Introduction

Setting the stage

After outlining concerns about the basic objectives of the welfare state as suggested by the international literature, this chapter will briefly present data on the attitudes of the Danes regarding ‘their’ welfare state, suggest the causes underlying the change from a social security state towards a welfare state, introduce a number of indicators illustrating the rapid growth of the welfare state, and describe the Danish welfare state as nationally delimited by nature. I will show that this prototype of the welfare state faces a number of challenges: partly from an increasing openness of the economy; partly from a rising demand for leisure; partly from an unfavourable demographic development; and partly from the assumed reliability of bureaucratized humanitarianism. The contribution concludes that Danish politicians seem to be caught in a deadlock caused on the one hand by the need to ensure a sustainable fiscal policy, and on the other hand by the acknowledgement that the Danish population seem to react strongly against restrictions on time-honoured ‘rights’.

In the developed world, uneasiness is growing about continuing rises in government social welfare spending and the behaviour that it seems to encourage.¹ After the postwar period of growth and expansion, welfare states are now suffering from budget and legitimacy pressures. Expansion has slowed, and concern about the basic objectives and purposes of social policy is increasing.² There is now a worldwide debate about the scope, the level and the structure of social security.³ Since the economic problems of stagflation first surfaced in the early 1970s the state of the welfare state, its present condition and future prospects, has been a matter of almost continuous speculation and dispute. When looking for the causes of a lagging economic performance mirrored by a persistently high rate of unemployment it is understandable that many have asked whether Europe’s welfare state, in particular, is a burden on the economy.
Underlying the discussion are issues of affordability, taxable capacity, sustainability, restructuring, retrenchment and dismantling. Even though some of these concepts are embarrassingly nebulous, they appear time and again in the literature and in the public debate. And yet the general verdict is that the welfare state has remained more or less intact. Despite the rhetoric of dismantling and retrenching the welfare state, major social programmes and levels of social expenditures in almost all developed countries remain largely unaffected. There is no empirical signs of crisis and emphasis should rather be directed at analysing the welfare states’ capacity to adapt to changed circumstances, some argue.

Preservation of time-honoured programmes and unchanged levels of expenditures, however, do not necessarily ensure the continuous existence of the very same welfare state. Imagine that the welfare state is not seen as the independent variable, but as a dependent variable. In that case one might argue that even if changes in the wake of efforts to cut spending and to shore up the legitimacy of the welfare state appear to be small and not to challenge the basic principles of social policy, when seen in a longer perspective their cumulative effects might be more dramatic. Analysing in particular Denmark – described as a country in which the ideals of the welfare state are well-entrenched – Cox (1997) acknowledged trends towards a change of the idea of welfare entitlements from a social right of citizenship to a more discursive right.

Because welfare spending continues to grow in Denmark, these changes are often overlooked by scholars who examine the spending effects of retrenchment. But growth in spending has much to do with increasing demand on welfare programmes. A greying population and high unemployment are two of the more pronounced engines of growth. To accommodate the growing demand and keeping spending from rising even higher, Danish governments have instituted small changes in programmes over the years. Research that employs quantitative measures of welfare spending fails to capture how these small changes have shifted the categories of eligibility and altered the conception of entitlement.

Discussions on ‘affordability’, the ‘critical level of taxation’ and ‘taxable capacity’ frequently degenerate into rhetoric, and the idea of the welfare state as a burden to the economy remains controversial. Fifty-nine years ago Clark argued that, once a government’s share in national income exceeds 25 per cent, strong inflationary pressures emerge. Much of the ensuing critical debate concentrated on his stipulation of a specified limit. Lost amid the ridicule Clark was subjected to, as the share of taxation in national income skyrocketed, was his general principle that there exists a positive relation between the relative size of government and the strength of inflationary pressures. Without specifying any ‘limit’, Johnson (1975) endorsed Clark’s thinking by emphasizing that deficit spending and the resulting inflation, by alleviating the intensity of taxpayer resistance, are important factors.