

The Political Economy of the American Welfare State

HS354a

Spring 2019

Wednesdays, 9:00 to 11:50

Instructor: Robert Kuttner

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Hours Wednesday and by appointment

Course Background and Objectives

This course will address the political and fiscal foundations of social outlays intended to promote opportunity, security, and equality. These welfare state programs include: retirement security, health, income-support, labor-market regulation and subsidy, the use of tax credits and incentives, and various programs to help children and their parents. We will examine the tax as well as the spending side of the ledger. The course will also explore the politics of austerity as a remedy for budget imbalance and slow growth, and the impact on social spending.

The class will address the question of what kinds of political coalitions support different versions of the welfare state, and their durability. It will address cross-cutting questions of theory and practice, such as the supposed trade-off between efficiency and equality, the use of market incentives to achieve social goals, the issue of whether social provision enhances or undermines individual enterprise, the complications of race, and the issue of universal versus targeted benefits.

Most of the course will deal with the United States, though we will also explore the welfare state comparatively. Students will present short papers, engage in class debates, and be active participants in the course.

There is no textbook. All readings will be posted either as pdf files on Latte or on the syllabus with the designated url link.

Requirements:

Paper: Students will prepare a paper of 12 to 15 double-spaced pages on one of the major class topics, and prepare a short class presentation on the paper-in-progress.

Paper topics are due February 22. Final papers are due April 26. In-class presentations will be made throughout the course. Students are encouraged to propose paper topics early in the term, and class presentations of papers-in-progress will begin in the fourth class.

Presentation and Discussion of Readings. To facilitate class discussion, each student will do a 15-minute oral presentation of one of the readings, as well as six (6) two-to-three-paragraph written responses to a sample of weekly readings. You may choose the readings you find most interesting. Please space them over the term, and please email them to the instructor by midnight the day before they are to be covered in class. Written comments should cover the following questions:

- What are the key arguments or debates in the readings?
- What are the most persuasive points or promising strategies?
- What are your critiques of the readings?

Op-ed Pieces. Students will be asked to prepare one 750-word op-ed article arguing for or against particular policies, theories or arguments on a topic covered in class. This is partly an exercise to work on your writing. The instructor will comment on your first draft and then you will write a final draft. You are also encouraged to share drafts with fellow students. Draft op-ed pieces are due March 15. Final op-eds are due March 29.

Take-Home Exam. A take-home final exam will be distributed in class April 26, and needs to be returned by May 8. The point of the exam is to demonstrate that you have mastered the material. There are no “gotcha” questions.

Grades will be based on

a. Major paper and op-ed: 35 percent

b. Take-home final exam: 35 percent

c. In-class presentations and general participation: 30 percent

Academic Integrity: Academic integrity is central to the mission of educational excellence at Brandeis University. Each student is expected to turn in work completed independently, except when assignments specifically authorize collaborative effort. It is not okay to use the words of another person -- whether a world-class scholar or a fellow student -- without proper acknowledgement of that source. This means that you must use footnotes and quotation marks to indicate the sources of any phrases, sentences, paragraphs or concepts found in published work, on the internet, or created by another student. Minor variations in wording are not sufficient -- borrowed ideas require footnotes as well as attribution in your text.

Remember: footnotes make you look really good -- like the diligent researcher that you are -- while plagiarism makes you look larcenous. Please also refrain

from plagiarizing from yourself. Papers need to be original work, not adaptations of work done for other classes. If you have any questions about standards of academic integrity, please ask the instructor.

Violations of university policies on academic integrity, described in Section 3 of *Rights and Responsibilities*, may result in failure in the course or on the assignment, and could end in suspension from the University. If you are in doubt about the instructions for any assignment in this course, please ask for clarification.

Readings: Please do not be put off by the extent of the readings. My expectation is that you **skim-read** all materials, slow down and read more carefully when you come to something that is really interesting, and we will discuss key points in class. Try to skim-read the following week's material in preparation for each class (before rather than after class), and focus on those that you find compelling.

Multi-Tasking Courtesy: If you would like to have laptops or tablets in class, for purposes of taking notes, that is great. Emailing, texting, checking Facebook, surfing the web, etc., during class, are not permitted. The instructor works hard on this course, and expects full student attention and participation. If you feel that you cannot concentrate enough to stay focused, please don't bring laptops or tablets to class.

Disability Notice: If you have a documented disability on record at Brandeis University and require accommodations, please bring it to the instructor's attention prior to the second meeting of the class. If you have any questions about this process, contact Mary Brooks, Disabilities Coordinator for The Heller School at x 62816, or at maryeliz@brandeis.edu.

Class Schedule:

Unit I. The Welfare State, Economic Efficiency and Income Distribution

Week 1. Wednesday, January 16. Introduction to the Course. Social Provision and the Relationship of Equality to Efficiency.

A. Some core issues about the structure and politics of the welfare state. The particular inefficiency of the American version of the welfare state. "Passive Intervention". The Politics of privatization versus direct public provision. Universal versus means tested benefits. Different strategies of income support. Greater equality of opportunity versus greater equality of results. "Targeting within universalism." The role of race and immigration in political and welfare coalitions.

B. Donald Trump and the welfare state. Why working class voters defect from supporting the welfare state. Why they voted for a billionaire who is substantially opposed to the welfare state.

Required Readings

Robert Kuttner, *The Economic Illusion*, pp 1-49 (PDF on LATTE)

Paul Starr and Gosta Esping Andersen, "Passive Intervention"

http://www.princeton.edu/~starr/articles/articles68-79/Starr_Esping-Andersen_Passive_Intervention.pdf

Robert Kuttner, Hidden Injuries <http://prospect.org/article/hidden-injuries-0>

<https://www.nytimes.com/2016/11/20/opinion/sunday/the-end-of-identity-liberalism.html>

Week 2. Wednesday, January 23. The American Welfare State in Comparative Perspective.

A. Why is social provision in the U.S. underdeveloped and fragmented compared to other western democracies? Are European welfare states increasingly on the same trajectory as the U.S.—to more individualism and wider inequality? What is the connection between a weakened welfare state and economic globalization?

Jonas Pontusson, *Inequality and Prosperity*, 15-31; 182-203 (PDF on LATTE)

Esping-Anderson, *The Three Worlds of Welfare Capitalism*, Chapter 1 (PDF on LATTE)

Kuttner, "The Copenhagen Consensus" (PDF on LATTE)

Robert Solow, "Low Wage Work in Germany" (PDF on LATTE)

Robert Reich, extract from "Saving Capitalism" (PDF on LATTE)

B. Donald Trump's Assault on the Welfare State.

<https://www.cbpp.org/press/statements/greenstein-house-budget-committee-2019-budget-continues-trend-of-harsh-deep-cuts>

Week 3. Wednesday, January 30. What Happened to the Income Distribution, and Why? Between World War II and 1973, incomes rose with productivity and the income distribution became more equal. Since 1973, productivity and median income growth have diverged and the society has become dramatically more unequal. Most advanced welfare states have experienced similar, though less extreme, trends. What drives increasing inequality in the U.S. and other western societies? The relationship of income inequality to wealth inequality. The impact on inequality of wage and salary and capital income versus taxes and transfers.

Josh Bivens, in "New Economic Paradigms" (LATTE pdf), pages 105-126

Ian Dew Becker and Robert Gordon, "Where Did the Productivity Growth Go?"

<http://zfacts.com/metaPage/lib/gordon-Dew-Becker.pdf>

Economic Policy Institute, *State of Working America*, Chapters 2 and 3

<http://stateofworkingamerica.org/files/book/Chapter2-Income.pdf>

<http://stateofworkingamerica.org/files/book/Chapter3-Mobility.pdf>

Week 4. Wednesday, February 6. Labor Market Policy, Economic Deregulation, Trade Unionism, and the Declining Middle. The slow erosion of labor market protections, the reversion of labor to a laissez-faire spot market, and the consequent increase in economic inequality.

Required Readings

Kuttner, "The Declining Middle" (PDF on LATTE)

Economic Policy Institute, *State of Working America*, Chapter 4

<http://stateofworkingamerica.org/files/book/Chapter4-Wages.pdf>

Katherine Stone, and Harry Arthurs, *After the Standard Contract of Employment*, Chapter 4, and Appendix (PDF on LATTE)

Steven Greenhouse, "On Demand and Demanding their Rights,"

<http://prospect.org/article/demand-and-demanding-their-rights>

"IMF Involvement in Labor Market Reforms," ITUC

<http://www.ituc-csi.org/IMG/pdf/ituc-imf-1.europe-background-paper.0213.pdf>
[S](#)

Week 5. Wednesday, February 13. The Skills Debate. What is the evidence for the widespread conviction that America's widening income inequality and proliferation of bad jobs reflects bad schools and inadequate worker skills? **Paper topics Due**

Required Readings:

Robert Kuttner "Why Work is More and More Debased". New York Review of Books (pdf LATTE)

"Tough Choices or Tough Times," (executive summary) National Center on Education and the Economy

<http://www.ncee.org/wp-content/uploads/2010/04/Executive-Summary.pdf>

Mishel and Rothstein: "The Skills and Schools Debate"

<http://www.epi.org/page/-/old/webfeatures/viewpoints/prospect2007oct-mishel-rothstein-p44-47.pdf>

Mishel et al:

<http://www.epi.org/files/2012/wp295-assessing-job-polarization-explanation-wage-inequality.pdf>

Paper topics Due

Unit II. Fiscal Politics of The Welfare State

Week 6. Wednesday, Feb. 27. The Great Deficit Debate. What are the sources of the current era of relatively slow growth, and the connections between recession and deficits? Does economic recovery require more public outlay financed by deeper deficits? Or does it require belt tightening and a definite path to fiscal balance? What are the macroeconomic assumptions and arguments on both sides of

the debate? Can an economy “grow its way out of debt?” What are the politics of the issue? How much of the policy debate is about timing and sequencing of public spending -- versus ideological views of government? How would various deficit-reduction plans affect social policy goals and different populations?

Required Readings:

Bowles Simpson Commission: *Co-Chairs’ Proposal*:

http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/CoChair_Draft.pdf

(skim this to grasp the economic logic)

Economic Policy Institute: <http://www.epi.org/files/2013/bp355-five-years-after-start-of-great-recession.pdf>

Bipartisan Policy Center: “How the Sequester Works”:

<http://bipartisanpolicy.org/sites/default/files/Sequester%20Presentation%20.pdf>

Richard Kogan: “Budget Cuts Beyond the Sequester”

<http://www.cbpp.org/files/9-25-12bud.pdf>

Robert Kuttner, *Debtors’ Prison*, 51-67 (PDF on LATTE)

<http://prospect.org/article/massive-spending-cuts-tax-acts-hidden-costs>

Week 7. Wednesday, March 6. How We Pay For the Welfare State. How do we finance different levels of government? What are the effects of our tax system on economic performance, the capacity to finance social investment, and the income distribution? What do different protagonists to the debate mean by “tax reform?” This class introduces tax policy and emphasizes federal tax politics and the changing incidence of federal taxation over the past sixty years.

Required Readings:

Who Pays Taxes: <http://www.ctj.org/pdf/taxday2012.pdf>

CBPP, “Where Do Federal Tax Revenues Come From?”

<http://www.cbpp.org/cms/?fa=view&id=3822>

“Who Pays State and Local Taxes” <http://www.itep.org/pdf/whopaysreport.pdf>

(Read pps. 2-17)

CBPP: “Do Low Income People Pay Taxes?”

<http://www.cbpp.org/files/5-26-11tax.pdf>

Week 8. Wednesday, March 13. From Proposition 13 to Donald Trump: the Politics of Fiscal Backlash

A. How do we finance state and local government? What has happened to state and local taxes and spending since the financial collapse of 2008? Unlike the federal government, most states must have balanced budgets in any given year. In a recession, reduced revenues cause them to cut services and raise taxes, which is the opposite of good counter-cyclical policy. How are different states dealing with their current fiscal crisis, and what broader reforms for inter-governmental finance are

desirable and possible? How is the current fiscal and economic crisis influenced by the thirty-five year effort to limit taxes, starting with California's Proposition 13 in 1978, and continuing with the effort to promote tax caps and super-majority requirements such as the Taxpayer Bill of Rights (TABOR)? Why the tax revolt happened. Where it leaves our ability to finance public services. What an ideal tax system would look like. What kind of tax system sufficient to finance a comprehensive welfare state is politically possible?

B. Trump Administration and fiscal federalism. The politics of block-granting and pre-emption. Can Blue States withstand a Red National Administration?

Required Readings:

Robert Kuttner, *Revolt of the Haves* Extract (PDF on LATTE)

Abby Rapoport, Blue Cities Battle Red States

<http://prospect.org/article/blue-cities-battle-red-states>

CBPP, Medicaid Block Grant <http://www.cbpp.org/blog/medicaid-block-grant-would-add-millions-to-uninsured-and-underinsured>

The Atlantic, Exposing ALEC

<http://www.theatlantic.com/politics/archive/2012/04/exposing-alec-how-conservative-backed-state-laws-are-all-connected/255869/>

Iris Lav and Erica Williams, *A Formula for Decline: Lessons from Colorado for States considering TABOR* (Center on Budget and Policy Priorities.)

<http://www.cbpp.org/cms/index.cfm?fa=view&id=753>

CBPP, "Threats to State Finances"

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3903>

Unit III. The Welfare State and Social Justice

Week 9. Wednesday, March 20. Socialized Health Care: From Medicare to ObamaCare. What are the differences, conceptually, politically and administratively between Medicare and the Affordable Care Act? The inefficiencies and political vulnerabilities of partial reform; the political consequences of extreme complexity. Is the ACA at risk of a death spiral of rising co-pays and deductibles, increasing premiums, and a narrowing pool of insurers? How will the Trump Administration failed to kill the ACA? Is privatization of Medicare back on the agenda?

Required Readings:

Dean Baker, "The Bipartisan Attack on Medicare"

http://www.prospect.org/cs/articles?article=the_bipartisan_attack_on_medicare

Paul van de Water, Comment on the Medicare Trustees Report

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3265>.

Jonathan Chait, "Obamacare Working Well."

<http://nymag.com/daily/intelligencer/2014/12/4-new-studies-obamacare-working-incredibly-well.html>

John McDonough, The Demise of Vermont's Single Payer Plan
<https://www.nejm.org/doi/full/10.1056/NEJMp1501050>

Vox: Why ObamaCare Repeal Failed
<https://www.vox.com/policy-and-politics/2017/7/31/16055960/why-obamacare-repeal-failed>

Week 10. Wednesday, March 27. The Complication of Race.

The American Welfare State excluded or discriminated against African Americans, splitting the political coalition of support, and leaving a legacy of state-sponsored racism that persisted long after the explicit discriminatory policies were abolished. How have some welfare-state policies bridged racial gaps and reinforced multi-racial coalitions while others have exacerbated racial divides?

Katznelson, *Fear Itself*, 157-194, extract LATTE pdf

William Julius Wilson, "Race Neutral Policies and the Democratic Coalition"

<http://prospect.org/article/race-neutral-policies-and-democratic-coalition>

Valelly, *The Two Reconstructions*, extract LATTE pdf

Kennedy, *For Discrimination*, extract LATTE pdf

Rothstein, *What the Fisher Decision Ignores*

<http://www.epi.org/blog/fisher-decision-ignores-diversity-replace/>

Rothstein, *The Making of Ferguson*

<http://prospect.org/article/making-ferguson-how-decades-hostile-policy-created-powder-keg>

Week 11. Wednesday, April 3. The Retirement System I: The Social Security

Debate. Much of the case for cutting social insurance is based on the assertion of "generational justice." What are the economic realities facing younger Americans and what is the connection to the financial condition of social insurance for the elderly? Does Social Security provide too much or too little? What is the actual fiscal condition of the Social Security system? What are the options for strengthening it? For partly privatizing it?

Required Readings:

"Looting Social Security" <http://www.thenation.com/article/looting-social-security>

An exchange between William Greider, David Walker, and Peter G. Peterson

Nancy Altman and Eric Kingson, "Social Security and the Deficit,"

http://www.prospect.org/cs/articles?article=social_security_and_the_deficit

Wall Street Journal: "Generational Theft"

<http://online.wsj.com/article/SB10001424127887323485704578257753243530078.html>

Robert Kuttner "Greedy Geezers Reconsidered"

<http://prospect.org/article/greedy-geezers-reconsidered>

Week 12. Wednesday, April 10. The Retirement System II: The Crisis and Politics of Private Pensions and State and Local Public Plans. The private pension system, state and local systems, 401 k plans, Keoghs, and similar tax-deferred savings plans are in far worse condition than Social Security. The shift from defined benefit to defined contribution plans. What is the condition of the private part of America's retirement system and what are the politics and policy choices?

Paper Due. Take-Home Final Exam Distributed. Exams are due back to the instructor May 8.

Required Readings:

Teresa Ghilarducci, *When I'm 64*, Introduction (PDF on LATTE)

Alicia Munnell et al, "How Prepared are State and Local Workers for Retirement?" (PDF on Latte)

Teresa Ghilarducci, State GRA's. To be distributed.

Demos, "The Failure of the 401k"

[http://www.demos.org/sites/default/files/publications/TheFailureOfThe401\(k\)_Demos.pdf](http://www.demos.org/sites/default/files/publications/TheFailureOfThe401(k)_Demos.pdf)

Week 13: Wednesday, April 17. The Welfare State and the Working Family.

America's underdeveloped system of work supports, parental leave, child-care, high quality pre-kindergarten, the crisis of financing education. Why is these such broad support and such political resistance? The Politics of social class and the private welfare state

Required Readings:

CLASP, Early Head Start

<http://www.clasp.org/admin/site/publications/files/EHS-Trend-Analysis-Final.pdf>

Center for American Progress, "The Student Debt Crisis,"

<http://www.americanprogress.org/wp-content/uploads/2012/10/WhiteStudentDebt-3.pdf>

Jason DeParle, Poor Kids and College, *New York Times*

<http://www.nytimes.com/2012/12/23/education/poor-students-struggle-as-class-plays-a-greater-role-in-success.html?pagewanted=all>

Chuck Collins, "The Wealthy Kids Are All Right," *American Prospect*

<http://prospect.org/article/wealthy-kids-are-all-right>