The Universal Welfare State as a Social Dilemma

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The welfare state – a private or public good?

From a mainstream neoclassical economist perspective, most of the things provided by modern welfare states are essentially *private goods*. Such goods, health care, social insurance and education, for example, can be privately consumed. This means that A, who owns the good, can exclude B from consuming the good in question. So in order for the welfare state to be understood as bundle of publicly provided private goods, it would not be a suitable candidate for the social dilemma/collective action approach in political science (Ostrom 1998). The reason for this is that this approach, by definition, only relates to *public goods*, that is, goods where it is not possible for the individual to exclude others from using the good. The existence of the welfare state is understood by many mainstream economists as an anomaly because, what the welfare state provides should instead be left to market decisions where, as for other private goods like food, cosmetics and clothes, individual demand would meet its supply (Baumol 1965). Moreover, if left to the market, standard economic theory states that the things the welfare state provides would be produced with much greater efficiency than if provided by the government and paid for by taxes. The occurs because competing producers of such private goods would have a strong incentive to rationalize production, while such incentives are of course lacking in a state-monopoly system. For economists and political scientists adhering to the "public choice" approach, the existence of the modern welfare state is explained by the existence of so called normative irregularities. These include the murky activities of "rent-seeking" bureaucrats wanting to expand their power and budgets, or likewise "rent-seeking" interests groups which, by an improperly functioning political process have succeed in derailing public decisions from what is in the "general interest" (Mueller 1989).

Recent developments in non-cooperative game-theory, stressing the problem of incomplete and/or assymetric information, have challenged this view of the welfare state. The result from this line of research is that, because of these information problems, the market will either not fill the demand for many forms of social insurance, health care and education, or it will do so less efficient than the state. Summarizing both the theoretical and empirical research in this field, Nicholas Barr has shown that for unemployment insurance, basic education, health care and pensions, market forces can not supply what the consumers/voters demand. More specifically, there are three main problems that the market, according to this approach, can not handle. One is what is called "adverse selection", it will be in the interest of competing insurance companies to get rid of "bad risks". Consequently, such "bad risks" will try to conceal that they are in fact "bad risks" because they know that if they revealed this information, they would either not be accepted as customers at all or they would have to pay a higher premium. It should be added that with the advances in gene-technology, the possibilities for insurance companies to identify such "bad risks" is likely to increase dramatically.

The second information problem in most social insurance system is known as "moral hazard", which are difficulties for private insurance companies to get information when an involuntary injury giving right to benefits has occurred. In some cases, such as health care, this problem can be ameliorated by the use of some knowledgeable profession (read: doctors), while for unemployment or social assistance it is much more difficult, if at all possible, to get such information. The third problem why private insurance will not be provided is that in some cases, injuries hit very large parts of the population at the same time, so called interdependent risks (for pensions this is periods with high inflation, for unemployment insurance this is extended economic downturns).

Thus, if what the welfare state provides is left to market provision, three things are likely to happen. One is that in order to force insurance companies to refrain from dumping "bad risks" and guaranteeing for the problem of interdependent risks, the state must enforce regulation to such a level that the system, in practice, becomes a public system. Another scenario is that the costs for surveillance to handle these problems become very high. The third is that transaction costs, i.e., costs for consumers and producers to enter and monitor contracts, are likely to be very high, especially in the area of health care where there are many parties involved (patients, doctors, hospitals, insurance companies, medical laboratories, etc.). Nicholas Barr has summarized the consequences of these information problems and the problem of interdependent risks as follows:

> Information problems provide both a theoretical *justification of* and an *explanation for* a welfare state which is much more than a safety net. Such a welfare state is justified not simply by

> redistributive aims one may (or may not) have, but because it does things which private markets for technical reasons would either do inefficiently, or would not do at all.(Barr 1992, p. 754)

The implication is that most parts of what is known as the modern welfare state is in fact a *public good* and thus a candidate, as good as any, for the problems we know as social dilemmas and collective action (Putterman, Roemer, and Silvestre 1998, p. 872-874). This conclusion rests, of course, on the idea that there is a general demand for such things as social and health insurance, and education, whether provided by the government or not. If this is correct, the existence of such services can not be understood as primarily a result from the activities of "rent-seeking" public bureaucrats and/or interests groups, squeezing out special benefits for their members from the general taxpayer. Empirical studies show very little, if any, support for this view (Lewin 1991). To the contrary, as I will show below, the existence of a broad demand for universal social programs finds strong support in survey data.

It should be added that there is a social dilemma problem here, apart from what is said above about social insurance. If we simply understand the welfare state as "the rich helping the poor" for pure altruistic reasons, "the rich" still face a collective action problem in order to accomplish this. As stated by Milton Friedman in 1962, every rich person may want to get rid of poverty in society, but, if rational, will do so on the condition that enough other rich persons are also willing to contribute to such a noble cause (Friedman 1962). Let's call this conditional altruism. The reason this altruism is conditional is that the poor as a social category (and poverty as a social problem) will only be effectively dealt with if enough rich persons contribute enough money. (This may be the reason why "the rich" when organizing help for the poor, often meet in semi-public settings such a charity gala dinners, where each individuals contributions is made in public.) Without some form of guarantee that enough other rich persons will contribute, each rich altruistic person may rationally abstain from making a contribution reasoning that small efforts can not redress big problems. One such guarantee could be the institutionalization of a properly organized tax system that taxes all rich people and a welfare state administration that makes sure the resources also reach the poor (Rothstein 1998).

Before proceeding, there is need to say something about the standard efficiency argument that market provision is more efficient than government provision. In face of the information problems in social insurance mentioned above, mandatory insurance for all increases efficiency because it pools the risks as broadly as possible. A related reason for the increased efficiency of compulsory insurance is that the costs competing private insurance companies would incur, trying to handle the information problems above (known as transaction costs), tend to be very high (Gerdtham and Löthgren 1998). The empirical evidence is also for once very clear, it can not be shown that countries with high public spending have lesser economic growth rates than countries with low public spending (Dowrick 1996; Korpi 1996). At the micro-level, increased wage-taxes does not have a general negative effect on the provision of wage-labor. The empirical evidence shows that if income taxes are lowered, some work less because they get the income they want with less work. Others will work more because it pays more to work. The major message from the empirical research is that the net result of these two different effects is close to zero (Pencavel 1986).

The puzzle of increased variation

In the comparative welfare state literature, two major findings are of interest from a social dilemma perspective. The first is the well-known differences that exist in the quality and scope of welfare state programs among the industrialized western democracies. Quantitatively, the Scandinavian countries spend about twice as much as a percentage of GDP on social insurance and social assistance than the United States, Most other European countries' spending falls somewhere in between. The other finding is less well known, this huge difference in welfare state ambitions is a rather recent phenomenon. If we go back to the early 1960s, these countries spent almost the same as a percentage of GDP on welfare policies (OECD 1994). Given the internationalization of values, increase in trade, globalization of capital, etc., this is a rather unexpected development. After all, these are countries with basically the same type of social, economic and political structures, that is, they are all western democratic capitalist market economies. Most social scientists working in the early 1960s would probably, without our benefit of hindsight, have predicted convergence in social policy between these countries, not such a dramatic divergence.

It should be reminded that behind these macroeconomic figures are the lives of real people. Comparing the economic situation of single parent families in the mid-1980, 54 percent in the U.S and 46 percent in Canada lived in severe poverty (defined as having less than half of the median income) compared to 6 % in the Netherlands and 7 in % (McFate, Smeeding, and Rainwater 1995). Another interesting figure here is the difference in prison interns. Of 100,000 persons, 580 are in prison in the United States compared to an average of 40 in the Scandinavian countries (Wacquant 1998). There are of course many different reasons behind crime and imprisonment, but poverty would clearly count as one.

One way to explain the differences in welfare state programs would be through standard political variables; the ideological orientation of dominant political parties in Scandinavia are different (read: more Social Democratic) from those in the United States or Canada. This is of course true, but then it should also be said that all the Scandinavian countries have had extended periods with non-socialist/conservative parties in government during this period. Moreover, these have been periods marked more by expansion than contraction of welfare state spending (Rothstein 1998). A second type of explanation would point to general norms and values, for example, Scandinavians, for whatever historical and cultural reasons, are more inclined to embrace norms such as equality and social justice. The problem, however, is that comparative studies based on survey data find little support for this type of explanation. In contrast, findings from such studies report a striking similarity in such basic values and norms about justice and equality between countries with very different ambitions in welfare state measures (Svallfors 1997). So, we are left with a puzzle; standard theories about economic development, political power or social norms don't seem to be able to explain the differences in welfare state programs.

Here, I will propose an explanation that this puzzle can be understood from a social dilemma perspective. My argument is that the solution to how this dilemma has been solved in different countries is related to the way in which the institutions of the welfare state programs have been historically established. In order to highlight the differences, I will concentrate the analysis on one of the so called outliers, namely Sweden, which in various studies has been shown to be the most expansive welfare state.

Speaking from an institutionalist perspective, what best characterizes the Swedish and the other Scandinavian (and some other North European) welfare states, is most programs are universal, not selective. This means that social programs such as old-age pensions, health care, child-care, education, child allowances, and health insurance, are not targeted to "the poor", but instead cover the entire population without consideration of their ability to pay.

Many scholars have maintained, since benefits and services are distributed in roughly equal shares to everyone, and since the tax system is proportional on the whole, no real redistribution between income groups takes place in universal welfare states (Barry 1990; Gutman 1990). Some economists have even claimed that a universal welfare system amounts largely to a costly bureaucratic roundabout with very little redistributive effects (Tullock 1983). Nothing could be further from the truth. The table below illustrates why: [1]

[1] The following builds on many discussions with Peter Mayers, whose ideas and suggestions have been most valuable.

Table 1. The redistributive effect of the universal welfare state.

Group	Average Income	Tax (40%)	Transfers	Income after taxes and transfers
A (20%)	1000	400	240	840
B (20%)	800	320	240	720
C (20%)	600	240	240	600
D (20%)	400	160	240	480
E (20%)	200	80	240	360
Ratio between groups A & E	5/1	(= 1200)	(1200/5=24)	2.33/1

The redistributive logic of the model is as follows. In the first column, income earners are divided for the sake of simplicity, into five groups of equal size, according to average income. We assume the average income of the group earning most is five times that of the group earning least. This difference, which we may call the inequality quotient, is 5/1. We further assume, *nota bene*, not a progressive but rather a strictly proportional system of income taxes. We set the tax rate at 40%, which corresponds roughly to that part of the Swedish public sector's presently 56.2% of GNP that is spent on social, educational, and other welfare policy. Finally, we assume that all public benefits and services are universal, which means that the individuals in each group receive *on average* the same sum in the form of cash benefits and/or subsidized public services. The result, as seen in the last column, is a dramatic reduction in inequality between group A and group E, from 5/1 down to 2.33/1. The level of inequality has thus been reduced by more than half in this model of how the universal welfare policy works. Note that this redistributive logic works the same if you take the groups' (or person's) income over a life-time, as well as if you compare at one single point in time. It is only if you can argue that over time, the persons in groups A and B will switch with the persons in groups D and E, that the redistributive effect decreases.

This model has, in fact, a strong support in empirical data of how different welfare states redistribute income (McFate, Smeeding, and Rainwater 1995). It turns out that, perhaps contrary to one's intuition, it is the states which tax everyone "the same" and gives everyone "the same". This means the universal systems usually end up effectively redistributing economic resources, while the ones which intend to tax the rich to give to the poor, end up with much less redistribution. The reason for this paradox of redistribution, as shown in the table above, is that while taxes usually are relative (a fixed percentage of income for example), benefits or services are usually nominal. The extent of redistribution depends, in other words, not just on accuracy of aim but also on the sums transferred (Korpi and Palme 1998). To put it in other words: if you tax the rich and give to the poor, the rich will not accept high taxes.

Rationality, information and support for the universal welfare state

If we start from a pure self-interest utility maximizing point, the table above does show that there is, to use a game-theoretical expression, no stable equilibria. The model can not predict what will be the likely outcome if agents act solely out of self-interest. The reason is that while group E and D will clearly be in favor of a universal system because they get more benefits than what they pay in taxes, group A and B will be against a universal system for the opposite reason (they contribute more than they get). This means that the group, which in the model determines if a universal welfare state will persist or not, is group C (i.e., "the middle class"). The reason for this is twofold. First, for this group, the system is cost neutral, that is, they pay in as much as they get out from the system. Second, in a democratic polity, and again following the standard economic theory of self-interested behavior, groups C (henceforth "the middle class") will be what in political science are known as the "swing voters", that is, they will decide what the majority will be. Swedish survey data confirms this picture, i.e., that support for the universal welfare state decreases with higher social class (Svallfors 1996). From an electoral perspective, it is only if the middle class opts for a political alliance with groups D and E that the universal welfare state will be stable. This means that from a standard economic utility maximizing point, we can not predict what will happen in this model, that is, if the universal welfare state is stable or not. This is, as stated above, also the empirical case. Some modern capitalist democracies have more universal welfare systems, while others have more selective arrangements, and this follows to a large extent from the electoral behavior of the middle class.

However, if we relax the assumption about the individual tax payer's/voter's/social insurance recipient's economic rationality, in three ways, another picture comes through. First, following the work by Kahnemann and Tversky, we know from experimental data that people tend to be risk adverse (Kahneman and Tversky 1996). Given the guarantees that government insurance can provide compared to a private insurance company, the middle class may be more prone to support universal public social insurance. However, this depends on if the government is perceived as trustworthy or not.

Second, it is very difficult in this case for the (middle class) individual to get accurate information about the gains and losses when she compares taxes and benefits. The lack of information, and if we add to that, uncertainty about the future, are very likely change the basis upon which people act. Following a recent argument by Arthur Denzau and Douglas North, as well as John Scholz, in such situations marked by uncertainty and lack of information, people do not act as if they have computers in their head solving equations about possible gains and losses. Instead, shared mental maps, heuristics, ideological persuasions and moral standards are used when agents form decisions (Denzau and North 1994; Scholz 1998). This implies that, in particular for group C in our model, the decision to support a universal system (or not) is very likely to be a *combination* of rational utility maximizing calculation (so far as it can be made) *and* ideological/normative orientations. This has recently been stated in the approach named "evolutionary game theory" as follows:

> agents are not perfectly rational and fully informed about the world in which they live. They base their decisions on fragmentary information, they have incomplete models of the process they are engaged in, and they may not be especially forward looking. Still, they are not completely irrational: they adjust to their behavior based on what they think other agents are going to do, and these expectations are generated endogenously by information about what other agents have done in the past (Young 1998, p 6)

Third, we know from experimental studies of collective action problems that a considerable number of individuals do not follow the self-interested utility maximizing script at all. Especially if given the possibility to communicate, people do not free ride as much as standard rational choice theory predicts (Tyler 1998). To quote one recent survey of the results form this experimental research: *"hard-nosed game theory cannot explain the data"* (Ledyard 1995). The willingness to act out of norms of solidarity is simply much higher and more widespread than the standard economic theory about human behavior predicts (Sally 1995). If democracy is considered not only as system for the simple aggregation of preferences, but also as a deliberative and discursive process, the results about the importance of communication from experimental studies should have implications for how agents behave (Mackie 1998). As we are dealing with electoral behavior, it should be underlined that the negative results for the public choice theory are confirmed in survey studies about how people vote. Empirical studies about voting behavior have refuted the economic logic of voting put forward by the public choice school in political science. Instead of voting out of pure self-interest, citizens take the overall well-being of the society into account. In electoral research, this is known as *sociotropic* voting (Lewin 1991).

Empirical results about political behavior and behavior in experimental social dilemma situations have led a couple of political scientists to suggest that we must build our analyses on a more realistic foundation of what type of utility functions people act (Levi 1998; Ostrom 1998; Rothstein 1998). From a social dilemma perspective, it should be clear that most people do not act out of one single rational utility maximizing utility function because, in that case, most social dilemmas would end up in pathological social traps (Platt 1973; Young 1998, p 18). One way to solve this problem is to start the analysis that most people do not have a single, but (at least) two different utility functions. Margaret Levi, who has done research under what conditions young men volunteer for war, has put this as follows,

> there are segments of the citizenry whose utility function is unitary; they are purely income maximizers or purely moral. A large proportion, however, appear to have *dual utilities.* They wish to contribute to the social good, at least as long as they believe a social good is being produced. They also want to ensure that their individualistic interests are being satisfied as far as possible (Levi 1991, p 133).

This idea of a *dual utility function* can serve as a useful tool when we try to understand how social dilemmas can be solved. In line with the experimental studies mentioned above, it shows that most people do want to contribute to solve collective action problems instead of acting as free riders What they do not want to be is "suckers", contributing when "the others" are not contributing.

Thus, one of the things needed to solve social dilemmas is trust and other such norms of reciprocity, which insure the individual that enough others will behave cooperatively (Levi 1998; Putnam 1993). What complicates the problem in our case is that when it comes to social insurance, the individual citizen is clearly in *two different* social dilemma situations where trust is important. The first is with the government: will the state actually, when the day comes, deliver what it has promised to deliver. For the individual, many things provided for by the welfare state have long time horizons (pensions, college education for ones children, old-age and old-age health care). So, the individual does not only have to consider if the current government can be trusted, but also any government likely to hold power in the future.

The second dilemma is with all other citizens – will they financially support the system or are they more likely to cheat and avoid paying taxes. And will they try to undermine the system by claiming benefits they are not entitled to, or will they play by the rules. In many social insurance cases, "moral hazard" is a problem, i.e., it is difficult to know if the unemployed are really unable to find work, etc. This means that even if an individual in principle, out of some moral conviction, would favor a universal welfare state system, he or she may nevertheless withhold support because mistrust of either the government or of fellow citizens (Scholz and Lubell 1998). Thus, these two strategic situations (citizen vs. the government and citizen vs. all other citizens) can be understood as two "nested games" (Tsebelis 1990)

Margaret Levi has conceptualized this as the problem of *contingent consent*. The idea is that citizens will consent under certain conditions to collective (in this case government organized) action to produce *public goods*. The starting point is that citizens will try to balance their wish to act according to the norm of contributing to "the common good" with their rational self-interest. The theory of contingent consent entails the following: we imagine a situation in which citizens attach positive moral value to the object sought by collective measures, for example some form of social insurance. In the face of problems of free riding, achieving sufficient support for such measures presupposes that three conditions be fulfilled. These are the following: (1) citizens regard the good to be produced in itself as valuable. We will call this the question about *substantial justice*; (2) citizens consider the administrative process needed to implement this value to be organized in keeping with *procedural justice*, i.e., that the government will deliver what it has promised to deliver in a fair and impartial way; and 3) citizens believe their fellow citizens also contribute to the program on a solidaristic basis (non or insignificant "free-riding").

Most discussions of social policy concern only the first normative condition of substantial justice. The second condition is adding because studies show, in addition to substantial justice, people seem to care a lot about procedural justice (Tyler 1998). The reason for adding the second and third conditions stems from the literature on non-cooperative game theory and social dilemmas, which stress the importance of trust in institutions and trust in other agents. Below, I will discuss the institutional implications of each of these three conditions.

Substantive Justice

The first condition of contingent consent has to do with the normative question of *substantive justice.* That is, can one argue that the goals of a particular social policy measure are just? This first principle lies, we might say, at the heart of a universal welfare policy (Titmuss 1968). Indeed, the whole point of a universal welfare policy is not to discriminate between citizens, not to separate "the needy" and "the poor" from other citizens and to treat them differently. Social policy should seek instead to a moral obligation to furnish all citizens with, in Amarty Sen's words, *basic capabilities* (Sen 1982)

In contrast to the situation under a selective system, the public discourse about social policy in a universal system cannot be conducted in the terms indicated by the question: "what shall we do about these deviant groups/individuals?" Or as former US Vice-President Dan Quayle put it in a debate: "those people." (Katz 1989, p. 236). The public discussion of social policy in a selective system often becomes a question of what the well-adjusted majority should do about "the others", i.e., the socially marginalized minority. The *substantial justice* of the system can thereby come under question by the majority, who might start asking (a) where the line between the needy and non-needy should be drawn, and (b) whether the needy ("the others") themselves are not to blame for their predicament (and so cannot legitimately claim assistance). We may refer to the first as the general, and the second as the individual boundary-drawing problems. In the selective model, the discussion often focuses on how to separate the "deserving" from the "undeserving" poor (Katz 1989), which translates into a seemingly unending debate about how and where to draw these two boundary lines. Leading politicians are therefore likely to find themselves in a situation where it becomes increasingly difficult to argue that the selective programs are normatively fair. Public consent to the system is undermined, because the social policy debate comes to turn not on what is *generally fair*, but rather what is *specifically necessary for "the others"*.

Moreover, in a selective system, the moral logic of the discourse tends in itself to undermine the legitimacy of the system. This occurs because most selective types of policies that are structured to integrate a specific group with the rest of society, seem to entail a paradox of the following kind: To motivate selective measures, like affirmative action, the targeted group must first to be singled out as inherently *different* from ordinary citizens. But if the group is that different, how can they ever by any social policy initiative, become like ”ordinary citizens”. If the selective policy has only marginal effects, the usual strategy for those advocating it is to argue that the group is even more different (and thus have even more special needs) than what had initially been presumed, and therefore needs more selective/targeted policies.

Under a universal system, in which the state furnishes all citizens with *basic capabilities*, the moral logic is altogether different. Since the universal welfare policy embraces all citizens, the debate assumes quite another character: social policy is now thought to concern the entire community, and the question becomes *what, from a general standpoint*, is a fair manner in which to organize social policy. No discussion of the type above, concerning how and where to draw the two boundary lines for "the others", need ever take place, simply because no such lines need be drawn. Welfare policy does not, therefore, turn into a question of what should be done about "the poor" and "the maladjusted," but rather a question of what constitutes *general fairness* in respect to the relation between citizens and the state. The question becomes not "how shall we solve *their* problem?" but rather "how shall we solve *our common* problems with social insurance?

Procedural Justice

Condition number two concerns the implementation of policy. Can welfare policy be *carried out* in a fair manner? How does the choice of a universal or selective welfare policy affect the public's view of state capacity? Beginning with the former, one should bear in mind that a typical universal welfare program, like flat-rate pensions or child allowances, is a great deal simpler, cheaper, and easier to implement than its selective counterpart. This is largely because there is no need, in a program of a universal type, for an administrative apparatus charged with carrying out the *two* types of eligibility tests which are a necessary concomitant of a selective program. These test must ascertain (1) whether a given applicant is entitled to support, and (2) if so, to how much. Social policy can be given the form of specified citizen rights, and the social duties of the state can be rigorously defined in order to respect the integrity of citizens. The point is, depending on the institutions we select for furnishing citizens with *basic capabilities*, we create different types of moral logic in the social policy discourse. In the case of a selective policy, the state separates out those citizens unable to provide such basic *capabilities* for themselves, and furnishes them with said *capabilities*. To do this, however, it must first determine whether or not they belong to the needy group, and if so, how much they need. The problem that arises is that it is very hard to do these things without violating the principle that the state should treat all citizens with, as stated by Ronald Dworkin, "equal concern and respect." (Dworkin 1977, p 180ff) The very act of separating out the needy almost always stamps them as socially inferior, as ”others” with other types of social characteristics and needs, and results most often in stigmatization (Salonen 1993, pp 176-180). In his important book "Spheres of Justice", Michael Walzer argues that social policy of this sort is incompatible with the maintenance of recipients' self-respect (Walzer 1983, p. 227f).

Selective programs present serious problems of procedural justice because they must allow local administrators a wide field for discretionary action. The difficulty of finding usable criteria for selecting recipients can often become unmanageable. This creates a "black hole of democracy," in which citizens find themselves faced with an administration or system of rules which no one really understands, and in which no one can be held responsible. In sum, the selective model leads, as Robert Goodin has stated to "unavoidable," "insurmountable," and "insoluble" problems in respect to the arbitrary treatment of citizens seeking assistance (Goodin 1988, p. 219f).

The difficulty of handling the discretionary power of administrators in selective programs has two important consequences. These consequences are often thought to be opposites, but in fact they are two sides of the same coin. They are the bureaucratic abuse of power, and fraud on the part of clients. Applicants in a selective system, if rational, will claim that their situation is worse than it actually is, and to describe their prospects for solving their problems on their own as small to nonexistent. The administrators in such a system, for their part, often have incentives from their superiors to be suspicious of clients' claims. In game theory, this is known as "the control game", a rather sad game because it has no stable equilibria and thus no solution. Fraud by a few clients feeds into increased control which, in its turn feeds into increased fraud by more clients, and so on (Hermansson 1990).

The question of procedural justice therefore looms large in selective systems. Even if cases of cheating, fraud, and the abuse of power are in fact relatively rare, the sensationalistic logic of mass media means that such cases will receive great attention, thereby influencing the majorities' "cognitive maps" on which social policy is based. It's very difficult to combine means-testing with procedural justice, for means-testing itself entails a violation of citizens' integrity - either in the means-test itself, or in the verification checks which often follow.

The Just Distribution of Burdens

Condition number three in the theory of contingent consent has to do with whether or not all citizens bear their share of the costs of a given policy, i.e., it concerns *the just distribution of* *burdens.* Citizens are portrayed here as players in a so-called assurance game, i.e., they are prepared to support the program in question, even if they cannot be sure they will themselves directly gain by it, as long as they can be convinced that all (or almost all) other citizens will also contribute to carrying it out. The willingness to contribute depends, that is, not just on the fulfillment of the requirements of procedural and substantive justice; it also assumes a credible organization of the collective efforts (so that such efforts are, in truth, *collective).* The other side of the question, of course, is how to discourage the unsolidaristic use of the benefits the welfare policy brings.

The universal model differs from the selective on this point as well. Typical for the latter is that assistance is granted only to those citizens who cannot in some other way provide for themselves or meet their "basic needs." This means as a rule that such citizens have no income, and therefore pay no tax. They constitute a category, then, which does not contribute economically. In a universal system, the vast majority of those who are recipients do work and thus do pay taxes.

In sum, to the extent the welfare system is designed so that even net beneficiaries can play a role as partners who contribute, according to their ability, to the defraying of costs, the legitimacy of welfare policy will increase. It becomes a question of how citizens shall undertake to solve their common problems, rather than a question of what "we" shall do about "them".

We observe here, then, two wholly distinct moral logics. The difficulty of implementing selective programs in such a way that their objectives are attained, and their processes considered fair, undermines public support for social policy in general. For example, the majority might be open to supporting social policy in principle, but constant reports of cheating, fraud, bureaucratic abuse of power, waste, inefficiency, and other irregularities lead to their taking the view that the policy's implementation is so deficient as to make the whole affair a waste of time and money. It is very hard to imagine, moreover, that a population with such a negative view of welfare policy would be receptive to proposals to give it a more universal form (for this would involve *expanding* social policy). Instead, a suspicion of state measures becomes the dominant attitude. A state that fails to take care of "the poor" cannot of course be entrusted with the larger task of attending to the welfare of the entire population. Citizens are more willing, on the other hand, to agree to collective undertakings of this kind if they have confidence in the state as an institution.

Attitudes toward different types of social program

One consequence that modern social science has brought is that citizens are asked now and again about their attitudes towards various matters, including welfare policy. How does the empirical evidence look, then, in relation to the theory of contingent consent? Can empirical support be found for the proposition, that if the institutions of social policy are structured according to the principles of this theory, they will create norms forming a basis for the reproduction of the policy? Axel Hadenius in 1986 and Stefan Svallfors thereafter have conducted survey research which speak to this problem. They have asked identical questions of representative samples of the Swedish population about their support for different welfare state programs. The results may be seen in the table below.

Table 2. Attitudes towards public expenditures.

Answers to following question: "Taxes are used for various purposes. Do you think the revenues spent on the purposes mentioned below should be increased, held the same, or reduced?" The figures in the table represent the percentage of those wishing to increase expenditures minus the percentage of those wishing to reduce them.

Year	1981	1986	1992	1997
Health care	**+42**	**+44**	**+48**	**+75**
Support for the elderly	**+29**	**+33**	**+58**	**+68**
Support to families with children	**+19**	**+35**	**+17**	**+30**
Housing allowances	**-23**	**-23**	**-25**	**-20**
Social assistance	**-5**	**-5**	**-13**	**+-0**
Primary and secondary education	**+20**	**+30**	**+49**	**+69**
Employment policy	**+63**	**+46**	**+55**	**+27**
State and municipal administration	**-54**	**-53**	**-68**	**-65**

Sources: (Hadenius 1986; Svallfors 1996; Svallfors 1998).

At least two results of these studies are worthy of note. The first is the marked and stable difference in support for different types of programs over time. Support for the universal programs is unambiguously strong and stable, while the opposite is true for the two selective programs (housing allowances and social assistance).

This seems to support our model of how people behave combining self-interest, uncertainty, risk-aversion, and solidarity. First, considering self-interest, these universal programs can be expected to have strong support because large segments of the population benefit from them. But, as showed in our model above, the crucial middle segment of the population might still opt out, if action is understood from a strict rational self-interested perspective. Adding uncertainty, risk-aversion and solidarity may explain the figures above.

Secondly, the programs with strong support above are all within the model of contingent consent, while the two programs with weak support, are clearly outside this model. The most crucial difference is that both housing allowances and social assistance are means-tested programs and thus difficult to implement with respect to procedural justice. There is also an argument that these are programs serving citizens who either do not pay taxes at all, or pay very little.

One program that stands out is employment policy which is, for most part, selective. Nevertheless, it has fairly strong support, although it has declined somewhat in the latest survey. One reason may be that this is a program which, at least in Sweden, does not only serve "the poor", but for historical reasons has a much broader range in what is known as "active labor market policy". Not only unemployed workers, but also workers who in the future risk unemployment, including many white-collar workers, attend job-counseling and vocational training. Secondly, this is a program in which, historically, the ruling Social Democratic Party has paid special attention to the problems of legitimacy in the implementation process. One example is that decisions about who is eligible for unemployment insurance are made by union representatives (Rothstein 1996).

There is reason to compare with the US on this point. As Margaret Weir has noted, it is striking that no form of active labor market policy has been successfully established in the US, despite the fact that a strong work ethic pervades American society (Weir 1992). The attempt made beginning in the 1960s - CETA (Comprehensive Employment and Training Act) - was that social program which the Reagan administration found easiest to dismantle upon assuming office in 1981. This was because CETA was equated, in public opinion, with waste, bureaucracy, and a focus on helping just certain socially distinct minority groups; it was, in short, a program exhibiting all the problematic features of selective policies. An American scholar puts it this way:

> The legitimacy of CETA was seriously eroded by the stream of "bad press" it was receiving - adverse publicity on waste, nepotism, patronage and corruption. Perhaps nothing contributed more to the loss of confidence and legitimacy in CETA and, ultimately, to its demise (Mucciaroni 1990, p. 176).

Conclusion

I started out by making a case for defining many welfare state programs as public goods and thus a candidate as good as any for the social dilemma approach. Secondly, I presented the empirical puzzle that structurally similar countries have produced very different types of welfare states, and that these differences have been increasing since the 1960s. If the welfare state is a public good, then it is obvious that the Western countries have had different success in finding solutions to this social dilemma. Thirdly, I have presented a model of how universal social programs works which also shows that if voters/taxpayers act out of self-interest, both a selective and a universal welfare state are likely outcomes, which means that we face a situation with multiple equilibria. Forthly, I have argued that the different outcomes can not be traced back to the fact that citizens in these different countries have different basic values or norms about what is social justice. Neither can they easily be accounted for by standard explanations in political science about the importance of the ideology of ruling political parties. Instead, my argument is that the empirical puzzle, why structurally similar states manage to solve this social dilemma in very different ways, can be solved by institutional theory, specified as the theory of contingent consent.

While part of this explanation is ideological, i.e., what political leaders hold forth as substantially just, the two other parts (*procedural justice* and the *fair sharing of burdens*) has to do with how the government arranges the administrative institutions of the welfare state. The evidence from the Swedish system of welfare policies provides empirical support for the theory of contingent consent as a way to solve large social dilemma problems. It is precisely the universal programs, which fulfill the institutional conditions specified in this theory, that command widespread support in the population. At the same time, it is the two programs (social assistance and housing allowances) which appear most clearly to violate the principles of this theory which enjoy the least support. It is hard to argue on behalf of these programs by appeal to a conception of substantive justice. Moreover, these programs are difficult (not to say impossible) to implement in a procedurally fair manner. They make it easy, finally (at least in the case of public assistance), to argue that those receiving benefits do not contribute according to ability to defraying the costs of the program, i.e., the benefits generally go to people who do not work and therefore do not pay income tax. In other words, citizens have reason to distrust both the government institutions and their fellow citizens. It may be added that in the Swedish case, the construction of the institutions which made it possible to solve the social dilemma in this case, by no means came into existence by chance or as unintended consequences of other political decisions. Instead, they were deliberately crafted by centrally placed political actors, very much with the social dilemma problem in mind. But this is, by its very nature, a longer, yet very interesting, story (Olsson 1993; Rothstein 1998)

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