Poverty and near poverty in face of social security expenditure: irresolvable dilemma's for the legitimation of the capitalist state

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Résumé

The paper considers the state's 'social security expenditure' (SST), and – in reference to 'market incomes' – the resulting households' 'disposable income' and 'poverty rate' (defined), taking averages of a sample of 21 OECD countries for 1985-2015 (SST for 1880-2015).

It is argued that in a capitalist system a main function of SST is the legitimation of the state, and hence of the capitalist system. In that sense SST is a system requirement.

The following are the main conclusions. (1) Redistribution of income occurs mainly via SST and only moderately via taxation. (2) Between 1985 and 2015 the gap between the market income poverty rate and the post-transfers poverty rate increased considerably. Without SST in 2015, about 30% of the population would live under the poverty line; with SST it is 11%. (3) SST as percent of GDP increased continuously from 1920 to 1990. After 1990 the state (states) became increasingly caught by a legitimation dilemma, given that it must seek a vast-majority compliance. For the bottom 60% of the income distribution increasing SST would be required, which presses down the disposable income share of the upper-middle and upper classes. The 'solution' was that around 1990 the increase in SST as percent of GDP started moderating, becoming nearly constant after 2010. This is a vulnerable legitimation choice. In the long-run, yet developing capitalist nations will be faced with a similar dilemma.

The paper builds on ch.8 of the author's book *The unity of the capitalist economy and state; a systematic-dialectical exposition of the capitalist system* (Leiden/Boston, Brill 2019); free access at https://brill.com/abstract/title/38778 .
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