An American Welfare State

The welfare state of the United States is in many ways unique compared to those in other industrialized nations, much so that it has been put at the center of much debate and various misconceptions. The most conventional view held by political observers, historians, and other observers is that the US is home to a “semi-welfare state, a laggard welfare state, and incompatible welfare state” and other such terms that describe social policies that fall short of supposed standards set by modern European countries (Howard 13). Additionally, many say that the welfare state, as we know it today, was created over the span of two short periods, the 1930s and the 1960s, during several years of majority rule by the Democratic Party.

The primary argument for characterizing the United States’ welfare state as small and “laggard” comes from the main indicator used to describe and compare social programs: public social spending in terms of a nation’s respective gross domestic product (GDP). When looking at such spending rates, the United States ranks second-to-last among industrialized countries, with 15.8% of its GDP spending going toward social programs in the year 1997 (Howard 15). When compared to places such Sweden and Denmark, where the welfare state comprises 35% of GDP, it’s easy to see why the United States would be seen with such negativity. Furthermore, the government programs offered in the United States often differ in scope and size from those in many other nations. In Europe, many nations have implemented an array of what are known as “social insurances” in order to “allow individuals to maintain in part the lifestyle to which they
have become accustomed,” regardless of employment status, age, or disability (Heinsich). These programs are often offered to all citizens without many requirements—they are programs of entitlement—and it is typically seen that the US does not share such a view on social welfare. State-funded health care (by means of payroll deductions) is provided in the US only to the elderly and permanently disabled, and a sort of minimum income is provided to the elderly retired through the Social Security Administration. Most other social enactments are means-tested programs for which small proportions of the populations are eligible, and for which benefits are largely determined by state governments (Howard 33).

Despite these facts and the popular assertions that the US welfare state is relatively small, there are other, and indeed, significant, sources of social assistance that are too often overlooked. The United States is unique in that much of its social needs are met by privately-organized and financed welfare programs, ranging in sources from private charities to people’s own place of employment. Estimates from the mid-1990s claim that the private welfare state cost about $568 billion yearly, approximately the same amount that is needed to run Social Security and Medicare combined each year (Katz 13). A majority of working Americans and their families, for instance, receive health insurance provided by their employers via deductions in wages and salaries, and old-age retirement funds are often set up by employers, either through guaranteed pension benefits or, more commonly in recent years, in individually-owned retirement savings accounts (401k accounts) (Lowenstein). Of course, participation in these private programs is completely voluntary for all parties involved, although the federal and state governments have imposed some rules, such as the requirement that all employers pay a certain amount of taxes toward funding for workers’ compensation insurance (to provide employees with government funds when they are out of work due to a job injury) (Howard 31).
Perhaps the most unique aspect of the US welfare state is its great trust and dependence on tax expenditures. These tax expenditures, most typically in the form of deductions on income tax returns for, to name some examples, having children, contributing to private charities, or purchasing a home. Tax deductions are also provided to employers who offer pension benefits to their employees, thus giving incentive for the private welfare state to expand (Howard 16). Such expenditures may be considered by some as allowing citizens to keep more of their income by lowering the effective tax rate, but even the US federal government categorizes these provisions in the tax code under spending—the deductions are seen as government income forgone. And, notably, when GDP is looked at as a measure of a nation’s welfare state, tax expenditures as well as taxes charged on public social programs (a practice rare in the US but common in many European countries) are absent from the calculation. When accounting for these two additional variables, social spending accounts for 16.4% of the US GDP, an increase of a 0.6%, although more drastic changes are found at the top, with Denmark spending only 26.7% of GDP going toward the welfare state (Howard 15). Comparing the new calculation that takes into account the United States’ unique social policies, the US no longer ranks sixteenth out of seventeen industrialized nations, but ninth, with a net, per capita rate of social spending at the average of compared countries (Howard 24).

As the old adage goes, the devil is in the detail. At first glance, the United States’ welfare is much smaller comparatively in terms of the amount of GDP spent toward government-funded social programs such as health care, old-age pensions, and disability insurance. The United States, however, is unique in how it carries out the idea of a welfare state—largely in a private matter, with employers and private groups acting as the providers of social programs. Where in other countries, such as Canada, the government is responsible for providing universal health
care for all citizens using tax revenue, the US model of welfare delegates many functions to either state agencies or to private groups or even corporations operating in a relatively free market (“Comparing the US...”). When accounting for these different methods of alleviating poverty, hunger, or other “risks,” the United States differs little in the amount of spending for social programs than other, similar countries (Katz 16).

The other well-favored opinion concerning the American welfare state is that it was created during two periods, the 1930s—the era of the New Deal—and the 1960s—the implementation of President Johnson’s Great Society program. The two programs, respectively, were designed to reduce rampant unemployment during the Great Depression, and to end all instances of discrimination and poverty. This is true to some extent: the largest pillars of today’s welfare state in the US—Social Security and Medicare, both of which entitlement programs that—were created during those two periods. The era of FDR’s New Deal brought in the first public housing projects, old-age insurance, unemployment insurance, as well as a national minimum wage and maximum working hours law, while the Great Society introduced Medicare, Medicaid, subsidized food stamps, and various initiatives to support students in all grades from prekindergarten to college (Howard 61). The common thread to each of these periods is in the political climate during which all these measures were enacted: the federal government was controlled by a Democratic president with the help of a large Democratic majority in Congress (Howard 55).

On the flip-side, of course, history reveals that many social programs were started outside of these time-frames: one of the earliest examples of a welfare state in the US involved the distribution of pensions to soldiers that fought in the Civil War. It was in the 1910s and 1920s when the idea of workers’ compensation was introduced by the states, and various tax
expenditures were introduced before FDR’s presidency as well as in more recent decades after the years of LBJ’s Great Society. Moreover, there were several programs from each era that were at some point scrapped or modified; the Works Progress Administration, which employed many workers during the 1930s to complete public works projects, was dissolved during World War II. Most recently, the Clinton administration and the Congress of the mid-1990s passed many changes and restrictions to welfare benefits, and President George W. Bush signed legislation mandating that prescription drugs be covered under Medicare (“The Works Progress Administration”) (“Medicare Prescription Drug Coverage (Part D)”). The trend appears to be that, while the boldest and most expansive entitlement programs have been passed during the two eras of strong Democratic rule, the American welfare system continues to evolve all the time, albeit at times with more means-tests initiatives or heavier emphasis on tax expenditures, as is often more popular with the Republican Party (Howard 67-68).

The American welfare state is unique on its relative reliance on tax expenditures as well as privately-funded and run entities as providers of social programs for those in any sort of need. While the system may not necessarily be as streamlined or uniform in benefits as many other welfare states that completely publicly-funded, the United States has managed form a comparatively unorthodox system that, over much time and adjustment, met the needs of many citizens—which is, of course, the goal of any social policy.
References


