Contentious Institutions:
An Augmented Rational-Action Analysis of the Origins and Path Dependency of Welfare State Institutions in the Western Countries

by

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ABSTRACT

Welfare states in the Western countries have had very similar goals, yet the choice of institutions to approach these shared goals has generated protracted power struggles among major interest groups and great cross-country variation in institutional structures. Relating recent debates on new institutionalism to earlier debates on power, this paper outlines an augmented rational-actor approach to the explanation of the origins of welfare state institutions and of variations in their degree of path dependence. With a differentiated concept of power costs and the degree of power asymmetry among actors as a central variable, this augmented model partly combines some salient characteristics of the rational-choice, historical, and sociological versions of new institutionalism. The augmented rational-actor approach proves fruitful in understanding conflicts characterizing the emergence and change of major social insurance institutions in 18 rich Western countries since the late nineteenth century and up to the present. It complements rational-choice institutionalism focused on voluntary cooperation, contracts and conventions.

KEY WORDS • rationality • new institutionalism • welfare states • power • institutional change
1. Introduction

In the now rich Western countries, the emergence and expansion of the welfare state since the late nineteenth century constitutes a core area of societal change. Welfare states in these countries have had similar goals, focusing on the protection of citizens against economic risks during the life course, especially economic risks generated by old age, sickness, work accidents and unemployment. Despite such obvious and basic similarities in expressed goals, however, in most countries the choice of institutional forms to approach these shared goals has been contentious and associated with protracted power struggles. The outcomes of these conflicts are reflected in great variations among countries in the institutional structures of their welfare states.

Thus striking differences in institutional structures appear when we take a closer look at the major social insurance programs intended to provide income maintenance to citizens during old age and sickness. In some countries institutions of social insurance have been structured so as to provide benefits only to citizens able to prove their individual need in the face of scrutinizing public officials. In other countries social insurance legislation has encouraged self-help via state support to a multitude of voluntary associations. In several countries social insurance institutions segment citizens according to the color of their collars, making the nature of an individual’s occupation determine to what extent and under what conditions life course risks are covered. Thus, for example, industrial workers, salaried employees, farmers, and the self-employed are treated according to different rules. In still other countries social insurance institutions protect all citizens equally, however at the same meager levels, providing only a basic safety net to keep them from falling into destitution, but leaving it to each individual to provide for a ladder to raise her income protection above minimum levels. Yet in some countries we find institutional forms providing not only a safety net to all citizens but also a relatively long ladder, thereby limiting the effects of life course risks for citizen’s material standards of life.

In view of the obvious similarities in goals professed for social protection, it would appear surprising that in most countries the design of social insurance institutions has been highly contentious, generating intensive struggles among major interests groups. Institutional development has involved recurring strife, and conflicts once apparently put to rest have flared up again decades later. The plethora of institutional forms of welfare states and the turmoil surrounding their development indicates that the choice of institutional structures clearly has mattered and has been seen by human actors as having far-reaching consequences. Surprisingly enough, however, in research on welfare states little attention has been given to differences in institutional structures and to conflicts associated with their development.¹

The purpose of this paper is threefold: to analyze the origins of welfare state institutions in a comparative perspective, to attempt to explain variations in the degree of path dependence of different institutional models since the late nineteenth century, and to sketch a theoretical approach likely to be fruitful in attempts to understand contentions focused on the shaping of institutional forms as well as of variations in institutional path dependence. To improve our ability to explain strife, stability and change associated with the development of welfare state institutions, it is natural to turn to ”new institutionalism,” which since the 1980s has emerged

¹ To some extent institutional aspects have been included in different attempts at developing typologies of welfare states (for example, Titmuss 1974; Korpi 1980 a and b; Mishra 1981; Esping-Andersen 1990). The role of institutions in unemployment insurance has been discussed by Rothstein (1992).
as a growth industry in the social sciences. The activity within this growth industry has however given rise to differing approaches, differences which are significant enough to make it necessary here to use the plural form and to talk about "new institutionalisms." Our focus on the origin and change of contentious welfare state institutions therefore leads directly into controversial debates among new institutionalists on the relevance of power, rationality, preferences, interests, and identities in the context of institutions. A glance at the historical development of welfare state institutions indicates that here it is fruitful to draw on more than one "school" among the new institutionalisms. The introductory section of the paper will therefore sketch an approach to institutional analysis which attempts to combine some of the salient characteristics of the different "schools," focusing on asymmetries of power, on rationality assumptions, as well as on the formation of preferences and identities in the context of institutions. This partial and preliminary attempt at a synthesis is here referred to as an augmented rational-actor approach to institutions.²

An issue central for much of debates among the different versions of new institutionalism concerns the role of asymmetries in power among actors. In outlining this partial synthesis, we will therefore attempt to join two successive but heretofore largely unconnected growth industries in political science and sociology, an earlier one on power and the later one on institutions. The intensive debates among sociologists and political scientists on the concept and role of power generated a major growth industry during the first three decades after the Second World War, but this activity petered out without leaving much of a trace in the later growth industry of institutional analysis. This pattern of consecutive, but unconnected, growth industries follows what we with Geddes (1991) can label the "sand castle syndrome" in the social sciences, where theoretical renewal too frequently appears to be driven more by fads than by empirically based rejection of previous theories. As new phenomena come into the focus of social scientists, they often desert the old sites of theory construction and move to new ones, thus busily building series of sand castles rather than a cumulative structure of knowledge. This paper will therefore briefly revisit the debates on power during the early postwar decades.

The empirical sections of the paper examine the extent to which an augmented rational actor approach to institutions can be used to understand the origins and changes of major institutions in the domain of the welfare state. Using a new and unique data base, The Social Citizenship Indicator Program (SCIP), the augmented rational actor approach is applied in an empirical study of the emergence and change of social insurance institutions since the late nineteenth century and up to 1995 in 18 Western countries which are now rich capitalist democracies (see Methodological Appendix). These countries have been selected according to the principle of "most comparable cases" (Lijphart 1975). They are characterized by an uninterrupted political democracy during the period after the Second World War and have at least one million inhabitants. The countries included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

The paper proceeds as follows. After a brief review of the earlier debate on power and its relevance for institutional analysis, an augmented rational-actor approach to institutions is outlined. With this approach as a background, the origins of welfare state institutions in our 18 countries are analyzed in terms of a typology of welfare states focusing on their

² The term "rational actor" is here used to differentiate this model from those based on "rational choice," especially from those sharing the assumptions underlying the concept of "economic man." For a discussion cf Goldthorpe (1997).
institutional structures. Thereafter the degree of path dependence and patterns of change of
the different institutional types are discussed against the background of political conflicts
related to institutional developments in these countries. The final section discusses the
fruitfulness of the augmented rational-actor approach relative to rational-choice approaches
focusing on contracts and conventions.

2. Dividing Lines Within the New Institutionalisms

Central to institutional analysis are questions dealing with the origins of institutions, the
change of institutions, and the ways in which institutions affect the behavior of individuals. 3
With its thicket of partly overlapping, partly competing and contradictory views on these
questions, the new institutionalisms provide a challenging arena for attempts at reconciliation.
Qualified observers partly disagree on the number and nature of different varieties of new
institutionalisms (March and Olsen 1989; DiMaggio and Powell 1991; Thelen and Steinmo
1992; Goodin 1996; Hall and Taylor 1996; Brinton and Nee 1998; Immergut 1998). In this
context, however, Hall and Taylor (1996) have outlined useful distinctions between "rational-
choice," "historical," and "sociological" institutionalisms. A problem in this context is that
differences are found not only between "schools" but also within them; any attempt to
classification will inevitably generate unclear borders. For heuristic purposes it is however
fruitful to point to at least three major lines of demarcation among the new institutionalisms.

One central and deep dividing line within the new institutionalisms concerns whether
institutions are to be viewed primarily from what we might describe as a "contractarian"
perspective, or — in addition — also from a "power" perspective. In the contractarian
perspective actors are at least implicitly assumed to be relatively equal in terms of power and
institutions are seen largely as voluntary solutions to problems of enabling cooperation to the
mutual benefit of all individuals concerned. While accepting contractarian aspects, the power
perspective adds a conceptualization of institutions as outcomes of conflicts of interests
among actors differently endowed in terms of power. At issue here is thus if actors can be
assumed to have relatively similar power positions or if it also is fruitful to consider
asymmetries of power.

Another important question is to what extent effects of institutions should be analyzed in
terms of rational action calculated to improve an actor's net rewards, or in terms of norm-
driven and habitual behavior where actors follow culturally accepted social norms and values.
With Hall and Taylor (1996) we can here talk about the distinction between a "calculus"
approach and a "culture" approach, with March and Olsen (1989) about the "logic of
consequentiality" and the "logic of appropriateness." A third significant line of demarcation
concerns whether preferences are to be regarded as exogenous or as endogenous, that is,
whether institutions should be seen primarily as affecting the strategies of actors with given
preferences, or whether institutions should be assumed to form and shape the very
preferences, identities and interests of actors. When viewed in terms of these demarcation

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3 Institutions are here defined in terms of systems of rules with accompanying sanctions which structure,
constrain, and enable action in different domains of society. A useful distinction can be made between, on the
one hand, formal institutions where rules are made explicit and specific actors have a recognized right and duty
to enforce the rules on others and, on the other hand, informal institutions based on social norms and sanctions
imposed voluntarily by some actors. Social norms are seen here as communicated expectations from an actor, or
a category of actors, on the behavior of other actors, combined with sanctions for compliance or non-compliance.
They can, but need not, become internalized so that other actors come to follow norms even without external
sanctions.
lines, we find some clear clustering of choices among these three varieties of new institutionalism.

In what can be seen as a widely accepted view, Hall and Taylor (1996) characterize rational-choice institutionalists as sharing four basic assumptions. Firstly, they assume actors to have a fixed set of preferences or tastes and to focus on the maximization of these preferences. Secondly, rational-choice institutionalists assume that individuals act by strategic calculus, in so doing considering how other actors are likely to behave and how their actions are conditioned by existing institutions. Thirdly, they tend to conceive of human action and politics in terms of collective action dilemmas, where - in the absence of institutions to ensure complementary behavior by others - the pursuit of individual rationality leads to sub-optimal outcomes for all, outcomes typified by the "Prisoner's Dilemma" and the "Tragedy of the Commons." Institutions are here seen as serving the function of making it possible for actors to avoid such sub-optimal outcomes and to capture gains from exchange. Fourthly, rational-choice institutionalists tend to explain the origin of institutions in terms of "a quasi-contractual process marked by voluntary agreements among relatively equal and independent actors" (Hall and Taylor 1996:952); that is, institutions tend to be seen as originating in largely voluntary agreements among actors in relatively similar power positions.

In a variant of rational-choice institutionalism we also find explanations of the origins of institutions in terms of conventions. Conventions, exemplified by the rules of the road, provide essentially arbitrary and non-conflictual solutions to the problem of creating institutions to coordinate behavior among actors. The choice of specific conventions is assumed to be guided by the salience of different aspects of the context of interaction (Schelling 1960; Sugden 1989). In rational-choice institutionalism asymmetries of power thus largely fall outside the focus of interest. Furthermore we here find a functionalist tendency to explain the origins of institutions in terms of their consequences.

According to Hall and Taylor, scholars described as "historical" or "sociological" institutionalists have been more eclectic. Many tend to view preferences as at least partly endogenous to institutions but some reject rational-choice models while others accept notions of various forms of "bounded" rationality. An important characteristic of sociological institutionalists is that they focus on the ways in which institutions provide identity and meaning in social life, and on how institutions can affect preferences and identities of actors. In contrast to sociological and rational-choice institutionalisms, historical institutionalists have been especially concerned with the role of asymmetries in power for the operation of institutions as well as with conflicts and with the ways in which institutions interact with self-images and preferences of actors.

In spite of the important work of historical institutionalists, since the 1980s the contractarian perspective on institutions, originating in Hobbes, Hume, Locke, Adam Smith, and Spencer, has held pride of place in analyses of institutions, at least in quantitative terms. In a great number of studies by rational-choice institutionalists, the major focus has been on institutions as outcomes of voluntary attempts to find mutually satisficing forms for cooperation and exchange among actors, who - at least implicitly - are assumed to be relatively similar in terms of power (for example, Hardin 1982; Axelrod 1984, 1986; Taylor 1987; Ostrom 1990). The dominance of the contractarian perspective and the limited concern for power asymmetries is illustrated by the central roles which the Prisoner's Dilemma game (assuming equally positioned actors and symmetric payoffs) and voting (assuming majority rule with one actor, one vote) have come to play as tools in rational-choice analysis of the emergence of
Institutions. While in older institutional analysis power and conflicts of interest had a central place (for example, Selznik 1957; Perrow 1972), in much of the new institutionalism conflict and power have tended to occupy more peripheral positions. As summarized by DiMaggio and Powell (1991:30), "power and interest have been slighted topics in institutional analysis."

3. An Augmented Rational Actor Approach to Institutions

While each of the above three varieties of institutionalisms can be criticized, yet, as emphasized by Hall and Taylor (1996:955), none of them "appears to be wrong-headed or untrue. More often, each seems to be providing a partial account of the forces that work in a given situation or capturing different dimensions of the human action and institutional impact present here.” This is also the premise of the present paper. The parts of rational-choice institutionalism that appear to provide a fruitful perspective for institutional analysis are assumptions of purposive and reasoning actors. Here, however, it is necessary to assume – in various ways – "bounded" rationality, implying that with limited information and calculating capacity, reasoning actors tend to do as well as they can in weighing the "pros" and "cons" of alternative courses of action. The question now is how such markedly modified rationality assumptions can be augmented to facilitate our understanding of the role of power asymmetries stressed by historical institutionalists as well as of the effects of institutions on preferences and identities highlighted by sociological institutionalists.

3.1 A Power Perspective on Institutions

Critics of the contractarian perspective in rational-choice institutionalism have argued that institutions can not generally be seen as neutral with respect to distributive outcomes (Knight 1992; Moe 1990; Bates 1988). In analyses of the role of institutions for distributive outcomes, asymmetries of power must be considered and we face the question how the role of power in the context of institutions should be conceptualized. Here it would appear fruitful to attempt to bridge the cleavage separating approaches stressing "calculus" and those stressing "culture," to abate the opposition between the "logic of consequentiality" and the "logic of appropriateness," concepts which each appear to give partial accounts of reality rather than posing excluding alternatives.

In the context of asymmetries of power, the choices of reasoning actors are likely to be influenced by their weighing of benefits and costs associated with alternative courses of action. To develop theoretical underpinnings for bridging parts of the seemingly opposite views among the new institutionalisms, we need a differentiated concept reflecting the various types of costs associated with the use of power, types likely to be of relevance for reasoning actors. In this context, the conventional concept of transaction costs unfortunately appears too limited. As is well-known, the concept of transaction costs originates in attempts to modify the assumption in neo-classical economic theory that exchange is costless; this concept accordingly refers to costs related to the arranging, monitoring, and enforcement of contracts (Coase 1937). The ideal-typical outcome of relevance for transactions costs is the contract,

4 In contrast to "economic rationality," bounded rationality assumes that actors are satisfying rather than maximizing and have limited information and information processing capabilities. The assumption of material self-interest as "the typical value" shared by actors is here complemented by an explicit consideration of the role of other immanent values seen as relatively general and durable criteria for evaluation, criteria that may vary among actors in a non-random pattern (Hechter 1994). Bounded rationality can also accommodate a significant role for emotions (Elster 1999). The concept of rational actors as used here is thus largely synonymous with the concept of reasoning actors.

5 Examples of transaction costs are given in The New Palgrave Dictionary of Economics: "The parties to the contract have to find each other, they have to communicate and to exchange information. The goods must be described, inspected, weighed and measured. Contracts are drawn up, lawyers may be consulted, title is
signifying a voluntary agreement of transfer of property rights to the mutual benefit of actors concerned. The concept of transaction costs therefore clearly falls within the contractarian tradition and has fruitful applications in situations of bargaining where actors are relatively similar in terms of power.

When the full range of potential power asymmetries is taken into account, costs associated with the use of power take on partially new dimensions. While transaction costs are related to voluntary contracting, these new dimensions of costs are associated with manifest conflict and with potentials for manifest conflict, aspects falling outside what is commonly meant by voluntary agreements. Instead of attempting to stretch the conventional concept of transaction costs to include also situations characterized by significant asymmetries of power, it appears more fruitful to search for a differentiated concept of costs reflecting the various ways in which the use of power is likely to be costly. We will therefore revisit the earlier debates on power to develop a broader concept of costs better suited to cover power asymmetries, a broader concept which may include traditional transaction costs as a subcategory relevant in situations where power asymmetries are limited. A consideration of different types of power costs indicates that the contractarian perspective on the origin and operation of institutions needs to be complemented – but not replaced – by what we can refer to as a power perspective on institutions, including a view of institutions as structurations of power and as residues of conflict.

The postwar growth industry of power research turned around the issue if the study of power should be limited to analyses in the context of manifest conflicts between actors or if it – in addition – should include analyses of power in more routine situations where manifest conflicts are absent. During the decades following the Second World War, the study of power was dominated by what has been termed the behavioral approach, arguing that power should be studied in the context of decision-making involving manifest conflict (Dahl 1961; Rose 1967; Merelman 1968; Polsby 1980). Using causal analysis, the central tenet in the behavioral approach to power is that the identification of who wins in decision-making involving manifest conflicts ‘seems the best way to determine which individuals and groups have “more” power in social life, because the direct conflict between actors presents a situation most closely approximating an experimental test of their capacities to affect outcomes’ (Polsby 1980:4).

While the overcoming of resistance generating open conflicts between actors with opposed interests undoubtedly provide clear-cut cases of the exercise of power, critics have shown that the behavioral approach has disregarded major indirect consequences of power (Bachrach and Baratz 1962; Lukes 1974; Korpi 1985). The issue here is what consequences asymmetries of power are likely to have in situations where conflicts of interests are present but manifest conflicts are absent. These consequences have often been referred to as the "second" and "third" dimensions of power. As indicated by Hall and Taylor (1996:940) the study of institutions ‘can usefully be read as an effort to elucidate the “second” and “third” dimensions of power identified some years ago in the community power debate.’ This idea provides a fruitful lead in the search for a theoretical approach to understanding the contentious nature of welfare state institutional development. Here it can be recalled that while the first dimension transferred and records have to be kept. In some cases, compliance needs to be enforced through legal action and breach of contract may lead to litigation’ (Niehans 1987: 676).

6 In the behavioral approach, the presence of manifest conflict, generated by Actor B’s resistance to the influence attempts by Actor A, was seen as an objective indicator that the interests of the two actors were actually conflicting.
concerns the direct consequences of power exercised in conflictual overcoming of resistance, the indirect consequences of power are included in its second dimension with the key concept of "non-decisions" as activities preceding actual decision-making as well as in its third dimension referring to the use of power to affect actors' preferences, values and interests.

Harking back to the classical distinction between power as a dispositional concept, i.e. as a resource, and power in use or the exercise of power, Korpi (1985) made an explicit connection between institutions and power, arguing for fruitfulness of beginning the study of power from a resource perspective and by considering alternative strategies of prudential holders of power resources to improve their net outcomes. The bases of power, or power resources, can be defined in relational terms as attributes making it possible for actors to reward or to punish other actors. Of primary relevance in many contexts are three major types of resources, namely means of violence, economic resources, and labor power or human capital. These resources can be seen as basic in the sense that control over them in itself provides the capability to reward or to punish other actors. Analyses of power from a resource perspective indicates that the causal analysis dominant not only in the behavioral approach to power but also among the "second" and "third" dimensional critics of this approach must be complemented by intentional analysis. An intentional analysis indicates that the study of power must not be limited to the use of power in the context of decision-making involving manifest conflict. It should also focus on differences in the bases of power among rational actors and — what is central in the context of institutions — on actor's strategies to reduce costs associated with the use of power, strategies which may in fact lead to an avoidance of involvement in manifest conflicts of the type central for the behavioral approach to power.

3.2 Types of Power Costs

Basic power resources differ in many respects, one important aspect being the costs associated with their use. When rational holders of power resources attempt to improve their net outcomes in situations of conflicts of interest, strategies to decrease costs associated with the use of power are likely to come into focus. In this context it matters if actors are relatively equally positioned in terms of control over power resources or if differences between them are large. Variations in the extent of power asymmetries are likely to influence terms of exchange as well as the probability of manifest conflict between actors. The degree of asymmetry in the distribution of power resources among relevant actors thus becomes a central variable, affecting costs of power and thereby also choice within the repertoire of possible strategies open to rational actors. Since the welfare state is a major arena for distributive conflict, the potential effects of its institutional structures on power costs are likely to be important.

Power costs can be defined in terms of opportunity costs referring to the value of alternatives foregone when power resources are engaged to reach a particular goal. The major types of power costs are related to different stages in the use of power. Here we can distinguish between costs related to 1) Mobilization of power resources, that is, making resources ready and organized for use; 2) Maintenance of liquidity of power resources, that is, keeping...
resources "on standby," in a state of readiness for use; and 3) Use of power resources to reward or to punish other actors in bargaining or conflict.

The last mentioned type, use costs, arise through the use of power resources in rewarding and punishing other actors. Here one subtype of costs, roughly corresponding to conventional transaction costs, are generated in the context of bargaining and contracting. Another subtype, which we can call conflict costs, are generated in conflicts where actors engage in punishments of other actors, that is in activities clearly falling outside voluntary contracting. Conflicts tend to consume resources faster and to greater extent than does bargaining and contracting. The risks for potential losses are therefore likely to loom larger in the context of conflict than in connection with contracting.

Liquidity costs refer to opportunity costs incurred when power resources have to be kept on stand by. Also this type of costs falls outside the area of conventional transaction costs. One important source of liquidity costs is the potential for conflict. Liquidity costs are thus likely to be significant in situations where the risk for conflicts is high and resources must be kept ready for engagements at short notice. Examples here include a manager who refrains from investing in production machinery for fear of take-over bids requiring cash for an immediate response in the share market, a union which maintains strike funds for the event of industrial conflict, and a country keeping a standing army for fear of attack from its neighbors.

Mobilization costs are generated, for example, when workers attempt to improve their bargaining position by organizing a union at their place of work, or when a businessman sells real estate to obtain cash to defend his dominant position among shareholders in a company. Mobilization costs thus precede the use of power in bargaining or conflict. Of importance here is that the different types of basic power resources are likely to have different mobilization costs. To a significant degree differences in mobilization costs reflect whether a power resource can be relatively easily concentrated to a single actor or a few actors, or if its concentration requires broad-based collective action.

A high degree of concentration increases the efficacy of economic resources as well as of means of violence. For these types of resources concentration to a single actor or to a few actors is possible and there we tend to find a relatively unequal distribution, with the super-rich, the giant corporations, and the super-powers being clearly visible. When it comes to labor power or human capital, however, an upper limit in the degree of concentration to single individuals is reached relatively soon. Human capital therefore tends to be less unequally distributed than economic resources. To increase its efficacy, labor power or human capital can be brought together or concentrated via collective action. However, as is well-known, because of the free-rider problem collective action is difficult to achieve, especially when it involves large numbers of individuals (Olson 1965). Mobilization costs are therefore likely to be especially high for actors with their main base in labor power or human capital, that is for

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9 To illustrate the difference between transaction costs and conflict costs we can recall that while Niccolo Machiavelli as well as Karl von Clausewitz saw war as the continuation of diplomacy with other means, they saw a difference between diplomacy and warfare. If diplomacy can be seen as generating transaction costs, warfare generates conflict costs.

10 Thus, for example, for an individual practical ceilings for the number of years of education as well as for the number and levels of academic degrees set relatively low limits for the extent of concentration and thereby the degree of inequality in the distribution of human capital.
wage and salary earners. Of relevance in this context is that societal institutions can play major roles in affecting mobilization costs, especially those associated with human capital.

### 3.3 Institutions as Structurations of Power and Residues of Conflict

As discussed above rational-choice institutionalists have tended to explain the origins of institutions largely in terms of voluntary contracting or conventions, at least implicitly assuming a low degree of asymmetry among actors in terms of power.\(^\text{11}\) This type of explanation is important among actors relatively similar in terms of power, but its relevance is likely to be much more limited in contexts characterized by major asymmetries of power. In the complementary perspective of the augmented rational-actor approach, institutions also appear as outcomes of actors' efforts to economize on power resources in situations of conflicting interests. In this perspective, institutions play direct as well as indirect roles for decreasing power costs; they are of direct relevance for strategies to economize on use costs and liquidity costs, while playing an indirect role for decreasing mobilization costs.

In the context of asymmetries of power and conflicts of interests, the direct relevance of institutions reflects that in the long run institutions can provide low-cost alternatives to forms of decision-making involving conflicts which generate not only conflict costs but also liquidity costs and increased uncertainty. Reasoning holders of power resources are therefore likely to attempt to avoid conflictual action of the type which was central for the behavioral approach to the study of power.\(^\text{12}\) A major alternative here is to develop institutions for decision-making, that is, to complement or replace distributive conflict with formal and/or informal distributive institutions which routinize decision-making on distributive issues, thereby reducing use costs as well as liquidity costs.

The emergence of distributive institutions in the context of power asymmetries can be illustrated for the case of two actors with conflicting interests. Here the degree of asymmetry in the distribution of power can be assumed to affect terms of exchange as well as the probability of manifest conflict between actors. When the degree of asymmetry in power increases, the terms of exchange of the weaker actor are likely to deteriorate but at the same time her probability of successful resistance tends to decrease, thereby decreasing the probability of manifest conflict between these actors.\(^\text{13}\) Where asymmetries of power are large and relatively stable, distributive institutions may therefore tend to become structurations of power, with distributive outcomes reflecting the balance of power among actors.\(^\text{14}\) However, when differences in power decrease, the relative position of the weaker party improves and the probability of successful resistance and thereby also of manifest conflict is likely to increase. The results of conflicts are often different kinds of compromises involving the creation or change of institutions, the distributive outcomes of which tend to reflect the balance of power at the time of their creation.

\(^{11}\) In fact, leading proponents for rational-choice institutionalism have strongly opposed the introduction of power differences into institutional analysis (Williamson and Ouchi 1981). The writings of North (1981, 1990) as well as of Coleman (1990) do however evidence tendencies in the opposite direction.

\(^{12}\) By explicitly downplaying routine decision-making to focus instead on decision-making in the context of manifest conflict, the behavioral approach to the analysis of power came to overlook the institutionalized forms of power and the routinization of conflict.

\(^{13}\) The probability of manifest conflict is thus a product of the probability for A attacking B and the probability of B resisting, that is the probability for mutual use of punishments. Here we have used the term conflict to refer to one-sided as well as mutual use of punishments.

\(^{14}\) By creating "order" they also have some positive consequences for weaker actors.
In the rational-actor perspective many societal institutions therefore appear as structurations of power and as residues of conflicts, which for the time being have been settled through formal or informal ways of routinizing decision-making on distributive issues. Yet, these institutions provide routine solutions to distributive issues in ways which tend to reflect relations of power among relevant actors. Such societal institutions can be understood in rational terms as ways of reducing conflict costs as well as liquidity costs of power. In the context of institutions, the rationality perspective need therefore not be limited to outcomes of voluntary contracting or conventions as done in rational-choice institutionalism. The augmented rational-actor approach indicates that central societal institutions may also have their origins in conflicts of interests played out in the context of asymmetric power relations, and are likely to change with shifting relations of power.

For example, in attempts to undercut the emerging socialist labor movements during the late nineteenth and early twentieth century, many European governments instituted laws making at least parts of labor's organizational activities illegal and subject to general prosecution, seizure of organizational property, etc. Instead of having repeatedly to rely on the repressive use of the military and the police, something often leading to violent conflicts, the machinery of courts and laws could then be used in a more orderly and less costly way to handle this type of conflict. However, with the increasing organizational strength of labor movements and decreasing asymmetries of power, conflicts continued to emerge, after several decades eventually resulting in the institutionalization of the right to organize and the right to vote. In most Western countries the core institution of political democracy, universal and equal suffrage, did not originate in voluntary agreements or conventions; instead its origins are found in conflicts reflecting changing balances of power and in the structuring and restructuring of institutions to reflect changes in power distributions. Important parts of Western societal institutions can therefore be rationally understood as residues of conflict and as structurations of power decreasing the conflict and liquidity costs of power. The routinizing of decision-making on distributive issues via institutions in ways which reflect prevailing balances of power covers much of what in the earlier debates was referred to as "non-decisionmaking" and as the "second dimension" of power.

3.4 Institutions, Interests, Identities and Mobilization Costs
As noted above labor power or human capital differ from other basic power resources by being more difficult to concentrate on the individual level. However, the efficacy of labor power can be greatly enhanced via collective action. Of special relevance in the analysis of the shaping of welfare state institutions are the indirect consequences of institutions for collective action and mobilization costs via effects on interests, identities and preferences among broad categories of citizens. Welfare state institutions become relevant for mobilization costs of labor power and thereby for potential collective action among wage and salary earners by the fact that in Western societies we typically find cross-cutting and competing bases of cleavages among citizens. The bases for such cleavages include occupation, income, class, race, ethnicity, religion, gender, age and region. Such cross-cutting structural "fault lines" differentiate potential collective-action groups and typically come to

15 In the world of business an example of institutions decreasing liquidity costs is that in some countries, companies have had the legal right to introduce a type of shares having the same nominal value and giving the same dividends as other shares but commanding much greater numbers of votes at the shareholders' meeting. Managements have thus been able to greatly decrease liquidity costs by controlling a relatively small number of shares representing a large number of votes while attracting capital with shares having little voting power. This type of legislation has existed, for example, in Sweden.
form the background for definitions of interest and identities. The ways in which citizens come to select from among these potential fault lines are however not preordained. Instead, these selection and ranking processes can be affected by institutions, which accentuate some of the potential lines of cleavages while playing down other cleavage alternatives. Thereby institutions come to have endogenous effects on the formation of citizens' values, interests and identities.

Institutions can therefore be used to impress a template on the multiplicity of cross-cutting lines of cleavages and thereby to provide frames and points of reference for citizens' formation of interests, values and identities, which are relevant in attempts at rational judgments. They can facilitate or hinder social movements and other forms of collective action groups to overcome the free-rider problem and to form the basis for, in Weberian terms, "value rational" collective action, where individuals define their interests with reference to the values and identities of the collectivity. Thereby societal institutions can be of importance for mobilization costs and collective action among citizens, something which reasoning holders of power resources are likely to take into account in the design of institutions. This indicates that influential actors can use the "logic of consequentiality" to generate a "logic of appropriateness" among other actors, "calculus" can be used to generate "culture." Such a perspective helps us to understand in rational terms some of the phenomena which in the earlier debates were referred to as the "third dimension" of power.

To what extent can we explain the origins and changes of welfare state institutions since the late nineteenth century and up to the 1990s in our 18 countries in terms of rational-choice institutionalism focused on voluntary, contractarian agreements and conventions? Can we improve our understanding of the strife and change associated with welfare state institutions by the augmented rational-actor approach, focusing on the asymmetries of power among actors, on the costs of power as well as on the endogenous role of welfare state institutions for values, interests and identities? We will now turn to an analysis of the origins of welfare state institutions and of their variations and changes.

4. The Origins of Welfare State Institutions

The origins of now existing social insurance institutions in our countries can be sought in the political struggles generated in the wake of the industrial revolution during the second half of the nineteenth century. In that time period, classical *laissez-faire* or "market liberalism," abhorring state interventions in markets, was politically dominant in Western Europe. In...
many countries, the traditional poor laws were then complemented, partly via collective action among different categories of employees, with an institutional form of social amelioration acceptable also to market liberals, that is, voluntary mutual-aid organizations, "friendly societies" providing economic help to members in cases of sickness, death, or unemployment. Such voluntary societies were tolerated and sometimes even encouraged by state elites and could appear as outcomes of contractarian agreements.

Since the 1880s, however, poor laws as well as friendly societies have been gradually superseded by welfare state institutions involving various types of legislated social insurance programs. The origins of the early legislated social insurance programs are clearly not to be found in contractarian agreements or in conventions. This legislation appeared, instead, against the backdrop of the emerging threat to existing societal structures when socialist labor movements in Europe struggled to make industrial workers define their interests, identities and values in terms of class, and to mobilize the dependent labor force for broadly based collective action reflecting their shared position on the labor market as wage and salary earners. These struggles generated an increasingly important political issue, defined by national elites as the "Worker Question" or the "Social Question." Most of the earliest European social insurance institutions were one-sidedly initiated and legislated by state elites in an attempt to resolve the Worker Question by creating a new social order in place of the one being destroyed by the industrial revolution. The absence of contractarian elements in these early social insurance programs is indicated by the fact that European labor movements came to oppose them from the beginning and attempted to replace and reshape them during more than half a century after their introduction.

The introduction of the early social insurance programs began after a change in political strategies of state elites, especially in the countries of Continental Europe. In late nineteenth century, in these countries conservative political elites and religious intellectual circles had come to question laissez-faire liberalism and to develop an alternative, the state corporatist strategy, a central part of which became the design of social insurance institutions. Many have noted the social pacifist intentions of early conservative political leaders to "bribe" or "buy over" the emerging working class by providing economic benefits via social insurance programs. Few have however observed that the state corporatist strategy for devising social insurance institutions contained an elaborate set of principles intended to engineer institutions which would foster social peace by molding preferences and identities and to counteract broad-based collective action by the dependent labor force in ways reflecting class cleavages.
These institutions were, instead, to stimulate the formation of a multiplicity of interest groups that reflected cleavages among different occupational categories and income levels.

In the early stage of the practice of state corporatism, efforts were made to create institutions which would generate cooperation between employers and employees within different branches of industry. This type of institutions was seen as the basis of the new corporatist societal order. Since the turn of the century, the use of institutions to segment the dependent labor force into occupationally separated socio-political communities (Berufstände) came into the focus as an increasingly important strategy to prevent the threat of class-based collective action in the dependent labor force. At this later stage, the institutional segmentation separating manual workers and salaried employees became a key issue.

To understand the emergence of the early social insurance institutions it is instructive to look at Imperial Germany, where the development of state corporatist institutional ideas in the context of social insurance was pioneered by Bismarck in the 1880s. In his attempts to stabilize the traditional order, Bismarck used a two-pronged strategy, one of the prongs being the 1878 "Law on the Socially Dangerous Striving of Social Democracy" severely cutting back the possibilities of labor organizations. The second prong was the introduction of social insurance legislation. As it was announced in the famous Imperial Message of 1881, the motivation for this legislation was that "the healing of the social wounds cannot be sought only in repression of social democratic excesses but equally much in the positive furthering of the well-being of workers" (Deutscher Reichstag 1881). The Imperial Message pointed to the significant role of state corporatist institutions in this context.

Bismarck’s long-range strategy was to use social insurance programs as forerunners of national corporatist structures, with the potential to compete with or even replace the parliament (Vogel 1951). The first German social insurance programs covering sickness (1883), work accidents (1884) and old age pensions (1889) were directed at manual workers and low-wage white-collar employees, and were governed on the national and local levels by elected representatives for employees and employers. In the Reichstag Social Democrats were among those who voted against these proposals, one line of their criticisms being directed against corporatist segmentation in these programs. As summarized by Rimlinger (1971:127): "The basic socialist position was that social insurance should cover the entire working class, regardless of industry or occupation" and that income ceilings for coverage should be abolished. When it comes to the earliest social insurance institutions, we thus look in vain for contractarian elements and for conventions.

In this context an important event was that in 1891, with the "Worker Encyclical" (Rerum Novarum) of Pope Leo XIII, the Catholic church officially broke with laissez-faire liberalism and accepted the view that the state must take responsibility for safeguarding the welfare of workers (Leo XIII [1891] 1943). In Europe as well as on the international scene, the Catholic church became a main force in promoting state corporatist structures in social insurance institutions. These institutions were designed to segment the dependent labor force into occupational categories via separate programs where conditions, benefits, and financing differed among occupational groups. Thereby the state corporatist institutional model provided material bases for inter-occupational strife and counteracted the broad-based

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21 Here it can be noted that while state corporatist institutions were designed to engineer a change from class-based collective action to collective action among a multiplicity of occupational categories, half a century later the "logic of industrialism" school of thought predicted a similar development to come about with the development of industrialism (Kerr et al. 1960).
collective action in the dependent labor force which was the goal of the socialist labor movements.

The state corporatist institutional strategy became operative primarily in the continental countries of Europe, where Catholic confessional parties were influential. In the other European countries, such as Britain, we find a change around the turn of the century, when "market liberals," with their exclusive reliance on contractual relationships and the encouragement of self-help, were partly overtaken by "social liberals" with a different social policy strategy. Part of the background to this change was the competition for votes from the increasingly enfranchised working-class by Liberals and the fledgling Labour party (Thane 1982). As it developed from Lloyd George to William Beveridge, this "social liberal" strategy for social insurance came to combine income replacement at a subsistence level with high or universal coverage. In the long run, however, also this institutional model came to mold identities and interests among citizens.

As outlined by Beveridge (1942:121), a basic principle of this model of social insurance was the provision of only a flat rate of benefit to all, irrespective of the level of lost earnings. The setting of benefits at a level providing minimum subsistence, a level barely sufficient for manual workers, would limit political encroachment into market processes. It was however also intended to leave ample scope for salaried employees and other better-off categories of citizens to privately provide for earnings-related security, for example, via savings and private or occupational insurance.22 Thereby also the social liberal strategy created institutions which gradually could come to separate the interests and identities of the middle classes from those of manual workers; the former drawing major benefits from private forms of insurance, the latter having to suffice with the meager public program.

The socialist or social democratic parties and unions were for a long time junior partners in the struggles to shape welfare state institutions. Unlike their liberal and state corporatist competitors, they never developed an institutional model that became widely accepted among their adherents in different countries. In the continental European countries, they reacted against state corporatist structures of social insurance as leading to occupational segmentation and strove for universal coverage through "People's Insurance." From having supported flat-rate benefits as favoring equality, after the Second World War some European social democratic parties came gradually to accept and to advocate earnings-related benefits. By contrast, in countries such as Australia and New Zealand, strong groups within the labor parties stuck to targeting as their favored strategy, albeit gradually raising the ceilings for means-testing to exclude the rich rather than to include only the poor. However, no unified "social democratic model" of welfare state institutions came to be widely accepted or practiced.

The above review indicates that to a large extent the origins of the early welfare state institutions are found in strategic action by state elites using their favored positions in an asymmetric distribution of power to design social insurance institutions likely to decrease conflict costs and liquidity costs. The continuous change of welfare state institutions has however provided an arena where different political actors have attempted to use institutional structures to indirectly influence citizens identities, interests and values and thereby

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22 As stated by Beveridge (1942:121): "The first fundamental principle of the social insurance scheme is provision of a flat rate of insurance benefit, irrespective of the amount of earnings which have been interrupted ... This principle follows from the recognition of the place and importance of voluntary insurance in social security ..."
mobilization costs and patterns of collective action among citizens. To facilitate the analysis of the role of institutions in this context we will here use a typology of welfare state institutions developed by Korpi and Palme (1998). This typology is focused on the historically existing institutional structures of two major social insurance programs, old age pensions and sickness insurance. These two programs cater to universal human needs for economic security when earnings are interrupted as a result of old age or illness; protection against these risks has been of key socio-political importance in all Western countries. The importance of these programs is illustrated by the fact that in many countries, their institutional development has been associated with intensive and protracted conflicts.

The typology used here is based on three aspects or dimensions of the institutional forms of these insurance programs. One aspect concerns principles for defining eligibility for benefits and involves four criteria to be used singly or in combination: needs-testing, contributions from the insured and/or employers, belongingness to a specific occupational category, and citizenship or residency. A second dimensions reflects principles for determining benefit levels, and is a continuous variable extending from minimum and flat-rate benefits to benefits that increasingly reflect previous earnings. The third dimension is based on forms of governance, here with a dichotomy between state corporatist and other forms of governance. On the bases of the above dimensions we can distinguish five ideal-typical institutional models: the targeted, the voluntary state subsidized, the state corporatist, the basic security, and the encompassing models.

**Targeted programs**, originating in the old poor laws, base eligibility on a means-test and give, in principle, minimum benefits to those defined as needy. **Voluntary state subsidized programs** are typically organized via a multitude of voluntary organizations with membership fees and often relatively low ceilings for maximum benefits. In the **state corporatist model** originating in Germany in the 1880s, eligibility is based on a combination of contributions and belongingness to specific occupational categories, however excluding economically non-active citizens. Here we find separate social insurance programs for occupational categories such as industrial workers, agricultural workers, salaried employees, artisans, small entrepreneurs, and farmers. These separate programs differ in terms of conditions for benefits, levels of benefits and forms of financing. Unlike the four other institutional models, state corporatist programs are governed by elected representatives for employers and employees. Benefits are clearly earnings-related.

In contrast to the state corporatist model, the **basic security model** includes all insured within the same insurance program but with a flat rate of benefits. Eligibility for benefits is typically based on citizenship (residency) but in a few countries on contributions. Reflecting elements from Bismarck as well as Beveridge, the **encompassing model** combines the earnings-related benefits of the state corporatist model with the universal coverage of the basic security model. Eligibility is based on citizenship and, for the economically active, on contributions. By combining universal programs with flat-rate benefits for all with unified programs covering

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23 Two other social insurance programs, work accident and unemployment insurance, have traditionally been of more relevance for manual workers than for salaried employees.

24 This variable is here dichotomized into benefits that are and those that are not clearly related to previous earnings. For specifications and illustrations of the differences between these institutional models, see the Methodological Appendix.

25 State corporatist programs have typically also excluded the very top income earners, expecting them to rely on private insurance. Their governing bodies have often included a sprinkling of state representatives.

26 Where eligibility is based on citizenship, coverage is universal but where it is based on contributions, it can be less than universal.
all economically active individuals and giving them clearly earnings-related benefits, this model can be said to encompass the entire population, manual workers as well as the middle classes, within the same institutional structures. Therefore it is likely to place a template on the formation of citizens’ interests and identities which differ from those associated with other institutional models.

5. Institutional Differences in Path Dependence and Patterns of Change

The hypothesis that welfare state institutions are partly designed to affect definitions of interests and identities among citizens implies that different types of institutions can be expected to vary in terms of the degree of path dependence that they tend to generate. What patterns, if any, can we observe in the stability and change of institutional forms of old age pensions and sickness insurance programs since the late nineteenth century in the countries included in this study? We have classified these two programs in the 18 countries into the five institutional types outlined above in the form they appeared at 15 points in time, beginning with the first important laws in each country and in 1930, 1933, 1939, 1947, 1950 and thereafter every fifth year up to 1995. The first laws and the situation in the 1930s describe the early phase of social insurance development. Between 1950 and 1975, we find the expansive period of postwar welfare state development. Since the mid-1970s, increasing levels of unemployment initiated a period of welfare state crises, which has lasted up to our latest point of observation, 1995. To save space, we will here limit the presentation to institutional forms of programs found in the first laws, and in 1930, 1950, 1975 and 1995.

Among the pension insurance programs created by the first laws to replace the old poor laws, three institutional models dominate (Table 1). The state corporatist model was introduced in a group of seven countries, namely Austria, Belgium, France, Germany, Italy, the Netherlands and Japan. The targeted model was equally common and we find it in Canada, Denmark, Ireland, New Zealand, Norway, the United Kingdom and Australia. Basic security programs were introduced in Finland, Sweden, Switzerland and the United States. In pension insurance, the voluntary state-supported model was of little importance. This fact points to the difficulties of financing social insurance programs involving major long-term financial commitments via relatively fragile voluntary institutions.

What changes have taken place over the years in the institutional forms of pension programs in our countries? From their starting point in the old poor laws, we will here look at the institutional development of old age pensions in terms of our ideal types up to 1995 (Figure 1). The clearly greatest degree of path dependence is found in countries which began by introducing state corporatist social insurance institutions, that is, Austria, Belgium, France, Germany, Italy, the Netherlands and Japan. With only one exception – the Netherlands – these countries have retained the basic traits of state corporatist institutions in pension programs.

27 Cf the Methodological Appendix.

28 In France early program development shows a complicated pattern. An early but largely unsuccessful attempt at voluntary state subsidized pension programs was made by Napoleon III in 1850. A means-tested but practically insignificant pension program was introduced in 1905 as part of an attempt by the state to undercut the reliance on the Church among the elderly. The pension program for workers and farmers (Retraites ouvrières et paysannes) legislated in 1910 would however appear to be the earliest major attempt to introduce old age pensions. This program had a clearly state corporatist institutional structures but also a heavy reliance on mutual associations, which had strong traditions in France, see Gibaud (1995).

29 State support to voluntary pension programs was attempted in a few countries, such as France and Belgium, but came to have only marginal significance.
The most unstable institutional form has been the targeted one. In the area of pensions targeted programs have been the main gateway to the basic security model, a pattern of transition found in Canada, Denmark, Ireland, New Zealand, Norway and the United Kingdom. An exception here is Australia, which changed from targeting to basic security in the 1970s, only to soon return to a targeted model. Among countries with basic security institutions, Finland, Norway, and Sweden have changed institutional models. The encompassing pension insurance model in these three countries thus has its origins in the targeted and basic security models.

The institutional forms of sickness insurance differ from those in pensions to the extent that the state corporatist model was introduced by first laws only in Austria, Germany, Japan and the Netherlands. Here the voluntary state subsidized model was instead the most common one, introduced by first laws in Belgium, Denmark, France, Italy, Sweden and Switzerland (Table 2 and Figure 2). Only Switzerland does however retain this model up to 1995. In other countries the voluntary state subsidized model feeds into the state corporatist model (Belgium, France and Italy) as well as to the basic security one (Denmark and Sweden). The basic security model was introduced by first laws in Canada, Finland, Ireland, Norway, and the United Kingdom. The state corporatist and the basic security models are mutually exclusive ones, with no transitions between them. Also in sickness insurance state corporatist model shows a high degree of path dependence; once introduced it is retained in all seven countries.

In three countries – Finland, Norway and Sweden – the basic security model is however changed into an encompassing one after the 1960s. The targeted model is introduced and retained in Australia and New Zealand. The United States has not legislated a sickness cash benefit program on the federal level. The pattern of transitions outlined above indicates that there is a clear difference in the degree of path dependence among our institutional models. Furthermore, in these main branches of social insurance, there are no transitions from the targeted and basic security models to the state corporatist one and only one transition from the state corporatist to the basic security model. The overall path dependence of the central features of the state corporatist model is indeed quite remarkable. The basic security model has however been more susceptible to change, allowing for the emergence of a new institutional model, the encompassing one, in three countries.

6. Institutional Strife and the Bases of Path Dependency

The observed variations in the degree of path dependence among institutional models could indicate that some models have been more efficient than others in the formation of citizens' interests and identities necessary for their continuation. An alternative interpretation is, however, that variations in the degree of path dependence reflect differences in the extent to which the models have been subject to pressures for change. The augmented rational-actor approach would be strengthened if political conflicts over the shaping of institutions could be found not only in countries with changing institutions but also in those showing a high degree of path dependence. Here it must be remembered, however, that we can expect the intensity of conflicts around institutional forms to vary over time. Periods of strife resulting in changes or retention of existing institutions can be followed by periods when institutions appear as "frozen" or taken for granted.

30 State-level sickness cash programs of the type considered here are however found in six states (California, Hawaii, New Jersey, New York, Puerto Rico, and Rhode Island).

31 This pattern, where periods of continuity are interrupted by "critical junctures" involving conflict can be described as "punctuated stability" but has also been termed "punctuated equilibrium" (Krasner 1984).
6.1 The German Case

In the analysis of welfare state institutions the remarkable degree of path dependence of the state corporatist model during the past century is something of an enigma. In an attempt to illuminate this enigma it is fruitful here to focus on Germany, the pioneer not only of social insurance but more specifically of the state corporatist form of social insurance institutions. Developments in the other state corporatist countries show largely similar traits, but can only be briefly indicated here. In Germany, as noted above, from the beginning the Social Democratic Party (SPD) and the confederation of manual workers’ unions (DGB) opposed the social insurance laws proposed by Bismarck, with the state corporatist form of institutions as one of the goals for criticism (Vogel 1951; Hentschel 1983; Baldwin 1990). An unintended consequence of the state corporatist model was, as the German Social Democrats soon discovered, that the corporatist governance of social insurance programs, especially of local sickness insurance funds with two-thirds representation for workers, gave their members valuable administrative experiences, training them into ”Non-Commissioned Officers of Social Democracy” (Tennstedt 1981:172). This did however not change the party’s views on the state corporatist model.

Thus, when German Social Democrats came officially to accept social insurance legislation at their party congress in 1902, they continued to demand unification and universalism in social insurance institutions. After the turn of the century, however, the development of the state corporatist institutional form of insurance expanded, when salaried employees demanded the extension of their social insurance protection. Here German elites came to follow the example of Austria, which, while not having pensions for workers, legislated a special pension program for private salaried employees in 1906, at the time when universal male suffrage was introduced. The strategy of the conservative Austrian government was to give privileges to salaried employees in order to split interests in the dependent labor force and to stabilize an anti-socialist middle-class vote (Talos 1981).

In 1911 also Germany introduced a separate form of pension, sickness, and work accident insurance exclusively for salaried employees in the private sector (Angestelltenversicherung). This program was governed by a separate national authority consisting only of representatives for salaried employees and according them more favorable conditions and benefits than received by manual workers, thereby cultivating a sense of status differences between salaried employees and manual workers. As a minority party, in an effort to maintain support among salaried employees, the SPD also voted for this proposal. Studies by German historians have shown that this exclusive social insurance program came to be of central importance for generating path dependency by influencing citizens' definitions of their identities and interests, cementing the white-collar identity of salaried employees and underlining that their interests were different from those of manual workers (Kocka 1977,1978, 1981). In fact, the list of occupations covered by Angestelltenversicherung came to be seen as a public recognition of relative worth and was used as something of a handbook in defining persons having a status above that of manual workers.

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32 Higher civil servants (Beamte) had since long had similar privileges as part of their employment conditions.

33 As results of earlier and separate legislation, a six-week period of wage continuation in the case of sickness had been accorded to salaried employees in commerce in 1861 and to technical employees in 1891. Six weeks of wage continuation was accorded to all white-collar employees in 1930-31 (Hockerts 1980). However, the Angestelltenversicherung too had an income ceiling for coverage, excluding about one-tenth of the highest-paid salaried employees.
During the Weimar Republic, questions of social insurance were relegated to secondary importance. However, in their party program of 1925 and the trade union congress in 1928, Social Democrats again demanded unification and universalism (Hockerts 1980:27-28). The collapse of the Third Reich and the Allied occupation at the end of the Second World War generated a critical juncture, when conflicts concerning the institutional forms of social insurance re-emerged (Hockerts 1980; Esping-Andersen and Korpi 1984; Alber 1989). Inspired by the British Beveridge Plan, in 1946 the Allied Manpower Directorate began to consider institutional changes in the state corporatist German social insurance systems. These changes were supported by the SPD and DGB and implied moves in a unified and universal direction which would largely abolish distinctions between blue-collar and white-collar insurance programs. Resistance against unification came however from salaried employees and private insurance companies as well as from the major political party, the Christian Democratic Union (CDU).

Resistance against institutional reforms hardened over time, but Social Democrats and unions were wary of pushing through reforms with crucial support from the occupying forces. In 1948, the Allies transferred the responsibility for social insurance systems to what had now become West Germany. The 1949 elections resulted in a government dominated by the CDU with the SPD in opposition. The 1952 Sozialplan of the SPD proposed universal flat-rate pensions. However, the Adenauer government chose instead to gradually re-introduce the state corporatist institutional forms which had existed up to the end of the Weimar Republic. In an election among salaried employees in 1953, the proponents of separate insurance for salaried employees won an overwhelming majority. In the same year, the separate national authority for white-collar social insurance was re-introduced without opposition from the SPD, signifying a victory for the efforts of the CDU.

Since the mid-1950s, the SPD and the manual workers unions lowered their ambitions for institutional reform of the state corporatist model and strove for internal modifications within its basic structures, changes which would reduce the degree of occupational segmentation and equalize the rights of workers with those of salaried employees. In 1956 the SPD proposed a pension reform which largely accepted traditional institutional forms but gave basically the same rights to blue-collar and white-collar employees. On the other side, the union confederation of the salaried employees underlined the importance of retaining their separate form of insurance as a “symbol of the recognition of their uniqueness and independence,” something which was seen as necessitated by “the sociological consciousness of the salaried employees” (cited in Hockerts 1980: 368). The outcome of the conflicts around the 1957 pension reform was that institutional separation was maintained, however with reduced differences between the rights of workers and those of salaried employees. In 1957, a six-week strike by metal workers in support for demands of wage continuation for manual workers in sickness insurance, parallel to that of salaried employees, resulted in a gradual reduction of differences. The introduction of new, occupationally segmented programs did however continue, giving farmers a separate pension program (1957) and a sickness insurance program.

34 At its 1948 party congress, the SPD demanded unification (Vereinheitlichung) of social insurance programs (Sozialdemokratischen Partei Deutschlands 1948). Because of the dire economic situation in Germany in the years after 1945, the proposed institutional reforms would have necessitated lowering the benefits of salaried employees towards those of manual workers.

35 The CDU has a semi-independent affiliate in Bavaria, the Christian Social Union (CSU).
program (1972) as well as creating a separate pension program for independent craftsmen (1960). 36

After the formation of the "Grand Coalition" between CDU and SPD in 1966 and the SPD-dominated coalition government with the Liberals in 1969, German workers finally achieved important elements in their long striving for equality with salaried employees through legislation on wage continuation during sickness. Some degree of financial equalization between insurance programs for workers and salaried employees was also introduced. Only in 1968, however, did the DGB officially recognize the independence of insurance for salaried employees. Yet, for example, in 1977 the Metal Workers’ Union again raised the issue of institutional reform. As part of austerity measures in 1996, the CDU-led government abolished wage continuation for manual workers, but this was met with strong resistance from the DGB, including a large strike. In the face of this opposition, the legislation was withdrawn.

6.2 Path Dependence in the State Corporatist Institutional Model

In the other continental European countries which had introduced the state corporatist model of social insurance, conflicts around the development of this model of social insurance institutions have largely followed the pattern we have here detailed for Germany. Thus social democratic parties and trade unions have generally opposed the introduction of state corporatist institutional structures and attempted to change them in a universalistic direction. However, they met strong resistance from confessional and conservative parties as well as from confessional trade unions. In all of these countries, the decades after the Second World War represent a critical juncture with a revival of conflicts around institutional forms.

The pattern of these conflicts came to differ to some extent between, on the one hand, Germany and her former allies, that is Austria, Italy, and Japan and, on the other hand, the continental European countries once occupied by Germany, that is France, Belgium and the Netherlands. In the former countries, the post-war occupation by the Allied forces was of significance, whereas in the latter group war-time experiences with resistance movements and exile governments in London inspired by the Beveridge Report turned out to be of importance. Yet, in all of these countries with the exception of the Netherlands, efforts from the left to bring about basic institutional changes were rebuffed by conservative and Christian-Democratic parties and their allied unions. Thereafter parties and unions on the left attempted to achieve gradual modifications in the degree of occupational segmentation, to reduce differences between manual workers and salaried employees, and to introduce some financial equalization between programs, efforts which turned out to be partially successful. 37

The exceptional case of the Netherlands illustrates the conditions under which state corporatist institutional structures could be changed. Also in the Netherlands, the Social Democrats and the socialist unions had long opposed the state corporatist model in pension insurance introduced just before the First World War with the support of employers, confessional parties, and confessional unions. Because of the war, this funded pension program came to force only in 1919. Because of its long maturation period, for about two decades it was in practice overtaken by transitional rules giving flat-rate pensions. As a result of inflation during the Second World War, these pensions funds lost most of their value and in

36 Prolonged conflicts between the SPD and the CDU/FDP also concerned the level and existence of wage ceilings for coverage, allowing high-income salaried employees to opt out to private or occupational insurance. 37 References to these conflicts include Talos (1981); Esping-Andersen and Korpi (1984); Saint-Jours (1982); Ferrera (1986); Baldwin (1990); Kerschen (1994); Korpi (1995); Berghman, Peters, and Vranken (forthcoming).
1947 the state corporatist program was again replaced, this time by a targeted pension program. A commission on postwar social policy, appointed by the government-in-exile in London, had proposed the introduction of some universal programs. The Social Democrats now renewed their efforts for institutional reforms and universalism but were met by tenacious resistance from the employers, the other parties, and the confessional unions. In 1956, however, a universal flat-rate pension program was introduced. 38 The state corporatist model in sickness insurance was however retained. Yet, unlike the development in Germany, no new state corporatist programs for previously excluded occupational categories were created; instead such categories tended to be included in existing programs.

38 In this context it must be remembered that major, collectively bargained, occupational pension programs had emerged in the Netherlands and that legislation, introduced in 1949, authorized the Ministry of Social Affairs to make such programs compulsory if so requested by employers and employees in program boards.
6.3 Conflicts Around the Encompassing Institutional Model

During the decades after the Second World War, in three of the Protestant European countries with a relatively long-term and strong presence of social democrats in governments – Sweden, Norway and Finland – the encompassing institutional model was introduced to replace targeted, voluntary, and basic security models. This development started in Sweden, and the move to the new model came to coincide with attempts by the politically dominant Social Democrats to broaden their electoral base in a period, when the proportion of salaried employees in the labor force was increasing while the shares of the industrial and rural working classes were stagnating or decreasing. In the early postwar period the Swedish Social Democrats thus began to consciously recruit salaried employees into the party. Some of its leaders were worried about the increasing spread of occupational pension insurance among salaried employees, who increasingly were complementing the public basic security program with pensions based on collective bargaining giving earnings-related benefits. In this context, the fact that unemployment insurance programs of trade unions and voluntary state subsidized sickness insurance funds had some degree of earnings-relatedness in contributions and benefits was also of importance (Åmark 1998).

The change of pension institutions from basic security to the encompassing model in Sweden came to generate one of the most intensive political conflicts after the Second World War. The trade union confederation representing blue-collar workers (LO) bargained in vain for supplementary pensions of the same type that employers had granted to salaried employees. The Social Democratic party and the LO then proposed the introduction of a universal earnings-related pension program for all economically active persons (ATP) to supplement the universal flat-rate pensions. The Conservative and the Liberal parties countered with a proposal for voluntary supplementary pensions, while the Agrarian party proposed a form of extended basic security. The large white-collar union confederation was split on this issue and did not officially take a stand. After a referendum, dissolution of the Riksdag and new elections, the encompassing model was carried through with the smallest possible majority. The conflicts around the pension reform and the encompassing institutional structure would appear to have had a positive long-term significance for the Social Democratic party, contributing to an increase of its electoral support among white-collar groups after 1960 (Korpi 1983).

Coming after the conflictual Swedish move to the encompassing model, in Finland as well as in Norway the change to the encompassing pension model was carried through with less conflict and, in the end, with multi-party support. Here it is important to remember the context in which the strategies of different parties evolve in the different countries. As noted above Sweden, Norway and Finland had a relatively strong and long-term presence of left parties in governments. It would appear to be a reasonable interpretation that leaders of the non-socialist parties in Norway and Finland had learned from the Swedish example to avoid making

39 The official name of the Swedish Social Democratic party is "The Social Democratic Workers' Party" and it traditionally used to refer to itself as "The Workers' Party" (Arbetarepartiet). From hardly having mentioned the term salaried employees in earlier elections, the 1946 election manifesto of the party stated: "The Workers' Party regards the efforts of salaried employees to organize in order to safeguard their interests in the public and private areas as a stabilizing factor in social life. Through its policies, the Party will support these efforts." To broaden its base among white-collar groups the party quite successfully made efforts to introduce political workplace organizations among salaried employees. The sense of urgency is indicated by the title of one of the booklets produced at this time: "Now it is about the salaried employees" (Sweden’s Social Democratic Workers’ Party 1946).

40 Also the question of the creation of large funds of public capital to balance pension payments was an important issue underlying the pension conflict.
pension reform a major political issue. Attempts to introduce the encompassing model were also made by Social Democrats in Denmark and by Labour in the United Kingdom but from a weaker and more unstable political base. These efforts met strong resistance from dominant conservative-centrist parties and largely failed. It would thus appear that the encompassing model was something which conservative and centrist parties would accept only in situations where they were unlikely to be able to defeat it.

Political conflicts around institutional forms have also been found in Australia. In the 1970s, the traditional means-test in the pension program was gradually abolished during the Whitlam Labour government, only to be re-introduced after a few years by a Liberal government.

7. Discussion
To what extent can rational-choice institutionalism focusing on voluntary cooperation, contracting and conventions help us to understand the origin, change and path dependence of welfare state institutions? As the analysis above indicates, such approaches can carry us some distance but obviously not far enough. Thus in all our countries, voluntary cooperation has indeed emerged and has resulted in mutual aid associations and friendly societies generating collective protection against economic risks. In many countries, such as the United Kingdom, France, Belgium, the Netherlands and the Nordic countries, voluntary associations have had considerable significance. During the past century, one third of our 18 countries legislated financial support for voluntary sickness insurance. However, contrary to what the idea of non-conflictual cooperation would lead us to expect, the role of self-help organizations has been entangled with political and ideological conflict. The promotion of friendly societies soon became a central part of the ideology of various types of liberal and conservative parties, viewing self-help organizations as reconcilable with the free operation of markets and as their favorite alternative to the various forms of state interventions proposed by supporters of state corporatism as well as by left parties. While the origins of self-help organizations can be interpreted in contractarian terms, the question of the continued role of these organizations relative to other institutional forms became an important source of conflicts.

Rational-choice institutionalism focusing on transaction costs, contracts and conventions would appear to indicate that with equal benefits to all and very wide coverage, the basic security model is likely to be the easiest one on which to negotiate agreements and which therefore has the lowest transaction costs. Our review shows that basic security institutions have indeed been common; they are found in pension or sickness insurance programs over shorter or longer periods in 12 of our 18 countries. However, the historical evidence again shows that behind this model, we find conscious design as well as conflicts of interest. Thus, the basic security model with its low benefit level became the centerpiece of a "social liberal" political strategy focused on limiting political interventions in markets. This institutional model has had the indirect effect of gradually driving a wedge between the interests of white-collar and blue-collar employees via the development of private forms of insurance among better-off citizens. During the period after the Second World War, the basic security model therefore became a focus for conflicts in many countries, and in three of them it was superseded by the encompassing model.

Furthermore, we find major historical cases where contractarian solutions likely to imply low transaction costs were disregarded in favor of apparently more costly alternatives. When

41 Furthermore, no large public pension funds were to be created in these two countries (Kuhnle 1986; Alestalo and Uusitalo 1996).
insurance coverage was to be extended in the continental European countries with the state corporatist model for workers and low-wage white-collar groups, the least costly solution in terms of transaction costs would probably have been to raise or to abolish wage ceilings and thereby to include salaried employees and manual workers within the same program with earnings-related benefits. As we have seen this simple solution was however discarded in favor of the creation of separate programs with different conditions and benefits for salaried employees and later also for other occupational categories. These major cases indicate that in decision-making by national elites transaction costs carried less weight than did considerations of the role of institutions for the patterning of interests, identities and coalitions among citizens.

Yet the contractarian perspective focusing on transaction costs would appear to have some relevance in the domain of welfare state institutions. In work accident insurance, a branch not dealt with here, in most countries we find considerably less employer resistance to compulsory social insurance programs (Väisänen 1992). This relative ease of acceptance of state intervention in work accident insurance indicates that employers had an interest in decreasing the often high litigation costs associated with private or mandated firm-based accident insurance. An additional factor of relevance here was that compulsory insurance abolished a base for competitive differences between firms.

The emergence and change of different forms of social insurance institutions can however only to a limited extent be understood in terms of contracts and conventions. Therefore it is fruitful to complement the contractarian approach to institutions with a power perspective focusing on asymmetries of power and on actors' strategies to economize on power costs. In this context a differentiated concept of costs associated with the use of power is helpful in sensitizing us to various types of costs likely to be considered by rational actors. Here conventional transaction costs generated in voluntary contracting are one significant part; other important costs are generated against the background of strife and include conflict costs, liquidity costs and mobilization costs.

In the perspective of the augmented rational-actor model, many important societal institutions appear as structurations of power and as residues of conflict. During the break-through of the industrial revolution, when asymmetries of power among different socio-economic categories of citizens indisputably were great, following ideas developed by corporatist thinkers, purposeful state elites acted to install institutions calculated to stabilize their positions by decreasing costs of power; in the short run by counteracting conflicts between employers and employees, in the long run by segmenting interests and identities in the dependent labor force to focus on occupation rather than on class. As we have seen the role of power, conflict and political strategy was also central in the development of the basic security and the encompassing institutional models. Unintended consequences of strategic actions are often important and have received much scholarly attention; the analysis here reminds us that sometimes purposeful strategies can be relatively successful.42

To understand the conflicts associated with the corporatist, basic security and encompassing institutional models we must recognize that while these models all generate cooperation and exchange, they tend to induce different frames of reference for the formation of identities, interests and values. These models are therefore likely to affect outcomes of rational action and to result in differing patterns of coalition formation among citizens. As shown above, the

42 The institutional models discussed here turn out to have had significant distributive consequences in terms of levels of poverty and income inequality in the Western countries in the 1980s (Korpi and Palme 1998).
state corporatist institutional model was an explicit part of a strategy for influencing values and identities by enforcing cooperation between employers and employees and by fragmenting definitions of interests in the dependent labor force along occupational lines. Occupationally segmented state corporatist social insurance programs separate citizens into a number of risk pools, which are relatively homogeneous in terms of relevant risks and economic resources and accord them differing contributions, conditions and benefits. They thereby tend to generate differences in short-term material interests between differently privileged segments of the labor force, a main cleavage going between manual workers and salaried employees.

The black box of path dependency in institutional development of the welfare state is of course likely to include several elements. One element often pointed to is the organizational one; once programs are in place and are administered in a particular manner, organizations develop stakes in the ongoing administration of these programs. Thus, for example, in the United Kingdom the leaders of the friendly societies long resisted the introduction of compulsory insurance (Thane 1982). In Germany, however, such resistance was quickly overcome, and voluntary state subsidized insurance was never an alternative to reach the goals which Bismarck posed for social insurance institutions. Although organizational dynamics are of relevance here it is important to point at the often neglected role for path dependency generated by institutions which influence definitions of interests and identities and thereby the formation of coalitions among citizens.

As shown here, the degree of path dependence found in the state corporatist model is strikingly high. During the decades following the end of the Second World War in Europe this model resisted prolonged and repeated attempts by left parties in government positions to break down its patterns of occupational segmentation. This staying power can to a considerable extent be understood in terms of the role of its institutions for the definitions of interests and identities and the formation of coalitions. Through occupational segmentation, state corporatist institutions come to emphasize relative differences between various segments of citizens, thereby affecting frames for evaluating proposed changes. Within such a corporatist institutional structure, a move towards universalism would clearly threaten the relative positions of the better-off occupational categories and mobilize their countervailing capacities. The fact that a state corporatist pension model has been replaced only in the Netherlands actually underlines its stability, since there the state corporatist pension model was in practice overtaken by basic security and targeted programs during the major part of its formal existence.

In contrast to the state corporatist model, the basic security model tends to have primarily indirect and long-term consequences for definitions of interests among citizens. Because of its low benefits, this model entails incentives to salaried employees and other high-income earners to secure earnings-related protection through the development of various forms of private and occupational insurance programs, something which is a gradual and long-term process. Once large-scale programs of this nature are in place, however, the better-off occupational categories may increasingly become dependent on different types of private solutions, while public programs tend to become the concern primarily for low-wage citizens, a development likely to make the move towards an encompassing model considerably more difficult. In the long run similar processes tend to make also targeted programs resistant to change.
The long-term role of private and occupational insurance for fragmenting definitions of interests among citizens may to some extent facilitate an understanding of the difficulties involved in introducing a national health insurance program in the United States, once the majority of the labor force has acquired different varieties of private or occupational protection. Similar processes are likely to have been in operation also in Australia, where the tradition of targeted programs has encouraged the development of large-scale private and occupational insurance. From this point of view, it is interesting to note that the transition from the basic security to the encompassing model in the three Nordic countries took place at a relatively early stage, before major occupational or private programs had emerged.

The encompassing institutional model in the three Scandinavian countries came to be part of a strategy for facilitating cooperation and diminishing conflicts between manual workers and salaried employees. In the debates on pension reform in Sweden during the 1950s, the role of institutions in framing evaluations and comparisons of relative positions was illustrated when representatives for white-collar groups with occupational earnings-related pensions argued that if manual workers were also to have similar pensions, this would imply a "relative worsening" of their own position, something which they would not be willing to accept without compensation. Once in force, however, the encompassing model came to diminish this kind of comparison of relativities by including all within a single institutional structure with earnings-related benefits. Practiced on a much more limited scale and over a shorter period than its state-corporatist counterpart, the encompassing model would appear to have been of significance for its advocates by increasing support for the social democrats among salaried employees. However, whereas the state corporatist model aims at promoting collective action within smaller and relatively homogeneous subcategories of citizens, the encompassing model attempts to facilitate broad-based collective action among citizens with widely differing risks and resources, something likely to be a more difficult task. In periods of economic austerity, within the state corporatist model specific occupational categories having separate programs can "externalize" the consequences of resistance to cutbacks to the public. In the encompassing model covering the whole labor force or the whole population, the consequences of resistance to change have to be "internalized" and resistance to change may therefore prove weaker.

The analyses here indicate that while the now dominant contractarian perspective in rational-choice institutionalism is fruitful in understanding the development of societal institutions among actors and interest groups relatively equal in terms of power, its relevance is likely to be severely limited when it comes to the emergence and change of institutions central for conflicts of interest between categories of citizens unequal in terms of power. In situations with an asymmetric distribution of power resources central societal institutions can be seen as structurations of such power distributions and as residues of conflicts between actors. Yet also in the context of asymmetric power relations we can retain the rationality perspective in attempts to understand the origins and role of institutions. Using a differentiated concept of power costs we find that institutions routinizing decisionmaking on distributive issues tends to decrease what we have termed conflict costs and liquidity costs of power, while the use of institutions to mold definitions of interests and identities can affect mobilization costs associated with collective action. To a large extent these consequences capture what in earlier analyses of power have been referred to as the "second" and "third" dimensions of power.

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43 This indicates that Pareto-improving changes need not be generally accepted if they are seen as generating changes in the relative positions of different actors.

44 The relative neglect of power differences in rational-choice institutionalism has a parallel in neo-classical economic theory.
It is therefore fruitful to complement rational-choice institutionalism with its focus on contracts and conventions and at least implicit assumptions of relatively equally positioned actors, with a power perspective where the degree of asymmetry in the distribution of power resources is a central variable and which considers the role of institutions for reducing power costs in distributive conflicts. The rational actor-model augmented with assumptions of power differences provides a preliminary step in attempts to integrate assumptions of rationality among reasoning actors with considerations of the role of institutions for molding interests, identities and preferences as well as for distributive outcomes. In this approach institutions appear as key links in micro-macro-micro processes relating agency to structure.

**Methodological Appendix**

The Social Citizenship Indicator Program (SCIP) is being developed at the Swedish Institute for Social Research, Stockholm University and is directed by Walter Korpi and Joakim Palme. It involves codifying and quantifying information on nationally legislated social rights in five main social insurance programs, that is old age pensions, sickness cash benefits, work accident insurance, unemployment insurance and family benefits, beginning with the first laws, for the years 1930, 1933, 1939, 1947, 1950 and thereafter every fifth year up to the present. Data refer to the 18 countries dealt with here and include, *inter alia*, net replacement levels for different types of households and coverage in relevant population categories.

On the bases of national legislation, existing institutions for old age pensions and sickness cash benefits are categorized here into the institutional typology in a step-wise fashion. Legislation on these programs can be used to directly pick out targeted (means-tested), voluntary state subsidized and state corporatist programs. The distinction between basic security and encompassing programs is based on the level of earnings replacement. Since some formally earnings-related programs (such as the U.S. Social Security pensions) have relatively low ceilings for income replacement, in practice they must therefore be regarded as basic security programs. In old age pensions, we look at net replacement, measured in terms of net benefits as a percentage of a net average wage (after taxes and social security contributions) among industrial workers in the country and the year in question. Here the degree of earnings-relatedness is based on the net replacement rate of the maximum public pension. Programs where the net maximum pension is at least ten percentage points higher than the net replacement rate of the pension for an average industrial worker are regarded as earnings-related; those below this level as basic security pensions. In sickness cash benefits, where short-term benefits dominate and taxation therefore is less relevant, we have in principle related gross maximum legislated benefits to the gross wage of an average production worker, again requiring at least ten percentage points higher replacement rate for earnings-related programs. For old age pensions, coverage refers to the number of insured in relation to the working-age population, and for sickness cash benefits to the number of insured in relation to the labor force. Programs here classified as encompassing include all citizens (residents) and thus have full coverage. In basic security programs, where eligibility is based on citizenship, coverage is full but in programs based on contributions, coverage can be less than full.

To illustrate the range of variation found among our countries in terms of the above institutional models, we can take a look at the structure of old age pensions in 1995 in targeted Australia, state corporatist Austria, encompassing Sweden and basic security Canada. We focus on net benefits going to a newly retired industrial worker assumed to have had a 35-year working career with average wages and compute the average of net benefits for a single
worker and a worker with a spouse who has not been economically active. The net replacement rate, expressed as a percentage of average annual earnings for industrial workers in 1990, is 27 in Australia, 54 in Austria, 45 in Canada, and 75 in Sweden. The maximum net public pension for the same constellation of households differs from that of average industrial workers only in Austria and Sweden, where the maximum is 122 and 105 percent of the average industrial worker wage. In basic security United Kingdom and the United States, with only moderately earnings-related pensions, the average pension for industrial workers was 41 and 54 percent, respectively, whereas the maximum pensions were 52 and 65 percent, respectively. In state corporatist Austria we find separate legislated programs for wage earners, salaried employees, self-employed, farmers, public employees, miners and notaries. In targeted Australia, pensions are means-tested with, at this time, only 59 percent of the pension-aged population receiving a pension.

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References


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Table 1. Models of institutions in old age pensions in 18 countries from first laws and up to 1995*

*Institutional models:*)

- SC = State corporatist
- T = Targeted
- BS = Basic security
- E = Encompassing
- - = No program

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\(^a\) Basic security 1956-65
### Table 2. Models of institutions in sickness insurance in 18 countries from first laws and up to 1995*

*Institutional models:*

- **SC** = State corporatist
- **VSS** = Voluntary state subsidized
- **T** = Targeted
- **BS** = Basic security
- **E** = Encompassing
- **-** = No program

* a) Basic security 1955-73

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