ambiguous cases where state intervention had previously been warranted, and the 1990 National Health Service and Community Care Bill instituted strict central government control over funding for community care issues while devolving the responsibility for service provision to local authorities.\(^{19}\)

In practical terms, these reform measures reduced the role of the state in these care services and encouraged the development of a voluntary sector. Paradoxically, though, costs to the state skyrocketed due to reimbursement payments paid to the voluntary organizations.\(^{20}\) Conceptually, these particular reform measures were chosen because of the belief that they would revive civil society and local (individual) initiative


\(^{19}\) Lowe, *The Welfare State In Britain Since 1945*, 350-351.

to combat the perceived culture of dependency. As Lewis notes, though, “Voluntary bodies competing for contracts in the 1990s were not the embodiment of independent active citizenship, as in the Victorian days. Rather, they were the creature of government.” Viewed from the perspective of the Thatcherite discursive frame it was logical to both link social security (welfare) and the personal social services as part of the problem diagnosis, and the specific policy remedies were also appropriate in the context of the frame. However, the New Right’s inability to resolve the resulting discursive and policy contradictions would be important factors in the dislocation of Thatcherism by New Labour.

The National Health Service

Healthcare was an important element to Beveridge’s aim of securing freedom from want. In providing provided free, complete care (not just a minimum) against the fear that inability to afford medical care would lead to illness or death the NHS embodied the idealist spirit of Beveridge’s vision and also grew into the most popular welfare service. Despite its popularity, the NHS became a focal point of welfare reform efforts in the 1980s as it was cast by the New Right as a symbol of excessive cost and stultifying bureaucracy. As with the social security and personal social

22 Jones and Lowe, From Beveridge to Blair, 82. Lowe also notes that the NHS surpassed social security in popularity in the 1960s, and public opinion polls consistently recorded support levels of 80% and above, far higher than for any other element of the welfare state. Lowe, The Welfare State in Britain Since 1945, 175.
services fields, the Thatcherite frame emphasizing privatization and a reorientation of attitudes towards the poor guided policy decisions. As with the other social policy fields the discursive process that guided the reforms produced unintended policy results and also highlighted fissures in the Thatcherite frame. At the same time, some of the reforms laid the basis for a new consensus on healthcare that carried over into the New Labour government. Eventually, even Thatcher would acknowledge the practical and the symbolic value of the NHS within the British welfare state.23

A series of bitter policy disputes between NHS proponents (especially Aneurin Bevan, Minister of Health 1945-1951) and the medical profession over organizational structure, resources, and autonomy had marred the creation of the NHS.24 Although Bevan succeeded in the political aim of establishing universal health care, the complex administrative structure and web compromises involved in the process created a disjuncture between the NHS as an ideal of “universalizing the best” on the one hand, and as a health service plagued by conflicts of interest, substandard service, and cost overruns on the other.25 Attempts to remedy the service’s organizational shortcomings

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23 After leaving office, Thatcher revised and moderated her earlier criticisms, noting “I believed that the NHS was a service of which we could genuinely be proud. It delivered a high quality of care – especially when it came to acute illnesses – and at a reasonable modest unit cost, at least compared with some insurance based systems.” Margaret Thatcher, The Downing Street Years, New York: Harper and Collins, 1993, 606.

24 The British Medical Association (BMA) primarily represented General Practitioners and the Royal College of Physicians was composed primarily of hospital consultants. In March 1948, three months before the “appointed day” inaugurating the welfare state, 90% of doctors voting in a BMA membership ballot rejected the government’s detailed proposals for the NHS. Lowe, The Welfare State in Britain Since 1945, 178.

25 Wartime proposals for local administration of health care and general administrative unity were eventually defeated by the medical profession in the postwar NHS negotiations, resulting in a complex
and financial difficulties in the 1960s and 1970s failed, and by 1987 the system was judged to be technically bankrupt.\textsuperscript{26}

The Conservative effort to cut costs and roll back the state was certainly part of the motivation to reform the NHS. However, the choice to link together the NHS, social security, and the personal social services and to pursue a particular approach centered on privatization can only be understood with reference to the broader Thatcherite discursive frame. Thatcher appointed Roy Griffiths, head of the supermarket chain Sainsbury’s, to inject managerial efficiency and accountability into the NHS.\textsuperscript{27} The Griffiths Report, implemented in 1983 over the objections of the health profession, introduced an entirely new, streamlined management structure to the NHS. The dust from this reorganization had barely settled when Thatcher appointed an \textit{ad hoc} committee, bypassing the Cabinet and civil service, to review the NHS funding.\textsuperscript{28} Despite the initial mandate, the 1988 Thatcher review produced wide-ranging recommendations for greater competition and consumer choice. Even Griffiths was surprised at Thatcher’s hasty and unsystematic approach, noting that such reforms would place “strenuous demands on a well-established management, let alone the still

\textsuperscript{26} Lowe, \textit{The Welfare State in Britain Since 1945}, 181-183.

\textsuperscript{27} In a twist of history, one of the main targets of the 1983 Griffith reform was the culture of consensus management that had been implemented by a 1974 NHS reform led by Keith Joseph, founder of the Center for Policy Studies that was so central to the thought of the New Right project. Lowe, \textit{The Welfare State in Britain Since 1945}, 353-354.

\textsuperscript{28} Lowe, \textit{The Welfare State in Britain Since 1945}, 355.
fledgling management process.”29 Both the process and substance of the 1988 review highlights the way in which a near single-minded focus on a theme such as competition produced disconnected (even whimsical) decisions. Reflecting on the process, Nigel Lawson (Chancellor of the Exchequer, 1983-1989) later noted that Thatcher, “…having initially been too nervous to do anything at all…characteristically decided to go the whole hog and reform everything at once…”30

The NHS funding crisis persisted despite this flurry of activity, and it was only by near-accident that a solution was found in the next reform process. While on vacation, Kenneth Clarke (Secretary of State for Health 1988-1990) stumbled upon the notion of an “internal market” as developed by the American health economist Alan Enthoven.31 Clarke translated the idea into the New Right’s discourse on privatization and competition in the white paper Working for Patients again and (unknowingly) laid the groundwork for a new cross-party consensus on health policy. Internal markets involved, quite literally, the social construction of competition, as they required an artificial “purchase-provided” divide wherein district health authorities and general practitioners acted as purchasers of service and the hospitals (public and private) acted as providers by competing for business.32 In practice, the government continued to finance health care but ceased the direct delivery of service and the combination of

29 Sir Roy Griffiths, 7 Years of Progress: General Management in the NHS, 1991, 14, quoted in Jones and Lowe, From Beveridge to Blair, 96.
30 Nigel Lawson, The View From No. 11: Memoirs of a Tory Radical, 612-619, quoted in Jones and Lowe, From Beveridge to Blair, 107.
administrative efficiency, competition among providers, and consumer choice drove down costs. Ironically, Thatcher performed an about face at the last moment, opposing the reform that “rescued” the NHS on the advice of her “efficiency advisor” Sir Derek Rayner of Marks and Spencer and Sir Robin Ibbs of Imperial Chemical Industries, both of whom deemed the proposal “unworkable.”

Clarke’s proposals, implemented as part of the 1990 NHS and Community Care Act, helped to resolve the administrative and fiscal difficulties that had plagued the NHS and also led to improvements in public health. Contrary to initial expectations, a majority of hospitals and GPs joined the purchaser-provider system, which proved popular with managers and aided in the transformation of the NHS from a hospital to a genuine health care service. In addition, patient wait times and overall quality of service improved. In short, there was little to support Tony Blair’s famous 1997 election-eve warning that there were only 24 hours to save the NHS, although public perception did lag behind actual service improvements. New Labour would reverse their opposition to internal markets soon after coming to power, and this idea, along with evidence-based medicine and additional administrative reforms, developed into a new consensus on health policy.

The seemingly incoherent course taken by Thatcher and the Conservatives with regard to NHS reform is in fact comprehensible when located within the discursive

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33 It is reported that Thatcher shouted at Kenneth Clarke “I’m holding you responsible if my reforms don’t work!” Quoted in Lowe, The Welfare State in Britain Since 1945, 355.
frame that highlighted certain types of information, made certain problems actionable, and required certain responses. Discursively linking the NHS, social security and the personal social services was natural from both the cost cutting as well as the “remoralizing the poor” perspectives. The contradictions that resulted when translating these overarching commitments into day-to-day policy stemmed from both the frame’s conflicting imperatives and the underlying idea that elevated privatization and competition to the status of goals in and of themselves, rather than as a set of means among many other tools. Even initiatives that appear coherent in retrospect were typically the product of “act first, deliberate later” approach, illustrated by Clarke’s admission that he essentially made up the 1990 NHS and Community Care Act as he went along.35

Consistent with the general expectations concerning discursive frames, Thatcherism also predisposed Conservative reforms to certain types of information and advice. In 1980 the government attempted to suppress the Black Report, an inquiry into the causes of health inequality commissioned by the prior government, primarily because the report indicated that material inequality, not moral or individual failings, were at the root of health equality, and suggested that “[t]he elimination or reduction of material deprivation and not just the organisation of more efficient health care services

had to become a national objective for action.”

The Report was an important precursor to the evidence-based medicine approach adopted in the 1990s, yet the (verified) empirical evidence clashed with Thatcherism’s cost-cutting imperative and understanding of poverty. Similarly, Thatcher clashed with her Cabinet on the question of NHS privatization, opposed by the Treasury based on their knowledge of private insurance markets in Germany and the United States that suggested such reforms in Britain would actually increase health expenditure and reducing government revenue.

**Conclusions: Thatcherism as a Fractured Discourse**

It took until the mid-1990s for a truly coherent program to evolve out of the New Right’s hostility to social security and devotion to free-market monetarism, as embodied in Portillo and Lilly’s review of the welfare state. In the meanwhile, though, the number of individuals in poverty or on means-tested benefit had risen dramatically, leading in turn to rising social expenditures (especially administrative costs).

From 1978-1979 to 1995-1996 social security expenditures increased from £50.7 billion to £93.1 billion, personal social service expenditures increased from £4.1 billion to £9.4 billion, and NHS expenditures doubled from £23.5 billion to £40.7 billion.

In terms of policy, attempts to cut the value of benefits, number of claimants, and size of the

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bureaucracy led to *increases* in cost, bureaucracy, and confusion.\textsuperscript{40} Privatization had not led to cost savings, but rather the replacement of public monopolies with private ones, and public expenditure as a share of GDP in 1991 was only slightly below the 1979 level.\textsuperscript{41}

Thatcherism focused attention on the welfare state as the source of Britain’s economic malaise, both in terms of its cost and because of the attitudes and mentalities bound up with the idea of government support and the “benefit culture” trope. Yet judging from standard measures of economic health and social expenditure, there is little evidence to support the view of a “parasitic welfare state” that had hobbled the British economy.\textsuperscript{42} On the one hand, the British economy experienced recession (79-82), growth (83-87), and then recession again in the 1990s. During this time, the level of social expenditure remained relatively stable, although the qualitative nature of benefits and services shifted dramatically. At the same time, the most significant deregulation and privatization measures were instituted 1982-1983, *after* the recovery of the 1980s had already begun.\textsuperscript{43} Similarly, the semantic process of renaming programs and benefits helped to disguise real changes in benefits and requirements, but more broadly a simple change in definitions resulted in the appearance that

\textsuperscript{40} Lowe, *The Welfare State in Britain Since 1945*, 345.
\textsuperscript{41} Booth, *The British Economy in the Twentieth Century*, 182 and Figure 6.1.
\textsuperscript{42} Booth, *The British Economy in the Twentieth Century*, 185.
\textsuperscript{43} Booth, *The British Economy in the Twentieth Century*, 190.
unemployment was declining after 1980 when in fact the statistical change was an artifact of the definition employed.\textsuperscript{44}

The disconnect between Conservative rhetoric and reality was due in part to the fact that Thatcher lacked an overall strategy and in part to the inconsistencies within the Thatcherite frame. The policy responses viewed as acceptable and legitimate from the perspective of the frame, cost cutting and improving service delivery, conflicted in principle and in practice. The administrative costs of the strict monitoring requirements placed on Jobseekers’ Allowance claimants conflicted with the goals of cutting costs and bureaucracy, and were also reminiscent of the interwar “actively seeking work tests” designed to disqualify, rather than aid, applicants.\textsuperscript{45} The idea of helping individuals “stand on their own feet” through private insurance turned out to be more expensive because of the government subsidies required to make such insurance affordable as the private market balked at assuming the additional risk. Similarly, means testing ran counter to the ideas of pushing people back into work and of cutting the bureaucracy. In practice, means testing reduced work incentives by creating “poverty traps” where recipients gained little or nothing from increasing their working hours due to the corresponding loss of benefit, while at the same time administrative costs increased because administering such benefits is labor intensive.\textsuperscript{46}

\textsuperscript{44} Booth, \textit{The British Economy in the Twentieth Century}, 130.

\textsuperscript{45} Lowe, \textit{The Welfare State in Britain Since 1945}, 347.

\textsuperscript{46} Lowe notes that up to 40\% of the social security budget was consumed by administrative costs whereas the equivalent figure for the universal child benefit was about 2\%. Lowe, \textit{The Welfare State in Britain Since 1945}, 347.
Thatcher’s own government also balked at many of her more radical initiatives, such as was the case with the 1982 and 1987 policy reviews on the welfare state. As public expenditure expanded, the Treasury remained skeptical that means testing and privatization actually reduced costs, and private market actors were leery of taking on the administrative challenges and the massive risk that would have been associated with, for example, privatization of the NHS.

Welfare policy continued to be seen, as Beveridge had viewed it, not as a threat to the market but as a precondition for its efficient working. As Mrs. Thatcher’s own adviser on social policy later argued, state welfare should be viewed ‘not as an interference with the free market but as helping to preserve it’. It was also ‘an expression of solidarity with our fellow citizens’. These ‘market and community arguments’, he concluded, ‘together explain the remarkable consensus in most advanced Western nations that some sort of welfare state is both necessary and desirable’.47

A combination of the enduring popularity of the welfare state and the fact that policy reforms had not achieved their state ends lay behind the reluctance of actors beyond Thatcher to completely dismantle the welfare state.

Finally, there is no evidence that Thatcher’s supposed cultural revolution had taken place. Survey evidence indicates that the electorate did not become any more “Thatcherite” under her tenure.48

Despite all the talk on the left about Thatcherism as a ‘hegemonic project’, by the time she was forced out of office she had signal failed to create an entrepreneurial culture or to engineer a return to ‘Victorian values’. […] Thatcherism was in any event more a rejection of the corporatist philosophy of

47 David Willetts, Modern Conservatism, New York: Penguin, 1992, 139-142, quoted in Lowe, The Welfare State in Britain Since 1945, 337. Lowe also notes that by 1991 a majority of those polled (65%) favored higher social spending and taxation.
the past than a vision of the future; and whatever purchase its critique of state, of socialism, of the unions and of failed incomes policies had had in the 1980s, it no longer worked so well by the mid-1990s.\footnote{James E. Cronin, \textit{New Labour’s Pasts: The Labour Party and its Discontents} (New York: Pearson/Longman, 2004), 391-392.}

As is discussed in the next section, Thatchers’s actions were probably more significant in reshaping the views and approach of the Labour Party. The 1997 Labour manifesto emphasized being “wise spenders not big spenders,” Ministers were required to “save before they spend,” and the party made a commitment to observe Conservative spending limits for 2 years.\footnote{Lowe, \textit{The British Welfare State Since 1945}, 338.} In the meanwhile, though, the search for policy solutions that fit their frames blinded Conservative reformers to both policy failures and their own successes.

In sum, the fundamental frames that make up Thatcherism, monetarism-turned-privatization and welfare reform, were internally inconsistent and were not grounded in the cultural-historical resources necessary to construct a cohesive frame. Thatcherism was constructed primarily through the mechanisms of breaking with some joining and translation. In combination, these were sufficient to dislocate the postwar consensus, but were insufficient to establish a new hegemonic discourse in Britain. Absent the broader discursive connection to cultural-historical resources typically constructed through bricolage, Thatcherism remained an unsettled set of frames, continually searching for renewal instead of developing a more durable discourse grounded in cultural-historical resources. Indeed, after Margaret Thatcher had been ousted by her
own party in 1992, John Major proclaimed the welfare state an “integral part of British instinct” and articulated the ideal of creating a “classless society.”

TONY BLAIR AND NEW LABOUR: EMBRACING CHANGE THROUGH RENEWAL

The welfare state reforms that began under the Thatcher government as a reactionary response shifted to a more coherent approach under Tony Blair’s New Labour governance. Over the 1990s New Labour reformers articulated a discourse that broke with both the immediate past of Thatcherism as well as with the more distant past of “old Labor” on the one hand, and sought to recover deep-seated values and traditions and merge them with new ideas on the other. In contrast to previous periods, the chief debates took place between traditionalists and modernizers within the Labour party, rather than between Labour and the Conservatives. The discursive frames advanced by New Labour became known as the “Third Way,” a moderate set of policies and ideas that were cast as essential for the national renewal that Britain needed to face, and master, the challenges of globalization. Upon winning office in 1997, Blair and New Labour employed many of the same means utilized by the New Right (e.g. public-private partnerships or means testing), but with qualitatively different in their aims (greater equality and opportunity, rather than dismantling of the welfare state). The Third Way discourse eventually achieved near-hegemonic status as legitimate and appropriate, even as the actual policy outcomes present more of a mixed picture.

The articulation of an overarching “Third Way” discourse relied on actors’ 
\\textit{bricolage} of new ideas and key cultural-historical resources such as tropes of work and 
security drawn from Beveridge, Victorian images of innovation and industriousness, 
and a reinterpretation of the Labour party’s own past. This overarching discourse 
constructed by Labour Party modernizers (later, New Labour) was composed of three 
main discursive frames that linked together various tropes and ideas into a coherent 
interpretation of the world: a frame that interpreted globalization and modernization as 
inexorable yet positive changes to be embraced and managed; an “activation” frame that 
drew on Beveridge’s ideas in \textit{breaking} apart the idea of “welfare” and its associated 
policies (means-testing, privatization) and \textit{re-specifying} a vision of social security 
which, in turn, was \textit{joined} to employment, education, and economic policy; and a 
related “social exclusion” frame that broadened the scope of social policy by \textit{joining} 
ideas of community, opportunity and individual responsibility to employment, child, 
and health care policy. Important tropes that regularly surfaced within these discursive 
frames included the idea of social security as a “hand up, not a hand out,” a focus on 
education, the notions of “joined up government” and “world class public services,” the 
idea of “making work pay,” and the “new austerity” of economic and social policy. 
Together these frames and tropes defined the realm of what was possible and what was 
“off the table” in the fields of economic and social policy.

In policy terms, the globalization and modernization frame focused attention on 
the intersection of employment policy with education and training. The activation
frame and the corresponding rights and responsibilities trope underpinned employment and social security reforms that emphasized an individual’s responsibility vis-à-vis the state and community to participate in the labor market and thus contribute to national economic success. The social exclusion frame meant that questions of health care, child poverty, and community well-being were no longer viewed as social service issues alone, but also as barriers to labor market and broader social participation. Taken together, these frames meant that the New Right’s narrow conception of welfare was rejected in favor of a more comprehensive vision of social security, which in turn was linked to economic policy. Education and skills training were recast as economic policies essential to providing individuals with the skills necessary to realize the opportunities presented by globalization. Finally, an individual’s labor market participation largely replaced citizenship as the basis for providing social rights and for judging an individual’s contribution to society.\(^{52}\) These discursive frames also meant that a range of alternative reforms (e.g. protectionism, cost-cutting, benefit reductions, privatization, or a return to Labour’s traditional redistribution agenda) were thus “naturally” inconsistent with the New Labour discourse and were consequently rejected as inappropriate. The main tropes, frames, and mechanisms for this period are summarized in table 5.2, below.

\(^{52}\) As is discussed in Chapter 9, the Scandinavian focus on education within ALMP emphasized education as a right, not just as a means to labor market entry.
TABLE 5.2 – FRAMES, TROPES AND MECHANISMS IN BRITAIN 1997-2007

Overarching discourse: Third Way, characterized by focus on work and future workforce.

Frames
  - Globalization as inexorable yet opportunity to be embraced
  - Activation
  - Social exclusion

Tropes
  - Make work pay
  - Education, education, education
  - Hand up, not a hand out
  - Community (and responsibility)
  - Rights and responsibilities
  - World-class public services (contrasted to cash/benefits)
  - Joined-up government
  - Equality of opportunity
  - Investors’ Britain
  - Economic management

Mechanisms
  - Bricolage
• Invocation of work, security, and job training elements from Beveridge
• Alternative reading of Victorian past emphasizing innovation and industriousness
• Reinterpretation of Labour’s own past – same goals, new means

- Translation
  • Incorporation of Clinton/Democratic ideas (96 welfare reform)
  • Concept of social exclusion from France, imbued with British meaning (some *bricolage*
    in reference to poverty debates of 1950s)

- Specification
  • Re-establishment of “social security” not “welfare”
  • Joining of economic/employment/social security policy

- Joining
  • Social security, employment, education nexus leads to New Deal
  • Community, opportunity, social services joined into social exclusion – a holistic social
    service understanding that leads to Sure Start, Social Exclusion Task Force

- Breaking
  • New Right idea of “welfare” separated from associated policies (means-testing, privatization) – subsequently *specified* as social security (once again) and then *joined* to activation, social exclusion policies
**From Labour to New Labour**

A complete understanding of the New Labour/Third Way discourse is impossible without some reference to the reform of the Labour party itself. After the post-war Attlee government Labour suffered repeated electoral defeats and only marginal success when in office. Any attempt to reform the party was constrained by prior history and a set of “traditional” values summed up under the discursive frame of “Labourism”—a historically interpreted relationship of the party to the unions and working class, an ongoing commitment to nationalization and collective ownership, and a persistent Marxist strand in the party identity. This identity was “built into its structures and reinforced by its myths and beliefs. The union connection, in particular, was not a choice or a policy but the very foundation of the party.” Against this backdrop, the puzzle is how New Labour was able to invoke a Labour legacy in turning a critical perspective on capitalism and individualism on its head, thereby dislocating the Thatcherite discourse as well as rejecting a return to “old Labour.” Tony Blair played a key role, but articulating a new set of ideas, values, and goals required the “others” of both old Labour and of the Conservative party under Thatcher.

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53 A complete discussion of Labour’s transition to New Labour, a process that began with the policy review period under the leadership of Neil Kinnock, is beyond the scope of this paper. For a comprehensive history, see Cronin, *New Labour’s Pasts.*

Labour’s third straight loss to Thatcher and the Conservatives in 1987 prompted a period of self-reflection. The resulting Policy Review process, led by Neil Kinnock, looked beyond near-term electoral strategy and addressed deeper questions about the purpose and place of the Labour party. Although the Policy Review would inform some of New Labour’s policy choices, the process was fundamentally concerned with the symbolic value of a new party identity:

It was widely understood that the aim of the Policy Review was to shed past commitments and to disassociate the leadership from positions that it was assumed were costing the party votes. *The actual content of the new policies was to this extent rather less important than the symbolic effect their adoption would have*, or was supposed to have, in proclaiming that the party had been transformed and that it was no longer in the grip of the left or in thrall to the unions.

As outgoing campaign manager Peter Mandelson noted, “Labour cannot offer more of the same even better packaged…” because the party needed “an intellectually driven process of change” akin to the German Social Democratic Party’s Bad Godesberg moment.

Forging a new intellectual consensus would provide provided the material for a new outlook and new discursive frames, but changing entrenched ideas was every bit as

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55 The popular vote breakdown was 42/3% to 30.8%, with the SPD-Liberal alliance gaining 22.6%. Cronin observes that the defeat was especially frustrating due to Thatcher’s unpopularity: “The conclusion was clear enough: however abrasive Thatcher’s personality, her policies and her government’s handling of the economy and their conduct of the nation’s affairs commanded wide support and Labour’s alternative did not.” Cronin, *New Labour’s Pasts*, 285.
difficult as unseating entrenched interests.\textsuperscript{58} The Policy Review brought out the tension between Labour intellectuals, who tended to stand to the left of the party and viewed it as a vehicle for advancing social interest, and the practitioners who saw Labour as a party of government first and foremost and were most interested in confronting the Conservatives on questions of policy. In particular, the work of cultural theorist Stuart Hall paved the way for understanding Thatcherism as a political project and an ideology that both answered the economic questions and tapped into the popular resentments that had stymied Labour since the 1960s.\textsuperscript{59} Examining the social and economic underpinnings of Thatcherism led to a reassessment of the postwar consensus and a realization that the policies of Wilson and Callaghan (not to mention more extreme ideas such as the far-left Alternative Economic Strategy) had, in fact, contributed to the economic and welfare state crises of the 1960s and 1970s.\textsuperscript{60} This engagement helped to demystify Thatcherism and opened the door for articulating an alternate vision. For instance, Labour leaders recognized a disconnect between Thatcher’s rhetoric about tradition and Victorian values and Thatcherism as a political project that sought to

\textsuperscript{58} As Cronin observes regarding the construction a new intellectual consensus and outlook: “These were no more easily achieved than the realignment of party factions, for discourse can be as powerful as any more formal institution.” Cronin, \textit{New Labour’s Past}, 299.

\textsuperscript{59} Hall was one of the first to use the term “Thatcherism.” Cronin, \textit{New Labour’s Past}, 302.

\textsuperscript{60} Cronin, \textit{New Labour’s Past}, 303. Cronin also notes that the economic turmoil of the 1960s and 1970s had much to do with the changing nature of the working class associated with the end of Fordist mass production, the growth of the service sector, increases in female labor force participation, and a labor force that was less “white” than in the past. Labour’s reformers were coming to grips with the new social base of the party as part of the intellectual debate over Thatcherism and the place of the Labour party in British society. Ibid., 304-306.
change the rules wherever possible so as to institutionalize Conservatism.61 This was a key fissure through which the Thatcherite discourse could be challenged and dislocated.

The 1989 Policy Review report Meet the Challenge, Make the Change: A New Agenda for Britain was approved overwhelmingly at the party conference and marked a change in guiding ideas for the Labour party.62 Patricia Hewitt, Kinnock’s press secretary, observed that the realization that everything had changed made it possible to “pretend that the Labour Party was only now being created.” 63 In practical terms, Labour’s self-reflection led to a greater acceptance of the market and a pragmatic focus on certain supply-side initiatives such as education and training programs. Kinnock viewed the latter as essential for a “talent based economy” that could be built with the aid of an “enabling state” that would give people skills rather than the old state that directly provided jobs.64 In 1990 the party formally abandoned its commitment to full employment, and subsequent party platforms also backed away from Keynesian macro-economic management, governments spending, and taxation.65 In short, new understanding of the past translated into a new vision and new strategies for the future.

61 Cronin, New Labour’s Pasts, 303.
62 The work of the Policy Reivew was conducted through a public consultation process entitled “Labor Listens” and a cluster of study groups: A Productive and Competitive Economy, People at Work, Economic Equality, Consumers and the Community, Democracy for the Individual and Community, Britain in the World, and The Physical and Social Environment. Cronin, New Labour’s Pasts, 293.
64 Cronin, New Labour’s Pasts, 295-296.
65 Key among these were the 1990 platform Looking to the Future and the 1992 platform It’s Time To Get Working Again.
In addition to the ideas, the people that would be central to New Labour also rose to prominence during the 1990s. In 1989 Kinnock appointed two rising stars of the “soft left,” Tony Blair and Gordon Brown, as Shadow Employment Secretary and Shadow Industry spokesman. Brown’s speech to the 1990 Party Conference signaled a new role for the state: “not government doing everything, not government doing nothing, not the government of the invisible hand of unrestrained market forces, not the government of the dead hand of centralized power; but the government of the helping hand…”66 For his part, Blair echoed Kinnock in emphasizing the “training revolution” as central to the party’s economic strategy, and later expanded on this theme at the 1991 party conference: “This is the mission of socialism for the twenty-first century, planting the seeds of learning in individual men and women to yield a harvest of talent for the nation. This is our vision for Britain.”67

Thatcher’s surprise resignation on November 22, 1990, presented an unexpected challenge to Labour’s modernizers. Both parties were aware of Thatcher’s general unpopularity, but in the end her obstinace on the question of a poll tax and her virulent criticism of the European Social Charter and the European Community turned her into a liability for her own party.68 Moreover, it had become clear that her program of dismantling the welfare state did not resonate with the public, as surveys showed that

68 Cronin, New Labour’s Pasts, 318.
she had failed to change people’s values: “they continued to opt for preserving social services rather than lowering taxes, even if they voted otherwise; and they refused to endorse her individualist and competitive vision of society.”\textsuperscript{69} On one level Thatcher’s sudden fall can be read as the story of a leader who had lost touch with her electorate. Yet the disjuncture between Thatcher’s rhetoric about values and the actual Thatcherite program was another indication of how Thatcherism was not grounded in broader cultural-historical resources. In this sense, Thatcher’s resignation was a natural part of the dislocation process wherein a discourse is challenged by new facts, ideas, and events that it cannot assimilate.\textsuperscript{70}

Thatcher’s resignation was problematic for Labour because the new “other” of John Major did not fit the target that Labour’s had constructed.\textsuperscript{71} Opinion polls turned around within days, and although Labour performed better than in prior elections the 1992 loss was devastating for a party that viewed itself as having done so much to win.\textsuperscript{72} Kinnock’s resignation and his replacement by John Smith reopened debates in the party, with the traditionalists and unions arguing that Labour had lost precisely because they had embarked on a new course. Blair forcefully defended modernization,

\textsuperscript{69} Cronin, \textit{New Labour’s Pasts}, 318. Also Crew, “Has the Electorate Really Become Thatcherite?”

\textsuperscript{70} Key among these were increased social spending set against rhetoric on dismantling the welfare state, or increased crime and child poverty set against rhetoric on responsibility and tradition.

\textsuperscript{71} On assuming office, John Major claimed that the welfare state was an “integral part of the British instinct” and listed the “creation of a classless society” among his ideals. Nicholas Timmins, \textit{The Five Giants: A Biography of the Welfare State} (London: Fontana Press, 1995), 477.

\textsuperscript{72} Cronin credits the Conservative victory in part to an attack on Labour as a “tax and spend” party based on misrepresentations of Labour’s spending plans by Conservative. Conservatives polled 41.9% and took 336 seats, Labour got 34.4% and 271 seats (up 11.5% over 1987), and Liberal Democrats received 17.8% and 20 seats. Cronin, \textit{New Labour’s Pasts}, 325.
arguing for a more profound shift in the party’s identity that would re-establish a connection between the party and the electorate.\textsuperscript{73} Blair invoked Labour’s historic message and goals, but linked these to new means and ideas, thereby articulating a connection between modernization and the cultural-historical resources of the party itself:

Labour must, once again, be the Party that stands up for the individual against the vested interests that hold him or her back...using the power of the community to achieve what people are unable to do on their own. This is its historic mission, as necessary today as it was 100 years ago. But the means of fulfilling it will be very different.\textsuperscript{74}

Peter Mandelson reinforced the point: “It was a credibility gap, not a policy chasm, that Labour had to bridge in 1992.”\textsuperscript{75}

In the wake of another electoral defeat the Labour party also started looking beyond the party for new ideas. The Commission on Social Justice, established by John Smith in 1992, became one of the most important initiatives in re-shaping Labour’s ideas on the economy and society. Housed at the Institute for Public Policy Research (IPPR), the Commission was tasked with carrying out “an independent inquiry into social and economic reform in the UK.”\textsuperscript{76} The Commission’s final report articulated

\textsuperscript{73} “The lesson, in my view, is clear: neither to stand still and simply change leaders; nor, certainly, to go lurching back to the early 1980s; but to continue and intensify the process of change. [...] This is more profound than policy.” Tony Blair, “Pride without Prejudice,” \textit{Fabian Review} 104, no. 3 (March 1992): 3.

\textsuperscript{74} Blair, “Pride without Prejudice,” 3.


\textsuperscript{76} The IPPR was run by Patricia Hewitt, Kinnock’s former press secretary. The Commission’s work was divided among three panels covering “work and wages,” “money and wealth,” and “services and communities.” The Commission met 16 times and carried out 11 outreach visits around the UK. Commission on Social Justice, \textit{Social Justice: Strategies for National Renewal}, London: Vintage, 1994, ix.
many of the key tropes and frames that in turn informed policy options once New Labour took office. In particular, the themes of community and opportunity were set against Thatcher’s individualistic and punitive approach to society as well as against old Labour themes of redistribution: “Social justice stands against fanatics of the free market economy; but it also demands and promotes economic success. The two go together.”77 The main problems facing the UK were the “old evils of homelessness and pauperism” along with the “new evils of insecurity” and identified child poverty, unemployment, poor school performance in international comparison, health inequalities, and crime as the central policies areas needing attention.78 This framing of particular challenges led to a particular set of policy responses that all shared a focus on work and the future workforce. At a broader level, the report set the stage for both new ideas and new policies by casting the UK as a country that had failed to respond to the three revolutions – economic, social, and political – that had swept Britain and the wider world. Blair and Brown would later pick up these themes as in articulating a Third Way discourse linking work and welfare to education and training as essential for the survival of the nation.

Another unexpected event, “Black Wednesday,” provided an opening for New Labour to put their ideas to the public. On September 16, 1992, Britain was forced to withdraw from the European Exchange Rate Mechanism after a series of steps to prop

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77 Commission on Social Justice, Social Justice, 1.
78 Commission on Social Justice, Social Justice, 2.
up an overvalued pound had failed.\textsuperscript{79} The economy recovered soon after the crisis, yet the very act of withdrawal marked the moment when the Conservative Party lost its reputation as the party that could successfully manage the economy.\textsuperscript{80} Gordon Brown wasted no time in pointing out the irony of the Conservative Party’s 1992 election slogan “You can’t trust Labour,” and Labour took a lead in opinion polls by January 1993 that would hold through to election victory of 1997.\textsuperscript{81} Actual economic performance was less important than perceptions of each party’s credibility, which was linked to their rhetorical responses to the crisis.

The ERM crisis provided an opening, but this by no means assured the resonance of Labour’s response, let alone electoral victory in 1997. It is plausible that a traditional Labor interpretation of Black Wednesday may have focused on a critique of “Europe” and of international market and financial structures, consistent with the party’s socialist foundations. Brown’s critique, however, was more than just a criticism of the Conservative party; it was a chance to deploy the new message and identity that Blair, Brown and the modernizers had crafted for the party. These New Labour ideas were central to \textit{breaking} the link between the Conservative party and economic governance and \textit{joining} New Labour ideas on economic and social policy to credible governance of the economy. It took both a new set of ideas and actors to seize the

\textsuperscript{79} The withdrawal followed injections of over £1.8 billion into the system and an increase in interest rates to 15\%, all of which failed to hold the pound steady. Cronin, \textit{New Labour’s Pasts}, 351.

\textsuperscript{80} The recovery was stimulated in large part by export performance as the nominal exchange rate and interest rates fell following withdrawal. Unemployment also began to decrease in 1993. James Ball, \textit{The British Economy At the Crossroads}, London: Financial Times Publishing, 1998, 34.

moment presented by Black Wednesday, interpret it, and give it meaning by articulating a diagnosis and an appropriate response. However, the New Labour discourse was far from cohesive, as much of the party was still coming to terms with modernization.\textsuperscript{82}

Following John Smith’s sudden death on May 12, 1994, Tony Blair assumed the party leadership and pressed forward with the modernization agenda.\textsuperscript{83} At a fundamental level, reformers like Blair recognized the disconnect between the party’s historical identity perceived the need for a program of positive freedoms emphasizing fairness, equality, free will, choice, responsibility.\textsuperscript{84} However, such values are not simply plucked out of thin air, but must be articulated and negotiated among competing ideas, visions, and values for the party. A conscious break with Labourism and old party loyalties would ultimately require “that the party’s past be reinterpreted so as to query and qualify its identity as ‘Labourist’ and to legitimize traditions normally regarded as alien to, or at least outside, ‘Labourism’ and the labour movement. A parallel effort would be required to rediscover forgotten elements within the party’s tradition that might become the basis for a new political philosophy….”\textsuperscript{85} This process of forgetting and remembering is emblematic of the articulation of a discursive frame. In recovering the “neglected” components of the past, Labour Party reformers insisted

\begin{itemize}
  \item \textsuperscript{82} Cronin notes that internal disputes over the party structure, as captured in the debate over the “One Man One Vote” rule, and disagreements over the role and influence of the unions occupied much of the debate in the mid-1990s. Cronin, \textit{New Labour’s Pasts}, 335.
  \item \textsuperscript{83} Gordon Brown, Blair’s co-star, was the only potential challenger. In the end Blair agreed to adopt Brown’s “fairness agenda” as a core part of (New) Labour’s program and Brown withdrew from contention. Cronin, \textit{New Labour’s Pasts}, 378.
  \item \textsuperscript{84} Cronin, \textit{New Labour’s Pasts}, 384.
  \item \textsuperscript{85} Cronin, \textit{New Labour’s Pasts}, 400.
\end{itemize}
that the “essence of socialism and of Labourism was a set of values and objectives – like equality, fairness, community – and that it was a mistake to confuse these enduring values with the means chosen to achieve them in the past.”

The decision to abandon Clause IV, the portion of the Labour party constitution calling for nationalization of the means of production, was a key juncture in the modernization of the party and the crystallization of the Third Way. Gordon Brown had already broached the issue in 1992 with an oblique challenge to “traditional no-go areas” of the party. Although the widespread nationalization called for in Clause IV had not been a serious policy option since the time of Wilson and Callaghan, the problem lie in the perceptions that the party was outdated, even Marxist. The collapse of state socialism across Europe in the early 1990s hastened the realization that “the kind of socialism identified with state ownership and planning was no longer a viable option” and heightened the reformers’ case for a new party identity. After announcing his intention to reform Clause IV at the 1994 party conference and soliciting input from the entire party (itself a new approach in a party long shaped by the executive council and union leaders more than the membership) the rewrite proposal passed at a special

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86 Cronin, *New Labour’s Pasts*, 400. Cronin also observes that “the association between Christianity and socialism was yet another useful rediscovery, if only because it cost so little and provided an alternative grounding that was moral rather than material and thus inherently worthier than self-interest” (Ibid.).


conference in April 1995. The Clause IV rewrite was the “Bad Godesberg moment” that Mandelson had sought after the 1987 election loss; with it, “New Labour” defined an identity distinct from the party of the past and also established a new party culture focused on the membership.

Even though New Labour had severed itself from the past, the party still lacked a positive, forward-looking vision. Blair and Brown repeatedly invoked “community” as a new vision and theme for the party, arguing that it provided a distinct alternative to Thatcher’s “transparent disregard for community and society.” Community and solidarity also offered a moral foundation to replace a socialist-materialist identity based on nationalization and redistribution. Over time, the broader notion of a “Third Way” emerged, within which ideas of community and solidarity figured prominently. The term had roots in the thought of the U.S. Democratic Party under Bill Clinton and in Anthony Gidden’s Beyond Left and Right (1994), and was officially unveiled in 1998 after a conference co-hosted by Blair and Hillary Clinton that culminated with the publication of two key pamphlets: The Third Way: New Politics for a New Century by Blair and The Third Way: The Renewal of Social Democracy by Giddens. The Third

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89 Cronin, New Labour’s Pasts, 386-387.
90 The term “New Labour” actually first appeared as a slogan in the 1994 party manifesto, then appeared in the title of a draft manifesto in 1996 (“New Labour, New Britain”), and was finally included as part of the 1997 election manifesto “New Labour Because Britain Deserves Better.”
91 Cronin, New Labour’s Pasts, 394.
92 Cronin notes that Brown wrote the foreword to a 1995 anthology of texts on socialism that did not contain any work from either Marx or Engels. “Advocates of class struggle had been erased and replaced in the lore of British socialism by those yearning for a lost sense of community.” Cronin, New Labour’s Past, 395.
93 Lowe, The Welfare State in Britain Since 1945, 32.
Way was shorthand for the ideas produced by Labour party modernization, and in particular those expressed by the Social Justice Commission: a government role for ensuring markets could operate; investing in human capital (education and training) as well as social capital (institutions, families, communities); ensuring equality of opportunity instead of rather equality of outcome; and providing for individual autonomy through a clear recognition of rights and responsibilities, all of which were necessary for national renewal and success in a globalized world.94

The “Third Way” would prove to be a powerful overarching discourse once New Labour gained office, but it also meant that the party campaigned in 1997 without the single big idea that could provide a positive vision for the future.95 To be sure, the general thrust of “New Labour” was sufficiently clear by 1997 and the campaign made key strategic decisions, such as Brown’s promise to adhere to Conservative spending targets for the first two years in office. More importantly, though, Labour benefited from the fact that the Conservatives had lost credibility on the economy after Black Wednesday, lacked a coherent message, and suffered from a leadership crisis.96 New Labour won the 1997 general election with 43.2% of the vote and 418 seats, compared

95 The lack of a clear message prompted harsh criticism from Stuart Hall, who criticized the party for campaigning on spin and style rather than image. Cronin, New Labour’s Pasts, 397.
96 John Major resigned in June 1995 to confront persistent criticisms from within his own party, but no challenger emerged to stand against him and he was subsequently re-elected as party leader. Cronin, New Labour’s Pasts, 404.
to the Conservatives’ 30.7% and 165 seats; it was the largest electoral margin in Labour’s history.\textsuperscript{97}

In sum, Labour’s lengthy a process of debate and deliberation the key frames of globalization and modernization, activation, and social exclusion emerged. Each combined new ideas with key cultural-historical resources to provide a certain interpretation of the past and present that in turn made certain policy choices legitimate and appropriate. Blair and Brown played a central role, but a community of experts in politics, economics, and social thought (e.g. the IPPR, the Commission on Social Justice, the Fabian Society, Demos) was central to providing new ideas and crafting a coherent discourse.\textsuperscript{98} Each of the resulting frames would shape the interpretation of particular issues and in turn presented a specific policy solution as appropriate.

\textit{Policy Changes 1997-2007}

After gaining office, Blair and New Labour enacted a wide range reforms and new initiatives. On the one hand, the relatively coherent set of ideas and stock of policy options developed through the Policy Review and period in opposition aided New Labour in taking quick action. On the other, New Labour also benefited from the failure of Thatcher to achieve her basic aim of dismantling the welfare state and the subsequent chaos within the Conservative party. As Lowe notes, “the dilemma

\textsuperscript{97} The Liberal Democrats garnered 16.8% of the vote (46 seats) and fringe/nationalist parties combined for 10% for the vote and 30 seats. Cronin, \textit{New Labour’s Pasts}, 408.
\textsuperscript{98} As noted above, the IPPR housed the Commission on Social Justice. In addition, the think tank Demos is credited with introducing the communitarian thought of Amitai Etzioni to New Labour.
bequeathed by Mrs. Thatcher remained unresolved over whether the welfare state should be dismantled or restructured.\textsuperscript{99} The lack of a coherent alternate discourse from the right helped New Labour control the discursive landscape and deflect attacks, even as the party tacitly accepted some of the Conservative reform program that it had inherited.\textsuperscript{100}

New Labour’s Third Way discourse and its associated frames and tropes placed three constellations of policies and institutions onto the agenda. First, the globalization/modernization frame joined up employment and education policy as essential for national competitiveness in a globalized world. The activation frame led to a series of “New Deals” that linked social security and employment policy in an effort to move people back into the labor market. Finally, the social exclusion frame meant that issues of childcare, child poverty, health, and community development were viewed in a “joined up” sense. The frame linked health and social well-being back to employment policy and led to programs such as Sure Start, as well as a commitment to reform and improve public services, with particular attention to the NHS. A central thread on work and the future workforce runs through each of these frames. As a result, economic and social security policy were rejoined, education was recast as an economic issue (as opposed to a question of social policy), and the New Right conception of

\textsuperscript{100} When asked about alternative policies and programs in 2007, a high-level Conservative party official admitted some satisfaction in what Blair had accomplished and also conceded that they would have to wait until at least one electoral cycle beyond Blair’s transition to Brown to mount a viable challenge to New Labour and the Third Way discourse. Interview, Office of the PM.
“welfare” was replaced with a more holistic conception of social security, albeit with new ideas that distinguished New Labour from Beveridge in important ways.

Globalization and Modernization: Merging Employment and Education

The globalization frame within the Third Way discourse consisted of a particular interpretation of the challenges and opportunities facing Britain as well as a certain set of appropriate responses. In particular, New Labour reformers interpreted the social and economic changes in Britain over the 1980s and 1990s as part of a globalization process that was inexorable, but should be embraced and managed rather than resisted.\textsuperscript{101} The world had changed, and it was no longer the job of government to manage the economy or provide jobs, but to provide opportunities to individuals and to ensure that the market was able to operate efficiently. In practice, this translated into a merger of education and employment policies.

New Labour drew on elements of British history and new party image to imbue contested ideas such as globalization with a specific meaning that in turn specified a particular set of institutional and policy responses. In a “neutral” sense, globalization is typically thought of as a set of changes in global political, social, and economic relations centered on the integration of markets, internationalization of production, and increase in cross-border flows of trade and (particularly) capital. These economic

aspects are often associated with advances in information technology, increased flexibility and specialization in economic life, and greater individualization. In contrast, New Labour drew on both the 1994 Social Justice Commission that framed globalization as a “revolution of finance, competition, skill and technology” as well as on Giddens’s work on the renewal of social democracy which asserted that “there was not alternative to capitalism.” Blair consistently invoked this interpretation of globalization as an “economic revolution” centered on technology and the knowledge economy in his speeches. Although it was positive and exciting, the process could not be stopped, and it threatened to “roll over” Britain if the country failed to adapt. The very survival of the nation depended upon adaptation to the knowledge and information revolution.

The characterization of globalization as an opportunity was made explicit by linking reform to the enduring values and traditions that had once made Britain great. As Andersson notes, “Gordon Brown has repeatedly spoken of the “British genius,” a play on George’ Orwell’s Second World War Notion of the “English genius” that invokes national traits such as inventiveness, hard work, flexibility, fairness, and openness as the foundation for Britain’s 19th century success and thereby naturally constitute the foundation for renewed greatness. “More than anything, what defines

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this British instinct for modernization is the ability to adapt to and even embrace ‘inevitable,’ ‘constant,’ and ‘relentless’ change, hence globalization.” Linking of radical reform and old values followed naturally from the transformation of old Labour into New Labour, itself a process that necessitated a break with the past in order to achieve renewal. New Labour policy documents and speeches consistently set the New Labour vision against old Thatcherite and Labour “dogmas” and doctrines. Yet New Labour did not represent a complete and outright rejection of the past, but rather a reconnection with “a more distant past of greatness” and the “genuine values” of the British people. New Labour’s discursive frames emphasized themes such as “old values in a modern context”, the application of “traditional values to the modern world” or the more general and common reference to “deep-rooted values set in modernity.”

Translating this interpretation into policy required a reconceptualization of employment and the role of work in society. As noted above, Labour had formally abandoned its commitment to full employment in 1990, but the topic did not disappear from the agenda. The 1994 Social Justice Commission report recommended that “government must commit itself to a modern form of full employment….”

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108 The first two quotes are in Tony Blair, Speech by the Prime minister at the North East Businessman of the Year Awards, March 3, 2000; the final quotation is from Tony Blair, Prime Minister’s Monthly Downing Street Press Conference, April 28, 2003.
Similarly, a 1994 *Employment Policy* white paper introduced the formulation “high and stable” employment that was adopted in 1997, but was then transcended by a renewed commitment to “full employment” by Brown and David Blunkett at the 1999 party conference. By 2001 the party had once again adopted a commitment to attaining full employment in every region, using a benchmark of 5% (when measured by international standards) or 3% according to the British measure of those “out of work and claiming benefit.” On the surface, it appears that Labour had come full circle: 5% was Keynes’ original definition of full employment while 3% was the figure used by Beveridge and Attlee. However, the discursive process that brought Labour “back” to full employment had severed the link between full employment and Keynesian demand management strategies. The term now embodied a wholly different meaning and had been joined to education policy as essential to ensuring national renewal in an environment of globalization and modernization, and also to a broader set of active labor market policies, instead of redistribution and wage policies.

In the midst of economic uncertainty following the ERM crisis, it would have been natural for New Labour to concentrate on economic management and employment in their campaign strategy. However, “education, education, education” was one of Tony Blair’s chief responses when asked about his priorities during the 1997 campaign, and education would see some of the largest budget increases among all welfare state

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However, spending levels alone do not tell the full story, as the key difference between means and ends between New Right and New Labour was also present in child and education policy. The overall aim of education reform was not to dismantle the welfare state, but to re-establish a linkage between education on the one hand and employment and social security on the other. For example, the 1997 Kennedy Report \textit{Learning Works} placed vocational training back on the policy agenda.\footnote{Lowe, \textit{The Welfare State in Britain Since 1945}, 422.} Beveridge had stressed the need for training programs to complement social security, especially for those out of work for long periods of time, but the idea was not translated into practice in the postwar period and vocational training remained a neglected aspect of the British educational and employment system up until New Labour took office. As is discussed below, education policy also fed into both the activation and social exclusion frames as part of New Labour’s “joined up government” trope that sought to address a constellation of linked issues through a variety of policy and institutional tools. The discursive linkage that cast education as both economic and social policy is rooted in the work of the Social Justice Commission as well as in Tony Blair’s conviction that

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\begin{itemize}
\item \footnote{Lowe, \textit{The Welfare State in Britain Since 1945}, 422.}
\item \footnote{Lowe, \textit{The Welfare State in Britain Since 1945}, 422.}
\item \footnote{Lowe, \textit{The Welfare State in Britain Since 1945}, 423.}
\end{itemize}
education was central to New Labour’s overall goals. In a 2004 interview Blair maintained that “[e]ducation was, is and will be the top priority so long as we are in office.”

Consistent with the Third Way discourse, New Labour leaders regularly deployed language that linked mentions of knowledge, education or skills to jobs, labor market efficiency, and individual (economic) opportunity. In a 2000 speech honoring the Northeast Businessman of the Year, Blair emphasized that: “in the knowledge economy, education is an economic policy.” In this way, education policy is linked to the new economic vision of supply-side intervention elucidated by New Labour. This move also has involved explicit linkage to past party values, namely Wilson’s move to embrace technology and “modernization” in the 1960s: “Brown invoked and adapted the soaring rhetoric of Harold Wilson when he spoke of the party’s proposals on education and training: ‘it is not a reheat of the technological revolution that will transform British industry in the 1990s’, he explained. Rather, ‘it is the liberating potential of the training revolution’. That Wilson’s convictions about social control over the means of production and central control over the economy were “written out” of this new narrative is also important. Producing a discursive frame and contesting current understandings is not just about replicating values from the past, but rather drawing on and reweaving them into a new, coherent causal story.

117 Tony Blair, Speech by the Prime Minister at the North East Businessman of the Year Awards, March 3, 2000.
118 Cronin 2004, 314
Overall, the Third Way discourse provided a particular interpretation of the economic and social circumstances facing Britain, which in turn informed certain substantive linkages among policy areas and drove policy choices. A central focus on work and training the future workforce ran through the education-employment nexus, which focused much more on education as a means to return individuals to the labor force than as an element of social policy or a right of citizenship. Andersson characterizes this as a “deeply economistic tendency in British discourse, which also leads to a capitalization or commodification of the process of learning and social interaction.”

In short, the discursive frame on employment and welfare reform redefined education as *economic* policy, not social policy or a matter of social rights (as envisioned under Beveridge), and in this way linked welfare and individual opportunity back to the overall narrative of globalization and the knowledge economy.

**Activation: Merging Employment and Social Security**

The activation frame in Britain was part of the larger wave of active labor market policies that swept across Europe in the 1990s in response to fiscal and economic crises and the realization that welfare states were not always providing the desired outcomes. The Third Way discourse guided the particular shape that these policies took in Britain. Given the overarching focus on work, activation in Britain tended to focus on putting people back into the labor market, a “work first” approach.

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119 Jenny Andersson, “The People’s Library and the Electronic Workshop,” 449
hat contrasts with the emphasis on education or social safety nets seen in Scandinavian and even some Continental welfare states. New Labour’s activation frame also reestablished the link between employment and social security policy that had been first established by Beveridge but later broken by the New Right.

One of New Labour’s first policy decisions was to accept the European Union social charter in 1997, a decision that was highly symbolic in establishing a linkage between economic and social policy.\textsuperscript{120} A regular Comprehensive Spending Review process was instituted in 1998 to provide a more transparent budget and planning process.\textsuperscript{121} In the same year the White Paper \textit{A New Contract for Welfare} set the stage for the core of New Labour’s employment and social policies, a series of “New Deal” policy packages that sought new approaches to move people from unemployment benefit back into work.\textsuperscript{122} The adoption of Britain’s first minimum wage law in 1999 was also another symbolic act in the re-joining of economic and social policy.

The six New Deal schemes initially targeted the “most employable” individuals on unemployment benefit (individuals under 25) and progressively moved to address more challenging populations groups—the long-term unemployed, lone parents,

\begin{itemize}
\item \textsuperscript{120} The Charter of the Fundamental Social Rights of Workers (Social Charter) was signed by 11 European heads of state, with the exception of Thatcher, in 1989. Although the Charter had no legal force, its provisions calling for certain rights, such as collective bargaining or equal opportunity, prompted fears among Thatcher and the conservatives that the Charter would open a “back door” through which socialism would be smuggled back into Britain.
\item \textsuperscript{121} Lowe notes that the combination of new initiatives, regular budget reviews, and the new Comprehensive Spending Review meant that initiatives were actually announced 2 or 3 separate times in practice, with the paradoxical result of confusion stemming from New Labour’s goal of increased transparency. Lowe, \textit{The Welfare State in Britain Since 1945}, 380.
\item \textsuperscript{122} \textit{A New Contract for Welfare}, Cmnd. 3895.
\end{itemize}
partners of the unemployed, benefit claimants over 50, and disabled. Benefit claimants, labeled “Jobseekers,” (itself a label adopted from the New Right) were assigned a personal advisor and participated in a regular interview process designed to monitor their job search and place them into paid work as soon as possible. Although the broad application of means tests was reformed, claimants were subject to strict sanctions (loss of benefits) should they refuse an offer of work. This general approach towards work and unemployment that viewed paid employment was not only the best means out of poverty and benefit dependency, but was also a healthy lifestyle choice for the individual that in turn benefits society, reflected the both of which reflected The Social Justice Commission statement that “Paid or unpaid, work is central to our lives” and the general New Labour’s emphasis on work and individual initiative.

In 2001 the New Deal schemes were merged into the “ONE” gateway initiative administered by the JobCentre Plus agency, which was an amalgamation of the local offices of the Department for Education and Employment and the Department of Social Security. In the same year, the Department of Social Security was “rebranded” as the Department of Work and Pensions. In 2002 the administration of benefits was united with the job search and vocational training aspects of the New Deal programs under the JobCentre Plus umbrella. These institutional reforms were important manifestations of

124 The report also noted that “the unpaid work of parents and carers underpins the economy” and thus interpreted these tasks as economic, rather than social or altruistic. Commission on Social Justice, *Social Justice*, 6; Lowe, *The Welfare State in Britain Since 1945*, 402.
the discursive frame that cast work as the fundamental element underpinning social security. In sum, these reforms broke apart the New Right conception of “welfare” (focused on the poor, means testing, and privatization), re-specified a more comprehensive vision of social security as complimentary and essential to employment and economic policy (echoing themes from the Beveridge Report) and joined this new understanding to a specific set of job placement and training programs.

New Labour reformers thus re-established the discursive linkage between employment and social policy that had characterized the postwar consensus. In many cases, the connection was made explicit, as in the use of a key passage from Beveridge that was ubiquitous in New Labour discussions on welfare reform:

Most men who have once gained the habit of work would rather work—in ways to which they are used—than be idle, and all men would rather be well than ill. But getting work or getting well may involve a change of habits, doing something that is unfamiliar or leaving one’s friends or making a painful effort of some other kind.126

However, the policies and institutional reforms pursued by New Labour were not simply a Beveridge Plan redux. What is most striking in New Labour’s references to Beveridge is the fact that the text immediately preceding the prior quote is always left out:

To reduce the income of an unemployed or disabled person, either directly or indirectly by application of a means test, because the unemployment or disability has lasted for a certain period, is wrong in principle. But it is equally wrong to ignore the fact that to make unemployment or disability benefit,

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126 LSE/Beveridge 8/47, 58.
which is adequate for subsistence, also indefinite in duration involves a danger against which practical precautions must be taken.\footnote{LSE/Beveridge 8/47, 57-58.}

The first portion the text set in italics was reprinted in nearly every Labour document and repeated in speeches on welfare state reform. Critically, though, the portion of the statement concerning the universal and non-means-tested principles that underpinned welfare principles for Beveridge was rarely mentioned. This selective incorporation of historical reference in the contemporary reform discourse is a prime example of the powerful role that historical narrative and values can play in defining the politics of the possible. The interpretation had the impact of legitimizing a limited use of means testing while avoiding the appearance of a return to the New Right’s harsh policies and interpretation of poverty.\footnote{The Commission on Social Justice report notes: “Means-testing, the Deregulators’ panacea, will not work: means-tested benefits are not claimed, they are expensive to administer, they encourage dependence on benefits by trapping people on welfare, they penalize saving, and they provide disincentives for women to take paid work.” Yet on the next page the report notes: “In the medium term, improvements to means-tested benefits can help our welfare to work strategy.” Commission on Social Justice, Social Justice, 8, 9.}

Although Beveridge shared New Labour’s focus on work as the best route out of poverty, he would have disapproved of even the limited use of means tested benefits. However, the key point is not whether New Labour remained “true” to Beveridge or not, but the fact that these linkages drew on important cultural-historical resources and helped to establish a particular approach to employment and social policy. This interpretation of Beveridge contributed to the “rights and responsibilities” trope at the
heart of New Labour’s activation frame. Rights and responsibilities emphasized not just the obligation that a benefit recipient has to accept skills training or take a job when offered, but also cast the “right to work” in terms of an obligation vis-à-vis the state and community to engage in the labor market. The “work” focus of the Third Way frame meant that activation programs in Britain tended to place more weight on sanctions that compelled claimants to accept either offers of work or participate in training and education programs, at times without regard to detrimental impact on the claimants. The New Deal programs differed from Conservative welfare to work programs in the extent to which individual counseling and education were incorporated into the process, yet they focused more directly on improving individual economic potential instead of empowering individuals in the ways that Scandinavian (especially Danish) activation programs did.

In the same sense, “activation” measures to move the other New Deal populations back into paid work were undertaken using the economic language of competitiveness accompanied by the language of obligation vis-à-vis the larger community to work rather than remain on benefits. An individual’s relationship to the labor market became central to New Labour’s approach to employment and welfare.

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129 The trope is also linked to Beveridge’s description of social security as “something for something” rather than “something for nothing,” a theme that was again found in the poverty studies of the 1950s, as noted in Chapter 4.
130 One interviewee complained that people are subjected to “stupid” demands. Some Jobseekers were required to take a job in a village that requires leaving before the first bus runs, and in some cases were placed in jobs that did not meet basic safety standards. Interview, TUC.
131 “The unemployed are experts when it comes to knowing what it takes to get a job” remarked one interviewee with extensive experience in the Jobseekers/New Deal programs. Interview, TUC.
policy. The activation frame cast paid work as not just the “opposite” of unemployment, but as a means to address a whole range of economic and social ills.\textsuperscript{132} The “Health, Work, Wellbeing” initiative, launched in 2005 as a follow on to the New Deal for the disabled, illustrates the point. Noting “growing evidence that work can help to improve people's health - while being out of work often leads to poorer general and mental health,” the initiative marks a further development of New Labour’s framing of work as necessary and natural for general individual well-being (beyond just social security) and as the path to a better society.\textsuperscript{133}

In a context where labor market participation was framed as essential in order to ensure that Britain was not overtaken by a new and changing world, New Labor recast the state as an “enabler,” providing opportunities for an individual but then stepping back and assuming that justice has been done or, if necessary, leveraging sanctions should an individual choose to not take advantage of these opportunities.\textsuperscript{134} By 2001 the New Deal programs led to fraud reduction (32,000 “workshy” claimants forfeited their benefit) and the attainment of a pre-election pledge to return 250,000 under-25s to work, although the criteria for job retention (13 weeks) was relatively loose.\textsuperscript{135} More important, though, was the qualitative change to the nature of the welfare state, which

\textsuperscript{132} As one interviewee observed, the constant references to “work” by New Labour really meant “paid work by men” in practice. Interview, TUC.

\textsuperscript{133} Working for Health, available online at http://www.workingforhealth.gov.uk/Default.aspx

\textsuperscript{134} One interviewee generally sympathetic to New Labour’s program noted with exasperation that “The government is extremely annoying. Every new obligation is announced as an opportunity!” Interview, TUC.

\textsuperscript{135} The percentage of lone parents in work also increased from 45% to 51.5%. Lowe, \textit{The Welfare State in Britain Since 1945}, 403.
no longer provided security, but rather the opportunity for individuals to return to the labor market via skills, training, and if necessary sanctions. Although New Labour’s activation frame drew on Beveridge’s notion of *universalism*, it reinterpreted the concept to mean giving everybody access to services or opportunities, but not necessarily ensuring that all receive the assistance they may need. In concrete terms, this meant that the Labour party had to overcome old notions that it was morally wrong to force people back into work; in this sense, the old “right” to support in times of hardship became a moral wrong and was ultimately recast as a new obligation that stands in contrast to the older Labour notion of protecting people.

Social Exclusion: Merging Health, Community and Employment

The social exclusion frame contributed a final element to New Labour’s approach to economic and social policy. In casting issues of child poverty, health, community services, and education as interrelated, especially as regards certain target population, the social exclusion frame drew together policy areas and issues that were previously viewed as unrelated. The frame had the concrete effect of launching a new inter-ministerial coordination process (the Social Exclusion Unit). Symbolically, the frame focused attention on public services, and the NHS in particular, as emblematic of

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136 Interview, DWP 2.
137 Interview, Office of the Prime Minister.
the British welfare state. Consistent with the Third Way discourse, the “joining up” of these services and issues was done with an eye to (future) employability.

The concept of social exclusion drew on “essential” values first expressed by the Social Justice Commission: “the equal worth of all citizens, their equal right to be able to meet their basic needs, the need to spread opportunities and life chances as widely as possible, and finally the requirement that we reduce and where possible eliminate unjustified inequalities.”\textsuperscript{138} It found fuller expression, though, in the Social Exclusion Unit with the explicit aim of finding “joined up solutions to joined up problems.”\textsuperscript{139} These bodies translated the original French concept of social exclusion (referring simply to exclusion from the social security system) into a broader notion of exclusion from normal social life and expectations, or “a shorthand term for what can happen when people and areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, unfair discrimination, poor housing, high crime, bad health, and family breakdown.”\textsuperscript{140} The particular interpretation of social malaise underpinning the social exclusion frame also drew on the poverty debates of the 1940s and 1950s that first shed light on structural, rather than individual-moral, explanations of poverty. Once the concept of social exclusion had been translated from the French, it was thus given a meaning grounded in cultural-historical resources through bricolage. New Labour’s articulation of the social exclusion frame thus mixed

\textsuperscript{138} Commission on Social Justice, Social Justice, 1.
\textsuperscript{139} Lowe, The Welfare State in Britain Since 1945, 387.
\textsuperscript{140} Social Exclusion Unit, Tackling Social Exclusion, 2004, 2.
ideas of economic and employment policy with broader concerns for social justice and cohesion and yielded policies that were focused on breaking the “cycle of deprivation” through which children were condemned to poverty because of their parents’ situations.\textsuperscript{141}

The Social Exclusion Unit (SEU), founded in 1997 as a Cabinet-level initiative and re-named the Social Exclusion Task Force (SEF) in 2006, was charged with the coordination of the activities of other ministries, consistent with the New Labour trope “joined up government.”\textsuperscript{142} The work of the SEU was manifested in cross-government Public Service Agreements (PSAs) that addressed high-level priorities such as socially excluded adults or families at risk. An initial load of over 800 PSAs was gradually reduced over time to about 30 areas identified and agreed upon as high-level priorities that span various ministries and policy areas. In contrast to typical welfare programs, the SEU/SETF deliberately focused on the “bottom” 2-3% of a given population group where social problems tended to be additive over time and problems of inter-service coordination were particularly acute.\textsuperscript{143} In this sense, the SEU/SETF promoted a holistic conception of welfare that had its roots in Beveridge’s notion of social security,

\textsuperscript{141} Lowe, \textit{The Welfare State in Britain Since 1945}, 386.
\textsuperscript{142} The Unit originated in a 1997 Blair initiative for Social Exclusion. The Unit was moved out of the Cabinet but maintained a high profile within the New Labour government. In 2006 the re-named Social Exclusion Task Force was again given a Cabinet-level minister. Importantly, though, the Task Force has no independent funding in the Cabinet, a sign of its true purpose in coordinating activities across ministries. Interview, Social Exclusion Task Force.
\textsuperscript{143} An interviewee attributed this focus to the fact that the traditional welfare state, even if imperfect, had in fact taken care of a great deal of insecurity and poverty. Interview, Social Exclusion Task Force.
even if the targeted focus differed from Beveridge’s idea of universalism.\textsuperscript{144} Paradoxically, the work of the SEU/SETF often meant that key social exclusion indicators became \textit{worse} over time precisely because of the light shed on issues that had been previously ignored or hidden.\textsuperscript{145} In this sense, the key impact of the SEU/SETF was not easily measured in the official statistics, but was primarily discursive: “We’ve shifted the curve to the left in town” was the observation of one SETF member, referring to the new understanding surrounding social exclusion that had taken hold.

The social exclusion frame structured policy choices beyond the focused work of the SEU/SETF, as is demonstrated in the approach taken by New Labour with regard to child poverty and welfare. Following the launch of a 1998 national childcare strategy, Blair made a landmark pledge in 1999 to abolish child poverty. As Lowe points out, child poverty provided a key discursive linkage between New Labour and traditional Labour issues: on the one hand, a focus on the future workforce (the New Labour, supply-side economic element) and redistribution of resources to the poor (the Old Labour element).\textsuperscript{146} As with the SEU/SETF, child poverty is another area where statistical measures obscure the actual change in policy, largely due to competing

\textsuperscript{144} An interviewee noted that the SEU/SETF had an “aha” moment when they realized that treating the bottom quintile of a population wouldn’t work because the more confident take advantage of the opportunities and further squeeze out those at the very bottom, thus the need to focus on the most disadvantaged of the disadvantaged. Interview, Social Exclusion Task Force.

\textsuperscript{145} An interviewee noted that the “politics of success” involved shedding light on those that remained excluded from the otherwise successful welfare state and thus needed extra intensive attention. Interview, Social Exclusion Unit.

\textsuperscript{146} Lowe, \textit{The Welfare State in Britain Since 1945}, 406.
measures of child poverty and changes in measurement over time. It is generally agreed that the proportion of children living in poverty remained quite high in Britain (32% in 2000, compared to 13% in Germany and 12% in France) despite early interventions, although projections suggest that the reforms may have effect over time, reducing the number of children in poverty from 4.2 million in 1998/99 to 3.6 million in 2003/04. The debates over measurement recall the poverty disputes of the 1940s and 1950s and tend to obscure the fact that New Labour captured the discursive field on this subject, making a certain set of policies (and measures) appropriate and removing others from the table.

Sure Start was one initiative that reflected the broader “joined up government” approach in child poverty and welfare. Sure Start brought together education, health, and social workers along with local community organizations in a comprehensive effort to ensure that children from the poorest of the poor areas were not disadvantaged upon entering school. A rare case of diffusion, wherein a set of policies or institutions travels across populations of actors with little modification, Sure Start was borrowed from the U.S. Head Start program. Established in 1999 (as a result of the 1998 Comprehensive Spending Review), Sure Start was emblematic of the comprehensive

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147 The Blair administration changed the definition/measurement of child poverty in 2004, reducing the number of children estimated to be in poverty by 900,000 at the stroke of a pen. The ongoing dispute centers on whether poverty should be measured in static (a fixed poverty level) or dynamic terms (the poverty line changes in line with median income). Lowe, The Welfare State in Britain Since 1945, 407-408.


149 The Sure Start director in the UK was also the founder of the U.S. Head Start program. Interview, Social Exclusion Task Force.
approach towards issues that had previously been seen and treated as distinct but were brought together under the new diagnosis of the social exclusion frame. Moreover, the approach reflected the qualitative elements of the Third Way discourse that centered on providing opportunity and educating the future workforce.

Finally, the central focus on work and education of the future workforce that ran through the Third Way discourse meant that the social exclusion effort elevated the status of (and funding for) services as the true embodiment of the British social security legacy while equating cash benefits with dependency, social and political malaise, and fraud. Blair contrasted New Labour’s approach with that of the Conservatives when he referred to “those of us who believe the welfare state is not just about cash benefits but is about services too.”\textsuperscript{150} Subsequently, the 2001 Labour Party manifesto drew a distinction between “world-class public services” and “the welfare state.”\textsuperscript{151} Of the various public services, the NHS attracted more spending and attention than the other services and became both the symbolic and the substantive focal point of New Labour’s efforts to provide world-class public services.\textsuperscript{152} As Brown emphasized at the 2002 party conference: “What we say and do about the NHS is not just about the future of our public services, but about the character of our country. It is an affirmation that duty,

\textsuperscript{150} White Paper on Welfare Reform, quoted in Lowe, \textit{The Welfare State in Britain Since 1945}, 400.
\textsuperscript{151} 2001 Labour Party Manifesto, \textit{Ambitions for Britain}.
\textsuperscript{152} Health care spending rose from 5.3\% of GPD to a projected 9.4\% in 2008. Lowe, \textit{The Welfare State in Britain Since 1945}, 415.
obligation, service, and not just markets and self-interest, are at the very heart of our idea of society—at the heart of what it means to be a citizen of Britain.”

In 2000 Blair made a surprise pledge on live television to raise NHS spending to European average, a move that took the Cabinet by surprise as much as everybody else, but also reinforced the position of the NHS as a highly symbolic service that was broken but worth saving. Many of the reforms undertaken by New Labour resembled the privatization agenda that had been championed by the Conservatives. In fact, New Labour reversed its opposition to “internal markets” and instituted a similar program (Primary Care Trusts) along with numerous public-private partnerships, and even outright privatization of certain operations (dentistry, backlogged operations). However, as with the policy areas discussed above, the qualitative difference was in New Labour’s objective of achieving greater equality and opportunity, rather than cutting expenditure and dismantling the welfare state. In fact, two Treasury reports in 2004, *Securing Good Health for the Whole Population* and *Securing our Future Health*, emphasized the cost-effectiveness of preventative care (long opposed by Treasury) and proposed substantial new investments in the NHS with the justification that the failings


\[154\] The announcement set the stage for a range of new initiatives, includint the National Institute of Clinical Excellence (NICE) to track the cost and clinical effectiveness of treatments and drugs; National Service Frameworks (NSFs) that specified optimal disease treatment methods; the Commission on Health Improvement (CHI) charged with verification of the NICE and NSF guidelines; and Primary Care Groups that reorganized General Practitioners and devolved some autonomy with regard to budgeting, contracting and service delivery. Lowe, *The Welfare State in Britain Since 1945*, 416.

of the system were due to underfunding and not the underlying model.\textsuperscript{156} Thus the increases in health spending over the 2000s also reflected this new emphasis on preventative care, health management, and ways to change individual attitudes and behavior.\textsuperscript{157} Despite public perceptions that the system was still broken, health outcomes improved over the 2000s and a new understanding of the role of public services and the NHS took hold.

In sum, the social exclusion frame produces new understandings of certain issues in social security, health, and childcare policy and served to \textit{join} these understandings to a particular policy approach that focused on cross-ministry and cross-issue coordination. One major consequence was that the traditional notion of redistribution as understood and practiced by the Labour party, was replaced by a broader meaning that encompassed a range of services and benefits. The type of policies that fit with the social exclusion frame emphasized individual opportunity and education with an eye to labor market participation, whether in the present (the SEU/SETF) or future (Sure Start). In this sense, the social exclusion frame drew closely on a vision outlined in the Commission on Social Justice report that saw the extension of economic opportunity through for strong families and communities and an investment in people as the basis for both economic renewal and social justice.\textsuperscript{158} This approach differed markedly in its aims from the shaming and re-moralizing approach to

\textsuperscript{156} Both reports were written by Sir Derek Wanless of Nat West Bank. Lowe, \textit{The Welfare State in Britain Since 1945}, 418.

\textsuperscript{157} Lowe, \textit{The Welfare State in Britain Since 1945}, 418.

\textsuperscript{158} Lowe, \textit{The Welfare State in Britain Since 1945}, 418.
poverty and the poor taken by the New Right, even as New Labour adopted some of the New Right’s means.

Conclusions: New Labour and the Third Way Discourse

Overall, the Third Way discourse provided a particular interpretation of the Britain’s economic and social situation in the 1990s and 2000s that structured the choice of particular policy reforms over others as appropriate and legitimate. The Third Way discourse grew out of the Labour party’s intellectual engagement with Thatcherism as well as with its own past, such that roots of policy and institutional choices during this period were primarily ideational and cultural. Each of the three major frames led to unique constellations of policies and policy decisions, but all shared a fundamental focus on work and training the future workforce. The globalization and modernization frame linked education and employment policies as necessary for national renewal. The activation frame led to a particular variant of ALMP focused on job placement (rather than individual empowerment), targeted at the unemployed or socially excluded (instead of providing training opportunities for all), and based on a rights and responsibilities framework emphasizing the individual’s duties and obligations vis-à-vis the state and the paramount importance of labor market participation. Finally, the social exclusion frame established connections among policy and issue areas previously interpreted as distinct from one another, linked “social” policies such as child or health care back to questions of training and labor market
participation, and favored the provision of services in kind over cash benefits. None of these particular policy choices constitute straightforward or “automatic” responses to functional imperatives. In each case, British policymakers had to first interpret and give meaning to these events by connecting past and present, and then articulate a way forward.

New Labour reestablished the linkage among social, employment, and economic policy that was at the heart of Beveridge’s idea of social security. However, the actual policy and institutional changes also incorporated new thinking. As such, the mechanisms of *bricolage*, *translation*, and *specification* explain the particular mix of ideas that found their expression in New Labour’s approach to employment and social security. In general, New Labour prioritized production over redistribution, reestablished the link between employment and social security, and connected education and training to individual opportunity, which in turn meant the right and opportunity (and obligation) to participate in the labor market. New Labour’s approach to economic policy discarded older ideas of demand-management and macro-economic control in favor of supply-side policies focused on skills, training, education and opportunity. This central acceptance of the market formed the basis for an emergent consensus on economic and social policy based on the restructuring, rather than the dismantling of the welfare state. Despite differences on the fringes, Lowe notes that there is no direct challenge to the common framework: “the pre-eminence of the market,
a mixed economy of welfare and the empowerment of consumers.\textsuperscript{159} The overarching status of New Labour’s discourse in forging this consensus is most visible in acknowledgement of the Conservative party that the traditional, confrontational approach of an opposition party had not worked and that it was more fruitful to find points of consensus and develop points of respectful disagreement on detail instead of articulating a comprehensive alternative vision.\textsuperscript{160}

The debate and contestation that produced the Third Way discourse and led to this new consensus was primarily concentrated within the Labour party, rather than between the Conservatives and Labour. Over the 1990s the key tropes and sites of contestation either grew out of the Labour party reform process or were appropriated by the left. This discursive process led to a new understanding of ALMP at a period when the Conservative party was casting about for new ideas.\textsuperscript{161} New Labour broke apart the New Right’s linkages between ideas and policy specified their own interpretation. For example, New Labour latched onto the “dependency culture” trope articulated by Thatcher and Major, acknowledging that benefit dependency was not only economically undesirable, but was also detrimental to a society as a whole. However, the critique was then reframed within a larger effort to address “social exclusion” and emphasize the

\textsuperscript{159} Lowe, The Welfare State in Britain Since 1945, 433.  
\textsuperscript{160} Interview, Conservative Research Department.  
\textsuperscript{161} As one interviewee in the Conservative Research Department noted on active labor market policy, New Labour “got this before we did, and they were right from day 1.” The same interviewee also conceded in 2007 that the Conservative opposition strategy “had not worked” for the past 10 years and that the party was still searching for an alternative vision. Interview, Conservative Research Department.
positive benefits of work rather than shaming those receiving benefits and rolling back the welfare state.

Even as New Labour benefited from the Conservative’s loss of credibility and the collapse of Thatcherism, it is important understand these events as part of the larger discursive framework. As noted above, the power and coherence of “Thatcherism” as a force that permanently reshaped British society has probably been overstated. Following a discourse-theoretic perspective, this only makes sense. No discursive frame is truly uncontested, and it is critical to not read cohesiveness into past events simply by virtue of the fact that the history is now known. The Thatcherite discursive frame broke down as it was confronted with new events that it could no longer make sense of, such as the rise in social spending, increases in unemployment, and the loss of credibility as the party of economic management following the ERM crisis. Through these fissures in the Thatcherite project, exhibited in debates over globalization, modernization, society, employment, and welfare, the New Labour dislocated the tenants of Thatcherism and articulated a new discursive frame.

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162 As Wincott, referencing Bendix has observed: “The ‘unity’ of past societies is more often than not an illusion derived from implicit contrasts with the later structure of the same society.” Daniel Wincott, “Policy Change and Discourse in Europe: Can the EU Make a ‘Square Meal out of a Stew of Paradox’?” West European Politics 27, no. 2 (2004), 359; Reinhold Bendix, Nation-Building and Citizenship: Studies in our Changing Social Order (New York: John Wiley and Sons, 1964), 13.

163 Of course, New Labour is also not nearly as coherent or hegemonic as it may appear even now. The claim here is not that New Labour is “more” hegemonic than Thatcherism was, but rather that the construction, articulation, dislocation, and rearticulation of coherent discursive frame is central to explaining economic crisis and change in contemporary Britain.
The dislocation of Thatcherism and the articulation of the Third Way highlights the importance of discourse in understanding patterns of welfare state reform, but also highlight the central role of actors. Three of the major moments shaping Britain in this period – Thatcher’s resignation, the ERM crisis, and John Smith’s sudden death – were largely contingent. Such events themselves are not easily predicted, and the subsequent course of action is not automatically clear. Thus, the conjunction of actors and ideas at a particular point in time becomes central to understanding outcomes at such moments. It is difficult to predict whether actors will be able to seize these moments, or openings, and combine new ideas with cultural-historical resources to construct a compelling frame that makes sense of the events and suggests a path forward. However, it is possible to understand why such moments of discursive construction come about or fail to materialize. In particular, the failure of actors to establish a robust connection among new ideas and cultural-historical resources, as seen in both the Wilson/Callaghan eras as well as the close of the Thatcherite era, will produce stagnation rather than a coherent discourse that links past, present and future. Attention to such dynamics thus yields an account and an understanding that is quite different from prevailing institutional or interest-based explanations.

**Conclusions: From the Beveridge Plan to the Third Way**

The development and reform of British economic and social policy since the Second World War an the Beveridge plan follow the general model outlined in Chapter
1. The economic and social policy spheres were viewed as a holistic unity in the Beverdige plan. As this understanding broke down over the 1960s and 1970s, the economic and social policy spheres diverged from one another, and policymakers began to think in terms of separate questions and solutions. The establishment of the overarching New Labour/Third Way discourse and the shift towards ALMP in Britain drew the economic and social policy spheres back together, albeit with different understandings about the role of each of these policy spheres and the appropriate policies. The central factor in explaining these shifts is the the manner in which different actors (in particular, the main parties in Britain) have interpreted the economic and social world around them and given them meaning through the articulation of a discursive frame that makes sense of that situation and provides a way forward. More specifically, the major reform periods in Britain were underpinned by the mechanism of *bricolage*, wherein parties and party leaders were able to combine new events and information with cultural-historical resources to construct a particularly powerful reform discourse.

The reforms to labor market and social policy in Britain defy institutional or path dependent logic, insofar as the Anglo-Saxon welfare state “model” shifted towards greater state involvement, expanded certain social service, reinforced some universal values and reinterpreted others. If anything, these changes actually suggest movement towards the “Scandinavian” model. Similarly, reforms defy the power-resources or interest models, as reform was neither blatant cost-cutting in response to functional
imperatives (e.g. economic crisis or budget overruns) nor expansion of the traditional
welfare state (as expected under a center-left government). In fact, New Labour’s
policy was notable in that it represented a partial continuation of trends started under
Thatcher, with the notable caveat that previously unpopular policies were now accepted
as legitimate and appropriate. Understanding both the content of reform and the process
by which one course was chosen over another is only possible with reference to the
discursive frames used to articulate and justify such policies.
DEFINING WORK AND WELFARE:  
THE POLITICS OF SOCIAL POLICY REFORM IN EUROPE

VOLUME TWO OF TWO

A Dissertation  
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in Government

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“The development of a social maintenance state is encouraged in no small part through the German penchant for narcissistic orderliness, for legal perfectionism, and the encroachment of the state in an increasing number of private, cultural, and economic spheres that is based on these attitudes.”

- Ludwig Erhard, in a memo to Adenauer¹

**INTRODUCTION**

The story of German welfare state development can be broken down into four periods, two of which are treated in this chapter and two in the next. The 1945-1968 period discussed here was characterized by a period of reconstruction and the negotiation of the domestic political landscape (1945-1954) in which the basic ideas of Germany’s characteristic social market economy (*soziale Marktwirtschaft*) were articulated, followed by a period where this discourse informed a series of policy and institutional reforms (1954-1968). These decisions established the postwar German social state and underpinned a broad consensus concerning economic and social policy

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that informs the two periods discussed in the next chapter, namely the challenges to the 
soziale Marktwirtschaft in the 1970s and 1980s and the reforms of the 1990s.

Germany emerged from the Second World War defeated, devastated, and
occupied. Although the war would seem to constitute a natural “break point” or blank
slate for the construction of new policies and institutions, powerful cultural legacies
shaped and constrained what could actually be accomplished, as is indicated in the
quotation above. Ludwig Erhard’s exasperation at the inability of policymakers to
accomplish a comprehensive reform of the German social state, and frustration at the
apparent drift towards state dependency instead of the free market, illustrates the basic
fact that policymakers were grappling with deeply entrenched cultural ideas concerning
what was right and appropriate for Germany. Actors had to negotiate through these
shared values and attitudes in reconstructing the German social state; decisions could
not be made simply on the basis of that which might have been most “rational” in
response to functional needs, and the appearance of blank slate proved illusory.

Understanding the course that postwar German economic and social policy took
is thus only possible with attention to the discursive linkages forged by actors as they
wove together cultural-historical resources with new ideas, making sense of the
challenges at hand and placing certain options on the agenda while rendering the
alternatives inappropriate.

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2 The direct German translation of “welfare state” – Wohlfahrtstaat – carries a connotation of dependency
on the state and the removal of individual responsibility and initiative, and as a consequence is seldom
used. The term “social state” – Sozialstaat – is more typically used to describe what English-speakers
would call a “welfare state.”
THE DOMESTIC POSTWAR SETTLEMENT (1945-1954)

Following the conclusion of hostilities the Allied powers divided Germany into four occupation sectors and embarked on an ambitious reconstruction program. Given the devastation in Germany, the Allies instituted a strict rationing and price control system to cope with the scarcity of raw materials and to guide reconstruction. Although the Allied Powers had devoted a great deal of thought on the question of what to do with postwar Germany, important disagreements remained (particularly between the Departments of State and Treasury in the U.S.), and the course that postwar Germany would take was by no means certain in 1945.3 As Jackson notes, this uncertainty was not limited to technical questions of economic policy. It was first and foremost uncertainty surrounding various diagnoses of the “German character” and the appropriate responses to National Socialism.4 The 1945 Potsdam Agreement stipulated that heavy industry be dismantled and that the German economy be restructured in favor of light industry and agriculture. The breakdown of the four-power Allied Control Council in 1946 foreshadowed the future division of Germany, and on 1 January 1947 the American and British occupation zones were formally merged into the “Bizone.” The Federal Republic of Germany formally came into existence with the

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3 For a detailed treatment of the discussing between the advocates of the “Morgenthau Plan” (Treasury) and the U.S. Department of State, see Patrick Thaddeus Jackson, Civilizing the Enemy: German Reconstruction and the Invention of the West (Ann Arbor: The University of Michigan Press, 2006), ch. 5.

4 Morgenthau advanced an essentialist diagnosis of Germans as predisposed to war and against freedom, thus making a harsh postwar policy based on eliminating Germany’s capacity to make war the appropriate solution. Jackson, Civilizing the Enemy, 116.
establishment of the German Basic Law (Grundgesetz) on May 23, 1949. However, it wouldn’t be until the mid-1950s that Germany regained full control over economic and social policy.

The establishment of the Bizone integrated several competing conceptions of economic organization into a single debate. Among the Allied powers, the British generally favored a system of controls and state intervention, and these ideas found a sympathetic German ear with the renewal of the Social Democratic Party (SPD) within their occupation area. The American authorities also favored the retention of price and supply controls (especially for heavy industry and raw materials), but were more sympathetic to calls for a free-market pricing system from some economists and elements of the Christian Democratic party (CDU).

Understanding actors’ choices when confronted with these competing perspectives requires an understanding of the intellectual engagement by German social scientists and politicians with classic (liberal) economic theory and the events that culminated in depression, dictatorship, and defeat. Erhard would emerge as the face of the German “Social Market Economy” (soziale Marktwirtschaft) in his service as the Bizone Economics Director and later as Adenauer’s Minister of Economics. However, Erhard’s principles and policies were the product of a wider discursive process that constructed a particular interpretation of pre-war and wartime events, discrediting the alternatives of laissez-faire capitalism or a social democratic program of state control and imparting Erhard’s conception of a free market with social justice ideals as well as
a focus on small businesses, consumers, and the middle class. Following a successful currency reform in 1948 and the beginnings of an economic recovery, the Social Market Economy approach (and Erhard himself) would be tested during the 1950-1951 Korean War crisis, but would ultimately form the foundation of Germany’s postwar “economic miracle” (*Wirtschaftswunder*).

The central point of contestation in the debates over the postwar economic and social order concerned the ideas of “capitalism” and “control.” Proponents of different socio-economic models drew on various interpretations of these ideas to construct narratives that explained Germany’s course from the mid-19th century onward and, in turn, prescribed appropriate solutions for the way forward. The debate between those favoring competition and a free-price mechanism on the one hand (the “neoliberals”), and proponents of a control economy on the other, was not simply a left-right party cleavage, but was the expression of a broader discursive process of “making sense” of the events of the late 19th and early 20th centuries. This debate produced the Social Market Economy (*soziale Marktwirtschaft*) frame. As a discursive frame, distinct from the specific set of policies later implemented, the *soziale Marktwirtschaft* represented a path between the doctrinaire *laissez-faire* thinking of the 19th century and the ideals of collectivism. The debate drew on tropes of “justice” and what “social” outcomes in the economy actually meant (*die soziale Phrase*). Other tropes deployed and contested included the control economy (*Zwangswirtschaft*), the use of price and supply controls
(Bewirtschaftung), free competition based on achievement (Leistungswettbewerb), and the role of the consumer (Verbraucher).

Many viewed the SPD as the natural party to lead Germany, given their pre-war opposition to National Socialism and the popularity of Kurt Schumacher. The narrative advanced by proponents of a socialized economy blamed capitalism for Germany’s recent history and emphasized themes of “social” and “justice” in advocating collectivism and state control. This interpretation resonated with the larger population, but translating ideas of state control into a political program was difficult in light of Germany’s recent experience with a strong state under National Socialism. Instead, the neoliberal narrative both discredited ideas of state control, precisely because of Germany’s recent history, and linked free competition to deeper ideas of justice (based in Christian Socialist thought) to yield a positive future vision. Erhard was also instrumental in discursively joining currency reform and economic liberalization into a natural combination that in turn shaped the course of social and economic policy. In short, the articulation of free competition as the means to achieve social justice would become established as the overarching soziale Marktwirtschaft discourse by 1954 and would then guide subsequent policy and institutional reform in the 1954-1968 period. The main tropes, frames, and mechanisms for this period are summarized in table 6.1 below.
**TABLE 6.1 – FRAMES, TROPES AND MECHANISMS IN GERMANY 1945-1954**

**Overarching discourse:** unsettled debates over postwar history, capitalism and control, (neo)liberalism and socialism lead to the establishment of the *soziale Marktwirtschaft* frame by 1954.

**Frames**
- Capitalism vs. control
- Currency and economic reform

**Tropes**
- Social justice
- *Die soziale Phrase* (the “social” element/question)
- *Zwangswirtschaft* (the control economy)
- *Bewirtschaftung* (price/supply controls)
- *Verbraucher* (the consumer)
- *Leistungswettbewerb* (competition based on achievement)

**Mechanisms**
- Bricolage
  - Explanations for recent German economic and political history (orthodox liberalism and state control) reinterpreted and combined with elements of social thought
• Müller-Armack imparts a religio-cultural component (drawing on Catholic social teaching and the Protestant work tradition) to neoliberal ideals to create the normative basis for the social dimension in the soziale Marktwirtschaft

- Joining
  - Currency reform joined to economic liberalization
  - Free competition joined to social justice

- Breaking
  - Capitalism broken apart from doctrinaire laissez-faire
  - Capitalism broken apart from state protection and intervention

- Specifying
  - Capitalism defined as free competition, individual opportunity, and a state-guided (but not controlled) market as “social”

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**Constructing the Social Market Economy**

The traumas of Weimar Germany (rampant inflation followed by depression) followed by National Socialism and Hitler’s dictatorship prompted a period of self-reflection among German social scientists. Actors coalesced around two broad constellations of ideas in the debate over the shape of postwar German economic and social policy. Drawing on classical economic theory, one group crafted a narrative that rested on Germany’s departure from free-markets and competition in favor of cartel capitalism in the 19th century as a turning point that opened the door for missteps during
the Great Depression and, ultimately, the advent of National Socialism. A second group of in favor of state planning coalesced around an interpretation of the Weimar and National Socialist periods as evidence for the disastrous consequences of capitalism, especially capitalism left in the wrong hands, and thus argued for a strong state hand in guiding economic policy and ensuring social justice.

Although the emergent “planning” and “neoliberal” positions mapped loosely onto postwar Germany’s nascent party landscape, with the SPD generally taking the former position and the CDU the latter, the debate cannot be explained by this cleavage alone, not least because parties and party positions were being formed anew in this period. For example, many moderate SPD members were skeptical of a Marxist tradition that focused more on questions of revolution and nationalization than social justice, while both the Roman Catholic and the trade union wings of the CDU were skeptical of neoliberalism’s individualistic, free-market tenets. The debate between these two ideational poles was essentially about defining the boundaries of a contested middle, or the limits of both state intervention and free markets. This discursive process combined new ideas with key cultural-historical resources, such as the image and policies of Bismarck, Germany’s pre-war legacy, and the Weimar and National Socialist periods, and served to discredit the extremes even as it defined the contested middle ground.

Although the discursive landscape was unsettled in the wake of the war, the “neoliberal” position gained traction due to its successful combination of German
cultural-historical resources and new ideas (*bricolage*). Much of the position was developed from within the social sciences in the interwar and wartime years. In the view of Alfred Müller-Armack, a Professor of Economics at Münster who later coined the term “social market economy” (*soziale Marktwirtschaft*), academics had let Germany down in failing to properly diagnose and respond to inflation in 1918. Economists, in particular, had “allowed themselves to be intimidated by nationalist politicians and self-interested ‘practical’ men to such an extent that their discipline had lost its rightful place among the social sciences.”

Müller-Armack and other neoliberals located the source of this failure in the “historicist” school of thought that developed in the wake of the failed 1848 revolution. Social scientists had abandoned the lessons of classical theory and the tradition of scientific inquiry in their support of political decisions based on national expediency, and as a result allowed the science of economics to be appropriated (or intimidated) by nationalist politicians.

In constructing a narrative for the late 19th and early 20th centuries, neoliberals focused on Germany’s tradition of price controls, monopoly, and state paternalism—characteristics that persisted even as neighboring Austria and other European states

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6 Nicholls, *Freedom with Responsibility*, 18. Specifically, the “historicist” position held that “…events had to be judged in the light of their historical background rather than be measured against fixed moral, political, or economic principles.” Ibid.

liberalized in the 1800s. The critical juncture came with Bismarck’s turn to protectionist policies in the 1870s, culminating in the 1897 Reichsgericht decision judging cartels to be legal.⁸ In the wake of this decision most economists shifted their stance, encouraging cartels and monopolies, such that by the early 1900s there was a general consensus that the age of economic freedom and competition had passed.⁹ Bismarck’s turn to protectionism was viewed as an appropriate response at the time, although it subsequently contributed to the erosion of political liberties, opening the door for populism and nationalism.¹⁰

For those seeking to rehabilitate the liberal tradition, the traumas of Weimar Germany were “due to government policies which had shown either an ignorance of, or a capacity to ignore, the principles upon which sound economies should be based.”¹¹ In other words, classical economic theory was sound and should guide Germany out of depression and dictatorship. Already in the interwar period a small group of economists, including Walter Eucken, Wilhelm Röpke and Alexander Rüstow, had

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⁸ Nicholls, Freedom with Responsibility, 18.
⁹ Ebner notes that Müller-Armack drew on the thought of Werner Sombart in developing a critique of various “economic styles” and capitalist evolution. Within this body of thought, Sombart pointed to the period of “full capitalism” (18th c. through WWI) as capitalism in its “purest form” based on principles of profit and rationalism and disembedded from social relations. Alexander Ebner, “The Intellectual Foundations of the Social Market Economy: Theory, Policy, and Implications for European Integration,” Journal of Economic Studies 33, no. 3 (2006): 206-233. Cited material from p. 212.
¹⁰ In 1904 Lujo Bretano observed “We still speak as though we live in an age of economic freedom [Gewerbefreiheit] and competition. This is an example of how our past experiences hinder our perception and judgment of the world around us. Today, economic freedom and competition belong to the past. We live in an age of increasingly expanding monopoly.” J.J. Sheehan, German Liberalism in the Nineteenth Century, Chicago: University of Chicago Press, 1978, 257, quoted here from Nicholls, Freedom with Responsibility, 21.
¹¹ Nicholls, Freedom with Responsibility, 14.
started to challenge nationalist and protectionist policies and champion the free market. All three took part in a 1929 economic conference hosted by the Friederich List society where key tenants of neoliberal thought found their first expression: a preference for open markets over protectionism; an acceptance that the interest of the masses was important; an acceptance that spreading the wealth among the working classes had a beneficial economic impact; and the view that taxation policy could be targeted to help dynamic parts of the economy further help themselves.

If Weimar Germany had revived interest in liberal economic theory, the experience of National Socialism and dictatorship under Hitler lent a unique “flavor” to the way in which neoliberals would view free markets and their relationship to politics and society. The experience strengthened existing skepticism of state control over the economy, but also led to a distrust of mass participation in politics and of democracy. Eucken went so far as to argue for a strong state standing above the economic struggle and Röpke, in a 1932 speech to the German Association for Social Policy (Verein für Sozialpolitik), argued for freedom for economic development under state protection, but contrasted this against ideas of a weak state or “Manchester liberalism.”

Reconciling the gap between economic ideas and political and social questions would be central to the debate over free markets and the soziale Marktwirtschaft. One the one hand, the postwar SPD would adopt a more ambivalent view towards state

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12 Nicholls, Freedom with Responsibility, 39.
13 Nicholls, Freedom with Responsibility, 43-44.
14 Nicholls, Freedom with Responsibility, 47.
control, noting that Hitler had succeeded in restarting the German economy in a period where Britain, France, and the US all looked remarkably weak, and that the subsequent Keynesian revolution in Britain and the New Deal in the US vindicated government management of the economy. The key was to make sure the right people were in control.\textsuperscript{15} In addition, the German social democratic movement placed more emphasis on social and ethical questions, drawing on the Sermon on the Mount more than on Marx for inspiration.\textsuperscript{16} The religious cleavage was also important, leading some conservative economists to join the SPD because of the “clerical” stance of the CDU, especially in the postwar period.\textsuperscript{17} Over the 1930s and 1940s the SPD remained opposed to a free-market mechanism, but also distanced themselves from more dogmatic ideas of a revolution and central planning.\textsuperscript{18} The attention paid to ethical questions and social justice would later force Erhard and the CDU to incorporate such themes into their own vision for social and economic organization.

For their part, the emergent neoliberal movement had to confront the perception (if not the reality) that open-market capitalism and the “anarchy” of the market had caused the Great Depression and brought Hitler to power.\textsuperscript{19} The term “neoliberal” itself, denoting both the limitations of \textit{laissez-faire} capitalism and an aversion to

\textsuperscript{15} Nicholls, \textit{Freedom with Responsibility}, 253.
\textsuperscript{16} Nicholls, \textit{Freedom with Responsibility}, 84. Nicholls also notes that the ideas of socialist intellectual Eduard Heimann as influential in the development of SPD social thought. Ibid.
\textsuperscript{17} Nicholls, \textit{Freedom with Responsibility}, 252.
\textsuperscript{18} Nicholls, \textit{Freedom with Responsibility}, 88.
\textsuperscript{19} Nicholls, \textit{Freedom with Responsibility}, 61.
socialism, was born at a 1938 Paris colloquium in honor of Walter Lippman. Röpke’s publication *Die Gesellschaftskrise der Gegenwart* (The Contemporary Crisis of Society) introduced the idea that part of the economy should be reserved for the public sector, and that instead of speaking of the “chemical purity” of the market, state intervention may be necessary to establish and enforce the ground rules of free competition. Euken’s 1939 *Grundlagen der Nationalökonomie* (Fundamentals of National Economics) contained a critique of Keynes, established key neoliberal tenants, and argued for reasoned analysis to the entire economic process (*die Gesamttordnung*) that amounted to a critique of controlled economies. More generally, the “Freiburg circle” of the late 30s and early 40s provided a forum for discussing the ideas of Rüstow, Röpke, Euken, and others, refining a neoliberal vision that eschewed 19th century *laissez-faire* liberalism and argued for a stable currency, state assistance to help the market, and the use of tax policy to achieve social aims.

It was during this period that Erhard also began exploring economic liberalism. Having studied under Franz Oppenheimer, Erhard was influenced by Oppenheimer’s rejection of both *laissez-faire* and Marxism in his search for a just social order within which free competition was protected by the state. In this view, a market could operate

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20 The occasion was the publication of Lippman’s *The Good Society*. Nicholls, *Freedom with Responsibility*, 96.
only once a fundamental equality had been established. The positive relationship between a market and a “just society” would later become central to Erhard’s own ideas. In addition, his early experience as a shopkeeper and later as a vocational college teacher led him to reject manipulation of the money supply and focus instead on the production and distribution of goods and the role of the consumer as key factors for economic stability. In Erhard’s view, a combination of collectivism, market distortion, and *laissez-faire* had led to the collapse of Weimar Germany—not democracy, or the lack thereof.

In 1944, Erhard circulated a memo to bankers outlining his view of neoliberalism and his central concern with the excess purchasing power (*Kaufkraftüberhang*) that had been created by Nazi price controls and served to disguise inflation. Erhard’s feared that the end of hostilities would bring about massive inflation (and social unrest) that would lead, in turn, to either increased state interference or socialization. For Erhard, the solution was a set of carefully staged steps towards currency reform and removal of state controls, even as the state maintained a limited role in directing the economy: “Certainly the state will never again be pushed back into the role of night-watchman, because even the freest market economy, and especially

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25 Nicholls, *Freedom with Responsibility*, 75-76.
26 Nicholls, *Freedom with Responsibility*, 79. As a consequence, Erhard was also open towards international trade and flexible exchange rates—two unpopular views in the postwar era. Ibid. 76.
this one, needs an instrument to draw up the rules and supervise their implementation."^{28}

With this broad intellectual struggle as a backdrop, Müller-Armack coined the term “soziale Marktwirtschaft” in his 1946 publication Wirtschaftslenkung und Marktwirtschaft (Planned Economy and Market Economy). Like the other neoliberals, Müller-Armack outlined a synthesis between the (discredited) extremes of a command economy and old-fashioned liberalism.\(^{29}\) However, Müller-Armack was more concerned with questions of social cohesion than other neoliberals, and the manner in which economic systems were embedded within the larger society.\(^{30}\) In particular, Müller-Armack was sensitive to religious and cultural values, blending Catholic social teaching with the Protestant ethics for both work and cooperation, in developing the social dimension of the soziale Marktwirtschaft.\(^{31}\) This dimension would later influence Erhard and the overall conception of the soziale Marktwirtschaft as it was translated into a political program within the CDU.

Müller-Armack’s 1948 proposal to the Allies for currency reform and economic governance was based on his conception of the soziale Marktwirtschaft, and the economic component informed Erhard’s “Guiding Principles” for currency reform. The

\(^{28}\) Ludwig Erhard, Kriegsfinanzierung und Schuldkonsolidierung (Frankfurt: Propyläen, 1977), 26; cited here in Nicholls, Freedom with Responsibility, 118.

\(^{29}\) Nicholls, Freedom with Responsibility, 142. The 1946 publication drew on earlier critiques of Müller-Armack, including a 1944 paper Die Bewährungsprobe der Wirtschaftslenkung (The Practical Test of the Planned Economy). Ibid., 120.


larger question of economic governance became the central theme in the 1949 election campaign as the debate crystallized around a shared, yet contested, middle ground between the extremes of state control and *laissez-faire*. In this sense, Nicholls notes that several areas of commonality emerged between neoliberal and social democratic thought over the 1930s—namely, a critique of cartels and the concentration of economic power, concern for improving the position of employees, openness to state intervention to cope with the shortcomings of the market, and, perhaps most importantly, fundamental concern with social justice and the distribution of wealth.\(^\text{32}\)

The impact of the war on Germany’s collective conscience left fertile ground for a new approach that sought to balance the extremes that had characterized prior decades. The shape that this new approach might take was by no means certain in the 1945, let alone over the 1930s and 40s. In this period, the emergence of the *soziale Marktwirtschaft* frame was primarily due to the mechanisms of *breaking* and *specification*. The debates outlined above *broke* apart the understanding of capitalism as (only) 19\(^{\text{th}}\) century *laissez-faire* liberalism, and also *broke* the understanding that capitalism in Germany meant state protection, monopoly, and an aversion to competition. Together, these two instances of *breaking* contributed to the *specification* of a new understanding of capitalism in postwar Germany, wherein the state would set up a framework for market competition and also take positive measures to ensure that individuals were able to reach their full potential. In turn, Müller-Armack’s *bricolage*

\(^{32}\) Nicholls, *Freedom with Responsibility*, 87.
among religious norms and traditions was central to the social dimension that would balance the economic insights. As the war drew to a close, the seeds for the development of the *soziale Marktwirtschaft* frame had been sown.

**Instituting the *soziale Marktwirtschaft***

A nascent core of ideas concerning postwar economic governance was in place by the time the war ended in 1945. However, the immense destruction of the war and the partition of Germany by the Allied powers presented enormous challenges to instituting any economic order. These circumstances were further complicated by the fact that the Allied powers were intent on maintaining control over Germany and reshaping the economy and society. Attempts to assert German authority on such matters were generally resisted, and calls for currency reform and market liberalization from German neoliberals were met with a mixture of incredulity and hostility from the Allies. Within this environment Erhard was central in first influencing the course of Allied economic policy and then carving out autonomy for the young Federal Republic over the late 1940s and early 1950s. Although the basic context would be defined for Erhard, first by the Allied military government and then by the economic and political strictures imposed by the Korean War, Erhard and the CDU interpreted these circumstances through the ideas and frames of *soziale Marktwirtschaft* that, in turn, guided their policy responses.
From Controls to Currency Reform

In the immediate postwar period the Allies placed strict controls on prices and production and rationed goods and raw materials (the *Zwangswirtschaft* or controlled economy), not only to guide reconstruction but also to limit German industrial production. The combination of distortions left over from Nazi economic policies and renewed controls resulted in the problem of excess purchasing power (*Kaufkraftüberhang*) and rampant inflation, as Erhard had warned in his 1944 memo. The combination of a worthless *Reichsmark*, price controls, and rationing spawned a black market and barter system that displaced the formal economy, such that the average worker would spend 5-6 hours per day at a conventional workplace to earn (limited) rationed goods, and then spend the remainder of the time gardening, scavenging and bartering.33

Although the devastation was widespread and the shortage of raw materials, food, and housing were real, much of Germany’s industrial capacity remained intact (despite wartime bombing), and a relatively well-trained (largely female) workforce was also available. Yet efforts to restart production and free up the control economy were complicated by several factors. On the one hand, the Allies were reluctant to allow increased industrial production. On the other, popular sentiment was still hostile towards free-market capitalism due to the perception that it had produced Hitler and National Socialism. As such, arguments from (German) neoliberals for currency reform

and market liberalization were not well received by either Germans or the occupying powers.34 Critically, this general sense of pessimism and uncertainty prompted all participants in the debate to consider the social implications of their economic arguments, with the neoliberals drawing on Christian socialist thought and the Social Democrats rejecting Communism but advocating for public control of the economy as a means of ensuring just outcomes.35

The fusion of the British and American zones in to the “Bizone” on 1 January 1947 and the subsequent widening of the economic crisis presented a window for German economists, and especially the neoliberals, to shape economic policy. Erhard had been asked to head the economic administration for the area around Fürth after it had been liberated by the Americans, subsequently served as economics minister for Bavaria Erhard, and was then appointed to head the Special Bureau for Monetary and Currency Matters in 1947.36 Erhard articulated a set of ideas for currency reform that centered on a rapid, drastic reduction in the monetary supply and removal of price controls in order to create incentives for production and consumption. Erhard’s critics warned that his plan would result in deflation and would require continued controls

36 The Sonderstelle Geld und Credit. According to Nicholls, Erhard was driven from office in Bavaria by the CSU amidst unproven allegations of mismanagement. Nicholls, Freedom with Responsibility, 151.
(Bewirtschaftung) to manage with the drastic cut in purchasing power, arguing instead for socialization and state control.  

Erhard’s general perspective on economic reform found favor amongst the American administration and helped in his appointment as Economics Director for the Bizone in 1948 amidst a general environment of crisis and uncertainty. A series of 1947 memos from the British administration criticized the social injustices wrought by the control system, citing the desperate condition of the German economy and pleading for currency and tax reforms, a re-start of heavy industry, and increased imports, lest the entire West German democratic project fail. As Erhard took over as Bizone Economics Director, neoliberal ideas were finding greater traction. The journal ORDO (Ordnung, founded 1948) and increased contact with liberal economists internationally (such as the Mont Pèlerin Society, presided over by Friedrich Hayek) forced German neoliberals to circulate and refine their ideas, yielding a uniquely German approach distinct from, for example, both the Chicago school variant of liberal thought and democratic socialism popular in Britain at the time. As Nicholls observes:

Ideologically [German neoliberalism] was particularly well-suited to post-war Germany, where the doctrines of collectivism had been discredited by Hitler and by a widespread fear of Communism, but where the need for social responsibility was strongly felt as the country faced the results of its military catastrophe.  

38 Nicholls, Freedom with Responsibility, 168.  
39 Nicholls, Freedom with Responsibility, 146.
Similarly, a group of businessmen (the Volkswirtschaftliche Gesellschaft) linked to the liberal Free Democratic party (FDP) and intrigued by Müller-Armack’s ideas published a pamphlet with suggestions on implementing the soziale Marktwirtschaft. Although the FDP would later drop its support due to the social element, this early step was important in that it established the soziale Marktwirtschaft as the common basis for discussion among all parties discussing Germany’s economic recovery.

As the Erhard and the center-right parties were thinking about the social market economy, the SPD also confronted questions of economic organization. Much like the democratic socialist movement in Britain, the German Social Democrats had moved away from doctrinaire Marxism and ideas of a socialist revolution. However, the more traditional stance of the party leader, Kurt Schumacher, complicated these efforts to tread a middle ground. Schumacher was “a nationalist, anti-Nazi, and anti-Communist Social Democrat who looked to a powerful state to organize the economy in a fashion beneficial to the working class” and resisted the outright rejection of Marxism and class war. In particular, the SPD had difficulty in articulating a vision of “socialization” that was different than the discredited ideas of state control. The party was unable to square this circle, adopting a statement at the 1947 Bad Wurdingen

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40 Vorschläge zur Verwirklichung der sozialen Marktwirtschaft, (Proposals to Implement the Social Market Economy), Nicholls, Freedom with Responsibility, 147.
41 SPD journalist Richard Löwenthal wrote on the changing nature of socialism over the 1930s and published his ideas in Beyond Capitalism (1947). Drawing on ideas from Britain’s democratic socialists, Löwenthal argued that the central role of the state was to maintain full employment and eliminate monopoly power. Nicholls, Freedom with Responsibility, 250.
42 Schumacher drew on the narrative that blamed capitalist excess for the Third Reich with capitalism, thus reinforcing the need for class warfare. Nicholls, Freedom with Responsibility, 256.
conference that rejected any return to the free-market or surrender of controls. Yet the tension within the SPD was evident in the tentative way in which they later confronted the CDU and the idea of a social market idea. In 1948 the stridently anti-clerical Schumacher went so far as to invoke Christian ethics in arguing against the free market, and in the 1949 electoral campaign the SPD would claim that the CDU had actually stolen the central principles of the social market economy from them!

The watershed moment for German neoliberalism and the soziale Marktwirtschaft came with the 1948 currency reform. The fundamental principles of economic policy had been hashed out in the Advisory Council (Beirat) to the Economics Administration, within which there was general both laissez-faire capitalism and socialism had been discredited. The remaining point of contestation concerned the nature and extent of state control, with one side arguing that the state should set the institutional framework for the economy without steering everyday business, whereas another side argued for a greater state role in the day-to-day workings of the economy.

The final report from the Beirat highlighted the members’ differences of opinion, but generally reflected neoliberal thinking in recommending a currency reform and the

44 Nicholls, Freedom with Responsibility, 260-261.
45 Paraphrase of a 1950 letter from Eucken to Meinhold discussing the historical introduction to the publication of memoranda from the Beirat, cited in Nicholls, Freedom with Responsibility, 185. Paradoxically, some members of the Beirat cited Allied demands for a plan for the German economy in order to release Marshall Plan aid as a natural argument for “planning” in the sense of central planning and state control. Ibid., 188.
reintroduction of a free-price mechanism.\textsuperscript{46} Importantly, though, price controls over food and housing were to be maintained and monopolies were to be closely controlled—key social areas in which Christian social teaching was central to the compromise between neoliberals and planners.\textsuperscript{47}

The discussions of the \textit{Beirat} informed Erhard’s 1948 “Guiding Principles Law” in which he laid out a post-currency reform liberalization program.\textsuperscript{48} Although the Allied powers had accepted currency reform as a necessity, Erhard feared that they would not automatically couple with step with the liberalization of the economy.\textsuperscript{49} In \textit{joining} these two ideas into a coherent whole, Erhard also had to confront a Social Democratic opposition that feared such a sweeping set of reforms, referred to as the “jump in cold water” (\textit{Sprung ins kalte Wasser}), would lead to renewed inflation and unemployment. In the debate over the Guiding Principles Law, Erhard focused not on technical arguments, but on the social nature of his proposals. Turning arguments about the inherently inimical nature of capitalism and capitalists on their head, Erhard argued that competition was the best way to guard against the shortcomings of human nature: “I can tell you from my own experience that there are many in entrepreneurial circles who felt very happy under the previous economic arrangements. They had become a species of state pensioners—not at the expense of the state, but at the cost of the

\textsuperscript{46} Nicholls, \textit{Freedom with Responsibility}, 204.
\textsuperscript{47} Nicholls, \textit{Freedom with Responsibility}, 196.
\textsuperscript{49} Nicholls, \textit{Freedom with Responsibility}, 206.
people.\textsuperscript{50} In promising to achieve a “social economic policy” through liberal methods, Erhard also offered assurances on guaranteed minimum standards for the poor and on reducing the chaos caused by the control system. The social elements of Erhard’s proposal struck a chord with many, especially as few wanted to defend the existing control system.\textsuperscript{51}

The “Guiding Principles Law” was approved by the Economic Council and two days later, on June 21, 1948, the Allies carried out the currency reform largely in accordance with Erhard’s proposals. Arguments from within the economic administration for a Sprung ins kalte Wasser, coupling the currency reform with the rapid abolishment of industry and price controls, had prevailed.\textsuperscript{52} Controls were abolished (with the exception of clothing, foodstuffs, raw materials and rents) and the ensuing “shop window miracle” saw a flood of goods once again on display in storefronts.\textsuperscript{53} In reversing a situation where currency was plentiful (if worthless) but goods were absent, prices were now able to fulfill their function in reflecting scarcity and individuals had an incentive to work in the formal economy. Erhard’s plans and his


\textsuperscript{51} Nicholls also notes that business groups did not immediately grasp the control role of the state (especially in breaking up monopolies), leading to vociferous protest later. Nicholls, Freedom with Responsibility, 214.

\textsuperscript{52} Nicholls associates this key trope with Leonhard Miksch, deputy director of the economics section of the Minden administration (the former British occupation zone). Nicholls, Freedom with Responsibility, 184.

\textsuperscript{53} As Nicholls observes, the “miracle” was aided in part by the fact that shopkeepers had been hoarding goods in anticipation of the currency reform. Erhard did not discourage this, though, as a supply of goods was necessary for the free market and pricing system to operate properly. Nicholls, Freedom with Responsibility, 216.
persistence earned the grudging approval of the Allies even as they continued to disagree with his relentless attack on controls and, not least, the prospect of increased Germany autonomy. The term *soziale Marktwirtschaft* was used more frequently in general discourse, and, more importantly, events bore out Erhard’s predictions: from 1948-150 inflation declined and prices dropped.

Müller-Armack had already laid out the main features of the *soziale Marktwirtschaft* in his May 1948 treatise to the occupying powers that proposed a central state body for economic decisions, currency reform, a halt to the dismantling of industry, a central bank, and reductions in taxes and government expenditures. As noted above, Müller-Armack’s proposal was also attentive to the social dimension:

Social security should be achieved by the following measures: the creation of a system of work which treated the employees as human beings and gave them what was described as the ‘social right to participate’ in the organization of their work (*ein soziales Mitgestaltungsrecht*), without, however, reducing managerial initiative and the responsibility of the employer.

Discursively, this represented first the *bricolage* of existing cultural and religious norms concerning social justice, cooperation, and solidarity, and then the *joining* of a social element to free-market ideas, and built on the earlier *specification* of a unique form of

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55 It was something of a pyrrhic victory, though, as unemployment quickly emerged as the primary concern, growing from 500,000 to 1.25 million in the first half of 1949 alone. Erhard had already stated a willingness to accept short-term unemployment as a necessary consequence of currency reform and liberalization, as these steps would revive production and eventually create employment. This proved to be true as well, though this was of little consolation in the environment of 1949-1950 when the experience was real and painful and when Erhard faced increasing criticism. Nicholls, *Freedom with Responsibility*, 228-229.
56 Nicholls, *Freedom with Responsibility*, 144.
capitalism for postwar Germany. Overall, the proposal differed from 19th century laissez-faire capitalism in that it envisioned a legally protected system of competition “designed to ensure that the energies of ambitious individuals would be channeled in a fashion beneficial to the common good” balanced by a social component. In practice, this meant breaking down the tradition of state paternalism in Germany, protecting against capitalism’s natural impulse towards monopoly, and protecting individuals from the worst consequences of the market. The state was to create a framework within which individual choices, prices and wages, were free from interference.

Müller-Armack’s general ideas formed the basis of Erhard’s policies from 1948 onward. Müller-Armack’s and Erhard’s shared views on the importance of competition, eliminating privilege and power concentration, and using the state to create equal opportunities (Startbedingungen) for individuals. However, Müller-Armack was instrumental in adding in a social component to Erhard’s vision of competition and markets. In developing the social component, Müller-Armack drew on “…an ‘enlightened’ Catholic social philosophy with its principles of social balance and subsidiarity…combined with the Protestant ethos of communal cooperation, socialist

58 Nicholls, Freedom with Responsibility, 144. Müller-Armack’s proposal also contained measures to address “unhealthy” income inequalities via the tax code (market-economy income redistribution, or marktwirtschaftlicher Einkommensausgleich) and family allowances. Ibid.
59 Nicholls, Freedom with Responsibility, 144.
60 The proposal also included measures such as social housing, relocation of urban workers to the land, programs for worker advancement, and a guaranteed minimum wage. Although many of the proposals appear interventionist in contemporary perspective, they were viewed as extraordinarily liberal in the immediate postwar environment. Nicholls, Freedom with Responsibility, 144.
concerns for the social question, as well as the liberal principles of progress in liberty.”

For Müller-Armack, the *soziale Marktwirtschaft* was about social cohesion and reconciliation as much as it was about efficiency and individual responsibility—ideas that were an important counter-balance to Erhard’s primary focus on economic questions.

As Erhard later noted, he was more concerned with the ideas of competition than social justice; the elimination of poverty was more central to his thinking than some “god-like justice.” However, it would be the “social” dimension that would prove critical in securing support for Erhard from Adenauer and all wings of the CDU.

With an eye to the 1949 general election, Konrad Adenauer was working to distance the CDU from the social democrats and any prospect of a grand coalition. Adenauer realized that if Erhard’s currency reform succeeded, the party associated with him would win the general election. Although Erhard was not a party member, Adenauer invited him to speak at the August 1948 CDU conference in Recklingshausen, where he delivered a rousing speech that highlighted his commitment to a market economy, individual freedom, and the common good. Speaking at the

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62 Ebner, “The Intellectual Foundations of the Social Market Economy,” 214. Müller-Armack’s alternative to *laissez-faire* liberalism acknowledged the possibility of “…market failure, the possible incongruence of market process and social justice, and the necessity of embedding the competitive order in an institutional framework that provides most promisingly for integrative as well as reconciliatory moments and establishes common norms and values.” Ibid., 215.
February 1949 CDU conference in Königswinter, Erhard again touted the social market economy, emphasizing themes of freedom and optimism: “The planned economy is the most unsocial thing there is, and only the market is social.”66

Erhard was sensitive to the skepticism of individualism and free market theories held by both the Roman Catholic and the trade union wings of the party. In a famous exchange with Johannes Albers (University of Cologne), Erhard stressed that the market itself was social and that restoring it would eliminate injustice, although he remained vague on specifics: “I would never take it upon myself to draw up a social programme. Naturally I have my own ideas about it, but I am not enough of a specialist to be able to judge proposals about that.”67 Although Erhard deliberately concentrated on specific questions of economic policy, his sensitivity to broader principles and ethical objectives of the party helped secure approval for the social market economy within the party. After Königswinter, the economic policies of Erhard became those of the CDU.68

In 1949 the CDU issued the Düsseldorfer Leitsätze (Dusseldorf Guidelines) as the party’s economic platform. The principles included: free markets and free competition, a rejection of cartels and private monopolies, a policy of sound money and falling prices, encouragement of trade, and control over monetary and fiscal policy to

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68 The debate was complicated by the fact that in 1947 the CDU had adopted the Ahlen Program, which was influenced by Christian Socialist thinking and included language on replacing strivings for profit and power with a devotion to the common good and called for the public ownership of coal. By focusing on the economic aspects of Erhard’s ideas, Adenauer was able to paper over the apparent contradictions at the Königswinter meeting. Nicholls, Freedom with Responsibility, 238-239.
reduce the damage of cyclical fluctuations.\textsuperscript{69} As Nicholls observes, the Guidelines marked the point where the CDU, a conservative people’s party, committed itself to the market economy and free-price mechanisms and adopted consumer choice and competition as key principles.\textsuperscript{70} In contrast, the SPD continued to call for a planned economy and redistribution of wealth. The question of economic management (\textit{Wirtschaftsordnung}) was the central theme in the 1949 elections, with the CDU advocating Erhard’s \textit{soziale Marktwirtschaft} and casting the SPD as the party of state planning and control. On August 14, 1949 the CDU won a slim majority over the SPD (31\% to 29.2\%) and entered into a coalition with the FDP.

Given the close outcome, Schumacher did not interpret the result as rejection of the SPD’s approach, instead blaming the churches and the allies for the narrow defeat. The SPD’s 1949 Dürkheim principles called for full employment, a planned economy, socialization of industry, redistribution of wealth, and a provision for preventing clerical interference in political affairs.\textsuperscript{71} In opposition, the SPD castigated the CDU for being only “as social as necessary” rather than “as social as possible,” arguing out that the tax cuts necessary to grow the economy and fund social welfare would in fact reduce the funds available for social needs.\textsuperscript{72} For their part, the Adenauer and the CDU regarded

\textsuperscript{69} Nicholls, \textit{Freedom With Responsibility}, 240-241.
\textsuperscript{70} The contrast is to the pre-war era when nationalist considerations were supreme. Nicholls, \textit{Freedom with Responsibility}, 241.
\textsuperscript{71} Nicholls, \textit{Freedom with Responsibility}, 262.
the broad debate on economic principles as settled. Upon presenting his government to
the Bundestag on September 20, 1949, Adenauer stated: "The question 'Planned
economy or social market economy?' played a dominating role in the election
campaign. The German people came down with a large majority against the planned
economy."73

The Korea Crisis and the Institutionalization of the Social Market Economy

Despite the success of the currency reform, re-instituting a market economy was
not a smooth or straightforward process. Upon taking office, Adenauer, Erhard and the
CDU were confronted with rising unemployment and disagreements with the Allied
Powers on import-export levels and industrialization. These tensions were exacerbated
by the economic and political pressures brought on by the Korean War. Moreover,
Erhard was confronted with differences of opinion within the CDU cabinet, especially
from Finance Minister Fritz Schäffer (CSU) who sought control over money and
credit—two areas that Erhard saw as critical for the social market economy. The
debates within the cabinet and between Adenauer’s government and the Allies provide a
window onto the ideas that would shape the soziale Marktwirtschaft and, in particular,
on the approach that the Adenauer government would take towards social policy reform
once the Korean crisis had passed.

73 Koerfer, Kampf ums Kanzleramt, 66, quoted in Nicholls, Freedom with Responsibility, 247.
Falling production, stagnating exports, and increasing unemployment over the fall and winter of 1949, and led to pressure on Erhard, particularly from the Minister of Labor, Anton Storch (of the CDU trade-union wing), for greater state intervention and spending on work-creation measures. As unemployment reached 2 million in the winter of 1949 Erhard conceded to a small work stimulation package, but continued with his general program of reducing controls and lowering taxation. A November 1949 letter from Erhard to Adenauer expressing concern over the pressure groups trying to impede the social market economy highlighted Erhard’s broader concern that Germany would revert to the state paternalism that had been so problematic in the Weimar period. Erhard’s defense of the free market was based on his assessment that the production and unemployment trends would reverse themselves with further liberalization and competitive trade. To the outside, staying the course was interpreted as inaction in the face of crisis, a perception furthered by Erhard’s lack of a political base (Hausmacht) to support him in factional conflicts.74

Germany’s domestic economic difficulties were complicated by the outbreak of the Korean War in 1950, which led to renewed demands from the Allies for controls over raw materials and state direction of industries essential to rearmament. The return of inflation, increased deficits, and shortages for the first time since the war again placed pressure on Erhard as concerns about his competence resurfaced. In a March 14, 1951 speech before the Bundestag Erhard declared his claim to leadership on economic

74 Nicholls, Freedom with Responsibility, 271.
policy and reiterated his goals of export promotion, yet conceded that limited controls might be necessary.\textsuperscript{75} The war meant that “some liberties and some freedom will have to be replaced by planned and sensible regulation”—a statement that earned jeers from the SPD parliamentary group.\textsuperscript{76}

The struggle over policy within the cabinet was even more pronounced than the party disputes in the \textit{Bundestag}. Erhard clashed most directly with Schäffer (Finance) who had called for a special sales tax to limit consumer spending and remedy government deficits, whereas Erhard was staunchly against any steps that would restrict commerce, instead arguing for reduced government expenditure.\textsuperscript{77} When the disputes within the Cabinet became public, tarnishing the government’s image and furthering a perception of incompetence, the situation became intolerable for Adenauer, who was also under direct pressure from McCloy and the Allies to suspend the free market altogether.\textsuperscript{78} In a March 1951 memo Adenauer rebuked Erhard for poor management and for his seemingly misplaced optimism in the midst of a crisis, noting “Your whole behavior is impossible.”\textsuperscript{79} As a pragmatist, Adenauer emphasized that he supported the market economy only insofar as it worked. Although he denied Erhard’s offer of

\textsuperscript{75} Erhard referred to his \textit{Führungsanspruch} and the possibility of \textit{Lenkungsmaßnahmen} in his speech. Kabinettsprotokolle 1951, Einleitung, “Abkehr von der Marktwirtschaft.”

\textsuperscript{76} Cited in Nicholls, \textit{Freedom with Responsibility}, 284.


\textsuperscript{78} McCloy wrote Adenauer to this effect in March 1951. Nicholls notes that it was difficult for Erhard and others to point to economic theory alone when American soldiers were dying in Korea. Nicholls, \textit{Freedom with Responsibility}, 278, 283.

\textsuperscript{79} Quoted in Nicholls, \textit{Freedom with Responsibility}, 286.
resignation, Adenauer did organize a small group of businessmen to serve as an inner circle of economic advisors.  

Ultimately, the disputes between various ministries and uncertainty on how to coordinate various aspects of economic policy lead to the creation of a special Cabinet Committee for the Economy in 1951. The body was a compromise between Adenauer, who had desired a complete centralization of authority on economic matters within the Chancellor’s Office, and Erhard, who opposed such a step out of defense for his ministry’s autonomy. The economy began to correct in the late spring of 1951, (as Erhard had expected), and as the crisis eased production increased and was rationalized, the balance of payments improved, and labor productivity increased, and controls were eased—all of which would contribute to a period of sustained economic growth.

Despite the improving economic situation, the crisis had a significant impact on public perception. In 1951 more people expressed fear than hope for the coming year (one of only two such occasions 1949-1984), more favored fixed-prices over a market price system, and few expressed faith in the “healing properties of a self-operating market.” For Erhard, the crisis was an important lesson in public opinion and

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80 Nicholls, Freedom with Responsibility, 286-287.
81 Kabinettsprotokolle 1951, Einleitung, “Abkehr von der Marktwirtschaft,” Available at http://www.bundesarchiv.de/cocoon/barch/0010/k/k1951k/kap1_1/para2_4.html. Such a step would have created a body not answerable to parliament, which was another cause for concern for Erhard and others in the Economics Ministry.
82 Nicholls, Freedom with Responsibility, 293, 295. The controls on prices and raw material distribution were gradually relaxed, although the 1951 Market Organization Law (Marktordnungsgesetz) maintained some import restrictions and exceptions to free trade in the areas of agriculture. Kabinettsprotokolle 1951, Einleitung, “Abkehr von der Marktwirtschaft.”
83 Nicholls, Freedom with Responsibility, 295.
education. The currency reform had created an underlying sense of “unjustness” stemming from the fact that many people did not understand Erhard’s reforms, and did not make the connection between less money and an increased supply of goods—they simply saw their savings evaporate overnight, even as the East German and Soviet system maintained “just prices.”

Public perception and mistrust seemed to justify the SPD’s earlier criticism of the Sprung ins kalte Wasser on grounds that such a leap was easy for members of the CDU because they possessed “life jackets” in the form of real property—an advantage that many in Germany did not share.

In the wake of the Korea crisis, it was clear that people still did not fully understand the social market economy, let alone endorse the approach:

“It was evident, from an ideological viewpoint, the theories of the social market economy were no more comprehensible to the man in the street than they were to Konrad Adenauer. In the early 1950s, it was discovered that most Germans regarded ‘social’ policies as being more important even than ‘democratic’ ones.”

In response, Erhard undertook numerous educational and promotional efforts to clarify his views, even going so far as to draw up cartoons to extol the virtues of free competition. He also courted small and medium-sized enterprises by again invoking the critique of monopolies and “colossus capitalism” that had characterized Weimar Germany. The trope growing out of these efforts, Leistungswettbewerb (competition

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84 Nicholls, Freedom with Responsibility, 294.
85 The remarks were made at the 1947 SPD conference in Bad Wildungen. Nicholls, Freedom with Responsibility, 260.
87 Central among this effort was the publication of A Primer on the Social Market Economy authored by Dr. C.A. Schleussner of ADOX, a mid-sized photographic company, in cooperation with the Consortium

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based on achievement), became central to subsequent economic discussions and would resurface as a key trope in the reform debates of the 1980s.  

Ultimately, though, it would be Germany’s economic boom from 1952 onward (the Wirtschaftswunder) that would convince people of Erhard’s approach and mark the turn towards sustained growth and optimism. In 1953 unemployment fell below 1 million, reaching its lowest level since the currency reform (5.5% of the labor force); over 430,000 new homes were constructed, and the government declared it the year of the consumer. The economic recovery marked the final breakthrough of the soziale Marktwirtschaft, dampening the discussion of competing economic models that had dominated the 1949 electoral campaign. In 1953 the CDU won a convincing electoral victory with 36.4% of the vote (with the CSU garnering another 8.8%), compared to the SPD’s 28.8%, enabling Adenauer to form a broad governing coalition with a 2/3 majority. For the time being, the debate over Wirtschaftsordnung was put to rest.

**Conclusions: The Domestic Postwar Settlement, 1945-1954**

The seeds of the neoliberal critique that had been sown with the discussions among Röpke, Eucken, Müller-Armack, Erhard and others grew into a coherent set of ideas that guided postwar Germany through reconstruction and into a period of growth

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88 The Leistungswettbewerb concept was actively promoted by the ASU (see note 77, supra), as well as Rüstow, Röpke, and other proponents of the social market economy. Nicholls, *Freedom with Responsibility*, 298.

and prosperity. The *soziale Marktwirtschaft* contained within it a reinterpretation of Germany’s immediate past, a diagnosis of the present situation, and a policy roadmap for the future grounded in the key principles of competition, freedom, individual initiative, and social justice. These principles guided Erhard through currency reform and then shaped the government’s response to subsequent challenges, entrenching the *soziale Marktwirtschaft* as the defining feature of the postwar government. The currency reform and the Korean crisis also provided opportunities for the government to carve out room for independent maneuver vis-à-vis the Allies. Although the Korean War constrained policymakers, their responses were shaped by Adenauer and Erhard’s interpretation of the crisis, which generally saw maintaining the social market economy as the appropriate course of action.

Understanding the combination of elements that made up the *soziale Marktwirtschaft* requires attention to the discursive process that wove together new ideas with important cultural-historical resources in Germany. Beginning with Bismarck, the neoliberals reinterpreted recent German history and combined it with the ideas developed by Müller-Armack and others. This recombination of cultural-historical resources and ideas (*bricolage*) that grew out of the capitalism vs. control debate formed the core of the emerging *soziale Marktwirtschaft* discourse.

This process was underpinned by the *breaking* apart two existing understandings of capitalism, one linking it to doctrinaire *laissez-faire* approaches and one linking it to state protection and cartels. With the discursive field cleared for a new interpretation,
the neoliberals *specified* capitalism as a system of free competition, individual opportunity, and a state-guided (but not controlled) market that was also “social” in nature. Erhard then *joined* currency reform with economic liberalization and free competition with social justice ideas form Müller-Armack as he implemented the *soziale Marktwirtschaft*. The social dimension itself was the result of Müller-Armack’s *bricolage* of economic ideas with religious and cultural values and traditions that in turn generated a normative basis for social justice within the *soziale Marktwirtschaft*. This constellation of ideas and interpretations (summarized in table 6.1 above) guided Adenauer, Erhard, and the German government through the initial postwar decisions. Once established, understanding of economic and social policy embodied in the *soziale Marktwirtschaft* guided Adenauer’s government through two terms of economic and social policy reform.

**WIRTSCHAFTSWUNDER AND SOZIALREFORM (1954-1968)**

With the establishment of economic growth, reduced unemployment, and a stable currency, attention turned to the “social” dimension of the social market economy. The debate over the social reform (*Sozialreform*) embodied discussions concerning the *concept* and *nature* of social policy in the postwar era as well as the compatibility of social programs with the *soziale Marktwirtschaft*. Actors across the party spectrum supported a social policy component, but were divided as to the precise policies appropriate for postwar Germany. Within the CDU-led government, this
uncertainty was reflected in debates among the Chancellor’s Office, the Ministry of Finance and Erhard’s Economics Ministry over the proper institutional home for social policy reform—debates that revealed not just a conflict of interest or institutional competence, but a deeper conceptual rift on the relationship between social and economic policies. In opposition, the SPD underwent a reform process that culminated in the 1959 Bad Godesberg statement (detailed in the next chapter) that distanced the party from traditional Marxism and laid the groundwork for a broad consensus on social and economic policy that would last through the 1980s, similar to the postwar consensus in Britain.

The “Socialreform” period was characterized by two key frames. One frame centered on the nature of social policy in postwar Germany, as expressed through debates over a Gesamtkonzept (complete concept) or Neuordnung (realignment)—the idea of streamlining the existing patchwork of policies and institutions and grounding them in a coherent set of principles. This frame contained three contrasting social policy conceptions: a Versorgungsstaat (social maintenance state), a Wohlfahrtstaat (welfare state), and a Sozialstaat (“social” state). Within this frame, a central debate developed within the governing coalition around the meaning and policy implications of solidarity and subsidiarity. Other important tropes included “help for self-help” (Hilfe zur Selbsthilfe), which was set against cradle-to-grave care and a dependency relationship vis-à-vis the state, and the related poverty principle (Bedürftigkeitsprinzip) concerning the appropriate grounds for means testing.
A second frame centered on the intersection of social and economic policy. At its heart, this frame set ideas of “cartel capitalism” against those of “competition capitalism” in Germany. Actors invoked tropes concerning economic freedom and *Leistungswertbewerb* (competition based on performance) consistent with *soziale Marktwirtschaft* ideas. Debates within the SPD over the 1950s would also introduce several tropes to the debate on social and economic policy, including *Marktwirtschaft von links* (market economy of the left), *Bedarfsdeckung* (fulfillment of demands or covering of needs), and a key slogan: *Wettbewerb so viel wie möglich, Planung so viel wie nötig* (as much competition as possible, as much planning as necessary).

In employment policy, these debates took concrete form in the 1951-1952 debates over *Mitbestimmung* (co-determination and worker’s participation) and later in the debates over Erhard’s 1957 anti-cartel law. In the social policy field, assistance for war veterans and pensions were the initial focal points. The 1950 War Victims Relief Act and the 1952 Equalization of Burdens Act resulted in an unprecedented redistribution of wealth. Adenauer’s 1957 decision to adopt a “dynamic pension” fundamentally altered the *meaning* of pensions as well as the relationship between workers, employers, and the state. Taken together, these policy reforms represent a significant reorientation of capitalism, constituting the basis for a new consensus concerning the appropriate relationship between economic and social policy in postwar Germany.
Although the economic and social policy areas are treated separately below, these debates ran concurrently as part of the larger Sozialreform discussion. The lynchpin joining the economic and social elements was the debate within both main parties over the values that should underpin the economy and society. The CDU and SPD approached the question from different starting points, with the SPD seeking to reconcile with the Christian churches after a period of explicit anti-clericalism under Schumacher and the CDU seeking to reconcile Erhard’s free-market individualism with social policy concerns from both the Catholic and trade union wings of the party. Both parties converged on a discussion of the ethical dimensions of economic and social policy based in part on Christian social teaching, as had been foreshadowed by Müller-Armack’s attention to religious values and traditions. As is discussed in the next chapter, consensus on the soziale Marktwirtschaft and the appropriate relationship between economic and social policy reflected broader shared principles established during this period that would remain central to the grand coalition that succeeded Adenauer and Erhard’s CDU-led coalitions as well as to the subsequent SPD-led government under Willy Brandt. The main tropes, fames, and mechanisms for this period are highlighted in table 6.2 below.
**Table 6.2 – Frames, Tropes and Mechanisms in Germany 1954-1968**

**Overarching discourse:** soziale Marktwirtschaft as consolidated by 1954.

**Frames**
- *Sozialreform* denoting a complete reorganization of the social state and a comprehensive rethink of the purpose of the social state (*Gesamtkonzept* or *Neuordnung*)
- Relationship between economic and social policy
- SPD reform frame

**Tropes**
- Tropes connected to the *Sozialreform*
  - *Versorgungsstaat* (social maintenance state) vs. *Wohlfahrtsstaat* (welfare state) vs. *Sozialstaat* (a “social” state)
  - *Solidarität* (solidarity) vs. *Subsidiarität* (subsidiarity)
  - *Bedürftigkeitsprinzip* (neediness test, or means-testing)
  - *Eigenverantwortung* (individual responsibility)
  - *Hilfe zur Selbsthilfe* (help for self-help)
- Tropes connected to the relationship between economic and social policy
  - *Mitbestimmung* (worker’s participation and co-determination)
  - Cartel capitalism vs. competition capitalism
  - Economic and individual freedom
  - *Leistungswettbewerb* (competition based on achievement)
  - *Mittelstand* (the middle class)
- Lebenstandardsicherung (guaranteed standard of living)

- Tropes connected to the SPD reform debates
  - Bedarfsdeckung (covering of basic needs)
  - Marktwirtschaft von Links (market economy from the left)
  - Wettbewerb sowohl wie möglich, Planung so viel wie nötig (as much competition as possible, as much planning as necessary)

**Mechanisms**

- Bricolage
  - Bismarkian social policy legacy reinterpreted together with new ideas on pension policy, resulting in the Lebenstandardsicherung norm
  - Basic Law (Art. 2) interpreted as justifying “help to self-help” and limiting state aid

- Joining
  - Individual responsibility connected to the protection of the individual person
  - Individual responsibility connected to middle class business success

- Breaking
  - Capitalism disassociated from Bismarck, cartels, and state control
  - Social policy disassociated from ideas of basic aid or poverty relief

- Specifying
  - Solidarity and subsidiarity from Labor Ministry (Storch) defined as community responsibility to take care of the disadvantaged, care of those who had gone before, and mutual self-reliance
  - Solidarity and subsidiarity from Finance Ministry (Schäfffer) defined as individual responsibility, means-testing to protect the public interest
  - Pensions redefined as a central policy for the care of the worker and future generations
The Sozialreform Debate (1954-1955)

In 1953 State of the Nation address, Adenauer emphasized that a modernized social security system was an essential component to ensuring continued prosperity and declared his intention to undertake a comprehensive social reform. The Sozialreform began with the traditional areas of health, accident, and unemployment insurance and pensions, but the overarching aim was to transcend the patchwork of policies in place, many of which dated to Bismarck’s social reforms in the 1880s. As such, the discussion over social reform concerned the broader principles that should guide postwar Germany and determine the appropriate relationship between economic and social policy. Over the course of the debate, relationships among the individual, community, and the state would be reshaped much as the social market economy had reshaped economic relations among individuals, firms, and the state.

Within the governing coalition, a seemingly minor debate over where the reform effort should be housed was, in fact, a manifestation of deeper ideational disputes concerning the problems facing postwar Germany and the appropriate solutions.

Formal competence for the *Sozialreform* rested with the BMA under Anton Storch, and over 1954-1955 Storch, together with Kurt Jantz (head of a BMA advisory commission on social reform) articulated a vision for social security that was grounded in the idea of benefits as a matter of right, amounting to a significant expansion in state responsibility for providing benefits and care. In particular, Storch was concerned with lagging pension rates and the fact that most workers were not experiencing the benefits of the social market economy. Although Storch’s proposals were criticized for being fiscally unsound and for their paternalism, his framing of the issues generated a discussion of balance between state, individual, and social responsibility and pushed pension policy to the forefront by the late 1950s. In contrast, the Minister of Finance, Fritz Schäffer, and Erhard articulated a vision for social security that relied less on the state and instead emphasized individual responsibility and initiative. Schäffer became one of Storch’s fiercest critics, arguing for a streamlined welfare system, increased means testing (the *Bedürftigkeitsprüfung*), and a return to family and community care networks to minimize state spending.

For his part, Erhard feared that popular demands for security, combined with Germany’s historical and cultural legacies, would lead to a *Versorgungsstaat*—an outcome he viewed as anathema to the principles of individual freedom, competition, and responsibility that underpinned the *soziale Marktwirtschaft*.\(^{91}\) For Erhard, the

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\(^{91}\) See, for example, Erhard’s 1956 article in *Versicherungswirtschaft* (literally, “insurance industry” in which he suggested that sheltering individuals in complete security from birth would make it impossible
“social” dimension was limited to dismantling barriers to freedom and fostering individual opportunity, and he did not shy from expressing his scorn for state provided “social security,” stating in a 1953 speech to the Victoria Insurance Company in Berlin that the intrusion of the state into human life and the corresponding expansion of the “public hand” had never led to any good. For Erhard, social policy could not be allowed to stifle the market, which translated into de facto support for a social policy based on freedom, individual initiative, and responsibility that he characterized as “help for self help” (Hilfe zur Selbsthilfe). Yet because of Erhard’s previous insistence that he handled only economic policy, and that social policy was best left to other experts (a rhetorical move critical to bringing diverse factions of the CDU together in support of the soziale Marktwirtschaft in Königswinter), his vociferous protest against a state role

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93 Nicholls, Freedom with Responsibility, 351-352. On Erhard’s separate of social policy from economic policy, see also notes 67 and 68, supra.
in social security did not exert much influence on policy—not least because his arguments conflicted with the political and public pressure on Adenauer for a comprehensive reform and expansion of social security.\textsuperscript{94}

Several 1954 memos from Labor Minister Storch to the cabinet outlined the main issues concerning social reform and ushered in a debate concerning key principles. Noting the complexity of reforming the postwar patchwork of institutions, policies, and competencies, many of which had been grafted onto surviving elements of the Bismarckian social state, Storch and Jantz emphasized that the Labor Ministry should retain competence over social reform, expressing concern that a proposed independent commission would only become a forum for finance and economic policy, not social policy.\textsuperscript{95} In contrast, Schäffer and the Finance Ministry pressed for a comprehensive reform effort (\textit{Gesamtreform}) on efficiency grounds, leaving unstated that involving other ministries would also dilute the Ministry of Labor’s role and enhance the Ministry

\textsuperscript{94} Erhard notes that any discussion of “social security” awoke in him the fear that he might be accused of overstepping his area of responsibility: “Bei jeder Äußerung zu dem Thema “Soziale Sicherheit” laufe ich Gefahr, daß mir die Überschreitung meiner Zuständigkeiten vorgeworfen wird. Wenn ich dazu also nicht so sehr als Wirtschaftsminister, denn als Wirtschaftspolitiker spreche, so ist es doch für den Kenner der Materie selbstverständlich, daß im Gefüge einer sozialen Marktwirtschaft auch der Wirtschaftsminister allen Anlaß hat, sich um die weitere Gestaltung unserer Sozialpolitik zu bekümmern.” Erhard, \textit{Wohlstand für Alle}, 257.

of Finance’s influence over social policy.96 For his part, Adenauer favored a Gesamtreform for the political and popular gains that it would bring, and larger Cabinet also favored the involvement of additional ministries and even cross-party cooperation.97

On central principles, Storch argued that social services should be structured so as to empower the individual to take part in economic life once again (“help for self-help” or Hilfe zur Selbshilfe) and warned that any limitation on individual economic freedom through the provision of social services would violate Article 2 of the German Basic Law, which guarantees individuals the right to their free development (“freie Entfaltung”).98 Furthermore, Storch and the Ministry of Labor emphasized Eigenverantwortung (individual responsibility), Solidarität (solidarity), and Subsidiarität (subsidiarity).99 Individuals should take responsibility for their own security, and the social security system should both provide the freedom to do so and contain incentives to this end. At the same time, individual responsibility was joined to the idea of protection of the individual person (Schutz der Persönlichkeit), which in turn


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meant that receipt of social services should not be made dependent upon conditions that would place individuals under the control of the state or social service organizations—a de facto argument against the expansion of means testing. Solidarity, for Storch, meant that society as a whole had a duty to look out for, and take care of, the weaker or disadvantaged among them. In stressing the mutually dependent relationship among those in the working world and those who could “look back on a fulfilled life of work” Storch was calling for solidarity in pension policy, laying the groundwork for higher contributions so as to strengthen the position of workers and retirees. Finally, subsidiarity meant that the state was responsible for creating the conditions for the community to achieve social security and care while the community took responsibility to achieve these ends. As such, the provision of care was a matter of mutual rights and obligations, and thus could not be dependent upon means tests.

Schäffer responded with both a categorical rejection of Storch’s proposal as well as a detailed critique of his principles. Schäffer’s memo reveals a fundamentally different vision, centered on the idea of simplifying and streamlining the German social security system. Schäffer outlined three goals: sanitizing the complex catalog of social security law and streamlining the social service bureaucracy, improving

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100 Storch referred to “…denen, die auf ein erfülltes Arbeitsleben zurückblicken können.” Pension contribution rates had, in general, lagged behind other areas of social provision in the postwar era, a point also made by Adenauer in his 1953 State of the Nation speech. Adenauer, “Regierungserklärung vom 20. Oktober 1953.”

underperforming services and strengthening of preventative measures, and (most importantly) establishing a balanced relationship between economic power and social security burdens through a restructuring of the social security budget. Storch and many in the trade-union wing of the CDU saw this last point as code language for budget cuts and means testing. Schäffer justified his critique and counter proposal on the grounds that it more closely corresponded to the social policy vision expressed in Adenauer’s 1953 *Regierungserklärung*, which included a call to reorganize the social budget ("Umschichtung innerhalb des Sozialhaushalts"), whereas Storch’s proposals amounted to a massive expansion of the social security system without any attention to how to cover the associated costs.102

Critically, this exchange reveals the fact that even though Storch, Schäffer, and Erhard were all discussing the same tropes (help for self-help, individual initiative, solidarity, subsidiarity), each articulated substantially different *meanings* and understandings of these tropes, meaning that a different set of policies would be appropriate in each case. Storch had invoked both solidarity and subsidiarity as arguments *against* the expansion of means testing, whereas Schäffer noted that the traditional application of both principles, but of subsidiarity in particular, meant that state assistance was only justified (and guaranteed) once a full-range of other options (self-help, families, guilds and unions, etc.) had been exhausted. As such, means testing

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was not only appropriate, but was required to ensure that all other avenues had, in fact, been exhausted. Because means testing helped to control costs and ensure that services reached those most in need, Schäffer argued that it does not constitute a social stigma, but rather the appropriate method to protect the public interest. He challenged Storch to demonstrate how a test of need would actually damage human dignity and emphasized that all social aid should be oriented towards encouraging a work initiative and self-help for the individual and noted the critical role that family networks play in providing social care.

The exchange of memos between Storch, and Schäffer demonstrated that Storch’s concerns were not just about the loss of ministerial authority, but were grounded in a broader dispute over the principles of social reform. Storch criticized Schäffer’s attempts to expand the use of means testing, noting that such a move would fundamentally alter the nature of social security in Germany. For Storch, the introduction of social insurance in the previous century had established Germany as a land of social security built around the right to care as well as the principle of individual

freedom. Using the social reform to introduce means testing would constitute a major step backward, damaging Germany’s image in the world and threatening the stability and support given to the current government. Finally, Erhard rejected most of Storch’s approach, but emphasized above all that social security reform must not come into conflict with the growth and productivity of the national economy.

Frustrated with the clash of principles, personalities, and portfolios within the Cabinet and facing public outcry at the lack of reform, Adenauer turned to a group of professors in the spring of 1955 to clarify the basic principles of social reform and develop a timeline. Immediately after receiving the “Rothenfelser Denkschrift” on 26 May 1955, the government distributed 10,000 copies of the report through the “Democratic Circle” (Arbeitsgemeinschaft Demokratischer Kreise), a workers association sympathetic the CDU. The report bolstered Adenauer’s efforts to take control of the social reform process, and would later inform the pension reforms of

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106 Storch pointedly notes that such an expansion of means testing (the Bedürftigkeitsprüfung) would produce resentment and insecurity among workers, which, in turn, would threaten production and damage not just the economy but the entire postwar recovery. B149/Teil 2/116802 “Sozialreform in Deutschland – Zeitplan, Organisation, und Haushalt,” Memo from Bundesminister für Arbeit to the Bundeskazler, 7. April 1955, p. 3-4.
108 The group involved Joseph Höffner (Professor for Christian Social Science in Münster), Hans Achinger, Hans Muthesius, and Ludwig Neundörfer, all of whom had also been members of the advisory committee (Beirat) on social reform. Die Kabinettsprotokolle der Bundesregierung online, “Die Einrichtung des Ministerausschusses für die Sozialreform 1955,” available at http://www.bundesarchiv.de/cocon/barch/0010/x/x1955s/kap1_1/para2_2.html
109 The report was named for the location of its writing, Burg Rothenfels am Main in Klasur. Kabinettsprotokolle, “Die Einrichtung des Ministerausschusses für die Sozialreform 1955.”

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On 13 July 1955 the Cabinet approved Adenauer’s proposal for a ministerial committee (Ministerausschuß) that included numerous Cabinet ministers but granted the Chancellor ultimate authority for social reform. The Ministerausschuß for social reform did not translate into immediate policy change; its primary impact was to sort out the debates over principles discussed above and establish the boundaries for social reform. Even though the reform of the social system did not take place “in one go” as Adenauer had desired, the momentum created by these early steps culminated in a rash of legislation in 1958-60 and the subsequent 1960 Cabinet decision to disband the ministerial committee for social reform.

Consolidating the soziale Marktwirtschaft: Policy Change 1954-1957

The policy reforms in the postwar era are discussed below under two broad headings—employment policy and social policy. Within each policy area, a central frame based on the foregoing discussion of principles defined the particular policy options that were on or off the table. The economic policy frame focused on the nature of capitalism in postwar Germany, and found expression in the debates over co-decision (Mitbestimmung) and cartel policy. The social policy frame found expression in the

110 By the spring of 1955 both Adenauer’s and Schäffer’s had become convinced that Storch was focused only on reforming social insurance, and not the entire social security system. Kabinettsprotokolle, “Die Einrichtung des Ministerausschusses für die Sozialreform 1955.

111 The committee included the ministers for labor, inner affairs, finances, economy, displaced persons, refugees, and war-affected children and orphans, family affairs, and for special issues (a division of the ministry of finance). Kabinettsprotokolle, “Die Einrichtung des Ministerausschusses für die Sozialreform 1955.”
debates over means testing, pensions, and health care policy. As the foregoing discussion of social security principles and the idea of a comprehensive reform highlights, though, this distinction is primarily analytical. Adenauer and most of his cabinet viewed social reform in a comprehensive sense, as expressed in the 1953 State of the Nation address.

**Employment Policy**

Three main developments in the broad area of employment policy marked the 1954-1968 period. The adoption of co-determination (*Mitbestimmung*) rules for worker participation in the governance of firms overturned a deep-seated tradition of managerial dominance in German labor relations. A lengthy debate on cartel policy eventually resulted in an anti-cartel law that broke with the pre-war tendency towards monopoly capitalism and state intervention. Finally, the government’s decision to withhold itself from wage arbitration and allow employers and employees significant autonomy in such negotiations (*Tarifautonomie*) built on the *Mitbestimmung* decision and solidified a norm of consensual (neo-corporatist) labor and industrial relations in postwar Germany. Taken together, these decisions represent a shift from “cartel capitalism” to capitalism based on competition. In each case, the decision taken was informed by the overarching *soziale Marktwirtschaft* discourse that discredited alternative options. In particular, tropes of individual responsibility, freedom of competition, and integration through participation were central in employment policy
debates. More generally, these decisions also helped weave employment and social policy together.

The general principles of the *soziale Marktwirtschaft* found early expression in the 1952 workers consultation (*Mitbestimmung*) law and the subsequent evolution of “co-determination.” In establishing a “social partnership” between workers and employers, *Mitbestimmung* represented a clear rejection of socialization, the alternative option, and institutionalized the protection of the worker as a core principle in German industrial relations.\(^{112}\) As Schulz notes, the decision for co-determination, instead of socialization, was one of the central innovations of postwar German social policy that restructured the social policy landscape, specifically though a choice for “integration through participation.”\(^{113}\) By introducing a social element that allowed workers a voice in their working conditions, *Mitbestimmung* overturned the prevailing conception of managers as “masters over their own houses” and of unions and workers as subversive elements to be repressed.\(^{114}\) Co-determination became the central operating principle for postwar German industrial relations and remained relevant well into the reform debates of the 1980s and 1990s.

The reconceptualization of worker-employer relations drew directly on Müller-Armack’s articulation of the *soziale Marktwirtschaft*, which contained a right of co-determination for workers. The idea found resonance with the trade-union wing of the

\(^{112}\) Schulz, “Gesamtbetrachtung,” 937-938.

\(^{113}\) Schulz, “Gesamtbetrachtung,” 949.

\(^{114}\) Nicholls, *Freedom with Responsibility*, 339.
CDU (and within the SPD), but was opposed by the conservative wing of the CDU/CSU as well as the FPD.\textsuperscript{115} Adenauer (backed by Storch) first granted equal worker participation on supervisory boards in the mining industry in 1951, and then expanded the system to other industries (but limited workers to $1/3$ of the seats) with the 1952 Works’ Constitution Law.\textsuperscript{116} Tactically, this choice strengthened the relationship between the CDU and trade unions, and weakened union attachment to the SPD.\textsuperscript{117} However, such interest calculations do not fully explain why Mitbestimmung was chosen over potential alternative industrial relations systems, such as socialization or a return to a manager-centric approach.

As discussed above, the overarching \textit{soziale Marktwirtschaft} discourse had already discredited socialization as an alternative. More specifically, the emphasis on individual responsibility was interpreted in the industrial relations field to empower the worker (individual) while instilling a spirit of cooperation or solidarity among the parties in industrial relations. This reflected Erhard’s conception of the “social” dimension within the \textit{soziale Marktwirtschaft}, namely ensuring the freedom for individuals to take care of themselves through the combination of autonomy and responsibility within industrial relations.\textsuperscript{118} Overall, the Mitbestimmung decision (and the later Tarifautonomie decision) were structured by the \textit{Sozialmarktwirtschaft}

\textsuperscript{115} Nicholls, \textit{Freedom with Responsibility}, 338.
\textsuperscript{116} The \textit{Betriebsverfassungsgesetz}. Nicholls, \textit{Freedom with Responsibility}, 339.
\textsuperscript{117} Nicholls, \textit{Freedom with Responsibility}, 339.
\textsuperscript{118} Erhard, \textit{Wohlstand für Alle}, 226, 278.
discourse that cast (individual) freedom and autonomy as a central value that should be upheld in the realm of working life as well.\textsuperscript{119}

The lengthy fight over anti-cartel legislation, led by Erhard, represents another area where the \textit{soziale Marktwirtschaft} discourse and its associated economic policy frame structured postwar economic and social policy. Most centrally, the 1957 anti-cartel law moved Germany away from “monopoly capitalism” and instilled competition as a central principle, thereby changing historically entrenched patterns. Consistent with the neoliberal critique of capitalism in Germany, Erhard’s anti-cartel efforts reflected emphasized freedom and competition. Erhard viewed cartels and monopolies as the principal “enemy of the consumer” and, as such, barriers to competition and economic growth.\textsuperscript{120} Similar to the ideas informing the \textit{Mitbestimmung} debate, Erhard was adamant that the real “social” dimension to the \textit{soziale Marktwirtschaft} was measured by the extent to which a given policy would expand opportunities for production and, in turn, benefit the consumer.\textsuperscript{121} Noting the historical precedents of Bismarck, Weimar Germany, and National Socialism, Erhard viewed any attempts to

\textsuperscript{119} Schulz, “Gesamtbetrachtung,” 938.
\textsuperscript{120} Erhard, \textit{Wohlstand für Alle}, 165, 168.
\textsuperscript{121} In a document for the Federal Ministry of Economics, Erhard notes that: “Eine Wirtschaftspolitik darf sich aber nur dann \textit{sozial} nennen, wenn sie den \textit{wirtschaftlichen Fortschritt}, die höhere Leistungsergiebigkeit und die steigende Produktivität dem \textit{Verbraucher} schlechthin zugute kommen läßt.” Ludwig Erhard, “\textit{Der Stand der Kartelldebatte},” Bundeswirtschaftsministerium, quoted in Erhard, \textit{Wohlstand für Alle}, 165.
regulate competition as a “sin against the holy spirit of life”—the free development of individuals.\textsuperscript{122}

Attempts to institutionalize a ban on cartels began under the American-led occupation administration, and continued during Adenauer’s first government with a 1952 draft law. However, Erhard had to fight entrenched interests, several of his own ministries, industrialists, and even Adenauer in pushing his anti-cartel effort.\textsuperscript{123} A hostile public that mistook Erhard’s anti-cartel convictions for weakness vis-à-vis the American authorities, who had long pressed for anti-cartel measures, further complicated Erhard’s efforts.\textsuperscript{124} After failing to push through the 1952 proposal before the 1953 federal elections, the bill was reintroduced under Adenauer’s second CDU-led government, where it again faced stiff resistance. Numerous industry groups, including the BDI (\textit{Bundesverband der Deutschen Industrie}, Federation of German Industry) and DITH (\textit{Deutsche Industrie- und Handelstag}, German Industrial and Trade Association), enlisted expert opinions to demonstrate that cartels bring stability and long-term growth in employment.\textsuperscript{125} In making his case for the law, Erhard drew explicitly the \textit{soziale Marktwirtschaft} discourse in framing the anti-cartel law as the economic equivalent of


\textsuperscript{123} Among others, the ministries of transport and finance, as well as the postal service, opposed the anti-cartel efforts. Nicholls, \textit{Freedom with Responsibility}, 331.

\textsuperscript{124} Erhard, \textit{Wohlstand für Alle}, 169.

\textsuperscript{125} Nicholls, \textit{Freedom With Responsibility}, 223.
the Basic Law (Grundgesetz). After a lengthy internal CDU battle as well as limited concessions to industry, the anti-cartel law was finally passed in 1957, institutionalizing Erhard’s conception of capitalism based on competition.

Erhard linked the debate surrounding the anti-cartel law to broader themes within the soziale Marktwirtschaft discourse. In a 1955 speech to the Action Group for the Realization of the Social Market Economy (Aktionsgemeinschaft soziale Marktwirtschaft, ASM) Erhard cast the middle class (Mittelstand) as the backbone of the German economy, and then linked the particular success of the Mittelstand in postwar Germany to the environment of open, free-competition that had ensured their independence. In doing so, Erhard joined the ideas of individual responsibility and freedom with the idea of a specific type of business activity that underpinned Germany’s postwar economic success. This frame was also linked back to the frame placing the consumer at the heart of the soziale Marktwirtschaft, thereby specifying a particular vision of German capitalism that was a clear contrast with the pre-war system of cartels and state protectionism. Erhard’s emphasis of freedom and responsibility meant, in turn, that the anti-cartel approach was the appropriate policy. As Nichols notes, the 1957 law endorsed competition as the key principle underpinning the postwar German economic (and social) order, institutionalized this shift with the new Federal

126 Nicholls, Freedom With Responsibility, 333.
127 Nicholls, Freedom With Responsibility, 334. Reflecting on the anti-cartel debate, Erhard again noted his that freedom of competition was at the heart of his conception of a social market economy: “So vertrete ich denn auch die Auffassung, daß es die Grundlage aller Marktwirtschaft ist und bleiben muß, die Freiheit des Wettbewerbs zu erhalten.” Erhard, Wohlstand für Alle, 139.
Cartel Office (Bundeskartelamt) and thus represented a fundamental break with a long tradition of monopolies and cartel capitalism.\textsuperscript{128}

The anti-cartel debate is a concrete manifestation of the soziale Marktwirtschaft discourse’s influence on policy selection. This overarching discourse also led to a closer conceptual connection among the ideas of employment and social policy during this period. As noted above, the primary task of the Federal Ministry of Labor (Bundesministerium für Arbeit, BMA) in the immediate postwar period was to address the pressing demand for jobs while also developing strategies to remove the sources for unemployment. This strategy was devised as a deliberate counterpoint to the pre-war efforts towards “emergency work” (Notstandarbeit) that created make-work jobs as an attempt to garner political favor without addressing the deeper causes of unemployment.\textsuperscript{129} Even as unemployment decreased and the general economic situation improved in the wake of Erhard’s early reforms, concern remained over the social impact of the Wirtschaftswunder.

Beginning in 1956 the Confederation of German Trade Unions (Deutsche Gewerkschaftsbund, DGB) launched the “Father belongs to me on Saturdays”

\textsuperscript{128} Nicholls, Freedom With Responsibility, 335. Fulbrook differs with this (and Nicholls’) account, arguing that the 1957 law was “…so watered down, with so many loopholes, that trends towards concentration in West German industry could continue relatively unabated.” Mary Fulbrook, A Concise History of Germany (Cambridge: Cambridge University Press, 1990), 229. Although German capitalism did develop into a strong neo-corporatist system with industry concentration that was not insignificant over the 1960s and 1970s, this concentration was nonetheless qualitatively different to the extent that it was instituted and regulated, if in a limited sense, through the cartel law and similar measures.

\textsuperscript{129} A confidential memo draws the distinction between the postwar efforts and “Notstandarbeiten der Jahre 1930-32, Arbeit schaffen, ohne gleichzeitig Dauerarbeitsplätze zu begründen…” B 149/Teil 1/501, “300 Mio. DM Schwerpunktprogramm Arbeitsbeschaffung—Allgemeines,” Memo entitled “Das Arbeitsbeschaffungsprogramm der Bundesregierung” (Vertraulich).
campaign, reflecting concerns that the work-life balance had tipped too far in the direction of the work.\textsuperscript{130} The DGB campaign resulted in an agreement for a 45-hour work week and subsequently led to the 1960 Bad Homburger Agreement, which phased in a 40-hour work week from 1960-1967, institutionalizing a feature of German industrial relations that would remain unchanged until reforms in the mid-1980s.\textsuperscript{131} One of the key contentions held by the DGB and labor in general was that that technological advances had led to a reduction in working hours, leading many to seek black-market employment \textit{(Schwartzarbeit)} on the weekends. At the same time, the extensive use of overtime hours by many employers was preventing the hiring of new workers.\textsuperscript{132} This debate echoed the earlier postwar concerns over fairness and work-family balance as the social components of the \textit{soziale Marktwirtschaft}.

Additional reforms to the unemployment care, job placement, and unemployment insurance programs passed in 1956 after two years of negotiation, consolidating the operations of the Federal Agency for Job Placement and Unemployment Insurance.\textsuperscript{133} In general, these reforms increased benefit levels and extended the duration of benefits for the unemployed, as well as introducing greater


\textsuperscript{132} Ibid.

\textsuperscript{133} The \textit{Bundesanstalt für Arbeitsvermittlung und Arbeitslosenversicherung} (BAA). The German titles for these programs were: \textit{Arbeitslosenfürsorge}, \textit{Arbeitsvermittlung}, and \textit{Arbeitslosenversicherung}.

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measures for rehabilitation and retraining.\textsuperscript{134} These steps represented a moved towards the “activation” paradigm that, much as was the case in Britain, was quite popular in the immediate postwar era before fading away during the 1960s and 1970s. Like the British case, activation would be “rediscovered” as a key component of welfare state reform in the 1980s and 1990s. The debate over social reform and the growing awareness that employment and social policies were closely connected also found institutional expression in 1957 as the BMA was renamed as the Federal Ministry for Work and Social Order (\textit{Bundesministerium für Arbeit und Sozialordnung}, BMAS), reflecting a central focus on the social dimension of employment policy.

Finally, the 1954-1968 period saw a series of compromises between employers and employees that established a norm of consensus and government non-intervention in labor relations. Consistent with Erhard’s vision of individual responsibility and government non-intervention, workers and managers were allowed significant autonomy in setting wages (\textit{Tarifautonomie}), even as he reminded the parties to act responsibly, lest excessive demands or inflexibility interrupt economic growth, but refrained from intervening in such wage negotiations. The government’s “no-decision” regarding wage arbitration was based on an understanding embedded in the \textit{soziale Marktwirtschaft} discourse, namely that if given such autonomy, both employers and employees would balance the pursuit of individual interest with their responsibility

\textsuperscript{134} Schulz, “Gesamtbetrachtung,” 939.
to the economy as a whole. It also reflected the norm against state intervention in the economy. Given the favorable economic conditions, unions were generally able to secure modest wage increases on a consensus basis.

Consistent with the precedent established by the Mitbestimmung and Tarifautonomie decisions, industrial relations continued to be handled on a consensual basis through the 1960s, with the exception of a brief interruption in the early 1960s when IG Metall, the peak metalworking employers association, balked at proposed social policy expansions and further reductions in working hours. When workers responded with threat of strikes during the winter of 1962-1963, employers responded with the first complete lockout in postwar Germany. Erhard himself arbitrated a compromise that introduced a new principle into industrial relations—the “modified productivity rule” (modifizierte Produktivitätsregel) that linked wage levels and increases to productivity gains and changes in costs of living in the overall economy (not just to a particular sector). The rare intervention into wage negotiations, along with the establishment of a new principle as part of the resolution, ultimately solidified the consensus grounded in the soziale Marktwirtschaft principles of individual responsibility and government-non-intervention.

Taken together, the Mitbestimmung and Tarifautonomie agreements constitute the main pillars of the “intensive social partnership” between employers and employees.

135 Schulz, “Gesamtbetrachtung,” 938; Erhard, Wohlstand für Alle 226.
that characterized the particular nature of German corporatism in the postwar period.\textsuperscript{137} Generally speaking, agreements in the “consolidation period” of the late 1950s and early 1960s were favorable for labor after an aggressive push for “‘work first’” from the Adenauer government in the immediate postwar period.\textsuperscript{138} For the present account, the chief impact is not measured in wage levels or working hour limits, but in the establishment of consensus-based negotiation as the norm among employers’ associations and unions—a norm that would remain relevant even as the economy entered more turbulent times. This approach to labor and industrial relations was grounded in the principles of individual responsibility, free competition, and integration through participation contained in the \textit{soziale Marktwirtschaft} that helped to both discredit alternative options and frame ideas such as \textit{Mitbestimmung}, \textit{Tarifautonomie}, and a cartel ban as the appropriate policy options.

**Social Policy**

Much as with economic policy, social policy in the immediate postwar era reflected both continuity and innovation as some pre-war Bismarckian (such as the pension system) elements were retained while innovation and ideas shifted other elements of social policy in new directions (as seen in the establishment of a new “right” to social assistance). Key pieces of legislation that would come to define social

\textsuperscript{137} Schulz, “Gesamtbetrachtung,” 938.
\textsuperscript{138} Boldorf, “Gesamtbetrachtung,” 850.
policy within postwar Germany, including the Federal Displaced Persons Act, Workplace Labor Relations Act, Federal Compensation Act, as well as pension reforms, the introduction of immediate payment of wages in cases of illness, and child care allowances all stem from the Adenauer’s first two governments. In particular, the 1957 pension reform and a constellation of policies related to family and home life comprised the core of postwar social policy decisions. These debates and decisions also highlight divisions within the CDU on social policy philosophy and illustrate the central role that Catholic social thinking played in shaping social policy by contributing to a set of tropes and frames that would remain influential well beyond the end of the CDU’s dominance in postwar politics.

The pressing need for social policies of some sort in the immediate postwar period meant that, more often than not, pre-war policies were retained or reinstated. Given the massive level of destruction, the needs of the population took precedent over any comprehensive effort. In his inaugural State of the Nation address, Adenauer promised that his government would strive, above all, to alleviate need and achieve social justice. Legislation passed in 1949-1950 to provide aid to displaced persons was based drew on the notions of subsidiarity and means testing (Bedürftigkeitsprinzip),

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from the *Sozialreform* debates discussed above. The major parties supported generous social assistance for war victims, orphans, and displaced persons support as well as road amnesty laws (reversing much of the Allied de-Nazification process). These early policies were primarily concerned with “social integration” so as to prevent the alienation and disillusionment of large segments of the population with the postwar government. Subsequent measures, such as the 1950 War Victims Relief Act (*Bundesversorgungsgesetz*) and the 1952 Equalization of Burdens Act (*Lastenausgleichgesetz*) reflected a shift towards the solidarity principle as they led to an unprecedented redistribution of wealth and set the stage for a more revolutionary social policy in the postwar era. In addition to providing much needed aid, each of these measures was also part of the larger effort to demarcate the postwar era from the National Socialist past and was framed, in Adenauer’s words, as an “obligation of honor” to the German people.

The work of Beveridge and the creation of the British welfare state also influenced debates in postwar Germany, particularly with regard to health policy. In 1952 the SPD proposed a health care commission based on the model of the British

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140 Early legislation included the 1949 “Immediate Assistance Law” (*Soforthilfegesetz*) and “Law to Mitigate the State of Social Emergency” (*Gesetz zur Milderung sozialer Notstände*). These early laws, based on the subsidiarity principle, set a precedent that became relevant in the later debates of solidarity vs. subsidiarity. Schulz, “Gesamtbetrachtung,” 943.

141 Hagen Schulze, *Germany: A New History*, trans. Deborah Lucas Schneider (Cambridge, Harvard University Press, 1999), 310. In particular, the *Bundesversorgungsgesetz* (expanded in 1952 and 1957) had the effect of grouping together victims and benefit recipients, removing distinctions and limitations that had been placed on certain groups as part of the postwar de-Nazification process. Schulz, “Gesamtbetrachtung,” 943.

142 Schulz, “Gesamtbetrachtung,” 944-945.
Royal Commission. However, Adenauer’s insistence on comprehensive reform, along with CDU fears that a British-style universal welfare state would lead to a *Versorgungsstaat* (social maintenance state) and stifle individualism and entrepreneurialism, prevented such efforts from gaining much traction.\(^{143}\) As such, Germany retained its Bismarckian insurance-based system instead of adopting a more generous tax-based scheme.\(^{144}\) The critical consequence of this decision, though, was that pension contributions and payments remained disproportionately low in the postwar period—an outcome that would later trigger efforts for comprehensive social policy reform.

Despite Adenauer’s intention to undertake a comprehensive reform, early efforts stalled amidst the *Sozialreform* debate between Storch and Schäffer concerning the meaning and application of concepts such as solidarity and subsidiarity discussed above. Against this background, a 1954 Federal Constitutional Court decision established a fundamental right for state support and care.\(^{145}\) The ruling was translated into policy in 1955 with the creation of a “shopping basket” of basic goods necessary for survival, moving the German social state away from a “traditional” approach towards the poor rooted in punitive measures and social stigma and a towards a new

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\(^{144}\) Decisions against a tax-based scheme and for the retention of a insurance-based scheme were taken in the Bizone economics council and then were considered “ratified” by the conservative victory in the first *Bundestag* election. Nicholls, *Freedom with Responsibility*, 351.

\(^{145}\) The decision was taken on 24 June 1964. Schulz, “Gesamtbetrachtung,” 942.
understanding of the social state as a caregiver. The balance in the debate between principles of solidarity and subsidiarity was thus pushed towards solidarity in the early stages of social reform.

Ultimately, though, pensions were the trigger for substantial social policy reforms. As it became clear in the late 1950s that a substantial segment of society (pensioners) had been “left in the shadow” of the Wirtschaftswunder because they had not been able to participate in, and benefit from, the opportunities offered by the free market, pressure began to mount within both the labor and Catholic wings of the CDU as well as from the SPD opposition for pension reform. Although the general idea that pensioners should also benefit from economic freedom and prosperity found popular resonance, it offered no clear guidance for choosing among competing policy options. In fact, pension reform highlighted a tension within the soziale Marktwirtschaft discourse, as ideas of a “social” distribution of wealth and prosperity ran up against fears that any increase in pensions would not only involve increased public expenditure, but might encourage dependency on the state and undermine individual initiative. Within the government, Adenauer and Storch pushed for reform, while Schäffer and the Finance Ministry, which held competence over pension policy, resisted any increase in state spending. Adenauer was focused on blunting the SPD critique of the government, while Storch was most concerned with assuaging the

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146 Schulz, “Gesamtbetrachtung,” 942.
147 Nicholls, Freedom With Responsibility, 350.
148 Nicholls, Freedom With Responsibility, 351.
labor wing of the CDU. The government thus faced a dilemma: the traditional pension system inherited after the war had lost its legitimacy as a consequence of the success of the government’s economic policies, yet a more generous pension system would conflict with the principles underpinning the *soziale Marktwirtschaft* and would play into the hands of the SPD.\footnote{149}

The pension dilemma was only resolved once the Bismarckian social-policy legacy (a central cultural-historical resource) was reinterpreted and then connected to a new set of idea. A 1957 report on pension reform by Wilfried Schreiber (University of Cologne) introduced the idea of “dynamic pensions” into the debate. Schreiber suggested linking pension benefits to the earnings of those still in the workforce into the debate, meaning that a working generation would accept responsibility for its pensioners on the assumption that the next generation would then assume such responsibility in the future.\footnote{150} Although Erhard and Schäffer opposed dynamic pensions due to the uncertainty involved in calculating future contributions and payouts, the idea proved popular with pensioners who stood to benefit from back payments, which in turn strengthened Adenauer’s support. The dynamic pension system was passed into law in 1957 despite the misgivings of both Erhard and Schäffer ministers.\footnote{151}

\footnote{149} The latter point was especially true because the more generous tax-financed system championed by the SPD had been dismissed once the CDU won the 1949 federal elections. Nicholls, *Freedom With Responsibility*, 351.

\footnote{150} Nicholls, *Freedom With Responsibility*, 352. This idea of an intergenerational contract became known as the *Generationsvertrag*.

\footnote{151} Nicholls, *Freedom With Responsibility*, 353.
Given the deadlock within the administration and the uncertainty over potential alternatives, the choice for dynamic pensions was not simply one of political expediency, especially as Schäffer and the Ministry of Finance retained competence and opposed the dynamic pension idea. The proposal also made little “economic” or fiscal sense. Cabinet memos reveal high levels of uncertainty over predicting and setting contribution levels and concern over the fiscal challenges of meeting the promised benefit payouts. However, the choice does make sense when viewed from the perspective of the discursive environment within which it was taken. The dynamic pension proposal wove new ideas (Schreiber’s report) into a reinterpretation of the Bismarckian social insurance system (the *bricolage* mechanism). Even though the pension system was failing in practice, the Bismarckain social policy legacy, in particular the connection between contributions, benefits, and employment status, still retained significant legitimacy in postwar Germany. By framing the reform as “Bismarck instead of Beveridge” with an added “dynamic” element, the proposal preserved the key linkage, but placed it on a new financial foundation. The reform also increased the benefit level and expanded the circle of eligible individuals. In doing so, dynamic pensions upheld the “social” component of the *Sozialmarktwirtschaft* by ensuring that individuals benefited from the prosperity generated by the free market. Pensions were transformed from a meager supplementary income (*Zubrot*) into a new a

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152 B149/Teil 2/466 “Sozialbericht der Bundesregierung – Vorbereitung.”
guarantee for a comfortable existence after exiting the labor force.¹⁵⁴ This guaranteed standard of living (*Lebenstandardsicherung*) would grow into a foundational principle in German social policy. As is discussed in the next chapter, Helmut Kohl’s decision to break this principle with pension reform in the 1980s cost him the Chancellorship.

The practice of indexing social payments in this fashion also spread to other policy areas (most notably unemployment benefits). Over the longer term, Erhard’s warnings concerning the difficulty of calculating future outlays proved correct when the pensions system strained the federal budget amidst an economic downturn in the mid-1960s, a turn of events which ultimately cost Erhard the Chancellorship in 1966.¹⁵⁵ In the short term, pension reform triggered a rash of additional social policy legislation from 1958-1960, including health insurance reform, restructured provisions for the care of war victims, and measures to encourage capital and asset accumulation among workers.¹⁵⁶

In general, social policy was an area where the Catholic wing of the CDU and Catholic social teaching were particularly influential. Recall that one of Erhard’s greatest challenges in selling the *soziale Marktwirtschaft* idea to the CDU/CSU during the occupation period was the task of convincing the Catholic wing, concerned with social justice and solidarity (as well as subsidiarity), that the *soziale Marktwirtschaft* would not lead to an overly-individualized society. By emphasizing his limited

¹⁵⁴ Schulz notes that blue-collar pensions were raised to 65.3% of prior wages and white-collar pensions increased to 71.9% of prior wages. Schulz, “Gesamtbetrachtung,” 940.
competence in economic matters Erhard allayed the fears of those concerned with social issues, but also left the door open for future influence by these factions within the CDU. This influence was manifested most directly in family, gender equality, and housing policy.

For example, the introduction of child subsidies (*Kindergeld*) followed the tradition of employment-oriented benefits primarily because of negative associations associated with state family policy in the DDR and under National Socialist regime.\(^\text{157}\) The choice was also consistent with the “traditional” family pattern supported by an unemployment insurance system that encouraged a single male breadwinner and discouraged care of children outside of the family. The traditional conception of a small family (*Kleinfamilie*) based around a male breadwinner was only gradually challenged with the changing economic (and social) landscape in postwar Germany.\(^\text{158}\)

Housing policy was indirectly affected by prevailing conceptions of the family and household roles. Housing was a pressing concern after the war for both the trade union wing of the CDU and the SPD, both of which were pressing for building projects to put willing workers into homes. However, housing policy’s specific form was influenced by a particular conception of the “home” and “family” (the *Kleinfamilie*)

\(^{157}\) Schulz, “Gesamtbetrachtung,” 949.

\(^{158}\) Although the SPD took up the emancipation of women as a key ideal in the 1959 Bad Godesberg Program (discussed in more detail in the next chapter), the 1954-1968 period was characterized by stagnation in this regard. A June 1957 Federal Constitutional Court decision affirmed the equal status of men and women, but no immediate action was taken to put this ruling into practice. Indeed, a portion of the ruling also noted that women (alone) had a specific role to fulfill with regard to marriage and family life as well. Boldorf, “Gesamtbetrachtung,” 852.
embodied in Catholic social teaching. Policy was designed to encourage the building of freestanding family homes (Eigenbau and Familienheim) that would, in turn, encourage “traditional” families; the 1956 Apartment Building Law (Wohnungsbaugesetz) specifically mentioned the “family friendly home” (famiengerechte Heim) as a goal.\textsuperscript{159}

By 1957 the basic features of the German social state had been consolidated, based around a social insurance system oriented primarily towards employed (male) individuals and focused on traditional family structures.\textsuperscript{160} As Boldorf notes, 1957 marked the point when the general discourse shifted from “welfare expectations” to “welfare experiences.”\textsuperscript{161} Following 1957, the social system gradually expanded in scope from basic poverty prevention system to one focused on securing a basic standard of living for all individuals.\textsuperscript{162} Adenauer’s 1957 State of the Nation address reflected this transition point, warning on the one hand against a Versorgungsstaat, while promising on the other the continued expansion of a social state based on solidarity and the principles of self-help and private initiative.\textsuperscript{163} In this sense, Boldorf characterizes 1957 as a “double demarcation” wherein policymakers anchored the tradition of social insurance as a fundamental principle with the dynamic pensions law even as they were

\begin{itemize}
\item \textsuperscript{159} Schulz, “Gesamtbetrachtung,” 947.
\item \textsuperscript{160} Boldorf, “Gesamtbetrachtung,” 855. It wouldn’t be until the 1970s and 1980s that themes of gender equality of reconciling family and work life would be revisited, beginning with the incorporation of housewives into the pension scheme with the 1972 pension reform, which was highlighted by struggles to define “housework” much as was seen in the 1942 British classification debates. Boldorf, “Gesamtbetrachtung,” 956.
\item \textsuperscript{161} Boldorf, “Gesamtbetrachtung,” 868.
\item \textsuperscript{162} The 1960s saw both an increase in benefit levels and the extension of social state protections to new groups such as women, youth, trainees, and the self-employed. Boldorf, “Gesamtbetrachtung,” 843.
\item \textsuperscript{163} Adenauer, “Regierungserklärung vom 29. Oktober 1957,” 69.
\end{itemize}
about to embark on an expansionary course. The German social model turned away from the British and Scandinavian universal models while also resisting suggestions from the Federal Finance and Economics Ministries for a centrally organized care role for the state (Fürsorge) in social policy.\textsuperscript{164}

Having laid the groundwork for subsequent policy steps, the special cabinet committee for social reform was disbanded in 1960.\textsuperscript{165} The 1961 passage of the Federal Social Aid Law (Bundessozialhilfegesetz) marked an important consolidation point, as the law established the principle of a guaranteed minimum (subsistence) income as a matter of right, replacing poverty avoidance as the fundamental goal of social policy.\textsuperscript{166} The law drew on the principle established in the 1954 Federal Constitutional Court decision establishing a right to care and, despite his defeats at the Cabinet level, further solidified the conceptions of solidarity and subsidiarity advanced by Storch and the Ministry of Labor. The legal right to a subsistence-level standard of living (Lebensstandardsicherung) grew into the defining principle of the postwar German social state.

\textit{Conclusions 1954-1968: soziale Marktwirtschaft or Versorgungsstaat?}

The 1954-1968 period was characterized by two main frames, one concerning the nature of social policy and a second concerning the relationship between economic

\textsuperscript{164} Boldorf, “Gesamtbetrachtung,” 868.

\textsuperscript{165} However, a new special cabinet committee would be established in 1968 under the Grand Coalition government to tackle the first major reforms to the German social state.

\textsuperscript{166} Boldorf, “Gesamtbetrachtung,” 844.
and social policy. By the late 1950s the debates over these frames had defined the “social” element to the soziale Marktwirtschaft, and subsequent policy decisions established a set of institutions embedded in these ideas. The co-decision and anti-cartel laws fundamentally reshaped the nature of German capitalism, while the decisions on pension reform and the basic minimum living standard retained a traditional social-insurance basis for the German social state while introducing important expansionary elements.

More generally, the growth in the scope and cost of social policy 1954-1968 fueled fears over the “development of a social maintenance state” (Versorgungsstaat).\(^\text{167}\) As trope captured the concern that a certain mentality and value orientation was developing in Germany that favored dependence on the state rather than self-initiative, which in turn would burden the state with financial and social obligations that would be ever more difficult to meet. More than their cost or number, though, it would be the nature of social policies – insurance-based programs that reinforced status differentials based on employment, encouraged particular family/housing/life patterns, and created high expectations for pensions and retirement – that had a lasting impact.

Moreover, the Versorgungsstaat discussion overlooked the fact that the growth of the German social state was not simply a consequence of, or reaction to, Germany’s economic recovery. The two phenomena were, in fact, mutually constitutive. As Schulz notes, the economic environment alone cannot explain the particular choices

\(^{167}\) Schulz, “Gesamtbetrachtung,” 951.
made in social policy development, nor does growth alone explain why economic and social policy became so closely integrated in this period.\textsuperscript{168} Without measures such as co-determination or the generous care of war victims, social tensions and class conflicts would likely have become dominant, and debilitating, cleavages.\textsuperscript{169} In this sense, the expansion of social policy was a contributing factor in the economic boom itself, and the conjuncture of economic expansion and social-economic policy integration together explain the postwar German success story. In addition to laying the foundation for a new set of economic and social policies, and key principles, the decisions take in the 1950s also had a concrete impact on the German population: not only did average wages increase from 1950-1957, expanding well beyond the basic subsistence level, but the dramatic increase in pension benefit levels (60\%) meant a permanent change in living standards for individuals once they had exited the workforce.\textsuperscript{170}

The discursive foundations for the institutional and policy changes in this period grew out of the \textit{Sozialreform} debate over differing specifications of solidarity, subsidiarity, individual responsibility and help for self-help. Although Storch was often defeated at the Cabinet level, the actual policies instituted reflected his concern for workers (seen in the co-decision and pension policies) and the broader concerns of the CDU social policy wings. This \textit{specification} of social policy as rooted in a community responsibility to take care of the disadvantaged and those who had gone before was

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{168} Schulz, “Gesamtbetrachtung,” 955.
\item \textsuperscript{169} Ibid.
\item \textsuperscript{170} Schulz, “Gesamtbetrachtung,” 955.
\end{enumerate}
\end{footnotesize}
underpinned by the breaking apart of capitalism from cartels and state control as well as a breaking of social policy from an understanding limited in poor relief. The social policy choices had particularly far-reaching implications, as the bricolage of a Bismarckian social policy legacy and new ideas on pensions resulted in the Lebenstandardsicherung norm that informed German social policy into the 1980s.

The discursive and institutional foundations of the German social state were thus settled by the time Erhard assumed the Chancellorship in October 1963. However, uncertainty and confusion were still present among a broader populace that had the impression of an ever-ongoing, never quite finished, social reform, as was chronicled in a 1963 radio review of social reform efforts in Germany, beginning with Adenauer’s 1953 promise for comprehensive reform that and concluding that ten years later the situation was one of despair. Erhard sough to instill a new blend of individualism and solidarity in his 1963 campaign slogan “prosperity for all” (Wohlstand für alle), which was grounded in an optimistic view of the individual who acted rationally within an overarching set of values oriented towards the common good. Consistent with Erhard’s specific vision of the soziale Marktwirtschaft, this vision was based around the

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171 Adenauer resigned in October 1963 after nearly a year of pressure that stemmed from a 1962 scandal. Cabinet-level orders to arrest five journalists from the news weekly Der Spiegel for high treason following the publication of a report detailing the weaknesses of the West German armed forces led to the dismissal of the cabinet over 1962 and, eventually, Adenauer’s resignation.

172 In particular, the program criticized the Adenauer government for not considering a 1952 SPD proposal for a “social commission” because it came from the opposition party, thereby missing a critical opportunity for comprehensive reform. B149/Teil 3/8768 “Sozialpolitik – Grundsatzfragen der Entwicklung,” “Chronik einer Reform,” Albert Müller [radio program transcript], 4. Oct. 63.
power of the consumer (and mass consumption) and increasing standards of living to integrate people and bind a society together.\footnote{Boldorf, “Gesamtbetrachtung,” 870.}

Although Erhard and the CDU retained power in the 1965 elections, an economic downturn and dispute over the 1966 budget led to the resignation of Minister of Economic Cooperation (Walter Scheel, FDP) followed by rest of FDP cabinet members. On December 1, Erhard resigned the Chancellorship, and Kurt Georg Kiesinger (CDU) formed a new grand coalition government. Together with the SPD, Kiesinger ushered in a period of neo-Keynesianism, including tax reforms, infrastructure development, and education spending.\footnote{Fulbright, \textit{A Concise History of Germany}, 230.} The 1967 “Law for the Stabilization of the Economy and Promotion of Economic Growth” and a “concerted action” system of coordination among businesses and unions established a neo-corporatist role for the state in guiding the economy.\footnote{Ibid.; Nicholls notes that these steps were connected to the \textit{soziale Marktwirtschaft} insofar as Kiesinger’s Minister of Economic Affairs, Karl Schiller, drew explicitly Eucken’s (neoliberal) objectives of price stability, economic growth, and an “enlightened market economy.” Nicholls, \textit{Freedom with Responsibility}, 365.} These measures had only a minor impact on the economic downturn, but they were significant in that they demonstrated that the SPD “had jettisoned the command economy in favour of a market system.”\footnote{Nicholls, \textit{Freedom with Responsibility}, 365.} Although the populace remained unconvinced that a comprehensive \textit{Sozialreform} had taken place, the economic and social policy spheres had in fact been reoriented as part of the consolidation process. Moreover, the major parties had
converged on the ideas of the *soziale Marktwirtschaft*; these ideas would be modified and challenged, but not repudiated, once Willy Brandt and the SPD came to power in 1969.

**CONCLUSIONS: GERMANY FROM 1945-1968**

The postwar period through 1968 was characterized by the discursive construction of a set of ideas and understandings – the *soziale Marktwirtschaft* – that were then consolidated and institutionalized as the postwar German social state was constructed. The foregoing sections have highlighted a range of frames, tropes, and mechanisms that were central to this process. Overall, though, the mechanism of *bricolage* is central to understanding the developments of this period. Recall (from Ch. 3) that *bricolage* denotes the process by which extant resources are recombined in a way that makes new normative claims.\(^\text{177}\) This mechanism is at the base to the two central developments during this period: the reinterpretation of Germany’s historical experience with capitalism history to support the unique combination of ideas that constitute the *soziale Marktwirtschaft* as appropriate and necessary for postwar Germany, and the related recombination of cultural traditions and religious values in support of a particular conception of social justice. Both incidences demonstrate how the recombination of cultural-historical resources and new ideas produced new

understandings and, in turn, new institutions and policies—outcomes that are not adequately explained by standard institutional or interest-based accounts.

More generally, a basic acceptance of the German social state, built around soziale Marktwirtschaft conceptions of social and economic policy, was constructed over the 1945-1968 period. To be sure, disagreements remained. Importantly, though, the lines of both debate and the consensus ran across the party divides. In other words, the discursive landscape cannot be reduced to party-line differences. This observation is critical to understanding the resilience of the general soziale Marktwirtschaft consensus in the transition from a period of CDU dominance to one dominated by the SPD. The consensus underpinned growth through the 1960s and 1970s even as Britain entered their stop-go period. The basic consensus was aided by reforms within the SPD (discussed in the next chapter) as well as CDU moderation, especially among party’s social issue wing.178

For the CDU, the debate between the liberal and the Christian-social wings of the party were laid bare at the 1960 party convention and became insurmountable in the 1966 budget disputes that eventually led to the fall of Erhard’s government. Whereas the liberal wing favored the message of self-help, individual opportunity, and a limited state role as championed by Erhard, the Christian-social wing (and, in part, the trade

178 Nicholls, Freedom With Responsibility, 397
union wing) tended to favor “solidarity” over “subsidiarity.” In general, though, the CDU continued to base their social policy approach on the idea of a property-owning, participatory citizen with faith in their own initiative and a measure of skepticism vis-à-vis the state. A mixture of Catholic social teaching, protestant notions of subsidiarity, and liberal thought concerning an achievement-oriented society (Leistungsgesellschaft) underpinned this approach, which informed not only employment and traditional social policy, but also family, housing, and even capital accumulation policies.

For their part, the SPD had used their extended period in opposition to confront (if not fully resolve) these differences, placing the party in position to lead after the end of the grand coalition. As is discussed in more detail in the next chapter, the party adopted a view centered on working class weakness and need for protection, based on the experience of a constituency that had little experience with property. To be sure, solidarity through “collective self help” and the aid of the state continued to be main tenants for the SPD, even after the 1959 Bad Godesberg reforms. Yet radical notions of revolution were abandoned in favor of a social justice message and a basic acceptance of the market.

As in Britain, then, the broad consensus in support of the welfare state did not mean the absence of alternative ideas or conflict between the CDU and SPD.

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179 Boldorf, “Gesamtbetrachtung,” 869. Boldof also notes that the conception of solidarity held by the Christian-social wing of the CDU differed from that held by the SPD, chiefly because it evolved over time from notions of equality to the principle of help in times of need. Ibid.
180 Schulz, “Gesamtbetrachtung,” 958.
181 Schulz, “Gesamtbetrachtung,” 958.
Differences in fundamental outlooks and interests would prove consequential in the debates of the 1970s and 1980s. However, it was the *soziale Marktwirtschaft* discourse that bridged these differences, and, in fact, changed the interests of actors. By 1968, a basic acceptance of the social security system as an important regulator and stabilizer of the economy was in place. This understanding persisted through the early 1990s, aided by, but also underpinning, steady economic growth in Germany even as other European states entered periods of decline.\textsuperscript{182}

\textsuperscript{182} Boldorf, “Gesamtbetrachtung,” 843.
Chapter 7: Germany 1968-2005 – From the soziale Marktwirtschaft to Stagnation

“I don’t know. We don’t have a strategy. We’re helpless.”

- Former Member of Gerhard Schröder’s Chancellor’s Office, on the SPD reform strategy.¹

INTRODUCTION

The overarching soziale Marktwirtschaft discourse continued to shape economic and social policy, and politics more broadly, well after the era of Adenauer, Erhard and postwar CDU dominance ended. This overarching discourse would be reshaped by several new frames stemming from the SPD reform process, but would remain influential over periods of both SPD and CDU rule during this period, guiding both major parties down a moderate course of free markets balanced by a significant social component. Only with the reforms undertaken during the closing years of the CDU-led government under Helmut Kohl would the soziale Marktwirtschaft discourse be partially dislocated. However, Gerhard Schröder and the subsequent SPD-led coalition did not articulate a new set of frames, leading to a tenuous transition to a new era of economic and social policies that remain contested.

¹ Quotation related in an interview with a former Chancellery Official who served under Schröder. The quotation is from a meeting of European Social Democratic leaders in Lake Como, Italy, in 1998, in response to a question from a British Labour Party official about the overarching strategy that the SPD intended to take, or whether the SPD had something akin to the British “Third Way” now that the party had won office.
In this sense, Germany in the period of active labor market policy contrasts markedly with the British and Danish cases. First, economic and social policies were \textit{not} separated to the same extent during the economic and social turmoil of this period. A cross party consensus grounded in the cultural-historical legitimacy of the \textit{soziale Marktwirtschaft} explains a remarkable period of continuity up through the late 1990s. Second, the rejoining of economic and social policies in Germany has been far more tenuous precisely because there is not a new overarching discourse through which actors can interpret new challenges, link them to cultural-historical resources, and thus devise appropriate responses.

\textbf{FROM \textit{SOZIALE MARKTWIRTSCHAFT} TO \textit{MARKTWIRTSCHAFT VON LINKS AND BACK}}

During their time in opposition, the SPD undertook a comprehensive reform effort that culminated in a new statement of the party’s purpose and a new vision for social democracy in Germany. With this period of self-reflection behind it, the SPD was well-positioned to assume a role in government, first as a partner in the 1966-1968 Grand Coalition and then as the lead partner in the SPD-FDP coalition from 1969-1982, under Willy Brandt and then Helmut Schmidt. The SPD reform process was both an inward looking process and one of engagement with the \textit{soziale Marktwirtschaft} discourse. In brief, the party moved to the center on questions of economic management and the relationship between the economic and social spheres in postwar Germany. This explains why the SPD did not articulate a completely different
economic and social policy discourse upon coming to power, and why the overarching *soziale Marktwirtschaft* discourse was not dislocated as power shifted back and forth among the main parties up through the 1990s. Although the social-liberal coalitions under Brandt and Schimdt enacted changes on the margins, the *soziale Marktwirtschaft* consensus held through their period in government.

The consensus also informed the subsequent CDU/CSU-FDP coalition under Kohl that came to power in 1982. The CDU had not deemed it necessary to undertake a comprehensive review, given their relatively brief period in opposition, and their policies continued to reflect the basic *soziale Marktwirtschaft* consensus. Having regained power after the second oil shock and amidst growing unemployment and increasing public expenditure, policy responses tended reflected a shift back towards the neoliberal (supply-side) boundary of the *soziale Marktwirtschaft*, but also reflected the inherent tension of attempting to balance a free market with social provision. A policy of “cost-shifting” resulted, as reductions in state spending were offset by the extension of entitlements in other areas; the social welfare system increasingly became a tool to soak up the slack in the labor market rather than ensure a social dimension to the free market.

In general, the period was characterized by the consolidation and continuity of the social state. The *Marktwirtschaft von Links* frame shaped early efforts that sought to put a human face on the *soziale Marktwirtschaft* without abandoning the free market. Schiller’s efforts to combat several economic upturns and downturns were informed by
the *Globalsteuerung* frame. Willy Brandt’s 1972 trope of “humanizing work” contributed to the extension of existing principles, such as *Mitbestimmung*, as well as increased attention to quality of life questions in both economic and social policy. In 1976 Helmut Schmidt proclaimed the triumph of *Modell Deutschland* (Model Germany) as an expression of economic and social success grounded in tripartite consensus.

Even as Helmut Kohl and the CDU/CSU-FDP coalition took power in 1982 with promises of a great turn (*Wende*) away from the policies of the SPD-FDP government, Kohl’s early policies were characterized more by continuity than a radical departure from established patterns. The economic pressures of reunification and EMU launched a debate over Germany’s economic position and future (*Standortdebatte*) but the overarching *soziale Marktwirtschaft* discourse continued to inform the interpretation of these challenges and the policy responses. Only late in Kohl’s tenure as Chancellor did the government undertake reforms to employment and pension policies that would prove consequential in dislocating the *sozialie Marktwirtschaft*. However, these reforms were located in a “globalization limits social policy” frame that did not find any resonance among the population and ultimately led to the defeat of the CDU in the 1998 elections. The main frames, tropes, and mechanisms for this period are highlighted in table 7.1, below.
TABLE 7.1 – FRAMES, TROPES AND MECHANISMS IN GERMANY 1968-1998

Overarching discourse: *Soziale Marktwirtschaft*, gradually unsettled by reform experimentation in the late 1990s.

Frames

- *Marktwirtschaft von Links* (market economy from the left)
- *Globalsteuerung* (global steering of the economy)
- Globalization limits social policy
- Cutting costs while caring for the family

Tropes

- *Wettbewerb soviel wie möglich, Planung soviel wie nötig*, (as much competition as possible, as much planning as possible)
- *Humanisierung der Arbeit* (humanizing work)
- *Modell Deutschland* (Model Germany)
- *Standortdebatte* (position debate) concerning Germany’s economic position and competitiveness
- *Konsolidierung* (consolidation, typically used in a fiscal sense)
- *Einnahmeorientierte Ausgabenpolitik* (revenue-oriented expenditure policy)
- *Verschiebahrhofspolitik* (switching yard politics) concerning the shuffling of programs and financing without any substantial reform

Mechanisms

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Bricolage

- Socialist thinking on ethical and social justice questions reinterpreted with attention to Europe’s heritage of both humanism and Christianity (internal to sPD)

Joining

- The idea of “humanizing work” and Modell Deutschland are joined to technology policy (in addition to social and economic dimensions)

Breaking

- Socialism broken apart from nationalization, central planning, redistribution of wealth (internal to SPD)
- Pensions and unemployment insurance broken apart from the Lebenstandardsicherung (guarantee of a certain standard of living)

Specifying

- Markets, social justice, and limited planning specified as Globalsteuerung
- Einnahmeorientierte Ausgabenpolitik (revenue-oriented expenditure policy) specified as a new principle underpinning the social state
Continuing the Consensus

Understanding the continuity that characterizes the 1968-1998 period requires a brief look back to the SPD reform process and evolution of thought within the party in the late 1950s. The party’s 1959 Bad Godesberg declaration defined a new vision on economic and social policy. The SPD reform effort was not just a retooling of technical questions concerning economic policy, though. The question of how to engage with, and relate to, the Catholic Church in Germany (and religion more generally) became a central component to the overall shift in thought concerning social justice, which in turn would drive the party’s position concerning the proper balance between the state and the market and the role of the state in society. Key figures involved in this reform process, including Willi Eichler, Kaarl Schiller, and Helmut Schmidt, would later emerge as leaders in the reformed party and would steer both the SPD and Germany along a moderate course during the party’s tenure in power. The party’s intellectual engagement with the overarching soziale Marktwirtschaft discourse translated into a particular way of interpreting the challenges faced in the 1960s and 70s and shaped the party’s responses when in government.

As noted in the previous chapter, SPD party chair Kurt Schumacher did not interpret the 1949 electoral loss as a rejection of the party’s stance on the question of economic order (Wirtschaftsordnung) due to the close outcome, and Schumacher continued to defend the traditional party line that rejected criticizing the CDU as being only as “social as necessary” while the SPD was determined to be “as social as
possible.”

Schumacher’s death in 1952 opened the door for new ideas insofar as a discussion of engaging with a market system was no longer taboo, and the 1953 and 1957 electoral defeats brought home the need to revisit the party’s approach.

Two early critics of Schumacher’s traditional socialist position, Willi Eichler and Karl Schiller, articulated an alternative vision for the SPD that grew out of their thought about, and engagement with, Erhard’s vision of the soziale Marktwirtschaft. In the early 1950s Schiller (who would eventually serve first as Minister of Economics in the Keisinger Grand Coalition and then as Willy Brandt’s first Minister of Finance) sought to reframe the capitalism vs. control debate not as one of freedom vs. regulation, but as a question of regulation by private pressure groups vs. state regulation, implicitly criticizing Erhard’s choice to favor private pressure groups. In anticipation of A.R. Crosland’s review of socialism in Britain, Schiller was one of the first to advance the idea that since the world had changed, socialism needed to recognize and adapt to the new reality. Schiller also recognized that the German worker was also a consumer, and

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2 Quoted in A.J. Nicholls, Freedom with Responsibility: The Social Market Economy in Germany 1918-1963, Oxford: Oxford University Press, 1994, 263. In contrast, a 1948 statement from Rudolf Zorn, and SPD economist captured the idea that many in the party agreed on the need to modify the socialist vision in noting that the party should think about a “regulated market economy.” Ibid.

3 Importantly, this engagement mirrors developments in the British case. As noted in chapter 5, the Labour party was only able to accomplish a thorough reform effort after moving beyond a simple opposition to Thatcher and the Conservatives and engaging with the Thatcherism as a set of ideas in its own right.

4 Nicholls, Freedom with Responsibility, 302. This critique also echoed some of Erhard’s critics within the CDU.
as such wielded incredible power within the postwar capitalist system. Schiller’s critique revealed him to be both a moderate and “more of a Keynesian than a Marxist.” Although his position placed him much closer to the supporters of the *soziale Marktwirtschaft* than many in the SPD, Schiller was not uncritical of Erhard and the CDU. He was skeptical of the neoliberals’ faith in perfect markets, complete information, and perfect competition, and critical of concrete policy decisions, such as Erhard’s decision to turn over industrial material allocation to industry associations during the Korea crisis (before the anti-cartel law). Instead of rejecting markets and the *soziale Marktwirtschaft* outright, Schiller thought of himself as a voice for a “third way” that would offer a synthesis of competition and planning.

While Schiller was engaging with the economic aspects of neoliberal thought and the *soziale Marktwirtschaft*, Willi Eichler began to consider ethical and social justice questions, with a particular focus on the relationship between the SPD and churches. Eichler, however, realized the party’s concern for social justice issues

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5 Nicholls, *Freedom with Responsibility*, 304. Schiller also accepted the trope of “competition based on achievement” (Leistungswettbewerb) that that been inserted into the *Soziale Marktwirtschaft* discourse as part of the competitiveness debate and public education campaign in the late 1940s. See chapter 6.

6 Nicholls, *Freedom with Responsibility*, 305.

7 Nicholls, *Freedom with Responsibility*, 306

8 Nicholls quotes Schiller as seeking a synthesis such that planning and competition would complement each other “like the right and the left shoe.” Karl Schiller, *Thesen zur praktischen Gestaltung*, 7-8, quoted in Nicholls, *Freedom with Responsibility*, 307.

9 Recall that Schumacher had blamed the Churches in large part in Germany for the party’s 1949 electoral defeat, and maintained an anti-clerical stance during his time as party chair. Nicholls notes that this stance stemmed from self-reflection within the Protestant churches (elucidated in the Darmstadt Theses) that noted an alliance between the churches and the reactionary properties classes had contributed to the rise of National Socialism and supported Hitler. This realization led to a new commitment to social
offered a natural point of contact to the churches in Germany.\textsuperscript{10} In 1953, a Socialist International conference on religion and socialism that affirmed the compatibility between Christianity and socialist principles, aiding Eichler’s efforts within Germany.\textsuperscript{11} Over the 1950s, such moves found greater resonance with those in the SDP “who wanted to stress the humane, warm, freedom-living aspect of socialism” and began to engage with the Christian religion on these grounds.\textsuperscript{12} This process of reconciliation mirrored an earlier movement on the part of the CDU (discussed in the previous chapter): “Just as the neo-liberals had found it necessary to rethink their attitude towards the social teaching of the Christian—and especially the Roman Catholic—Churches, so the social democratic reformers sought a community of interest with socially committed Christians.”\textsuperscript{13}

Another voice for reform came from Helmut Schmidt, who sought to transform general ideas of socialization into a more concrete political program that recognized not just the reality of a changed world, but the new reality of the \textit{soziale Marktwirtschaft} in Germany. Schmidt recognized that “a desire to maximize production and raise the general standard of living was beginning to rival the traditional socialist goal of meeting

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\item justice themes among Protestant churches in the postwar period. Nicholls, \textit{Freedom with Responsibility}, 301.
\item Nicholls, \textit{Freedom with Responsibility}, 304. Some of Eichler’s views were incorporated in the party’s 1952 program, though the it would be some time before the connection between the ethical stance of (reformed) socialism and Christianity were more thoroughly developed. Ibid.
\item Nicholls, \textit{Freedom with Responsibility}, 311.
\item Nicholls, \textit{Freedom with Responsibility}, 311.
\item Nicholls, \textit{Freedom with Responsibility}, 311.
\end{itemize}
proven needs (*Bedarfsdeckung*).” As such, the party’s far-reaching social programs and grand promises were not compatible with a party that should aim to govern, and would then have to finance its proposals once in power. This critique was also a tacit acknowledgement that the *soziale Marktwirtschaft* had delivered in postwar Germany, contributing to the electoral success of the CDU. As Nicholls notes, already in the early 1950s it was clear that the “capitalist free market was no longer a bogey, or a dinosaur destined for the scrap-heap of history, but a living organism which seemed to be growing stronger every year.”

As the SPD moved away from the “traditional” themes of socialization, nationalization, and redistribution in the 1950s, the party also shaped the emerging *soziale Marktwirtschaft* discourse. In the debates over *Mitbestimmung* the SPD allied with trade unions (and the union wing of the CDU) in pushing for co-determination and resisting the efforts of industrialists to defeat proposals for employee representation in the governance of industry and firms. Continued SPD support for a compromise solution (partial employee representation) was an indicator of the party’s new pragmatic direction, insofar as the SPD backed a realistic, reachable outcome rather than holding

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15 By 1952 unemployment had decreased below the symbolic 1 million mark (to 5.5% of the workforce) for the first time since the war, over 430,000 new dwellings had been constructed, and people were largely able to meet basic needs (and then some) without state aid. Nicholls, *Freedom with Responsibility*, 299; Adenauer, emphasized these developments in his 1953 State of the Nation address. Konrad Adenauer, *Regierungserklärung vom 20. Oktober 1953*, in Putle, *Regierungserklärungen 1949-1973*, Berlin: Walter de Gruyter, 1973, 30-60.
out for a more utopian socialist vision. Similarly, the reform-minded wing of the SPD supported Erhard’s anti-cartel effort as an important step towards protecting the rights of workers vis-à-vis industrialists. In contrast, the more traditional wing of the party opposed the cartel ban on grounds that it would introduce a “foreign body” into a future system, and that passing a cartel ban would be tantamount to recognizing and accepting a capitalist system. Importantly, it was the SPD-led federal state of Hamburg that cast the deciding votes in a 1954 Bundesrat decision on the cartel ban.

In general, the reform-minded segment of the SPD found several areas of soziale Marktwirtschaft with which they could relate, and thus access and influence the discourse. On the economic side, both Erhard and the SPD reformers viewed the national budget as a tool to be used for macro-economic planning and supported industry co-determination. Regarding the “social” dimension, both groups came to the realization that securing an acceptable quality of life for industrial workers (a constituency also important to the CDU due to the strong trade union wing) was difficult in a laissez-faire system, and that equitable taxation, the protection of workers’

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17 Nicholls, Freedom with Responsibility, 310. As noted in chapter 6, the final Mitbestimmung bill that granted 1/3 of the seats on advisory boards to workers was still something of a defeat for the SPD-Union-CDU Union alliance, given that Adenauer’s initial decision for the coal industry had granted 1/2 of the seats on advisory boards to workers.

18 Nicholls, Freedom with Responsibility, 312. Nicholls notes that some groups, including the white-collar union (Deutsche Angestellten-Gesellschaft, DAG) supported cartels as a back-door way of constraining the market and protecting consumers. Ibid., 313.

19 The vote was a decision between the prohibition principle (a ban on cartels) and the prevention of abuse, which would grant the Federal Economics Minister power to approve or disapprove cartels on a case-by-case basis rather than ban them outright (the latter was a proposal from the traditional wing of the SPD seeking to protect public utilities). It was not a coincidence that Schiller was a senator in Hamburg at the time. Nicholls, Freedom with Responsibility, 316.
rights, and an employee’s right to a voice in the governance of a firm were all important
goals in postwar Germany. Schiller drew these various themes together in a 1953
speech on economic policy. After criticizing Erhard’s “dogmatic refusal to accept any
combination of market economy and economic planning,” Schiller introduced a key
trope that would become central to the SPDs process of accommodation vis-à-vis the
soziale Marktwirtschaft: “Wettbewerb so viel wie möglich, Planung so viel wie nötig” (as
much competition as possible, as much planning as needed).

The SPD reform effort found formal expression in the 1959 Bad Godesberg
program, the first comprehensive statement of German social democracy since the 1925
Heidelberg party congress. The program’s opening statement is significant in that it
explicitly linked the basic values of democratic socialism to Europe’s Christian heritage
(echoing Eichler’s efforts) and affirmed respect for an individual’s choice over matters
of belief, for the independence of churches, and for their protected status under public
law: “Democratic socialism, which in Europe is rooted in Christian ethics, in
humanism, and in classical philosophy, has no intention of proclaiming absolute
truths… The SPD is the party of intellectual freedom.” The program is notable in
that it did not mention socialization of the means of production, class conflict, or

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20 Nicholls, Freedom with Responsibility, 309.
21 Nicholls, Freedom with Responsibility, 317. The phrase was later placed at the head of the economic
policy section of the party’s 1954 platform, and also appeared in the Bad Godesberg statement.
22 Grundsatzprogramm der Sozialdemokratischen Partei Deutschlands, Beschluss vom
außerordentlichen Parteitag der SPD in Bad Godesberg vom 13. bis 15. November, 1959, (hereafter Bad
Godesberger Programm), 2, 15. Available at
revolution, and condemns the misuse of socialist traditions by communists and communist parties.\(^{23}\) In place of these “traditional” socialist themes, the program endorses the free market and principles of “true competition,” acknowledging that consumer choice, free choice of the place of work, free competition, and free initiative for entrepreneurs critical to the functioning of the economy.\(^{24}\)

The program embraced the free market and competition, but also asserted that the state was responsible for ensuring steady economic growth and improvements in general welfare through instruments such tax, monetary, trade, and tariff policy, the program categorically rejected a control economy: “The totalitarian controlled economy destroys freedom.”\(^{25}\) In this context, the program noted the new reality that the modern state necessarily influences the course of the economy because roughly one-third of the national product passed through the public sector. As such, the state could not deny the responsibility for the course of the economy; it wasn’t a question of whether planning was appropriate, but rather who was affected who benefited from such planning and redistribution.\(^{26}\) This justification for state intervention in the economy – precisely

\(^{23}\) “Zu Unrecht berufen sich die Kommunisten auf sozialistische Tradition.” Bad Godesberger Programm, 4.

\(^{24}\) Bad Godesberger Programm, 8-9. In addition, The section on economic and social order simply states that the goals of social democratic economic policy are “the steadily expanding of prosperity and a just share of the fruits of the national economy for all, a life in freedom without ignoble dependency and without exploitation.” Bad Godesberger Programm, 8, my translation.

\(^{25}\) Bad Godesberger Programm, 8. My translation.

\(^{26}\) Referencing taxes, financial policy, monetary and credit policies, tariff and trade policy, price policies, social policies, and housing, the program notes that “Mehr als ein Drittel des Sozialprodukts geht auf diese Weise durch die öffentliche Hand. Es ist also nicht die Frage, ob in der Wirtschaft Disposition und Planung zweckmäßig sind, sondern wer diese Disposition trifft und zu wessen Gunsten sie wirkt. Dieser
because of the market and the growth that it had delivered – turned neoliberal arguments concerning planning on their head. After all, it had been their creation (the soziale Marktwirtschaft) combined with the new postwar economic environment that had necessitated a guiding role for the state. Finally, the Bad Godesberg program affirmed free markets only where “true competition” existed; cases where individuals or small groups (cartels) dominated a market contravened the principle of free competition required intervention to restore freedom in the economy. With this logic, the program noted: “the weakest position in the economy is that of the individual as consumer.”

The market itself does not guarantee a just distribution of incomes and assets, but instead of calling for a redistribution of incomes, instead makes a commitment to create the necessary “living conditions” within which individuals will have the chance to build assets and property through their increasing incomes.

Taken together, the engagement of SPD reformers with the ideas of the soziale Marktwirtschaft as well as with ideas within their own party (e.g. socialization, nationalization, class warfare) represent a breaking of the relationship between socialism and planning and a corresponding respecification of social democracy in postwar Germany. This new understanding was based around a basic acceptance of the market in postwar Germany while seeking to counter market distortions, provide a more

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Verantwortung für den Wirtschaftsablauf kann sich der Staat nicht entziehen.” Bad Godesberger Programm, 8.

27 Bad Godesberger Programm, 9, my translation.

28 “Die Sozialdemokratische Partei will Lebensbedingungen schaffen, unter denen alle Menschen in freier Entschließung aus steigendem Einkommen eigenes Vermögen bilden können.” Bad Godesberger Programm, 11.

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explicit (activist) social justice component, and use certain tools of the state to steer the economy. As is discussed below, this constellation of ideas would find concrete expression in Schiller’s program of “global steering” (*Globalsteuerung*) that he employed as Minister of Economic Affairs in Kiesinger’s Grand Coalition government to counteract the economic downturn of 1966-1967.

Conceptually, *Globalsteuerung* entailed a micro-economic policy of “minimal planning” to correct market distortions and ensure an environment for fair competing, combined with a macro-economic approach emphasizing the use of indirect controls (e.g. tax policy, trade policy, interest rates, public expenditure) to “steer” the economy towards full employment and steady (measured) growth. The frame thus bore some resemblance to the Keynesian demand-management consensus that underpinned the postwar British welfare state, although it was distinguished by Schiller’s preference for indirect pressures, rather than direct state intervention in the economy. As such, Schiller’s ideas overlapped with those of the German neoliberals in many respects, though most neoliberals were wary of Schiller’s professed (if partial) faith in the market, viewing *Globalsteuerung* as simply the first step in a larger retreat from the market. Moreover, Schiller was a staunch proponent of social welfare and education policies as a “social” element that helped to create equal opportunities for individuals to participate in the market, allowing it to operate to its fullest: “Welfare state and

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dynamic market economics are mutually indispensable to one another, whether one
calls the end result a ‘social’ or ‘socially responsible’ market economy or a ‘mixed
economy’.”31

The SPD reforms of the late 1950s followed the broadening and expansion that
the CDU/CSU had already accomplished in the immediate postwar era. The SPD thus
moved in the direction of an “all-embracing Volkspartei, appealing to all sectors of the
populace, and proposing a moderate management of capitalism with a human face
rather than advocating radical social transformation.”32 By the early 1960s, the German
political landscape was dominated by two major parties that shared an acceptance of the
soziale Marktwirtschaft. The SPD and the CDU had “converged into moderate
alternative managers of a capitalist welfare state.”33 To be sure, the parties did not
advance identical policies. Yet because both parties were embedded within the same
overarching discourse, and thus shared a common interpretation of challenges as well as
broad agreement on the boundaries for possible responses, any disagreement over
specific policy proposals took place within the overarching discourse.

Shared acceptance of the discursive landscape in from the late 1960s through the
late 1990s explains why the actual policy shifts between the Grand Coalition, the SPD-
FDP governments under Brandt and Schmidt, and then the CDU/CSU-FDP coalition

31 Karl Schiller, Wirtschaftspolitik, in E. von Beckerath (ed.) Handwörterbuch der Sozialwissenschaften,
xii, Stuttgart, 1962, 201, as quoted in Nicholls, Freedom with Responsibility, 321.
33 Fulbrook, A Concise History of Germany, 221.
under Kohl, were relatively moderate.\textsuperscript{34} Despite changes in governing coalitions, Germany did not experience the equivalent of the dramatic swings between Labour and Conservative governments (and their respective policy reversals) that Britain did during the stop-go period and the subsequent alteration between Thatcherism and (New) Labour. The shifts between neo-Keynesian and neoliberal emphases in the 1970s and 1980s were most notable for preserving central features of German economic and social policy such as co-determination, a system of (generally) harmonious industrial relations, and a social state based around (Bismarckian) social-insurance principles that both provided relatively generous levels of assistance while also reproducing income, education, employment, and gender differentials.\textsuperscript{35}

Although Kohl government had a convincing political-ideological mandate to reform the German welfare state, especially through 1991 when the government also had a majority in the Bundesrat.\textsuperscript{36} Mounting fiscal pressures, high unemployment, rising social insurance costs, concerns over competitiveness, limitations on public spending, and the largest tax wedge in the OECD prompted a combination of consolidation (benefit cuts/restrictions) and experimentation with ALMP in the 1990s.\textsuperscript{37}

\textsuperscript{34} To the extent that a “neoliberal” shift in Germany took place, if found expression in the rightward shift of the FDP in the 1970s. The FDP left the Schmidt government for the CDU 1982 due to disagreements over the federal budget and a specific concern with the increasing costs of social welfare programs. Fulbrook, \textit{A Concise History of Germany}, 217, 230.

\textsuperscript{35} Interview, DGB: Alber, “Recent Developments in the German Welfare State,” 17-18 and 32-33.

\textsuperscript{36} Interview, DGB.

However, the reforms were largely superficial, and ALMP in particular was generally used as political cover to cap spending on traditional transfer programs rather than as a way to institute to workfare and education principles, as in Denmark or the UK.\textsuperscript{38} Nonetheless, reforms to employment and pension policies in the final years of the Kohl government did introduce fissures into the \textit{soziale Marktwirtschaft} consensus.


The main “puzzle” for the majority of the 1968-1998 period is the stability and continuity of German economic and social policy. A series of economic challenges, including the 1973 and 1979 oil shocks (each of which disrupted price stability and periods of economic growth) as well as periods of high inflation and high unemployment, would seem to constitute sufficient (material) grounds to question the prevailing economic and social policy consensus. This, however, did not take place. Successive governments moved between different points of emphasis within the boundaries of the \textit{soziale Marktwirtschaft}, with the Grand Coalition and the subsequent SPD-FDP coalition favoring a neo-Keynesian direction, while the end of the SPD-FDP period and the CDU/CSU-FDP coalition that came to power in 1982 moved back towards supply-side neoliberal policies.

In economic policy this translated into adjustments to monetary and fiscal policy consistent with \textit{soziale Marktwirtschaft} goals—price stability, employment, and a

\footnote{38 Interview, DGB; Alber, “Recent Developments in the German Welfare State,” 18ff.}
“social dimension. With regard to social policy, the gradual growth to the size and scope of the social state came to a halt, and although some elements were trimmed as deficits mounted and growth slowed in the 1980s, the cuts were made in a fashion that preserved core elements of the social state. Ultimately the shock of reunification and the constraints imposed by the European Monetary Union in the 1990s would introduce new dynamics and begin to unsettle the soziale Marktwirtschaft.

Employment Policy

Germany was in the midst of a downturn as the Erhard government collapsed, and the country would experience several moderate up- and downswings up into the early 1980s. Growth had started to slow in the 1960s as Germany reached full employment, and the late 1960s and early 1970s were marked by declining labor productivity and the return of inflation—an occurrence that created considerable public apprehension given the prewar experience. In the short term, the anti-cyclical monetary policy instituted in 1967 (Schiller’s Globalsteuerung) would spur renewed, but would also introduce the danger of an economic overheat and, eventually, develop into the puzzling problem of “stagflation” in the mid-1970s followed by markedly lower

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40 Braun notes the role of fixed exchange rates, export dependency, and an overvalued Deutschmark in spurring inflation. In addition, the building of the Berlin Wall in 1961 cut off a supply of skilled labor, prompting a shift to capital-intensive production and the recruitment of guest workers Braun, The German Economy, 168-169. Also, Nicholls, Freedom with Responsibility, 364.
growth rates and persistent unemployment. In response, the SPD-FDP coalition moved towards supply-side responses in the late 1970s, a policy direction that continued under the subsequent CDU/CSU-FDP coalition but would not develop so far as to constitute a break in the basic soziale Marktwirtschaft approach.

As Minister of Economic Affairs, Karl Schiller played a central role in guiding economic (and social) policy in Germany in both the Grand Coalition and the subsequent SPD-FDP government. Schiller’s program of Globalsteuerung focused on objectives familiar to the German neoliberals, including price stability, economic growth, and social commitment, and sought to achieve them using the tools of taxation and (limited) public expenditure to “nudge” the economy out of recession. However, Schiller rejected the notion of “complete competition” (from Eucken) as a theoretical construct that was unattainable in practice, aiming instead for “workable competition” in the economy, meaning that limitations (controls) were acceptable as long as overarching economic goals were met—an approach he characterized as an “enlightened social market economy.”

The first “Act to Promote Economic Stability and Growth” (Gesetz zur Förderung des Wachstums der Wirtschaft or Stabilitätsgesetz) was promulgated in June 1967, providing a set of tools for economic planning, and a subsequent December 1967 act mandated medium term (5-year) fiscal planning by the

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42 Nicholls, Freedom with Responsibility, 365.
Federal government. The institution of “concerted action’ (Konzertierte Aktion), which brought together the government, management, trade union representatives, the Bundesbank and the Council of Economic Arrangements “to ‘prearrange’ a stability-oriented income policy in which the development of productivity was regarded as a yardstick for wage settlements,” proved to be one of the most significant, and lasting, institutions created by Schiller.

Together, Schiller’s interventions proved successful in the short term as the economy quickly recovered in 1968, with the achievement of full employment, economic growth, and stable prices Inflation was held to 1.5%. However, inflation accompanied the renewed growth in 1969, and the resulting “Central Bank dilemma” wherein high interest rates to control inflation actually spurred inflation by attracting foreign exchange inflows, led to a 1970 federal stabilization program, including additional taxes, in an attempt to control the boom. However, inflation continued even as the economy entered a downward cycle, introduction the problem of “stagflation.” Consistent with the views of both Eucken and Schiller, and mindful of

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44 The December act also mandated coordination between the Federal level, the Länder (federal states), and municipal government in budgeting, required an annual economic report from the government to the Bundestag outlining goals for the coming year, as well as a bi-annual economic review. Braun, The German Economy, 183.
45 Braun, The German Economy, 183.
46 Braun, The German Economy, 184.
47 The act included which included repayable surcharges on corporate and personal income taxes in an attempt to dampen the boom and control inflation. Braun, The German Economy, 185.
48 Braun notes the competing imperatives that stagflation introduced: “in order to curb inflation overall economic demand would have required some dampening, in order to increase employment it would, however, have been necessary to take completely different measures.” Braun, The German Economy, 185.
the general anxiety over inflation, the Bundesbank maintained is focus on price stability. Although the decision was appropriate from within the prevailing discourse, it was also a policy that likely hindered job creation and prolonged the downturn.\textsuperscript{49} Policymakers struggled with uncertainty in this new situation, as elements that were supposed to complement each other within the \textit{sozale Marktwirtschaft} – price stability and stable employment – were now in conflict. In June 1972 the Cabinet acted on a Bundesbank recommendation to institute tight currency and exchange controls, which Schiller viewed as an unacceptable constraint on the free market and the first step towards additional controls over the economy. Schiller resigned and was replaced as Federal Finance Minister by Helmut Schmidt.\textsuperscript{50}

The social component to economic and employment policy saw moderate expansion in this period. Brandt’s 1972 call to “humanize” work prompted greater attention to the work-life balance, to conditions in the workplace, and to the growing role of technology. Concretely, the idea of humanizing work was combined with that of “model Germany” (bricolage) yielding an expanded understanding of \textit{Modell Deutschland} encompassing social, economic, and technology policy.\textsuperscript{51} The trope was also \textit{joined} to SPD efforts to expand \textit{Mitbestimmung}, leading to an expansion of the co-

\textsuperscript{49} Braun, \textit{The German Economy}, 185-186.

\textsuperscript{50} Braun, \textit{The German Economy}, 186.

determination law to all enterprises with more than 1,000 employees.\textsuperscript{52} Brandt’s call also resulted in the expansion of workplace safety measures and increased attention to the issues facing foreign (“guest”) workers.\textsuperscript{53} These steps took place even as the 1973 oil shock exacerbated the economic downturn. Despite several additional anti-cyclical programs in 1973 and 1974, the economy slipped into recession 1974-1975 as unemployment, inflation, energy costs, and public expenditure all increased.\textsuperscript{54}

The extension of Mitbestimmung and implementation of other workplace measures in this environment is significant in that it demonstrates how the “default” policy response in the midst of a worsening crisis and growing uncertainty was to look back to the building blocks of the \textit{soziale Marktwirtschaft} to guide policy choices. Although some measures, such as Schiller’s increased use of planning and state intervention, represent modifications, the dominant response from both major parties during this period of economic crisis and stagnation was to interpret challenges and new information, and develop policy responses, through the lens of the overarching \textit{soziale Marktwirtschaft} discourse. Overall, attempts to stimulate the economy and address

\textsuperscript{52} Fulbrook, \textit{A Concise History of Germany}, 231.


\textsuperscript{54} Braun notes that the anti-cyclical interventions fueled inflationary expectations which, in turn, influenced wage negotiations. Employees secured significant wage increases, but this placed additional pressure on industry profits and further hampered employment growth. A relaxation of fiscal and monetary policy in 1975 led to a moderate upswing, followed by a continuation of moderate up- and downswings. A comprehensive fiscal reform and the 1975 “Law for the Improvement of the Federal Budget Structure” (\textit{Gesetz zur Verbesserung der Haushaltsstruktur}) cut state expenditures and interrupted the pattern of anti-cyclical policy interventions. Braun, \textit{The German Economy}, 173.
high unemployment through the late 1970s were “moderately successful” as public sector deficit fell from 6 to 3% of GNP by 1979, unemployment decreased, and the inflation rate fell to 2.7%.55

Within this period, 1975 constitutes a miniature “break point” in that the SPD-FDP government started to move towards (or return to) a supply-side, neoliberal emphasis in economic policy. This shift was grounded in a new interpretation of the upswing-downswing cycles, wherein unemployment was reconceptualized as resulting from insufficient private investment, not from lagging consumer demand. As a result, lowering taxes, interest rates, and social state expenditures to stimulate investment and increase productive capacities became the appropriate response. According to the main proponent of this interpretation, the Council of Economic Experts, such steps would increase employment and employee purchasing power without stimulating inflation. This diagnosis was disputed by many in the SPD, including the trade union wing, who instead argued that wage increases, lower taxes, and continued state steering would strengthen demand and overcome unemployment.56

Even as 1975 marked contestation among the parties and the beginning of a gradual consolidation process, the changes took place within the boundaries of the soziale Marktwirtschaft discourse, as neither set of options represented a fundamental break. Economic questions were still primarily interpreted in terms of employment and

56 Braun, The German Economy, 187-188.
inflation rates, and these remained at the heart of the discussion even as the government shifted towards supply side strategies. The second oil shock in 1979 once again cut into economic growth, led to a rise in unemployment, and triggered the collapse of the governing coalition fell apart, the basic consensus held. The persistence of high public debt through the 1977-1979 upswing and a sharp rise in unemployment in early 1982 led to an employment creation package that centered on stimulating investment.\textsuperscript{57} Frustrated with increases in public spending, the FDP left the government and formed a new coalition with the CDU/CSU under Helmut Kohl.

The new coalition continued the (moderate) supply-side emphasis that had started under the previous government, focusing primarily on reducing the size of the public sector and shifting resources to the private sector to encourage growth. Privatization, reductions in public spending, and encouragement for small and medium-sized enterprises were central components of the Kohl government’s strategy.\textsuperscript{58} Although framed as a fundamental policy “turn” (\textit{Wende}) away from the prior coalition, these initial steps are notable in that they were no great distance from the policies of the previous SPD-FDP coalition (which, in turn, were not all that far from the policies of Adenauer, Erhard, and Schiller). Critically, the new government would not embark on a radical program of privatization and restructuring as was undertaken in Britain.

\textsuperscript{57} Braun, \textit{The German Economy}, 189.
\textsuperscript{58} Braun, \textit{The German Economy}, 189-190.
Under Kohl, the major reforms in economic policy concentrated on questions of employment. A new “Employment Promotion Act” was passed in 1985 (extended 1990) relaxed restrictions on hiring and firing workers on short term contracts and legalized new forms of short-term and part-time work, which had the effect of introducing flexibility into labor markets even as unions protested against the measures.\(^{59}\) Although modest growth returned in the mid-1980s, together with continued price stability, unemployment continued to grow, reaching 8.7% in 1985, up from 7.5% when Kohl came to office in 1982.\(^{60}\) In response, the government experimented first with efforts to reduce the number of jobs in the labor market by removing people from the labor market, and then later turned to experiments with ALMP. Reforms to the employment promotion laws in 1986 allowed waived the requirements to accept an offer of employment for unemployed individuals aged 58 or older, effectively allowing an early retirement via the unemployment system.\(^{61}\) Early retirement policies for the employed, first instituted in the final years of the SPD-FDP coalition, were continued under Kohl in an effort to free up employment opportunities for younger workers. Although retirement at 65 had been the tradition since the 1957 pension reform, by 1980 it was possible to leave the labor market at 57 and draw a


special early retirement payment until a full pension kicked in at age 60.\textsuperscript{62} Under Kohl, the costs that such measures placed on the social security budget became apparent, and some of the more generous early retirement provisions were tightened. Although the pensionable age was gradually increased back to 65, retirement at 62 with limited benefits was still possible, and was an option regularly exercised by older workers.\textsuperscript{63} These policy experiments carried the dual goal of ensuring the solvency of the pension system as well as making the transition from work to retirement more flexible.\textsuperscript{64}

Over the mid-1980s, employment policy zigzagged between slightly more generous measures and a focus on activation, followed by a renewed focus on restrictions and sanctions. Although the general trend in social spending was towards consolidation, job creation measures were expanded, albeit with mixed results.\textsuperscript{65} Concern mounted over the growing number of long-term unemployed, which had

\textsuperscript{62} The 1957 pension reform first introduced the option of early retirement; a 1972 reform (taken during an boom cycle) lowered the pension age to 63; the 1979 reform lowered the age for the severely handicapped to 61, and then to 60 in 1980, by which time most workers were allowed access to early retirement schemes. Jens Alber, “Recent Developments in the German Welfare State: Basic Continuities or a Paradigmatic Shift?” in Changing Patterns of Social Protection, ed. Neil Gilbert and Rebecca A. Van Voorhis, (New Brunswick: Transaction Publishers, 2003), 50-51. The possibilities of “pre-retirement” arrangements and “partial pensions” were negotiated in collaboration with the unions and employers in 1984 and 1992, respectively. Ibid., 52-53.

\textsuperscript{63} The 1989 pension reform act (instituted 1992) phased in an increase of the retirement age from 60 back to 65 through 2001, and a subsequent 1996 act accelerated the age limit increase. Alber, “Recent Developments in the German Welfare State,” 51-52.

\textsuperscript{64} Alber, “Recent Developments in the German Welfare State,” 53. Alber also notes that the reforms gradually erased categorical distinctions (disability, gender, etc.) that were a part of the initial early retirement schemes, making the program more “universal” in the process. Ibid.

\textsuperscript{65} Employers complained about the creation of a “secondary job market” that would hamper competition and harm the free market. Although job creation measures reached a high proportion of the unemployed (84% of participants were judged to be in hard-to-reach groups), only 22% secured a job, of which 9% were hired by the training program in which they participated. Schmid and Oschmiansky, “Arbeitsmarktpolitik,” 271-272.
increased from 18% to 32.6% of all unemployed 1982-1988. In 1994 the receipt of unemployment benefits was limited to one year, in 1996 the level of social assistance benefits (collected after unemployment insurance had expired) was reduced, a 1997 reform abolished the requirement that any offer of employment must correspond to the recipient’s level of training, and wage-subsidies for hiring the long-term unemployed were introduced in 1998. In a side-effort that reflected the “traditional” family roles embedded in the German social state, the Kohl government scaled back its efforts to encourage women to join the workforce, noting “a career is, for us, not just activity outside of the home. Activity at home and for children is of equal worth and should be recognized as such.”

Even though the Kohl government did not directly challenge the unions with a privatization program in the sense of Thatcher in Britain, tensions among labor unions, employers and the government weakened the “social partnership” tradition in industrial relations over the 1980s and 1990s. Because German policymakers did not have the full range of tools to address rising unemployment (e.g. Keynesian monetary policy and demand management) that were available elsewhere, they increasingly resorted to fiscal...

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consolidation and pressure on the unions for self-restraint.\textsuperscript{70} In response, unions pressed for a restoration of full employment and reduction in working hours. In 1984 \textit{IG Metall}, the peak organization for the metalworking industry, won one of the last major strike actions in Germany, securing a 35-hour work-week but conceding to employers on questions of working-time flexibility. The power of employers on the shop-floor and with regard to wage and labor relations in individual firms increased, and over the 1980s the balance of power gradually shifted away from both unions and peak employers organizations as wage bargaining became increasingly decentralized.\textsuperscript{71}

Although the relationship between unions and government was no longer as amicable as it was in the 1970s, the strength of the unions and the tradition of social partnership prevented an overtly anti-union policy such as that instituted by Thatcher.\textsuperscript{72} For example, measures in 1985 and 1986 barred workers laid off as an indirect result of indirect from collecting unemployment benefits faced significant opposition from the trade union wing of the CDU, which argued that workers shouldn’t be forced to bear the costs of a strike that they did not institute.\textsuperscript{73} However, the bankruptcy of a union-owned real estate company (\textit{Neue Heimat}) in 1987 gave Kohl additional ammunition against

\textsuperscript{70} Streeck and Hassel note that the independence of the \textit{Bundesbank} protected unions from “Keynesian illusions and located responsibility for employment within the system of free collective bargaining.” Streeck and Hassel, “The Crumbling Pillars of Social Partnership,” 104.


\textsuperscript{72} Streeck and Hassel, “The Crumbling Pillars of Social Partnership,” 106.

\textsuperscript{73} The reform to the \textit{Beschäftigungsförderungsgesetz} was designed to alter the calculation of unions resorting to strikes by making them sensitive to the peripheral effects that such actions might have. Streeck and Hassel, “The Crumbling Pillars of Social Partnership,” 106; Alber, “Recent Developments in the German Welfare State,” 54.
the unions, leading to a 1988 deregulation committee tasked with introducing flexibility in the labor market. At the same time, attempts were made to preserve the neo-corporatist arrangements that had developed in the postwar era. A 1995 “Alliance for Jobs” (Bündnis für Arbeit), requested by IG Metall, brought together unions, employers, and the state in an attempt to reach a cooperative industrial relations agreement. The unions offered wage concessions in exchange for government guarantees to forego social policy cuts, but the proposal foundered on the resistance of the FDP and the Federation of German Industry. The government enacted the 1996 Program for Economic Growth and Employment, which involved cuts in sick pay and pension credits and an increase in the retirement age.\footnote{The unilateral action on the part of the government after the breakdown of negotiations contributed to a union-government rift that was not bridged until Schröder came to power in 1998, Streeck and Hassel, “The Crumbling Pillars of Social Partnership,” 108. As part of the 1996 Program, the Bundestanstalt für Arbeit also lost its monopoly on employment services, as a consequence of new EU competition laws—an early instance of the EU impact on employment policy. Liebfried and Obinger, “The State of the Welfare State,” 212.} Taken together, these developments challenged, but did not completely break with, the principles of Mitbestimmung and Tarifautonomie established in the postwar period.

Finally, the 1990 reunification presented tremendous challenges to the German economy and society. Because reunification was handled primarily through the instruments and policies of the social state, it is discussed in more detail below. For economic policy, and employment policy more specifically, reunification had the effect of temporarily reviving the damaged social partnership, as Kohl recognized the need to mend fences with unions in order to prevent the growth of the political left, especially in
the new federal lands, built on union disillusionment. Given the immense strain on the German economy, one of Kohl’s overarching objectives was to avoid tax increases while also containing the rapidly increasing national debt. A large portion of the reunification costs were soaked up by “para-fiscal social security funds” that paid for early retirement and other labor market programs. As with many decisions taken during the rapid reunification process, politics (and public perception) trumped pure “economic” considerations. For example, the West German system of wage bargaining was extended to the East, where no such system existed and where the structure of firms was unsuitable for such arrangements. Although the government’s actions are understandable in terms of public perception and political expediency viewpoint, they are best explained through the lens of the overarching soziale Marktwirtschaft discourse, which posited a set of proven, and appropriate policy options.

Taken together, these developments in economic policy represent tentative a probing in new directions, but not a fundamental break with the soziale Marktwirtschaft discourse. Even though Kohl had a majority in the Federal Council (Bundesrat)

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77 Wiesenthal, “German Unification and ‘Model Germany’,” 39, 45.
78 As is discussed in more detail in the concluding sections, even though the institutional transfer from East to West appears as a basic case of continuity, a path dependent logic is not sufficient to explain the choice because reunification constituted a critical juncture in which any number of policy options might have been chosen. Indeed, the fact that the West German government chose not to us the reunification as an opportunity to reform policy in both West and East Germany. cf. Wiesenthal, “German Unification and ‘Model Germany’,” 48.
through 1991, which theoretically would have allowed the government to push through far-reaching reforms, the period is characterized by a consistent approach involving tightening in some areas (deregulation, benefits restrictions) and expansion in others (job creation measures). Overall, though, the period does not exhibit any clear pattern of retrenchment or reform. Of all of the measures discussed above, the 1997 “Labor Promotion and Reform Law” would prove consequential in the subsequent Schröder government.

**Social Policy**

Similar to the employment policy field, the overall trend in social policy during this period was one of continuity. The expansion and “universalization” of social policy tapered off in the late 1960s and early 1970s, with 1975 (under the SPD-FDP coalition) again constituting a minor break point within this larger period. As with employment policy, the CDU/CSU-FPD government tightened some areas of social policy, but did not undertake a comprehensive privatization program such as that seen in Britain under Thatcher. In general, insurance-based programs took on a greater share of social

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expenditures and spending on old-age and health programs increased, despite attempts at a consolidation program.\textsuperscript{80}

Brandt’s 1972 call to “humanize work” also had important ramifications for social policy, most notably in the way in which it put themes of gender equality, education, and family policy onto the agenda.\textsuperscript{81} The early 1970s also saw the expansion of health insurance funds to all white-collar employees (1971), the expansion of pension insurance to the self-employed and to housewives (1972), and the incorporation of students into the health insurance system (1975).\textsuperscript{82} As the economy slipped into stagnation after the 1973 oil shock, the pattern of regular increases in the social budget social budget (\textit{Sozialbudget}) against the prior year dropped from rates of 13-14\% (1970-1975) to annual increases of about 5\%.\textsuperscript{83} Consolidation became a new theme that would carry through to the Kohl government, though as with employment policy an uncoordinated pattern of cuts in some areas and expansions in others left the impression that “nothing really happened” despite the decrease in expenditures.\textsuperscript{84}

\textsuperscript{80} Liebfried and Obinger, “The State of the Welfare State,” 206. In addition, the share of insurance contributions has gradually shifted from the employer to the insured since the 1960. Ibid., 207.

\textsuperscript{81} Geyer, “Gesamtbetrachtung,” 906.

\textsuperscript{82} Geyer, “Gesamtbetrachtung,” 899.


\textsuperscript{84} Geyer also notes that the complexity of the German system, and the fact that cutbacks in the social budget were offset by increases elsewhere. Geyer, “Gesamtbetrachtung,” 894.
Early cuts focused on reductions to social assistance programs (the benefits paid to those who either had no prior employment or had exhausted the unemployment insurance benefit duration). Reductions began under the social-liberal coalition with the 1981 reduction of social assistance benefits by postponing regularly scheduled increases in the benefit level. The Kohl government would continue this policy, capping the rate in 1982 and again in 1983. In a decision with more far-reaching implications, the 1993 act curtailing social assistance suspended benefit adjustments altogether and redefined the standard of need as providing only “indispensable” an indispensible standard of living.\textsuperscript{85} This was the first attack on the Lebenstandardsicherung principle that had been established in the postwar period. More generally, though, early adjustments to social policy reflected the soziale Marktwirtschaft focus on workers and on individual initiative by first targeting those who had not participated in the labor market, or those farthest removed from it.

Health care spending and increasing health care costs were an area of particular concern for the Kohl government. Early consolidation measures included a reduction in the level of sickness benefits (1983, and again in 1996).\textsuperscript{86} The 1988 health care reform represented a more comprehensive effort at cost containment.\textsuperscript{87} After several years of

\textsuperscript{85} Alber, “Recent Development of the German Welfare State,” 33.
\textsuperscript{86} Alber, “Recent Development in the German Welfare State” 33. The 1996 reform reduced the wage levels for the first 6 weeks from 100% to 80% and the replacement wage for the subsequent period from 80% to 70%.
work, Norbert Blüm, Minister for Labor and Social Affairs (1982-1998), unveiled 10 new principles centered on the idea of cost reduction (Kostendämpfungspolitik), and Kohl endorsed the concept of a thorough reform in his 1987 State of the Nation address.\textsuperscript{88} In general, the reform law emphasized individual responsibility (through preventative care and co-payments, for example), strengthened cost-effectiveness requirements on services and providers, and emphasized transparency in services and pricing information.\textsuperscript{89} For all of this, the reform is evaluated as another example of continuity. Several elements in the law, such as the reform of doctors fees, had already been passed by the SDP-FDP coalition before the 1982 election and were simply adopted into the bill. More generally, the 1988 reform reinforced principles of the Bismarckian health insurance system, rather than departing from them.\textsuperscript{90}

One of the most substantial reforms of the period came with the 1992 pension reform (passed 1989). After struggling with shortfalls in the pension plan over the 1980s and the failure of successive stopgap measures (typically increased contribution rates), pressure for a complete overhaul intensified across all parties.\textsuperscript{91} Proposals that entailed a fundamental break with the Bismarckian pension system (such as a “basic income” supplemented by private insurance) were quickly dismissed by the

\textsuperscript{88} Wasem et. al, “Gesundheitswesen,” 401-403.
\textsuperscript{89} Wasem et. al, “Gesundheitswesen,” 404.
\textsuperscript{90} Wasem et. al, “Gesundheitswesen,” 409. Schmidt notes that the reforms to health care were “system true” in maintaining the system inherited from the 60s and 70s. Schmidt, “Gesamt betrachtung,” 775.
government, and discussions concentrated on how to make the existing system financially sound.\(^9\) Kohl’s 1987 State of the Nation address emphasized the commitment to a contribution-based system and the Lebenstandardsicherung principle, and the governing coalition reached internal agreement in late 1988.\(^3\) Critically, the final version of the law was developed in consultation with the opposition SPD, a rarity that Rudolf Dreßler (SPD) attributed to the centrality of pensions to the Sozialstaat.\(^4\) The most significant reforms included a modification of the contribution scheme, breaking the contribution link with gross wages and linking them to net wages, a gradual increase in the retirement age over time, a new finance mechanisms based on revenue into the system rather than a guaranteed living standard, and the introduction of a “partial pension” for early retirees.\(^5\)

Despite the fanfare around the “historic day” of the law’s passage, the general thrust was to uphold the insurance principle that underpinned the original, Bismarckian pension system, albeit with some consolidation of benefits, leading to the derisory trope of “switching yard politics” (Verschiebebahnhofspolitik), denoting the overall strategy

\(^9\) Proposals from both CDU members (Kurt Biedenkopf and Meinhard Miegel) as well as elements of the Green Party for a “basic pension” (Grundpension) in the sense of a basic minimum income were quickly dismissed by the government. Schmäl “Sicherung bei Alter, Invalidität und für Hinterbliebene,” 347, 357.
of moving funding streams and benefits around without any true reform. A subsequent 1997 reform broke with the consensual approach to pension policy and the reform, which took effect in 1999, introduced a new “demographic component” that incorporated average life expectancies into benefit calculations. Overall, the pension reforms proved immensely unpopular and contributed to Kohl’s 1998 electoral loss as Schröder promised to reverse the reforms if elected.

German reunification had a much more substantial impact on social policy than did the isolated reform and cost containment efforts from 1968-1990. Viewed from the outside, the shock of unification and the collapse of economic, political, and social institutions in East Germany would seem to have offered the opportunity for reform in West Germany. Yet it is critical to recognize both the “draw” of the soziale Marktwirtschaft as well as the manner in which West German policymakers viewed existing institutions and policies as a “ready made” solution for the East: “In order to pre-empt protests, the federal government had refrained from using unification as an opportunity to reform and retrench German social insurance benefits, and instead extended full coverage to all East Germans.” Instead of constituting a critical juncture that set off a new path of institutional development, reunification was actually another point on the relatively continuous course of social policy development in postwar Germany.

98 Wiesenthal, “German Unification and ‘Model Germany’,” 48.
In general, the question of how to deal with the uncertainty and the challenges of unification, as well as post unification dissatisfaction, were all framed in terms of social justice, even as the overarching interest was often (purely) one of securing a piece of the redistributive pie. On the one hand, social justice claims held great popular appeal and were more difficult to deny, especially given the narrative concerning the “promise of joining the west” that had been present throughout the Cold War and Germany’s division. The Sozialstaat was a critical part of West Germany’s draw for decades, and to reform it just at the moment of unification could have unsettled the entire unification agreement. As such, transferring the Sozialstaat 1:1 was the only option actually available to policymakers at the time. Retrospective accounts that present unification as a missed opportunity overlook how the overarching discourse shaped policymakers’ views of the situation and, quite simply, made the extension of the Sozialstaat the logical and appropriate policy response. As Wiesenthal observes, unification actually strengthened support of West German welfare state policies and institutions, rather than prompting a critique of the model that appeared to have been in stagnation prior to 1989/1990 (and still was after reunification). The institutional continuity favored by the

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99 Wiesenthal, “German Unification and ‘Model Germany’,” 44.
West matched the desire in the East to “swap the miserly socialist system of social security for the much more generous welfares state of a leading OECD country.”

In sum, social policy was also characterized primarily by continuity in the 1968-1998 period. In the latter part of this period, insurance-based programs took on a greater share of social expenditures and spending on old age and health programs increased (despite attempts at consolidation). In addition, the cost of insurance contributions has gradually shifted from the employer to the insured (individual) from 1960 onward. This continuity is largely explained by the central place that social policy took within the overarching soziale Marktwirtschaft discourse. Importantly, though, this was not the strict continuity of institutional path dependency. Rather, the zig-zag course, with expansions in some areas and cuts in others, consensus in some areas and conflict in others, has been characterized as an exploration of side “trails” (Trampelpfade) rather than adherence to a single path. Some of these paths, such as the series of pension reforms, would have far-reaching consequences after 1998.

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102 Wiesenthal, “German Unification and ‘Model Germany’,” 54. Wiesenthal goes on to note: “Empirical evidence overwhelmingly indicates that the Eastern Germans’ predominantly socialist sense of distributive justice translates into extraordinary levels of support for the status quo of the German welfare state. This organization and experience of unification have reinforced the normative bases of an unsustainable welfare state.” Ibid.
104 Schmidt characterizes social policy as one of the “holy cows” of German politics that was respected, even by policymakers intent on consolidation, in the 1980s and 1990s. Schmidt, “Gesamtbetrachtung,” 774.
105 Schmidt notes that some of these little paths do take one quite far away from the main path. Schmidt, “Gesamtbetrachtung,” 775.
Conclusions: Expecting Change, Explaining Continuities

In a 1976 speech, Müller-Armack foreshadowed the continuity that would characterize Germany up through the 1990s: “All protagonists of the current theory of market economics have expressed themselves so decisively against the possible renewal of ‘laissez-faire liberalism’ that her can no longer possible be any doubts on that issue.”106 Upon coming to power, Kohl in 1982, vowed to “renew the social market economy” and reorganize the division of labor between the state and market in favor of the market.107 Yet despite these promises, and numerous situations where changing material conditions would seem to demand a response, continuity was the hallmark of the 1968-1998. Amidst the turmoil of the 1980s, “the German’s followed a steady, almost majestic path” not due to institutional stickiness or path dependence, but because the model had carried Germany through other downturns, and as such “there seemed no good reason to reform.”108

The developments in Germany from the late 1960s through the late 1990s do make sense when viewed from a discourse-theoretic perspective. The overarching soziale Marktwirtschaft discourse that wove together economic and social thought and

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107 Both phrases are excerpted from Kohl’s 1985 State of the Nation Address, as quoted in Schmidt, “Gesamtbetrachtung,” 805, 793.
connected these ideas to Germany’s successful reconstruction and remarkable recovery was able to accommodate the new economic and social conditions facing Germany, providing policymakers with a lens through which they could interpret changing conditions, make sense of them, and develop policy responses that were viewed as appropriate and legitimate. As Müller-Armack noted, the social dimension in particular contributed to a shared understanding of markets as imperfect, requiring “sensible management” and “a social policy which does not just envisage man functionally as a producer and a consumer, but also takes into account his personal being.” With the reform of the SPD, both major parties in postwar Germany had converged on this broad set of ideas for understanding the economic and social world and developing policies.

Although there were variations in the degree to which the “social” or “market” elements were emphasized over the postwar period, it is clear that the *soziale Marktwirtschaft* was a system in which the German state was far more than the night-watchman of *laissez-faire* economics. Moreover, the reforms that did take place in this period do not correspond to changes in governments or coalitions. Moderation itself was a feature of the *soziale Marktwirtschaft* that focused on a “policy of the middle way” and social catastrophe due to the lessons learned from historical catastrophes.

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110 Nicholls notes that the citizen was supported not just through features such as *Mitbestimmung* or social insurance, but also through a network of support from the community (*Gemeinde*) as well as from the state and federal levels through free education, industry apprenticeships, state-funded adult education, and subsidized health care. Nicholls, *Freedom with Responsibility*, 392.
Discursively, this set of ideas, institutions and policies legitimated (limited) state intervention into the economy and society, and also de-legitimated a radical retrenchment or privatization program such as that undertaken by Thatcher and the Conservative party in Britain. Asked about Thatcher, Norbert Blüm, Minister for Labor and Social Affairs (1982-1998) replied: “Maggie Thatcher is not a model for structural transformation. Our social tradition is cooperation and respect.”

At the same time, though, the first cracks started to appear in the soziale Marktwirtschaft consensus towards the end of the 1990s. The breakdown of the social partnership, the decentralization of wage bargaining, and the souring of relations between the government and peak organizations highlighted central fissures in the cooperative industrial relations system that had grown up in the postwar era. The late 1990s debate on Standort Deutschland concerning Germany’s economic competitiveness as the ramifications of unification became clear was one early indicators of new thinking on labor market relations and a precursor to discussions on ALMP under the Schröder government. The most important reforms, though, were the areas of pension and employment policy that broke with the Lebenstandardsicherung principle that had underpinned social policy since 1957. Reforms in both pension and employment policies under Kohl broke this linkage and specified a new link between these policies and the “revenue-oriented expenditure policy” (einnahmeorientierte

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Ausgabenpolitik) principle. In policy terms, this denoted a shift from “open-ended need-satisfaction to budgeting and contribution-defined spending.” Discursively, this break and the new specification was inconsistent with the overall soziale Marktwirtschaft discourse.

In the same sense, the framing of the economic difficulties late in Kohl’s term also constituted an important discursive break. The continuity during this period that hindered a wholesale revision of the German social state can also be chalked up to a “pathology” contained within the overarching discourse. Economic slumps triggered an automatic response whereby rising unemployment was treated through the expansion of social insurance schemes (early retirement, increased labor taxation to support unemployment insurance costs). This approach was sufficient to bridge economic crises when followed by renewed growth, but the combination of economic stagnation, growing unemployment and rising social insurance costs through the late 1990s came to a head as the government sought to both constrain social spending while combating sustained economic stagnation. As the strategy of bridging crises through social spending was rendered untenable, Kohl cast attempts at containing social spending as a choice between welfare and growth. This framing of social policy cuts as a “choice” between two joined elements of the soziale Marktwirtschaft introduced another disconnect between the policies being implemented and what was viewed as appropriate.

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113 Alber, “Recent Developments in the German Welfare State,” 34.
through the overarching discourse. The move proved deeply unpopular and contributed to the 1998 electoral victory of Schröder and a Red-Green coalition over Kohl’s government.

Although these policy reforms unsettled important parts of the soziale Marktwirtschaft, they were not underpinned by new discursive frames that could weave together the changes into a more comprehensive story. As such, the policy experimentation under Kohl was the first step in the breakdown of the postwar consensus, but these tentative steps did not offer anything comprehensive to fill the void. Subsequent reforms lacked an underlying set of principles, which helps explain the way in which the Schröder government seemed to “cast about” for policy solutions and responses to the challenges facing Germany after 1998. Perhaps tellingly, frustration with the lack of direction in Germany in the late 1990s was expressed when, in 1997, Reformstau (reform traffic jam) was voted word of the year.116

Germany’s Third Way? Fractured Frames, Reluctant Reforms

In 1998 a Red-Green coalition under Gerhard Schröder (SPD) took power in Germany. Both economic and social policy had figured prominently in the debates leading up to the federal election, and the unpopularity of Kohl’s 1997 “Labor Promotion Reform Law” and of the 1997 pension reform law figured prominently in the

CDUs defeat. In choosing to ally with the Green Party Alliance (Bündnis 90/Die Grünen), Schröder’s government was also the first coalition since the Grand Coalition of 1966-1969, and only the second coalition in postwar history, to not include the FDP. The choice of coalition partners, together with an ongoing debate within the SPD on the direction of the party, signaled a tentative departure from the free market elements of the soziale Marktwirtschaft. Critically, though, the Red-Green Coalition had not articulated a comprehensive set of frames to replace the soziale Marktwirtschaft, and would struggle to do so over the course of the coalition’s time in power.

In general, contemporary Germany has been characterized as a laggard in labor market and social policy reform, or as a state incapable of comprehensive institutional and policy reform due to the high number of veto points inherent in its complex political system and multiplicity of entrenched interests.\footnote{Robert Henry Cox, “The Social Construction of an Imperative: Why Welfare Reform Happened in Denmark and the Netherlands, but not in Germany,” World Politics 53, no. 3 (2001): 463-498. Robert Henry Cox, “Reforming the German Welfare State: Why Germany is Slower Than Its Neighbors,” German Policy Studies / Politikfeldanalyse 2, no. 1 (2002): 174-196. Also, Wolfgang Streeck and Christine Trampusch, “Economic Reform and the Political Economy of the German Welfare State,” MPIFG Working Paper 05/2, Cologne: Max-Planck Institute for the Study of Societies, February 2005.} In fact, German economic and social welfare system has undergone substantial change over the 1990s and 2000s, in particular since the 1998 Red-Green coalition under Schröder and the institution of the Hartz reforms discussed below. However, these reforms have not been grounded in a cohesive discursive frame to lend coherence to the reforms and “make sense” of the new economic and social realities replacing the understandings of the soziale...
Marktwirtschaft. The failure to cast reform in terms that find cultural-historical resonance has meant that fundamental changes change in both the underlying principles and the content of German labor market and social policy remain tenuous and subject to ongoing challenge from competing discursive frames. Despite concrete reforms on paper and limited statistical evidence supporting the efficacy of labor market reforms, uncertainty and skepticism persist in Germany and reforms continue to have an ad hoc, “stop-and-go” nature markedly different from the comprehensive efforts in the UK and Denmark. Germany thus represents a case of where reforms have not been located within a cohesive discourse, meaning that the frames and tropes being debated are still open to contestation, and the policy and institutional change that has taken places has been “ad hoc” in nature and remains tenuous and open to reversal.

Lacking a cohesive discourse, fiscal crisis became the default justification for economic and social policy reform in Germany. However, as the trigger that often placed policy reform on the agenda, fiscal crisis alone sheds little light on the particular course that social policy reform has taken out of each of these crises. Attempts to make sense of these repeated crises and manage dislocation of the soziale Marktwirtschaft emerges as the primary explanation for the timing and particular course of economic and social policy reform in contemporary Germany. More specifically, the need to address a new fiscal crisis at every turn partially explains the zigzag, stop-and-go course that reforms have taken in Germany, but at the same time, a comprehensive discursive
frame that “makes sense” of these crises and new events has not emerged, as has been the case in Great Britain and Denmark.

As actors puzzle over the new challenges and new ideas in Germany, established economic and social policy fields are being reframed and redefined. For example, although debates over unemployment benefits have a fiscal component, they are rooted in differing ideas about labor market flexibility and how to cope with rises in part-time, short-term, and low-wage employment. Similarly, child and family care, an area traditionally left to informal or family-based support networks in Germany, has become a core element to the debate as the economic ramifications of female labor force participation together with changing gender norms are brought together into a single debate. Education policy has been shifted from an area traditionally outside the scope of social policies in Germany to a more fundamental component of both economic and social policy. In general, new understandings of the “appropriate” policies that belong to the economic and social policy spheres are emerging, but are not yet settled.

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The main economic and social policy reform efforts in Germany took place under the second Red-Green coalition that won election in 2002, with the *Hartz* reforms spanning the 2002 elections and the subsequent *Agenda 2010* being launched in 2003. Although the economic and social picture had not fully reversed or recovered from the dilemmas facing the Kohl government, much of the delay is explained by the fact that the Schröder government spent much of its first period in office searching for a coherent message and set of ideas. In discursive terms, the government lacked tropes and frames that resonated with the public, especially those with the requisite connection to cultural-historical resources necessary to make construct a set of compelling reform frames and communicate them to the public. In fact, it was a political scandal rather than an ideational breakthrough that triggered the main reform effort, the *Hartz Commission*, in 2002.

As highlighted in table 7.2 (below), the 1998-2005 period was characterized by a relative paucity of tropes and frames. This explains, in large part, the present difficulty with the shift towards ALMP in Germany. Schröder did advance a compelling frame of “innovation and justice” that contributed to his 1998 electoral victory. However, this frame was never joined to any specific policy and soon disappeared from the discursive landscape. The “equality among generations” frame did not find much resonance, primarily because it conflicted with the insurance principles that are deeply embedded in the German social model. Nonetheless, the continued shift of policies from the Lebenstandardsicherung to an einnahmeorientierte Ausgabenpolitik did have
the effect of *breaking* apart a specific understanding of the *Sozialstaat* as linked to status preservation and income-related benefits, and instead *specified* the meaning of the *Sozialstaat* as basic income security for all.\textsuperscript{120} In general, however, the discursive disconnect between the ideas presented by key actors and their reception on the ground, explains both the tenuous nature of the reforms undertaken in Germany under the Red-Green coalition and the general uncertainty that still prevails in Germany.

\textsuperscript{120} Alber notes that by the early 2000s, this idea had found some resonance across party lines, including portions of the FDP, the CDU, and the Green Party. Alber, “Recent Developments in the German Welfare State,” 29.
TABLE 7.2 – FRAMES, TROPES AND MECHANISMS IN GERMANY 1998-2005

Overarching discourse: None as soziale Marktwirtschaft is dislocated in the 1980s and 1990s.

Frames

- Equality among generations
- Innovation and justice

Tropes

- Krisenbekämpfung (crisis management)
- Politics vs. economics
- Lebenstandardsicherung (guaranteed standard of living)
- Einnahmeorientierte Ausgabenpolitik (revenue-oriented expenditure policy)
- “There is no alternative” (from Schröder)
- Fördern und fördern (require/challenge and assist/encourage)

Mechanisms

- Breaking
  - Sozialstaat broken apart from the assumption that it always contributes to growth, stability and from association with earnings-related social insurance schemes
- Specifying
  - Sozialstaat as basic income security for all, rather than status preservation and earnings-related social insurance schemes

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Translation (failed)

- Attempt to import 3rd Way ideas and frames from Britain
- Attempt to directly translate “rights and responsibilities” as *fordern und fördern*

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*From the soziale Marktwirtschaft to Hartz*

Contemporary economic and social policy reform in Germany begins with a series of 2002-2003 reforms under Schröder’s Red-Green coalition. However, a brief look back at the center-right coalition under Kohl is necessary to understanding the discursive disconnect that developed under the subsequent Red-Green government. As noted above, the Kohl government began experimenting with ALMP in the mid-1990s in an attempt to address mounting fiscal pressures and persistently high unemployment. Although the ALMP efforts were actually cost-cutting measures in disguise, the trope of fiscal crisis and the framing of reform as a necessity had started to unsettle the overarching discourse and created a feeling of uncertainty among the populace.

Two central elements of Kohl’s reforms did have lasting impact. The 1997 “Labor Promotion Reform Law” and the 1997 pension reform both emphasized reliance on the market mechanisms rather than a government guarantee to secure a standard of living (*Lebensstandardsicherung*). In doing so, Kohl effectively abandoned one of the principles that had underpinned German economic and social policy since WWII in favor
of an einnahmeorientierte Sozialpolitik. This moved marked the first explicit recognition that the German social welfare state might be part of the cause of economic woes, rather than just a solution.\textsuperscript{121} Moreover, it marked the breakdown of a consensus between major parties (CDU and SPD) and the unions that had persisted through the 1970s and 1980s.\textsuperscript{122}

As discussed in the previous chapter, the overarching soziale Marktwirtschaft discourse had framed the social state as a central element in the postwar economic recovery and reforms to core components (especially the social dimension) were not only viewed as a challenge to successful economic formula, but was also simply viewed as “taboo”.\textsuperscript{123} This consensus extended far beyond negotiated agreements on wage and employment policy and reflected a broader consensus that a social state was about not just about providing social security, but also was the basis for economic success. The partial decoupling of the social state from economic policy under Kohl turned a consensus based on the primacy of politics over the economy on its head and set the terms for a debate centered on a “politics vs. economics” trope. Seeleib-Kaiser characterizes this as a “globalization limits social policy” frame in which actors interpreted global competitive pressures as a threat (not as an opportunity, as seen in Britain), and specifically as a threat that created a zero-sum tradeoff between

\textsuperscript{121} Interview, IZA 2.
\textsuperscript{122} Interview, DGB; Interview, IZA 2.
\textsuperscript{123} Interview, IZA 2.
competitiveness and social policy.124 Abandoning the Lebensstandardsicherung was interpreted as a direct attack on a core value of the German social state, not least because the Kohl government framed social policy reform as a necessary evil in order to maintain competitiveness (the Standort Deutschland debate), yet the reforms were highly unpopular precisely because they cast the long held value of personal and social security against competitiveness as a zero-sum tradeoff.125

Moreover, the timing of the cuts late in Kohl’s term was not due solely to domestic political or fiscal pressure, but was also motivated by budgetary pressures stemming from EU Stability and Growth Pact in preparation for the institution of the European Monetary Union. Paradoxically, though, the Kohl government generally disregarded the nascent EU dialogue on economic and social cohesion (from the 1994 Essen Council) that emphasized growth through activation and flexibility and cast competitiveness and flexibility as complimentary components of a modern welfare state. Despite the availability of this rhetorical resource, the Kohl government continued portrayed welfare cuts and economic competitiveness as a trade-off.

In 1998 Schröder and the SPD campaigned on a platform of addressing economic issues such as unemployment and lagging competitiveness while maintaining social protection. As part of the campaign, Schröder contributed two additional frames:

125 Cox, “Why Germany is Slower Than Its Neighbors.”
“equality among generations” reflecting questions of individual and family social risks rather than traditional wage-earner concerns that informed the Bismarckian social insurance model, and “innovation and justice” as a theme that proved instrumental in the 1998 electoral victory. Upon gaining office Schröder’s Red-Green coalition quickly reversed some of the more controversial reforms from the Kohl government (e.g. the 1999 pension reforms) while pressing ahead with other labor market reforms.126 Critically, though, the Red-Green coalition lacked an overall strategy for labor market and social welfare reform when it took office in 1998.127 As noted above, the Schröder government struggled to find a cohesive approach or a set of frames and ideas to organize their efforts. For a brief time, Schröder attempted to emulate the Third Way approach of Tony Blair, going so far as to develop a joint paper with the New Labour. However, in an example of failed translation, the effort to simply “import” British ideas into the German context failed to attract any support.128 Given the lack of connection to any cultural-historical resources that would underpin such an attempt, it is not surprising that it failed to gain any traction.

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127 Interview, Former Chancellery Officer. It is important to note that a comprehensive (policy) strategy is not the same as a discourse. However, the lack of a cohesive view concerning the challenges facing a government that, in turn, would help select certain appropriate responses, is an indicator that no overarching discourse had been articulated. This is a clear contrast to the approach of New Labour under Blair, which came to power with a cohesive set of tropes and frames that then captured the discursive landscape.
128 Interview, Former Chancellery Official.
Over the next several years, most major policy initiatives were announced only when a crisis presented itself, with coordination across the government or party and without reference to a broader social and economic vision. This “stop and go” or ad hoc approach was to become characteristic of Schröder’s reform efforts. Lacking a comprehensive discursive frame that created a new way of thinking about economic and welfare policy, as was the case in Denmark and the UK, the Red-Green reform initiatives remain a much more disparate group of policies that have been poorly understood and are subject to contestation and change.

Policy Change 1998-2005

Against this backdrop, Schröder initially attempted to address economic and social policy issues using the tripartite “roundtable” approach (Bündnis für Arbeit) first attempted under Kohl. The effort failed, though, largely due to the intransigence of the parties “trapped in their own paradigm” that refused to recognize the social state was part of the problem—indeed, one that was “strangling the labor market.” The major initiatives then undertaken by the Red-Green coalition, the Hartz Commission and the Agenda 2010, were primarily targeted at a reform of employment and labor market policy, and are treated under the economic policy subsection below. Both the Hartz

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129 Note that the following sections rely heavily on the semi-structured interviews conducted with policymakers and experts involved in the reform processes described. Because only limited evidence exists as to the impact or efficacy of these new policies and institutions, the discussion and analysis focuses more explicitly on the framing and reception dimensions.  
130 Interview, Former Chancellery Official.
Commission and the Agenda 2010 achieved substantive reform and also challenged prevailing discursive frames by characterizing reforms for greater competitiveness as the route to greater social security. Reforms in the social policy sphere centered around the continued expansion of family and care policy as well as on a major pension reform, the Riester-Rente, named for its author, Walter Riester (SPD, Minister of Labor and Social Affairs 1998-2002). Although these reforms represent the first steps in the rejoining of economic and social policy in Germany, they were not been grounded in an overarching discourse, as has been the case in reform efforts in the other cases studied here. As such, the new frames that grew out of this process were neither cohesive nor comprehensive enough to completely supplant older ideas, leaving the German social state and broader social model in flux.

Economic Policy

The primary changes in the economic policy sphere centered on the reforms to the employment and labor market undertaken through the Hartz Commission. The Commission was convened in the spring of 2002 during the run-up to federal elections, in the face of high (and rising) unemployment and in direct response to a corruption scandal within the job placement service of the Federal Labor Ministry.\textsuperscript{131} The Commission’s final report, issued in August 2002, contained detailed recommendations

\textsuperscript{131} Specifically, the job placement agency in charge of active labor market policies had been falsifying their placement numbers to hide a budget deficit and low levels of efficiency. Achim Kemmerling and Oliver Bruttel, “‘New Politics’ in German Labour Market Policy? The Implications of the Recent Hartz Reforms for the German Welfare State,” \textit{West European Politics} 29, no. 1 (2006): 91.
on improving the efficiency of public service agencies and increasing labor market flexibility. Implemented in four “acts” (*Hartz* I-IV) from 2002 through 2005, the reforms entailed a substantial reorganization of the public employment service (PES) in charge of job placement and training schemes, a far-reaching overhaul of the social insurance and assistance schemes, and new activation measures to increase labor market participation and “make work pay.”

Of these reforms, the changes to the unemployment and social assistance schemes are the most dramatic departure from the previous principles of the *soziale Marktwirtschaft* and the insurance principles of the Bismarckian welfare state. The previous system built around three types of unemployment measures (unemployment benefits, unemployment assistance, and social assistance) closely coupled to prior earnings was streamlined into one limited earnings-related benefit and one tax-financed benefit (*Arbeitslosengeld* I and II). In addition, eligibility criteria have been tightened, benefit durations shortened, and the receipt of benefits has been more closely linked to participation in job training programs. The reforms also incorporated some elements of the rights and responsibilities agenda seen in Denmark and the UK, termed “*fordern und fördern*” (require/challenge and assist/encourage) in the German case.

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132 Kemmerling and Bruttel, “‘New Politics’ in Germany Labour Market Policy?” 92.
133 Under the previous system individuals moved from the income linked unemployment benefit to means-tested assistance after 32 months, and then eventually to means-tested social assistance linked to the municipalities. Under the new system, the income-related benefit lasts a maximum of 12 months, and then move to the means-tested benefit which, for workers with previously good salaries, represents a much sharper cut in incomes. Kemmerling and Bruttel, “‘New Politics’ in German Labour Market Policy?” 96.
However, the attempt at translating these ideas from abroad has been difficult, as the tropes don’t have a cultural-historical grounding in the German context. One official noted the difficult that many had in coming to terms with a new system (of *fordern und fördern*) that is widely perceived to place the guild on the homeless or unemployed, and that the implicit stigmatization of such themes is new to Germany—a clear distinction to the “rights and responsibilities” frame in Britain, as well as to the empowerment emphasis on ALMP in Denmark discussed in the next chapter.\footnote{Interview, BMAS 1.}

Though concrete evidence on the impact of the reforms in terms of job placements or budget cuts is limited, most accounts agree that the ideas behind the *Hartz* reforms constitute a substantial break in German labor market and social welfare system principles.\footnote{Interview, IZA 1.} Most importantly, the shift from a contribution-based to a tax-funded basis for unemployment benefits severed the 100-year old link between employment record (and contributions) and benefits, and thus represented a break with Germany’s Bismarckian social insurance scheme. Other elements, such as the fact that individuals of working age are to look for, and be available for, work, represents an important change from a “caretaker” social welfare state.

The *Hartz* reforms are also characterized by internal contradictions. Although new labor market policies were couched in the language of activation, the reforms cut federally funded and administered training programs and transferred these

\footnote{Interview, BMAS 1.}

\footnote{Interview, IZA 1.}
responsibilities to local and regional job-placement agencies as unfunded mandates, creating a cognitive disconnect between the language of training and activation and a *de facto* situation focused on job placement alone. As such, the ALMP element does not have much to do with activation (as compared to the British and Scandinavian experiences), but instead served as appealing language to cover reforms actually focused on cost cutting. Similarly, social caseworkers have been hesitant to apply the “stick” of requirements or threatened benefit cuts as part of the *fördern und fördern* approach due to a deep-seated cultural belief that the social state is there to provide assistance, not remove it from needy individuals. The fact that the *Hartz* reforms challenge fundamental principles on the one hand, yet lack consistence in both substance as well as in public presentation, has led to substantial confusion and skepticism throughout German society.

Following almost directly on the heels of the *Hartz Commission*, Schröder announced another set of reforms, the *Agenda 2010*, at a major policy speech in early 2003. Having narrowly won re-election yet lost the majority in the upper house of Parliament, in 2002, the Chancellor’s office had developed *Agenda 2010* behind the scenes in the winter of 2002. The secrecy was deliberate, as the German welfare state still faced a fiscal crisis and, as the experience of the Kohl government had shown, simple cost-cutting measures were extremely unpopular. Although *Agenda 2010* was

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136 One official characterized the educational component as “a joke.” Interview, DGB.
137 Interview, Former Chancellery Official.
138 Interview, IZA 2.
139 Interview, IZA 1.
cast in terms of labor market flexibility and competitiveness, it was in fact about solving this fiscal crisis.\textsuperscript{140} Agenda 2010 reduced unemployment and sickness benefits, eased hiring and firing restrictions, introduced a major tax cut, and incorporated the final two acts of the Hartz Process (Hartz III and IV).\textsuperscript{141}

Although the programmatic elements of the Hartz reforms and the Agenda 2010 fit together in some sense, a lack of a comprehensive frame linking the various reform initiatives led to confusion, mistrust, and discontent on the part of the public, manifested through dramatic electoral defeats for the SPD in state elections in Bavaria (September 2003) and Hamburg (March 2004).\textsuperscript{142} Difficult choices for reform were framed by Schröder in the language of “I’m better than the alternative” and “there are no other alternatives.”\textsuperscript{143} Paradoxically, such language echoed the zero-sum logic of the Kohl period despite attempts to avoid this very mistake, and served to provoke a range of contesting frames and popular discontent against the reforms. The resulting debate in both popular and policy circles focused on the losers of the moment (“\textit{wer blutet}”, or “who’s bleeding”) rather than a long-term timeframe.\textsuperscript{144} Any discussion of the fact that such reforms were necessary to guarantee the long-term survival of the social welfare

\textsuperscript{140} Interview, Federal Chancellery Official.
\textsuperscript{141} Streeck and Trampusch, “Economic Reform and the Political Economy of the German Welfare State,” 15.
\textsuperscript{142} Streeck and Trampusch, “Economic Reform and the Political Economy of the German Welfare State,” 15. Interview, IZA 1.
\textsuperscript{143} Interview, DGB.
\textsuperscript{144} Interview, BMAS 2.
state was displaced by a focus on short-term cuts and benefit reductions.\textsuperscript{145} Though policy experts considered the \textit{Hartz} and \textit{Agenda 2010} reforms to contain many of the “right ideas” concerning labor market flexibility and social welfare reform, the risk of initiating reform from the top down was either not considered either not taken consciously or grossly underestimated.\textsuperscript{146}

\textbf{Social Policy}

As with the economic sphere, social policy reforms under the Red-Green coalition were also characterized by an ad-hoc approach that was not grounded in a cohesive set of frames. One of the most striking characteristics of the period, however, is the relative lack of discussion on social themes. On the one hand, the attention on the \textit{Hartz} process served to frame most questions in terms of employment policy. On the other, several observers have noted that a countrywide discussion on the social themes didn’t take place on account of the fact that many initiatives were nearly unilateral efforts of the Chancellor’s office.\textsuperscript{147}

Given the contentious nature of the social partnership at the end of the Kohl regime, there were high hopes for Schröder’s 1998 \textit{Bündnis für Arbeit}. However, as noted above, the fact that each of the main partners (unions, employers, and the government) was still locked into prior ideas and negotiating patterns meant that the

\textsuperscript{145} Interview, BMAS 2.
\textsuperscript{146} Interview, IZA 1.
\textsuperscript{147} Interviews, Former Chancellery Official, BDA, DGB, BMAS 1, BMAS 2.
attempts at a cooperative labor market solution did not succeed. For example, the unions, represented by IG Metall, continued to press for a shortening of working hours, based on the labor market strategies of the 1980s. When it became clear that a reduction in weekly working hours was not a viable solution, the tactic shifted to the notion of early retirement (shortening the number of working hours over an employees lifetime). As one official involved in the negotiations recalled, the unions in particular were trapped in a paradigm that viewed early retirement as the appropriate solution for labor market blockages. A proposal for reducing the pensionable age back down to 60 was “totally nuts” given the pension reforms of the late 1990s that, however controversial, had in fact eased the finance crisis surrounding pensions.¹⁴⁸

Following the failure of the Bündnis für Arbeit, the government took the initiative in introducing a new privately funded pension scheme (supported in part by state grants and tax allowances) called the Riester-Rente.¹⁴⁹ On paper, the Riester-Rente is designed as a private supplement to the existing pension schemes, encouraging individuals to set aside wages for contributions to voluntary or occupational pensions. However, the reform also entailed the gradual reduction of the public pension level.¹⁵⁰

¹⁴⁸ Interview, Former Chancellery Official.
¹⁴⁹ After Walter Riester, Minister of Labour and Social Affairs who wrote and introduced the policy in 2001.
¹⁵⁰ Tax incentives are provided for setting aside up to 4% of gross wages for contribution to voluntary or occupational pensions (with higher incentives for those with children). The Increase in contribution rates is limited to 22% by 2030 and the formal standard level of the public pension is limited to 67%. The reform also included a cut in survivor’s benefits and a new pension indexing formula, linking contributions/benefits to changes in gross wages. Jochen Clasen, Reforming European Welfare States: Germany and the United Kingdom Compared (Oxford: Oxford University Press, 2005), 203.
Although the change was relatively “minor” in an economic sense, it was widely criticized as the first step in the death of the German social model altogether, illustrating how the significance in the meaning of this break with the tradition of status-related insurance benefits. As one expert noted, the Riester-Rente sent a clear signal that an individual cannot rely on the state alone any longer, and the social state will not be covering the needs of all individuals any longer.151

The primary impact on social policy, though, has come from the reforms to unemployment assistance discussed above. Even though those steps were undertaken with an eye to remedying issues in the economic sphere, the Hartz and Agenda 2010 have had a substantial impact on the social dimension. In general, the combination of employment and pension policy reforms constitute a shift towards poverty avoidance principles and the termination of need, rather than the prior focus on linkages to prior earnings and status preservation. Moreover, obtaining social assistance in general is much more dependent upon an individual’s connection (or former connection) to the labor market than it has been in prior eras.152

As one observer noted, the German social model has undergone substantial changes in principle, including the introduction of tax-financed benefits in place of the insurance-financed norm. More importantly, though, the overall thrust of the reforms has also brought new themes to the surface, such as the “working poor,” for which the

151 Interview, BMAS 2.
152 Interview, IZA 1.
social state is not institutionally equipped. Moreover, there are not, at the moment, discursive frames that can incorporate these new challenges into either the dislocated *soziale Marktwirtschaft* frame or the ongoing discussion on activation.

**Conclusions: A Social Model in Flux**

Perhaps most strikingly, the German social model is actually shifting in two directions at once, in that it is more individualized but also breaks the linkage between contributions and benefits. Social assistance has become an individual and citizenship right, not an employee right, in contrast to the linkage to the labor market seen in Denmark and the UK. At the same time, “avoidance of poverty” and “termination of need” are seen as guiding principles, followed by (re)integration into the labor market, representing a break with the status-preserving aims of the Bismarckian social insurance schemes, but only a partial move towards a Beveridge-type basic support scheme. Overall, the lack of a cohesive discursive frame linking these reforms to broader cultural-historical resources and values has meant that the new policies and programs have been misunderstood and have not been taken as “natural” and “appropriate” as was the case with similar processes in Denmark and the UK.

Despite the poor reception, the basic components of a new discursive frame built around competitiveness and flexibility was developed by the Schröder government and

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153 Interview, BMAS 1, BMAS 2.
154 Interview, IZA 1.
accepted, at least in part, by the major negotiating partners—government, employers, and the unions. Schmid has noted the importance of guiding ideas (*regulativer Leitideen*) drawn from state and corporate best practices in reaching solutions among the diverse group of actors participating in the Hartz Commission. Examples include the Dutch/Danish concept of “flexicurity,” the shift from repair-oriented policies to preventative labor market policies, the use of “management by objective guidelines”, and the incorporation of “rights and responsibilities” language into labor market policies.\(^{155}\) Within the open and decentralized negotiating environment of the Commission, actors encountered and incorporated new information and reformulated key principles. The service sector union (*Ver.di*) shifted from opposition to deregulation of part-time work to a coupling of the idea with the reform of public service agencies (drawing on British and Danish models); *IG Metall* abandoned its defense of generous early retirement packages in favor of a more flexible and economical “bridge system” for early retirement.\(^{156}\) These examples illustrate not just policy change, but a deeper shift in thinking concerning labor market and social welfare principles. In other words, long held principles were gradually redefined through negotiation and exposure to new ideas.\(^{157}\) The discursive frames employed during this

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\(^{156}\) Schmid, “Gestaltung des Wandels durch wissenschaftliche Beratung,” 78.

\(^{157}\) One participant in the process described the Hartz negotiations as a “bartering process” (*Tauschgeschäft*) wherein none of the “sacred lambs” of major interests were slaughtered, but all were led
process structured the debate by removing certain options from the table (e.g. costly early retirement programs) and legitimating difficult changes on the part of all actors.\textsuperscript{158}

On paper, substantial institutional and policy changes have also been achieved through the \textit{Hartz} and \textit{Agenda 2010} initiatives: “The sum of the policy changes constitutes a substantial change in the normative aims and institutional design of the German welfare state” wherein the state no longer guarantees a standard of living in cases of old age, disability, or unemployment.\textsuperscript{159} Yet despite some agreement at the elite level, and concrete policy and institutional changes, reform initiatives in Germany have lacked cultural-historical “anchor” (“\textit{Verankerung}”), as compared to the clear concepts of workfare and activation in Denmark or rights and responsibilities in the UK.\textsuperscript{160} Arguably, though, there is still no concrete definition of social purpose in Germany. The lack of a compelling discursive frame for economic and social welfare policy reform explains Germany’s lag relative to other states as well as the unsettled nature of current reforms. To be sure, Schröder and the members of his various reform commissions incorporated a range of “off the shelf” ideas in their attempts to

\textsuperscript{158} Although critical of the overall EES/OMC impact in the German case, Büchs and Friedrich observe that “…the EES seems to provide a cognitive framework that strengthens the position of policy actors supporting this kind of strategy, and, at the same time, limits the space for negotiation and discussion of policy alternatives.” Milena Büchs and Dawid Friedrich, “Surface Integration: The National Action Plans for Employment and Social Inclusion in Germany,” in \textit{The Open Method of Co-ordination in action: The European Employment and Social Inclusion Strategies}, ed. Jonathan Zeitlin and Philippe Pochet, with Lars Magnusson (Brussels: P.I.E.-Peter Lang, 2005), 265.

\textsuperscript{159} Seeleib-Kaiser, “A Dual Transformation of the German Welfare State?” 34.

\textsuperscript{160} Interview, BMAS 1.
incorporate new information and practices diverse sources, including EU guidelines on labor market reform, the Danish and Dutch experiences with ALMP, the French experience with pension and social security reform, and most notably Blair’s 3rd Way approach in the UK. Yet these attempts at the straightforward translation of foreign ideas did not take root in Germany, highlighting the crucial difference between translation and a discursive process based on bricolage that establishes a compelling link between new ideas and cultural-historical resources. Schröder’s government did attempt to challenge fundamental ideas underpinning economic and social welfare policy through a discursive frame that cast the social welfare state as part of the problem of economic stagnation and challenged the belief that economic crises would solve themselves as had been the (mistaken) perception in the past. Yet without a comprehensive vision and cohesive discourse to underpin reforms and communicate them to a wider public, the reform efforts have been poorly understood and have produced uncertainty and resentment.

The German experience with Hartz and Agenda 2010 illustrate the important difference between political (and especially elite-level) rhetoric, and the more comprehensive notion of discourse and discursive frames. While there was plenty of rhetoric in the German case, and the invocation of a wide range of ideas to qualify and justify policy choices, there was no comprehensive attempt to develop a discursive

\footnote{161 Interview, IZA 2.}
frame that linked specific ideas to broader cultural-historical values in an overall discourse that “made sense” of present challenges and prescribed appropriate solutions. In particular, the efforts of Schröder to force through the Agenda 2010 and Hartz reforms without either a complete discursive frame or a more comprehensive social debate on welfare principles comes closer to the drastic but short-lived reform measures of Thatcher in Britain rather than those of Blair that Schröder sought to emulate. The different approaches adopted by Blair and Schröder highlight the difference between the momentary use of ideas out of political or rhetorical expediency and the more consequential role for discursive frames. Schröder may have instituted policies that break with fundamental principles of German labor market and social welfare policy, but he did not reform or reshape those underlying principles and values in the same way as took place in the UK and Denmark. Like Thatcher’s reforms, some may stay in place, and many may eventually be undone. The answer depends upon the extent to which a coherent discursive frame can be developed to support any subsequent reform efforts.

Discursively, the various frames that were advanced by the Red-Green government either did not find resonance or were quickly dropped. Actors in Germany have struggled to make sense of an array of pressing policy challenges even as the overarching soziale Marktwirtschaft discourse is dislocated. The confrontational reform attempts of prior governments were unsuccessful because they attacked welfare state, positing a tradeoff between competition and a valued social institution. Later efforts
linking competitiveness to the survival of the welfare state and security of the German
worker (a traditional theme in the soziale Marktwirtschaft discourse) have found only
limited resonance, but this linkage to an important cultural-historical resource (a
potential opportunity for bricolage) was not made explicit. Both Kohl and Schröder
ultimately sought to justify reforms in terms of absolute necessity, usually in the form
of a pending fiscal crisis, and with the logic that “there is no other option.” The
language of fiscal crisis only served to fuel fears of benefit cuts in the public eye, while
the language of “no other option” prompted a range of actors to point out that there
were, in fact, a multitude of other options if only the Government would stop and listen.
Schröder and the Red-Green government seemed to be in permanent crisis management
mode: the Hartz reforms were hurriedly announced in the wake of the scandal at the
Federal Job Placement services; Agenda 2010 was a response to both fiscal crisis and
the need for a new initiative after losing the majority in the upper house of parliament.
Although both the Agenda 2010 and Hartz reforms did achieve reform on paper, the
lack of a cohesive discursive frame underpinning these reforms and relating them to
more fundamental cultural-historical values meant that the reforms did not find
widespread resonance with the wider public, and has complicated the implementation
process as well.

In 2005 the CDU defeated the SPD in the North Rhein-Westphalia state
elections. Schröder interpreted the results as a referendum on his government’s polices,
and called for federal elections. The SPD was narrowly defeated by the CDU, though

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neither party could form a coalition. After lengthy negotiations, Schröder stepped down and a new Grand Coalition was formed under the leadership of Angela Merkel (CDU). The SPD’s defeat was due, at least in part, to the defection of the left wing of the party in 2003-2003, after the Hartz reforms and Agenda 2010, into the “Alternative for Work and Social Justice” (WASG) party. In the 2005 this group allied with the former socialist party, the PDS, to form the Linkspartei. The 8.7% of the vote that the left party alliance garnered was largely grounded in protest against the SPDs move to the center and (perceived) adoption of a neoliberal agenda.\textsuperscript{163} Critically, this share of the vote was just enough to deny the SPD a plurality over the CDU (thus resulting in the loss of the Chancellorship) and also deny the SPD the ability to form the favored Red-Green coalition. As Germany moves forward under a new Grand Coalition, it is clear that the SPD government under Schröder was not able to construct a meaningful set of tropes and frames to underpin and legitimate its reform efforts.

**CONCLUSIONS: GERMANY 1945-2005**

This chapter and the previous chapter have illustrated how an overarching discourse, the *soziale Marktwirtschaft*, was articulated in the postwar era, embedded over time, and then gradually dislocated in the late 1990s, leaving Germany in a state of uncertainty, or without an “anchoring” for the current efforts to renegotiate the balance

between economic and social policy. As a result, the current efforts to institute active labor market policies and to follow the reform courses taken by other European states lack the necessary discursive grounding. Actors across the political spectrum are struggling to make sense of the current set of challenges, to interpret and incorporate new information, and to link these new ideas to cultural-historical resources.

The story of the soziale Marktwirtschaft, from the discussions of the neoliberals in the interwar and postwar years, through the efforts of Erhard and Adenauer to translate the ideas into policy, and up through the period of continuity in the 1970s and 1980s, demonstrates the power that an overarching discourse can have in shaping policy. Throughout this period, this historically and culturally grounded discourse structured how actors interpreted crises (and continuity), and how they responded to challenges. The power of the soziale Marktwirtschaft discourse is especially visible in the instances where either material or institutional accounts would expect a certain type of policy response, such as in the period of the oil shocks, yet the empirical record shows another outcome.

The German case also highlights the particular role that opposition parties and, in this case, small parties like the FDP that hold the balance of power, can play. The soziale Marktwirtschaft was clearly the overarching discourse by the time that Germany entered the period of continuity. However, the FPD, in its role as an essential coalition partner, was able to both shape the initial contours of the soziale Marktwirtschaft in the postwar period, and was then able to switch between coalition partners to continue to
both maintain influence in government and keep a guiding hand on the interpretation and re-interpretation of the discourse itself. The key role that the FDP played as an essential coalition partner also seems to have prevented either major party from drifting too far from the “middle way” of the soziale Marktwirtschaft consensus. This role contributed, on the one hand, to the stability of German politics over the postwar era and the continuity of the consensus. On the other, however, it was a contributing factor in the lack of engagement with the economic and social challenges of the 1970s and 1980s, leading to only superficial reforms of economic and social policy during this period. This, in turn, meant that neither major party had the equivalent of a “New Labour” moment, leaving the German political landscape bereft of new ideas as economic and social policy challenges mounted, and bereft of the frames necessarily to discursively incorporate new information and new challenges.

As noted in Chapter 1, the overarching story for European states transitioning from passive welfare to ALMP has been one where economic and social policy, joined during the postwar reconstruction period, become “divorced” and then are rejoined through a discursive process that makes sense of the new constellation of challenges, policy option, and opportunities. Because of the very stability of the soziale Marktwirtschaft discourse and the corresponding stability of the German party landscape, the split between the economic and social sphere was never very thorough. As a result, actors have struggled to make sense of the new challenges and to link these challenges and new ideas to cultural-historical resources in way that would legitimate a
departure from old policies, institutions, and ideas. The key mechanism of *bricolage* is missing in the contemporary German context. It is for this reason that there has not been an explicit linkage between ALMP (a new idea) and a reinterpretation of cultural-historical resources such as industriousness and education, as seen in the British case.
Chapter 8: Denmark

“Why, then 'tis none to you; for there is nothing either good or bad, but thinking makes it so: to me it [Denmark] is a prison.”

- Hamlet

INTRODUCTION

The development and reform of the Danish welfare state is discussed in two broad periods. The first period covers the re-establishment of the social security system following German occupation during the Second World War and the expansion and reform of that system up through the first oil shock in 1973. The second period, 1973-2005, covers the economic crisis and reform period of the 1970s and 1980s and the shift towards active labor market policy (ALMP) in the 1990s. As with the prior chapters, the discussion and evidence focus on the discursive elements deployed in the course of economic and social policy development—the key tropes, frames, and mechanisms that explain the ways in which actors puzzle over, interpret, understand, and respond to the economic and social world.

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1 In this exchange from William Shakespeare’s Hamlet, Hamlet is responding to Rosencrantz and Guildenstern’s view of life in Denmark and, by extension their view of recent events.
2 Because Denmark is a secondary (or “shadow”) case for this study, the analysis is divided into two periods instead of four, as with the other cases. This is primarily due to language limitations, which meant that primary source (archival) research was not possible for the historical period in the Danish case. Thus, the first period relies primarily on secondary sources in establishing the basic contours of the Danish social model. Primary source (interview) evidence is incorporated into the second period, covering the economic crisis of the 1970s and 1980s, and the shift to ALMP in the 1990s.
The basic contours of the Danish social state were established in the late 1800s and remained largely unchanged over the course of the two world wars. As such, the economic and social spheres remained interwoven through most of the 20th century. However, this constellation of policies and understandings underwent fundamental changes in the 1970s and 1980s as the economic tools and understandings that guided a period of remarkable growth in the postwar period could no longer cope with the challenges of unemployment, rising deficits, and declining growth. The evidence shows how the resulting movement to active labor market policy and the “Danish Miracle” was neither an accidental “miracle” nor the straightforward response to economic crisis and functional imperatives. The creation of a unique activation regime and the corresponding policy reforms in Denmark can only be understood with reference to the manner in which actors combined new ideas with a reinterpretation of important cultural-historical resources to make sense of the situation and articulate appropriate responses.

**RECOVERING TRADITIONS AND REINVENTING PRINCIPLES**

Understanding the development of Danish economic and social policy in the 20th century requires a brief look back to 19th century roots of the Danish system. Although the Second World War was an important juncture in the Danish case, key principles and traditions that underpinned Danish economic and social policy (and the social system in particular) were established earlier in time and emerged relatively unchanged after the
depression and two world wars to inform the Denmark’s postwar reconstruction and recovery. Three broad sets of cultural-historical resources are at the root of the Danish social state: the Grundtvig tradition that combined a notion of the “popular” (folkelighed) with a norm of consensus and grew into an expression of national identity in the mid-1800s; the replacement of the 18th century poor laws with the “Social Acts” of the late 1880s; and the Social Liberal-Social Democratic consensus of the early 1900s, grounded in the thought of Peter Munch. The First World War served as a point of crystallization for these three “streams” and the actual institutions of the social state were consolidated once again in the 1930 “Social Reform.” After briefly discussing these elements in turn, the analysis turns to how they combined to shape Danish economic and social policy in the 1945-1973 period.

Nikolaj Frederik Grundtvig was a relatively unknown young priest who, in the wake of Denmark’s loss to Great Britain in the war of 1807-1814, began a period of reflection on the idea of “Danishness” that culminated in “an all-embracing view of nature, language, and history.”3 His writings and ideals, grounded in the notion that “culture and identity are embedded in the unity of life and language” developed into a general and widely shared sense of identity among the Danish people and eventually

served as the foundation for independent economic and educational movements.4 One thread of Grundtvig’s thought carried through to inform the development of the Danish social state, namely his optimism in people’s capacities, his belief in the need for economic and ideological freedom, and in the universal right to education.5 Another common theme in Grundtvig’s thought was the idea of a “middle road,” sometimes expressed as the “mediocrity” that is a necessary prerequisite for popular consensus: “If laws and reforms are to work the must be based on general acceptance among the people.”6

Informed by Grundtvig’s thought, Danish identity took a different direction than the aggressive nationalization movements that swept much of Europe in the late 1800s, developing instead around the idea of the “popular” (folkelighed), which invoked ideas of common purpose together with solidarity and moderation. As Østergård notes of Grundtvig, “At the level of ideological discourse at least, he transformed the traditional amorphous peasant feelings of community and solidarity into the symbols and words with relevance for an envisioned modern industrialize community.”7 In drawing together important themes from Danish culture and history, and in bridging cleavages in Danish society (especially between rural groups and the rising bourgeois class), Grundtvig’s own notions of “land, country, God, and People (folk)” were woven back

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into the Danish cultural fabric. Although the social consensus that was built around Grundtvigism extended beyond the social state, major Grundtvigist themes would find expression as ideas of solidarity (universalism), community, and consensus within the Danish social state.

With Grundtvig’s thought as a backdrop, the basic contours of the Danish social state were established in a series of “social acts” introduced the late 1800s under the conservative government of J.B.S. Estrup. In replacing the poor laws of 1802-1803, the social acts marked the first time the state intervened into Danish society on a large scale. Estrup’s decision drew on the example of Bismarck, although the Danish social acts established a very different set of principles. In contrast to the German case, the Danish acts were targeted not at the working class, but rather at those who had been left behind—quite literally, in most cases, as it was primarily the old and poor who had remained in the countryside during the period of mass migration into towns and cities in the 1800s. Moreover, whereas the poor-law system was all encompassing, the social acts distinguished between the “deserving poor” who were worthy of receiving assistance without the sanctions associated with aid specified under the poor laws.

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8 Østergård, “Denmark: A Big Small State,” 82. Importantly, Østergård notes that support for Grundtvig does not simply break down across class or religious lines, but tended to span them from parish to parish. Ibid., 81.
The 1888 Child Welfare act was the first of the four, establishing aid for foster children and mandating local governments to ensure that delinquent fathers pay alimony. The 1891 old age pension scheme established a basic pension for all persons aged 60 and older without any other means. The scheme was financed through both state and local taxes, and benefit levels were set by local governments. With the act, many elderly individuals who had feared the sanction and stigma of the poor law now applied for help, such that by 1920 1 in 3 eligible persons were covered by the scheme. The 1892 health insurance scheme built upon the existing system of sick benefit associations (similar to the “Friendly Societies” in Britain) that already covered a substantial portion of the working class by providing public subsidies to existing benefit associations and extending daily allowances to sick workers. Finally, unemployment insurance funds, primarily provided by the trade unions, were granted public subsidies in 1907.

At a basic institutional level, the Danish social acts do bear a resemblance to the German social insurance acts implemented by Bismarck. However, in addition to the difference in target populations, there was a fundamental difference in the underlying qualitative principles of the Danish system:

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13 A previous 1889 proposal for an insurance-based system (similar to that in Germany) had been rejected as unsuitable in Denmark because workers formed a much smaller proportion of those requiring assistance. Johansen, *The Danish Economy in the 20th Century*, 12.
The basis of the system was not a state intervention in the labour contract but financial subsidies and legal support for voluntary associations in civil society. This principle was called a ‘help-to-self-help’ and applied to associations with members with an income equal to or less than a skilled worker. Thus the associations for sickness insurance – the ‘sick-clubs’ – would be recognized by the state and subsidized only if their rules and number of qualified members met the standard. The same held true for associations for unemployment insurance, the ‘unemployment clubs,’ even if they were organized and run by the trade unions.¹⁶

Key themes from Grundtvig, such as community combined with a faith in people’s individual capacities, are reflected in the “help-to-self-help” principle that underpinned the social acts. This principle would later be “rediscovered” during the reforms of the 1990s as policymakers sought to link an updated understanding of individual responsibility to a cultural-historical resource.

Finally, the development of a social liberal – social democratic alliance in the early 1900s constitutes the third cultural-historical resource “pillar” that underpinned the Danish social state. Although the social democrats had long supported a social state as a basic goal, to ensure cradle to grave care for workers and ensure general prosperity for all, the move of the small Social Liberal Party (Det Radikale Venstre, founded 1905) in this direction deserves explanation. The interst of the party’s leader, Peter Munch, in avoiding conflict with Germany (which would inevitably end in defeat) led Munch, like many others, to support Danish neutrality. However, this position led Munch to reflect on the relationship between the state and the people, and to the realization that the two

were not a natural unity: even if the state was to cease to exist for a period of time (as in the case of defeat against the Germans), the people would continue. On this basis, Munch drew the conclusion that it was essential to strengthen society into a people’s community, such that the people would survive even if the state disappeared. As such, it was the responsibility of government to provide the conditions for a strong national community, and this, for Munch, mean removing the class inequalities and income differentials that would threaten to divide a society in times of crisis. Writing in 1905, Munch stated that “If the unlikely accident were to overtake the Danish people – to be subsumed by a foreign state – then the People shall exist anyway… And the people will have a stronger and more secure life with a more developed spiritual and material culture when there are no class boundaries that spit and divide a people in contending parties with different worldviews.”

Concretely, this view translated into strong support for the institutions of a modern welfare state, including a strong national health system, universal education, and social protection schemes. Munch saw such institutions as critical to ensuring the strength and cohesion of Danish society, which would ensure the survival of the people in the long run should the state cease to exist in the short run. Kaspersen observes that the imperative behind Munch’s thought was fundamentally one of international politics, not of concern for the people’s welfare per se. The Social Liberals saw the welfare

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state as a means to preserve the Danish society and (hopefully) the state, whereas the welfare state was a fundamental goal for the social democrats.\textsuperscript{20} Nevertheless, support for a strong social state, irrespective of motivation, provided a bridge between the social democrats and Munch’s social liberals, establishing the foundation of a consensus on the social state. At the same time, the alliance was not simply a happy confluence of interests. Munch was fundamentally concerned with preserving Danish culture and identity (and was not just pursuing Realpolitik): “We can no more defend the Danish state with culture than with fortifications. Culture can, however, forge the Danish people into a spiritual protection…”\textsuperscript{21} In this sense, the alliance bears a strong resemblance to Weber’s conception of the relationship between interests and ideas, especially as expressed in the Protestant Ethic. Once a shared idea, irrespective of original motive, becomes embedded, it takes on a life of its own and shapes subsequent social behavior. In this case, it is not the motives of the party that matter for explaining the development of the Danish social state, but rather the fact that a shared idea – that a social state is essential to Denmark – became entrenched and helped to establish the social state as a lasting, “non negotiable” feature of Danish politics.

The basic strands of thought, or cultural-historical underpinnings, of the Danish social state were put to the test with the outbreak of the First World War. Although Denmark remained neutral, the country was put under immense stress due to blockades

that cut off the supply of essential materials and also blocked critical export routes. Immediately after the outbreak of the war the government, with the support from all parties, formed a special commission (den Overordentlige Kommission) composed of representatives from across politics and society and empowered to “intervene, regulate, and control society.”

The complex system of price controls and rationing constituted the most substantial intervention of the state into society that Denmark had ever seen. Yet the commission was so successful that Denmark weathered the war without major shortages, and perhaps more importantly, “without major wounds, tensions, or social conflicts.” Indeed, the Minister of Interior Affairs, Ove Rode, who had chaired the Overordentlige Kommission, declared in a 1916 speech that state intervention and state regulation were the keys to solving future social problems.

Kaspersen notes that the WWI experience established a new “tradition” or norm of state intervention in Denmark, but that the qualitative nature of this intervention is crucial to understanding its success. State intervention was designed to protect and benefit all social classes, and the major organizations and interests within the state were given a significant stake and voice in this intervention. The model of Danish “effective corporatism,” consisting of broad based participation combined with empowered special

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22 Kaspersen notes that the commission included representatives from major interest groups and organizations as well as a broad spectrum of social groups: “farmers, small landholders, industry, trade, unions, shop owners, consumers, social democrats, liberals, and scientists…” Kaspersen, “The Formation and Development of the Welfare State,” 116-117.


committees, was established through the WWI experience. Thus, the Danish “model” was already in place when the Second World War broke out, and the system of state regulation supported by a broad social base and implemented by civil servants was once again enacted. Indeed, Kaspersen notes that the system was so effective that it continued to run on its own after the government formally stepped down in 1943.

Finally, the basic institutions of the Danish social state were reformed in the interwar period. By the 1930s the original Social Acts of the 1880s had been amended and reshaped into “some 50 different acts with uncertain mutual demarcation lines” and dissimilar benefit levels and rules, even for similar situations. In 1933 the Minister of Social Affairs, K.K. Steincke, shepherded a series of acts through parliament – the “Social Reform” – that simplified and codified social policy benefits and rules into four acts. Recalling the original structure of the Social Acts, the Social Reform condensed social provisions into three basic acts (one for each of the original public insurance systems) and a fourth act that expanded the types of aid that could be given without any sanction; the strictest rules were “limited to drunkards, people unwilling to work, and other persons who were considered to have brought their poverty on themselves.”

In general, the state assumed a larger share of the financing for social programs, meaning in practice that people in poorer, rural areas passed on a portion of their burden

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27 Johansen, The Danish Economy in the 20th Century, 66.
28 Johansen, The Danish Economy in the 20th Century, 68.
to wealthier urban municipalities.\textsuperscript{29} In addition to clarifying the purpose and financing of social programs, “The intentions were – in the minister’s words – that every citizen should be provided for from the cradle to the grave, that public assistance should be a right, not a charity, and that it was the duty of the public authorities to give assistance to all distress persons.”\textsuperscript{30} As such, the Social Reform reflected the aforementioned ideas of community and solidarity, strengthened the idea of public assistance as a right, and also reinforced the linkage to work in reserving the strictest rules and sanctions for those unwilling to take a job.

Taken together, these key discursive elements underpinned the Danish social state as Denmark emerged from occupation during the Second World War and embarked on a course of reconstruction and recovery. The deep cultural-historical resource of Grundtvigism was woven together with principles of universalism and solidarity into a unique discourse of the Danish social state that combined generous social provision with a liberal tradition. In the 1970s, additional tropes and principles such as an “anti-poverty” red line, solidarity in wage bargaining, and individual social rights would be introduced. These would reshape, but not dislocate, the Danish social state discourse as it then entered a period of economic downturn and political upheaval after 1973. The main discursive elements for the period up to 1973 are summarized in Table 8.1, below.

\textsuperscript{29} State social welfare expenditures increase by 135\% 1931-1938, whereas that of local accounts only increased by 69\%. Johansen, The Danish Economy in the 20\textsuperscript{th} Century, 68.
\textsuperscript{30} Johansen, The Danish Economy in the 20\textsuperscript{th} Century, 67.


**TABLE 8.1 – FRAMES, TROPES AND MECHANISMS IN DENMARK 1945-1973**

**Overarching discourse:** Articulation of a universal social state with a strong work ethic (1880-1933), gradually dislocated by the inability to accommodate the economic crisis of the 1908s combined with the articulation of new frames concerning activation and flexibility in the 1980s and 1990s.

**Frames**

- Welfare is essential for Denmark (Social Liberal – Social Democratic alliance)
- Universalism
- Solidarity
- *Grundtvigism* – invokes ideas of the people, shared identity, solidarity, independence, and moderation

**Tropes**

- Help-for-self-help
- Work willingness as prerequisite for social assistance (in 1888 and 1933 social acts)
- Incomes policy
- Wage-based solidarity
- The poverty avoidance principle
- Compensation for income disruption (CID)
Mechanisms

- Bricolage
  - Universalism and individualism from social liberal tradition reinterpreted into CID principle
  - Munch reinterprets social liberal tradition and place of social welfare in society as a question of culture, community, and survival of the people
  - Grundtvig reinterprets Danish history and identity to invoke themes of solidarity, community, and the middle way
- Joining
  - Universalism linked to pensions (1957 reform)
  - Universalism linked to health care (1956, 1973 reforms)
  - Compensation for income discontinuation linked to universalism (Social Assistance Act)
  - Activation a combination of work tradition and Grundtvism optimism in individual capacity
- Breaking
  - Sickness benefits and health care broken apart from insurance principle
- Specifying
  - Incomes policy—a centralized approach to industrial/wage relations interpreted as appropriate
  - Wage-solidarity policy—a union-led effort aimed at improving the effort of workers within industrial/wage relations interpreted as appropriate
  - Compensation for income distribution and universalism together specify a meaning of social assistance as poverty avoidance
Recovery and Growth 1945-1973

Although Denmark did not suffer anything close to the levels of destruction experienced in Britain and Germany, the war did bring an equalizing effect and the experience of occupation strengthened an already well-developed sense of solidarity. The success of the “effective corporatism” model during the occupation also helped to reinforce the discursive underpinnings of the social state that Denmark had carried into the wartime period. The primary concerns for Danish policymakers after the war were not primarily questions of social policy, though. Restarting economic growth and reintegrating Denmark into Europe and the world was the primary objective that would inform a range of decisions made in the late 1940s and early 1950s. There, was, however, a welfare state component to these decisions concerning Denmark’s relationship to the wider world as, in the sense of Munch, the social state was invoked and deployed as a defense against the Communist threat. Jens Otto Krag (Social Democrat) asked: “What good does it do us to arm Europe with a strong defence if we
at the same time lower the standard of living, which will allow the internal communism to flourish.”

Thus within a context where economic integration was the overarching concern given Denmark’s position as a small, exposed state in an increasingly open and integrated regional and global system, the welfare state was an essential component of the transition from occupation to a peacetime economy. Within this environment, the welfare state itself became an important tool for ensuring domestic stability and helping to preserve security. After a brief period under a postwar unity government, the first free elections held in 1945 resulted in a minority government under Knud Kristensen (Venstre, Liberal Party), primarily because the social democrats were not prepared to enter into a coalition with the communist party (which had been quite popular during the war due to their refusal to collaborate with the German occupying forces). Importantly, minority governments would become a regular feature of Danish postwar politics. Such arrangements were aided by extant norms of solidarity and consensus, but also served to reinforce such norms.

34 Johansen, *The Danish Economy in the Twentieth Century*, 71.
35 The “tradition” of minority governments and norms of consensus and cooperation also help explain why major policy decisions are often made in the context of multi-party expert committees, rather than by
Efforts to restart the economy included a July 1945 currency reform, measures to restore industry productivity and the flow of raw materials and the establishment of free trade agreements.\textsuperscript{36} Due to historical ties, especially in agricultural markets, trade ties to Britain were particularly important, and a 1945 open trade agreement was widely heralded as the first step to economic recovery.\textsuperscript{37} However, when prices failed to improve, farmers responded with a four-month halt in exports in 1947.\textsuperscript{38} Despite concerted efforts to spur trade and development, the economy was in difficult position by 1947 with rapidly rising foreign debt, supplies of raw materials still at pre-war levels, and a per person productivity level only 4\% higher than in 1939.\textsuperscript{39} In this context, the Marshall plan was of critical importance in pulling Denmark out of post-war slump. Denmark registered a trade surplus by 1948 and

the parliamentary majority/coalition alone. This feature of Danish politics is discussed in more detail in the context of contemporary social policy reforms, below.

\textsuperscript{36} The 23 July 1945 currency reform required all Danes to declare their wealth and deposit old notes in the banks in exchange for a fixed allotment of the new currency. Once an individual’s wealth was registered and taxed, full access to the deposited funds was restored. This process prompted many to retain their notes, resulting in a substantial number of “illegal” fortunes, which, in turn, led to a new progressive tax on capital ranging from 15-70\%). Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 92-93.

\textsuperscript{37} The Danish connection to Britain in the area of agricultural exports had deep historical and cultural roots. Danish farmers relied heavily on exports to the British market in the 1890s, the same period as the Danish rural and farming classes experienced an awakening and began to understand themselves “to be the real backbone of society.” Østergård, “Denmark: A Big Small State,” 73.

\textsuperscript{38} Johansen argues that Kristensen and the \textit{Venstre} party’s insistence on free trade arrangements so early likely contributed to Denmark’s large balance of payments deficit with Britain in the postwar period, hindering the economic restart. Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 94.

\textsuperscript{39} Johansen notes that one industry did experience a quick recovery and rapid growth in the immediate postwar period—the breweries, due to a “thirsty home market.” Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 101.
convertibility with Western Europe within the European Payments Union was achieved by 1950.\textsuperscript{40}

Support for the communist party dropped off markedly with the economic recovery, and the social democrats regained power in the 1947 elections with Hans Hedtoft as PM. For a brief period in the late 1940s unemployment once again increased and growth declined, but in general the transition from an occupation to a peacetime economy had largely been accomplished. The government maintained a tight fiscal policy in the postwar era, underpinned by tax increases on income or other duties (although the 10% sales tax had been abolished in 1945 under the center-right \textit{Venstre} government). The social democrats briefly flirted with a planned economy with the establishment of a ministry of economic affairs in 1948. After developing a national budget, conducting a survey of the Danish economy, and incorporating national account statistics, trade data, and international comparisons into planning, the effort was given up in 1950 when the social democratic briefly lost power to the \textit{Venstre} party.\textsuperscript{41}

In general, Denmark was governed by a series of social democratic or minority social democratic governments in the postwar period. This pattern was briefly interrupted in 1968 with the rare “triangle” coalition of the center right, conservatives,

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\textsuperscript{40} Johansen, \textit{The Danish Economy in the 20th Century}, 93.
\textsuperscript{41} Johansen, \textit{The Danish Economy in the 20th Century}, 97. The Hedtoft government lost power in a vote of no-confidence over the rationing of butter. Rationing continued for some goods well into the postwar period, in order to keep imports down and/or make goods available for export to address the balance of payments issue. In 1950 the Hedtoft government defended the ration quotas on butter, but lost the vote and the rations were abolished. The last controls on goods (sugar and coffee) were abolished 1952. Johansen, \textit{The Danish Economy in the 20th Century}, 94.
and social liberals, yet no policy changes or reversals were enacted, and the social democrats returned to power in 1971. This general pattern of continuity is important, though, insofar as it reflected a general consensus with both the open economic policy and the expansion of the social state that took place during this period. In fact, during the period of growth and prosperity through the 1960s, parties across the spectrum seemed to be trying to outdo one another in terms of how quickly, and how broadly, they could expand the social state.\footnote{Johansen, \textit{The Danish Economy in the 20th Century}, 159.}

At the same time, the continuity in policy, especially in the economic realm, is explained by Denmark’s position vis-à-vis Europe. Openness and economic integration with Europe and with Denmark’s Nordic neighbors was the overarching concern for Danish policymakers from the late 1950s up through 1973 when Denmark joined the EEC. Each national government, no matter which party led the coalition, was subject to the pressures and decisions of other states, especially in areas where Denmark would have held a comparative advantage (e.g. agriculture) but was blocked by exclusion from European markets.\footnote{Johansen, \textit{The Danish Economy in the 20th Century}, 128-129. The French veto of British EEC accession in 1963 was a significant interruption in Danish plans for integration into the European economic order. Ibid.} Despite difficulties with integration, Denmark experienced strong growth over the 1960s, such that it fostered a “belief in steady growth and unlimited possibilities” that, in turn, led to “cost-push” inflation as wage increases outpaced gains in productivity, both in Denmark and vis-à-vis the rest of Europe, such that by 1972
foreign dept accounted for as much as 56% of annual exports and 13% of GDP.\textsuperscript{44} Importantly, postwar growth in Denmark was underpinned by investments in management, training, and equipment, laying the foundation for a high-skill, high-productivity economy. Although this approach started in manufacturing in the 1960s as Danish firms found new outlets across the broader European market, the general approach or model would extend to other areas in the economy in later periods.\textsuperscript{45}

Overall, Denmark experienced remarkable growth in the 1950s and 1960s, the initial postwar difficulties notwithstanding. This growth facilitated an unprecedented expansion in the social security system and prompted reforms to the system of industrial relations and wage bargaining, mostly to the advantage of workers and unions. Changing consumption patterns in postwar era, combined with low rents (after an initial postwar housing crisis) left more disposable income for consumer goods. The postwar era was also one of socioeconomic leveling. During the war pensioners and civil servants had suffered (and farmers had prospered), but this situation reversed itself after the end of the war. Workers followed the general recovery and expansion, gradually improving their position in the economy. In 1938, 19% of the population held half of the nation’s income; in 1950 the figure was 24%.\textsuperscript{46} The oil shocks would strain the economic and social system in the 1970s and 1980s, but the responses, discussed in the

\textsuperscript{44} Johansen, \textit{The Danish Economy in the 20th Century}, 131.
\textsuperscript{45} Johansen, \textit{The Danish Economy in the 20th Century}, 139.
\textsuperscript{46} Johansen, \textit{The Danish Economy in the 20th Century}, 103.
next section, would be guided by the principles that were carried into or established during this postwar period.

**Policy Change 1945-1973**

Two main themes characterized policy changes in this period. First, strained labor relations in the postwar era led to successive reforms in the labor relations system. The general tension between the power of the worker within the Danish social system and the pressure for a consensual industrial relations system in line with the “effective corporatism” model was eventually resolved in favor of a more decentralized system of bilateral agreements between unions and employers. The economic growth of the 1950s and 1960s certainly increased the leverage of the unions in these disputes, though it is critical that workers pressed their demands within the principles of the Danish social state. For example, the unions pursued a “wage-solidarity” approach, whereby lower income brackets secured a proportionally greater wage increase as compared to higher-paid workers.

In the social policy sphere, the rapid postwar recovery and growth led to an equally rapid expansion of the public sector and the growth in scope and number of social assistance programs. In an environment where parties across the spectrum were trying to outdo one another in the expansion of social programs, the tradition of a special commission was invoked to review the growth of the social welfare system. The Social Reform Commission recommendations led to a series of reforms that
reinforced the principles of universalism and solidarity in the Danish system, but also introduced important new principles, such as an anti-poverty “red line” for the social assistance system. More generally, the reforms undertaken in the 1970s pushed the Danish social system closer to one oriented around T.H. Marshall’s notion of individual rights and away from the vestiges of a class-based system.⁴⁷

**Economic Policy**

Difficulties in restarting the economy combined with strained labor relations were the hallmark characteristics of the immediate postwar period. In 1946 wage negotiations were decentralized for the first time (with bargaining taking place between individual trade unions and their employers), and several stalemates led to strikes in the spring of 1946 and again in 1947. In each case government intervention ended the strikes, and also reinforced the view that state intervention was an appropriate tool for settling social issues. Several shocks in 1949 and 1950, including a British currency devaluation, OEEC liberalization mandates, and the Korean War crisis interrupted the tentative economic recovery. Successive governments responded with “stop-go” policies and the use of the “balance of payments brake” – higher taxes, duties and interest rates – to restore economic equilibrium. Despite the alterations, each government had relatively little room for maneuver given the macroeconomic and balance of payments situation; each time equilibrium was achieved and the economy

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was set loose, the corresponding reduction in interest rates led to balance of payments imbalances and a subsequent interest rate hike. These swings grew larger with each cycle until a 1957 IMF stabilization loan and the last set of “stop” measures in 1958 broke the cycle.\textsuperscript{48} Nonetheless, the Danish economy suffered from low productivity over the 1950s (only the British economy had a lower rate), prompting technical assistance and training from both the US and the OECD that aided industry consolidation and improvements in efficiency and productivity.\textsuperscript{49}

Tensions between unions and employers returned in conjunction with renewed growth, which in turn prompted renewed government intervention into industrial relations. In April 1956, with parliament besieged by hundreds of thousands of protesters, the government passed a bill giving government wage settlements the force of law and prohibiting strikes and lockouts for 2 years. The bill also granted wage increases, mostly to workers in lower income brackets, and an improved sickness benefits (but no reduction in working hours). However, by the mid-1960s the economy had reached full employment, providing workers and unions greater leverage in wage negotiations, and introducing the problem of cost-push inflation as wage demands outpaced productivity gains. In 1961 the largest wave of strikes since 1936 swept through Denmark and, as in the 1950s, the government intervened to impose a solution. A new settlement granted a wage increase of about 8\%, but with wide variation among

\textsuperscript{48} Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 108.
\textsuperscript{49} Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 109, 115.
various sectors. Both employers and the unions were generally dissatisfied with the imposition of government solutions to wage bargaining disputes, which laid the basis for a centralized solution in the 1963 negotiating round.\textsuperscript{50}

It was during this period that “incomes policy” became a trope within the general discourse, expressing the notion that a more centralized (or at least coordinated) approach was preferable to an imposed solution. The drive for an incomes policy was connected back to the notion of “effective corporatism,” and represented a move to specify the appropriate method for handling industrial relations conflicts. A series of additional bills in 1963 established new procedures for industrial relations and also established a new “wage earners’ supplementary pension scheme” to which both workers and employers contributed.\textsuperscript{51} However, union dissatisfaction with the government role, which was perceived to have cost the unions leverage in wage negotiations, led to their opposition to the “incomes policy” approach, on the grounds that it would favor the status quo rather than aid them in improving the income distribution and the relative position of workers.\textsuperscript{52}

The union approach was captured by another key trope during this period, “solidarity wage policy.” Within wage negotiations, the unions sought to secure greater relative increases for the lower-wage sectors, consistent with the aim of improving the position of workers overall. However, since skilled workers were often able to obtain in

\textsuperscript{50} Johansen, \textit{The Danish Economy in the 20th Century}, 149.
\textsuperscript{51} Johansen, \textit{The Danish Economy in the 20th Century}, 150.
\textsuperscript{52} Johansen, \textit{The Danish Economy in the 20th Century}, 150.
decentralized bargaining environments that which had not been gained in the centralized rounds, wage differentials remained relatively constant. The idea, though, did inform the union decision to reject subsequent package solutions in line with the incomes policy approach and specify their own approach to industrial relations tensions. In practice, the unions were able to secure an 150% increase of average wages through direct biannual agreements between unions and employers over the 1965-1971 period.53

Pension reforms carried out during this period both reinforced existing principles and introduced new principles that would shape decisions in subsequent periods. The increase in the number of pensioners in the postwar period prompted a review of the 1933 pension act. Within the pension debate, one principle centered around a universal, tax-financed pension that would provide the same benefit to each pensioner, irrespective of prior service or means: “only in this way would the benefit be considered a real pension and not a charity.”54 The second principle centered around an insurance-based system (similar to the Continental pension systems) that would base the pension level on contributions made during the working life. Importantly, the latter option was not under consideration for the entire pension system, which would have represented a wholesale reversal in principles, but rather was only intended as a supplement to the tax-financed system.55

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54 Johansen, *The Danish Economy in the 20th Century*, 156.
55 Johansen, *The Danish Economy in the 20th Century*, 156.
Elements of both principles were incorporated into the reforms that were enacted over the late 1950s and early 1960s. The “wage earner’s supplementary pension” (Arbejdsmarkedets Tillsægs Pension, ATP) introduced as part of the 1963 incomes policy package and implemented in 1964 was based on the insurance-principle, although this was to remain a relatively minor element in the overall pension scheme. More importantly, the principle of universalism was established with the 1957 introduction of the national old age pension (folkepension). A flat-rate pension to which all were entitled (with a supplement for those with low or no additional income), the folkepension was phased into effect through successive acts in 1964 and 1970, such that with the 1970 act all persons aged 67 and older were entitled to the full tax-financed old age pension, which corresponded to 30-40% of the average worker’s wages in 1970. With the folkepension, the principle of universalism was joined to pension policy. When the folkespension was reformed in the 1990s (and partially displaced by an insurance-based scheme), the primary lines of debate (and protest, on the part of pensioners) would be over the break in principle, not on the potential financial gain or losses.

Finally, Danish policymakers began exploring ALMP during this 1960s.\textsuperscript{56} In contrast to Britain and Germany, each of which moved towards ALMP in the 1980s and 1990s in response to situations of high, persistent unemployment, the impetus was the

\textsuperscript{56} The sustained period of full employment and high growth over the 1960s meant that there was little need to adjust unemployment insurance during this period, though the state government financed a larger share of the unemployment insurance program, relieving the trade unions and employees of some of this obligation. Johansen, \textit{The Danish Economy in the 20th Century}, 157.
opposite situation in Denmark: facing a sustained period of full employment, and even labor shortages in some sectors, there was a greater need to move those individuals into the labor market who might, under other circumstances, have gone overlooked or allowed to simply remain on benefits. Already in 1960 a rehabilitation act provided vocational training and job placement services for the disabled (in cooperation with 12 newly established regional rehabilitation centers).\textsuperscript{57} This arrangement was expanded in 1968 with an employment exchange service. By 1970, an estimated $\frac{1}{2}$ of the disabled persons who had passed through the scheme had secured a job.\textsuperscript{58} Such measures were important forerunners to the extensive activation efforts that would characterize Danish employment and social policy in the 1980s and 1990s.

Social Policy

As noted above, the basic contours of the Danish social welfare system were established through the social acts in the 1880s and the 1930 social reform. This basic system remained intact through the war and immediate postwar period. The most significant changes to social policy were instituted during the economic expansion of the late 1950s and 1960s. These changes were both an expansion of the social state overall as well as a reinforcement of universalism.

\textsuperscript{57} The 1968 act also established occupational therapy centers and training workshops. Individuals in the program received a fixed income for basic expenses and a supplement to cover housing costs. Johansen, \textit{The Danish Economy in the 20th Century}, 157.

\textsuperscript{58} Johansen, \textit{The Danish Economy in the 20th Century}, 157.
Reforms to health insurance began in 1956 as part of the labor market settlement discussed above. Remarkably, the daily cash benefit for sickness had remained unchanged since 1921, which translated into about one hour’s wage in 1956! The benefit level was adjusted and a subsequent 1960 act extended the sickness benefit system to all workers. More importantly for the present argument, the 1960 reform reduced the “insurance character” of the health insurance system, inasmuch the state assumed greater responsibility vis-à-vis the sickness benefit associations for the provision of services, financing the system through general taxation. This transformation of the system continued with the 1971 National Health Security Act that abolished the sickness benefit associations altogether, thus eliminating one of the remaining insurance-based segments of the social security system. Furthermore, the 1972 Daily Cash Benefits Act established a right to financial aid in replacement of wages lost (at up to 90% of the average wages) in cases of sickness, maternity, adoption, or workplace injury.

The growth period of the 1960s saw a raft of other reforms across the social welfare system. For example, Johansen notes “hundreds” of acts and amendments extending coverage and services to specific categories of individuals, ranging from general attention to those with mental disabilities to specific categories such as tuberculosis patients or alcoholics. In 1961 the last remaining sanctions against those

60 Johansen, *The Danish Economy in the 20th Century*, 158; also Miller, *Denmark*, 103-104.
61 Miller, *Denmark*, 103.
receiving public assistance (see above) were abolished. The period also saw a marked expansion of public schools, kindergartens, and child and day care facilities. In addition, reforms to the disability insurance and assistance schemes, beginning in 1965, created new disability categories and scaled benefits and assistance to the category (level) of disability.

In response to the rapid and, at times haphazard, growth of the social state over the 1950s and 1960s, a Social Reform Commission was established in 1964 to consider the massive expansion of the social state and issue recommendations. The Commission issued their first report, concerning the administration of the social services, in 1969, followed by a 1972 report on the actual services and assistance provided. The Commission criticized the overall social welfare system as confusing and unmanageable, a situation that had resulted as from the numerous amendments made to the 1933 Social Reform acts. In a precursor to the “one stop shops” that would be implemented in Britain in the 1990s, the Commission recommended a “single string” system, wherein individuals would know that there was one, and only one, office to which they should apply and one person in that office that would handle the claim. The Commission’s 1969 report prompted a quick consolidation of the social services

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64 The Commission noted that there were so many different departments, many with overlapping responsibilities yet distinct administrations, that a person might be sent from one office to the next several times before receiving aid. Such a scheme also made it relatively easy for individuals to “double dip” and receive assistance from different departments without either one knowing. Johansen, *The Danish Economy in the 20th Century*, 191.
administrative system in 1970. The number of “communes” (municipalities and parishes) was reduced to about 20% of the previous number as small subunits were merged into administrative regions of sufficient size to administer the “social and health” departments that were established on this semi-decentralized basis.\textsuperscript{66}

One of the most significant changes to come out of the Social Reform Commission process was the new “compensation for income discontinuation” (CID) principle contained in the 1970 report on social services and assistance. The principle is described by Johansen as follows:

The idea was that if a person or family lost for a short time its contact with the labour market of for other reasons could not in this period get sufficient means to continue a normal life, then it was important to give support at a level which would prevent a material change in living conditions. If not, there was a risk that the needs would not be temporary, and in the long run a low assistance might be more expensive to society and a calamity for the person.\textsuperscript{67}

The general thrust of the CID principle was that a person or family should not be subjected to any substantial change in living conditions, which laid the groundwork for the poverty avoidance “red line” that became a distinguishing feature of the Danish social system. The poverty avoidance principle drew on important cultural-historical resources, including the community dimension of Grundtvigism, and in combination with the universalism principle specified the meaning of social assistance as poverty avoidance (and not just providing aid to those in need). This normative “red line”

\textsuperscript{66} Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 191-192.
\textsuperscript{67} Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 192. Johansen also notes that the general benefit level was set at that of the “full old age pension” with additional supplements for certain fixed expenditures such as housing. Ibid.
meant, in practice, that a range of other sanctions might be applied to individuals (e.g. job training requirements), but under no circumstances would benefit levels be cut; put another way, the threat of poverty should not be used as a lever or sanction over individuals. Although the fundamental concern in the CID principle was to ensure that individuals did not fall into situations of poverty or long-term dependency, but the principle also implicitly recognized the centrality of a labor market connection. This linkage would inform the activation debates in the 1990s (and, notably, would only first be “discovered” in Great Britain and Germany in the 1990s).

The CID principle was translated into policy first in the 1973 reform of daily cash benefits and later in the 1976 Social Assistance Act. The cash benefits reform was most important as a matter of principle, as with one reform “The whole population got the right to receive such benefits in connection with illness and unemployment.”68 As such, the cash benefits reform was the key reform in introducing an individual right to aid. The 1976 Act contained both an administrative reform and several substantive reforms to policy. At an administrative level, the 1976 reform combined seven previously separate acts into one program and imposed a general levy on the communes to provide social assistance and to “search for distressed persons who would not by themselves visit the social and health department.”69 The latter requirement on the

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69 Johansen, *The Danish Economy in the 20th Century*, 192. The prior acts that were consolidated covered assistance to children, young people and mothers, home assistance, disability schemes, and a general assistance scheme that provided aid to those not eligible for assistance under any of the (other) special acts. Ibid.
communes represented an early combination of the universal principle with an interventionist approach that would also return in later periods.

Substantively, the Social Assistance Act introduced a “lasting assistance” scheme for individuals who were not likely to return to full health or labor market participation, for whatever reason, as well as a “special cases” scheme of one-time aid for individuals who might suddenly find themselves unable to pay for basic social and health aids, such as medication or dental care, but also (notably) moving costs in the event of relocation to a more favorable job market.\textsuperscript{70} In another important innovation, there was no set benefit level for these various assistance schemes. In line with the “single string” concept recommended by the Social Reform Commission, the size of the benefit was left up to the social service workers to determine, in consultation with the individual/family in question, on a case-by-case basis.

\textbf{Conclusions: Denmark 1945-1973}

After initial struggles with the transition to a peacetime economy and integration into the broader European economic system, Denmark experiences an above average growth rate well into the 1970s, placing DK ahead of most of Europe, in a group with Switzerland, Sweden, Norway, and Germany.\textsuperscript{71} Within this environment of growth and prosperity, reforms to the industrial relations and employment policy schemes generally

\textsuperscript{70} Johansen, \textit{The Danish Economy in the 20th Century}, 192-193.
\textsuperscript{71} Johansen, \textit{The Danish Economy in the 20th Century}, 21.
reflected the principles that had been established in the prewar years. Early experimentation with activation schemes (especially for “hard to reach populations” such as the disabled) were a notable exception, representing an tentative *bricolage* between the work tradition inherent in the Danish social system and the optimism in individual capacity contained in the Grundtvig tradition.\(^{72}\) Reforms to the Danish social security system in this period reinforced the principle of universalism and reduced the (already limited) insurance-based elements of the system. The state took on a greater role in financing benefits and programs (through general taxation), in administering social services, and in providing direct services.

The new principles contained in the Social Reform Commission were the most important changes in the 1945-1973 period. At the same time, it is important to keep in mind that the Commission conducted its research during the period of full employment and steady economic expansion. The recommendations for universal programs and high benefit levels are understandable when viewed from the perspective of the Commission, as very few people were expected to need assistance in this environment. As is discussed below, many of the reforms took effect just as the economy was entering a downturn (in the wake of the 1973 oil shocks), creating a situation where generous benefits were suddenly more appealing than many jobs. By 1980, 28% of GNP was dedicated to the social welfare budget, creating a whole new set of challenges discussed

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\(^{72}\) The evidence for a direct connection between these principles in this question is mixed. However it is clear that Danish policymaker rejected an alternative option – immigration – to fill the labor shortage, instead opting for an activation program for the disabled. Johansen, *The Danish Economy in the 20th Century*, 150.
in the next session.\textsuperscript{73} All the same, with the Social Commission, \textit{individuals} gained the right to claim certain services for the first time—a substantial shift in principle for the Danish social state.\textsuperscript{74} Importantly, all of these recommendations were consistent with, and informed by, an overarching discourse of universalism that viewed a strong and comprehensive social state as essential for the survival and success of the Danish state.

At the same time that the Social Reform Commission was conducting research and issuing recommendations, the social democratic government under Jens Otto Krag realized that the existing revenue system was not suitable for financing the expansion of the social state and undertook a series of tax reforms in response. In general, the state’s revenue stream was shifted from excise taxes to a new VAT and a reform of the income tax system.\textsuperscript{75} The reforms brought public finances into order, but also had the effect of increasing the overall tax burden on individuals, setting the stage for the 1973 “landslide election”—Europe’s first tax upheaval election.\textsuperscript{76}

\textsuperscript{73} Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 193-194.
\textsuperscript{74} Kaspersen, “The Formation and Development of the Welfare State,” 125.
\textsuperscript{75} A 9\% general sales tax was introduced in 1962. This was replaced by a 10\% VAT on all commodities in 1967 (in preparation for EEC membership); the rate was increased to 15\% by 1972. The income tax system was overhauled in 1968 with the introduction of a pay-as-you-earn system, replacing an older system of annual assessments based on the prior year’s earnings. Johansen, \textit{The Danish Economy in the 20\textsuperscript{th} Century}, 160-161.
FROM WELFARE TO WORKFARE AND ACTIVATION

The growth, and persistence of public deficits and unemployment, combined with a marked drop in economic growth, challenged the overarching discourse of universalism and the understanding that a generous social policy went hand-in-hand with economic policy, and that together these linked policy spheres had led to growth and prosperity. The economic events of the 1970s could not be accommodated in the overarching discourse, yet the “divorce” between economic and social policy was relatively brief as successive governments tried various economic interventions in the 70s and 80s with less attention to social policy. The transition from a Conservative government back to a Social Democratic government in 1994 marked the point where the economic and social policy spheres were once again considered in conjunction with one another. The key to this transition was the adoption of a new activation paradigm that allowed policymakers to reinterpret the unemployment problem and devise new policy solutions. The precise nature of activation as understood and implemented in Denmark drew on key cultural-historical resources and recombined them with new ideas concerning the role of education and training in a modern, open economy. The result was a particular constellation of policies that differ markedly from the activation efforts in Germany and Britain. However, it would take several changes in government and much collective puzzling on the part of elites and policymakers before this new consensus was reached.
In the 1973 elections a new anti-tax part led by Mogens Glistrup won 28 of 179 seats in parliament, making it the second largest faction and creating an overnight sensation surrounding issues of taxation and the Danish welfare state.\textsuperscript{77} The new parliament contained a record high number of parties (10), and also saw the first appearance of the communist party since the early postwar period.\textsuperscript{78} Although the social democrats retained the PM position, the election initiated a period of weak minority governments and poor economic performance that would last through the early 1980s. Government programs vacillated between attempts to control public expenditure and employment creation measures. Any boost to the economy from accession to the European Economic Community on 1 January 1973 had been canceled out by the prince increases associated with the 1973 oil crisis, and the 1979 oil shock resulted in a doubling of the negative balance of payments as against the prior year.\textsuperscript{79} Although the growth of the public sector (as an employer) and the increasing number of women entering the workforce meant that the labor market participation rate remained relatively stable, the number of unemployed individuals increased steadily, growing

\textsuperscript{78} Johansen, The Danish Economy in the 20th Century, 164.
\textsuperscript{79} Johansen, The Danish Economy in the 20th Century, 167.
from 20,000 in the 1975 to 157,000 in 1979 to 275,000 in 1981 and eventually topping out above 350,000 (12.5%) in 1993.80

Actors struggled to understand and classify developments in the 1970s and 1980s. Initial debates over focused on deficits and government finances, but the government had run a steady (and fairly high) deficit since the mid-1960s and this fact had never before been considered a crisis. Empirically, the 1970s and 1980s registered steady increases in income inequality, but the crisis was also not understood or discussed in these terms.81 Eventually, unemployment became the frame through which the crisis was viewed and interpreted, and it was in this economic and discursive environment that the conservative coalition government under Poul Schlüter (Conservative People’s Party) came to power. However, even once the problem was understood to be one of unemployment, a new debate opened concerning whether unemployment in Denmark was cyclical (the predominant interpretation informed by the overarching discourse from the postwar era) or structural (a new set of ideas challenging the overarching discourse). Despite having a “hard data” on hand, there was a great deal of uncertainty as to the type of situation facing Denmark or how to properly understand the data.82

80 Johansen, The Danish Economy in the 20th Century, 188; Mogens Lykketoft, The Danish Model: A European Success Story (The Economic Council of the Labour Movement, 2006), 26; Kvist and Ploug also note a 12.5% unemployment rate in 1994, but place the number of unemployed persons at 264,000. Kvist and Ploug, “Small Steps, Big Change?” 186.
81 Johansen, The Danish Economy in the 20th Century, 203-204.
82 Interview, Member of Parliament; Interview, Aalborg 2.
When the Social Democratic government came to power in 1993, they brought with them a new set of ideas concerning the nature of unemployment and the appropriate solutions. As former Finance Minister Mogens Lykketoft noted, “…we wanted to prove that a precise cyclical management was possible.”\(^3\) The activation paradigm, which centered on education and training to remedy a perceived skills gap combined with incentives (instead of sanctions) to encourage individuals to take up offers of employment, stemmed primarily from a new group of economists that entered into the public policy world over the 1980s. Importantly, though, the actual transition to activation was accomplished through a series of cross-party expert commissions, drawing on the example of the WWI Overordentlige Kommission and the tradition of using such commissions since that time to institute far-reaching policy changes.\(^4\) The discursive reconstructing of unemployment and the associated challenges facing the Danish economy in this period created a new understanding of the problem and thus a new set of policy options became appropriate and legitimate. In comparison to the British and German case, activation itself became the new overarching discourse in Denmark, rather than just a component of a particular party program or government strategy. The reasons for this are also to be found in the way in which actors created discursive linkages between the current set of new ideas and central cultural-historical

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4 This role for expert commissions is apparent from a brief review of legislative history in Denmark. The conscious decision on the part of policymakers to use such commissions for contentious issues, such as reform, was also confirmed in numerous interviews as something “cultural” or “appropriate” for Denmark. Interviews SFI 1, SFI 2, SFI 3, Member of Parliament. One interviewee also noted that the commission model is also a method of blame avoidance. Interview, SFI 2.
resources in Denmark, making the new approach the “natural” way to view and approach economic and social policy.

The shift towards ALMP that took place during this period drew on the general Scandinavian “work ethic”, the strong tradition of universal benefit provision, an absolute refusal to cut benefit levels (though benefit duration has been curtailed), and a more general preference for “care” over “dependency.” The activation paradigm in Denmark represents a bricolage of the work tradition and the combination of individual responsibility and community contained within the Grundtvigian frame. As is discussed below, this translated into policy options because education and training was specified as a form of empowerment necessary for economic competitiveness. This grew out of the process whereby the unemployment puzzle was broken from the business-cycle diagnosis and subsequently specified as structural. The education/training trope was then joined to (active) social policy. In general, these discursive moves have create a set of policy options that concentrate on making sure an individual receives the assistance needed to re-enter the labor market, rather than sanctioning them for exiting it. Furthermore, the poverty avoidance principle remained a strong frame, such that any policy option was rejected if it would put individuals at risk of falling into poverty or a dependency relationship vis-à-vis the state. The key tropes, frames, and mechanisms for the second period are summarized in table 8.2, below

85 Interview, Aalborg 2.
TABLE 8.2 – FRAMES, TROPES AND MECHANISMS IN DENMARK 1973-2005

Overarching discourse: Articulation of an activation fame around the frame of structural unemployment and the tropes of education, activation, empowerment, and “something for something;” displaces the previous universalist frame (although many shared elements).

Frames
- Structural unemployment (deployed against established idea of cyclical unemployment)
- Activation
- Poverty prevention

Tropes
- Innovation
- Education and training
- Empowerment
- “Something for Something”

Mechanisms
- Bricolage
  - Activation reinterprets historical relationship between individual and the state
- Joining
  - Education linked to social policy and economic policy
Breaking

- Unemployment separated from prior understanding as a cyclical phenomenon

Specifying

- Unemployment *specified* as a structural (skills gap) issue
- Education/training requirements *specified* as empowerment, not a sanction
- “Something for something” *specified* as a balanced relationship between individual and state

Translation

- EU/OECD understandings on youth unemployment and activation adopted into Danish activation program

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**Reconstructing Unemployment**

Like other European states, Denmark experienced a sharp rise in unemployment following the oil shocks of the 1970s. The economic crisis was compounded by already high inflation and declining domestic productivity. To combat the deepening recession, wage subsidies and public employment schemes were employed to stimulate demand for labor, while early retirement schemes and generous transfer payments to the unemployed sought to reduce the supply of labor.\(^{86}\) Despite all of the public attention paid to the 1973 “tax revolt” election, the government did not institute any

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comprehensive response to the economic situation, nor did the subsequent social democratic government (1975-1982). Many observers expected a more substantial policy shift with the 1982 election of a Conservative government under PM Paul Schlüter, and indeed former Finance Minister Lykketoft notes that the Conservative government did manage to institute a fixed exchange rate policy, linking the Danish Krone to the German Mark and temporarily bringing wage inflation and government finances under control.\(^{87}\) However, after a brief turnaround, both unemployment public deficits resumed their rapid increase in the late 1980s. These trends were actually exacerbated by a series of measures taken by the Schlüter government that were immediately dubbed the “potato cure” (Kartoffelkur) in the public discourse. Limitations placed on consumer loans and credit purchases as an attempt to curb domestic consumption, instituted during the fall harvest season, evoked memories of a time of scarcity (and meals of plain potatoes) before the welfare state, and, perhaps not surprisingly, proved unpopular.\(^{88}\) On the whole, little substantive reform was undertaken, and the Danish job strategy remained passive: “the main ambition in the years from 1977 to 1993 was to maintain the standard of living for the unemployed as well as possible.”\(^{89}\) Despite more than a decade of stagnation and high unemployment, the economic crisis was discussed primarily in terms of cyclical unemployment into the early 1990s; those that were carried out lacked cohesiveness and were motivated by a

\(^{87}\) Lykketoft, The Danish Model, 21.
short-term perspective that next economic boom was (continually) thought to be “just around the corner.”\textsuperscript{90}

In the late 1980s a series of influential reports, beginning with the 1987 Bearing Report (\textit{Pejlingsrapport}),\textsuperscript{91} began to emphasize flexible labor market opportunities for vulnerable groups. This approach drew on the experimentation with activation of the disabled in the late 1960s, though no new comprehensive activation effort was undertaken in the 80s. Subsequent expert and government reports both criticized generous unemployment benefits and began to link benefits and obligations on the one hand and labor market activation on the other.\textsuperscript{92} The 1989 White Paper on the Structural Problems within the Labour Market was the first to recast the recent economic crisis in terms of structural unemployment, generous welfare benefits, and the lack of control over the willingness to work.\textsuperscript{93} Importantly, though, the very notion of structural unemployment was hardly discussed until it “very abruptly” entered the

\textsuperscript{90} Torfing, “Workfare with Welfare,” 13. Numerous laws, reforms, and programs were launched over the 1977-1993 period, ranging from subsidies for the long-term unemployed to education and training efforts to programs to combat youth unemployment. However, these steps were taken largely in isolation from one another, and also lacked any linkage between benefits and the obligation to take a job or training. Ibid., 12-13.

\textsuperscript{91} Torfing (1999, 14) notes that the Bearing Report was the “last report written by sociologists. From now on the economists took over.”

\textsuperscript{92} Central in this regard are the 1988 Economic Council Report criticizing welfare benefits and the growing insider-outsider problem; the 1989 White Paper on the Structural Problems within the Labour Market; the 1990 Saunethus (government) Negotiations that introduced the notion of activation, and a series of Government White Papers from the Government Labour Market Commission throughout the 1990s.

\textsuperscript{93} Cited in Torfing, “Workfare with Welfare,” 14. The conservative-bourgeois government and associated interests warmed to the idea of labor market activation relatively quickly with the view that government money was better spent on activation than on industry subsidies. The central role of the state in somehow providing welfare through one of these two options was never seriously questioned, illustrating an enduring element to the Danish universalistic welfare state. Ibid.
political agenda in 1988-1989.\textsuperscript{94} These new ideas became available at just the time when the center-right government was looking for a new project, thus offering a “window of opportunity” that was at least as much politically motivated than it was spurred on by economic crisis.\textsuperscript{95} However, even as the tentative new understanding of unemployment and economic crisis began to challenge the overarching discourse based around universalism, a clear new policy direction was not yet available to policymakers, and little concrete reform was undertaken.

Denmark emerged from the economic turmoil of the 1980s without any far-reaching reform, and then weathered the challenges of the 1990s exceptionally well, and actually managed to both decrease overall unemployment rates (from roughly 12.7\% in 1994 to 7.9\% in April 1997), raise employment rates, and contain health care spending, all the while maintaining wage and benefit levels and holding down inflation.\textsuperscript{96} Part of this upturn is traced to the expansionary fiscal policy of the Social Democratic government in 1993, which provided a basic “kick start” to the economy.\textsuperscript{97} These developments formed the basis of the “Danish miracle” and are typically explained with reference to strict macroeconomic policy over the 1990s.\textsuperscript{98} In some sense this


\textsuperscript{97} Madsen, “How Can It Possibly Fly?” 328.

\textsuperscript{98} Torfing, “Workfare with Welfare,” 6.
explanation is also correct, but it cannot account for the fact that the increase in employment levels did not lead to wage inflation, nor for the fact that updated data shows that the level and nature of unemployment was actually misinterpreted at the time.99

Paradoxically, then, actual economic and social policy reform began in the middle of the upturn and during a period when most economists viewed the worst of the economic crisis as having passed. The timing is particularly important in the Danish case, as the delay between the serious economic difficulties of the 1970s and early 1980s and the construction of an economic crisis and reform discourse in the late 1980s and early 1990s suggests that reforms were not a simple functionalist response to economic imperatives. Actors had to first puzzle over and make sense of the situation before proposing a way forward. Two key discursive shifts underpin the dislocation and reconstruction of macroeconomic discourses and subsequent welfare and labor market reforms in Denmark: the interpretation of past economic woes as structural unemployment (as opposed to the prevailing cyclical interpretations), and the work of the Danish Social Commission (1991-1993) that produced new meanings surrounding the ideas of work and welfare and rights and responsibilities by drawing on “forgotten” Danish traditions and reinterpreting specific constitutional provisions.100

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100 Cox, “The Social Construction of an Imperative.”
The new diagnosis and response was contained in the 1992 Zeuthen Report from the (then conservative-led) government Labor Market Commission. The report focused on *structural* (not cyclical) employment, recommended changes in the job- and skills-training regimes for both the employed and unemployed, and suggested that labor market organizations should finance a greater share of unemployed benefits. Critically, the report was developed with, and backed by, labor market organizations. Moreover, the social-democratic coalition that came to power just a months after the Zeuthen Report was issued adopted the report’s diagnosis and recommendations, as well as those of the other White Papers of the early 1990s, in developing the 1993 Labor Market Reform Act and the 1997 Social Assistance Act.\(^{101}\) The acceptance of a new discursive frame concerning economic crisis and reform across the ideological spectrum suggest that an enduring reconstruction of meaning on economic and social policy was taking place.

The 1993 Social Commission report and the 1995 Welfare Commission report endorsed a more comprehensive active labor market and welfare policy based on labor market flexibility and skills enhancement, and accompanied by a framework of rights and obligations for benefit recipients. Taken together, the reports and commissions over the course of the 1990s all focused on a similar diagnosis of economic crisis and a similar set of reform recommendations, thus providing “the discursive conditions for a transition from welfare to workfare” and a break from the passive safety net model to a

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new focus on moving people back into the labor market via a “trampoline model.” Key elements in this discursive reconstruction of the situation included: the realization that there was clearly a misdiagnosis if, in a thriving economy, people wanted but could not find jobs; the consensual dialogue process that developed over the late 1980s and early 1990s allowing for an open exchange of ideas; and the realization that improving human capital was one of the few options available to enhance competitiveness in a small, open economy. Beginning in 1993 a series of ALMP laws introduced individual action plans for the unemployed and linked the right to assistance with the obligation for activation (training or job acceptance).

These social and labor market policy reforms drew on the cultural and historical elements of the Danish universalistic welfare state, reinterpreted some of these cultural-historical resources, and combined them with new ideas, creating a new set of frames centered on the activation paradigm. This process is illustrated by the work of the Danish Social Commission (1991-1993). The Commission picked up on general dissatisfaction with traditional welfare state programs as well as a social debate on whether the welfare state undermined the duties of citizenship. As Cox has also noted, the social commission looked to a the central idea of “reciprocity” as established in Article 75 of the Danish constitution:

Article 75 of the Constitution states that:

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103 Interview, SFI 2.
75.1: To promote the common welfare, every able-bodied citizen must have the opportunity to work under conditions that secure his livelihood.

75.2: If a person is unable to support himself or his family, and he cannot rely on anyone else, he is entitled to public support; however, he must submit to those obligations the law prescribes.\textsuperscript{105}

These provisions had traditionally been interpreted to mean that the unemployed and disabled were entitled to a certain level of income support from the state, consistent with the notion of an individual right to care established with the 1976 Social Assistance Act, discussed above. The Social Commission reinterpreted this provision to establish both the obligation of a benefit recipient to work, if possible, and the obligation of the state to create opportunities for such individuals. The new interpretation concerning rights and obligations found its first concrete expression in the 1994 Act on Local Activation states explicitly that “citizens with a right to assistance also have a duty to be available for work.”\textsuperscript{106}

This reinterpretation of rights and obligations drew on, and reinterpreted, Danish welfare traditions of universalism and solidarity as well as the linkage between welfare rights and citizenship. However, the meaning of the “something for something” trope introduced into the Danish discursive field differed substantially different from the “rights and responsibilities” trope deployed in Britain (to which the Danish trope is often compared). In Denmark, the emphasis was “balanced” between the two sides of the trope. Individuals did have an obligation to accept a reasonable work offer, but the state was obliged to find such a suitable position, and to empower the individual (e.g.\textsuperscript{105}


\textsuperscript{106}Quoted in Cox, “The Consequences of Welfare Retrenchment in Denmark,” 318.
through training programs, discussed below) to take advantage of the offer.\textsuperscript{107} In contrast to Anglo-American style workfare, work for the sake of work was discouraged, as the law clearly states that activation offers must also improve the employment prospects of the unemployed.\textsuperscript{108} Instead of reducing public social expenditure, the funds available should be used “more actively.”\textsuperscript{109} In Britain, the “rights and responsibilities” trope was deployed with an emphasis on the obligations that an individual had vis-à-vis the state and the community to take a job (with less attention to suitability/training), and there was little emphasis on the obligations of the state.\textsuperscript{110}

As the activation discourse was articulated through bodies such as the social commission, it dislocated the universalist discourse and assumed the position of the overarching discourse informing policy decisions in Denmark from the mid-1990s onward (see table 8.2, above). In general, activation emphasized empowerment (through training, generous assistance, and mutual obligations between the state and the individual) rather than sanctions. At the same time, the poverty prevention principle remains a strong frame in informing policy choices: “If you can show that a policy will leave a group in poverty, then that’s a powerful argument.”\textsuperscript{111}

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\textsuperscript{107} Interview, SFI 1.
\textsuperscript{108} Torfing, “Workfare with Welfare,” 18.
\textsuperscript{109} Torfing, “Workfare with Welfare,” 16.
\textsuperscript{110} In the British context, the “work first” emphasis often led to individuals being placed into jobs that were entirely unsuitable or unreachable—for example, job placement services would often place an individual in a job in an adjoining village with a start-work time earlier than the time the first bus/train arrived in that village. Such issues were addressed as the New Deal programs were put in place over a period of time. Interview, TUC.
\textsuperscript{111} Interview, Aalborg 2.
\end{flushleft}

After a series of unsuccessful policy experiments in the 1970s and 1980s, especially in the area of employment policy, the introduction of ALMP in the 1990s reshaped the types of policy options on the table and, consequently, the choices made. Critically, the introduction of ALMP also marked the point when economic and social policy were once again viewed in a holistic sense, rather than the more separate approach that had grown up over the 1970s and 1980s. As such, many of the activation efforts discussed in the economic policy section below actually bridge the economic-social policy divide. This is most obvious, and relevant, in areas such as education and training policy. Traditionally conceived of as social policy, education and training are now very much framed as both economic and social policy, in contradistinction to the British case, where Blair emphasized that education is economic policy (alone) in the ALMP period. Institutionally, the ALMP reforms were accompanied by another municipal reform that, at its core, limited the ability of subnational units to levy taxes, instead gaining compensation through transfers from the central government. The overall aim was to improve the delivery of activation services by ensuring that they are concentrated at the appropriate (regional) level rather than distributed across smaller
subnational units. This reform had the biggest impact with respect to the delivery of health services.\(^{112}\)

**Economic Policy**

After a period of relative stagnation in both policy and economic terms, the Conservative Schlüter government initiated a series of economic policy changes in the 1980s, prompted by the fact that the balance of payments deficit approached 5% of GDP in the early 1980s.\(^{113}\) Moreover, unemployment had been steadily rising since 1970, despite a brief turnaround in the mid-1980s.\(^{114}\) The *Kartoffelkur*, combining tax reforms with limitations on consumer loans and credit purchases, was both unpopular and ineffective.\(^{115}\) In a more effective intervention, the government froze the maximum rate of unemployment benefit from Ocober 1982 through August 1986, and then indexed to wage increases, instead of the previous indexing against prices, which helped bring the public deficit under control.\(^{116}\) As noted above, the government also transitioned Denmark to a fixed-rate currency policy.\(^{117}\) These measures by the Schlüter government mitigated, but did not fully control, the problem with deficit issues or with unemployment, which reached 12.5% by 1994 as the Social Democratic

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\(^{112}\) Interview, SFI 2.  
\(^{113}\) Kvist and Ploug, “Small Steps, Big Change?” 186  
\(^{114}\) Unemployment decreased from 11% to 8% in the 1982-1987 period due to both job growth, increased domestic consumption, and a decline in both interest rates and inflation. The situation reversed in 1987 and unemployment grew to 12.5% by 1994. Kvist and Ploug, “Small Steps, Big Change?” 186.  
\(^{117}\) Lykketoft, *The Danish Model*, 21.
government took power. Critically, none of these measures were located within an overall discursive frame that sought to make sense of the crises and develop a coherent response.

The groundwork for a series of ALMP measures had already been laid by a series of reform commissions. A series of reforms in late 1993 and 1994, capped by the Labor Makret Reform Law introduced a range of activation measures based around the “something for something” principle. In general, public authorities were obliged to offer opportunities for activation to those receiving unemployment benefits, while beneficiaries were obliged to accept a reasonable offer of employment. More specifically, the reform introduced a two-tier benefit system (four years of passive benefit with an activation option followed by a three year activation period), new measures to help assess individual need (especially for the long-term unemployed), a decentralization of policy implementation to the regional level, and three new paid leave schemes (for childcare, education, and sabbaticals) to foster training opportunities and job rotation.

A second group of reforms concentrated on scaling back the duration of the passive component to unemployment benefits. In 1993 the maximum period for receipt

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118 In particular Law No. 272/93 on Active Labor-market Policy; Law No. 1085/94 on Changes of the Law on Active Labour-market Policy; Law No. 15/95 on Changes of the Law on Active Labor-market Policy; Law No. 498/93 in Municipal Activation; and the 1994 Law on Active Social Policy.
of unemployment benefits was reduced to 7 years (with additional time available for situations of activation or parental/maternity leave), and the period was subsequently reduced to 4 years. In line with the poverty prevention principle discussed above, benefit levels were not reduced, with the important exception of the benefit scheme for those under the age of 25. The decision to halve (!) the unemployment benefit level for this demographic group, as well as reduce the benefit duration to 6 months, was not a random decision, but was informed by the larger EU/OECD-level discourse on activation, from which Danish policymakers drew the lesson that it was possible (and perhaps even more effective) to treat youth “harder” than other demographics.\(^{121}\) In addition, a range of flexible and vocational training schemes were introduced, further reinforcing the education element of the Danish ALMP approach.\(^{122}\)

Both sets of labor market reforms were also grounded in the earlier poverty prevention principle. Together with the activation discourse, this translates into a fundamental concern for empowering people through the state rather than fostering a dependency relationship vis-à-vis the state.\(^{123}\) In this regard, the education component was the lynchpin of the activation reforms, aiming to improve the level of human capital even as individuals are placed into jobs. This component is also grounded in the

\(^{121}\) Interview, SFI 2. Madsen also observes that Danish policymakers were sensitive to the EU employment guidelines concerning activation of both youth and the adult unemployed, and that by the end of 2000 Denmark had met the EU recommendations. Madsen, “The Paradox of a Dynamic Labour Market,” 336-337.

\(^{122}\) Kvist and Ploug, “Small Steps, Big Change?”

\(^{123}\) Interview, Aalborg 2.
universalist frame: “Training is a process involving everybody…even the highest need to learn.”

More recently, the Conservative-Liberal (2001-2009) government that succeeded the Social Democratic government introduced another round of labor market reforms in 2003 entitled “More People at Work.” The reforms primarily involved a consolidation of the various activation schemes from 32 diverse measures to three main instruments and increased emphasis on early intervention, guidance, and training, as well as stricter job search requirements for the unemployed. Greater attention was paid in the second round to activation measures for the ageing. Despite the change of government leadership, though, the second Welfare Commission under the social liberal government contained many of the same individuals that served on the first commission. Moreover, it the general policy direction from the report reinforced (rather than challenged) what had been accomplished under the Social Commission. Both of these are indications that the overarching activation discourse remains cohesive, settled, and accepted across party lines.

124 Interview, Minister of Parliament.
125 The 2003 law also involved administrative reforms such as the digitization of the ALMP administrative system and the involvement of actors outside of the state (private firms, other organizations) in the activation and employment process. Madsen, “The Paradox of a Dynamic Labour Market,” 337.
126 Interview, SFI 2.
127 Interview, SFI 2. One potentially important difference is that the 2nd commission contained only economists, and no political scientists, which may indicate the start of a new policy direction. Interview, SFI 2.
Social Policy

As noted above, greater attention was paid to consolidating the balance of payments situation and addressing unemployment over the 1970s and 1980s, and less attention was paid to the social policy sphere early in this period. This is consistent with the initial framing of the problem as primarily economic and unemployment in nature. Renewed attention to the social policy sphere was primarily a result of the activation discourse that framed economic and social policy questions through the same lens.

Sickness benefits became an area of attention under the Social Democratic government as claims increased 30% from 1994-1998, most likely as a consequence of increased unemployment over the same period. A 1997 law shifted the financing balance for sickness benefits away from the central state and to the municipalities, in conjunction with the reorganization of municipalities and regions discussed above. However, as Kvist and Ploug note, the logic behind the law was not just one of cost shifting, but was designed in line with the larger activation paradigm. The additional cost burden functioned as an inducement on municipalities “to take a more active part in the reintegration of those likely to become long-term sick-listed early in the period of sickness.”

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129 Kvist and Ploug, “Small Steps, Big Change?” 190. Similarly, the steady increase in disability benefit claimants, even after the 1993 economic upturn, led the Social Democratic government to target this group as the next for an activation reform. Ibid., 191.
The major reforms in the social policy sphere took place in pension policy. As noted above, the national old-age pension (*folkepension*) comprised the primary component of the Danish pension system, providing guaranteed benefit level, irrespective of prior earnings or labor market attachment. The labor market supplementary pension (*Arbejdsmarkedets Tillægs Pension*, ATP) instituted in 1964 (discussed above) represented a break in the universal principle, inasmuch as ATP benefits are linked to the length of employment record. Over the 1980s and 1990s the principle embodied in the ATP (prior attachment to the labor market) was expanded with the successive establishment of occupational pension schemes based on collective agreements in the private sector.\(^{130}\) As part of a 1994 tax reform, the level of the basic pension was reduced for individuals receiving retirement income from other schemes, such as the occupational schemes that are co-financed by the trade unions.

The actual changes in contribution formulas and benefit rates has been small, and the discussion has been focused on whether the reforms represent a significant break in principle. Insofar as the *folkepension* is no longer a universal benefit, the reform does constitute a major break with the universalist principle.\(^{131}\) Importantly, this break was facilitated through a new diagnosis of the overall pension landscape that drew on tropes of “responsibility” from the broader activation debate.\(^{132}\) Although pension reform was not part of the ALMP package *per se*, the ongoing debate involving


\(^{132}\) Interview, SFI 1.
tropes of “something for something” and of the balance of responsibilities between the state and the individual prompted a re-think of these relationships by those working on pension reforms. In shifting away from the folkepension to a balance between guaranteed benefits and a “savings principle,” reformers sought to incorporate ideas of individual responsibility and empowerment into the pension scheme. Importantly, the reform was not prompted by a crisis, but was taken once the tropes and frames of the activation paradigm made such a reform “appropriate” and logical. In general, the pension reform is representative of a broader (albeit gradual) trend towards selectivity and an emphasis on labor market attachment over citizenship in the provision of social benefits.

Conclusions: Denmark in the ALMP Period

Denmark’s transition from a “traditional” Scandinavian welfare state to a unique combination of ALMP and universalism in the 1990s is best explained through the discursive shifts that allowed policymakers to reconceptualize perplexing problems and devise new solutions. The overarching discourse of universalism was dislocated in the late 1980s and early 1990s as a set of new ideas entered the discursive field. The resulting activation discourse retained important elements from the Danish welfare state

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133 Interview, SFI 1.
134 Interview, SFI 1. One individual involved also framed the individual responsibility and savings element as a “membership fee.” Interview, Member of Parliament. Another noted that the German pension reforms of the early 1990s were a source of information. Interview, SFI 3.
tradition (e.g. elements of universalism and solidarity), but also reinterpreted important cultural-historical resources and recombined them with new ideas to open up new policy options and discredit “old” solutions. As part of this discourse, the economic and social policy spheres were rejoined after the “divorce” of the 1970s and 1980s. Although the Danish success story (or “miracle”) is often attributed to the “golden triangle” of a flexible labor market, a generous welfare system, and active labor market policy, the aim of this chapter has been to focus specifically on the roots and development of the ALMP portion of this triangle.\textsuperscript{136} It is impossible to understand the Danish miracle without attention to the cultural-historical roots of the Danish conception ALMP and how these elements were woven into a cohesive discourse and then combined with new idea to create the discursive foundation for the Danish miracle.

Torfing has characterized Danish reforms as the adoption of an “offensive workfare strategy” disarticulated from the neo-liberal context of the US and UK, and rearticulated in the social-democratic and universalistic welfare model.\textsuperscript{137} In terms of concrete policies and institutions, the emphasis has been on activation rather than benefit reductions, skills training rather than merely increasing job-search efficiency, and on empowerment rather than control and punishment of benefit recipients.\textsuperscript{138} When faced with a situation where skills and wage level requirements do not match up, the

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{136} Madsen, “How Can It Possibly Fly?” 331.
\item \textsuperscript{137} Torfing, “Workfare with Welfare.”
\item \textsuperscript{138} Torfing, “Workfare with Welfare,” 5.
\end{itemize}
\end{footnotesize}
appropriate solution is to raise skill levels, not depress wages.\textsuperscript{139} This unique interpretation of workfare, or ALMP, was enabled by the macroeconomic discourse that discredited the former economic and social policy paradigm and introduced new frames emphasizing structural competitiveness, flexibility, innovation in an open economy, and the linkage of social policy to labor-market flexibility.\textsuperscript{140} This new discursive frame not only opened the door for additional welfare reforms in other areas, such as pensions and health services, but shaped the specific course that these reforms took.

The shift to ALMP has also engendered a new debate over whether the reforms represent the maintenance (or rescue) of the universalistic Danish welfare model or a more fundamental change in the nature of rights and “a movement towards a more achievement-oriented, actuarial welfare state” with a concomitant decline in solidarity.\textsuperscript{141} Overall, the reforms of the 1990s did not lead to a significant reduction in welfare spending or cost reduction to the state. Small changes in program eligibility, administration, and financing have, however, had an impressive symbolic impact. As discussed above, reforms to the \textit{folkepension}, the symbolic heart of the Danish universalistic welfare state, introduced a limited means test and individual responsibility

\textsuperscript{139} Interview, SFI 1.
\textsuperscript{141} Torfing “Workfare with Welfare;” Cox, “The Consequences of Welfare Retrenchment in Denmark,” 315. For an overview of competing academic discourses \textit{within} Denmark concerning the nature of welfare reform, see Erik Christensen, Welfare Discourses in Denmark Seen in a Basic Income Perspective, Paper Presented to the 10\textsuperscript{th} International Congress on Basic Income, Barcelona, Spain, September 19-21, 2004.
principles. The resulting increased selectivity in old age pension represents a break with the principle that all elderly receive same basic pension irrespective of income. Similarly, the introduction of supplementary contributory labor market pensions have strengthen the achievement principle more commonly associated with continental welfare states at the expense of the solidaristic principle that had traditionally underpinned the Danish *folkepension*. Although the introduction of ALMP in Denmark took a form consistent with the universal Danish welfare tradition, subsequent reforms have reflected a changed conception concerning what the state should guarantee as a social right. The Danish state is no longer active in relieving all individuals of considering the market with respect to life choices (decommodification following Esping-Andersen), but is more active in focusing on those that (are perceived to) most need support, especially as regards educational retraining and job-seeking activities.

The dislocation of the prior macroeconomic discourse and the subsequent construction of set of diagnoses and solutions is linked to the displacement of sociologists and political scientists by a group of economists in the numerous reform commissions that are central to the construction and dissemination of new ideas in the Danish political process. The work of the Social Commission, in particular, changed the focus of welfare policy from economic security to employment as the definition of

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citizenship and inclusion.\textsuperscript{143} The changes that have been made appear relatively minor when judged against prevailing institutional models; Denmark remains a generous Scandinavian welfare state with a (by now fashionable) emphasis on ALMP. Beneath the surface, though, Cox argues that these reforms represent are significant departures from the principles and conception of rights underpinning the Danish welfare state from the principle of a “social optimum” to one that (just) guarantees a “social minimum” in Marshall’s conception of welfare.\textsuperscript{144} The result is that welfare shifts from a social right of citizenship to a negotiated right based on subjective assessments of needs, accompanied by a more minimalist content of rights as individuals are expected to take responsibility for greater share of their own needs. As Cox notes, “research that employs quantitative measures of welfare spending fails to capture how these small changes have shifted the categories of eligibility and altered the conception of entitlement.”\textsuperscript{145} More generally, the reinterpretation of Article 75 from the Social Commission and the subsequent activation laws have shifted the emphasis of economic and social policy from economic security to employment and a connection to the labor market, even if this is a “kinder and gentler” version than that in place in Britain.\textsuperscript{146}

Only with attention to the discursive landscape and the manner in which new tropes and ideas were deployed and woven together with cultural-historical resources can we understand the precise nature of the Danish ALMP program and the associated

\textsuperscript{143} Interview, Aalborg 2.
\textsuperscript{144} Cox, “The Consequences of Welfare Retrenchment in Denmark.”
\textsuperscript{145} Cox, “The Consequences of Welfare Retrenchment in Denmark,” 320.
\textsuperscript{146} Interview, Aalborg 2.
policy options. And only in this way can we understand how breaks in important principles in some cases (e.g. universalism in pension policy) are actually consistent with the new overarching activation discourse and ALMP policies and programs. Even as activation is generally cast in a positive light, the foregoing sketch of policy reforms has demonstrated that it also involves a control element (if not an explicit sanctioning element, as in the British case) and entails a shift from universalism to selectivity in some areas. For the present account, the significance of this break in principles is not so important as is the fact that the activation discourse in Denmark has incorporated important traditional elements, such as universalism and the poverty prevention principle, even as it has interpreted these elements in a slightly different fashion.

**CONCLUSIONS: DENMARK FROM UNIVERSALISM TO ACTIVATION**

The story of economic and social policy reform in Denmark is similar to the German and British cases, insofar as understandings that once viewed the economic and social policy spheres as joined were challenged in the middle of the 20th century. A new set of understandings then brought these policy spheres back together in the 1990s. Understanding this contemporary process is impossible without reference to the broader historical and cultural context that informed the development of the Danish social state in the 1800s and early 1900s.

The Danish case is particularly illustrative because much has been made of the use of language and rhetoric in explaining reforms. For example, in the contemporary
ALMP period, a discourse around an economic interpretation linking globalization, unemployment, and falling domestic demand to questions of human capital structured a particular set of labor market and welfare state reforms in the late 1990s. The combination of tradition and cultural values used to construct the discursive frame meant that ALMP in the Danish context emphasized empowerment over punishment, human capital development over job placement, and reflected a strong aversion to measures that might place an individual at risk of poverty. Like the United Kingdom, the discursive frame underpinning reform in Denmark also exhibits a strong rights-responsibilities element. However, this frame did not stem from a single political party, but grew out of the work of numerous government and expert commissions studying work and welfare in the late 1980s and early 1990s. Moreover, the meaning of the frame can only be understood with reference to the cultural historical resources that were essential to the articulation of the Danish activation discourse. In other words, activation is not just a neutral economic concept, but one that is interpreted, articulated, and enacted within a large set of culturally-informed understandings.

More generally, the activation frame became an overarching economic and social policy discourse in Denmark. Given that the reform discourse not only spanned governments of different ideological backgrounds, but also moved them all in the same direction, the reforms cannot be explained with reference to standard power-resource arguments alone. Moreover, the content of the Danish reforms represents an important break with the institutional history of universal, tax-financed work and welfare policies,
even if this break is just at the margins to date. The logic behind the reforms was not simply one of retrenchment, though, as ALMP programs were expanded in important ways: “For Denmark, welfare reform was a blessing, not blame avoidance or credit claiming.”

The fact that the diagnosis economic crisis and subsequent policy prescriptions were based on a misreading of the “objective” economic situation of the 1980s serves to highlight the power that a discursive frame can have in “making sense” of the world and providing a set of appropriate and legitimate responses. Even as some principles were challenged and others retained, the reforms manner in which the reforms were made – through the use of language and ideas to (re)define previously benign situations into crises and then construct a new discourse for reform and modernization – is critical to understanding the overall mix that has resulted in Denmark. Critically, an open and active social debate played accompanied the reform measures that followed the Social Commission report. This is a condition that was also true in Great Britain, but was markedly absent in the German case, suggesting, perhaps not surprisingly, that the public connection to reform discourses is an important factor in their perceived legitimacy and eventual success.

Perhaps the most compelling evidence to support the argument that the shift to activation and the subsequent policy reforms in Denmark was a discursive process can

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be found in the after-the-fact accounts of the decisions made in the late 1980s and early 1990s. Danish economists have pointed out that updated data indicates that there never really was a “crisis of structural unemployment” as was perceived in the 1980s. The interpretation that the 10-12% unemployment rate was “structural” was actually a misdiagnosis of macroeconomic data at the time. Importantly, though, policymakers acted on the firm belief that the level of structural unemployment had been reached: “It was repeated enough in elite discourses that it became truth. A significant experience [economic crisis] came together with a common interpretation, and it became a question of storytelling rather than economic fact. It nonetheless became a ‘truth’ that the structural unemployment level had been reached.” The structural unemployment frame exemplified a frame that was loosely shared, yet contested, as it offered “something for everybody,” allowing Conservatives to push for benefit cuts and a stricter welfare regime even as Social Democrats could push for activation and empowerment.

Policymakers thus acted on this belief, reinterpreting the world, re-diagnosing the issues, and rethinking the appropriate policy solutions. The result was a break with traditional economic interventions and passive social policy in favor of activation, flexibility, and skills development. Even as more reliable economic data became

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150 Interview, Aalborg 1; Aalborg 2. One interviewee attributed partial blame to a politically-motivated wage hike and reduction in working hours by the government prior to the 1988 election caused a statistical “blip” in employment and wage-level measures, leading to the appearance of high structural unemployment for the 1987 year. Interview, Aalborg 2.
151 Interview, Aalborg 2.
152 Interview, Aalborg, 1, Aalborg 2.
available, the new discursive frame “stuck” and provided the basis for continued
development of work and welfare policy in Denmark. The mismatch between diagnosis
and “fact” is further highlighted by the rapid drop in unemployment levels, from 10% to
<5%, in the years immediately following the 1993 reforms. Even the architects of
Denmark’s new ALMP program admit that it is unlikely that any policy intervention
would have such a dramatic impact in just 4 to 5 years, let alone an interventions such
as education and training that have a known lag time before they take effect.153

If structural unemployment was never really there, then the entire ALMP response was built on a “mistake” or, build on nothing at all. Yet it very much became reality, and has shaped policy in concrete, measurable ways since the mid-1990s! And in the process, structural unemployment, skills training, and activation have become very “real” things. This paradoxical situation makes sense when viewed in the context of the overall argument advanced in Chapter 2 and 3. In short, unemployment was (and is) a “social fact” and not a “brute fact.” It and the other economic and political situations facing policymakers require interpretation. As will be discussed in the concluding chapter, this general idea is not limited to Denmark, nor to the 1990s. However, the Danish case does offer a clear illustration of how known “facts” as well as material conditions can (and often do) lead to uncertainty and indeterminacy. As with the British and German case, actors in these situations “puzzle” their way out of them by turning to cultural-historical resources and new ideas to construct discursive frames

153 Interview, Member of Parliament.

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that make sense of uncertain situations, render puzzles understandable, and, in turn, define the realm of possible and appropriate policy responses.
Chapter 9: Conclusions

“The trouble with the world is not that people know too little, but that they know so many things that aren't so”

- Mark Twain

In poking fun at society, Mark Twain also reminds us of a fundamental truth that underpins the approach and analysis taken here: people act on what they believe about the world. A significant part of politics and social life is concerned with giving meaning to the “facts” and situations that we encounter, and this process of meaning-making – understanding, interpreting, and acting in the world – is at the heart of the analysis developed here. Understanding how actors see the world, what they value, and why they view some things as appropriate and others as illegitimate is central to understanding what is actually transpiring in politics and society.

In the first chapter I advanced two broad claims concerning the development and reform of European welfare states. First, I argued that a discourse-theoretic approach explains important aspects of social policy development and reform that are overlooked in standard institutional or interest-based approaches. This claim rested on the contention that renegotiating shared ideas and broad cultural values was a central component of European welfare state reform. As such, it is essential to focus on the ideas and rhetorical devices used to make sense of a given situation, the arguments
deployed in searching for a solution, and the cultural-historical resources assembled to help legitimate policy change. Second, I argued that such a discourse-theoretic perspective explains both a macro-level pattern as well as the country-specific developments observed in European economic and social policy. At the macro level (expressed in figure 1.1), the puzzle centers on how and why the economic and social policy spheres diverged from one another after the European postwar settlements, and how and why these broad policy spheres once again converged with one another as European states shifted towards active labor market policy in the 1990s. At the country level, the puzzle is the specific form that this divergence-convergence process took, with a particular focus on the differing types of ALMP implemented across European societies. In short, as the foregoing case studies have shown, ALMP differs markedly from country to country in both institutional form and in the content of the policies—the meanings that they embody and the impacts that they have on individuals in those societies.

The discourse-theoretic approach that I developed to analyze and explain these puzzles centered on the discursive process that actors use to make sense of the challenges they have faced in these policy areas: the arguments and ideas deployed to make sense of situations, and the cultural-historical resources assembled to legitimate policy change. In particular, the approach focused on the discursive tropes and frames deployed in reform debates, with particular attention to the linkage between new ideas and information on the one hand, and cultural-historical resources on the other, that
together informs an actor’s interpretation of a given situation. Explanation centered on the identification of the causal mechanisms that underpinned the discursive process in each instance of policy reform.

The empirical case studies suggest that European welfare states have changed in important ways, both in their policies and institutions, and in their content. These changes are not readily apparent when standard welfare state typologies and institutional analysis are taken as the starting point. Instead, the ideas, cultural-historical experience and values, expressed through the discursive structures underpinning new policies and institutions, emerge as a central explanatory factor. It is through the dislocation and relocation of meaning and identities, as expressed through language, that situations of economic crisis and reform are translated into welfare state policies with a particular content. The cases of the United Kingdom and Denmark demonstrate that societies do reach back to “old” values and traditions when faced with uncertainty and crisis, and use these cultural-historical resources, in combination with new ideas, to construct new discourses to make sense of the world and institute policy and institutional change. The German case shows the result (tenuous or unsettled reform) when such a cultural-historical link is absent or underdeveloped.

In general, the case studies substantiate the general expectations discussed in the introductory chapters. The actors involved in employment and social reform were engaged in a larger story of debating and renegotiating long-standing principles and shared understandings concerning the relationship between the individual, state, and
market. The policies and institutions that define European welfare states, and in particular the policies and institutions related to the ALMP shift, grew out of this cultural negotiation process. As such, they are not wholly new or invented, but rather trace important elements back to the ideas and understandings that were embedded in the postwar European welfare state settlements.

**Evaluating the Main Claims**

As discussed in the introductory chapters, I argue that a discourse-theoretic perspective provides important insights into the timing and nature of welfare state development and reform. In the subsequent empirical chapters, I advanced an analysis of the ways in which actors have approached and interpreted uncertain situations, developed understandings grounded in cultural-historical resources, and advanced discursive frames to both engage the public and reshape existing patterns of interests and institutions. In general, the results substantiate the basic claim that understanding the institutional and policy changes that have taken place within European welfare states requires attention to the framework of ideas and beliefs within which these institutions and interests are embedded, and from which they gain their legitimacy. In addition, I posed three more specific questions: First, what explain the general shift from passive to active social policies and the rise of new ideas concerning the proper relationship among the individual, the state, and the market? Second, how can we account for the fact that the rise of ALMP represents a fundamental break with a
durable feature of postwar European politics? And third, what explains the differences in conceptualization and implementation of new economic and social policies from one country to the next? Below, I evaluate each of these in turn. I then discuss several implications that arise out of these claims.

**The Macro-Level Model: From Fusion to Divorce**

The macro-level economic and social policy model outlined in Chapter 1 (figure 1.1) suggested that postwar understandings of economic and social policy were viewed in a holistic sense, in each of the three cases analyzed. The empirical analysis demonstrates that the discursive construction of the welfare state in postwar Britain, Germany, and Denmark substantiates this element of the macro-level model. The postwar British consensus was grounded in the Beveridgian notion of social security, the German *soziale Marktwirtschaft* was grounded in a synthesis of neoliberal economics and Christian social teaching, and the Danish social state was rooted in a blend of social democratic universalism and social liberal thought; each embodied the view that economic and social policy were mutually reinforcing components of an overall approach to organizing society and politics.

In each case this joined conception of the economic and social policy spheres broke down as the individual country cases confronted periods of crisis and uncertainty over the 1970s and 1980s. However, as the case studies demonstrate, the divergence between these policy spheres was not simply a straightforward response to material
circumstances. In each case, policymakers puzzled over what the crisis meant, and what constituted an appropriate response. The break was most far-reaching in the British case, where the postwar Keynesian consensus was overturned after it had persisted well into the “stop-go” crisis and informed policy responses that would seem ill-advised to the outside or “objective” observer. In Germany, the soziale Marktwirtschaft consensus actually sustained the country through the economic turmoil in the 1970s and 1980s. Once the consensus was challenged with tentative social policy reforms in the late 1980s and 1990s, the break between the economic and social policy spheres was neither as dramatic nor as complete as in the British case. This fact helps explain the difficulty that German policymakers have had in accommodating new ideas concerning activation and the new convergence between economic and social policy, as is discussed below. In Denmark the social state consensus built around an alliance of social democrats and social liberals was also sustained well into the 1980s. However, the adoption of new economic ideas concerning the nature of unemployment in Denmark resulted in a more definitive break with the prior understandings of economic and social policy and a divergence of these policy spheres over the 1980s. In each case, the response to economic crisis was not obvious or apparent for the policymakers. Instead, the new events were interpreted through the overarching discourse that, in turn, shaped the diagnosis and responses discussed in the case studies.
Explaining the Shift to Active Labor Market Policy

Having established that a discourse-theoretic approach offers important insights into how and why the economic and social policy spheres diverged in the 1970s and 1980s, the second part of the overall model involves the new convergence of the economic and social policy spheres in the 1990s. The movement towards ALMP across most European societies during this period appeared, on the surface, to constitute a common set of labor market strategies to address unemployment in Europe. However, as the case studies demonstrate, both the content of ALMP as well as the understanding of these policies differed markedly across the cases. Activation was widely viewed as an economic strategy in Britain, as expressed through the New Labour/Third Way discourse that emphasized employment, competition, and education for the sake of competitiveness. In contrast, the Danish activation discourse has also emphasized employment, but has framed education as an empowerment question (rather than an employability one) and framed the relationship between the individual and the state as one of mutual obligations rather than the more punitive “rights and responsibilities” approach in Britain. In both Britain and Denmark, the shift towards ALMP has been grounded in a reinterpretation of cultural-historical traditions (such as the reframing of Beveridge in Britain or the reinterpretation of the Danish constitution) that explains the types of policies and choices made in the contemporary period, as well as the general legitimacy of the ALMP programs. The striking difference is Germany, where the link between new ideas concerning activation and cultural-historical resources that might
underpin the policy shift has been missing. As a result, ALMP reforms in Germany have been tentative, contested, and subject to reversal (and have been met with popular discontent). I argue that this is explained by the fact that the policy changes have not been embedded in a cohesive discourse, and, as is discussed below, in particular due to the repeated attempt to translate ideas from abroad without a connection to broader, shared cultural-historical resources (bricolage). This set of outcomes in the contemporary period points towards the process of how reform discourses have been constructed, as is discussed in the next section.

Causal Mechanisms

In Chapter 3 I identified a range of causal mechanisms relevant to an analysis of the discursive negotiation and reconstruction of European welfare states, along with a set of expectations concerning the role of these mechanisms in the overall discursive process. The individual case studies highlight when these mechanisms obtain and how they help explain the particular process whereby ideas, tropes, and cultural-historical resources are combined into discursive frames. The empirical cases substantiate these expectations, in that bricolage emerges as a central mechanism (often supported by joining) in cases where reforms have challenged existing principles and established new ones as appropriate and legitimate. As suggested in Chapter 3, the most powerful discursive frames are those in which actors combine cultural-historical resources with
new ideas (e.g. Blair and Brown’s construction of the Third Way discourse). As also suggested in Chapter 3, the mechanism of breaking is necessary for the dislocation of an overarching discourse, and is a “marker” for a contested discursive frame. The relative absence of breaking in Germany over the 1970s and 1980s helps explain the continuity of the soziale Marktwirtschaft discourse, while the increase in such discursive activity under Schröder’s Red-Green coalition indicates an unsettling of the overarching discourse, yet without any cohesive set of frames to take its place (as evidenced by the lack of joining and bricolage). Finally, cases of translation and diffusion are rare, given the fact that welfare state reform still takes place primarily in a national context, outside the purview of processes like European integration. However, I discuss several key exceptions to this observation below.

Here, I concentrate the analysis on the mechanism of bricolage, which I argue is central to understanding when and how successful reform discourses are constructed and when this process fails or is blocked. Recall from Chapter 3 that bricolage is the mechanism by which actors call upon extant resources and recombine them in ways that can make new normative claims upon an institution.¹ In the cases analyzed here, bricolage has typically involved the reinterpretation of extant cultural-historical resources and understandings (such as in the case of the Danish constitution) to help make sense of new information and ideas. Table 9.1, below, is derived from the tables

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in the individual chapters, and highlights the country cases and reform periods where *bricolage* has been the key, or operative, mechanism in the construction of the key frames that, in turn, explain the policy direction taken in those periods. Those cells marked with a “✓” indicate instances where *bricolage* was the operative mechanism; cells marked with an “✗” indicate instances where *bricolage* was unsuccessful; whereas those cells marked with a “~” indicate instances where no reform was attempted.

<table>
<thead>
<tr>
<th></th>
<th>Postwar reconstruction (Tables 4.1, 6.1, 8.1)</th>
<th>Interim reforms (1950s-1960s) (Tables 4.2, 6.2, 8.1)</th>
<th>Crisis reforms (1970s-1980s) (Tables 5.1, 7.1, 8.2)</th>
<th>ALMP Shift (1990s-2000s) (Tables 5.2, 7.2, 8.2)</th>
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<tbody>
<tr>
<td>Britain</td>
<td>✓ (Social Security)</td>
<td>✓ (Pensions)</td>
<td>✗</td>
<td>✓ (Third Way)</td>
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<tr>
<td>Germany</td>
<td>✓ (SMW)</td>
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<tr>
<td>Denmark</td>
<td>✓ (WS as Security)</td>
<td>✓ (CID)</td>
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<td>✓ (Activation)</td>
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</table>

Each of the instances illustrated in the table is described in detail in the empirical chapters. The cases of unsuccessful *bricolage*, such as the attempt by Thatcher to connect the ideas and programs of the New Right to a particular interpretation of Victorian values (focusing on the moral dimension as regards poverty and welfare), are instructive in that they demonstrate that the discursive processes analyzed here are not
simply cases of “cheap talk” or “anything goes” as far as constructing a reform discourse is concerned. More specifically, these are instances where we would expect durable reform but it does not take place. Thatcher came to office with a solid majority, the Conservatives held power for 18 years, but the Thatcherite program did not resonate with the public at large, due to the failure to draw cultural-historical connections. Similarly, the failure to draw such discursive connections in the contemporary German case (and, indeed, the rejection of Kohl’s “globalization threatens social policy frame”) explain why the ALMP shift in Germany remains tenuous an contested. The periods of no reform highlight those instances where the overarching discourse – the soziale Marktwirtschaft in Germany or the universalist social state in Denmark– explains the continuity of the period (despite material circumstances that, again, might lead to an expectation of policy reform).

The empirical cases also substantiate the expectations discussed at the conclusion of chapter 3 that breaking is an important marker of discourses that are being challenged or unsettled. Similarly, translation and diffusion were not typically relevant to the observed outcomes, primarily because the negotiation of welfare states and their fundamental values remains a national process; foreign or outside ideas often have little resonance in such contexts. However, the failure of several attempts at translation in the contemporary German case is instructive, in that it helps highlight

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2 As noted in Chapter 5, Thatcher’s attempt to link her program to Victorian values invoked what many viewed as the more distasteful associations with that era, such as individualism and greed.
why ALMP reforms have not been more comprehensive or far-reaching. As noted in Chapter 7, Schröder’s attempt to import Blair’s Third Way program (nearly “wholesale”) did not resonate with the German public or with elites, and the specific attempt to translate the “rights and responsibilities” agenda into a “fordern und fördern” trope was similarly unsuccessful, precisely because it was viewed as foreign to German welfare state debates. Conversely, the British case did see one case of diffusion in the adoption and modification of the “social exclusion” concept from the French context, as well as one case of translation in the creation of an early childhood education program (Sure Start) based on the American example (Head Start). Finally, the Danish decision to adopt a particularly stringent line towards youth unemployment was informed by the ongoing OECD and EU (EES) discussions on this subject, making it another case of diffusion. Although these exceptions to the general expectations discussed in Chapter 3 are important, and deserve further inquiry, it is also worth noting that they were not at the heart of the reform discourses in each state, with the partial exception of the failed translation instances in Germany.

**SECONDARY IMPLICATIONS**

Several additional implications deserving of future research grow out of the foregoing empirical analysis. Here I briefly discuss the place and role of political

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3 As noted in Chapter 5, this case of translation is explained by the fact that the same individual started the programs in both countries.
parties with regard to the discursive processes analyzed in the case studies, as well as the international and European dimension with regard to welfare state reform in Europe. I then conclude by returning to an observation raised in the introduction, namely that the development and reform of European welfare states since the Second World War, when analyzed from a discourse-theoretic perspective, suggests the need to reconceptualize the welfare state, going beyond the standard institutional arenas of pensions, employment insurance, health care, and social security, to incorporate the broader set of normative understandings associated with the welfare state as well as the broader set of relationships suggested by a “social model” approach.

**Political Parties and The Carriers of Ideas**

As the case studies demonstrate, political parties were at the heart of the discursive processes observed in all cases. To be sure, the debates and discursive negotiations do not simply break down across party lines. Indeed, some of the most important instances are those where the discourse spans party lines (such as the German *soziale Marktwirtschaft* that was shared by elements of both the CDU and the SPD and also rejected by other elements within those same parties). This is consistent with the observation in Chapter 3 that *how* arguments, tropes, and frames are deployed is more important than *who* is taking a particular stand. Put another way, the focus on parties should not be on whether they take opposing stances on a given policy proposal, but rather on how their interaction is critical to the overall discursive process. At a very
general level, this observation suggests that parties may be a critical element to the discursive processes analyzed here as the “carriers” and transmitters of cultural-historical resources. The literature on political parties typically views parties and party systems as the expression of deeper socio-cultural cleavages.\(^4\) The present analysis does not challenge this view, but does suggest that parties may fulfill a unique (and possibly new, or at least overlooked) role within this discursive process, especially as they interact to create shared understandings of the social world.

Moreover, the critical reform instances highlighted in table 9.1 above are also all associated with periods of self-reflection or reform among one or more of the major parties in each country case (e.g. the British activation movement was preceded by the move from Labour to New Labour). This suggests a possible factor in identifying when we might expect actors, and perhaps a society as a whole, to reach back to the “fundamental beliefs” so important to a compelling reform discourse.\(^5\) Such a move may be preceded by a major party spending an extended period of time in opposition, during which it is forced to consider not only basic electoral tactics, but broader questions concerning the ideas and values in play in society and the state of the discursive field. For example, a crucial part of the movement from Labour to New Labour was an engagement with the ideas and values of Thatcherism as an intellectual force, in addition to a review of the values and understandings that underpinned the

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\(^5\) See the discussion of framing and the central role of fundamental beliefs and principles in Chapter 3.
Labour itself. The fact that neither major party in Germany has had to confront such a situation (since the SPD’s Bad Godesberg statement, at least) seems to explain, in part, why more comprehensive reform has eluded each of these parties despite what might be seen as “clear” functional imperatives. At the least, further investigation into the role of parties in this regard is warranted.

**Europeanization and Globalization**

To the extent that discussions of welfare state reform have intersected with those on globalization, Europeanization, and the European Union, it has generally been to suggest that these processes and institutions will put distinct national models under pressure and may even lead to a “race to the bottom” or at least an erosion of national welfare state models and autonomy.6 Although the European Union has no formal competence over social policy, the nascent European Employment Strategy (EES) and Open Method of Coordination (OMC) processes, both growing out of the EU’s Lisbon Declaration and the subsequent benchmarking activities in the areas of economic competitiveness and innovation. In tracking best practices across the member states and sharing information concerning economic and social policy, the EES would seem to constitute an information resource for actors, especially those facing the breakdown of

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6 For an overview of the “race to the bottom” and Europeanization arguments, together with an empirical evaluation of these hypotheses, see Francis G. Castles, *The Future of the Welfare State: Crisis Myths and Crisis Realities*, Oxford: Oxford University Press, 2004. In line with the brief discussion here, Castles concludes that “race to the bottom” arguments are exaggerated, and while the processes of globalization and Europeanization have shaped European welfare states, national models remain robust.
established ideas and institutions. Moreover, the growing interdependence among European states vis-à-vis each other and the larger world suggests that economic policies may well be directly affected, and social policies indirectly affected, simply through the reality of both European economic integration and globalization.

The cases here show that, at the least, no race to the bottom has taken place. National welfare state models have certainly changed since their institutionalization in 1945, but the course that they have taken has largely been determined by the national reform discourses. To be sure, part of these national processes has been the interpretation of “globalization” in order to construct a response. Blair and New Labour’s understanding and framing of globalization as inexorable, yet also as an opportunity (and not a threat) directly informed their subsequent approach to ALMP. As noted above, the EU and OECD discussion on activation, especially concerning the activation of youth, did shape the Danish activation strategy, but, at the same time, also helped reinforce the specific course for ALMP chosen in Denmark. As one observer concluded, “…Denmark has adjusted relatively painlessly to – indeed, perhaps has benefited from – the demands of the internal market program.”

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8 Interview, SFI 2.
European level was important for the exchange of ideas and information in Germany, but has not directly shaped the reform process. Members of the Hartz Commission were attentive to the European Employment Strategy (EES) efforts to track best practices in labor market policy.\textsuperscript{10} Information concerning best practices from abroad appears to have heightened the sense of urgency for policy reform (especially in the labor market area), but has not translated into any concrete policy transfer, nor has the information exchange help in addressing the discursive disconnect that has hampered a comprehensive ALMP program.\textsuperscript{11} Finally, in Britain the European-level discourse has been far less relevant than in the other two cases, largely due to a tradition of British independence vis-à-vis the EU. To the extent that the EU has entered into the discussion, it has been in the economic policy sphere, generally concerning the perennial question of whether to join the Euro.

\textit{Reconceptualizing the Welfare State}

As suggested in the introduction, and highlighted through the empirical case studies, a discourse-theoretic perspective suggests the need to reconceptualize the welfare state, moving beyond strictly institutional models focused on a narrow range of policy areas. Rather than simply viewing it as a set of “given” institutions, a discourse-
theoretic perspective highlights the content of a given set of interests and institutions as embedded in, and legitimated by, a set of ideas and values. This holistic view of the welfare state is attentive to the normative understandings that underpin policies and institutions in a given society. Such ideas generally have much more to do with what is considered “right” or “appropriate” in a govern society rather than which policy might generate the most efficient outcome or the solution that can most reasonably be implemented. Most political language, whether conceptualized as discourse or rhetoric or frames, is grounded in such ideas and values. Attention to the way in which language shapes the social world and thus enables and circumscribes action highlights the deliberative and communicative process through which new understandings of work, welfare, and social rights develop. The contestation and reconstruction of these broad understandings in turn define relationships within welfare states and ultimately drive policy and institutional change.

In a broader sense, the foregoing also suggests a type of change in welfare states easily overlooked unless viewed from the perspective of the welfare state as a system of rights traditionally connected to citizenship. To the extent that trend in this regard can be discerned, it is one of moving towards individualization – individual responsibility for both work and welfare – and towards a greater emphasis on the connection between the labor market, rather than citizenship, for social policy. In this sense, welfare

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12 Here I mean “normative” not in a prescriptive sense in favoring one set of policies or institutions over another, but rather the value-based ideas that are grounded in a society’s shared cultural and historical experiences and which form the core of all political language. These are akin to what Campbell (2004, 94) has called “public sentiments.”
reforms generally entail “a shift away from the notion that the welfare state should liberate people from the constraints of the market towards more minimal conceptions of what the state should provide. And the idea that rights constitute absolute and unconditional claims is being supplanted with the notion that the competing claims of individuals need to be balanced against each other.”\textsuperscript{13} Moreover, both the idea of “rights and responsibilities” and the “enabling state” also open the door to new forms of interventionism on the part of the state. The movement to ALMP has also qualitatively altered the relationship between the individual and the state as an individual’s connection to the labor market (an economic relationship) has begun to displace citizenship (a purely political relationship) as the basis for certain right and entitlements in the societies analyzed.

With these larger implications in mind, it should be clear that welfare state analysis is not just about the institutional details of unemployment, pension, social assistance, and health care schemes. The larger socio-political question is the age-old one of insecurity and social integration. In the 20\textsuperscript{th} and 21\textsuperscript{st} century, answers to the questions of social inequality are becoming more and more central to questions of stability, order and trust within societies. In this sense, changes in welfare state policies and institutions are important, but are often only superficial indicators. Inquiry should probe further into the changes in the content of welfare states—the constellation of

\textsuperscript{13} Robert Henry Cox, “The Consequences of Welfare Retrenchment in Denmark.” \textit{Politics & Society} 25, no. 3 (1997): 309. Cox also notes that “To say that an individual should prefer to work rather than receive assistance, or to spend his or her assistance on food rather than lottery tickets, violates a fundamental liberal tenant.” Ibid.
ideas, values, and historical-cultural experiences that constitute the welfare state, give it meaning, and are evidenced in the qualitative impact of programs and policies—and should press further in examining the precise mechanisms by which change in these elements are brought about. Concentrating on the discursive aspects of reform points attention directly at these mechanisms, and also reminds us that notions of “globalization” and “modernization” are not uniform, taken-for-granted processes, but are contested, structured, and given meaning differently across social contexts.

CONCLUSIONS

The movement to activation strategies in the 1990s should not be seen in isolation from the broader historical and cultural development of European welfare states. Although crises and material factors severed as triggers in several of the subperiods analyzed (though, importantly, not in all and not uniformly across the cases), the subsequent policy and institutional responses were not simply a function of a preference set for policymakers, nor a straightforward continuation of prior institutional paths. In each of the crisis-reform moments discussed in the empirical cases, policymakers faced high levels of uncertainty. As Blyth argues, prior solutions, institutions, and ideas are all discredited in such situations, meaning an unambiguous path out of the uncertainty does not exist.14

Although it is logical that the combination of “stop-go” and oil price shocks in Britain led policymakers to re-think their approach to economic affairs, neither the situation of crisis nor the material factors involved explain the way in which policymakers diagnosed the situation in a particular way or chose a specific course of action to exit the crisis. Even accepting that a situation of currency crisis, balance of payments difficulty, and (perceived) industrial decline might point policymakers towards a neoliberal, monetarist macroeconomic approach, there is still little in a basic functionalist logic that would suggest that the policy response would be bound to efforts at social policy retrenchment that concentrated not only on cost containment, but also a moral stand against welfare and stigmatization of public services and services recipients.

Explaining both the timing and nature of the responses to economic and social policy crisis and the patterns of continuity requires an analysis that focus on how actors understand and interpret such situations, drawing upon both cultural-historical resources and new ideas to make sense of the situation and construct a response. I have argued that in periods of uncertainty or crisis, actors look not just to abstract ideas, but turn to specific types of ideas, cultural-historical resources, in their efforts to make sense of the situation, incorporate new information, and devise a response. Put another, elites construct compelling reform discourses by combining cultural-historical resources and new ideas to make sense of their situation and develop responses that are seen as appropriate and legitimate in light of this interpretation.
As discussed in chapter 3, language is the window onto this discursive process. The empirical cases demonstrate how policymakers in situations of crisis or uncertainty do not do approach these situations in the abstract or (only) with a functionalist logic of how “best” to solve the problem at hand. Policy options that might seem correct or obvious from such a perspective are quite unrealistic when viewed from within the context of established national principles and traditions, as expressed through language. One standard counterargument to such an approach is the idea that “talk is cheap” and an enterprising policymaker can find a story to justify any policy option. In the abstract, this does not hold up when one considers that no political environment is free of history and tradition, ideas about how things “should” be done, and established routines. Indeed, much of politics is actually about “structuring the national political landscape” – shaping views about what is right and appropriate, what is allowable and what is not, determining who can play the game, and in which forums – and in such an environment options for “cheap talk” or other duplicitous approaches are actually quite constrained.\footnote{Ole Wæver, “European Integration and Security: Analysing French and German Discourses on State, Nation, and Europe,” In *Discourse Theory in European Politics: Identity, Policy and Governance*, ed. David Howarth and Jacob Torfin (New York: Palgrave MacMillan, 2005), 54.} Empirically, were the “cheap talk” hypothesis true, we would expect to see at least one instance where an individual was able to hijack the policy process with such an instrumental use of language. Instead, the empirical record shows that over 50 years of European history in three counties and across two major policy spheres and numerous crisis-reform moments, actors are much less cavalier in their use of language.
In several cases, elites have indeed woven together a set of tropes and cultural-historical resources into a coherent frame and then deployed that frame with the aim of securing specific policy objectives. But such a process is far from “cheap talk.” Indeed, the empirical record shows that it is precisely in such cases (such as New Labour under Blair or Danish elites after the Social Commission report) that elites are conscious of the cultural and historical associations being invoked and the power that such ideas have in determining whether a given frame resonates with the public or not—the polar opposite of “cheap talk.”

Finally, when considering potential explanations for the development and reform of European welfare states, we cannot disregard the fact that these policies and institutional areas are fundamentally questions of values. We cannot disregard the fact that after two world wars and decades of depression and destruction, the defining debates and discussions in postwar Europe were about how to reorganize society for peace and prosperity were the debates about the European welfare state. Those debates, the ideas discussed, the values that were invoked, and the understandings that became embedded in various institutions and policies are still of central – defining – importance to understanding contemporary welfare state development and reform.
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1 Interviews were conducted on a “not for attribution” basis. Thus, the specific names of individual interviewees have been withheld.
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