War and Welfare States Before and After 1945

Conclusions and Perspectives

Herbert Obinger
Klaus Petersen
Carina Schmitt
Peter Starke

DOI: 10.1093/oso/9780198779599.003.0015

Abstract and Keywords

The conclusion reports major findings and discusses possible cross-country patterns. It shows that war’s impact on welfare state development can be differentiated into several distinct conclusions, each highlighting specific effects or causal mechanisms. Next, the case study evidence of the long-term effects of war is confirmed with quantitative data. For a sample of eighteen countries (thirteen of which are presented in this volume) war is shown to contribute to a better understanding of several of the phenomena lying at the heart of comparative welfare state research (i.e. social expenditure, benefit generosity, the public–private mix in provision, and the timing of legislation). The impact on outcomes such as income inequality is briefly discussed, along with the impact of the Cold War on welfare state development. Due to changes in warfare and the size of the existing welfare state, the effect of war on welfare state-building has all but disappeared today.

Keywords: war, welfare state, world wars, causal mechanisms, social expenditure, benefit generosity, public–private mix, Cold War, inequality, intrastate war
The formation and expansion of Western welfare states took place in the age of mass warfare. This book began with the question of whether, how, and to what extent these developments are also causally interrelated. Beginning with Richard Titmuss in the late 1950s, several scholars have made a strong claim for particular countries that such a causal relationship does exist, while others have been much more sceptical. However, a systematic comparative analysis of the warfare–welfare nexus has hitherto been lacking. This is quite astonishing given the widespread consensus in comparative welfare state research, which sees both world wars as temporal watersheds demarcating different phases of welfare state development (Flora and Alber 1981).

Drawing on theoretical considerations and the existing empirical literature from different disciplines, we commenced our analysis with a discussion of possible mechanisms linking mass warfare and the welfare state. To study the impact of war on welfare state development with more analytical rigour, we distinguished between three chronological phases of military conflict: war preparation, mobilization, and the post-war period. Based on this heuristic framework we argued that war unfolded its impact on the welfare state mainly via two channels. The first refers to war impacts on the demand-side of the political system. In a functionalist fashion, to use the vocabulary of welfare state theory, the cruelties of mass warfare generated a huge demand for social protection that needed to be addressed by policymakers. The second channel includes a variety of war impacts on the supply-side of the political system. It was hypothesized that war was a trigger of enhanced state capacities, which furnished governments with new policy jurisdictions and propelled (p.427) democratization and centralization. Based on these considerations, the bulk of the volume consists of case studies offering in-depth analyses of the warfare–welfare nexus in fourteen countries, selected on the basis of their markedly different war experiences.
This concluding chapter is divided into three sections. First, we briefly report major findings of the individual country chapters and discuss possible cross-country patterns. We show that war’s impact on welfare state development can be differentiated into several distinct conclusions, each highlighting specific effects or causal mechanisms. Next, we examine the long-term effects of military conflict on post-war welfare state development with quantitative data. We show, for a sample of eighteen countries (thirteen of which have been presented in detail in this volume), that war is an important explanatory factor that contributes to a better understanding of several of the phenomena lying at the heart of comparative welfare state research (i.e. cross-national patterns in social expenditure, benefit generosity, the public–private mix in welfare provision, and the timing of welfare legislation). We then briefly discuss the impact of war on welfare outcomes, such as income inequality. The final section offers a brief discussion of the impact of the Cold War (1947–89) on welfare state development, highlights the contemporary relationship between warfare and welfare, and sketches promising avenues for future research.

CASE STUDY EVIDENCE: MAJOR FINDINGS AND SOME GENERALIZATIONS

The general conclusion from the fourteen national case studies in this volume is that war is a relevant factor for understanding the development and cross-national variation between advanced welfare states. Mass wars waged between economically developed countries, such as the two world wars, are not only chronological markers for demarcating different phases of welfare state development but also important causal factors alongside, and in close interaction, with the traditional political, institutional, and socio-economic explanations of welfare state development. However, the national case studies provide multifaceted findings on how and to what extent war has affected welfare state development. What these inquiries make very clear is that the impact of war on social policy has been crucially shaped by nationally distinct political and socio-economic contexts and different national war experiences.

We abstain here from summarizing the case study evidence in detail as the country studies, with all their nuanced and context-sensitive findings, stand on their own. It is, however, worthwhile and essential to look for cross-national patterns. Several conclusions stand out: First, the repercussions of war on the welfare state vary strongly with war intensity. The impact of war on the welfare state was, not surprisingly, most pronounced in belligerent countries. However, it is important to differentiate between countries mainly fighting in war theatres overseas and those suffering from destruction on their home territories and resulting economic decline. War impacts, albeit to lesser extent, can also be observed in several occupied countries and, perhaps more surprisingly, even in countries that were not involved in military conflict, such as neutral Switzerland or Sweden. This latter finding demonstrates the enormous magnitude and transnational nature of the two world wars.
Second, not all of the mechanisms linking warfare and welfare discussed in the Introduction were of relevance in all national settings. Once more, much depends on national contexts. For example, the mechanisms related to the war preparation period only played a role in the Great Powers and/or in militarily aggressive nations. Pronatalism related to war-planning, for instance, informed social and public policies in Fascist Italy, Japan, and Nazi Germany during the run-up to World War II. However, the first country to pursue pronatalist policies was France. Its intentions were not aggressive, but military rivalry with Germany was a key impetus for state interference. Military defeat in the Franco-Prussian War and comparatively low birth rates, related to the country’s unusual pattern of demographic transition in the late nineteenth century, prompted early state intervention in this field and made France a pioneer of state-organized family policy. By contrast, population size played less of a role in Britain. For geopolitical reasons, Britain’s defence strategy relied on a powerful navy and the country could, if needed, draw on the vast human resources provided by its colonies and allied nations. In a similar vein, the quality of the ‘human material’ was mainly an issue in powerful nations. In expansionist Japan, military concerns about the fitness of soldiers motivated healthcare reforms on the eve of the Pacific War. It is striking that these reforms were implemented by the military itself, which controlled the welfare (p.429) bureaucracy. Prior to World War II, worries about the physical strength of young men influenced labour protection legislation in the Austrian Empire and (very early on) in Prussia, where a military report complaining about a shortfall of recruits in industrialized regions because of widespread child labour was the trigger for the first labour legislation in 1839. Similar concerns gave rise to the national efficiency movement in Britain in the wake of the Anglo-Boer War disaster.

Third, we find remarkable cross-national commonalities for the war mobilisation period in terms of supply-side effects. Everywhere, but again contingent on war intensity, war emergencies gave rise to an expansion of state capacities. This included a centralization of government (e.g. a transfer of policy jurisdictions to the central government), enhanced fiscal powers, and the establishment of a powerful state apparatus that also included the build-up of a welfare bureaucracy (or at least the professionalization and systematic involvement of civil society actors). The main determinant of this growth of big government was the huge challenge of effectively steering the war economy and the overall war effort.
Fourth, this tremendous endeavour altered politics in many ways as waging total war necessitated a closing of ranks, a concentration of power, and the generation of mass loyalty. Examples include markedly changed state-business relations in wartime or closer cooperation between government and opposition in several democracies. Moreover, war contributed to a shift of power resources in society. Most importantly, war strengthened the power resources of labour in the spheres of politics and industrial relations during and after war. The bargaining power of unions increased due to labour shortages, unions were accepted as partners in industrial relations, and their political allies entered the executive branch of government. Even in neutral Switzerland, the Social Democrats were incorporated into the federal government in 1943 when the country was encircled by Nazi Germany and its allies. While labour’s empowerment was long-lasting, war also enhanced, at least temporarily, the status of previously marginalized groups in society, notably women and racial minorities (e.g. in the USA). By contrast, formerly socially privileged strata, such as the middle classes, witnessed social deprivation in war-torn economies.

Fifth, and in line with the extant literature, military defeat, mobilization for mass warfare, and the aforementioned war-induced recalibration of power resources were triggers of democratization and electoral reform in many countries. The logic of equal sacrifice did not only materialize in enhanced tax powers and tax progressivity as clearly demonstrated in almost all case studies (cf. Scheve and Stasavage 2010; 2012; 2016), but also buttressed the extension of suffrage to larger segments of the population on a quid pro quo basis. A case in point is female suffrage, which could be seen as compensating for the manifold contributions of women to the maintenance of the war machinery on the home front. It is symptomatic that neutral Switzerland is an extreme latecomer in this respect.
While these supply-side effects changed state capacities and the political rules of the game in a way that facilitated welfare state expansion in the post-war period, the demand-side mechanisms, that is, the need to accommodate war-induced social needs, forced countries to do so. However, and this is our sixth conclusion, the magnitude of these demand-side effects is driven by the intensity of war, notably the mobilization rate and war-induced destructions and human losses. For obvious reasons, the pressure to respond to the fallout of war was more or less lacking in neutral countries like Switzerland, but also in occupied Denmark. Other occupied countries, such as the Netherlands and Belgium, however, suffered from a large number of (mostly civilian) casualties. Without a doubt, however, the impact of war on social needs was of greatest relevance in belligerent countries, which were forced to set up social protection for demobilized soldiers and the military as well as civilian casualties of warfare. Nevertheless, an important qualification is in order: the need for social compensation was most pressing in Continental Europe and Japan. Confronted with acts of war on their national territory, military conflict caused higher numbers of military and civilian casualties, the massive destruction of housing and infrastructure and, in consequence, a massive economic decline with far-reaching social implications such as famine, homelessness, and unemployment. By contrast, the English-speaking countries, with the notable exception of Britain, fought overseas and therefore had no civilian war casualties at home. Rather than economic decline, many of these countries witnessed an economic boom in wartime. In consequence, war-induced social needs were largely restricted to soldiers and their dependants. What, in consequence, emerged was a sort of parallel veterans’ welfare state providing income support, (re)integration programmes, and various compensatory rewards (e.g. cheap housing loans (Australia and the USA) and education (the USA)) to former soldiers and their families. Spending devoted to this group was enormous, especially compared to the small civilian welfare states of the time. In Australia, for example, the veterans’ and the civilian welfare state were of equal size in spending terms in the aftermath of the Great War. In the USA, both the Civil War’s veterans’ pensions and the GI Bill were huge and costly federal programmes, and this military welfare state was further extended after World War II and the Vietnam War (Gifford 2006; Mittelstadt 2015). Another example is Israel where a series of minor wars, in combination with a situation of permanent military and terrorist threat, has given rise to very generous benefit schemes honouring the service and loyalty of former and active soldiers.

Overall, social protection schemes for the military and/or civilian victims of war that were established in belligerent nations added a new layer to the welfare state with important implications for post-war social spending. (p.431) Moreover, in several countries these programmes entailed innovative elements and a new logic of entitlement that tied social protection to citizenship and related duties mandated by the state.
Only a few countries (e.g. Japan and Australia) adopted major reforms for civilians during wartime itself. In many other belligerent countries the exorbitantly high levels of military spending crowded out the establishment of costly new social programmes in wartime or even led to welfare retrenchment in mature welfare states. In virtually all nations involved in war or under occupation, however, post-war planning for a new welfare state started before the fighting had stopped. This was clearly an attempt to generate mass loyalty in a period of danger and austerity, a problem that confronted democracies and authoritarian regimes alike. Post-war planning and wartime welfare state promises sometimes crystallized into key documents. The 1942 Beveridge Report—although its influence on policy change may have been overstated—is only the most prominent of such blueprints that informed post-war social and public policy.

Finally, war was a trigger of the development of social legislation related to the welfare state proper. Apart from categorical benefits for war victims and veterans, the case studies have clearly shown that the immediate post-war period was a phase of intense welfare legislation. It seems that war piled up the pressure of social problems on a massive scale that eventually led to a burst of legislative activity once the guns had fallen silent. Moreover, the end of war opened a new Pandora’s box of political and social problems related to the transition from war to peace. However, the maturity of the existing welfare state is important for understanding cross-national differences in legislative activities. All else being equal, war had more of a programmatic impact in less mature welfare states and the ‘innovative’ effects of war were more likely to be experienced in areas not previously subject to state interference. Areas in which government intervention was almost everywhere rudimentary or absent were unemployment compensation, housing (prior to World War I), and family policy (prior to World War II). Most case studies have demonstrated that both world wars prompted state intervention in these fields. Military demobilization, lay-offs in the munitions industry, and economic crises paved the way for unemployment insurance in the aftermath of the Great War. In a similar vein, housing was subject to growing public intrusion. During and after World War II, family policy became an ever-increasing field of state intervention. The consolidation and expansion of family policies are not only related to the war-induced social needs of families but also to the imprint of war on demographics. This shows that pronatalism is not only restricted to the war preparation phase.
With the exception of the nationalization of healthcare in Britain, long-established welfare systems, however, tended to remain relatively unchanged. In other words, we see a significant degree of path dependence in more mature systems—both cross-nationally and across programmes—despite a large exogenous shock. In Germany, Italy, and Austria, for instance, neither of the world wars led to a shift in the structural make-up of the welfare state. That this is the case casts considerable doubt on the proposition that war will invariably act as a critical juncture of institutional development (Capoccia and Kelemen 2007; see also Starke et al. 2013), even ‘clearing the slate’ for post-war socio-economic development (Olson 1982). War’s capacity for ‘creative destruction’ in terms of long-term institutional development—irrespective of the horrific physical destruction this always implies—is perhaps more conditional than is often assumed.

THE LONG-TERM EFFECTS OF WAR: QUANTITATIVE EVIDENCE

The case studies have provided compelling evidence that war has affected welfare state development in manifold ways. Building on these findings and using quantitative methods we now offer a statistical test of the ‘war matters thesis’. Specifically, we examine whether and to what extent mass warfare contributes to the explanation of cross-national variation in terms of key dependent variables studied by comparative welfare state research. Relying on a sample of eighteen Western countries, we analyse the impact of war on five core dimensions of the welfare state. In what follows, we investigate the impact of war on (i) post-war social spending, (ii) the temporal adoption and reform of welfare programmes, (iii) benefit generosity and programme coverage, (iv) the public–private mix in welfare provision, and (v) taxation. Due to data availability the analysis mainly focuses on the impact of World War II.

To measure the impact of World War II, we use an index of war intensity developed by Obinger and Schmitt (2017). This index is the unweighted sum of four standardized indicators that capture different aspects of mass warfare, namely (i) the duration of war, (ii) military and civilian casualties as a percentage of the pre-war population, (iii) the change of GDP between the onset and the end of the war, and (iv) the presence of combat activities in, and/or the forcible occupation of, the home territory. The overall index is shown in Figure 15.1; it indicates significant variations in the extent to which the nations examined (plus five other countries not included in this volume) were affected by World War II. We use this index of war intensity to test whether and to what extent war has influenced key welfare state indicators.
War and Social Spending

In all belligerent countries the cruelties of war created substantial social needs and new welfare constituencies, albeit to varying degrees.\(^3\) It is therefore very likely that war influenced the development of social expenditure. Whereas Dryzek and Goodin (1986) have demonstrated that the increase in social expenditure between 1933 and 1949 was significantly shaped by World War II, we are interested in the long-term effects of war on post-war spending. The International Labour Organization (ILO) has compiled comparative social spending data that dates back to the late 1940s. According to the ILO classification of social spending, total public social expenditure also includes spending on welfare provision for the victims of war. Figure 15.2 shows that spending on this item in 1950 amounted to up to 35 per cent in war-waging nations and only declined slowly over time. Given this magnitude of war-related spending, a neglect of war as an explanatory variable almost certainly generates \((p.434)\) an omitted variable bias. It is therefore striking that no empirical studies of post-war social spending have controlled for war incidence (cf. Castles 1998, ch. 5; Obinger and Schmitt 2017). In light of the millions of war victims, we hypothesize that World War II had a substantial long-term impact on social spending trajectories in the golden age of the welfare state.

![Figure 15.1. Index of war intensity](source: Obinger and Schmitt (2017)).

![Figure 15.2. Social spending on war victims, 1949–80](source: Obinger and Schmitt (2017)).
For testing the impact of war on social spending, we first ran repeated cross-sectional regressions for all years over the period 1950–80 with total social spending as a percentage of GDP as the dependent variable and our war intensity index as the main independent variable. The cross-sectional analyses show that the coefficient of the war index is statistically significant until 1968 but becomes insignificant thereafter and eventually disappears in 1980. Based on this finding, we estimated random effects GLS (Generalized Least Squares) models (Table 15.1) and divided the entire period (1950–80) into two sub-periods, with 1968 as the cut-off year.

Columns one and three report a baseline model that includes a set of control variables taken from the main theories in comparative welfare state research.\(^4\) \(^{(p.435)}\) In columns two and four, we estimate an extended model that consists of those variables that have turned out to be statistically significant in the baseline model as well as four variables that control for possible supply-side effects of war, that is, effects on the electoral system, economic development, and the degree of centralization and trade openness.\(^5\)
Table 15.1. Impact of World War II on social spending, 1951-80

<table>
<thead>
<tr>
<th></th>
<th>First Period (1951-68)</th>
<th>Second Period (1969-80)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>Baseline Model</td>
<td>Extended Model</td>
</tr>
<tr>
<td><strong>War</strong></td>
<td>1.148***</td>
<td>1.145***</td>
</tr>
<tr>
<td></td>
<td>(0.432)</td>
<td>(0.385)</td>
</tr>
<tr>
<td>GDP per capita (log.) t−1</td>
<td>0.777</td>
<td>3.183***</td>
</tr>
<tr>
<td></td>
<td>(0.739)</td>
<td>(0.703)</td>
</tr>
<tr>
<td>Elderly t−1</td>
<td>1.777***</td>
<td>1.397***</td>
</tr>
<tr>
<td></td>
<td>(0.238)</td>
<td>(0.157)</td>
</tr>
<tr>
<td>Left government t−1</td>
<td>0.000301</td>
<td>0.00158</td>
</tr>
<tr>
<td></td>
<td>(0.00168)</td>
<td>(0.00197)</td>
</tr>
<tr>
<td>Political institutions</td>
<td>0.582</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.467)</td>
<td></td>
</tr>
<tr>
<td>Path dependency</td>
<td>0.0174</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0541)</td>
<td></td>
</tr>
<tr>
<td>Electoral system</td>
<td>0.216</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.172)</td>
<td></td>
</tr>
<tr>
<td>Regional authority index</td>
<td>−0.116***</td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td></td>
<td>Baseline Model</td>
<td>Extended Model</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>GDP growth</td>
<td></td>
<td>−3.909***</td>
</tr>
<tr>
<td></td>
<td>(0.832)</td>
<td>(1.857)</td>
</tr>
<tr>
<td>Trade openness</td>
<td>−0.0171**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.00821)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>316</td>
<td>297</td>
</tr>
<tr>
<td>Wald Chi2</td>
<td>158.34***</td>
<td>235.01***</td>
</tr>
</tbody>
</table>

Note: Robust standard errors in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.
Table 15.1 unequivocally demonstrates that World War II strongly influenced social spending in the two decades after the war. The coefficient of the index of war intensity is positive and highly statistically significant. An increase in the overall index of war intensity by one unit leads to an increase in the social spending/GDP ratio of 1.14 percentage points. Given that the average level of social expenditure in our sample amounted to 8.5 per cent of GDP in 1951, a rise of 1.14 percentage points is a substantially strong effect. The size of the coefficient of the index is almost identical in the baseline and the extended model (Models 1 and 2). Since the latter controls for possible supply-side effects of war, we conclude that it was mainly the demand-side effects of war, that is, the social needs generated by war, that are of key relevance for understanding post-war social spending trajectories. The picture looks different for the period from 1969 onwards. The coefficients of the war index (Models 3 and 4) are now statistically insignificant and substantially irrelevant in size which suggests that the impact of World War II on social expenditure in the immediate post-war period disappeared in the 1970s.

In a third step, we briefly examine the impact of World War I on post-war social spending. Unfortunately, the very limited data availability precludes a sophisticated analysis. Since only ILO social spending data for 1933 is available, we ran a simple cross-sectional regression. To measure the war intensity of World War I we used the number of military and civilian war casualties as a percentage of the pre-war population. Data is taken from Ellis and Cox (1993). We use welfare state maturity as a control variable, which is measured by the average year when five welfare programmes (sickness, work injury, unemployment, old-age schemes, and family allowances) were adopted. The findings are reported in Table 15.2. As expected, World War I had a strong impact on social spending levels in 1933. This long-term war impact on social spending is corroborated by national data. Germany, for example, spent 2.7 per cent of national income (equivalent to 15 per cent of total social expenditure) on the social protection of war victims in 1933 (Zöllner 1964, 43). The variable capturing welfare state maturity is also statistically significant and shows the expected sign as social spending in 1933 is higher in countries in which welfare state formation took place early.

Table 15.2. Impact of World War I on social spending in 1933

<table>
<thead>
<tr>
<th></th>
<th>Social spending as percentage of GDP in 1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>WW I casualties</td>
<td>128.16**</td>
</tr>
<tr>
<td></td>
<td>(57.05)</td>
</tr>
<tr>
<td>Programme adoption</td>
<td>-0.1367**</td>
</tr>
<tr>
<td></td>
<td>(0.0565)</td>
</tr>
</tbody>
</table>
### Social spending as percentage of GDP in 1933

<table>
<thead>
<tr>
<th>Observations</th>
<th>18</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.54</td>
</tr>
</tbody>
</table>

*Note: Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1.*

**Sources:** Social spending data is taken from Dryzek and Goodin (1986). Programme adoption is based on Schmidt (2005).

(p.437) In sum, we can conclude that both world wars had a strong long-term impact on post-war social spending, thus confirming the findings of many of our case studies. War is therefore important for understanding cross-national differences in post-war welfare efforts. According to our estimations, World War II shaped social spending for a period of around twenty-five years. The impact of war became weaker thereafter as more and more war victims died with the passage of time or, like war orphans, lost their welfare entitlements. In the years to come, spending on this item will likely disappear completely from governmental budgets with the demise of the wartime generations.

**War and Welfare Programme Adoption**

Did war catalyse the adoption and reform of welfare programmes? Several of the case studies in this volume have provided evidence that unemployment insurance and family benefits were introduced or extended during and after war and that these legislative activities were causally related to warfare. Figure 15.3 illustrates the timing of welfare reforms for four social security programmes in fifteen countries. Data is taken from Hicks et al. (1995) and refers to programme introduction and two major programme extensions (i.e. making a programme mandatory or more inclusive). Work injury is excluded as this programme was enacted before World War I in the majority of the countries discussed here. In line with the case study evidence and the observation by Abbott and DeViney (1992, 268–9), Figure 15.3 shows a clustering of reform activities related to family benefits and unemployment compensation during and immediately after both world wars. In terms of family benefits, there is a cumulation of legislation during and after World War II. A similar agglomeration of reform activities, albeit on a smaller scale, can be seen for unemployment compensation at the end of World War I. By contrast, there is no significant reform jump in this area after World War II. The reason is simply that some kind of unemployment benefit was in place in virtually all countries by the 1940s. Overall, these findings corroborate the case study evidence presented in this volume.
The picture for the two remaining programmes is less clear-cut. In contrast to unemployment and family benefits, several nations had already introduced sickness or old-age pensions before the outbreak of war. In terms of pensions, there is no pronounced reform activity during either of the world wars, but we can see an increase in legislative activities immediately after the end of World War II when welfare state laggards, such as Switzerland, introduced a public pension scheme. No war-related pattern can be detected for sickness insurance. 

(p.438)

(p.439) War, Benefit Generosity, and Programme Coverage

While the strong impact of both world wars on social spending and welfare legislation in some areas is not really surprising in light of the millions of war victims, it is theoretically much more unclear whether war affected the benefit generosity of those welfare programmes that were already in place before the war. Positive as well as negative effects of warfare are conceivable. To begin with, the post-war economic situation was shaky in many countries and in some places even disastrous. Under these conditions, there was not much financial leeway for increasing welfare benefits or the coverage of welfare programmes in the immediate post-war period. Additional constraints were imposed by the fact that governments in war-torn countries had to provide social protection to war victims. Since spending on this group of beneficiaries enjoyed priority and absorbed large amounts of public money as shown in the previous section, it is possible that civilian programmes were subject to cutbacks. While this substitution effect suggests a negative impact of war on benefit generosity, a positive impact is also conceivable as several war cabinets of the belligerent democracies announced, or drafted, comprehensive welfare state reforms for the post-war period. Finally, it is also possible that the positive and negative influences cancel each other out. Overall, no unambiguous hypothesis can be derived. Thanks to the Social Citizenship Indicator Program database (Korpi and Palme 2007), which provides information on replacement rates (coverage and generosity) of four social security programmes since 1930 for eighteen countries, we can examine this empirically.
First, we test the influence of war on the generosity, and second, we test its influence on the inclusiveness of social security schemes. Table 15.3 reports simple cross-section regressions in which the change of the replacement rate of four core welfare programmes between 1939 and 1950 is regressed on the war index. All models control for the pre-war replacement rate. The coefficients of the war index are positive but mostly statistically insignificant. The only exception is sickness insurance, where we find a positive and statistically significant impact of war. This effect remains stable if we control for GDP per capita in 1938 (not shown). A possible, but nevertheless speculative, explanation is that war and wartime emergency powers of government removed the resistance of vested interest groups such as doctors and private insurers to health insurance. Likewise, it is conceivable that sickness benefits were expanded to improve the health status of soldiers, as argued by Kasza in this volume. A consistent finding across all programmes is a negative and statistically significant effect of the pre-war replacement rate on the change in benefit generosity. This is indicative of a catch-up by nations with initially low replacement rates or, more technically speaking, beta convergence.
### Table 15.3. Impact of war on the replacement rate of four welfare programmes

<table>
<thead>
<tr>
<th></th>
<th>Pension</th>
<th>Sickness</th>
<th>Work injury</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.19</td>
<td>0.0269</td>
<td>0.0538</td>
<td>0.3601*</td>
</tr>
<tr>
<td></td>
<td>(2.89)</td>
<td>(0.35)</td>
<td>(0.73)</td>
<td>(1.96)</td>
</tr>
<tr>
<td>Replacement Rate</td>
<td>−0.61***</td>
<td>−0.408**</td>
<td>−0.300*</td>
<td>−0.532**</td>
</tr>
<tr>
<td>Rate 1939</td>
<td>(3.09)</td>
<td>(2.21)</td>
<td>(1.76)</td>
<td>(2.19)</td>
</tr>
<tr>
<td>War Index</td>
<td>0.031</td>
<td>0.101**</td>
<td>0.078*</td>
<td>0.014</td>
</tr>
<tr>
<td></td>
<td>(1.32)</td>
<td>(2.53)</td>
<td>(2.12)</td>
<td>(0.37)</td>
</tr>
<tr>
<td>R2</td>
<td>0.43</td>
<td>0.35</td>
<td>0.27</td>
<td>0.30</td>
</tr>
<tr>
<td>Observations</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

*Note*: Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1.

*Source*: Replacement rates reflect the average of short-term and long-term benefits and are taken from Korpi and Palme (2007).
In the next step, we analyse empirically whether or not the coverage of social security programmes was influenced by the extent to which a country was affected by World War II. We regress the change in coverage rates from 1939 to 1955 on the war index as well as on the coverage rate in 1939. The results are summarized in Table 15.4. The war index is statistically insignificant in three out of four models. However, in the case of pension schemes, the war coefficient is negative and statistically significant at the 10 per cent level. Hence, we find here a negative impact of war on the welfare state. One reason might be that extending pension coverage absorbs substantial financial resources, which were lacking in countries heavily affected by war. Moreover, we only find a catch-up effect with regard to pension and accident schemes, but not for sickness and unemployment schemes.
### Table 15.4. Impact of war on the coverage of four social security programmes

<table>
<thead>
<tr>
<th></th>
<th>Pension</th>
<th>Sickness</th>
<th>Accident</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage Rate 1939</td>
<td>−0.399*</td>
<td>0.012</td>
<td>−0.249*</td>
<td>−0.220</td>
</tr>
<tr>
<td></td>
<td>(0.221)</td>
<td>(0.142)</td>
<td>(0.131)</td>
<td>(0.192)</td>
</tr>
<tr>
<td>War Index</td>
<td>−0.097*</td>
<td>−0.025</td>
<td>−0.030</td>
<td>0.010</td>
</tr>
<tr>
<td></td>
<td>(0.051)</td>
<td>(0.038)</td>
<td>(0.027)</td>
<td>(0.035)</td>
</tr>
<tr>
<td>R²</td>
<td>0.26</td>
<td>0.03</td>
<td>0.29</td>
<td>0.06</td>
</tr>
<tr>
<td>N</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

*Note*: Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1.

*Source*: Coverage data is taken from Korpi and Palme (2007).
War Impact on the Public–Private Mix

Beyond social spending and benefit generosity, war may have influenced welfare state patterns, notably the public–private mix in benefit provision, which is ‘the principal analytical axis that underpinned the “three worlds” typology’ (Esping-Andersen 1999, 74). In fact, it is plausible to argue that war, at least in war-torn economies, has crowded out markets from social provision in the aftermath of war. The underlying mechanism is that war led to severe market distortions in countries suffering from economic decline and massive destruction on their home territories. Under conditions of uncertainty and hyperinflation, private alternatives to publicly provided social security, such as financial markets or private insurance, become ineffective or simply collapse (Overbye 1997) so that often ‘the state alone is capable of filling this gap’ (Dryzek and Goodin 1986, 9).

The situation should be very different in nations that were not struck by acts of war on their own territory and/or by severe macro-economic turbulences such as hyperinflation. Hence, we hypothesize that the importance of private welfare provision decreases with war intensity. Examining this thesis is again difficult as comparative data on private welfare benefits or private spending is lacking for the immediate post-war decades. We therefore focus on old-age security as the biggest programme of the welfare state and use the volume of life insurance premiums as a percentage of GDP as a proxy for private provision. The first year for which data is available is 1960. Unfortunately, however, data for only fifteen countries is reported for this year. Figure 15.4 shows a scatter plot for the take-up of life insurance in 1960 and the war intensity index. As expected, the correlation is negative and quite strong (−0.53).

Figure 15.4. Relevance of life insurance in 1960 and war intensity

Note: Life Insurance Premium Volume as a percentage of GDP.
Simple cross-section regressions reveal that the war intensity index is a significant predictor of the prevalence of life insurance, and it remains so if the generosity and the age of the national pension system are included as control variables (Table 15.5, Models 1–3). Fully in line with the previous findings related to social expenditure, the effect of war disappears with the passage of time, as the impact of war on the volume of life insurance premiums is no longer significant in 1979 (Model 4). Model 5 shows why: it is the catch-up by war-torn countries in the take-up rate, that is, a rapid growth of life insurance in countries with a high war intensity index that explains this finding. However, this increase in the significance of life insurance was moderated by a mature pension system.

Table 15.5. Life insurance premium volume as a percentage of GDP, 1960 and 1979

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Constant</td>
<td>2.1461</td>
<td>2.122***</td>
<td>2.2736***</td>
<td>2.0955***</td>
<td>0.4352</td>
</tr>
<tr>
<td></td>
<td>(6.02)</td>
<td>(4.54)</td>
<td>(4.32)</td>
<td>(5.43)</td>
<td>(0.95)</td>
</tr>
<tr>
<td>War Index</td>
<td>-0.3759**</td>
<td>-0.3774**</td>
<td>-0.3539*</td>
<td>-0.1116</td>
<td>0.4015**</td>
</tr>
<tr>
<td></td>
<td>(2.27)</td>
<td>(2.18)</td>
<td>(1.93)</td>
<td>(0.60)</td>
<td>(2.51)</td>
</tr>
<tr>
<td>Pension Replacement Rate 1939</td>
<td>—</td>
<td>0.1257</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Age pension system</td>
<td>—</td>
<td>—</td>
<td>-0.00397</td>
<td>—</td>
<td>-0.01849*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.08)</td>
<td>(1.81)</td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.28</td>
<td>0.28</td>
<td>0.29</td>
<td>0.02</td>
<td>0.38</td>
</tr>
<tr>
<td>N</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>18</td>
<td>15</td>
</tr>
</tbody>
</table>

Note: Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1.

We have also tested the impact of the war index on private social spending and the difference between total net and gross public social expenditure in 2001; (p. 442) (p.443) the latter is a measure for the hidden welfare state (Castles and Obinger 2007). There is, however, no relationship whatsoever between these variables (not shown). Overall, and much in line with the previous analysis of social spending, these findings suggest that the impact of war on the public-private mix petered out roughly one generation after World War II.

**War and Tax Policy**

The impact of war is not only discussed with regard to the spending side of the welfare state but also features prominently in the literature on the history of taxation (e.g. Tilly 1985, 1992; Kiser and Lington 2001). Tilly (1992, 74-5), for example, argues that when a number of wars broke out during the sixteenth century, expenditure rose dramatically and European states had to find new means of financing such as taxes (see also Tilly 1985, 78). War is not only assumed to put pressure on countries to introduce new taxes (e.g. Berry and Berry 1992; Aidt and Jensen 2009; Seelkopf et al. 2016) but also to influence the progressivity of tax rates. ‘[M]obilization for mass warfare led to demands for increased taxation of the wealthy to more fairly distribute the burden of war effort’ (Scheve and Stasavage 2010, 529). To illustrate the relationship between war and tax progressivity, we plot the average top rate of income tax as a proxy for the progressivity of taxes from 1910 to 1970 across our sample of eighteen countries.  

Figure 15.5 indicates that on average countries raised the level of top tax rates quite significantly during and shortly after both world wars. World War I, in particular, seems to have been a turning point in the taxation of top incomes. In 1913, countries on average taxed the wealthy by 8.9 per cent compared to a tax rate of 37 per cent in 1920. A similar development, albeit to a weaker extent, can be observed with regard to World War II.

**Figure 15.5.** Average top rate of income tax from 1910 until 1970

*Note:* Period from the beginning of World War I and II until shortly after.

**Source:** Data on tax rates is taken from Genovese et al. (2016).
Since the argument that countries increase the top tax rate in order to distribute
the burden of warfare more equally across the population does not apply for all
countries in the same way, we additionally show the development of top tax rates
separated by three country groups. We divide our sample into countries that
have been neutral or were occupied (group 1), those that were involved in
combat activities overseas (group 2), and the belligerent countries that suffered
from war activities on their home territory (group 3). Figures 15.6 and 15.7 show
impressively that both groups 2 and 3 raised the top tax rates during and
immediately after both world wars, while the increase (p.444) (p.445) in the
tax burden was much weaker in neutral or occupied countries. In addition, in all
country groups, tax rates never returned to their pre-war level.

Figure 15.6. Development of top tax rate around World War I
Source: Data on tax rates is taken from Genovese et al. (2016).

Figure 15.7. Development of top tax rate around World War II
Source: Data on tax rates is taken from Genovese et al. (2016).
That war has a devastating immediate effect on human welfare is a sad truism. The effects of war on individual well-being, for example, are manifold, strong, and enduring (see, for example, Murray et al. 2002 and Levy and Sidel 2007 on the effect of war on public health). War destroys lives and makes the lives of many survivors miserable. Civilians are further affected by the destruction of public infrastructure and private assets, forced migration, and environmental damage. Much less attention has traditionally been paid to the systematic distributive effects of war, however. Pioneering research on inequality noted the equalizing trend after World War I, especially in European countries (Kuznets 1955), but war as an independent cause of distribution and redistribution was not examined for decades. Only quite recently, partly driven by better data availability, has the impact of war received more attention from scholars of inequality (Piketty 2003, 2014; Atkinson 2015; Milanovic 2016; Scheidel 2017).

Figure 15.8. Top 1% pre-tax income share in per cent in selected countries, 1900–2013

Defying popular notions of generalized ‘war profiteering’ by the rich, the best available evidence on income and wealth inequality shows that the two (p.446) world wars, in particular, had massive levelling effects.\(^9\) Figures 15.8 and 15.9 display the share of fiscal income held by the top 1 per cent of earners in nine of the countries examined in this book, plus Sweden. In Germany, for example, that share decreased from 17.8 per cent in 1914 to 11.3 per cent in 1925, after World War I and the hyperinflation of 1923, before rising again in the 1930s.\(^10\) Between 1938 and 1950, the drop was comparable: from a share of 16.3 per cent to 11.8 per cent (Alvaredo et al. 2017).

Similar tendencies can be shown for Britain and France and, to a lesser extent, the USA. The only event in pre-modern Europe that had a comparable impact on inequality was the ‘Black Death’ in the late Middle Ages, thereby joining warfare in the group of what Milanovic (2016, 56) describes as the ‘malign forces’ of inequality reduction and what Scheidel (2017) calls the ‘Four Horsemen’ of income levelling, namely: mass-mobilization warfare, revolutions, state collapse, and pandemics.

(p.447) The reasons why war should have this effect are complex. The destruction of physical assets and inflation contributed to the reversal of historically lopsided wealth-income ratios, especially in Germany and France (Piketty and Zucman 2014), and also presumably in other countries that score high on our index of war intensity. It was, however, far from the only equalizing force. Other mostly economic mechanisms, such as shifts in demand due to the war economy, the disruption of global trade, and labour scarcity (driving up wage incomes) also need to be taken into account, especially when it comes to income inequality. Last, but not least, stronger market regulation and redistribution via progressive taxation (Scheve and Stasavage 2010; 2016) as well as cash transfers and in-kind benefits should be taken into account.
Gauging the exact contribution of taxing and spending changes due to war—the veterans’ pensions, unemployment and family benefits described in the chapters of this book—to the ‘Great Levelling’ of 1914–45 presents formidable methodological problems. Much of the comparative historical data that has become available over past years, most notably via the World Wealth and Income Database, measures inequality at the top of the distribution of income or wealth. Internationally comparable Gini coefficients are also becoming available, but tend to have considerably fewer data points for that very period (see Milanovic 2016, ch. 2). So far, we lack good historical data on redistribution. For pre-1950, the few data sources tend to track market incomes or taxable income of the rich, as well as wealth shares. These measures, however, do not include (p.448) state transfers (or the value of publicly provided goods and services) like some datasets covering recent times do (e.g. the Luxembourg Income Study). We can only speculate that the wartime compression of disposable income inequality is, if anything, understated by comparative inequality research. If we were to include the welfare state expansion via special programmes and augmentation of schemes more generally, we would most likely see that the gap between rich and poor narrowed even more strongly between 1914 and 1945. We are therefore confident that future research on the determinants of the Great Levelling will give welfare benefits a prominent place.

AFTER MASS WARFARE: THE COLD WAR AND THE CONTEMPORARY
WARFARE—WELFARE NEXUS
The Cold War and the Welfare State
The year 1945 is often discussed as if it were a new beginning. The combined experiences of the two world wars and the massive loss in terms of lives and material welfare triggered a strong emphasis on securing peace and progress, and in this way helped pave the way for the expansion of welfare states. Still, the golden age of the welfare state coincided with a rivalry between the East and the West in what was labelled a cold war. The Cold War differed from the experience of mass war as discussed in this volume. Starting in the late 1940s, the Cold War covered more than four decades.\textsuperscript{11} It was at certain times more heated than at others (Lundestad 1999), but within the Western world, the geographical space covered in this volume, it remained ‘cold’.\textsuperscript{12} Consequently, it was a different type of war; it was an ideological struggle between two rival superpowers representing two different political and economic systems: socialism and planned economy on the one side, and liberal democracy and market economy on the other (Cronin 2000, 78; Westad 2010, 13). Furthermore, the post-1945 period also changed the nature of war, gradually shifting the balance from mass war, as in the two world wars, towards a growing emphasis on technology and nuclear arms. The change from mass war to more technical warfare put education and knowledge production at the forefront. A prominent example of this was the so-called Sputnik crisis in the USA, \textcolor{red}{(p.449)} where concerns that America was lagging behind the Soviet Union with respect to technological innovation nurtured demands from the military and policymakers that the US educational system should step up its game (Herold 1974).

Even though the Cold War and the expansion of the welfare state developed in parallel throughout most of the post-war era, the links between these two ‘master narratives’ of the last half of the twentieth century have not been systematically analysed by comparative welfare state research. This could reflect the fact that, in the decades after 1945, the expansion of social rights took absolute first place on the political agenda. Insofar as the Cold War has been mentioned in such research, it has mainly been as a relevant political context, or in general terms pointing to the massive expansion of the welfare state in the post-war period as a byproduct of the Cold War (see, for example, Gough 1979, 128; Hobsbawm 1990; Mishra 1993). In the words of British historian Eric Hobsbawm (1990, 21): ‘Whatever Stalin did to the Russians, he was good for the common people in the West.’
Consequently, it seems plausible to ask whether the mechanisms linking war and social reform discussed and examined in this volume are also relevant for understanding the impact of the Cold War on welfare state development from the late 1940s until the end of the twentieth century. Did the ideological rivalry between the two superpowers and their respective blocs influence the expansion of the welfare state? A recent study by Obinger and Schmitt (2011) has put this question to an empirical test, finding that overall regime competition during the Cold War clearly stimulated social spending on both sides of the Iron Curtain—at its most pronounced in the 1970s. But how do we explain this finding? In what follows, we offer some preliminary reflections with respect to Western welfare states (for a discussion on ‘socialist welfare states’, see Inglot 2013).

Arguably, the single most discussed mechanism relating war to social reform is the ‘guns and butter’ trade-off. In his pioneering work on comparative welfare state research, American sociologist Harold Wilensky devotes a full chapter to discussing the relationship between war, military spending, and the welfare state (1975, 70-85). According to Wilensky,

In those years of 1950-1952, the superpowers launched a nuclear arms race, developed rigid doctrines of international conspiracy and enemy encirclement, and demonstrated their willingness to be tough and take risks in such crises as Berlin and Korea. The resulting swift increase in military spending from 1950-1952 cast the die for a poor welfare performance for those countries most swept up in the crisis atmosphere. Thus, for sixteen countries, great increases in military spending in 1950-1952...are associated with small increases in social security spending for the whole period 1950-1966.

(1975, 77-9)
Wilensky (1975, 79) underlined that ‘[o]f course welfare states march on through thick and thin; while acceleration of military spending can retard welfare spending, it does not stop it.’ US political scientists from the late 1960s and 1970s onwards have been engaged in a debate about the possible trade-off between public spending for social welfare and rearmament. The first generation of writers argued that rising defence expenditures had a clear negative effect on welfare spending (see, for example, Russett 1969; Edwards et al. 1972; Hartman 1973). Other more recent writers have argued that the evidence is mixed and does not lead to any clear conclusion about the correlation between the two key elements of public budgets (see, for example, Caputo 1975; Clayton 1976; Domke et al. 1983). In their 1983 comparative study, Domke et al. do not find any systematic long- or short-term trade-offs between military and welfare spending but they acknowledge that there might be specific historical and national contexts, periods with wars or ‘discrete decision-point trade-offs’ (Domke et al. 1983, 21), where decision makers spend more on defence at the expense of social welfare (or vice versa).

It is, however, unreasonable only to discuss the relationship between the Cold War and the welfare state as a zero-sum game in economic terms. It is clear that, especially during the early years of the Cold War, the need to increase military spending made the ‘guns and butter’ trade-off seem very real for many policymakers (Petersen 2013). ‘Will it be Welfare or Weapons’, asked the Los Angeles Times in 1950, commenting on the American political debate (LA Times, 14 December 1950). Peace movements and other groups resisting the arms race explicitly used the expenditure trade-off as part of their political repertoire, and conservative groups resisting social reform used the ‘military defence first’ argument against increasing social expenditure. This was most pronounced in the USA (Petersen 2013, 229–32), where the Cold War easily served as a very negative framing of comprehensive social reforms as a form of socialism or communism. In an analysis for the Library of Congress in 1950 on the concept ‘welfare state’, the author summarized the discussion as follows: ‘The more extreme opponents of the “welfare state” describe it as “socialism”, and the more moderate refer to it as the halfway house to Socialism’ (Achinstein 1950, 61).
The black-and-white logic of the Cold War fuelled already existing political conflicts within the left, between Communists and Social Democratic reformists, as well as between communism and the political establishments struggling for social stability. This had an important impact on political coalition patterns by integrating de-radicalized Social Democrats and reformist labour movements as part of the political establishment. For Conservative and Liberal parties, coalition-building and (to some degree) welfare reforms were considered an insurance against the larger evil of communism. Anti-communism, both in terms of foreign policy and domestically, served as a unifying factor bridging other societal cleavages. However, the specific forms and levels of consensus-building and cross-class alliances varied between countries depending on electoral systems, electoral outcomes, and the threat level confronted. (p.451) In some cases, this resulted in bans on communist parties or ‘Red Scares’. Storrs (2012), for example, has shown how McCarthyism in the USA resulted in the exclusion of numerous New Dealers from the US administration. In a similar vein, the Italian Communist Party, despite being the largest communist party in the West, was excluded from government throughout the post-war period, with important consequences for welfare state development during the so-called golden age. However, in most cases the domestic struggle between communism and the political establishment was a battle over the ‘hearts and minds’ of the population, and in these confrontations, social policy played an important role as a vehicle for increasing the legitimacy of governments.

Systemic competition did not only take place between nation states or blocs on the international scene. The international rivalry between liberal democratic states and socialist states was also a lived reality in domestic politics and even at a local level. In some cases, this was very explicit in national political debates, as illustrated by the rivalry between the two Germanys (Hockerts 2009; Obinger and Lee 2013). Divided Germany was by most standards a special case, but systemic competition and legitimacy claiming through social policymaking was a more widespread phenomenon. The ability of the Western European democracies to develop various ideological forms of social capitalism created room for the expansion of social security. In Germany, the Soziale Marktwirtschaft (social market economy) tried to balance the two sides of the coin, and the Nordic countries went even further, launching the Nordic welfare state as a ‘middle way’ between capitalism and socialism (Nelson 1953).

According to contemporary observer and international relations scholar Klaus Knorr, the welfare state could be considered the ‘most constructive defense of the free world against Communism’ (Knorr 1951, 448). Two years later, German Social Democrat Ludwig Preller noted that ‘[e]specially in the Cold War it is welfare state generosity that marshals the biggest battalions’. This comes close to what we, in the Introduction to this volume, discussed as generating ‘regime loyalty through social policy’.
Thus, there are good arguments that several of the mechanisms discussed in this book (see the overview in the Introduction) also hold for the Cold War era. However, some mechanisms clearly played a more limited role in the Cold War context. First, the strong links in several countries between mass conscription and social citizenship in the age of nation-building (late nineteenth and early twentieth centuries) was less of an issue after 1945. Young males were still drafted, but on a lesser scale. In the nuclear era with more developed social security programmes and established nation states, this became less important, except in countries directly involved in military conflict, such as the USA and Israel. In these countries, we see the development of parallel military welfare states (discussed further in the following section). Second, it is also debatable whether the continued growth of the tax state after 1945 can be attributed to military conflicts and concerns. Clearly, taxes continued to grow after 1945 (OECD 1982), but this was largely a consequence of the golden age of the welfare state and the political and economic forces underpinning it. Social spending, not the arms race, fuelled the growth of taxation and public spending during that period, as the ratio of military to social spending decreased from 0.40 to 0.13 in the core OECD countries between 1960 and 1990 (Castles 2006).

Still, several of the mechanisms discussed in this volume also seem to have relevance in the Cold War era and, consequently, have to be taken into account when explaining the post-1945 developments of the welfare state.

As we already have touched upon in the Introduction, the two world wars restructured the international circulation and diffusion of social policy ideas and cross-national learning in important ways. The ILO was established as part of the Versailles Peace Treaty in 1919, and in the aftermath of World War II a set of new institutions was established that not only cemented the East-West divide but also became important arenas for policy diffusion. The ILO also continued to play an important role after 1945 as a meeting ground for both the Eastern and the Western blocs (Kettunen 2009; Kott 2011), whereas a new set of institutions created a Western room for policy diffusion linked to the Pax Americana. These included the Bretton Woods institutions (the International Monetary Fund and the World Bank), inter- and supranational institutions such as the OEEC/OECD and the EEC/EU, as well as regional cooperation arrangements, such as that between the Benelux and the Nordic states. It also included a number of more specific institutions and programmes that facilitated transfer of knowledge from the USA to Europe, such as the Marshall Plan (especially the technical programmes), American foundations such as the Rockefeller Foundation and the Fulbright Program, and a large number of bilateral programmes (Rausch 2007; Petersen et al. 2013).
To sum up, there are good reasons for considering the Cold War as equivalent to ‘hot’ wars with respect to its impact on welfare state development. Several of the mechanisms discussed in this volume can also be applied to the post-1945 era. However, disentangling the impact of the world wars (and other ‘hot’ wars) from the impact of the Cold War is a difficult endeavour demanding in-depth, systematic, comparative research, and it is likely that we will find variation between different national contexts and over time. We do not argue in favour of any ‘one-size-fits-all’ pattern explaining the links between the Cold War and the welfare state. What we do argue is that the Cold War—as well as mass warfare in general—needs to be taken more seriously by welfare state scholars. The brief discussion here provides nothing but a starting point for a more systematic inquiry.

The Warfare–Welfare Nexus after the Cold War

The end of the Cold War in 1989/90 heralded the transition to a new period, marked not least by much lower levels of military spending (see Figure 15.10). The chart reflects a sharp decrease in levels of militarization across all Western countries, even in the USA and Israel. The relevant question for this book, however, is whether war, military rivalry, and the role of military institutions are still among the causal factors affecting social policy. Our tentative answer is no. The situation might be different in countries outside of what today is the core-OECD group and the situation might also change. After all, a more aggressive Russian foreign policy, continuing instability in the Middle East, and the election of Donald Trump in 2016 have already, at the time of writing (spring 2017), led to debates and cautious reassessments of foreign and security policy by NATO members. Germany is set to boost military spending and Sweden has even reintroduced conscription. Despite these most recent developments, it would be unwise to try to predict future developments. What can be said, however, is that in rich countries, the warfare–welfare nexus has been weakened, and perhaps has even disappeared, since the end of the Cold War for two main reasons: first, because the nature of war and military service have changed significantly, and second, because the welfare state has undergone a massive transformation. Several of the causal mechanisms underlying the warfare–welfare nexus as described in the chapters of this book thus rest on much weaker foundations than in the first half of the twentieth century.
Regarding the first element, the most important change is that the mass army, which drove the developments we described for the twentieth century, has become less important in recent years. Arguably the main background to this is peace among the Great Powers and the end of the Cold War, because the single most important determinant of army size, after all, is military threat and war. The other main reason, however, is technological change. How a war is waged shapes the size and composition of armies. In a large-N study of the determinants of army size since 1600, Onorato et al. show that the use of railways and the spread of cruise missile technology had a strong impact on army size—positive for the former, negative for the latter technology (Onorato et al. 2014). Just as the railway allowed unprecedented mass mobilization by permitting the movement of large numbers of men and arms over long distances, so more recent inventions have had the opposite effect. Nuclear weapons, cruise missiles and, more recently, drones, have changed the parameters of conflict significantly, as they allow the infliction of damage from a distance and require far fewer soldiers for military operations. From a technological point of view, there is no reason to expect a reversal of this trend. According to research in this field: ‘As the information revolution continues to transform the battlefield over the coming decades, sheer numbers, never the sole determinant of war’s outcome, will in all likelihood continue to decrease in importance’ (Krebs and Levy 2001, 67). By contrast, skills and technological capacities (as captured, for example, in R&D spending) are becoming more important with technological upgrading.

Figure 15.10. Military expenditure as a percentage of GDP, 1988 and 2015

The kinds of wars the countries in our book have been involved in since 1990 are different, too. They are usually fought against nominally much weaker enemies (in terms of level of economic development, population size, state capacity, technological level, or nuclear threat). And these asymmetric wars are fought in significantly different ways. ‘No boots on the ground’ is the order of the day for belligerent rich democracies, showing that, while using ground troops often cannot be avoided, there is a strong reluctance to send large armies into the battlefield. Citizens now have more to lose in economic terms and, through the greater institutionalization of democratic norms, a greater say in being used as ‘cannon fodder’ on the battlefield. Wars are also increasingly intrastate rather than interstate conflicts, suggesting that many of the theoretical expectations from this book, building upon national, cross-class solidarity, state capacity and so on cannot be taken as a starting point.

As a consequence of these changes, industrial countries are reducing the size of their military and, more importantly, have been moving towards all-volunteer forces (Haltiner 1998; 2006). All large OECD countries have (p.455) abolished or suspended military conscription, although it is more widespread in smaller countries, for example, in Denmark, Finland, Austria, Switzerland and, now again, Sweden. It is fair to say that even in these latter countries the share of conscripts amongst the total military personnel has been reduced significantly over the years (Cusack 2007). Apparently the clearest exception to this rule of the retreat of the mass army, however, is Israel, where the military to civilian ratio is among the highest worldwide and conscription for both genders is still in place. This is by no means a very recent development, but the consequences for welfare state development have so far not been spelled out. If only a small share of the population serves in the military, the powerful effects military conscription used to have on social policy development—such as better education and public health to improve the quality of recruits, compensating soldiers and their families for risking their lives, or enhanced solidarity among those being bound together by military service—are likely to be much more limited also.
An all-volunteer force tends to use social policy, but mainly with the aim of recruiting more (and the right kind of) soldiers. As the military has been transformed ‘from institution to occupation’ in many countries (Moskos 1977), fringe benefits have become more important for recruitment. The parallel welfare state catering to members of the military and their families described also for earlier periods is still highly important, especially in less generous welfare states. This is why the bifurcation between a civil and a military welfare state is particularly evident in societies such as the USA and Israel, which combine small welfare states with relatively high levels of military mobilization.\textsuperscript{15} The design of these benefits can thereby diverge quite significantly from the civilian welfare state, usually by being more generous and ‘universal’ (Gifford 2006). In her seminal monograph on the military welfare state in the USA, Jennifer Mittelstadt presents a table summarizing the most important military social welfare programmes that stretches over five whole pages (2015, 232–6). Mittelstadt also shows, however, how contested the military welfare state has always been within an organization grounded in the idea of ‘service’. We can also find similar attempts in other countries to use social benefits and services as a recruitment strategy, offering special benefits or compensation for the more specific negative consequences of military service for soldiers and their families. Here again, we can see that the military tries to address the gaps left by the civilian welfare state. Against the background of widespread undersupply of family services, the German armed forces, for example, have started to put more emphasis on reconciling work and family life by providing their own family counselling services, day care at (p.456) the workplace, and the development of services that take the particular situation of military families (e.g. high mobility and foreign deployment) into account (Bundesministerium der Verteidigung 2010). These benefits, however, should be seen as a kind of occupational welfare rather than an aspect of the welfare state, because they tend to reach a relatively small share of the population.

Second, even if a major war were to break out involving some of the countries featuring in this volume, an extensive welfare state apparatus—in terms of fiscal resources, a bureaucracy, large numbers of professional care staff—would already be in place. The context is just massively different from what it was a hundred years ago. While social spending at the onset of World War I was typically well below 5 per cent of GDP, it is now over 20 per cent of GDP in an average OECD country. The extractive capacity of the state thus stands at levels never seen before in human history, despite tax competition and tax evasion. Thus there is reason to believe that what we have termed ‘supply-side effects’ of war, the effect on state capacities and state structures, might be much weaker now compared to the first half of the twentieth century.

QUESTIONS FOR FUTURE RESEARCH
Some questions remain open, mostly because of the geographical and temporal limitations of this book, but also because we have focused on a specific kind of war, namely industrial mass-mobilization interstate conflict. At the end of this volume we therefore would like to highlight two research areas that particularly merit further attention.

First, future research should examine the impact of intrastate war—after all, the most common form of war today—on welfare state building. The general literature on civil war and state capacity gives some hints as to what role intrastate conflict might potentially play in the development of welfare states. According to this literature, civil war has a clear negative effect on state capacity, usually measured in terms of fiscal capacity (Thies 2010; Lu and Thies 2013). The reason for this is almost trivial. Besley and Persson develop a theoretical model based on the idea that ‘external war tends to generate common interests across groups in society, whereas internal, civil war entails deep conflicting interests across groups’ (2008, 522). In the latter situation, it simply does not make sense for those loyal to the challengers of power holders to support building up state capacity, as it may be used against them. According to Blattman and Miguel, the same holds for the post-civil war situation: ‘In civil war, government may lose legitimacy, while victors and vanquished (and victims) are condemned to coexist in the same society, potentially exacerbating political and social divisions’ (2010, 43). The relationship may, however, be highly contingent and more complex, depending on the reasons for and the context of conflict, its length and outcome, and so on. Moreover, from a long-term perspective civil war has often been a byproduct of state-building processes. In any case, the substantive link with the topic of this book is, of course, the centrality of fiscal and administrative capacities for welfare state development. Empirically, however, we know very little about whether there is a more general link between civil war and welfare states. There are some indications that the relationship may indeed be a negative one. The irony of Theda Skocpol’s path-breaking book on Civil War pensions in the USA (1995) remains that, while war led to a range of new welfare benefits and even the emergence of early ‘maternalist’ schemes, the net effect of the Civil War on welfare state building was essentially negative. The available welfare state for ‘soldiers and mothers’ effectively crowded out more conventional European-style welfare state development for decades—until the world wars and the Great Depression prompted a more activist role for the federal state.
The second major research question not answered in this book is not entirely unrelated to the first and concerns the applicability of our conclusions to countries outside of our immediate analytic scope. One omission is Central and Eastern Europe, which was strongly affected by the same conflicts this book has focused on. During World War II, Poland and the Soviet Union, for example, suffered from extreme casualties and enormous destruction and had, in the case of the Soviet Union, very high levels of mobilization. That war mattered for social policy development in Eastern Europe is beyond question, but the mechanisms might be different from those of Western Europe. The spread of the Soviet model of social protection throughout Eastern Europe is clearly related to the military success of the Red Army and the subsequent takeover of communist governments. Coercive policy transfer was therefore of much greater importance compared to Western Europe. Other mechanisms were of relevance on both sides of the Iron Curtain. In addition to war-induced social needs, there are frequent mentions of special military or veterans’ benefits in Inglot’s historical comparative analysis of welfare state development in East Central Europe (Inglot 2008). However, a comprehensive in-depth study of the impact of war on social policy in these countries is, to our knowledge at least, still lacking and has not received the attention from comparative welfare state research it deserves.

Another group of countries that has recently been getting more attention from welfare state researchers is the Global South. Given the prevalence of armed conflict—often civil war—in many parts of the non-OECD world today and in the past (see Wimmer 2014), it is high time to investigate whether and to what extent this has had an impact on attempts to build modern welfare states. Importantly, the value of the ‘bellicist’ model of state development remains more contested for non-European countries than for Europe (Centeno 2003; Thies 2005; Taylor and Botea 2008; Schwarz 2011) and it (p.458) might therefore be premature to assume that the impact of war on welfare state development is universal or straightforward. In any case, the study of the issue in the countries of the Global South is a highly promising field of future research.

References

Bibliography references:


Notes:
(1) Sweden is not included as a case study in this volume. However, preliminary evidence clearly indicates that several mechanisms discussed in this volume are also valid for the Swedish case. Both world wars led in Sweden, as elsewhere, to the growth of the regulatory state (Friberg 1973; Hirdman et al. 2012, 28–30, 343–73) as well as the tax state (Rietz et al. 2013). Moreover, war changed the public–private mix in favour of public solutions. This was also paralleled with respect to welfare policies: in 1920, Sweden, like many other countries, established a Ministry of Social Affairs in the aftermath of the Great War. Hatje (1974) shows how Gunnar and Alva Myrdal’s analysis of the ‘Crisis in the Population Question’ (1934) hijacked a traditional Conservative agenda based on concerns for military survival of the Swedish nation and successfully turned it into a social democratic reform agenda. Furthermore, Sweden in 1940 introduced special allowances (krigsfamiljebidrag) for families of mobilized soldiers in order to secure their material living standards (Hirdman et al. 2012, 350–1). These were war experiences that paved the way for, and served as, a platform for post-war planning and the expansion of the welfare state (Hirdman et al. 2012, 415–17). The extent to which war had an impact on Swedish welfare state development, however, may have been smaller than in other countries (see Therborn 1989, 220–1).

(2) Almost all quantitative studies and data sets on the development of Western welfare states rely on this sample. The countries included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Ireland, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States of America. The reader should note that Figures 15.1, 15.4, and 15.8 contain data for Canada, Ireland, New Zealand, Norway, and Sweden although case studies for those nations are not included in this volume. Israel is excluded, however.

(3) This section is based on Obinger and Schmitt (2017).

(4) Elderly is measured by the share of population aged 65+, Left government by the share of left cabinet seats, Political institutions by the index of political constraints (Henisz 2002; 2010) and Path dependency by the average year when the classical five social security programmes were introduced. For details, see Obinger and Schmitt (2017).

(5) The electoral system is captured with a categorical variable measuring the existence of proportional representation (Bormann and Golder 2013). The Regional Authority Index measures the decentralization of policy responsibilities with high values indicating high levels of regional policy authority (Hooghe et al. 2016). Economic growth is measured by the annual change in GDP per capita and trade openness by the sum of exports and imports as a percentage of GDP (Armingeon et al. 2016). See Obinger and Schmitt (2017) for details.

(7) Note that we did not control for GDP per capita since economic performance is one component of the war intensity index.

(8) The top rate in per cent is the marginal rate of direct tax that an independent government levies yearly on comprehensive and directly assessed forms of personal income tax for the highest income category (Genovese et al. 2016).

(9) This does not diminish the fact that certain companies, sectors, or individual ‘masters of war’ have benefited greatly from war and arms races throughout history. Indeed, the first years of World War I show an increase in the top shares in many countries.

(10) German top incomes reached their all-time high of 22.4 per cent as a share of total incomes in 1917, which may be due to the absence of physical destruction on German soil and direct benefits of war for German heavy industry, evidently a source of top incomes at the time (Dell 2007).

(11) Churchill’s speech at Fulton University declaring that Europe was being divided by an Iron Curtain is often seen as the starting point, and the fall of the Berlin Wall in 1989 and the breakdown of the Soviet Empire its conclusion.

(12) This was of course not the case on the global scale and several of the countries discussed in this volume—most notably the USA and France, but also Britain and Australia—were involved in warfare in Korea, Vietnam, and other places. See Chapter 7 in this volume, Robert P. Saldin, ‘Foreign Policy on the Home Front’, for a discussion of the impact of the Korean War.

(13) See Chapter 4 in this volume, Maurizio Ferrera, ‘Italy: Wars, Political Extremism, and the Constraints to Welfare Reform’.


Access brought to you by: