

# Wealth and Welfare States: What is the Real Story?

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## **Abstract**

Many believe that the welfare state undermines productivity, economic growth and development; that the United States has an unusually small welfare state; and finally that the United States is and always has been a welfare state laggard. This paper shows that all three propositions are false when one includes education along with cash benefits and health care support as part of the welfare state. We argue that the social programs that constitute the welfare state complement capitalism and enrich nations. The American welfare state is not unusually small, but, it is peculiar in its reliance upon the combination of employer-provided benefits and weak cash benefit programs for the poor. Finally, the United States rather than always being a laggard in welfare state development was a leader in the provision of public education for most of its history, but now lags behind other rich nations.