

Abstract – Einreichung für den Momentum Kongress 2022

Track #3: Der Wohlfahrtsstaat in Transformation

The Post-Growth Funding Dilemma of the Austrian Welfare State

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How can humanity secure the satisfaction of current and future generations' basic needs whilst safeguarding the ecological integrity of the Earth system? This is probably the most pressing question of our time. Currently, no single country is able to provide the basic social foundations for a good life without transgressing national per capita biophysical boundaries (O'Neill et al., 2018). As current development trajectories are expected to further drive ecological deterioration while failing to deliver large-scale social improvements (Fanning et al., 2022), a social-ecological transformation that transcends the hegemony of the growth paradigm is required (Daly, 1996; Ferguson, 2013; Jackson, 2016; Kallis et al., 2018; Latouche, 2009; Paech, 2012; Victor, 2008). Such a social-ecological transformation can, however, only be achieved if societies overcome growth imperatives and structural growth dependencies, thus enabling them to drastically reduce their material and energetic throughput without pernicious socioeconomic consequences.

It is here that contemporary welfare states find themselves in the midst of a fundamental predicament between the perpetuation of the current mode of dynamic stabilisation and the necessity for a profound social-ecological transformation. Due to their embeddedness into the capitalist state and economic system, welfare states are inherently dependent on continuous economic growth in order to maintain their functionality (Bailey, 2015; Büchs, 2021; Büchs & Koch, 2017; Corlet Walker et al., 2021; Gough & Meadowcroft, 2011; Hirvilammi, 2020; Koch, 2021; Petschow et al., 2018; Seidl & Zahrnt, 2010). I argue that the welfare state's dependence on economic growth is essentially a *fiscal* growth dependence, as it currently depends on the continuous expansion of economic activities to generate sufficient revenues to fund its expenditures. A social-ecological transformation from a post-growth perspective hence requires the decoupling of welfare states' functionality from economic growth. In other words, the challenge is to ensure the fiscal sustainability of the welfare state within a degrowing economy without reverting to socioeconomically harmful forms of welfare state retrenchment.

Within this context, I formulate the following two research questions: **In what ways and to what extent does the funding structure of the Austrian welfare state and its public welfare programmes result in a dependence on economic growth? And what policies may be implemented to reduce this growth dependence?** Thus, my contribution addresses one of the five dilemmas of post-growth welfare systems identified by Corlet Walker et al. (2021), namely how to fund welfare states within the context of a non-growing economy. This is what I shall call the *post-growth funding dilemma* of the welfare state. Despite the societal and academic relevance of this issue, an integrated analysis of welfare states' dependence on economic growth in terms of the funding dilemma is currently missing within the literature. In general, the issue of welfare state provisioning has only received minor attention within the post-growth literature (Strunz & Schindler, 2018). It is thus the aim of my analysis to contribute to the literature and address the insinuated research gap in post-growth welfare state research by analysing how the funding modes of the Austrian welfare state gives rise to multidimensional growth dependencies.

My contribution is structured as follows. Following the introduction, section 2 gives an overview of the state of the literature on welfare state growth dependence. I develop a basic typology of welfare state growth dependence building on basic public finance notions. Based on an extensive literature review, I distinguish between four dilemmas of welfare state growth dependence: (i) the expenditure dilemma, (ii) the revenue dilemma, (iii) the automatic stabiliser dilemma and lastly (iv) the post-growth funding dilemma. I then discuss the post-growth funding dilemma in detail. In a nutshell, government tax revenues would inevitably decline in a degrowing economy compared to the status quo, as the extent of taxable economic activities decreases in conjunction, *ceteris paribus* resulting in fiscal pressures on welfare state funding (Bailey, 2015; Corlet Walker et al., 2021). In section 3, I analyse the post-growth funding dilemma from a political economy perspective by drawing on critical state theory, in particular neo-Marxist accounts of state imperatives and the related notion of contradictions of the welfare state (Dryzek et al., 2002; Hausknot, 2020; O'Connor, 2002; Offe, 1984). It will be argued that the funding dilemma is a latent, however, structural contradictory feature of welfare capitalism that is currently mediated through politics of growth. Subsequently, section 4 gives an overview of the Austrian welfare state. I briefly discuss what the term welfare state refers to as to delineate more accurately my object of research. Then I consider the characteristics and the underlying institutional arrangements of the Austrian welfare state from a comparative regime perspective. Lastly, I discuss the social expenditures of the Austrian welfare state and identify the central areas of provisioning, which will serve as the main units of my analysis.

Section 5 then comprises the main part of my analysis. First, the funding modes of the main areas of provisioning of the Austrian welfare state are explored. Subsequently, the funding dilemma of the Austrian welfare state and its welfare programmes is analysed in detail. Specifically, I seek to scrutinise how the respective tax sources for welfare state funding may themselves be subject to growth dependencies, thereby rendering the funding dilemma a second order growth dependence. Building on this analysis, I then discuss policy implications and outline possibilities for reform that might help to tackle the funding dilemma of the Austrian welfare state. Here, taxes on wealth, inheritance, financial capital and land are discussed as possible leverage points with the potential to overcome the post-growth funding dilemma of the Austrian welfare state. In the concluding section, I give a brief overview of my analysis and engage in a broader discussion of my results. First, I discuss the limitations of my analysis and highlight fruitful avenues for further research in this promising field. Secondly, I seek to offer tentative generalisations of the insights developed and draw broader conclusions for the growth dependence of welfare states. Thirdly and lastly, I discuss general implications of my analysis for the discourses on a social-ecological transformation and a post-growth society.

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