Title: Welfare and Household Debt

Abstract: The aim of this article is to explain the different levels of private indebtedness in a number of selected countries. Previous sociological literature has tried to explain indebtedness by the quantity of welfare spending, searching for a relation between the lack of welfare and the increase of household-debt. In this theoretically oriented paper, I argue that to understand the influence of welfare on debt, the quality of welfare spending matters more than the quantity. The institutional qualities of different welfare regimes may influence people, making them more or less risk adverse towards borrowing money. In northern countries, higher debt ratios are more common because social protection is more extensive, while in continental countries, where welfare benefits are more narrow and and tend to target the already employed and the elderly, people are more risk adverse toward debt. The proposed theory is supported by an illustrative empirical analysis using data from the LIS and Comparative Welfare Entitlements Dataset.