

Committee/Council: Economic and Social Council (ECOSOC)
Issue: The future of the welfare state
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Introduction

What exactly is the role of the state and what defines its obligations towards its citizens? This simple question is the subject of our topic.

The welfare state is one of the major developments of modern post-war social democracy. Having emerged less than a century ago, this idea has redefined the way of thinking in democratic countries. For many centuries in human history the ordinary people had nothing to do with the state; it operated independently from its citizens and served the interests of a small elite group called monarchs, aristocrats or dictators. The largest part of the population lived in oppression, as they had no political and civil rights and all they had to do throughout their life was to serve the interests of the powerful. All this changed after the Enlightenment and the French Revolution, when people stood up to claim their rights and to demand equality. However, even after the successful establishment of democracy in many countries, a large part of the population still lived in poverty and with no access to education and health care. This led to a serious reconsideration of the role of the state and, as a result, people came to the conclusion that not only should the people serve the state, but also the state the people. Thus, the idea of the welfare state was born.

The welfare state itself is a rather new idea as it was successfully established for the first time after World War II. It builds on the principles of absolute and undisputed equality for all, justice and human rights. It is more than just a declaration stating that every individual is equal and should be treated fair; its main purpose is to ensure a high living standard for all the people of a country without taking into account their employment, income, race, gender and age. It sounds idealistic and it has strengthened the democratic ideals of many people all around the world as for the first time in history the state actually cares for every single individual and without expecting anything in

return from that person. It intervenes to certain extent in the economy of the country and regulates a more equal distribution of necessary goods and social insurance.

However, things are never as simple as they sound, especially where the global economy and the social structure of a country are concerned. The welfare state has led to a heated debate concerning its viability and usefulness as it is considered by many individuals and even countries as a failed model, which has not made any difference to the standard of living of any society. It is blamed as being one of the main reasons of the global financial recession and many countries refuse to adopt it in their policy. The matter is both an economic and a social one, as the welfare state has been accused of encouraging economic inactivity, causing social fractures and weakening the market of the nations which choose to adopt it by obstructing healthy (free) competition. Some go even as far as claiming that it ultimately leads to a socialist / communist society, in which the state regulates large parts of the economy, and that it consequently undermines the principle of the free market economy. These accusations have received even more weight in view of recent developments, including the breakout of the fiscal crisis and various problems arising in the last years.

Apparently, the dispute is not only economic but also social, as it has roots in the numerous differences between the socialist and capitalist ideologies. The future of the welfare state remains one of the most complex topics of modern society as even economists and sociologists are unable to calculate its implications on the modern economy and society. The phenomenon of the welfare state has undoubtedly shaped the past 70 years and it will surely influence the future of mankind in the following century.

Definition of Key-Terms

Welfare state

“The welfare state is the concept of government in which the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. “
(Definition by Encyclopedia Britannica)

Nordic (welfare) model

The Nordic model refers to the social and economic model of Denmark, Iceland, Norway, Sweden and Finland (Nordic countries). These countries show many similarities in this aspect, including a social-democratic advanced welfare state, a social security/safety net (will be explained later) and public insurance, free education, pensions, little market regulation, comparably low barriers to free trade and high taxation levels.

Socialism

“Socialism is a political and economic theory of social organization which advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole. The term ‘socialism’ has been used to describe positions as far apart as anarchism, Soviet state Communism, and social democracy; however, it necessarily implies an opposition to the untrammelled workings of the economic market. The socialist parties that have arisen in most European countries from the late 19th century have generally tended towards social democracy.” (Definition by Oxford Dictionaries)

In fact, socialism is often considered as being similar to communism, which is “a system of government in which the state plans and controls the economy and a single, often authoritarian party holds power, claiming to make progress toward a higher social order in which all goods are equally shared by the people” (Definition by The Free Dictionary)

However, when we refer to social democracy which exists in many European countries (including the Nordic countries and many central and West European countries) no comparison to any communist scheme is made. It just implies that these countries have an elaborate social security net, an advanced welfare state and a few other characteristics inspired by socialist ideas, while still maintaining a relatively free economy with low levels of government intervention as well as the right to private ownership.

Capitalism

“Capitalism is an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision and by prices, production, and the distribution of goods that are determined mainly by competition in a free market.” (Definition by the Merriam-Webster dictionary)

In simple words, a purely capitalist economy is characterized by the complete absence of government intervention and/or regulation. The closest contemporary example is the economic model of the USA.

Fiscal crisis

“Fiscal crisis (of the state) is a term used to denote the [...] gap in advanced capitalist societies between state revenues and expenses, which leads to economic, social, and political crises; now used more widely to describe such financial difficulties.” (Definition by encyclopedia.com)

In simple words, it is a situation in which the governmental budget is severely in the red, i.e. the demand for money exceeds the supply of money at a problematic level.

Decommodification

“Decommodification in the context of welfare provision is the degree to which welfare services are free of the market. In a predominantly decommodified system, welfare services such as education and healthcare are provided to all and are not linked to market processes. In a commodified system, welfare services are treated as commodities to be sold on the market like other goods and services.” (Definition by polity.co.uk)

GDP

“The GDP (Gross Domestic Product) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory. GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living.” (Definition by investopedia.com)

MEDCs and LEDCs

These acronyms stand for More Economically Developed Countries (MEDCs) and Less Economically Developed Countries (LEDCs) and are used to make a distinction between wealthy countries and countries with major financial problems and an underdeveloped economy in a diplomatic manner. Most European countries, the USA, Canada, China, Japan, Australia and New Zealand etc. are known as MEDCs, whereas many African, Asian and South American countries are considered LEDCs. These terms

are often used in the context of this topic, as the welfare state is obviously more developed in MEDCs than in LEDCs.

Background Information

The basic concept

Before analyzing various aspects and the different models of existing welfare states, it is essential to be familiar with the key ideas of a welfare state and to know what a welfare state actually provides to its own (and to foreign) citizens.

As already stated previously, the general idea behind the welfare state is to elevate the standard of living of the people who live in the country. The main provisions of a welfare state can be the following: (However, only few welfare states provide all of the following services to their citizens.)

- **Social insurance / Benefits:** The concept of insurance is not a new one, as there are various insurance services offered by private companies available on the market: The member pays a certain fee to join the insurance scheme and in return the insuring entity promises to help him in times of need. Similarly, the welfare state provides public insurance to all or to the largest part of its citizens. Depending on the country and its legislation, citizens may or may not be required to pay a certain amount of money (contribution) additionally to the regular taxation on a monthly or weekly basis to the government to ensure their participation in this insurance. This process works in a different way in most countries but in its core it still remains the same, i.e. the citizens are members of a public insurance organization, which helps them out in times of need.

When a citizen receives financial aid by the government through this insurance, we talk of “benefits”, which can be enjoyed by any citizen, whose situation requires it. The amount of benefits, which are distributed amongst the population in need, is regulated by each individual government. Moreover, the application process for the obtainment of such benefits varies as some countries are willing to give out benefits more easily to the citizens, whereas other states demand a strict set of conditions to be met by the potential receiver of the benefit.

The benefits given out by the government may include:

- Financial aid to citizens living in conditions of poverty and unemployment,
 - The provision of retirement money to all citizens who have stopped working and reached a certain age limit (usually about 65 years),
 - Financial aid to disabled people, pregnant women, widow(er)s and families with children,
 - Housing, i.e. the provision of homes at a low cost or even without charge.
- **Public provision of basic services:** In some countries the government goes even further than just taking the previously stated measures. Instead of just making an insurance for parts of the population and providing financial aid to people in need, it provides free public services, which can be used by all people. These services may include health services, such as free public health care and insurance, and free public education. An economy, in which all these services are provided to a very large extent by the state, is characterized as being highly decommodified. However, since this is considered as very costly or as a direct intervention of the government in the market by many countries, only few states have actually implemented these measures.
 - **Personal taxation:** As the costs of maintaining a welfare state can become increasingly high, many countries have chosen to adjust their taxation system in a more adequate manner that fits the needs of the population. As a result, the taxes which have to be paid by the poorer segments of the population may be far lower than the taxation imposed on wealthier people. This system has the purpose of covering the costs of the welfare state while helping out the poor and, thus, achieving a more equal distribution of the country's wealth.

Models of welfare states

Obviously, every state functions according to different principles, both economic and social ones. Some countries, such as the USA, have fully adopted the capitalist model and believe in a market free from government interventions and, therefore, basic services and benefits are publicly provided to a rather low degree, whereas other countries have been under the influence of democratic socialist ideals and have the purpose of raising the standard of living through a more advanced welfare state as well as equality amongst the citizens. As this dispute is not only economic but also social, the difference between capitalism and social democracy becomes a predominant aspect of our topic, with each nation having adopted the seemingly best welfare model for their economy and society and strictly following its own policy of development.

Although there is no completely accurate or official distinction between the various types of welfare states, there is a noticeably clear distinction between the following three models:

- **Liberal:** This model has also been characterized as the least developed type of welfare state. Mainly low income earners are targeted through this model, while there are strict entitlement rules for the obtainment of benefits. Comparably small amounts of money are used for covering the expenses of the welfare state, which is usually tax funded to a large extent. To sum up, in this model the state only helps out the citizens as a last resort and every individual relies heavily on his personal finances, because decommodification only exists to a very low degree. The most characteristic country to fit this description is the USA.
- **Corporatist:** In such a welfare state medium levels of decommodification are to be found, as the government provides some free basic services to a certain extent. There is no universal coverage of all the country's citizens, as individual contributions by employees play a major role in social insurance schemes. In this model the welfare state is usually considered as being of extreme importance to industrial development. The church and especially the family usually (and traditionally) play an important role in the provision of goods and services. This model can also be seen as the type of welfare state that is a mixture of the other two models. The most characteristic country to fit this description is Germany.
- **Social democratic:** The main characteristics of this model are universal and generous provisions of services and high levels of decommodification. While emphasizing on universal and high quality coverage, welfare is considered as a way of reducing social divisions and promoting equality as well as a high standard of living. All citizens have free access to health services, education and social insurance. The most characteristic country to fit this description is Sweden.

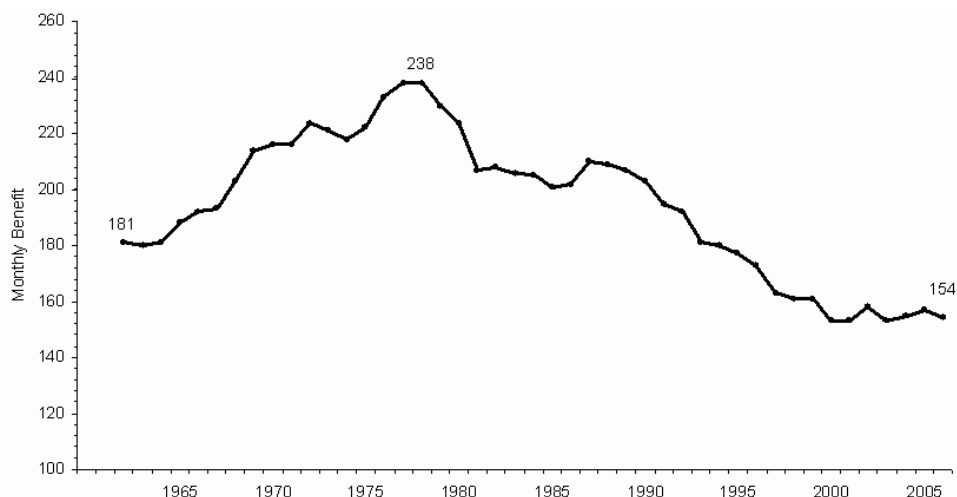
Major countries involved

As stated before, all countries differentiate themselves with their unique economic and social background. The most important countries and categories of countries to this topic are listed and analyzed below:

- **United States of America:** Undoubtedly, the USA can be categorized as a purely liberal welfare state. Being one of the freest and most powerful economies of the world, this country has been fully influenced by the capitalist model, as any government intervention in the market is strongly prohibited and considered a

way to undermine the freedom of the market. The government provides only the absolute basics (e.g. education) to its citizens, who can only cover their needs by accessing the market, i.e. through private companies.

Nevertheless, what is remarkable about the USA is its so-called “social security”, which is a federal program for social insurance and benefits. It is based on funds, which are drawn from taxes that are collected from employees and companies, and are then placed in the “Social Security Trust Fund”. This program involves retirement benefits and all sorts of help to the extremely poor, sick and disabled. However, this system has faced many bureaucratic problems and is considered by many residents and politicians of the USA as a threat to the free market, because the government supposedly intervenes in the flow of the economy by helping some individuals and neglecting others. It is claimed that the provision of help to the poor is responsible for bringing immigrants to the USA and that it encourages economic inactivity, as the people become dependent on the financial aid they receive by the state. This has led to the adoption of the “Personal Responsibility and Work Opportunity Reconciliation Act of 1996”, which has greatly reduced welfare in the USA. It has shortened the budget of social security and it has set many strict guidelines concerning the obtainment of benefits, and that to such extent that any individual can no longer rely on continuous governmental assistance. The decline of welfare benefits in the USA can also be seen in the following diagram:



(Source: United States Department of Health and Human Services)

To sum up, it is obvious that welfare is becoming more and more unpopular in the USA, as it is a capitalist country that never really supported the idea of an extensive welfare state. This becomes even more apparent when taking into account the resent developments in the health sector; President Obama has repeatedly tried to create a universal health insurance system for all employees in the USA, but his proposal has been vetoed by the US legislative organs until now.

- **Nordic countries:** The Nordic model itself has already been analyzed in the previous section; however it is important to state that all Nordic countries have fully implemented the social democratic welfare model and that these countries annually invest huge percentages of their GDP in the provision of free public services, health care, education and social insurance. Their welfare programs apply to all residents of their country, not only to their nationals. Having been influenced by many socialist ideas, these countries provide a high standard of living to all their citizens and have achieved a high ranking in the “Human Development Index”, while still maintaining a strong economy with a free and competitive market.
- **United Kingdom:** The UK has not been clearly categorized, but its welfare state seems to combine characteristics of both the corporatist and the liberal model. There are not many free and universal public services but similar to the USA, they have a social security model, which has been the cause for a lot of heated debate in recent years. It is called “National Insurance” and, being based on monthly contributions of employees, it provides state pensions to retired workers and benefits to people in need. Its future is uncertain, as there has been some criticism concerning benefit fraud and bureaucratic problems.
- **Other European Union countries (Germany, France, Austria, Belgium, the Netherlands, Ireland, Spain, Italy, Greece):** The EU countries are usually characterized by a rather strong economy and a corporatist welfare model. Especially the central European countries have a high GDP, which has evolved healthily in the previous decades. However, especially the southern European countries (Spain, Italy and Greece) have a weaker economy and, therefore, also a less developed welfare state than the other EU countries. While the latter (e.g. Germany) offer public education of a high quality, health care and social insurance, the countries in the south have faced many bureaucratic and budgetary problems because of which they fail to provide most of these services.

- **Canada, Australia, New Zealand, Japan, China, Russia, Switzerland:** These countries are all characterized by a liberal welfare state. They follow the same practices as the USA i.e. a minimalist welfare state with no universal coverage, a selective social security model and low-level treatment. A small amount of GDP is invested in the welfare state and, similarly to the USA, wealthy people are only obliged to pay comparably low taxes. The welfare system in these countries has often been subject to criticism; for example: despite China's fast development of a welfare state and the creation of social security in the past three decades, provision remains inefficient and there are numerous allegations about corruption.
- **Middle East countries (Saudi Arabia, United Arab Emirates, Bahrain, Oman, Qatar, Kuwait, Brunei):** Some of the least advanced welfare states are to be found in these countries, which cannot be categorized using the previously mentioned models, although liberal / minimalistic would best suit them. There are only small provisions for their own nationals, while foreigners living in the country have no access to the welfare system.
- **LEDCs:** Most experts agree that countries with a weak economy have little hope of becoming a welfare state. They usually lack the basic funds to provide the absolute necessities for their citizens, e.g. food and water supply and access to education and health care. Therefore, a welfare state with universal coverage and social security seems like an unreachable goal for the next decades. These countries first have to liberate their markets by reducing corruption, enhancing the private sector, reducing criminality rates and adopting new legislation, which would serve as the basis for a capitalist economy, and only then will they have a chance to make first attempts towards the creation of a welfare state, e.g. by providing small pensions to retired workers, enabling maternity leave and creating a network of schools in the country.

A new threat: the fiscal crisis

Despite all these disagreements concerning the extent to which the welfare state is applied in each country, there is one point on which all experts agree: the welfare state has been experiencing a severe crisis since the 1970s. Where opinions differ is in the exact analysis of the causes and outcomes of the crisis, which has become increasingly more serious over the past years. It is a fact that all states worldwide, even the Nordic countries, have started decreasing the amount of money allocated to the welfare state and, as a result, new laws limiting the provisions and the budget of the

welfare state are passed on a global basis, while the welfare state is under attack by critics, politicians, journalists and many other people. Fewer people are receiving benefits every year and many countries have decided to cease some of their public services and social security schemes. The situation is serious and the question looms: what exactly is the nature of this crisis?

Most people would agree that the crisis is a fiscal crisis and that it has been caused by fiscal pressures. If we take that as a fact, then it is pretty clear what must have caused the crisis:

- The continuous **aging of the population** in MEDCs, as there are statistically increasingly more old people than young people in such countries,
- **Increasing life expectancy**, which is constantly rising due to the higher quality of life and
- The tragic reality of **significant and long term unemployment** on the market.
- Additionally, the recent breakout of the **global financial (and subsequently socioeconomic) crisis** has contributed considerably to existing fiscal crises.

All these factors combined have caused one of the most severe problems of modern society: the working class is no longer able to support the whole country's population. Older people are living longer and, therefore, they have to be supported by the state for a longer time with pensions and health care. People over the age of 65 years are no longer economically active and, consequently, they are just consuming goods while not producing anything. The problem starts when life expectancy begins to rise with the result that such old people live longer and have to be supported by the state for a longer time.

As a result, the working force not only has to support children, but also a constantly increasing number of old people. This is only feasible, if all non-pensioned adults are economically active themselves. However, the global financial recession that broke out some years ago has caused high numbers of unemployment in many countries and, therefore, employees also have the additional burden of supporting the unemployed through the welfare state, as all these unemployed draw resources from the system while not contributing to the support of the elderly population.

As a result of all these considerations the question arises whether the welfare state is collapsing under its own weight. Is it economically feasible and sustainable? Or does it just stand for the excessive consumption of goods with little or no return from its

people? And ultimately: can the crisis be resolved by increasing (or reducing) the amount of money invested in the welfare state or has its death knell sounded?

Widening the debate

- **Economic feasibility of the social democratic welfare state: Common misunderstandings**

When analyzing the social democratic welfare state, many people base their beliefs on wrong beliefs and half-truths. To avoid such unnecessary misunderstandings, you will find below an analysis of the three most common misconceptions concerning the welfare state as it exists in its most advanced form in the Nordic countries.

The first misunderstanding concerns the economic feasibility of such a state, because it would seem that a country, which invests huge amounts of money in public expenditures, will be soon caught up by the costs of maintaining such an expensive system. Therefore, isn't it better for the state not to get mixed up in this process at all and just rely on the market (i.e. private companies) to cover the needs of the people? According to the 2001 Nobel Prize winners in economics it is not.

A new concept arises here: the relatively new theory of a market-based economy with asymmetric information. Despite the theory itself being rather technical, the logic behind it is rather simple to understand: In a market the information available to each person (including individuals, private companies and the state) varies and, therefore, it is distributed on an asymmetric basis. For example, the state itself has far better access to information concerning the buyers on the market (the citizens) than private companies and the providers on the market will ever have. The logical deduction of these arguments is that if the state itself, which has the best and most up-to-date information concerning each citizen, provides the basic goods and services instead of private companies, this will happen far more cost-efficiently and faster.

For example, if the people in Sweden were not universally health insured by the state or if they were deprived of their public education system and other social services, they would have to buy these services on the market. However, if they were provided health insurance by individual companies, this would lead to many financial and bureaucratic problems, such as overbilling and overtreatment and the involvement of other huge but unnecessary costs, as companies would screen out risks and would have to handle legal problems concerning their coverage. To put it simply, if people had to seek all these services on the market, the overall costs of maintaining such a system would be much higher according to the theory of asymmetric information.

From the social point of view, this means that this concept also promotes equality and fairness, as all people receive the same services, if they are provided by the state. As a result, if these services were only provided on the market, poor people would not have access to them or they would only have “poor services” as well. As the British economist Nicholas Bar has stated, these information problems “provide both a theoretical justification of and an explanation for a welfare state which is much more than a safety net. Such a welfare state is justified not simply by redistributive aims one may (or may not) have, but because it does things which markets for technical reasons would either do inefficiently, or would not do at all”.

The second misconception concerns the belief that a welfare state is connected with a lot of bureaucracy and no freedom of choice concerning the services. Although this would partially apply to some countries with a less advanced welfare state, it is apparent that this belief is wrong especially concerning the Nordic countries. For example, their public schools compete with private ones, which are obliged to function under the same rules as the public educational system, which has been declared as the best educational system in Europe after the deduction of some PISA tests. Being free to all and easy to access, these systems require no entry tests, as many schools in other countries do, and they are considered a role model in the educational sector. As a result, the welfare state can be combined with consumer choice very well and it does not necessarily involve a lot of paperwork.

The third and last misconception is also the most difficult one, as it cannot be resolved by simple argument. Many people believe that a high level of public expenditure may negatively influence the economic growth of the free market of a country, as the state itself covers all the needs of the citizens and does not leave any freedom to the market. Although this argument can be dealt with simply by considering the vast economic growth of Western countries and especially of the Nordic countries, where a high level of taxation is imposed on the citizens and in return many services are provided, many people and even countries, such as the USA, are still of the opposite opinion and refuse to make any changes towards a social democratic welfare state, as they claim that this would be a direct and fatal intervention in the freedom of the market. Indeed, the construction of a social democratic welfare state does demand a strong legislative regulatory framework, also imposed on the market, in order to make the administration of a very complex and costly system possible. Despite all its benefits, this system is not the solution to all the state’s socioeconomic problems, especially when we take into account the fiscal crisis which has evolved due to this system’s high pressure on the public budget. Finally, this system cannot be adopted by all countries, as a basic precondition for its existence is a strong and healthy economy.

- **(Dis)advantages of the liberal welfare model**

After having analyzed the social democratic welfare state, it is necessary to make a brief presentation of the benefits and drawbacks of the opposing system: the liberal welfare state as it exists in many countries such as the USA.

An advantage of this system, which often comes to mind first, is the low tax burden. Furthermore, it has been proven that such a state is not sensitive to demographic changes amongst the population, as the low amount of services provided also involves low costs, low pressure on the public budget and no need for an immediate response to changes in the population and economy. What is more, it is claimed by many people that it stimulates and promotes job growth amongst the poor parts of the population, as they cannot rely on the government and are usually forced to look for jobs on their own. As a result, there is no dependency on the government and the market is left to its own to develop naturally.

However, there is always another side of the coin. The adoption of a liberal welfare state causes high inequality amongst the population and great social fractures, as eventually a two-class society is created with a large gap between the poor, who receive little or no help, and the rich, who only have to pay low amounts of taxes. As a result, the welfare state is extremely unpopular in such countries, as we can see from the example of the USA, and usually unsustainable; in a sense that its existence does not increase social cohesion or the capacity of the labor force through education and social safety by insurance, while there are no substantial long-term positive repercussions for the national society or economy to be found, in contrast to the social democratic welfare model. Finally, as only certain individuals with specific preconditions receive benefits, a negative social stigma is attached to all benefit recipients.

- **Problems of the (modern) welfare state**

All welfare states, no matter which category they match, have to deal with certain unresolved problems and difficulties that are almost impossible to overcome. Below you will find a list of these problems and relatively new challenges of the modern welfare state:

1. Benefit fraud is a common problem of the welfare state. The term itself means that the money, which is intended to be used for the financial aid of the people in need, ends up in the wrong hands and/or is misused. This involves both the

theft of government money by corrupt government officials and also the claiming and misuse of benefit money by people who do not need actual help. This problem is connected with the second problem, namely:

2. The difficulty of determining the exact amount of the necessary services. Despite the state having access to a lot of information, there is always the problem of insufficient and wrong data. As a result, it is almost impossible to determine which exact individuals and social groups need help the most and who should be granted financial aid. Fair distribution of money is an important goal for all welfare states, as it is important to meet the needs of all individuals and not to create social fractures by favoring one particular social group.
3. Another challenge is the question of how to offer incentives to people for productive work. By giving them too much money, relatively large amounts of the population start relying on the government and, consequently, they have no reason to look for a job. It is necessary to find a way of financially supporting them and including them in the welfare model without promoting their economic inactivity.
4. What is more, it is of crucial importance to ensure overall efficiency in the operation of complex mechanisms, such as bureaucracies and state monopolies. Especially when the state covers the many needs of the population and creates a form of a state monopoly, it is important to ensure its efficiency and effectiveness without causing too much unnecessary paperwork and without destabilizing the economy.

- **Impact of the welfare state on the economy and society: Capitalism in comparison to social democracy**

All the previous arguments give no clear conclusion about what is better for the future. Is it better to have a social democratic or a liberal welfare state? Or is the welfare state a failed model that caused so much economic instability and chaos that it is necessary to abandon it once and for all? There are as many answers to these questions as there are countries.

It has become apparent that every country has attempted to approach the issue in a different way. As we examine all the arguments, it is obvious that all these disagreements concerning the welfare state stem from one single conflict: capitalism versus social democracy. On the one hand, there are countries with an almost purely capitalist model, such as the USA, which support the idea that the state has no right to

intervene in the economy and create state monopolies by providing basic services to its people, as it is the obligation of the free market to provide them to all of its people. Everyone has to be treated on an equal basis, which includes an equal tax burden for all and no particular and undeserved special treatment for the poor. On the other hand, there is the social democratic model as it exists especially in many European countries and according to which it is the obligation of the state to provide all basic goods and services while helping out the poor, so that social equality for all is achieved.

There is not one true and universal answer to this economic and social issue. On the contrary, every country attempts to resolve this issue according to its own beliefs.

The history of the welfare state / Timeline of events

Date	Description of event
19 th century	Bismarck creates the first form of the welfare state in Germany by implementing social insurance in legislation.
1906 - 1914	Liberal welfare reforms in the UK including the “1909 Labour Exchanges Act”, the “1909 Development Act” and the “1911 National Insurance Act”.
1933 - 1936	The “New Deal” in the USA, which promoted economic growth and promoted liberal ideas including the enactment of the “1935 Social Security Act”.
1942	The Publishing in the UK of the “Report of the Inter-Departmental Committee on Social Insurance and Allied Services” by Sir Beveridge, which proposed a series of measures towards helping the poor and creating a stronger welfare state; this is considered by many as the birthdate of the modern welfare state.
1945 - 1948	The “1945 National Insurance Act”, the “1948 National Assistance Act” and the “1948 National Health Service Act” are created in the UK: first model of a modern welfare state.

1996	The enactment of the “Personal Responsibility and Work Opportunity Reconciliation Act” in the USA, which reduces the amount of benefits granted through social security.
2012	The enactment of the “Welfare Reform Act 2012” in the UK, which creates new taxes and diminishes the benefits.

Relevant UN Provisions

Although there has never been an international treaty or resolution specifically concerning the welfare state, a reference to the “Universal Declaration of the Human Rights”, which was adopted by the United Nations General Assembly in 1948, seems appropriate, as for the first time in history there was a document, which declared that every human being had the right to education, health care, equality, food, water, housing and an acceptable standard of living. The welfare state, which had been born just a few years earlier, has exactly these goals as its purpose, since it intends to ensure a high standard of living and access to all basic services to its citizens.

Possible Solutions

Especially with the emerging problems of the welfare state and the fiscal crisis, it has become apparent that the current situation has to change. Despite all the recent disagreements concerning the measures that have to be taken, below you will find some of the measures that have been proposed. However, it is up to each country to decide whether it should adopt each measure and whether the measures are in accordance with its policy on welfare states.

1. As previously mentioned, there are no international standards or guidelines concerning the welfare state. The creation of such could be very beneficial to the international community as a whole as the increasingly predominant topic of the future of the welfare state has never been discussed on an international basis. Therefore, a possible measure is to create treaties and multilateral agreements between countries with a rather similar policy. Besides the beginning of negotiations and the drafting of treaties, the creation of partnerships and unions similar to the European Union could prove to be beneficial.

2. The reduction of corruption within the government and more careful processing of welfare funds could improve the situation, as new laws, which would increase the monitoring on the agencies responsible for the distribution of benefits, could finally prevent extensive benefit fraud.
3. Detailed market analysis could help solve the problem concerning the difficulty to determine the necessary amount of services that each individual and social group needs and, as a result, also decrease social fractures after a more even distribution of benefits. This could happen through the consultation of experts and through co-operation with private companies, so that all necessary information becomes accessible to the government.
4. The minimization of paperwork and bureaucracy in the welfare system would surely greatly improve the efficiency of the welfare state. However, it is up to each country to decide how it wants to achieve this; through new legislation or through targeted reforms in their public employment sector.
5. The decentralization of the provision of goods and benefits would surely grant the possibility for a more targeted approach. A nation-wide distribution involves a lot of paperwork and organizational difficulties, while a closely monitored targeted approach within each local government unit would ensure better access to information, a more even and faster distribution of goods and more contentment amongst local citizens, as they would have the feeling that they get something in return for the taxes, which they are obliged to pay. As paradoxical as it sounds at first, many experts agree that in today's globalized society, the local community plays an increasingly important role in the economic and social development of a country.
6. It is obvious that in almost all countries, such as the UK, the budget for social welfare has to undergo some serious changes. As only some parts of the population are being covered, many people are left out of the system and, as a result, social fractures are caused. If their economy is strong and able to endure it, they should consider increasing the budget or making some welfare reforms in the country, such as reducing the strictness of the entitlement rules for the obtainment of benefits.
7. Another important factor of welfare is taxation. It is obvious that the more advanced the welfare system is in a country, the higher are the taxes, especially for the wealthy, who have to contribute a lot to the welfare system. It is up to each

country to decide if it wants to make some reforms in this sector by imposing higher or lower taxes as a way of funding their reforms in the welfare system.

8. As previously stated, LEDCs have little prospect of becoming advanced welfare states in the next years. However, an important step towards the creation of a first form of social security is the creation and strengthening of trade unions in their own country so that the rights of workers are increased and, as a result, the economy is liberated. Furthermore, on first approach and if their economy can stand it, they could make some minor changes in legislation, such as laws empowering women to work and enabling maternal leave and small pensions. Of course they should refrain from too much direct government intervention in the economy, as then it would become too repressive. Finally, cooperation and increased trade with neighboring LEDCs and even with MEDCs would surely promote economic growth. The matter of LEDCs is a very complex one and many attempts can be made on a multilateral basis to promote the creation of welfare state and some social security.

The previous list of measures apparently is incomplete, since every country has been shaped by different factors and, thus, has to tackle the fiscal crisis with a different approach. Some other possible measures may include changes in the infrastructure of a country, the creation of new trade routes and agreements, reforms in the public sector and generally all other measures that might (hopefully) improve the current situation.

All in all, the topic of welfare states is indeed difficult to be handled as there is no specific goal or target that has to be achieved: no one is definitely sure what the perfect form of a welfare state would look like. The best thing every country can do for now is to promote their own policy and interests by improving their existing model and considering potential reforms, both economic and social ones.

In conclusion, this is social democratic welfare: the large-scale economic and social intervention and intrusion of the government in society on behalf of society. The question, whether this is good or bad, remains unanswered.

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