

**Still there but for how long?:
The counter-intuitiveness of the universal welfare model and
the development of the universal welfare state in Denmark**

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Abstract:

Theory argues that Social Democratic parties strive for more universal welfare benefits. However, this paper argues that universal welfare benefits are also attractive to right-wing parties because of their market conformity. Further, Social Democratic and other left-wing parties may argue against universal benefits based on arguments about redistribution. The weakness of the universal welfare model is thus that its redistributive effects are counter-intuitive. The argument of the article is supported by the development of universalism in the Danish welfare state during the last decades. Moves away from universalism have mostly been taken by Social Democratic governments, and moves towards universalism have mostly been taken by right-wing governments.

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Introduction

Like the welfare state in many other countries, the Danish welfare state has faced “permanent austerity” (Pierson 1998) during the last decades. High unemployment, public debt, an aging population etc. have put the welfare state under financial pressure. Even though there are conflicting evaluations of the development of the Danish welfare state in this period (e.g. Korpi 2002, Andersen 2000b and Green-Pedersen 2002a), most observers argue that the Danish welfare state has actually survived quite well. Some cuts have taken place in especially unemployment benefits and early-retirement benefits, but other parts of the welfare state have actually been expanded under “permanent austerity”. However, it is important to be aware that the question of “what has happened to the (Danish) welfare state” can be asked from different perspectives which result in different answers (Green-Pedersen forthcoming). Most studies of the Danish welfare state focus on the generosity of the welfare state, e.g. the level and duration of benefits. However, it is also relevant to focus more on the institutional characteristics of the Danish welfare state. The general picture of continuity may hide important changes in the institutional characteristics which on a long term may have significant consequences.

One of the most important institutional traits of the Danish welfare model is universalism, which in this paper is understood as a welfare model “providing adequate benefits for (almost) the entire population” (Rothstein 1996). Even though the general picture of the Danish welfare state over the last decades is one of expansion as much as one of retrenchment, it is an open question what has happened to the universalism of the Danish welfare state. This is the topic of this paper. Empirically it focuses on the Danish pension system, a policy area that is frequently discussed in relation to universalism, but it also looks at a couple of other policy areas, especially child allowances.

Theoretically, the paper will take its point of departure in the debate about the political underpinnings of the universal welfare state. The most well known theory of the universal welfare state is power resource theory (e.g. Esping-Andersen 1985), which argues that the universal welfare model is politically strong because it is based on a class compromise between the working class and the new middle class, serving the interest of both. Social Democratic parties are, therefore, considered the main advocates of universalism. However, Rothstein (1996) argues that the political strength of universal welfare is based on the moral logic involved in preventing a debate about how much society should give to those who cannot take of themselves.

This paper offers a different argument about the politics of the universal welfare state. It argues that right-wing or bourgeois parties often push for more universal benefits because they are more market conforming than income- or means-tested benefits. Universal benefits do not damage market incentives to take a job or save for your own pension. On the other hand, left-wing or Social Democratic parties often argue for more income- or means-tested benefits because they are argued to be more redistributive.

The first section presents the theoretical debate about the universal welfare model. Then follows a section on the development of the Danish pension system in terms of universalism over the last decades. The next section looks briefly at universalism in other welfare schemes, showing that it has survived and in some regards even been expanded in Denmark in recent decades. Then follows a look at the current political debate in Denmark about universalism, which shows the weakness of the political arguments behind universalism. The paper ends with a conclusion.

The political underpinnings of the universal welfare state

Before discussing the different theories of the political underpinnings of the universal welfare model, the concept of universalism itself deserves a few comments. The concept is often used in different ways, which of course is problematic as the different theories of the political underpinnings may refer to different things. A general question is whether the different definitions see the universal welfare model as the welfare model actually found in Scandinavia or as a theoretical model, which exists in various forms in Scandinavian and other countries (Andersen 1999). This paper follows the latter solution and understands the universal model as suggested by Rothstein (1996) as one where the welfare schemes offer adequate benefits for (almost) the entire population. Based on this definition, attempts to limit the number of benefit recipients through for instance means testing are to make the welfare state less universal. Reducing the level of benefits may also be considered a move away from universalism in so far as they are reduced to a level where they can no longer be considered adequate for people with average or just above average income.

The most famous theory of the political underpinnings of the universal welfare model is the “power resource” theory (O’Connor and Olsen 1998). The core of the power resource theory is that the universal welfare model is established as a class compromise between the working class and farmers, and later, when there were fewer farmers, the new middle class

of white-collar workers (cf. Esping-Andersen 1985 and 1990). For the working class it was crucial to secure a class alliance because it could never achieve a political majority on its own. Building a coalition with farmers and later with the new middle class secured a political majority. The price was that welfare state benefits had to be tailored to the interests of the coalition partners, which was also the reason for making benefits universal. Otherwise, farmers and the new middle class would turn towards the market. Benefits need to be for everyone and at a fairly high level to crowd out private alternatives.

However, the argument that adequate benefits are necessary to achieve the crowding out is most relevant with regard to social risk where private alternatives exist such as pension systems. With regard to e.g. child allowances, a private alternative is not really there and universalism is more a strategy to secure middle class loyalty and willingness to pay taxes. The crowding out effects is why the power-resources model (e.g. Korpi and Palme 1998), argues that Social Democratic parties should work for schemes such as the Swedish ATP where people with higher income get higher benefits in order to avoid them turning towards the market.

The paradox of the universal welfare state is thus that it serves the interests of the working class by benefiting the other classes as well. This is what Korpi and Palme (1998) label the paradox of redistribution. Giving benefits to large groups in society does not look like a strategy of redistribution, but in fact universal welfare states are the countries with the highest levels of redistribution. The reason is that even though every dollar spent on welfare is not highly distributive, there is still redistribution in the universal model, largely through the tax system, and as the number of dollars spent on welfare is high, the final level of redistribution is high. The universal welfare model is based on Titmuss' (1976) old formulation that "welfare for the poor is poor welfare".

The political implication of the argument about the political underpinnings of the universal welfare model is that Social Democratic parties and other parties that fight for working class interests should also promote and defend universal welfare benefits. In contrast contrary, right-wing parties should work to avoid and reduce universal welfare benefits in order to break the class alliance between the working class and other classes.

Rothstein (1996 & 1998) has argued that the political underpinnings of the universal welfare model today are not so much Social Democratic parties as what he labels the "moral logic of the universal welfare state". Once established, the universal welfare state

affects the norms that govern the political debate of the welfare state. Universal welfare schemes become the starting point for the political debate and the opponents of the universal welfare model must have strong arguments why citizens should suddenly be treated unequally. Further, universal welfare states avoid problems with the implementation of welfare schemes, e.g. deciding whether people are actually needy enough to receive benefits and the concomitant debate that benefit recipients are not really needy. The whole distinction between the needy and not needy disappears in the universal welfare model. Once established, universal welfare benefits secure their own support. Rothstein's argument thus resembles Pierson's (1996) well-known argument that once established, welfare states create a new politics of the welfare state as they create their own political support and new interest groups.

This paper agrees with Rothstein in as much as the strength of Social Democratic parties is not the main political underpinning of the universal welfare model today and that the very limited implementation problems involved in universal systems are part of their strength. Another strength of such schemes is their market conformity. Once income testing or means testing is introduced, they inevitably create a disincentive to behave according to the market, for instance, look for a job or save for your pension. The reason is that you will lose benefits once you have an income from work or have your own pension.

Such disincentives are likely to worry market-friendly right-wing parties, which, therefore, are likely to prefer universal benefits to means or income-tested benefits. This market friendliness of universal benefits is of course, only there until universal welfare benefits crowds out private solution. However, as argued above the "crowding out" problematic is most relevant with regard to pension scheme, where private alternatives exist. With regard to many other schemes such as child allowance and student allowance, a private alternative is not really there.

Rothstein and power-resources theory also overlook a major weakness of the universal welfare model in political debates, namely its "counter-intuitiveness". As proposed by, for instance, Goodin and Le Grand (1987), few would disagree with redistribution as at least one of the central goals of the welfare state. A majority of the Danish electorate also favors means testing or targeting at the general level as the welfare state should support those who need it most (Andersen 2001, 17). As argued above, the universal welfare model *is* highly redistributive, but it is partly counter-intuitive: You have to benefit the rich to benefit the poor. The problem is that this is a social science finding which is considerably more

complicated than the argument that if you should help the less well off, you should target benefits towards them and not give it to everybody. The counter-argument that “welfare for the poor is poor welfare” is difficult to advance very strongly in a public debate. If the debate is about where to focus necessary cutbacks, then it is very difficult to go against an argument saying that you should take benefits away from those who do not really need them and keep them for those in need. This “counter-intuitiveness” is the weakness of universalism in the public debate. Further, the redistribution argument is most likely to be attractive for Social Democratic or other left-wing parties that focus on inequality. Therefore, they are likely to advance it as an argument against universalism.

The empirical sections below look at the development of the pension system and other welfare schemes. The focus is whether the welfare state has actually become more or less universal and the political forces, mainly political parties, that push it in one or the other direction.

More or less universal? The Danish pensions system in times of economic crises

Before looking at the development of the Danish pension system over the last couple of decades, a few words on its historical development are necessary. The historical development of the Danish pension system differs from that of the other Scandinavian countries (Salminen 1993), which is a significant reason the Danish welfare state is considered the least universal of the Scandinavian welfare states from a power resources perspective (Esping-Andersen 1985):

During the late 1940s and 1950, all three Scandinavian countries introduced national pension schemes covering the whole population and at fairly high levels. However, it was clear that for people with higher income, these schemes offered inadequate compensation, and this triggered political discussions about income-related pension schemes on top of the basic pension schemes. After intense political debate, Norway and Sweden introduced the ATP schemes offering earnings-related benefits on top of the basic pension. Universality was thus secured in these countries as everyone was covered by the same scheme with adequate benefits also for people with high earnings, and private pensions were crowded out (Esping-Andersen 1985, 145-178).

In Denmark, the national pension was introduced in 1956 and expanded in 1964. At that time, the plan was a flat rate pension for all Danish pensioners. During the 1960s, however, parliament introduced an income-tested element into the pension. The national pension thus came to consist of a universal, flat-rate basic amount plus an income-tested pension supplement, equalling on average approx. 25% of the basic amount. The scheme is a pay-as-you-go system financed through general taxation. An ATP scheme was actually introduced in Denmark in 1963, but contributions and benefits, which are tied to the number of hours worked – not earnings, were at a low level (Vesterø-Jensen 1984). The fact that the need for a second-tier pension scheme in Denmark was not solved created an expanding market for private pensions (op. cit).

There is some disagreement as to why an extensive ATP scheme was not introduced in Denmark. Some link to the political weakness of the Danish Social Democrats compared to their Scandinavian sister parties (Esping-Andersen 1985). Others argue that it was more the result of disagreement between the Social Democratic and the trade unions, which were not really interested in such a scheme, and the fact that the Social Democrats linked the issue to their attempt to introduce economic democracy with central wage earner funds in Denmark (Pedersen 2002, Green-Pedersen & Lindbom 2003). Whatever the cause, part of the “pension question” was still unresolved in the early 1980s in the sense that especially blue-collar workers faced a huge drop in income when retiring.

The national pension was improved in the late 1970s and was the most generous in Scandinavia (Øverbye 1996). In the 1970s, around half of the pensioners received the full pension supplement, approx. 25% a reduced part of it, and the remaining 25% none of it (Vesterø-Jensen 1985, 42-46). Still, even in combination with ATP it was far from adequate as a pension solution for many blue-collar workers. The discussion of the pension issue in Denmark in the 1980s was thus centred on finding a pension solution for the groups that only had the basic pension and the limited ATP. The discussion of the degree of universality in the national pension was closely connected to the debate on finding a solution to this problem.

For two reasons, it was very clear that the solution could not just be a general expansion of the national pension or the introduction of a Swedish like ATP. First, a number of especially public employees had established funded occupational pensions in the 1960s as part of their collective wage agreements, and in the early 1980s around 40% of Danish wage earners had occupational pensions. If the national pension was expanded, these

groups would end up with compensation rates above 100%. The establishment of these pensions had thus laid down a path that precluded a general expansion of the national pension (Green-Pedersen and Lindbom 2003). Second, due to Denmark's economic situation, the tax increases following from a huge expansion of the national pension were impossible. Further, the greying of the population became visible during the 1980s, and funded pension systems such as occupational pensions were preferable to the pay-as-you-go structure of the national pension. Therefore, all political actors advocated some form of occupational pensions (op.cit.).

The political disagreements over the pension issue during the 1980s were first of all around the exact form of occupational funds. Should the system be introduced through legislation or through collective agreements? And should there be one scheme for all blue-collar workers or should they be decentralized to the level of individual trade unions (Green-Pedersen 2003)? However, there was also political disagreement about future of the national pension as a universal pension scheme once occupational pensions had been introduced. Should this element securing some degree of universalism be kept in the pensions system once occupational pensions had been introduced or should it be turned into a means-tested scheme?

In 1985, the Danish Confederation of Trade Unions (LO) presented their vision of the pension system (LO 1985). A suggestion to introduce one central occupational pensions system for all wage earners through legislation was followed by a suggestion to income test the entire national pension. The question caused some controversy between the Social Democratic parliamentary group and the trade unions as the former wanted short-term improvements of the national pension and was unhappy about income testing the basic amount, which had actually been part of the Social Democratic pension policy since the late 1970s (Petersen 2002). The argument behind income testing the entire national pension was redistribution. A national pension targeted towards those with no other pensions could be more generous and thus better for pensioners with none or limited income besides the national pension (LO 1985, 100). However, the suggestion to income test the basic amount was not part of the proposal that the Social Democratic parliamentary group put before parliament in 1986 (Smith 1996).

The right-wing governments in Denmark in the period did not support income testing of the entire national pension. Their pension policy centred on establishing decentralized occupational pension through collective agreements. Part of the strategy was to ease income

testing of the pension supplement, which was done stepwise along with improvements of both the basic amount and the pension supplement. The number of people receiving the full pension supplement thus increased from approx. 50% to approx. 66%. The argument behind making the national pension more universal was to secure that low-wage earners would actually benefit from establishing occupational pensions. If their income from occupational pensions would simply mean a smaller pension supplement, it was hard to ask them to introduce occupational pensions through their collective agreements. Thus, the decade of centre-right wing governments in Denmark from 1982 to 1993 actually made the national pension more universal, mainly by making more groups eligible for achieve the pension supplement (Green-Pedersen 1999).

The only step away from universalism during the period of centre right-wing governments was the introduction in 1984 of income testing of the basic amount based on considerable income from work for the pensioners aged 67 to 69, i.e. people who in fact continued to work. However, the change was marginal as it affected less than 2% of the relevant pensioners. Further, it is interesting that while the Social Democrats fiercely opposed all cutbacks made the by the centre-right government that took office in 1982, they actually supported this one (Green-Pedersen 1999). They even teased the government that it had stolen an old Social Democratic proposal about income testing of the basic amount, a proposal which the right-wing parties had blocked while in opposition. The Social Democrats thus supported more income testing (Folketingets Forhandlinger 1982-1983, 412-417).

In 1993, a Social Democratic-led government took over. At that time, a solution to the pension question had been found. Starting in 1989 and continuing in 1991, occupational pensions were introduced for groups that did not already have them as part of collective agreements. In other words, the centre-right governments more or less achieved the pension solution they wanted. In the end, the trade unions found it more important to have additional pension coverage for their members than to wait for a possible solution through legislation. The new Social Democratic government responded to the final solution to the Danish pension problem by making the national pension more income-tested in the spring of 1993, right after taking office. The change, which was technical and hard to understand for the electorate, is a fine example of what Paul Pierson (1994, 19-22) calls a strategy of obfuscation. It was very difficult for pensioners to understand the effect of the changes made, which were the following:

Single Danish pensioners had always been entitled to an enhanced personal tax exemption, i.e. they paid no taxes on the national pension if they had no other income. One of the elements of the tax reform that the new Social Democratic government also introduced was to make all social benefits taxable and to compensate recipients by increasing benefits. This was also the case with the national pension, but the compensation was added to the income-tested pension supplement after a transition period. Further, the basic amount for all pensioners was lowered slightly, and the pension supplement raised. In sum, the relative importance of the pension supplement relative to the basic amount was increased. Today the two amounts are approximately equal for single pensioners, and the pension supplement equals approx. 50% of the basic amount for a pensioners living together as couples.

For pensioners with no other income than the national pension, the relative importance of the pension supplement and the basic amount does not matter, but for the system in general the change made in 1993 was a step away from universalism and is a long-run saving device. As the occupational pension schemes mature, fewer pensioners will be entitled to the pensions supplement. The percentage of pensioners receiving the full pensions supplement has already declined to 62% in 2002 after increasing to 69% in the 1993 (Statistiske Efterretninger, Social Sikring og Restvæsen, various years, and Statistiske Efterretninger, Social Statistik, 2002, 4). The change of the national pensions was made in connection with the tax reform containing tax reliefs, and the changes were calculated so that no pensioner would lose money after tax, including those hit by the increased income testing of the national pension (cf. Green-Pedersen 2001b, 210-212).

The major right-wing parties voted against the changes due to resistance to the general tax reform. However, the debate in parliament reveals that they also had reservations against the increased income testing of the national pensions, which was the de facto effect of the changes. As usual, their argument was that the changes diminished people's incentives to save for their own pension. The Social Democrats argued that if the effects of the tax reform were included, all pensioners would be better off, and that they had no problems with changes that would benefit needy pensioners most (Folketingets Forhandling, 1992-1993, 10057-10067). The Social Democratic-led government also extended the income-from-work testing of the basic amount to all pensioners, not just those aged 67 to 69. As with the change made for the 67-69 year-olds, the effects are marginal, but it is still a break with the universal national pension introduced by a Social Democratic-led government and opposed by the major right-wing parties.

Since then, the rules for the Danish national pension have remained largely unchanged. The only change worth mentioning was the introduction of an “senior check” at the end of 2002. This was a fairly limited amount given only to pensioners with no other income than the national pension. The check was the result of an agreement between the Liberal-Conservative government that came into office in 2001 and its support party, the Danish People’s Party. The latter demanded the check in return for supporting the budget for 2002. Initially, the check was given for one year, but the government and the Danish People’s Party have now agreed to make the check permanent. The argument behind the check was to help the most needy pensioners. The Social Democrats had no problems with this admittedly small step away from universalism and supported the check in the final vote, although they had no real influence.

Looking at the politics around the Danish national pension during the last two decades, it is hard to see the picture suggested by the power resources approach of the Social Democrats as the main political force behind universal benefits. If anything, the contrary seems to be the case. Under the centre right-wing governments in the 1980s, the national pension moved more in the universal direction, where it moved in the opposite direction during the Social Democratic-led governments in the 1990s. The latter was fully in agreement with the line of the Social Democrats since the late 1970s that once the pension problem had found a solution, the national pension should be more focused on the pensioners with no other income. The reason the non-socialist parties have generally pushed the national pension in the more universal direction is not the idea of universality itself, but their focus on giving people an incentive to save for their pensions. The idea that “saving should pay” works better with a universal than with an income-tested pension system, and this was the driving force behind the moves in the universal directions in the 1980s.

An interesting question is whether the universal elements of the national pension will survive in the future when the majority of pensioners will have their main pension income from occupational pensions. As many of these schemes were not established until the early 1990s, they are not that important for the majority of people retiring today, but they will become so in the decades to come. Today 82% of Danish wage earners are covered by occupational pensions, in most cases paying between 9 and 15% of their income as pension contributions, so in the long run occupational pensions will be the most important part of the Danish pension system (Pensionsmarkedsrådet 2001). Cox (1997) has argued that these changes could mean the end of solidarity in the pension system. When fewer people have

the national pension as an important part of their pension income, their willingness to support it might decline. In addition, occupational pensions automatically increase inequality among pensioners, and this may create political pressure towards more benefits targeted at needy elderly like the senior check.

At present, opinion polls do not indicate a decline in support for a universal national pension, which has very strong support among the electorate (Andersen 2001, 18). The government could implement the same kind of “obfuscated” reform as it did in 1993, but there is little if any indication that the government would be willing to touch the national pension, so the alleged negative consequences of the changes in the pension system for a universal national pension have not shown yet.

Universalism in other parts of the Danish Welfare State

The pension system is far from the only Danish welfare scheme with universal elements, and it is worth examining whether the same dynamics can be found in the other schemes.

One type of scheme which is often universal is child allowances. In Denmark, they were part of the tax system until 1970 when universal child allowance was introduced. However, in 1977 the Social Democratic government made child allowance income tested, and the debate in parliament is interesting (Folketingets Forhandlinger 1975-1976, 12012-12026). The Social Democratic speaker was not happy about making cutbacks, but when they had to be made, taking benefits away from the least needy was a fair way to do it. On the other hand, the Liberals had suggested that the cutback should be made by cutting 10% of everybody child allowances and thus preserving universality. The argument for this solution was that it would avoid the administrative costs following from means testing, but also that it would in fact raise marginal tax rates and make work pay less. Once people increased their income, they would face higher tax brackets and a smaller child allowance.

Income testing was introduced and tightened by another Social Democratic government in 1980. This combined with the fact that the levels in the income testing were not fully indexed cut the number of people receiving the full child allowance from 74% in 1977, when income testing was introduced, to 41.8% 1985 (Knudsen 1987). Limited indexation also decreased the real value of benefits significantly (op. cit.). As part of a tax reform in 1986, however, a broad majority in the Danish parliament re-introduced universal child

allowance and a much higher level of benefits known as the child family allowance. This allowance has since been raised several times, especially for families with small children. Universal child allowance has thus survived in Denmark, but the period from 1977 to 1987, when means testing existed, shows that it has been under pressure. As in the pension area, Social Democratic rule does not seem a good protection of universalism. In fact, the party has been willing to cut back by limiting universality.

Another policy area where there has been debate about universalism is home help for the elderly. Until 1989, well to do pensioners had to pay for home help, which was free for more needy pensioners. Already in 1986, a broad majority in parliament made home help free for everyone, which came into effect in 1989. In 1992, the same broad majority reintroduced fees for the well to do, but regretted the decision and made it free for everyone again later in 1992. The changes in 1986 were, as the changes to national pension in this period, driven by a wish to make saving for your pension pay. The re-introduction of fees in 1992 was a cost saving device, but one that was difficult to administer which caused the reversal later that year. Administrative costs of fees also seem to cause the stronger Social Democratic support for universalism in this areas than in others (cf. Folketingets Forhandlinger, 1992-1993, 3339-3354).

Finally, the Danish student allowance has developed – after several reforms mainly in the mid and late 1980s – from a scheme where benefits were heavily dependent on parents' income into a universal and very generous scheme. For students under 20 attending secondary education, the student allowance consists of a basic amount independent of parents' income and a supplement for students with less well to do parents. These significant moves in the direction of a universal student allowance were made with broad political agreement about the principle of universalism, but with political disagreement about how generous a scheme was possible (cf. Green-Pedersen 1999). Especially the right-wing governments in the 1980s found the scheme too expensive and wanted universal benefits at a lower level.

Neither the pension system nor the examples from other schemes paint a picture of the Social Democrats as supporters of universalism and right-wing parties wanting means or income testing. Actually, in political disagreements about universalism, e.g. in connection with child allowance in the 1970s, the Social Democrats have supported income testing on the grounds that it was the socially responsible solution, whereas the right-wing parties have opposed it, arguing that it was a de facto disincentive to work.

The future of universalism in Denmark

The empirical sections above indicated that the Danish universal welfare state has largely survived. In some areas, e.g. home help for the elderly and the student allowance, the welfare state has actually become more universal. With regard to the pension system, the picture was more mixed due to moves both towards and away from universalism. Further, areas such as the child allowance and home help for the elderly have in periods seen the reintroduction of income testing, so forces pushing away from universalism have also been at play in the period. Politically, it was very hard to find the picture suggested by power resources theory of the Social Democrats wanting universalism against the wish of right-wing parties. Actually, it was the centre-right wing governments from 1982 to 1993 that made the moves in the universal direction, whereas most of the moves in the opposite direction happened under Social Democratic or Social Democratic-led governments before and after this period.

The moves away from universalism were largely made with an argument that introducing income testing was a socially responsible way to make cutbacks as they would only hit the well to do. This kind of argumentation is clearly one of the challenges to the universal welfare model. The “counter-intuitiveness” of the universal welfare model makes it vulnerable to such arguments, not least if they are made by Social Democratic or other left-wing parties. The hot topic in the current welfare state debate in Denmark is how to handle the challenges from the “greying” population. This development will inevitably put pressure on social expenditure, which has caused a recurring debate about how to prioritize. In this debate, powerful actors such as the Danish Confederation of Trade Unions (LO) and the organisation of the Danish municipalities (KL) have argued in favor of income testing the basic pension, child allowance and home help. They have often been supported by left-wing parties and individual Social Democratic politicians.

The voters (Andersen 2001) are to some extent in agreement with these organizations. A majority supports income testing of the child allowance, whereas a majority opposes income testing of the basic amount of the national pension. A recent pole, where voters, by the formulation of the questions, were “forced” to suggest cutbacks to meet the challenges from the greying of the population also showed that income testing of the child allowance and fees for home help could find support (A4, April 14, 2003, www.lo.dk).

The right-wing parties and the Social Democrats have replied that they are not planning cutbacks, so at present moves away from universalism are not about to happen. However, if future government find cutbacks necessary, income testing of, e.g., the child allowance seems likely. Retrenchment of the welfare state is politically very difficult and is the politics of blame-avoidance (Pierson 1994), so if future Danish governments are forced to make cutbacks, they are quite likely to search intensively for areas where they can justify them in the eyes of the electorate (Green-Pedersen 2002b). Income testing of schemes like child allowance seems among the few candidates.

Another future threat to universalism has to do with securing adequate benefits and thus with the crowding out issue suggested by the power resources approach. The Danish health care system came under increasing attack during the 1990s due to waiting lists and alleged poor quality treatment and care. This criticism is not necessarily warranted, but if voters accept it, they show greater interest in private insurance on top of the national health insurance (Andersen 2000a). Voters still strongly support a universal health care system (Andersen 2001), but if they lose faith in it, they may undermine it by turning to private solutions. There are indications that such a process is slowly taking place (Andersen 2000a), and, although private insurance has increased in recent years, it is far from inevitable that this will undermine the universal health care system.

The Social Democratic-led governments from 1993 to 2001 had limited success in restoring the confidence in the health care system, despite increasing budgets. One reason the right-wing parties won the 2001 election was exactly the problems in the health care system. The right-wing parties campaigned for more money to the health care system, and managed to convince the electorate that they would be better at improving the health care system than the Social Democrats (Andersen 2003). The election promises of the right-wing, which they have carried through after gaining government power, were more focused on re-establishing confidence in the public health care system than on making private solutions more attractive. Besides more money to do away with waiting lists, another initiative is an option to receive experimental cancer treatment abroad paid by the public health insurance. Thus, it does not seem that the right-wing parties have been interested in breaking one of the backbones of the universal welfare state, namely the universal health insurance scheme

Conclusions

The focus of this paper has partly been to present an overview of the development of universalism in Denmark during the decades of “permanent austerity“, especially in the pension system, partly to discuss the Danish development in light of the theories about the political underpinnings of the universal welfare model. The two most well-known theories are the power resources theory and Rothstein’s (1996) argument about the “moral logic of the universal welfare state”.

In the theoretical section of this paper, the argument was that both theories underestimate the “counter-intuitiveness” of the universal model, namely that in order to benefit the poor you have to benefit the rich as well. There is strong support for this as a social science finding, but in the political debate, the argument that to benefit the poor you should target benefits at them is much more forceful and is a potential threat to the universal welfare state. Especially in times of economic crises, introducing income testing seems to be a “socially responsible way to save. This was confirmed by the empirical section showing that moves away from universalism in Denmark during the economic crisis were justified by exactly such arguments, and they were typically advanced by the Social Democrats and left-wing parties. The strength of the universal welfare model was argued to be partly the limited implementation problems as argued by Rothstein, but also that it does not damage incentives to, for instance, save for your own pension or to take a job. Exactly such arguments were behind the moves in the universal direction in Denmark and these were mostly driven by right-wing parties focusing on making work and savings pay.

The universal Scandinavian welfare states are generally considered the achievement of the Scandinavian Social Democratic parties, implying that Social Democrats should work for universalism. However, this paper raises doubts as to whether this is true. The reason is that the universal welfare state intuitively conflicts with a social democratic idea that redistribution is a central welfare state goal. This was supported by the overview of the development of the Danish welfare state under the economic crisis. As argued by Pierson (1994) and Rothstein (1996), the very establishment of the welfare state alters the politics around it, and right-wing support for universalism may, therefore, be a result of the welfare state being a matter of fact and may thus be something new. Nevertheless this paper supports more historical studies such as Baldwin (1991) and Nørgaard (2001), which also raise doubts as to whether universalism is really a Social Democratic goal and a Social Democratic achievement.

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