

The Political Economy of Neoliberalism's War on the Welfare State: How it Works and Why it Must be Stopped

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Neoliberalism's threat to the welfare state

Figure 1. The modern welfare state viewed as a response to Beveridge's five giant evils.

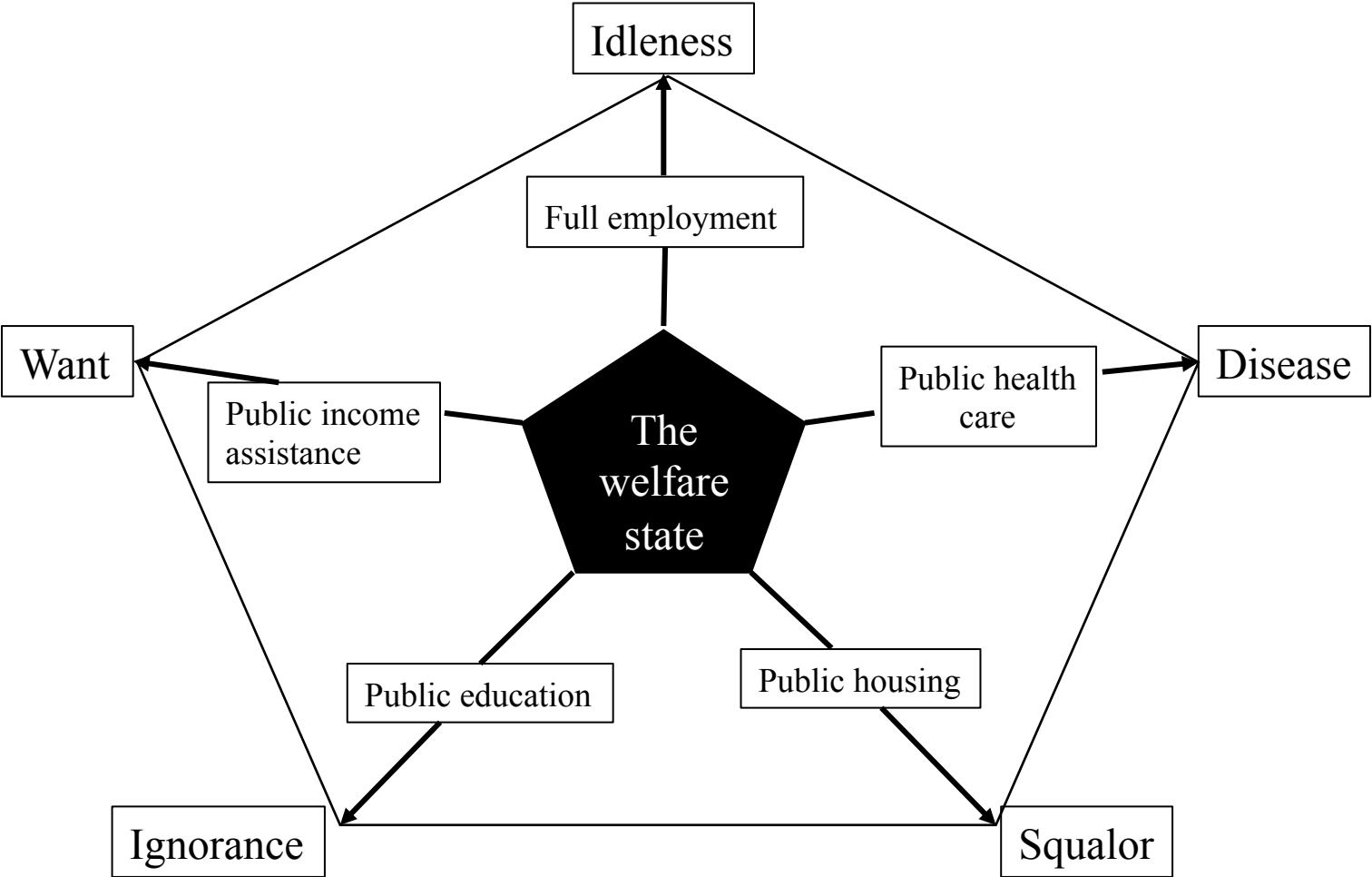


Figure 2. A new economic taxonomy of welfare states.

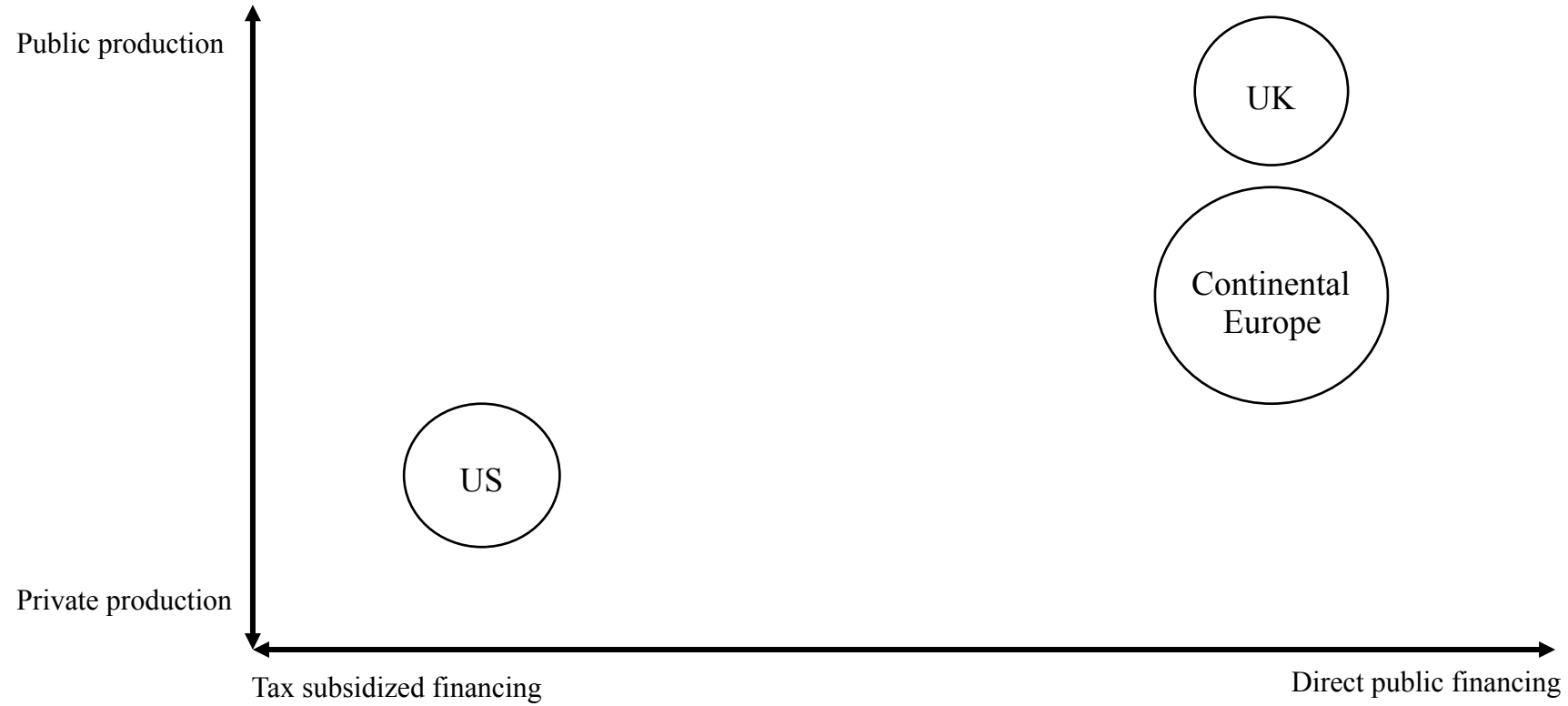
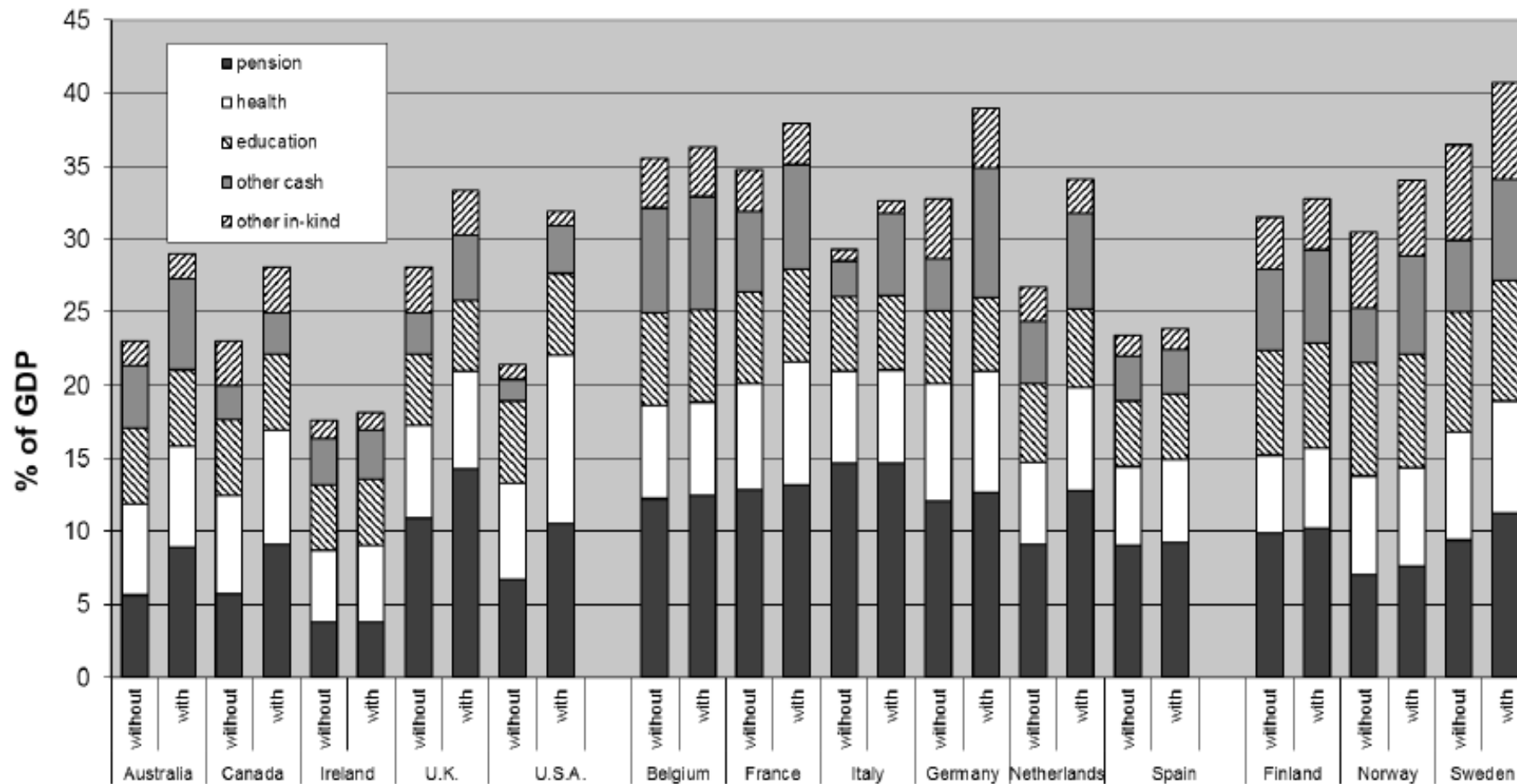


Figure 3. Social welfare transfers in 2001 as a percent of GDP in 14 rich nations, “with” and “without” employer-provided benefits.

Source: Garfinkel and Smeeding, Figure 2, p.8, 2015.



Goals of the neoliberal war on the welfare state

The neoliberal counter-revolution and its origins

From phony welfare state crisis to real crisis

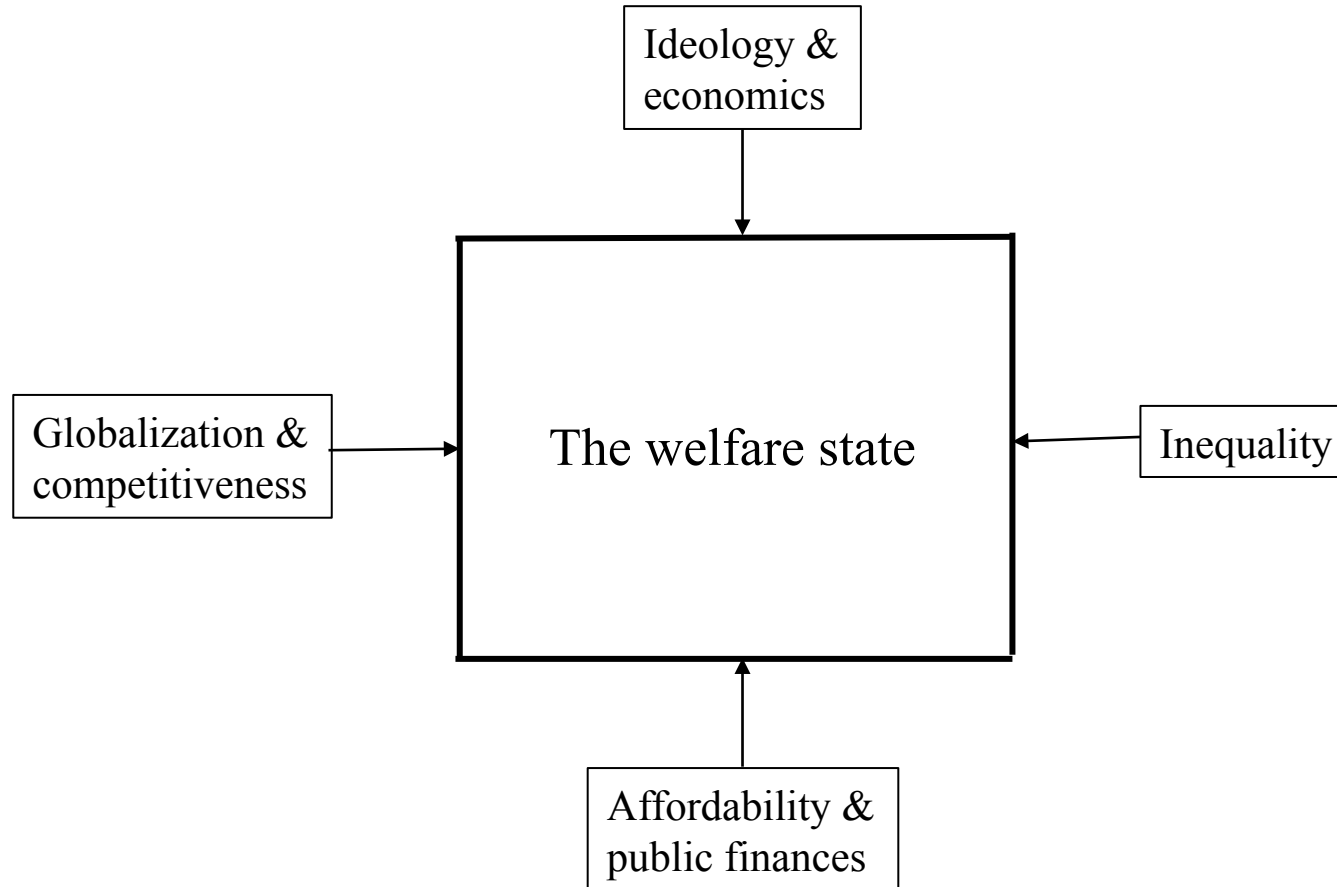
The slow motion neoliberal assault: body blows & whiplashes

Table 1. Decadal average unemployment rates (percent), 1961 – 2015.

Source: Statistical Annex of the European Economy, Table 3, Spring 2016.

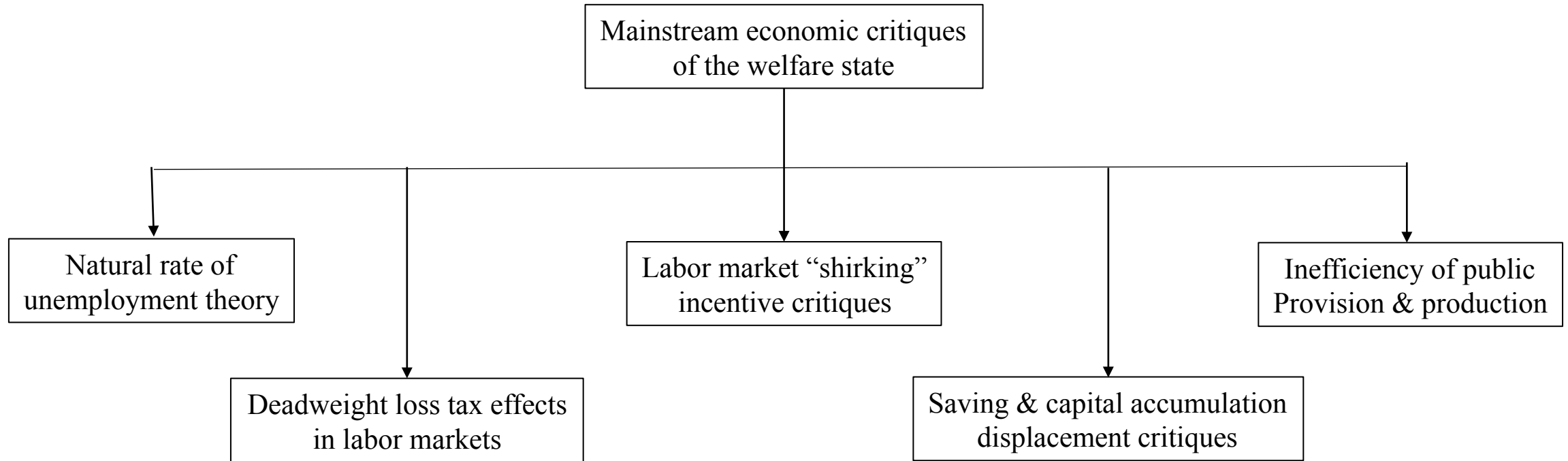
	1960-1970	1971-1980	1981-1990	1991-2000	2001-2010	2011-2015
UK	1.6	3.8	9.6	7.9	5.6	7.0
EU-15	2.2	3.9	8.5	9.4	8.0	10.3
US	4.8	6.8	7.1	5.6	6.1	7.2

Figure 4. Contours of neoliberalism's attack on the welfare state.



Ideology and the attack on the welfare state

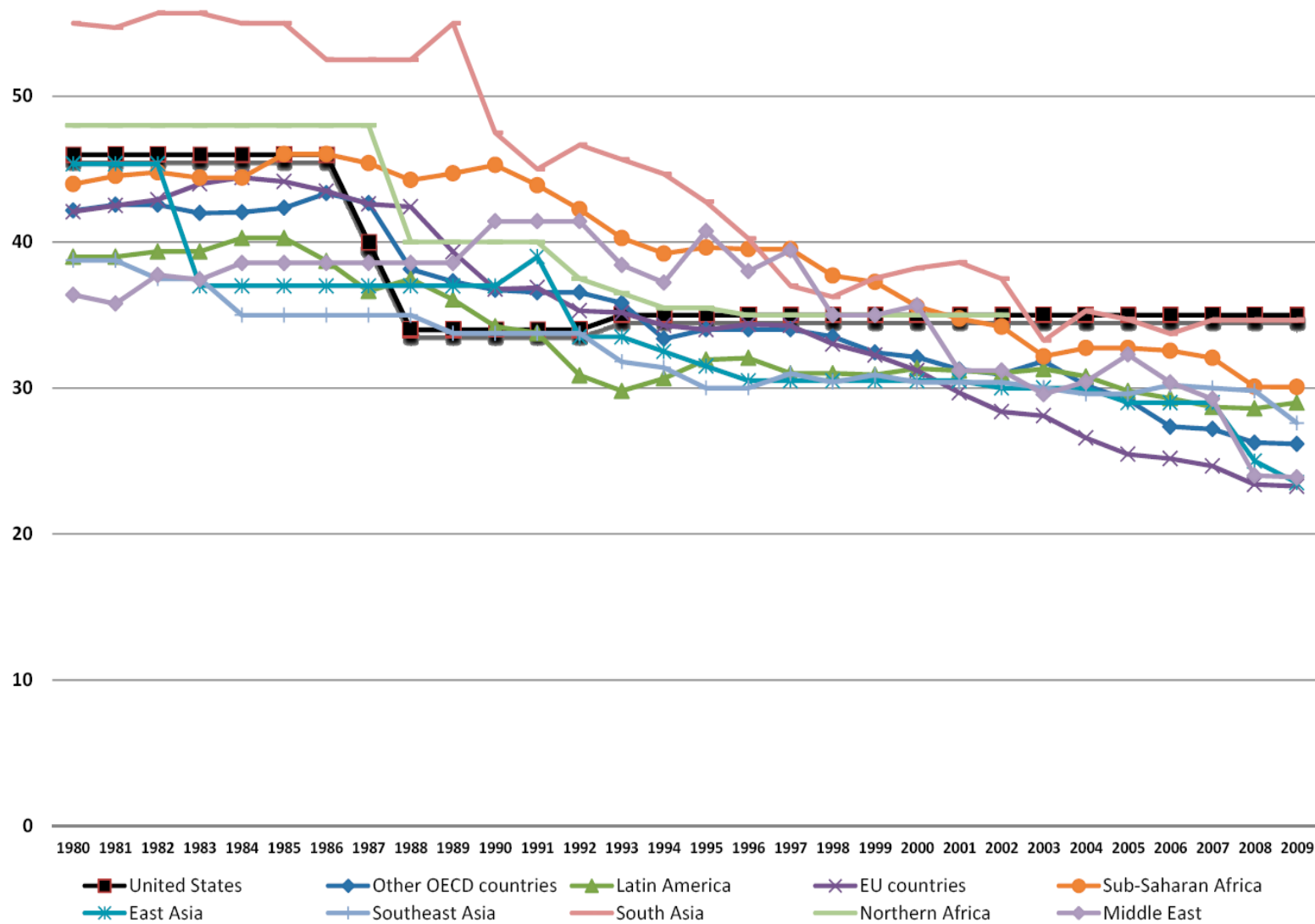
Figure 5. Selected anti-welfare state arguments from mainstream economics.



Globalization and the attack on the welfare state

Figure 6. Central government corporate tax rates (%) by region, 1980 – 2009

Source: Kumar and Quinn (2012).



Public finances & the unaffordability of the welfare state

Figure 7. G-7 public debt as percent of GDP (PPP weighted), 1950 – 2010.

Source: Cottarelli and Schaecter, 2010.

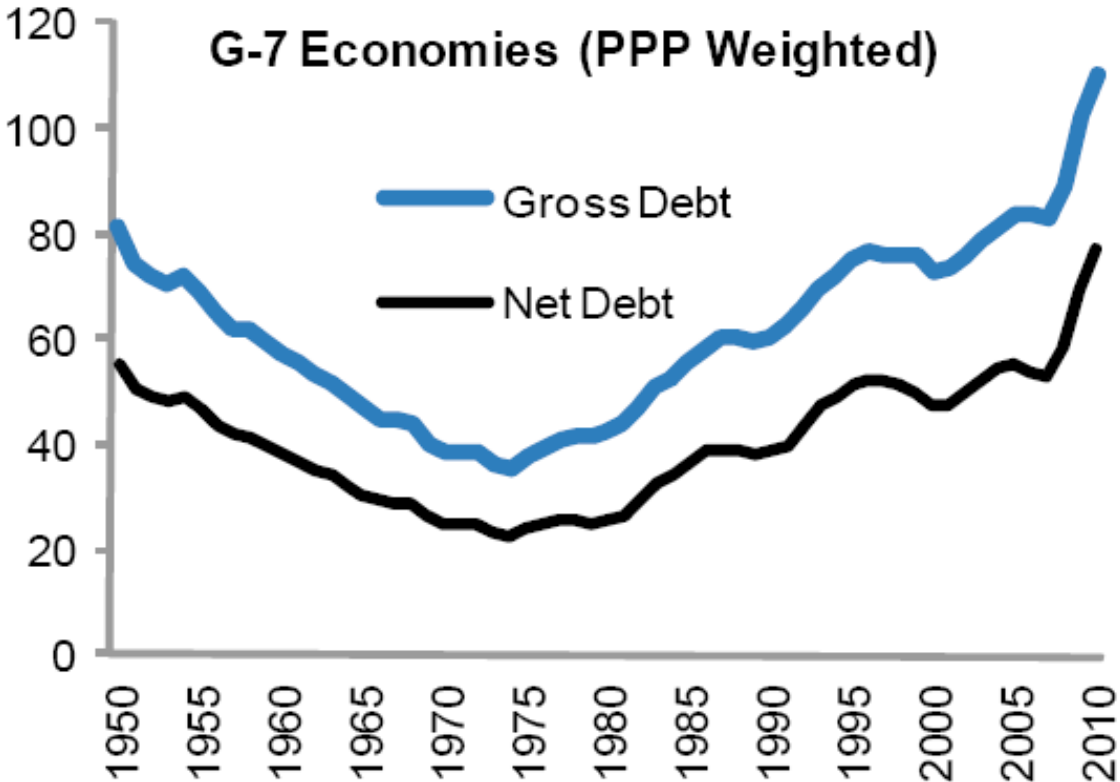


Figure 8. Public debt as percent of GDP (PPP weighted), 1950 - 2010.

Blue = gross debt, black = net debt. Source: Cottarelli and Schaefer, 2010.

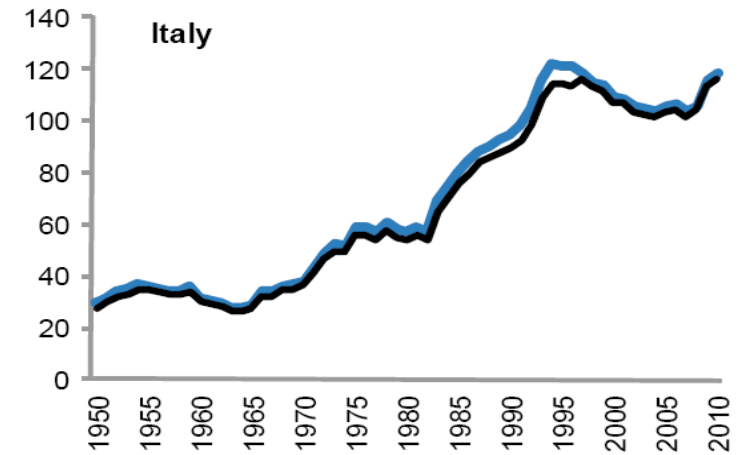
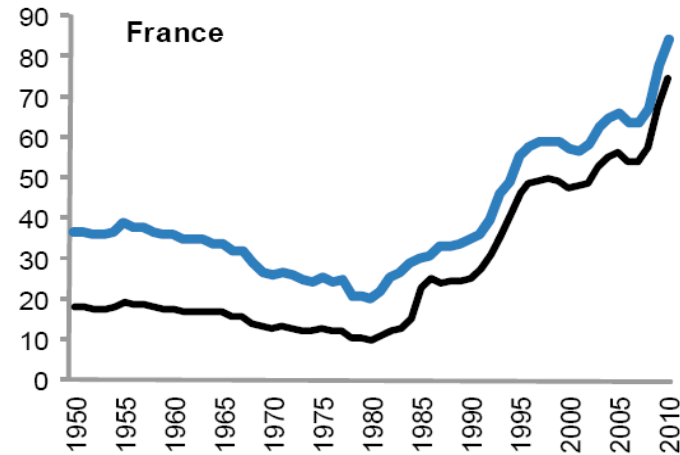
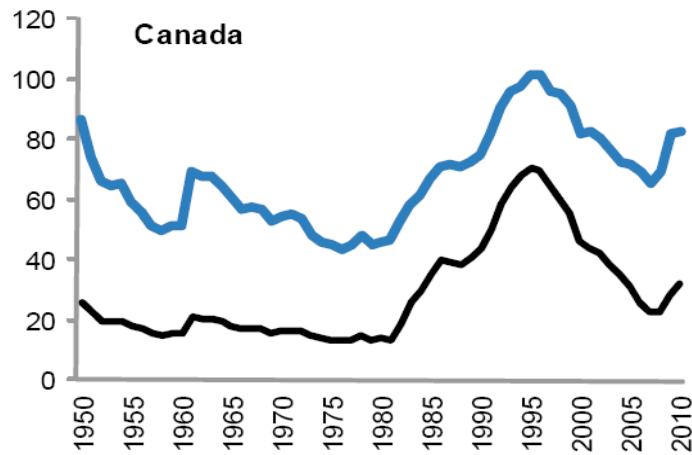
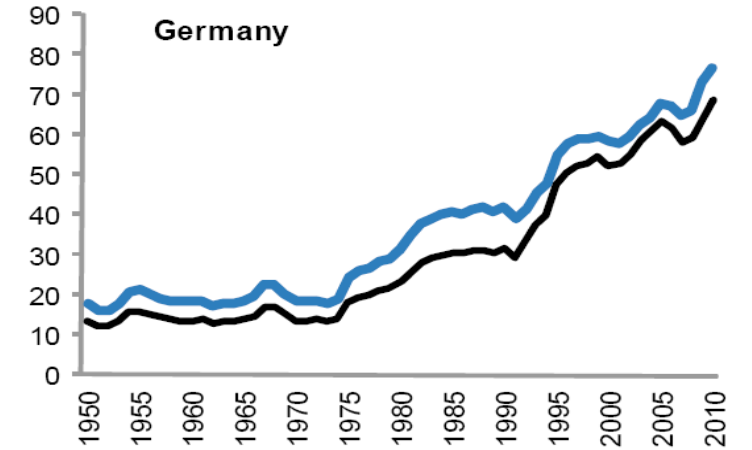
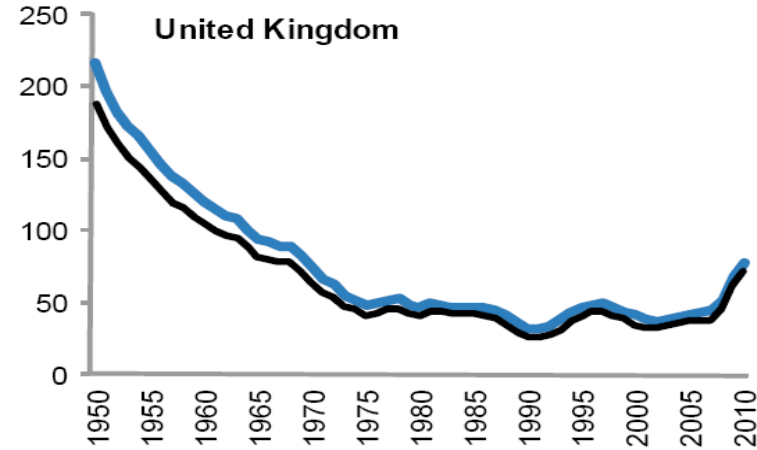
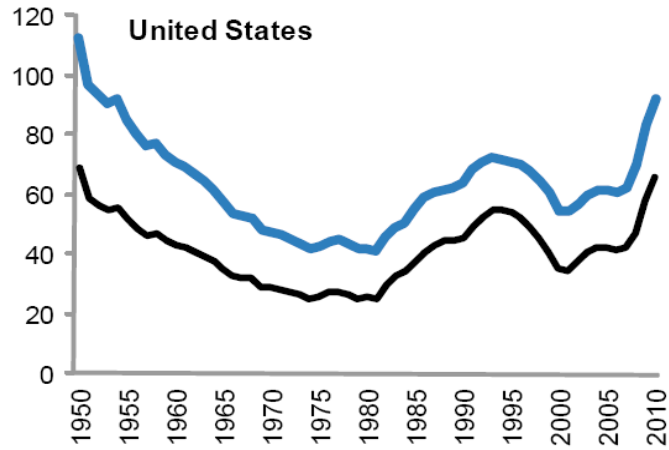


Figure 9. Government expenditure for G-7 economies as percent of potential GDP (PPP weighted), 1950 - 2010.

Source: Cottarelli and Schaecter, 2010.

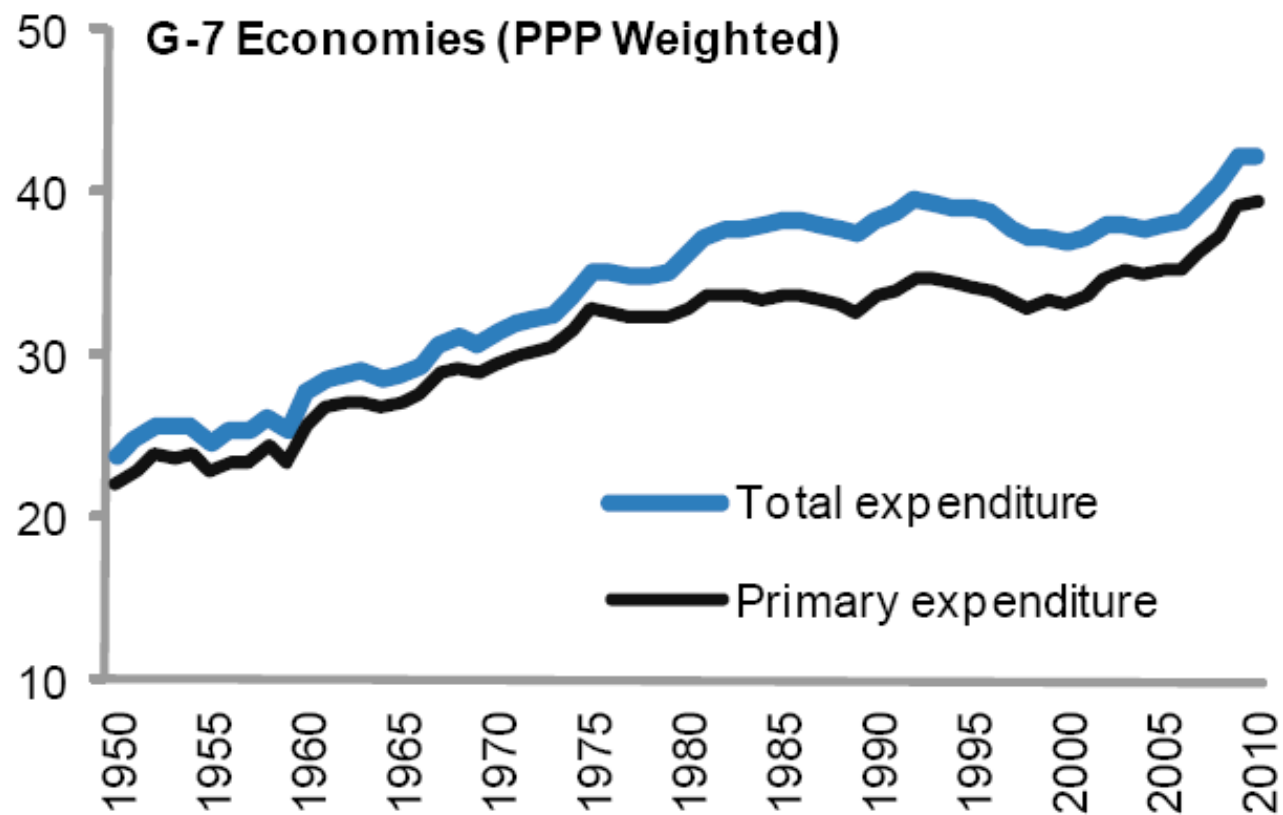


Table 2. Nominal short term interest rate, GDP inflation, and real short-term interest rate.

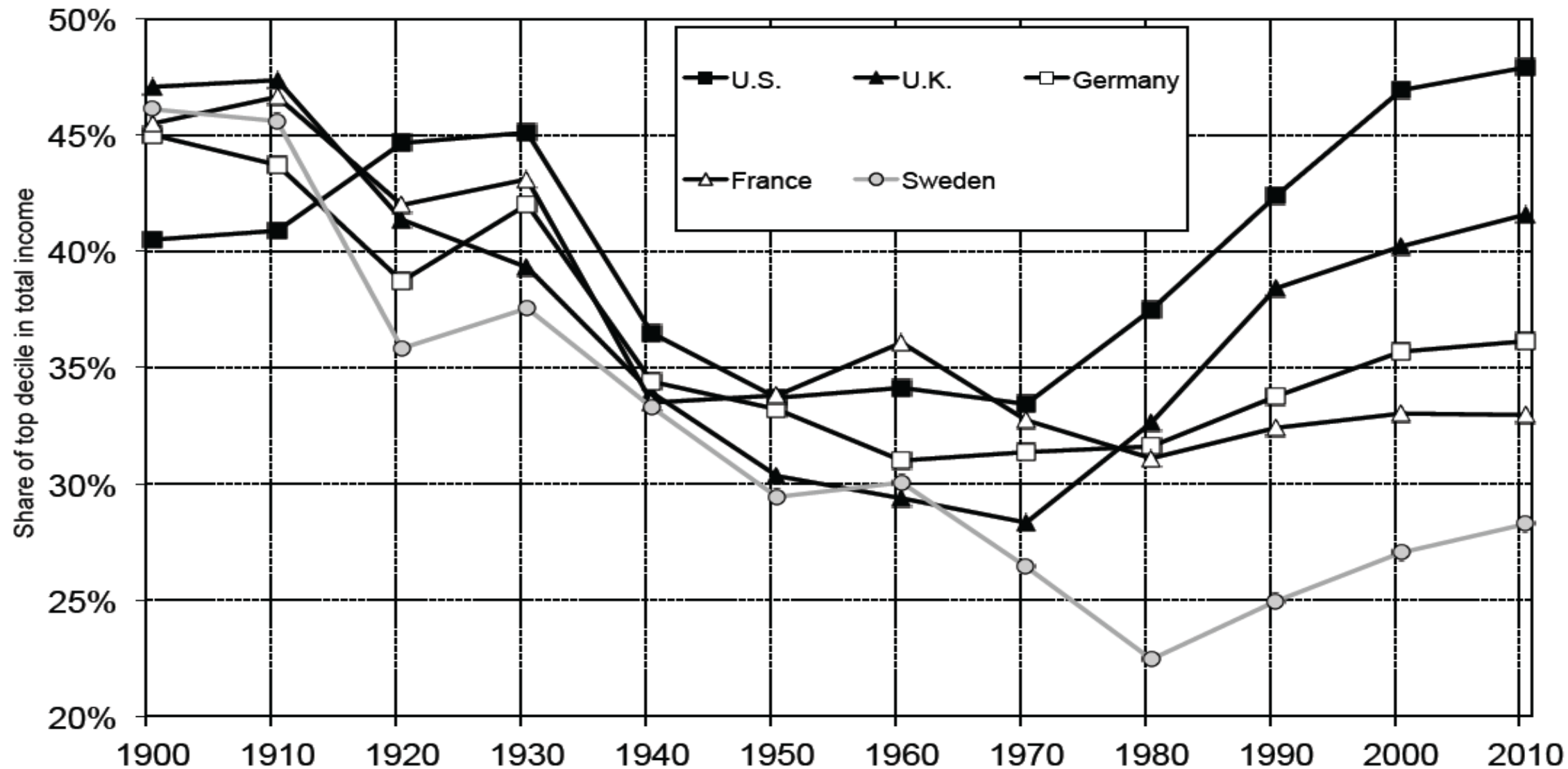
Source: Statistical Annex of the European Economy, Tables 24 and 48, Spring 2016 and author's calculation.

		1961-1970	1971-1980	1981-1990	1991-2000	2001-2010	2011-2015
(1) Nominal short-term interest rate	UK	6.3	10.8	11.8	7.2	4.1	0.7
	EU-7	5.1	9.1	10.5	6.4	3.1	0.5
	US	4.3	6.9	9.1	5.3	2.6	0.3
(2) GDP price deflator	UK	4.4	13.7	6.6	2.7	2.6	1.6
	EU-15	4.4	10.0	6.4	2.5	2.0	1.2
	US	2.8	6.9	4.2	2.1	2.1	1.6
Real interest rate = (1) – (2)	UK	1.9	-2.9	5.2	4.5	1.5	-0.9
	EU	1.3	-0.9	4.1	3.9	1.1	-0.7
	US	1.5	0	4.9	3.2	0.5	-1.3

Income inequality & support for the welfare state

Figure 10. The top decile income share in selected European countries and the U.S., 1900 – 2010.

Source: Piketty (2014), Figure 9.7, p.323.



Financialization and the attack on the welfare state

Conclusion: a minimalist welfare state vs.
a 21st century social democratic welfare state?

Table 1. Macroeconomic performance in G-6 countries before and during the welfare state era.

Source: Author's computation using Angus Maddison data, <http://www.ggdc.net/maddison/maddison-project/data.htm>.

	CANADA		FRANCE		GERMANY		ITALY		UK		US		G-6 AVERAGE	
	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth	Average annual per capita GDP growth (%)	Standard deviation of annual per capita GDP growth
1871-1900	1.94	5.05	1.54	4.59	1.65	2.39	0.65	3.79	1.17	2.23	1.82	4.26	1.46	3.72
1901-1939	1.53	7.23	1.60	7.55	1.79	7.13	1.90	5.45	0.92	3.68	1.43	6.54	1.53	6.26
1950-1980	2.73	2.20	3.60	1.58	4.87	3.56	4.62	2.30	2.04	1.90	2.42	2.64	3.38	2.37
1981-2008	1.63	2.29	1.48	1.11	1.41	1.66	1.50	1.27	2.21	1.61	1.88	1.75	1.68	1.61