



Title: Public goods and social welfare

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Short version

In the European cultural space well-being is based on the good health; comfortable living conditions; personal liberty; safe working conditions; and guarantees in case of unemployment. These elements of well-being can be divided into economic well-being and general cultural, which in turn are associated with fundamental societal values. Well-being can be achieved by satisfying the needs and/or eliminating the unnecessary needs.

In economic terms, meeting peoples' needs requires the consumption of different types of goods. In general, people are convinced that happiness can be bought in a store - by consuming as much private and club goods as possible.

Much less consciousness to yourself that well-being depends also on the health of our social and natural environment. A sense of security is created by a ruled state with an independent judiciary, a free media, internal and external security guaranteed by police and army, the state support to education, science, transport, environmental protection and culture, and a functioning social security system. All the aforesaid goods and services are called public or collective goods. In terms of a market economy, public and common goods are a market failure, which means that the private sector does not provide these goods. Therefore, the government must intervene, because as we discussed above there is a demand for these goods and services in society, as they increase the well-being of people. How governments organize the provision of public and common goods for social welfare, depends on the governmental policy approach to social welfare.

Social welfare is a system aimed at securing various freedoms of the people and at creating better opportunities for economic development through human resource development. Social welfare includes a social security system that supports people in case of sickness, accidents at work, incapacity for work, and unemployment. A country that takes responsibility for social welfare is called a welfare state. The welfare state is not designed for the poor, it is designed to protect people from poverty.

Generally, countries are created by citizens with the aim of increasing their well-being. In order to know whether and at what level a state is fulfilling its goal, one of the tasks of states is to monitor the level of well-being of society. A wide variety of indicator systems have been developed to monitor well-being. For example, the last survey carried out in OECD countries in 2018 shows that life is getting better compared to 2010. We live longer, safer lives, the OECD



average homicide rate has fallen by a quarter, and people feel safer when walking alone in their neighbourhoods. Employment rates and incomes are up and recent surveys suggest people in 2018 were more satisfied with their lives, relative to how they felt in 2013. At the same time insecurity, disconnection and despair affect significant parts of the population.¹ The results of this monitoring will alert policy makers to the setting of new targets.

How governments organize the provision of public and common goods for social welfare, depends on the governmental policy approach to social welfare. The government is elected by the citizens of the country in elections. What goals the government sets to increase the well-being of its citizens and the means used to achieve these goals depends on the socio-political views of the ruling party. Esping-Andersen (1990) developed three main clusters of welfare states: social democratic, liberal and corporative-conservative. According to this study for example Australia, Canada, Japan, Switzerland, and the United States belonged to liberal cluster; Austria, Belgium, France, Germany, and Italy to corporative- conservative cluster; and Denmark, Finland, the Netherlands, Norway, and Sweden to social democratic cluster.²

This study material provides an overview of how different types of social welfare states deal with defining the provision of public and common goods. To achieve this study material covers the following topics:

- How to explain well-being?
- How is classifying goods and services based on the rivalry and excludability?
- How to define social welfare and social welfare state?
- Three types of social welfare states and their vision of the provision of public and collective goods.

Long version

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¹ OECD Better Policies for Better Life. How's Life? 2020 (14.08.2020)

² Esping-Andersen, G., 1990



Introduction

The goal of all governments is / should be to increase the well-being of their citizens. Generally, well-being means just feeling well. Well-being can be achieved by satisfying the needs and / or eliminating unnecessary wants, desires, and dreams. In economic terms, meeting needs implies the consumption of different types of goods. There are different opportunities for classifying or grouping goods. Here we divide the goods into types based on two characteristics: of rivalrous and excludability. On the basis of the existence or non-existence of these characteristics, the goods can be divided into four classes: private goods, club goods, common goods, and public goods. The market economy is relatively successful in providing private and club goods but fails in the provision of public and common goods. This situation is called market failure. In market economies, governments address market failures. The provision of public and common goods depends on the governmental policy of approaching social welfare. According to Esping-Andersen (1990), such approach may be liberal, social-democratic, or corporate-conservative.

The main purpose of this study material is to provide an overview of how different types of social welfare states deal with defining the provision of public and common goods and in doing so, increasing the well-being of citizens. To achieve this goal we will cover the following topics:

- How to explain well-being?
- How is classifying goods and services based on the rivalry and excludability?
- How to define social welfare and social welfare state?
- Three types of social welfare states and their vision of the provision of public and collective goods.

1. Well-being

In every economic system, companies target maximizing their profit and households target maximizing their well-being.³ According to the *Psychology Today*, "Well-being is the experience of health, happiness, and prosperity. It includes having good mental health, high life satisfaction, a sense of meaning or purpose, and ability to manage stress. More generally, well-being is just feeling well."⁴ In the European cultural space well-being is based on the following values: good health; comfortable living conditions; personal liberty; safe working conditions; and guarantees in case of unemployment. These elements of well-being can be divided into economic (economic well-being) and general cultural, which in turn are associated with fundamental societal values.^{5 6 7} Well-being can be achieved by satisfying the needs and/or eliminating the unnecessary needs.

³ Kerem, K., Randveer, M., 2007

⁴ Psychology Today (05.05.2020)

⁵ Sutrop, M., 2016

⁶ Stiglitz, J. E., Sen, A., Fitoussi, J.-P. 2009

⁷ OECD Better Life Index (25.08.2020)



A simplified schematic overview of our needs is shown on Maslow's hierarchy of needs in Figure 1. Abraham H. Maslow (1908–1970) was an American psychologist who was best known for a theory of psychological health predicated on fulfilling innate human needs in priority, culminating in self-actualization.



Figure 1. Maslow's hierarchy of needs⁸

According to Maslow's hierarchy of needs, human well-being is based on meeting their physiological and safety needs. Physiological needs are the underlying needs we cannot live without (food, water, air, sleep, etc.), and safety needs mean feeling safe (physical and financial safety, job security, health). These needs are called basic needs. When basic needs are satisfied, a person strives for realizing their social needs. We all look for social connections in friends and family; we desire to have respect and be respected by others, it includes self-esteem, confidence and a sense of self-achievement. Self-actualization is realizing one's full potential, and it will differ from person to person. This is the highest level of the hierarchy that we strive for.⁹

People often fail to differentiate the concepts of needs, wants and desires. This is confusing, as needs and wants are thought to be synonymous and can be used interchangeably. In fact, needs refer to something that is needed for survival and wants refer to the things and phenomena that people want in life. A person's survival is not in danger if he / she cannot fulfil their wants. Desire is something we want for ourselves. Desires are endless because we are never fully satisfied. Desire is not basic or essential for our existence. Wants and desires, distort our self-esteem and lead us to a lower appreciation of our well-being.¹⁰ All people strive for their needs, desires and dreams to be fulfilled, i.e. they try to maximize their well-being.

Various indicators have been developed to determine whether well-being of people is increasing. Governments use **Gross Domestic Product (GDP)** to get an overview of society, but this indicator does not include information on people's happiness and satisfaction. In order

⁸ Professional Academy, (08.05.2020)

⁹ Ibid

¹⁰ Purju, A., 2004



to get an overall picture of what is happening in society, social and environmental developments must be taken into account in addition to GDP, as intangible well-being is an important criterion for achieving general well-being and happiness of people.

In addition to GDP, countries use for example, the Canadian Index of Well-being (CIW), the Happiness Index of the Bhutanese people, the Quars initiative in Italy, the Stiglitz Commission in France, and so on.

The GDP indicator lacks one important aspects – sustainability. The **Ecological Footprint** is used to measure sustainability. It takes into account the impact of human consumption and production patterns on the environment, converting consumption into the area needed to produce a product. More information on this indicator is available on webpage www.footprintnetwork.org.

Since 1993, the United Nations (UN) has used the **Human Development Index (HDI)** to measure the development of society and its groups. In addition to income, the index also takes into account an average life expectancy, literacy and education level. Since 1997, the **Human Poverty Index (HPI)**, which takes into account access to education, health care, access to safe food and water has been published. As there are enormous contrasts between the countries around the world, and it is impossible to find a single universal index to measure the happiness and well-being of all nations, HPI can be more successfully implemented in developing countries to measure well-being and happiness.

The **Quality of Life Index** analyses the quality of life of the Dutch population. This includes income, work, education, health, leisure, mobility, crime, living conditions and the living environment. Dutch scientist Ruut Veenhoven¹¹ has been researching people's happiness around the world for 30 years and concluded that the connection between money and happiness is quite small-scale. In developing countries higher incomes are certainly the cause of greater happiness but when a certain income level is reached, freedom to use time and choice create deeper and lasting satisfaction. At the initiative of Veehofen, the World Database of Happiness has been created.¹²

Measuring the well-being of people and the progress of societies is a key priority for the OECD. The latest OECD survey "How's Life? 2020" provides comparable statistics on whether life is getting better for people living in OECD and selected partner countries. Their Well-being Framework currently includes 11 dimensions which relate to¹³:

- material conditions that shape people's economic options (Income and Wealth, Housing, Work and Job Quality);

¹¹ Ruut Veenhoven (30.08.2020)

¹² World Database of Happiness (3.09.2020)

¹³ OECD Better Policies for Better Life. How's Life? 2020 (14.08.2020)



- quality-of-life factors that encompass how well people are (and how well they feel they are), what they know and can do, and how healthy and safe their places of living are (Health, Knowledge and Skills, Environmental Quality, Subjective Well-being, Safety);
- how connected and engaged people are, and how and with whom they spend their time (Work-Life Balance, Social Connections, Civic Engagement).

The last survey carried out in 2018 shows that life is getting better compared to 2010. We live longer, safer lives, the OECD average homicide rate has fallen by a quarter, and people feel safer when walking alone in their neighbourhoods. Employment rates and incomes are up and recent surveys suggest people in 2018 were more satisfied with their lives, relative to how they felt in 2013. At the same time insecurity, disconnection and despair affect significant parts of the population¹⁴:

- More than 1 in 3 people would fall into poverty if they had to forgo 3 months of their income.
- Average household wealth has decreased by 4% since 2010.
- Studies in 7 countries show people spend almost 30 minutes less per week on average interacting with friends and family.
- 1 in 11 people do not have relatives or friends they can count on for help in times of need.
- 1 in 8 people experience more negative than positive feelings in a typical day.
- Deaths from suicide, acute alcohol abuse and drug overdose are 3 times higher than road deaths.

Inequalities in well-being persist as people in the top 20% of the income distribution earn over 5 times more than people in the bottom 20%. Every day, women work 25 minutes longer than men when both paid and unpaid work (such as housework and caring responsibilities) are taken into account.¹⁵

The list of indicators for measuring the well-being mentioned above is not exhaustive. A wide variety of well-being measurement methodologies can be found on the Internet. All of these methods have one thing in common: they measure the satisfaction of people's physiological and security needs. In economic terms, meeting these needs requires the consumption of different types of goods. In the next chapter, we will have a look at the types of goods.

2. Private, club, common and public goods

Before defining types of goods, it is necessary to clarify the characteristics on the basis of which the goods are classified. These two characteristics are **rivalrous** and **excludability**.¹⁶ In economics, a good is said to be rivalrous if its consumption by one consumer prevents

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Mnmeconomics (30.09.2020)



simultaneous consumption by other consumers, or if consumption by one party reduces the ability of another party to consume it. A good is considered non-rivalrous if, for any level of production, the cost of providing it to an additional individual is zero. If you buy a bottle of water and drink it, nobody else can drink it. If you buy a computer, nobody else can buy the same computer. Those are rivalrous goods. However, if you create a beautiful flowerbed in front of your house and you have no fence, people on the street enjoy looking your flowerbed. The beautiful flowerbed is non-rivalrous as it does not matter how many people look at it, they are not “using it up”.

A good or service is called excludable if it is possible to prevent people, who have not paid for it from having access to it. By comparison, a good or service is non-excludable if non-paying consumers cannot be prevented from accessing it. If you need a ticket to go into the cinema then it is excludable. Streets and street lighting are not excludable though because anybody walking down the street at night benefits from lighted streets. It is impossible to make users of lighted streets pay for walking on the street and ban those, who do not pay, to walk on lighted streets.

On the basis of the existence or non-existence of these two characteristics, the goods are divided into four types¹⁷:

1. Private goods;
2. Public goods;
3. Club goods;
4. Common goods.

Figure 2 provides the examples illustrating the substance of these four categories of goods. Most goods that people typically think about are both excludable and rival in consumption, in other words, the seller is able to prevent consumers from accessing the product. These goods are called **private goods**. Private goods behave “normally” regarding supply and demand. Private goods are, for instance, mobile phones, clothes, cars, fridges, watches, consumer goods, etc.

Club goods are excludable. This is similar to private goods that the consumer cannot use the product unless they directly pay for it. Secondly, club goods are non-rivalrous which means that the consumption by one person, does not prevent other from consumption. Club goods are, for example, Wi-Fi, Internet, satellite TV, private parks, private roads, etc.

¹⁷ BoyceWire. Behavioural economics (30.09.2020)



	Excludable	Non-Excludable
Rivalrous	<p>Private Goods Food, clothes, cars and other consumer goods</p>	<p>Common Goods Fish, timber, coal</p>
Non-Rivalrous	<p>Club Goods Cinemas, private parks, satellite TV</p>	<p>Public Goods air, national defence</p>

Figure 2. Four types of economic goods and services. (Source: <https://boycewire.com/>)

Common goods are characterised by non-excludability and rivalry. Common goods are non-excludable in the same way similar to public goods. We cannot prevent others from accessing them. These type of goods are rivalrous in the same way private goods are. The more one person consumes, the less there is available to everyone else. For example, wild fishing is considered non-excludable as it is impossible to prevent others from fishing there and it is rivalrous as the more one person fishes from a wild lake, the fewer there are available to others.

Public goods are characterised by two factors: they are non-excludable, meaning we cannot reasonably prevent others for using the good; and they are non-rivalrous, meaning the production of the good is not competitive. In other words, businesses are not competing to sell it. National defence is one representative example of a public good; it is not possible to selectively protect paying customers from military attacks, and one person consuming national defence (i.e., being protected) does not make it more difficult for others to consume it too.

A notable feature of public goods is that free markets produce less of them than is socially desirable. This is because public goods suffer from, what is called, the **free-rider problem**. The free-rider problem is a type of market failure that occurs when those who benefit from goods or services do not pay or under-pay for them. At the same time, it is impossible to exclude non-payers to access or use these goods. Thus, the public and common goods may be under-produced, over-used or under-degraded. Furthermore, if the marginal cost of serving one more customer is essentially zero, it is socially optimal to offer the product at a zero price. Therefore, producing public goods is not a business model, which is why private markets do not have an incentive to provide them.¹⁸

The best-known public and/or common goods and services are, for example, air, ozone layer, offshore and oceans, greenhouse effect, as well as state and local governance, creation of judicial area and justice, national defence, ensuring public order, ensuring the country's

¹⁸ ThoughtCo. Social Sciences (12.10.2020)



international representation, and the definition of citizenship. Goods and services that can be both public goods, common goods and private goods are, for example, roads and streets, traffic lights, museums, historic buildings, but also environmental protection, health services, education services, social protection network, culture, etc.

The free-rider problem is a reason why the government often provides public and common goods. The governmental decision regarding whether to fund a non-excludable good is based on whether the benefits to society from consuming the good outweigh the costs of taxation to society. Whether goods and services related to the well-being of society are provided by the private or public sector is primarily determined by the political system. In the following chapters, we define the concept of the welfare state and describe the political systems based on the organization of the distribution of public and common goods.

3. Social welfare and welfare state

Welfare is a type of government support intended to ensure that members of a society can meet basic needs.¹⁹ Often welfare is used as synonymous with social security but actually, social security includes a governmental support system for sickness, accidents at work, incapacity for work, and unemployment. Welfare is a system aimed at securing various freedoms of the people and at creating better opportunities for economic development through human resource development. Welfare-related instruments can be both welfare allowances, and welfare services. A country that takes responsibility for social security and social welfare is called a **welfare state**.

In the history, the role of the state was limited to providing assistance to those whose needs could not be met by institutions like family, the market or voluntary service, e.g., church. The state was not directly responsible for ensuring the social security and well-being of people. As a result of social changes that took place at the end of the 19th century and the beginning of the 20th century, the role of the state and its intervention in people's lives began to increase significantly.²⁰ The history of the modern welfare state goes back to 1840s when Otto von Bismarck, the Chancellor of Germany, introduced old age pensions, accident insurance and medical care in some German states. These programs were introduced to reduce the emigration of workers to the United States, where wages were higher but welfare did not exist.²¹ Over time, needs of people expanded and beside to social security issues governments undertook to organize new areas such as health, education and science, transport, environmental protection, agriculture, culture, etc. Governments expanded their activities to the social sphere and the concept of the welfare state emerged.

The welfare state is not designed for the poor, it is designed to protect people from poverty. This term is defined differently by the authors. Esping-Andersen (1999) argued that after World War II the welfare state included primarily state intervention to reduce economic insecurity of

¹⁹ Encyclopedia Britannica (10.10.2020)

²⁰ Ware, A., Goodin, R. E., 1990

²¹ Boundless Political Science (5.10.2020)



people during their “inactive” years of life. Today, the concept of the welfare state is more closely linked to government structures and activities that ensure or seek to ensure the general well-being and security of all citizens.²² Pestieau (2006) focuses on defining the functions of the welfare state. In addition to mitigating social risks, the welfare state also provides social assistance and supports education. Thus, the welfare state does not deal only with “inactive” citizens but also for example low-income families with large number of children, etc.²³ According to Sandmo (1995), the welfare state can be viewed from two aspects. Firstly, the welfare state refers to the part of the public sector that deals with redistribution through social security and the provision of social benefits that have a strong redistributive function, such as education and health. Secondly, it describes broadly a country’s economic and social policies that prioritize the reduction of inequalities and the protection of the individual against social risks such as job loss or illness.²⁴

In 1990, Esping-Andersen developed three-pronged approach identifying three main clusters of welfare states: social democratic, liberal and corporative-conservative.²⁵ It is important to note that these categories have more to do with general political theory. The next chapter contains a short overview of different types of welfare states and how they define and organize the supply of public and common goods and services.

4. Three main types of welfare states and public goods

In general, it could be assumed that all states (at least in theory) are created to guarantee the physical safety, rights, and liberties of their populations. It does not matter whether it is liberal, social-democratic or corporate-conservative system, governments have to deal with the provision of public and common goods. How they do this depends on the government’s views on social welfare.

The classification of social welfare states according to Esping-Andersen (1990) is based on two key factors: the first is commodification, or the extent to which the delivery of welfare services depends on the market; and the second factor is the extent of collective provision. Countries were divided into the three categories based on the decommodification index. To find the index, the author used the indicators of old-age pension, health care and unemployment insurance policies. In addition to this index, the distribution is based on the characteristics and traits of the welfare model and the coincidence of countries with them.²⁶

According to this study Australia, Canada, Japan, Switzerland, and the United States are examples of liberal; Austria, Belgium, France, Germany, and Italy are examples of corporative-conservative; and Denmark, Finland, the Netherlands, Norway, and Sweden are examples of

²² Esping-Andersen, G., 1999

²³ Pestieau, P., 2006

²⁴ Sandmo, Agnar., 1995

²⁵ Esping-Andersen, G., 1990

²⁶ Ibid



social democratic welfare states. Ten years later Robert E. Goodin, Bruce Headey, Ruud Muffels and Henk-Jan Dirven (1999) also divided welfare states into the three classes and in general they replicated Esping-Andersen (1990) result.²⁷

A liberal welfare state prioritizes economic growth. The system is characterized by modest universal transfers or social insurance plans. The social benefits tend to cover the needs of the low-income working class. Eligibility for assistance is generally stigmatized and limits are designed to minimize the likelihood of people choosing welfare assistance instead of work. The aim of this system is to create a situation where everyone who is able to secure a paid job would do so. In a liberal welfare state, both poverty and social stratification are high. The positive values of this system are equal opportunities, competition, and social rights. (Goodin et al 2000)²⁸

The social-democratic welfare system is highly equal in its purpose and conspicuously universal in its political style. The social democrats do not simply seek to eradicate poverty, but generally strive to promote social equality. This system is characterised by high social spending, decommodification of social rights, social stratification, earnings-based benefits and universalism that unites everyone under one universal insurance system. Everyone enjoys the same rights regardless of status or gender. The responsibility of caring for children, the elderly and the helpless are shouldered by the state. This system builds a degree of solidarity among citizens towards the welfare state, as everyone benefits, all depend on the country, and everyone feels obligated to pay. (Goodin et al 2000)

High social costs can have negative consequences such as the deliberate desire to be unemployed and to receive benefits. A positive fact is that creating favourable conditions helps a person to adapt quickly to a changing situation. Knowing proper support in the event of an accident or job loss reduces individual risk sensitivity. The health insurance system is important for the development of health throughout the country. If the sickness benefit is decent, the citizen chooses the most reasonable option – to stay at home and heal himself. (Goodin et al 2000)

In corporate-conservative system the market as a potential guarantor of well-being is marginalized, and the guarantee of social rights is not a viable alternative for achieving well-being. Preserving differences in status dominates and rights are related to class and status. As the state focuses on maintaining status differences, the redistributive effect of the state is not significant. The system is mostly influenced by the church and is committed to maintaining traditional family values. In this system the state and the family are the main welfare providers and thus the role of private insurance benefits is only marginal. One of the main ideas is that the state intervention is minimal, with focus not on public services but on cash benefits that allow the welfare services to be provided by families. Social security usually excludes

²⁷ Goodin, R. E.; Headey, B., Muffels, R., Dirven, H.-J., 1999

²⁸ Goodin, R. E., Headey, B., Muffels, R., Dirven, H.-J., 2000



unemployed women, but family benefits favour mothers. Kindergartens and similar institutions are mostly underdeveloped.

Irrespective of whether the attitude of the state towards social benefits is liberal, social democratic or conservative, it is the task of all countries to organize the distribution of public and common goods in order to maximize the well-being of their citizens. All governments are engaged in administering courts, providing a police force, and ensuring the continuity of ruling institutions. Also, nearly every nation in history has had a military, all modern states have carried out some environmental protection activities and support research. All governments spend on things like defence, research, clean air, and roads. At the same time most governments concern also with social security. These are supports for sickness, accidents at work, incapacity for work, and unemployment. All services listed above are public or common in nature.²⁹

5. Summary and conclusions

The purpose of this study material was to provide an overview of how different types of social welfare states define the provision of public and common goods. To achieve the goal this study material, first, explained the meaning of well-being. The simplest definition of well-being is just feeling well. Well-being can be achieved by satisfying the needs and / or eliminating the unnecessary needs. A simplified schematic overview of our needs is worked out by American psychologist Abraham H. Maslow who explained that human well-being is based on meeting peoples physiological and safety needs. Physiological needs are the underlying needs we cannot live without, and safety needs mean feeling safe. When basic needs are satisfied, a person strives for realizing their social needs. In economic terms, meeting needs requires the consumption of different types of goods.

Based on the feature of rivalrous and excludability goods are divided as private, club, common, and public goods. The market economy is relatively successful in providing private and club goods, but fails in the provision of public and common goods. In terms of a market economy, public and common goods are a market failure, which means that the private sector does not provide these goods and services. Therefore, the government must intervene, because there is also a demand for these goods and services in society, as they increase well-being of people. How governments organize the provision of public and common goods for social welfare, depends on the governmental policy approach to social welfare.

All governments aim at increasing the well-being of their citizens. Welfare is a type of government support intended to ensure that members of a society can meet basic needs. A country which takes responsibility for social security and social welfare is called a welfare state. According to Sandmo (1995), the welfare state can be viewed from two aspects. Firstly, the welfare state refers to the part of the public sector that deals with redistribution through social security and the provision of social benefits that have a strong redistributive function. Secondly,

²⁹ Lehrer, E., 2018



it describes broadly a country's economic and social policies that prioritize the reduction of inequalities and the protection of the individual against social risks.³⁰

Governments of welfare states define the concepts of social welfare and social security differently. Esping-Andersen (1990) divided welfare states into three clusters: social-democratic, liberal, and corporative-conservative. A liberal welfare state prioritizes economic growth that enables most citizens to ensure their own well-being. In this system the social benefits tend to cover only the needs of the low-income working class. At the same time, the system creates opportunities for equal opportunities, competition, and social rights. A social-democratic welfare states seek to eradicate poverty, and strive to promote social equality. This system is characterised by high social spending, decommodification of social rights, social stratification, earnings-based benefits and universalism that unites everyone under one universal insurance system. In corporate-conservative system the market as a potential guarantor of well-being is marginalized, and social rights are not included for achieving well-being. The main idea is that the state intervention is minimal, with focus on cash benefits that allow the welfare services to be provided by families.

Despite the state's policy system all governments attempt to organize the distribution of public and common goods in order to maximize the well-being of their citizens. All governments are engaged in administering courts; providing a police force; ensuring the continuity of ruling institutions; having an army to defend the country; all modern states have carried out some environmental protection activities, and support research; they support public transport, culture, and education; and they concern with social security. Governments have different approaches to providing these goods and services to their citizens. This study material covered three theoretical approaches: liberal, social democratic and corporate conservative. Australia, Canada, Japan, Switzerland, and United States are examples of liberal; Austria, Belgium, France, Germany, and Italy as corporate conservative; and Denmark, Finland, the Netherlands, Norway, and Sweden from social democratic welfare states. Despite the fact that welfare states are theoretically divided into three groups each country has its own practical approach to setting up and operating a social welfare and security system.

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³⁰ Sandmo, A., 1995



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