

Renewing the welfare state

The right mix of ensuring jobs, income and services

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Our New Economy (ONE) and Moral Markets



Renewing the welfare state: The right mix of ensuring jobs, income and services

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Summary

Over the last year the welfare state has been at the core of public debates as the coronavirus pandemic revealed existing weaknesses and required additional support for people. One idea in particular, namely unconditional universal basic income, has gotten a lot of attention. Nevertheless, this report argues that this is not the most promising social policy option. While such policy would reduce poverty and inequality, and improve the bargaining power and freedom of workers, it would generate a troublesome paradox. On the one hand, it would require a significant increase in government taxes - of about 25% of GDP in Europe -, or alternatively, cuts in existing public services. And on the other hand, it would strengthen market individualism, as it would provide people with money they can consume or invest according to their preferences.

Therefore, this report argues that other, more targeted policies are preferable. But rather than advocating another 'silver bullet solution', this report argues that innovative policy combinations, in which individual policies strengthen and complement each other, are more desirable. More specifically, it argues that a combination of extended basic services, a job guarantee and benefits as rights seems most promising.

Similar to unconditional universal basic income, these policies help reduce poverty and inequality, and improve the bargaining power and freedom of citizens and workers. In contrast to basic income, they, however, do not lead to more market individualism. Instead they strengthen social cohesion, as they are based on the reciprocal principle of enabling everyone to contribute to and benefit from the common good.

Furthermore, these policies have some additional advantages. While it is unclear whether an unconditional universal basic income would enable people to effectively meet their needs through the market, public provision has proven to be effective in providing universal access to basic services. Similarly, while fiscal stimuli and other job programs have been effective in reducing involuntary unemployment, they have not been able to eliminate it. A job guarantee, on the other hand, would be able to do so, thus providing the otherwise unemployed not only with income, but also with regular activity, time structure, social contact, a sense of purpose, status and identity. Additionally, the policies suggested would improve economic productivity as they help build and maintain 'human capital'.

The policies would also have important ecological implications as they would contribute to a 'just transition'. A job guarantee would create 'green' jobs, but more importantly reduce the need for economic growth to create jobs. Additionally, extended public services would increase human wellbeing without increased pollution, showing that the two do not have to be connected.

And finally, while being ambitious, these policies would be fiscally feasible. Extended basic services are estimated to require additional public investment of about 4% of GDP. A job guarantee is estimated to cost 1 to 2% of GDP - although it could be budget neutral by decreasing other social costs and public expenses, including less punitive and restrictive benefits. The policy mix could be financed through (higher) taxes on (net) wealth, land, data, inheritance, unhealthy consumption, financial transactions and pollution as these would contribute to making the economy more stable, fair, and sustainable.

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Introduction

The coronavirus pandemic has caused us to rethink how we organise our lives and economies. Many suggested that society was already experiencing a paradigm shift in economic thinking, but the pandemic seems to have accelerated and expanded this change beyond. One area which has particularly been at the centre of such discussions is the welfare state.

To contain the spread of the virus many countries enacted 'lock-downs' which meant shutting down many economic activities, causing people to become unemployed and companies to go bankrupt. Many argued that this exposed many long-standing issues and shortcomings of current welfare systems. In order to ensure people's wellbeing as well as to limit the economic costs, many governments decided to provide people with income support or pay companies to retain their workers and pay for their fixed costs - additionally to existing social safety systems. These temporary programs make innovative social policy ideas, such as unconditional universal basic income, seem more realistic and less radical than before.

In this way, they strengthen the move away from the neoliberal market focus on economic growth towards a focus on human wellbeing and ecological sustainability.¹ This report explores what social policy mix should accompany this paradigm shift and how the welfare state can best ensure human wellbeing in a sustainable way.

First, this report briefly provides an overview of the different individual policy options related to jobs, income and services. Second, it presents a discussion on the (ideal type) of policy combinations that have been dominant over the last two centuries. Third, it presents a discussion on popularly proposed combinations that put their faith in one policy option, making them 'silver bullet solutions'. Finally, this report argues that a more complex policy mix, which aims to combine strengths of individual policies, is more desirable and it discusses the combination that seems most promising.

Individual policy options

The policy options to ensure human wellbeing fall into three broad categories: ensuring people have good jobs, sufficient income and/or access to basic services.

Jobs

Most people in today's society are able to meet their needs by earning money through paid work. One way to ensure human wellbeing is therefore to ensure people have the opportunity to perform paid work. Traditionally, there have been two approaches that both focus on facilitating private sector employment.ⁱⁱ First and most prominent is the Keynesian demand side approach, which aims to achieve full employment through stimulating the private sector with government deficit spending. Second, there is the neoliberal supply side approach, which focuses on reducing costs for companies through cutting regulations, and keeping wages and (corporate) taxes low.

Recently, the new idea of a job guarantee is gaining prominence.ⁱⁱⁱ The core idea is that, instead of trying to achieve full employment through expansionary fiscal policy, the government can be the employer of last resort with a voluntary public option for a job. In this way, involuntary unemployment will be eliminated by giving the unemployed minimum-pay but secure jobs with good conditions and benefits, thereby also putting pressure on precarious low-pay forms of private sector employment. The job guarantee would be nationally, or federally, funded but locally implemented and employ people in caring for people, communities and the earth, to complement, rather than replace, existing jobs.

Income

For long, the dominant logic has been that we should give enough money to survive if people are not able to earn a living through work. In many countries, this takes the form of social insurance which provides financial benefits for the unemployed, disabled and elderly. There are many debates about how these benefits should be organised, how generous they should be, what requirements people have to meet, and what (active) labour market policies should accompany it.^{iv}

Over the last decades, a number of different ideas related to income have become more prominent. Most famous is the idea of an unconditional universal basic income - an unconditional monthly payment for all citizens financed through government taxes – which is sufficiently high to meet citizens’ basic needs.^v This monthly basic income can be freely spent as people prefer it, and also makes them free from the need to work. A related idea is participation income, in which the monthly payment is dependent on participating in the economy through paid work, education, training, unpaid care or voluntary work.^{vi} The core logic of this proposal is reciprocity, as everyone who contributes to society receives benefits. Meanwhile, participation income prevents free riding and inactive dependence on taxpayer’s money. In contrast to basic income, the general idea of participation income is to exist as a complement to, rather than replace, the social insurance system.

Then there are also more limited ways in which money can help ensure people’s wellbeing. One way to do this is to provide citizens with a basic dividend - sometimes called a citizen or social dividend. As such, people share the benefits which are collectively created, and are compensated for harm done to the common good.^{vii} In this way, the level of the basic dividend depends on the collected taxes on pollution^{viii}, land^{ix}, data^x, and/or publicly funded innovation^{xi}, rather than being set at the level of monetary sufficiency as basic income is. A related idea is to provide every citizen that comes of age, often set at the age of 25, an inheritance to enable them to invest in their futures, financed through inheritance and/or wealth taxes. Proposals differ in how big they think the inheritance should be, ranging from \$5.000 and £10.000, to €120.000.^{xii}

Services

A more direct way of ensuring that basic needs are met is through government-led access to - free or affordable - basic services.^{xiii} It does not mean that the government should directly provide the services, as this can be done in collaboration with private for-profit and civic non-profit organizations. However, it does mean that the government should ensure that everyone can securely and sufficiently meet their basic needs in an affordable way. Most rich countries currently ensure that all their citizens have access to healthcare and education - although decades of austerity and privatization have weakened and limited these public services.

An idea that is currently gaining traction is to extend the basic service assurance - or universal basic services - to also include among other things access to free or affordable child care, adult social care, housing, public transport, and digital information. The core logic behind ensuring these basic services is that they meet universal human needs that are not a matter of consumer taste; and, furthermore, that it is more efficient and effective to directly ensure people have affordable access to them than it is to give people money that they can spend.

In sum, one can try to ensure human wellbeing by focusing on jobs, income and/or services. For jobs, traditionally Keynesian demand management and neoliberal supply side policies have been leading, but recently the idea of a job guarantee has been gaining prominence. For income, social insurance and benefits have been the conventional solutions, but the ideas of an unconditional universal basic income, a participation income, and a basic dividend are increasingly popular. For services, universal access to - free or affordable - healthcare and education are widespread and proposals to extend basic services to include among other things child care and digital information are gaining influence.

Historical policy mixes

Having set out the various individual policy options, we now turn to the ideal type combinations that have been most prominent over the last two centuries, as visualized below in figure 1. These ideal types aim to capture the main developments of the welfare state and do not describe in detail how varied, complex and messy the real world is. Furthermore, they are 'ideal' in an analytical sense of being pure concepts and not 'ideal' in a normative sense of being most desirable.^{xiv}

Laissez faire liberalism

The first ideal type is the laissez faire liberal arrangement. Here the so-called 'night-watchman' state is supposed to be as small and limited as possible, focusing exclusively on enforcing the law and protecting property. According to this logic, it is not the responsibility of the state to ensure the wellbeing of its citizens. Human wellbeing is an individual, rather than collective, responsibility. Unemployment is either considered to be an unavoidable side-effect of capitalism due to individual mistakes made by the unemployed, or a result of rigid labour markets. To meet one's basic needs, one has to solely rely on oneself and perhaps count on the help of one's family, local community, charity or the church.^{xv}

It is important to put this ideal type in historical context. Many (classical) liberals believed in this approach as industrialization was still gaining steam. The industrial revolution, however, fundamentally changed how the economy functioned and gave rise to new social problems and needs. A key example of this is that before the industrial revolution, the concept of unemployment was largely non-existent. The vast majority of families made a living by engaging in home-based subsistence farming on a seasonal basis. In contrast, after the industrial revolution, most people began to make a living by performing regular wage labour as individual adults for formal organizations for a fixed number of hours each day in specialised workplaces - such as factories and offices. Because of this new arrangement, off-work hours acquired the meaning of being 'leisure time' and not having regular paid work got to mean being 'unemployed'.^{xvi}

Similarly, throughout history, most people did not have (free or affordable) access to education, (professional) healthcare and other (what is today considered as) basic services.

But as industrialization advanced - accompanied by other social developments such as nation state-building - this began to change. Slowly the state increased its responsibilities, often as a result of popular pressures during moments of major crises, like wars.^{xvii}

Keynesian social democracy

It could be said that the decades-long development of increased state responsibility culminated in the Keynesian social democratic post-war arrangement. The core elements of this arrangement are described as follows by Coote and Percy^{xviii}:

“Most post-war settlements aimed to achieve full (male) employment, to provide income support for those who could not earn and to supply necessities that people could not afford to pay for individually in the form of public services that were free at the point of use” (p.14)

As such, the post-war Keynesian solution was a combination of policies related to jobs, money and services.

A key idea behind this Keynesian arrangement was that the capitalist economic system does not have effective automatic stabilizing mechanisms that prevent mass (involuntary) unemployment over sustained periods of time.^{xix} Therefore, the government should increase its spending in times of crisis, as this would increase effective demand and create jobs. This could be done in a discretionary way, through new spending on public works, or automatically, through letting budget deficits increase as a result of increased welfare spending and lower tax incomes. Here, one can see how the different aspects are linked to each other. Giving money to the unemployed allowed their consumption levels to be (largely) maintained, which would lead to lower unemployment because this consumption was demand that triggered production and thereby work.

It is important to note that there were important differences between countries in how their welfare states were organised. Popular classifications of welfare states are between the tax-funded rights-based Beveridge and corporatist insurance Bismarck models, as well as Scandinavian social democratic, Anglo-Saxon liberal, and European continental conservative or Christian democratic welfare states.^{xx}

Market-oriented neoliberalism

During the 1970s the Keynesian social democratic arrangement came under pressure and was replaced by the neoliberal arrangement. While the post-war arrangement was so far successful in keeping economic growth high, unemployment low, inflation stable, and preventing recessions from becoming long and deep, during the 1970s unemployment and inflation both rose.^{xxi} This combination of high unemployment and inflation was called stagflation and discredited the popular neoclassical-Keynesian Phillips curve which referred to an inverse relation between unemployment and inflation. The 1973 and 1978-9 oil crises and higher wages increased costs for firms, while public investment and income support for citizens in need helped to keep demand up.

The economic difficulties of the 1970s caused many to argue a new economic approach was needed. Neoliberal ideas won the battle over how economies should be run, with Chilean dictator Augusto Pinochet, British prime minister Margaret Thatcher and US president Ronald Reagan coming to power. In many European countries, the shift towards neoliberal ideas was more incremental and often happened without a change in ruling parties. Over time, most political parties, including Christian and social democratic ones, adopted (parts of the) neoliberal thinking and abandoned earlier widely spread social market ideas.^{xxii}

In this way, Kalecki's warning of 1943 proved to have been spot on: 'full employment capitalism [might be undone by] a powerful alliance ... between big business and rentier interests, and ... more than one economist'.^{xxiii} He argued that while the Keynesian arrangement could in a narrow economic sense be successful, it would face significant political pressures as it would alter power relations in the economy. He wrote:

"The social position of the boss would be undermined, and the self-assurance and class-consciousness of the working class would grow. Strikes for wage increases and improvements in conditions of work would create political tension. It is true that profits would be higher under a regime of full employment than they are on the average under laissez-faire; and even the rise in wage rates resulting from the stronger bargaining power of the workers is less likely to reduce profits than to increase prices, and thus adversely affects only the rentier interests. But 'discipline in the factories' and 'political stability' are more appreciated than

profits by business leaders. Their class instinct tells them that lasting full employment is unsound from their point of view, and that unemployment is an integral part of the 'normal' capitalist system.” (p.3)

The neoliberal solution to combating stagflation was to “abandon the objective of full employment and substituted the primary policy aim of controlling inflation”.^{xxiv} Rather than seeing unemployment as a problem, it was seen as necessary to keep inflation low. The goal of full employment thus was replaced with keeping unemployment above the ‘natural’ rate, below which inflation would rise.^{xxv}

In this way, the unemployed were no longer seen as unlucky involuntary job seekers in a capitalist economy that fails to provide everyone with an opportunity to work. Instead, neoliberal thinkers argued there was no involuntary unemployment as the unemployed individual chose not to work for lower ‘market-clearing’ wages. If one wanted to reduce unemployment one should weaken labour unions and reduce unemployment benefits as this would improve ‘incentives’ to work and bring (labour) costs down for firms. Income supplements should no longer be based on contributions and entitlements, but instead be based on means testing, ensuring that people would only receive help if they otherwise would be without any means to meet their needs.

The change in thinking about the welfare state was also accompanied by a financialization of the economy and a new approach to corporate governance. While companies were earlier run with a stakeholder approach and operated on a ‘retain-and-reinvest’ basis, the idea that maximizing short-term shareholder value is the sole purpose of companies became dominant and made them move towards a ‘downsize-and-distribute’ approach.^{xxvi} In this approach, labour is seen as a cost that should be reduced, rather than an asset to invest in. Labour markets had to be more flexible, so that companies could hire and fire workers on the basis of fluctuations in demand. Many economists today conclude that these changes have enabled value extraction at the expense of value creation, generating an economy in which ‘takers’ dominate ‘makers’ and productivity growth is slowed down.^{xxvii}

In this new economic arrangement the role of the state also changed. There was a lot of rhetoric about returning to the laissez-faire night watchman state, but in few countries did

the government actually substantially shrink.^{xxviii} Instead, there was a change in how the government operated and what the goal of its policies should be.

Rather than securing citizens' livelihoods and protecting them from the harmful aspects of markets - as was the main logic behind Keynesian social democracy - the neoliberal logic was that markets should be protected from citizens, in particular, labour unions and democratically chosen politicians.^{xxix} Instead of guiding and shaping markets to fit societies' wishes and values, government policy should facilitate markets and make society conform to them.^{xxx} A key idea here is that the market is the best way to organise society and that anything that prevents market mechanisms from working is therefore 'suboptimal' and should be eliminated.

As such, despite being a key talking point, taxes were not reduced but instead were made more 'market conform'.^{xxxi} Tax bases were expanded by removing deductions and exemptions, which would otherwise influence - or put rather negatively, 'distort' - markets. And taxes were made less progressive by reducing the marginal rates of income taxes, as this would correct, or undue, 'fair and efficient market outcomes'. Similarly, while many spoke of deregulation, there was not an overall reduction in regulating in the economy. While existing regulation aimed at guarding collective interests were often dismantled, the marketization of society and human life required new regulation.^{xxxii}

Silver bullet proposals

Now we turn to proposals for how the future should look in terms of social policy. Many argue a radical break has to be made from the existing largely neoliberal policy mixes. The neoliberal idea of marketizing society and human life is today generally viewed as the problem, not the solution. The neoliberal social policy mix, of punitive means-tested unemployment benefits, an acceptance of relatively high ('natural') unemployment and of meagre (or privatised) basic services, is unable to successfully ensure the wellbeing of citizens.

However, the best strategy to ensure human wellbeing is hotly debated. Here we discuss proposals that are centred on one specific policy idea and in this way have a tendency to be presented and treated as 'silver bullets'. The first two proposals are organised around the idea of an unconditional universal basic income. The third focuses on a job guarantee. And the fourth centres on extended universal basic services. Each proposal aims to ensure that all citizens can flourish by enabling them to meet their basic needs.

A social basic income

This proposal aims to replace the current unemployment benefits system with an unconditional universal basic income for all citizens.^{xxxiii} With this, the amount of administration and bureaucracy involved in providing people a minimum income will be reduced. Importantly, proponents of a social basic income argue existing public services should not be cut or reduced because of the introduction of the unconditional universal basic income. The extra money people receive can thus be spent on other things than healthcare and education, which are currently mostly provided as public services. While it is generally called an universal basic income to emphasize that all citizens should receive one, there is discussion about whether it should be completely universal or should be lower for kids and spouses.

A core and controversial aspect of the basic income is that it would 'free' people from the need to do (or look for) paid work. Often the controversial argument is made that technological innovation, in particular automation and artificial intelligence, will destroy many more jobs than there will be created or needed. As such, it is argued that widespread unemployment is inevitable and that unconditional universal basic income can prevent this

from becoming a problem. The elimination of the need to perform paid labour, however, does not imply that people will no longer work or have incentives to do so. There will still be financial as well as non-financial benefits to performing paid work. Nevertheless, it does mean that people have more financial security and thus can choose for reduced working hours to have more leisure time and/or do more unpaid work, and be more selective in choosing jobs as a basic income increases the bargaining power of workers. Supporters of a basic income generally view these likely outcomes as positive, while many opponents instead think of them as being negative.

A free market basic income

The second combination is highly similar to the social basic income, but it differs in one important respect: public services should be eliminated. The logic here is that the basic income allows people to fulfil their basic needs freely in the market and therefore public provision of basic services is no longer needed. The financial implications of this are also important. While the social basic income proposal would sharply increase the government budget, the free market basic income proposal would not (or at least less so). So, while the social basic income proposal is often accompanied with pleas for more, and more progressive, taxes, the free market basic income proposal is not.

Milton Friedman proposed a version of this policy mix with a negative income tax.^{xxxiv} In contrast to the standard version of basic income in which every citizen receives money, here only people with an income below a certain level receive money from the government – as a negative income tax. People with an income above this level, however, do not receive money and instead pay taxes to (partially) fund the negative income tax. While the negative income tax functions differently from the standard universal basic income, it can generate exactly the same net cash transfers. While everyone receives a basic income with the standard basic income design, many people are net payers, rather than net receivers, as they pay more in taxes than they receive in basic income. The argument is therefore that the negative income tax design is more efficient as it requires less money to be moved around while achieving the same monetary outcome. A key difference is, however, that the negative income tax gradually decreases as people's income increases (until their income rises above the threshold, where they become taxpayers instead of receivers). Rather than providing

everyone with the same monthly payment, the negative income tax thus (partially) compensates people for their low income.

A job guarantee

A job guarantee provides everyone with a voluntary public option for a job, part-time or full-time.^{xxxv} While the job pays only a low income - although above unemployment benefits - it is secure and provides good conditions and benefits. Proponents of a job guarantee advocate for a minimum wage which is also a living wage, meaning that it should be enough to live from, which is currently often not the case. The job guarantee program complements, rather than replaces, the unemployment benefits scheme - although it substantially decreases the number of people making use of them. Furthermore, it improves the public services available to citizens.

A key underlying idea of this proposal is that a job guarantee can effectively eradicate involuntary unemployment - contrary to fiscal stimuli, which have only been effective in reducing, but not eliminating, involuntary unemployment. And not only is a job guarantee more effective in ensuring full employment, but it is also argued to be more targeted, cheap and efficient as it does not require companies to make more profit so that they will (hopefully) employ more people. Reducing unemployment is important because it has high social costs as it decreases people's wellbeing as well as their 'human capital'. Additionally, having a job offers more than simply an income, also providing regular activity and time structure, social contact, sense of purpose, status and identity.^{xxxvi} Preventing people from becoming (involuntarily) unemployed, is thus desirable both from a wellbeing and economic growth point of view. And like with an unconditional universal basic income, a job guarantee will allow people to be more selective in choosing jobs, thereby arguably leading to a decrease in precarious as well as 'bullshit' jobs, meaning people themselves view their own work as pointless.^{xxxvii}

In contrast to many proponents of a basic income, advocates of a job guarantee argue there is a lot of work that needs to be done. They argue, for example, that there are many currently unfulfilled tasks in making our economy more ecologically sustainable and resilient, caring for the sick, elderly and young, and strengthening community institutions and infrastructure. The job guarantee program thus matches un- and underemployed

people with unfulfilled societal needs. It is, however, important to note that the jobs should not require specialised skills and education. These jobs have to be socially useful but at the same time open to everyone and fitting with a minimum income. If educated and specialised people are needed for certain public or private services, they should be provided with a job through the normal labour market mechanisms and not through the job guarantee. If this is not the case, the guaranteed jobs can compete with existing jobs. But even in this case, the difference in pay will be an incentive for people to find a job in the labour market.

The job guarantee will function counter cyclically as an automatic stabiliser, thus employing more people during economic crises and less when the private sector is prospering. Here the job guarantee has an advantage over fiscal stimuli to generate employment, as the job guarantee would be a permanent program and would thus not rely on adequate and timely decisions by politicians to undertake discretionary fiscal stimulation. The fact that the job guarantee will act as automatic stabilisers, however, also implies that the jobs provided to cyclically unemployed need to be of a temporary nature, which can be problematic for care work as this needs to be performed on a permanent basis. The jobs aimed at structural unemployment, on the other hand, can be of a permanent basis, allowing for more variety in the types of jobs that can be fulfilled under a job guarantee program. To be a successful automatic stabiliser, the job guarantee program must be nationally funded, through the central government budget or central bank. But the implementation should be done locally by the municipal government, community organizations, social enterprises and NGOs. These organizations will also determine under what conditions people can be fired from a guaranteed job and how strict or lenient this process has to be. Furthermore, they need to facilitate people to find a job in the labour market and give them the time to look and apply for those jobs, so that during economic booms the amount of guaranteed jobs will decrease.

While the job guarantee reduces the need for discretionary fiscal stimuli, it does not mean they can't go together and strengthen each other. The job guarantee provides people immediately with the opportunity to do a minimum paying job when they become unemployed. Expansionary fiscal policy, on the other hand, can stimulate the economy in order to create more and better paying jobs in the labour market. In this way, the job

guarantee and fiscal stimuli can complement each other in countering negative (un)employment developments.

Finally, while the job guarantee is advocated by modern monetary theorists,^{xxxviii} the policy does not (necessarily) require a change in general fiscal and monetary policy.^{xxxix} One can support the job guarantee idea, but not the modern monetary idea of eliminating monetary, although not real, constraints on public spending, and vice versa. So, while the two are often linked to each other in proposals, it is important not to conflate them with each other.

Extended universal basic services

The core idea of this proposal is to extend universal basic services to also include childcare, adult social care, housing, transport and access to digital information, alongside existing public services in healthcare and education.^{xl} The argument being that these are basic needs that people have to have access to in order to flourish and productively contribute to society. As such, they are not typical market commodities depending on individual consumer tastes and should therefore be organised as public services. Proponents have argued that extending universal basic services should be accompanied by making the social security system less stigmatizing and conditional, and more generous. Furthermore, they argue unemployment should be decreased through Keynesian countercyclical fiscal policy.

As explained above, this does not imply direct state control by the central government bureaucracy. It only means that the government has the responsibility to ensure that everyone has, free or affordable, access to those basic services. The provisioning can also be done by (collaboration between) local community, civic and private organizations. In this way, a balance should be found between top-down regulation and facilitation, and bottom-up initiatives and participation.

The finances also don't have to (fully) come from taxes, as social insurance schemes, affordable user fees and philanthropy can also provide funding. To ensure the services are properly and affordably provided with good quality and local participation, proponents have suggested to work with a social licensing system to enforce a clear set of public interest obligations on all organizations involved. This is to prevent harmful profit-seeking, competition and short-term cost-cutting, which can lead to unaffordability and bad quality for users, and decreasing working standards and productivity. It can, furthermore, lead to a

lack of collaboration and information sharing, and increasing transaction costs and predatory practices.^{xli}

A key argument for public services is that universal access without public provisioning is virtually non-existent. Ensuring all citizens can meet their basic needs thus seems to require a system of universal basic services. Jeffrey Sachs put the case for universal basic services to ensure human wellbeing as follows:

“If you look at the top 10 or 20 countries [in terms of happiness or the sustainable development goals], all of them have a high level of taxation and a high level of government services. There is a reason for that. If we are really going to have health for all, or education for all, there is no proven case anywhere in the world other than through government provision.” (54:43)^{xlii}

If we deem something a basic need and argue every citizen has a right to access, the only effective solution thus seems to be to take government action to ensure everyone has access to the basic service.

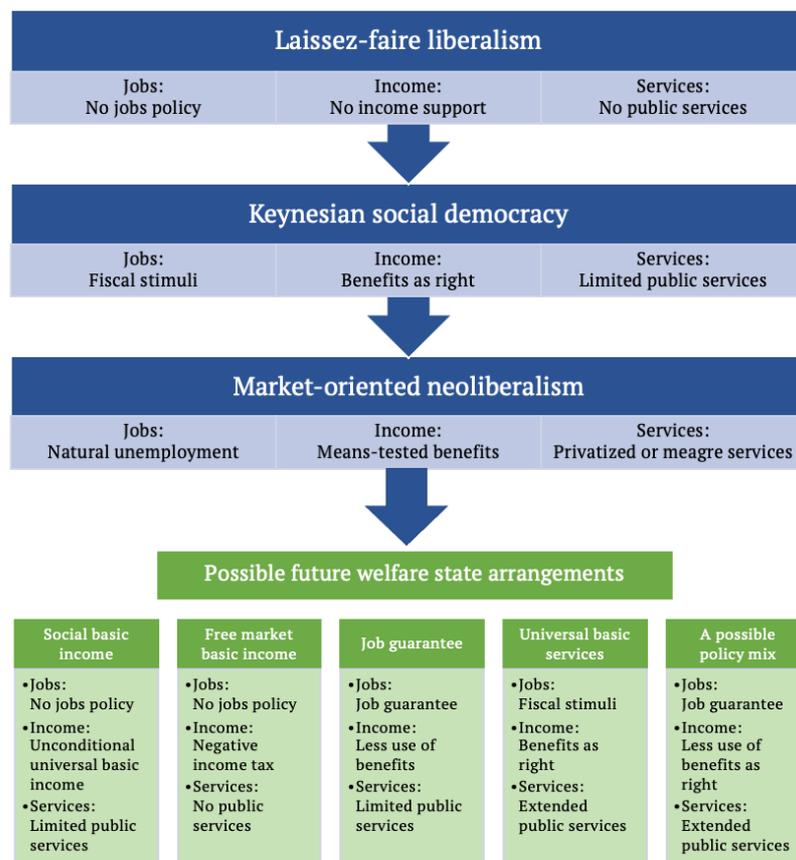


Figure 1: Ideal type welfare state arrangements

A policy mix proposal

There is much value to the silver bullet proposals discussed above. But while it would be good to be able to put one's faith entirely in one solution, I argue a combination of innovative policy ideas will be substantially more effective in ensuring human wellbeing in its different aspects. For campaigns and mobilization, to have one big idea and organise around it, may be helpful. But the economic reality is rarely simple enough to allow for 'silver bullet solutions' and thus almost always requires more complex policy mixes.

However, not all policy mixes are more desirable than a 'silver bullet'. It is important that the individual policies strengthen and complement, rather than contradict or invalidate, each other. Based on our assessment, the following combination of policies seems most promising: extended basic services, a job guarantee, and benefits as rights.

In this combination, the job guarantee ensures that everyone has the opportunity to earn a living and contribute to society through meaningful work. The extended universal basic services ensure that people can meet their basic needs, freely or affordably. And benefits as rights ensure everyone has a minimum income, even if they cannot work.

To explain why I think this combination is most promising, I shortly discuss its social, ecological and financial implications.

Social implications

Each policy option in this combination contributes to reducing inequality and improving the wellbeing of the worse-off in society.^{xliii} The job guarantee provides people at the bottom of the labour market with a secure and meaningful alternative to precarious and 'bullshit jobs' and unemployment, thereby also increasing their bargaining power. Benefits as rights prevents punitive means-tested practices for those without a job. In fact, in rich countries where healthcare and education are provided as universal basic services, this is estimated to have reduced income inequality by an average of 20%.^{xliiv} Without public services, poor people would have needed to spend up to three quarters of their income on basic services. Extending public services to areas such as transport and access to digital information, is also estimated to specifically benefit low-income households and reduce inequality.^{xliv} An unconditional universal basic income will likely also reduce inequality,

although this largely depends on how it is financed. The basic income can potentially also increase, instead of decrease inequality, as richer recipients are more likely to invest, rather than consume the basic income than poorer recipients.

While there are few clear unique benefits of an unconditional universal basic income, it does create tensions with other policy options. A key logic of basic income is that it allows people to choose to focus on unpaid - rather than paid - work, such as taking care of one's children. As such, there is tension with the logic of extended basic services which aims to make childcare a public service. Given the unequal distribution of unpaid labour between men and women, this implies that extended basic services will likely lessen gender inequality while basic income will probably exacerbate it.^{xlvi}

This illustrates how the goal of both universal basic income and universal basic services is to enable people to meet their basic needs, and how this can lead them to compete with, rather than complement, each other. While universal basic services have a proven track record in successfully providing universal access, as emphasised by Jeffrey Sachs,^{xlvii} it remains to be seen whether an unconditional universal basic income would effectively enable people to pay for their basic needs, including childcare and housing.

Furthermore, there is a question about whether one thinks basic needs should be met through the market, or whether there should be (moral) limits to markets and it is better not to commodify basic services by keeping them in the public domain where commercial profit-making is restricted or regulated. The difference here seems to be in how one views freedom, whether it is a matter of being 'free' from depending on profit-seeking actors by receiving a tax-funded basic income, or being 'free' from depending on (public) organizations that are funded (indirectly or directly) by taxpayers' money, when meeting your basic needs.

As such, unconditional universal basic income is not uniquely linked to freedom, but it is connected to market individualism in a way that the other policy options are not. An unconditional universal basic income strengthens the idea that every individual should be able to buy and consume what they want through the market and that this is what is important in their lives. The other policies, instead, seem to be geared towards strengthening communities, reciprocity and social cohesion. The universal basic services

are about collectively pooling resources and ensuring that everyone has access to public services if they need them. The job guarantee gives everyone the opportunity to contribute to society by performing meaningful paid work. Participation income, in contrast to basic income, is also largely based on the idea of reciprocity, rewarding people for contributing to the common good. It is, in particular, unique in that it also rewards normally unpaid labour, often mostly performed by women. But in doing so, it faces difficulties with administrative implementation and privacy rights, as it would require effective testing whether people participate in any of the required ways or not.^{xlviii}

Finally, it can be questioned whether an unconditional universal basic income is a social solution to potentially higher structural unemployment coming from automation. It should be noted that the argument that automation and artificial intelligence will generate vast unemployment and make human labour largely obsolete is highly controversial and disputed. Nevertheless, if the need for labour were to decline substantially, an unconditional universal basic income does not seem to be the best solution. Rather than working on giving everyone the opportunity to participate in the economy, one would 'buy them off' by providing them a tax-funded basic income.^{xlix} The economy would thus exist out of a large inactive and dependent group net receivers of basic income and a highly productive group of net contributors to basic income. Job guarantee would in this case, however, also not be the ideal solution, as this policy is based on the idea that there are a lot of socially meaningful but unfulfilled tasks, and in a world in which there is little societal need for human labour, providing the unemployed with meaningful jobs might prove to be difficult. There is, however, also another option. Another solution to substantial decreases in the need for labour is to reduce working hours across the board, rather than letting some people become entirely unemployed while others continue to work the same amount of hours. In this way, the benefits of productivity increases would be widely shared and everyone would be given a chance to actively contribute to value creation.

Ecological implications

The policy mix is not specially aimed to address the climate crisis, but it can nevertheless have some important ecological benefits. The job guarantee may employ people to do work related to climate mitigation and adaptation, but perhaps even more importantly may take away the need for economic growth in order to create jobs. The standard ways of trying to

reduce unemployment rely on economic growth creating more jobs, whether through export or domestic consumption, and supply or demand policies. With a job guarantee, creating jobs and reducing unemployment would no longer be a reason to increase the amount of polluting economic activities. The universal basic services would allow people to meet their basic needs without increasing polluting consumption, as these public services have low carbon intensities. Basic income, on the other hand, would allow people to meet their basic needs through the market but also to spend more money on polluting consumption. As such, this policy combination seems to be particularly well suited for ensuring people's wellbeing without damaging the earth while doing so.

Financial implications

Fiscally, this policy combination is ambitious, but not unfeasible, as a combination including an unconditional universal basic income would likely be. An extended version of universal basic services is estimated to require additional investment of 4% of GDP on average for OECD countries.ⁱ These additional public investments ideally would be financed through taxes that also contribute to a more social, sustainable and prospering economy. Here one could make use of the emerging consensus that taxes should decrease on labour, but increase on (net) wealth, land, inheritance, pollution, unhealthy consumption, financial transactions and data.ⁱⁱ A job guarantee program is estimated to require an investment of about 1 to 2% of GDP, but could potentially decrease the overall amount of government spending by reducing social ills, such as (mental) health issues, 'human capital' loss, and crime.ⁱⁱⁱ Replacing the existing means-tested benefits with less punitive and restricted benefits combined with the job guarantee program, will likely be fiscally insignificant. Only those who cannot find a job in the labour market and decide not to get a guaranteed job which would pay a higher income, would receive the benefits. So while the precise fiscal implications are uncertain, it is unlikely to generate a lot of extra expenses as it will probably imply a smaller group will receive more generous benefits.

Unconditional universal basic income is estimated to cost about 18% of GDP in the Middle East and North Africa, 25% in Asia, Europe and Latin America, and 50% in Sub-Saharan Africa.ⁱⁱⁱⁱ This is substantially more than the other policies, even when they are combined. For this reason, unconditional universal basic income seems particularly difficult to

combine. It would either require sharply increasing taxes by 30 to 50%, depending on how generous the basic income would be, or cutting the budgets for existing public services.

Implementation considerations

Finally, potential implementation issues should be taken into consideration, as they have proven in the past to make a difference on whether a specific policy is successful. So while the policies described above might be desirable on paper, we have to tackle the question of whether they are still desirable if implemented imperfectly - as this is almost always the case in the real world. Besides this, it is important to implement policies in a way that they are most likely to be successful, and therefore issues such as experimentation, learning, clarity, stability and simply investing enough resources into the implementation (organizations), are important.

While a job guarantee on a permanent and national basis is relatively new, there have already been many similar policies and experiments in numerous countries and localities.^{liv} Therefore, it is key that these cases are evaluated and inform future policy decisions. While this sounds obvious, unfortunately, this is often not the case. It is thus crucial to incorporate these learning processes into policy and political decision-making. Learning processes, however, are also key for the implementation organizations themselves as they often need to acquire new competences when they need to implement a new policy. For the job guarantee specifically, it is also important that the local implementation organizations acquire and build on existing competences in employing otherwise unemployed to do socially useful work. Collaboration with other (local and national) organizations is also crucial here.

Basic income, on the other hand, seems very straightforward and simple to implement as it only requires putting the same amount of money on everyone's bank account every month. The difficulty with implementing basic income is, however, the potential issues it can generate with its one-size-fits-all approach.^{lv} The arrangements of benefits are fairly complex because they try to ensure the income support matches the needs people have. People with disabilities and single parents, for example, need extra support when compared to a healthy and young, but unemployed, individual - let alone when compared with well-earning and wealthy people. As such, there seem to be two options when implementing an

unconditional universal basic income and aiming to ensure the wellbeing of all citizens. Either the unconditional universal basic income needs to be so high that it will be sufficient for those who need most support. Or the unconditional universal basic income needs to complement, rather replace, the benefits system, thereby not achieving its core goal of reducing bureaucracy. In both cases, implementation difficulties will arise with having to enact significant tax increases or government budget cuts in order to finance the expensive unconditional universal basic income.

Finally, for extended basic services implementation is also key. How to ensure universal access, and how to best deliver public services, are difficult questions and form the core of the discipline of public administration. It is beyond the scope of this report to discuss all the issues investigated in this field, but it is important to note that facilitating learning processes is key when extending public services. As discussed in relation to the job guarantee, experimentation is encouraged, and it is key that these experiments are adequately evaluated and inform future decision-making. Similarly, clear goals, stability, and sufficient resources are key requirements for successful implementation.

Conclusion

The current crisis has exposed how fragile the economic position of many people is and how current welfare systems fall short in ensuring human wellbeing. A fundamental re-think of how the welfare state is organised is thus necessary. In this report, I have argued that it is important to think systematically about how the various policy options for ensuring good jobs, sufficient money and access to basic services, can best complement and strengthen each other. So rather than putting all faith into one specific policy, like the basic income movement often does, I argue that a combination of innovative policy ideas is needed. More specifically, I argue for a social policy mix of extended basic services, a job guarantee and benefits as rights, as it seems most promising in its social, ecological and financial implications.

But irrespective of which specific combination might seem most promising, I encourage governments to explore and experiment with them. Here it is very important to build good information systems and evaluation practices that are actually linked to decision making processes. To achieve fundamental change in social policies and welfare states, social mobilization, however, seems necessary. Research of past welfare state reform between 1985 to 2006 in 20 democratic countries in North America, Europe, and Asia shows that the rich seem to determine policy changes, while the influence of poor and middle class citizens seems negligible.^{lvi} Organizing countervailing power is necessary in order to prevent policy outcomes from only reflecting the preferences of economic elites.

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- ^{xxx} As an example Ali and Pühringer write: *“This subordination of politics to “market mechanisms” was shown impressively in a statement at a press conference in 2011: “Of course we live in a democracy and it is a parliamentary democracy [. . .] so we shall find ways to shape parliamentary co-determination so that it nonetheless conforms to the markets” (Merkel, 2011 cited in: Zepp-LaRouche, 2011, p. 14).”*

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