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## How Societies Learn Adapting the Welfare State to the Global Economy

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I want to start by calling attention to the new economic and political forces gathering strength as the century comes to an end. So powerful are these forces that they are transforming the world economy, reaching into every corner of our lives, private and public. They have a particularly strong impact on the welfare state -- so strong that we ignore them at our peril. Those who care about preserving the values the welfare state personifies have to be thoughtful about how to respond to these new forces. Otherwise the new global economy will play havoc with the welfare state. It is putting it to its most brutal test since its founding more than a century ago.

Although the welfare state is not yet adapting well to the new economic forces, the cultural values it represents can, I believe, survive the onslaught of these new forces, provided that we correct the mistakes of the past and confront the challenges of the future with just a bit of foresight and intelligence.

In this lecture I would like to present for discussion a strategy of research and interpretation that can help us navigate these wrenching changes. I call it "social learning." By social learning I mean the interpretation of how societies learn from two sources -- from their own mistakes and from the need to adapt to new realities. It is a research strategy that social scientists and public intellectuals in the advanced industrial democracies can use to help their welfare states adapt to the changing world economic environment.

It is based on several premises:

- One is that societies learn from their mistakes differently than individuals do and that social policy must learn what these differences are and how to respond to them.
- Another is that average citizens have as much to contribute to the reshaping of the welfare state as political leaders and other elites.
- A third premise is that false learning -- drawing the wrong conclusions -- occurs at least as frequently as correct learning, and that we must therefore know how to distinguish one from the other.

Later in the lecture I will describe this "social learning" approach and apply it to the one welfare state I know well enough to discuss in detail -- the United States. But I'd like to begin by saying a few words about the nature of the new economic and political forces since these set the context for considering the changes the welfare state must undergo.

## **The Global Market Economy**

The transforming forces are not all new, though some of them are rapidly accelerating in momentum. We are all familiar with labels such as:

- "Neo-industrial society"
- "Postindustrial society"
- "The Service Economy"
- "The Information Society"
- "The Third Industrial Revolution"

These and other labels have been kicking around for a long time, some for more than a generation. I am uncomfortable with all of them because none of them identify the central dynamic of the transformative forces.

It is not essentially service or information or industry. At the present moment, the central dynamic is surely the increasing dominance of market forces, especially the influence of huge pools of capital that can shift overnight from one part of the globe to another, plus the awesome power of the new technology that the market economy commands.

Market forces have grown so powerful that they make it increasingly difficult for states to pursue their own autonomous economic and social policies which is, for example, the main reservation many Europeans have about forging a common currency.

Let me give you a trivial example of the intrusive influence of market forces from the world of politics in the United States. In President Clinton's first year in office, he proposed a government-sponsored economic program of social investment in training and education, and in building public infrastructure. The program quickly ran into such fierce opposition that the President was forced to abandon it. It was explained to him that the main source of resistance was the bond market, which saw his program as inflationary.

Mr. Clinton was shocked and incensed. "The bond market," he exploded in anger and surprise, "What the hell has the bond market got to do with this!?" As a politician, Mr. Clinton was prepared for ideological opposition from political conservatives but not for such an effective veto from the bond market. Being a fast learner, however, he soon absorbed the lesson that the low interest rates which were to fuel his plan for economic growth depended to an extraordinary degree on the perceptions of the bond market. Significantly, never again would his policies run counter to the imperatives of the bond market.

Many months later in a moment of relaxation in the White House the President and his guests were playing a game in which everyone was asked in what form they would like to come back to life after death. Some guests chose historical figures, others chose beasts like eagles and tigers. His chief assistant at the time, George Stephanopolous, said he would like to return to life as the bond market because this is where the real power lies.

The landslide election of Tony Blair in England underscores how much the left as well as the right has endorsed the legitimacy and power of a market-driven economy. No one is quite clear yet about Mr. Blair's promise to reinvent the left and what that means. But it is a promise that hugely appealed to Britain's voters. Anyone who has watched Tony Blair's successful efforts to reinvent the Labor Party knows how thoroughly he has absorbed one of the important lessons that most parties of the left have not yet understood, namely, that the market is too good an asset to abandon to conservatives: as an efficient mechanism for allocating resources it can serve the purposes of the left as well as those of the right.

**Promise and peril** The new prominence of market-driven economies at this stage in our evolution as industrial democracies is fraught with both promise and peril. The positive possibilities for the world should not be underestimated. The destructiveness of the cold war is finally behind us. The explosion of new technology is truly remarkable. In the context of a growing global economy it offers the less developed nations of the third world a path to growth that seemed unthinkable just a few decades ago. The inflow of capital to many of these nations is an engine of growth not only for their economies but for those of the advanced industrial democracies as well. Increases in *per capita* income go hand in hand with the spread of education and literacy, the liberation of women and falling birth rates. The new digital technology does not consume vast quantities of natural resources, as did the old industrial economies. The nightmare of nuclear holocaust, environmental degradation, and an uncontrollable population explosion which haunted our imagination just a few years ago is growing less certain.

These dangers remain. But the possibility of coping with them in a manageable way fires the imagination.

Having acknowledged the potential promise, I admit that I personally am concerned with the perils. There is an enormous gap between change wrought by the combination of new technology and a market-driven economy on the one hand, and our human ability to adapt on the other -- between the limits of our biological and cultural mechanisms for adapting to change and the accelerating tempo of change that knows no limit. An unrestrained market economy driven by new technology as the answer to doubts about the viability of the welfare state seems to me a formula for disaster.

I say this for reasons unrelated to the Marxist critique of capitalism, which I believe to be irrelevant to today's world. The late economist Joseph Shumpeter provides us with a more apt insight. He describes capitalism as a force of "creative destruction." In the new global economy the energies unleashed by capitalism result in massive downsizing, the destruction of old industries and the creation of new ones, the obsolescence of older human skills in favor of new techniques, and the dislocation of millions of lives.

These are surely forces of creative destruction: in the long run they make things better in the same sense that a forest fire may make things better by destroying all of the old growth in the forest as well as the habitat of the animals who live there, making way for new growth. It is difficult, however, for the animals in the forest to see the fire as unqualified progress. Capitalism is a force of

nature: relentless, pitiless, oblivious to human consequences. Left solely to its own devices, it serves only one master: the values of a market economy.

How is the welfare state responding to the new environment? The reality is that the global economy is so new in its workings that no one really understands its full ramifications for the welfare state. But they are awesome. The most revealing way to examine its impact is to look at the two purest models of the welfare state, the United States and Sweden. We can learn the most from their experiences because they represent the two most extreme forms of how the advanced industrial democracies blend the state and the market in meeting the obligations of the welfare state. Sweden represents the maximum dependence on the state for the well-being of its citizens and the United States represents the maximum dependence on the market, with other industrial democracies positioning themselves in between these two extremes.

### **The American Response**

In the past decade in the United States, the assumption has spread that with some exceptions the market can serve the public interest better than government can, and that the role of market-driven strategies should grow ever larger. As one of our leading publishers recently said, "The mantra is privatize, deregulate and do not interfere with the market."

Throughout the history of the welfare state in the United States the single largest difference between the two major political parties -- Democratic and Republican -- has been their position on the role of the government in meeting the obligations of the welfare state. In the early 1980s, President Ronald Reagan, a conservative Republican, liked to repeat a slogan that symbolized the growing disillusionment of voters with the state: "Do not look to the government to solve the problem," he liked to say. "The government *is* the problem."

But no longer is hostility to the role of the state confined to Republicans; it has spread to Democrats as well. In a recent State of the Union address, President Clinton, who started his presidency in 1992 as a strong advocate of big government, now echoes the dominant sentiment of the nation in his statement, "The era of big government is over."

As evidence of the power of market forces has gained credibility, the rush is on to abandon state-managed solutions to social problems in favor of market solutions. The impact on the welfare state is enormous. Thus far, it suggests that total dependence on the market is as flawed as total dependence on the state. Consider a few examples.

**Health care.** In the early years of the Clinton Administration the President put his full support behind a health care program that would have given the state a more central role in the interest of expanding health insurance to the 38 million Americans who had no coverage. The very poorest tranche of Americans have their health care already covered by a welfare state program called Medicaid. But the people in the next tranche up, mostly consisting of the working poor and lower middle class, have been unable to keep up with rising health care costs. The Clintons' plan would have given health care insurance to this large group.

The reasons for the defeat of the Clinton health care plan are complicated. (See *The Debate that Wasn't: The Public and the Clinton Plan*. Health Affairs, Spring 1995.) But a major reason was

public mistrust of the prospect of the state playing a larger role in this important arena of life. Since the defeat of the Clinton plan, the numbers of uninsured have swelled, many not-for-profit hospitals have been taken over by for-profit HMOs and insurance companies, and the market-driven system of managed care has transformed the medical profession.

An aging population and the explosion of new expensive technology made it inevitable that something would have to be done about rising health care costs. But the present market-based solution has several huge drawbacks, only one of which is the exclusion of more than 40 million Americans from adequate insurance coverage. The bottom-line mentality of many managed care companies puts physicians in a serious conflict of interest.

Not a day passes without some new horror story of patients being deprived of the care they need in the interests of adding to the profitability of the health-care providers. In this era of high-tech medicine and people living longer, stringent cost controls are a necessity. But the image of business managers earning millions of dollars a year by pressuring doctors to give less care to patients will, I am almost certain, create a serious backlash among voters, resulting in government regulation, and undermining a valid idea when not carried to the extremes of short-term profit maximization.

**Downward mobility.** Consider another important example in the area of jobs and social mobility. In our relatively isolated economy of the early postwar period, the opportunity for Americans to make a good living without a college education was excellent. This was fortunate since only about one out of four young Americans graduate from a four-year college, even today. In the new global economy the opportunities for the best-educated and trained Americans are fabulous. But the opportunities for the less well-educated majority are dwindling rapidly. The ability of companies to outsource labor so that software is developed in Bangladesh, clothes are made in China and sneakers in Thailand may make sense from the vantage point of the economic theory of comparative advantage. But the ability of companies to export jobs poses a serious problem for the majority of the workforce.

One of the consequences of a global market economy is that it creates an asymmetry between labor and capital. Capital can move offshore; labor cannot. The result is constant downward pressure on the less skilled part of the workforce.

It is likely, I believe, that in the future more than half of our workforce in the United States will find the opportunity to make a good living increasingly closed to them. Since the health of our society depends on social mobility and since social mobility is tied to economic opportunity, the very heart of our social system is threatened.

For a variety of reasons our education and work training system in the United States is deeply flawed: for those who do not receive a higher education the school-to-work transition is poorly managed. The market by itself, left to its own devices, is not going to address this problem.

Enthusiasts of the market in the United States insist that everything will be all right in the long run as long as we don't interfere with the market. But they are not taking political realities into account. Waiting for the market to develop the good jobs and the skillful people to carry them out may be tolerable from a theoretical economist point of view, but it is intolerable politically.

Downward social mobility is a classic formula for political instability. When people are driven to strike out in desperation, all common sense and moderation are swept away, and the Zhirinovskys and Le Pens of the world of political demagoguery come to the fore. Even if the "don't-interfere-with-the-market" enthusiasts are correct, their theory will never be put to the test because blind political forces will intervene first.

### **The Swedish Welfare State**

Let me now make a few brief observations about the Swedish welfare state. I hesitate to discuss the Swedish welfare state in the presence of so many scholars who know how it really works, but it may be useful for you to consider how it looks to an outsider.

The model of the Swedish welfare state has long played an important role in the political imagination of Americans. The Swedish model has had a great influence on the evolution of social policy in the United States. For decades, our own political liberals pointed to Sweden as the success story that demonstrated a viable alternative to both a planned economy and a pure market-driven economy. But in recent years the Swedish model has lost some of its appeal: Americans have grown less confident that it works in a global economy.

Sweden has responded to the challenge of the global economy in a far different fashion than the United States has. Sweden has chosen to retain (and even strengthen) its reliance on the state for assuring the well-being of its population.

What is happening in Sweden reminds me of the labor-management negotiations in the steel industry that took place in the United States in the 1950s and 1960s. Every few years, labor and management would negotiate contracts that satisfied both sides. Labor received substantial increases in salaries and benefits, while management raised prices, passing the increases onto the public. The system worked well for both organized labor and management -- until other countries began exporting lower priced steel into the United States. The steel industry found it difficult to change its old pattern of behavior, with the result that it was almost destroyed.

It is my impression that the Swedish state has for a long time assumed that Swedish industry is indestructible, and that it can withstand all manner of regulations and constraints that undermine entrepreneurial and employee incentives to give the extra measure of dedication needed for competitive success in the new global economy.

Before coming to Sweden I read Hans Zetterberg's excellent paper, "Seventeen Propositions about the Swedish Social State." In the paper, Hans cites two simple facts about the Swedish social state that strike me as unsustainable for the long term in the context of the new global economy. One is that "employees in the public sector and the clients of the state are in absolute majority in the electorate" (p. 352). And the other is that it often costs twice as much or more for the state to deliver a service than for the private sector to do so (p. 353). You do not need to know much else about the Swedish social welfare system to know that these two conditions cannot endure for very long. They might if Sweden's economy were self sufficient and isolated from the world economy. But it is not. It is not an island cut off from the rest of the world. It cannot exist apart from the promises and perils of the global economy.

It is my impression that in Sweden the social services the state provides are delivered with greater efficiency, greater dedication, more honesty and at lower cost than in the United States. That is what makes Sweden such a pure case. If a state-driven welfare state model can be successful anywhere it will be in Sweden and the other Nordic countries. And perhaps this model will endure longer in Sweden than elsewhere. But if these two facts are valid, sooner or later, and I suspect sooner rather than later, Sweden will have to make a series of painful changes to adapt to the realities of the global economy.

Nothing is more difficult for the state to do than demand "givebacks" -- taking benefits that people regard as their right away from them. How the Swedish people confront this issue of what sacrifices and changes to make will be a true test of Sweden's fortitude as a civil society. From the little I know about the Swedish national character, I expect that Sweden will pass the test better than other advanced industrial democracies -- but only if the citizens of Sweden can be engaged and participate actively in a serious dialogue about what to preserve and what to cast aside in the social state of the future.

### **Social Learning**

This consideration brings me to the concept of social learning. I will describe it briefly, and then show how it might apply to the welfare state in the United States.

As stated at the beginning of this lecture, the discipline of social learning I am proposing is an empirical inquiry into how societies learn from their mistakes and how they learn to adapt to new realities. It is a discipline that grows partly out of one aspect of my work as a practitioner of survey research -- experience in conducting tracking studies on social-political trends on an annual basis for almost thirty years.

In the mid-1960s I had the opportunity to launch a series of annual studies on the great transformations in social values occurring among our nation's young people. So far-reaching were the shifts in values that we decided to monitor them on a regular basis and have done so since 1969. These studies are done for clients in the private sector and are not available in detail in the public domain. But they have greatly enhanced our understanding of how social change evolves.

There are, of course, many professionals with experience in tracking social trends, and all of us in the business of interpreting social trends have learned that trends behave in a bewildering variety of ways. Some trends, like advances in technology and the aging of the populations in industrial societies, move in a linear fashion and can easily be tracked. But many trends show discontinuities, often sharp and abrupt (for example, the decline in birth rates in Italy or the sudden change in sexual mores in the U. S. in the 1960s).

There are several theories for predicting the direction of trends that show discontinuity. The oldest theory is that of cycles. Like the seasons, some human events seem to move in eternal cycles shifting from one extreme to the other and then back again in an endless pattern of repetition. We have all earned that the limitation of this theory is that it is too static for most forms of social change, though it does apply to some.

A popular version of the theory of cycles is represented by the image of a pendulum. People say, "Well, the pendulum is now swinging in the opposite direction." This image is simple and seductive but it has proven useless and misleading. We never go back. History never repeats itself. The pendulum never swings back to where it was before. There is always some important new factor at work.

The Hegelian dialectic is still the most sophisticated theory of trends that change direction. In my own trend studies I have found it highly suggestive, but in the end too elegant and abstract to account for the gritty, messy, complex reality of the changing world of values and mores, the *Lebenswelt*. While a phase of social evolution does sometimes give rise to its antithesis, rarely does it lead to a synthesis of the best elements of both. And rarely can one label the process of change as progress. Sometimes it is; often it is not. Sometimes the so-called synthesis is simply a lateral move with some positive features and some negative ones. And sometimes, it is not a synthesis at all but a sign of false learning, leading to a marked deterioration as in the aftermath of the Weimar Republic.

**Lurch and Learn.** I have come to think of a large category of social change as following an untidy and irregular pattern, but a pattern nonetheless. I call this pattern "lurch and learn." Quite abruptly, a society will lurch in the opposite direction from its present state and then over a period of years it will learn from the mistakes made by the sudden lurch and adjust accordingly. This is very much the way adolescents behave: a lurch to the other extreme seems the only way they can deal with the stresses and strains associated with that stormy period of life.

Societies rarely learn from experience the way mature adults do. When something isn't working well most mature people make appropriate adjustments in their lives and outlook -- moderate midcourse corrections as they learn from their mistakes. Societies react differently: more often than individuals, they seem to respond to stress by suddenly changing direction in an abrupt and extreme fashion and only then beginning to learn from their excesses and mistakes.

As soon as one is sensitized to this pattern, one begins to see it in many different contexts. The women's movement in the United States illustrates the lurch and learn pattern. In the women's movement, the lurch occurred in the 1960s and 1970s. One of our culture's key social values was the expectation that every member of the family would sacrifice the expressive side of their lives for the sake of the family, with women doing a disproportionate amount of the self-sacrificing. In the 1970s, both men and women lurched away from this core value of sacrifice of self-expression for family. Abruptly, the culture rejected the need for such sacrifice, with people giving their own expressive self-fulfillment priority. It took only a decade -- from the mid-sixties to the mid-seventies -- for this reversal of values to spread from young people in our elite colleges to the majority of the American population.

Much of the past thirty years has been devoted to learning from this lurch and to modifying its extreme character. One such learning, for example, is that at the present time American women have come to realize that the idea of selective "quality time" with children doesn't work very well, and that a greater sacrifice of time and attention for the sake of the children is required if the children are to grow into the caring, responsible, effective, self-confident adults their parents want them to become.

A very different example of lurch and learn is symbolized by Labor's elected victory in Britain. The Tony Blair election can be seen as a consequence of Britain's abrupt lurch 18 years ago to Thatcherism from the welfare state as the Labor Party conceived it, followed by a series of gradual learnings of which the Blair victory is the most striking.

**Applying social learning to the welfare state.** The lurch and learn pattern raises interesting questions about the path of social learning.

- What causes the lurches to occur?
- Can their trajectory be traced?
- Can we map the evolution of social learning?
- Can we separate false learnings from valid ones?
- Can we reduce the amount of trial and error and help the valid learning to prevail rather than the false learning?

With regard to the welfare state in the United States, the current lurch from government to privatization has largely been caused by mistakes the state has made. What mistakes caused the lurch? What overreactions and false lessons characterize it? What more valid learnings can we anticipate will emerge when the lurch phase runs its course?

There is widespread agreement that our welfare state has made three very bad mistakes in the past few decades which has caused it to lose its moral legitimacy among the majority of the public.

The first mistake was the state's lack of responsiveness to the unintended consequences of a major welfare program called "Aid to Families with Dependent Children" (AFDC), especially in the light of the race issue and its sensitivities.

AFDC welfare legislation was put into place in the 1930s in a cultural context that has now changed almost beyond recognition. In today's moral climate, most Americans feel that social legislation that made sense in an earlier era now lacks common sense, feeding the public's mistrust of government.

Up to the 1950s and 1960s the social morality of earlier eras of American life still prevailed. Welfare was supposed to be a temporary safety net for those in need. It presupposed a highly developed sense of individual responsibility, especially in relation to bringing children into the world and raising them. Having children out of wedlock was taboo. The prevailing norm was that even married couples should postpone having children until they could afford to give them a good home and raise them properly. When people were obliged to accept welfare, they did so with a sense of shame, hurrying to escape its humiliations as quickly as possible. In this moral environment, most Americans warmly supported the idea of providing temporary help to those down on their luck.

In today's climate of social morality, however, legislation that made sense in an earlier era is now seen as having perverse effects. The majority of the public now sees welfare as causing irresponsible parenting -- encouraging teenagers to have babies, discouraging the work ethic and

encouraging women on welfare to produce children without the resources to take care of them so that they grow up in a culture of violence, crime and neglect.

The public feels that the direct costs of welfare are less of a social burden than the indirect costs of contributing, however inadvertently, to a culture of drugs, crime, violence and dependency. The fact that a disproportionate number of welfare recipients are minorities fuels racial antagonism.

The extent to which this situation frustrates the majority of Americans is hard to exaggerate: people feel that they are being obliged through their taxes to subsidize the very violence that threatens their security.

The second mistake is the state's failure to modify the doctrine of entitlements in the light of today's economic and moral realities.

In the United States much of the legislation of the welfare state revolves around need-based legal rights generally known as "entitlements." This is the doctrine that people in need of the fundamentals of life are legally entitled to have these needs met, and the state is legally obligated to meet them.

The cumulative effect of this doctrine has been to imbue people with a psychology of entitlement: "I have a right to the best medical care money can buy whether or not I can afford it." "I need a good education, and therefore have a right to one." "I am entitled to comfort and security in my old age." "Whether or not my children were born out of wedlock, I am entitled to provide them with the food and shelter they need."

When people are convinced they have a legal right to a benefit, it is automatically endowed with moral fervor. The legal and moral obligation on the part of the state is unconditional, irrespective of resources. When this obligation is violated or scanted in any fashion, recipients feel they have been cheated, and they are filled with a brooding sense of injustice and victimization. Thus, ironically, what started as a communal value -- a moral conviction that society should take care of those in need -- ends up as a preoccupation with one's needs and rights.

There are two things fundamentally wrong with the doctrine of entitlements. The first is that it is ungovernable: over the long run, having an unlimited legal claim to limited resources is a formula for disaster. In the United States, the combined costs of entitlements prevent badly needed investments in infrastructure, education, job training, and other social benefits.

Increasingly, entitlements are seen as morally unsound -- as giving people something for nothing. Entitlements promote a psychology of rights without responsibilities. The doctrine of entitlements does not work well in a society whose highest value is individualism, unless it is accompanied by a very strong ethic of individual responsibility, an ethic that has weakened considerably in recent years.

The third mistake has been to define the role of government as representing the interests of the weakest and poorest members of the society rather than the electorate as a whole.

Many elites in government, especially in the 1960s and 1970s, felt that the government should counterbalance the influence and power of the well to do "haves" in favor of the have-nots. Unfortunately, however, the have-nots were so narrowly defined that large parts of the middle class

and lower middle class came to believe that the government no longer represented their interests or their values. Their mounting resentment undermined the government's credibility.

In summary, a trivial but revealing research finding shows how much negative baggage the word "welfare" has come to carry. When the American public is asked in surveys whether our society should provide more assistance to small children and their parents when they are in need, the answer is overwhelmingly yes. But when the word welfare is added, large majorities angrily reject the very same proposal.

**Characteristics of the Lurch.** Typically, in the lurch phase of any social change, people become obsessed with the mistakes of the past; they don't even want to hear about its positive accomplishments. Following the adolescent pattern, they overreact and, ironically, in so doing make the same sort of mistake they are reacting against (an unbalanced point of view), and for these reasons, the lurch state is extremely unstable and will start to moderate as learning occurs.

This is exactly what is happening to attitudes toward the welfare state in the United States today. Americans are reacting against the long-held assumption that only the government can make up for the failures of our market economy. If those on welfare cannot cope with the harsh rigors of a market economy, government must come to their aid.

In the present lurch, Americans are making the mirror image of that same false assumption, namely, that if those on welfare have grown too dependent on government, then somehow or other they must learn to find jobs and support themselves in the market economy.

Specifically, the current lurch state-of-mind is characterized by these views:

- Mothers of young children who are receiving welfare should all enter the workforce at entry-level wages.
- The market economy in the form of so-called managed care should take over the health care system.
- All, or large parts, of the social security system on which a majority of Americans depend for their retirement after age 65 should be privatized.
- Eventually the market will create the new jobs, the education, the training and the skills needed to compete in the global economy and also meet the needs of the welfare state.

These beliefs now enjoy considerable credibility. In my view, they will be modified considerably in the light of the learning that is likely to take place within the next five to ten years.

Even though the safety net now seems threatened, and despite all the mistakes, I believe that Americans will in the future reaffirm the principle of a safety net for all those in need. The core values of Americans remain constant, providing a moral basis for the society to take responsibility for children, older people, the disabled and all others who require help and support.

The mechanism for reaffirming the safety net commitment will be the presidential election system. My prediction is that the role of government in the welfare state will become an important focus of debate in the next presidential campaign in the year 2000. The driving force will be the new political power of women voters, as shown in the so-called gender gap. In our presidential

campaigns, the gender gap is starting to play a unique role. In the 1996 election, it proved decisive: without it, Bob Dole would now be president of the United States. The huge magnitude of gender differences in voting behavior represents one of the great transformations in American political life.

This reality is not lost on the Republican Party. In '96, women voters preferred Clinton to Dole because Clinton seemed more compassionate to those in need, more willing than Dole to use the resources of government to insure the safety net.

Women voters, as well as men, are skeptical about government, but don't want to throw out the baby with the dirty bath water: they don't want to sacrifice those in need just because of questions about government inefficiency.

This issue, which was never properly debated, will find its way back on to the public agenda. By 2000, voters will be ready to curb their lurch-driven enthusiasm for market solutions to all problems, and will adopt a more balanced view reflecting the learnings of recent years. We will evolve toward a smaller, more efficient government with moderately larger expenditures for welfare state purposes.

- By the next election, Americans will also wake up to the reality that it often makes more sense for a single mother on welfare to stay home and take care of her babies than to enter the workforce at minimum wage.
- There will also be a long search to find new ways to encourage the values of responsibility and self-reliance and to give child support without creating lasting dependency and without undermining the responsibility of fathers.
- Many efforts are now underway to find new ways to revitalize the traditions of civil society, especially the role of the voluntary and nonprofit organizations that form a rapidly growing aspect of America's governance structure.
- Privatization will proceed more selectively. There is a strong sentiment that wherever possible, the state should be removed from the function of delivering services but that new ways must be found to strengthen the ethic of commitment and dedication in those individuals and institutions charged with delivery of services – values that a market economy often weakens.
- We are just beginning to recognize the need to develop a compelling analysis of market failure in meeting non-market social values. Unlike the past, this analysis will be done without the usual anti-market pro-regulatory bias. Sentiment is growing that even the left should drop their ideological, elitist, anti-business, pro-government approach to the problem of making up for market failure. Instead, there is an increasingly pragmatic attitude emphasizing cooperation between the public and the private sector.
- One of the most important post-lurch learnings will be to drop the adversarial character of market-state relationships. In the new global economy, it will grow increasingly self-evident that the market, the state and the not-for-profit third sector

are not alternatives to one another, but that in any large-scale social welfare program all three have role to play, requiring cooperation, not mutual opposition and antagonism.

## **Reciprocity**

Finally, I would like to take a few moments to elaborate the most far-reaching change that will come about as a result of post-lurch learning.

The ground is now being prepared to shift huge parts of the welfare state away from the doctrine of entitlements to the principle of reciprocity.

Survey data suggest that the public is strongly receptive to the idea of shifting the moral foundations of the welfare state from entitlements: "if you need it, you have a right to it," to a more balanced social contract: "if the society gives you a benefit, you must, if you are able, reciprocate in some appropriate form." Such a shift would be seen as fairer to the middle-class than existing policies. It would place government programs on a firmer moral foundation.

The sentiment is growing that people should no longer expect something for nothing. In the United States, this is a shift in attitudes from the 1960s and 1970s. Then, the idea of need-based rights was acceptable to the public. The prevailing attitude was, "I am doing well. Why shouldn't those in need get a break?"

The consensus attitude of the 1990s is very different. It is the view that no one is entitled to get something for nothing, and that people should be more self-reliant. The dominant sentiment is: if you get something, you give something other than taxes in return -- your labor, your time, sweat equity or some other way of accepting new responsibilities.

The concept of reciprocity as a social norm is charged with profound moral overtones. It is an ancient idea on which codes of honor as well as commercial barter arrangements have been based. If you render a service to my family, tribe or nation, we are obligated in honor to return the service in some equivalent form. Dignity, respect, respectability, *gravitas*, fairness: all such traditional virtues are inherent in the act of reciprocity. The rendering of a service creates a moral obligation that must be discharged if the recipients are to maintain their self-respect and the respect of others.

Perhaps the greatest advantage of reciprocity is that it is compatible both with the freedom of choice associated with the new social values of expressive individualism and also with advancing the values of community and civil society. Instead of returning to the rigid and repressive norms of the past, people remain free to choose the lifestyles that suit them, but at the same time recognize that these choices come with obligations and costs. If a man chooses to father children out of wedlock, he may not be subject, as in the past, to a "shotgun" wedding to maintain respectability. But he will learn that he is obliged to take responsibility for the child; if he tries to evade his responsibilities he will be severely sanctioned.

In Swedish culture, perhaps the ethic of communal responsibility may be strong enough that these considerations may not apply. But in the United States the doctrine of rights and entitlements has combined with other forces to weaken community and accentuate individualism. Reciprocity fits

well with a renewed ethic of self-reliance and responsibility, which is why Americans are growing more comfortable with it.

My expectation is that the ideological underpinnings of the welfare state will shift from need-based entitlements to reciprocity. It is going to be difficult to convert many aspects of the welfare state -- education, health care, social security, pensions, safety net -- to this principle, but I believe it will happen in the United States over time.

### **Conclusion**

In conclusion then, I believe the welfare state can survive the onslaught of the new global economy, but only if it corrects the mistakes of the past and finds a new balance between the state, the market and civil society.