Exploring the Territorial Politics of Welfare

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INTRODUCTION

The territorial dimension of politics has attracted growing academic interest in recent years. Yet, many of its epistemological assumptions and methodological tools are still subject to no little mystification. Theories and analyses related to concepts such as decentralization, ethnicity, federalism, multiculturalism or nationalism have frequently been limited to the discussion of the efficiency or inefficiency of public institutions in the provision of policies and services. Such partial treatment has minimized the comprehensive study of: (a) the development of modern states (state formation, nation-building, mass democratization); (b) the intergovernmental relations within the boundaries of the polity; (c) the crisis in the legitimacy of the political institutions of the nation-state; and (d) the impact of globalization in 'post-industrial' societies.

On the functional dimension of social life, discussions of welfare development have repeatedly focused on the provision of policies of well-being for less-favoured citizens, as well as with the means to achieve higher economic growth or to bring about income redistribution. An overriding attention in the analyses of contemporary welfare states has usually been geared towards the 'autonomous' action of state intervention in providing security to its citizens. The fact that state action in the development of welfare made concordant with modernity many functions which had been previously developed by families, churches, guilds and local communities has often been ignored.

Both territoriality and welfare have too often lived separated lives. We feel that there is a need to explore more fully the links between studies and literature dealing with both fields of analysis. Generally speaking, territorial politics literature has tended to neglect the social dimension, while research on welfare has taken the nation-state for granted. This introductory chapter explores the relationship between welfare development and territorial politics in a theoretical sense, with subsequent chapters examining this relationship in specific empirical contexts.

We consider, first, the role of the welfare state in generating and sustaining a sense of nationhood and national identity, particularly in countries which contain national minorities within their boundaries. We then consider the influence of state structure on welfare development. Welfare states have faced considerable strain in recent years, from internal social and political challenges, as well as the external impact of globalization. These pressures have pushed many states towards a retrenchment or, at least, a restructuring of their welfare systems. Consideration is given here to the territorial consequences such reforms may have. In the European Union, the autonomy and sovereignty of nation-states faces a challenge from the process of European integration. The impact of Europeanization in the welfare sphere is considered towards the end of the chapter, with an examination of the prospects for the development of a multi-

tiered welfare state incorporating regional, nation-state and supranational layers of government.

STATE FORMATION AND WELFARE REGIMES

Inheritor of the ancient Greek concept of *politeia* (polity), the state in Europe emerged gradually, to varying degrees and in response to various dynamics, from around the twelfth century until the end of the eighteenth century. More concretely, the period 1485-1789 saw the building of most modern European nation-states. According to Stein Rokkan, the second phase of nation-building, the subsequent processes of mass politics and the construction of the welfare state completed the main four-phase process of political development in contemporary Europe (Flora *et al.*, 1999).

With the consolidation of the modern nation-state in nineteenth century Europe, the extension of electoral franchises, together with the economic and institutional advances of the Industrial Revolution, favoured the construction of social systems which were to find institutional expression in twentieth century welfare states. The lack of an historical perspective has in many cases allowed the confusion between the normative assessment of what a welfare state should be and the gradual development of European systems of social protection (Flora and Heidenheimer, 1981; Baldwin, 1990; Ferrera, 1998).

Indeed, the delivery of comprehensive systems of social welfare necessitated greater regulation, standardization and redistribution by central public institutions. This helped to blur the boundary between the state and society, and consolidated the state's political and economic expansion (Rokkan and Urwin, 1983). Thus, the welfare state served to 'crystallize' the nation-state, freezing cleavage structures, both functionally and territorially, in the development of the European state. Such a process reinforced the complex web of cultural systems, historical legacies, political arenas and institutional frameworks.

The development of the state as a national state, or 'nation-state', gave rise to the idea that the territorial boundaries of the polity also represent the boundaries of a nation or a people. The concept of 'nation' is implicit in many of the characteristics of the state, including its territorial boundedness and the status of citizenship conferred on its members. The emotional force of nationhood, and the solidarity and mutual belonging it engenders, also serve political purposes. The idea that the state represents a people sharing a common identity and a set of civic values enhances its legitimacy, fosters citizens' participation in the democratic process, and underpins much of the discourse used to justify public policy-making and governmental action. Just as appeals to a sense of nationhood may be made to provide moral justification for military action, a shared national identity may be drawn upon to justify state intervention in domestic spheres. For example, increases (or decreases) in redistributive

taxation, or legislation concerning social or moral issues, may be justified in the name of the national community and the values it is deemed to espouse.

This is a continuous process. On the one hand, the scope of the state may be expanded and strengthened by justifying governmental action in the name of the nation. On the other hand, the strengthened apparatus of the state serves to reinforce both the *national* nature of the political community and the conception of nationhood it is believed to symbolize. Moreover, if the modern state is to be sustained as a national state and generate the consent underpinning its legitimate rule, political actors must engage in a continual process of nation-building. Thus, the process of nation-building is not merely a phenomenon associated with the period of state formation. It is also evident, albeit often in a banal form (Billig, 1995), in well-established states seeking to maintain their legitimacy and territorial integrity in the face of internal or external challenges.

While reports of the death of the nation-state (Ohmae, 1995) have been greatly exaggerated, it is facing a challenge to its predominance and scope from three distinctive sources. It is challenged from above by the forces of globalization and continental integration. It is challenged from below by the reassertion of territorial minorities demanding increased autonomy and threatening state secession. Finally, it is challenged internally by the advance of the market and individualized social relations, and by a declining confidence in and engagement with the formal political process (Keating, 2001: 23-4).

The development of state welfare enhanced the capacity of the state to intervene in and shape the lives of its citizens and strengthened the networks of apparatuses and institutions through which conceptions of the nation could be constructed and communicated. The particular configuration of welfare state that developed in a particular state context was a historically contingent outcome of struggles between conflicting political objectives and goals (Titmuss, 1974: 49). Such outcomes reflected and subsequently shaped the set of civic values around which national identities coalesced.

The welfare state can be understood as 'a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces' (Briggs, 2000: 18). Accordingly, such a course of action is achieved in three distinctive ways: (i) the welfare state guarantees to its citizens a 'minimum income' irrespective of the market value of their work or property; (ii) it minimizes insecurity by supporting individuals and families in the face of certain social contingencies such as ill health, unemployment and old age; and (iii) it provides 'an agreed range of services' to which all citizens are equally entitled, without distinction of status or class. Based upon the ideas of Karl Polanyi, Gøsta Esping-Andersen identified decommodification as a central feature of the welfare state. In contrast to the pre-welfare age, when workers survived in accordance with their ability to sell their labour as a commodity on the marketplace, a

decommodified welfare system ensures a degree of protection in the face of ill health, old age or unemployment (Esping-Andersen, 1990: 21-3).

As well as being a system of decommodification providing protection from market forces, the welfare state has also restructured social relations and shaped the structure of society. The manner in which it does so will depend upon the system of stratification a particular welfare state promotes and upholds. For example, the openness and accessibility of the education system will shape opportunities for social mobilization. The extent to which social services provide access to childcare or contraception may influence the participation and position of women in the employment structure. The system of stratification developed and upheld by the welfare state will depend upon the ideological influences which shape it.

Following the pioneering work of Richard Titmuss (1958), Esping-Andersen (1990; 1999) developed a model to categorize the nature of welfare regime types. The 'regime approach' posits the idea that welfare states are characterized by a particular constellation of economic, political and social arrangements. In linking together a wide range of elements that are considered to influence welfare outcomes, the 'regime approach' has proved to be very persuasive and influential in the comparative study of welfare states. However, on establishing patterns of fixed interaction, a certain assumption of continuity tends to prevail over that of change. As a consequence, it is implicitly assumed that a particular welfare state will tend to sustain interests and arrangements identified within the three main regime types. These are succinctly described as follows:

(i) *The corporatist Continental* welfare regime is organized on the basis of occupational categories and is designed much less to reduce inequality than to maintain status. It is characterized by a concerted action between employers and trade unions, and is financed by contributions made by them. Welfare policies by state institutions uphold this arrangement, which is organized through social insurance. There is a sharp distinction between labour market 'insiders' and 'outsiders'. The universality of coverage is therefore dependent on the achievement and maintenance of full employment.

(ii) *The liberal Anglo-Saxon* regime is focused on poverty alleviation. It is financed by taxes and incorporates residual means-tested services and flat-rate benefits. It has pursued a radical shift toward market principles, involving deregulation of the labour market, wage flexibility and containment in social expenditure. A low level of decommodification of individuals implies a large measure of dependence by citizens on the market to ensure their primary income and social protection.

(iii) *The social-democratic Nordic* regime is premised on the combination of solidaristic ideas with growth and full employment, and the minimization of family dependence. It is financed by taxes, characterized by the principle of universality, and favours public provision of free services over cash transfers. The main aim of this type of welfare state is to ensure the equality and homogeneity of social groups within an all-embracing middle class.

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These three types of welfare regime associate a specific institutional configuration with a 'founding' doctrine: social insurance schemes with the protection of specific occupational categories; residual benefits with the primacy of the market and the need to combat poverty; and universal benefits with the quest for equality. They are designed to have differing impacts with respect to the quality of social rights, social services and the structure of the labour market.

To the well-known three-fold categorization of welfare regimes, a fourth 'familialistic' southern European or Mediterranean category can be identified (Ferrera, 1996; Moreno, 2000). In broad terms, similar socio-demographic trends, economic constraints and patterns of public policy can be observed in all four south European countries (Castles, 1998; Morlino, 1998; Guillén and Álvarez, 2001). Table 1.1 reproduces some characteristics of the four European welfare regimes.

NATION-BUILDING AND THE WELFARE STATE

The existing literature recognizes the role of welfare states in generating social solidarity across class groups. In the 1880s, Germany was the first country to ever introduce compulsory social insurance, the most compelling characteristic of modern welfare systems.[1] In Sweden, the concept of *folkhem* describes the welfare state as 'the home for all people'. Throughout its subsequent development, the welfare state has socialized generations of Europeans in the values of equality and solidarity.

Indeed, social solidarity was often considered to be an explicit aim of state welfare. Marshall's celebrated discussion of social citizenship rights situated welfare state development within the context of the evolution of citizenship.[2] For Marshall, the recognition of social rights, including the right to a minimum standard of economic and social welfare and security, differed from other citizenship rights. By generating 'an invasion of contract by status, the subordination of market price to social justice, [and] the replacement of the free market by the declaration of rights', social citizenship rights were considered to be explicitly aimed at modifying the class structure and achieving social equality (Marshall, [1950] 1992: 40).

Table 1.1: *Some characteristics of the European Welfare Regimes*

	Anglo-Saxon	*Continental*	*Nordic*	*Mediterranean*
Benefits	Flat rate (low intensity)	Cash (high intensity)	Flat rate (high intensity)	Cash (low intensity)
Financing	Taxes	Payroll contributions	Taxes	Mixed
Gender	Female polarization	Part-time feminization	Occupational specific	Ambivalent familialism
Goals	Individual choice	Income maintenance	Network public services	Resource optimization
Ideology	Citizenship	Neo-corporatism	Egalitarianism	Social justice
Labour Market	De-regulation	Insiders/outsiders	High public employment	Big informal economy
Poverty	Dependency culture	Insertion culture	Statist culture	Assistance culture
Services	Residual public	Social partners	Comprehensive public	Family support

Source: Adapted from Moreno (2003: 276)

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In aspiring towards a degree of social solidarity across class groups, the welfare state has a legitimising function. It contributes to reinforcing the political legitimacy of the state in the eyes if its citizens (Pierson, 1994: 3). However, an inclusive welfare state nurtures social solidarity not only across class boundaries but across territorial boundaries as well, helping to maintain cohesion between distinctive regional, national and/or ethnic groups. Class identities and alliances forged across the state territory may thus generate feelings of solidarity and cohesion that minimize the significance of sub-state territorial identities. From the perspective of territorial politics, political legitimacy and territorial integrity often go hand in hand. Where a lack of political legitimacy finds expression in demands for territorial autonomy, and ultimately, political independence, the integrity and unity of the state may be challenged.

Analyses of welfare state development have often been based upon the assumption of an all-embracing state national identity rooted in both cultural and civic axes. However, such an ideal type of national identity is now openly questioned and rather problematic. While being corroded by the forces of globalization, national identities are also subject to internal fragmentation and overlapping elements of a multiple and diverse nature (Epstein, 1978; Melucci, 1989; Castells, 1997).

Particularly in culturally heterogeneous societies, individuals are often tied to several cultural reference groups. This interaction results in a multiplicity of socio-political identities, dynamic and often shared, which is not always expressed explicitly. In pluri-national states, which incorporate more than one national community within their boundaries, citizens within one part of the state territory may share a common identity which distinguishes them from their co-citizens. The degree of internal consent and dissent in such plural polities has in the concept of 'dual identity' a useful methodological tool for socio-political interpretations.[3]

There is nothing inherently incompatible about dual national identities. Citizens may feel simultaneously Basque and Spanish, Welsh and British, or Flemish and Belgian, without any sense of contradiction. Sub-state identities are often culturally or historically-rooted, and may survive alongside a sense of identification with and belonging to the nation-state. The markers of such identities are not set in stone. They are malleable and the intensity of their manifestation greatly depends upon contingent circumstances (Barth, 1969, Hobsbawm and Ranger, 1983; Brass, 1991). For political actors at the state and the sub-state level, there is political capital in seeking to shape these identities. Where a people no longer identify with the political institutions governing them, the legitimacy of that system of government will be called into question. Political actors are thus engaged in shaping state and sub-state national identities to strengthen identification with and belonging to the communities in whose name their claims are made.

Welfare development has arguably played an important role in reinforcing national identities, particularly at the state level (McEwen, 2001). Ramesh Mishra insisted that 'the idea of maintaining and consolidating the national community - economically, politically and socially - was the ideological underpinning *par excellence* of the welfare state' (Mishra, 1999: 12). The nation-building potential of the welfare state is, in part, embodied in the symbolic significance of its institutions. Welfare institutions represent a common heritage, a symbol of shared risks and mutual commitment, and a common project for the future. In pluri-national states, this symbolism can help to underpin a sense of shared solidarity and collective identity throughout the state, which can sit alongside and be compatible with sub-state cultural or historical national identities.

Welfare development simultaneously enhanced the significance of national institutions as the source and guarantor of social protection. By extending the scope of the state into the everyday lives of its citizens, the development of systems of welfare amplified the state's visibility in the eyes of its citizens and increased the relevance of political debate and political decision-making. Where such activity took place principally at the state level, it reinforced the centrality of state-wide political parties and leaders operating within national institutional frameworks, and ensured that control of those national institutions became an objective of political struggle. Within pluri-national states, this could diminish the significance of those parties and movements seeking to make claims on behalf of territorial or cultural minorities, confining such issues to the margins of political debate.

The provision of social services can also enhance the legitimacy of the political institutions overseeing their development. As discussed above, welfare systems helped to enhance the legitimacy of the state in the eyes of its citizens by guaranteeing them a degree of protection from the vicissitudes of the market. Social programmes may also enhance social and economic opportunities, particularly for the working and middle classes. The provision or promise of health care, income security, housing, and education can contribute to reinforcing the ties that bind citizens to the state. Where a state guarantees social protection and security, its citizens may be less likely to shift their loyalty to sources within or beyond its boundaries (McEwen, 2005).

As well as generating or reinforcing a sense of community and identity which could supersede - or sit alongside - sub-state national identities, the development of state-wide systems of welfare may also have accentuated among national minorities the uncertainty and insecurity of greater political autonomy or secession from the state. The promise of social and economic security from within the existing state structure heightens the risk for a national minority that increased territorial autonomy or secession may engender a loss of the social protection that state welfare services deliver.

Some liberal theorists of nationalism have assumed that a successful welfare state requires a strong national identity at its base. David Miller argued that a shared national identity, because it embodies feelings of solidarity and mutual obligation among members of a national community, represents an essential pre-requisite to the functioning of redistributive welfare systems. Without the shared obligations implied by a common collective identity, membership of a political community would be based upon rational self-interest and a relationship of strict reciprocity. Under such circumstances, citizens would expect to receive benefits in proportion to the contributions they make, thus precluding a redistribution of resources on the basis of need. Miller combats the idea of recognizing minority identities without linking them to an overarching national identification (Miller, 1995: 71-3; Miller, 2000: 105-6). Similarly, Margaret Canovan argued that the sense of communal solidarity inherent in national identity explains why goods and possessions should be regarded as shared and defines the boundaries within which they should be redistributed (Canovan, 1996: 27-35).

Although the welfare state was founded upon a sense of solidarity and common belonging, it also served to reinforce these. As Michael Keating noted, the causal relationship between territorial identities and the welfare state cuts both ways: 'Not only does a sense of common identity help sustain the values of mutual help, but the welfare state itself helps foster national identity and unity' (Keating, 2001: 40).

In the context of a pluri-national state, this nation-building function of the welfare state has served as an instrument of territorial management, a means by which sub-state territorial identities could be contained within the existing state structure, minimising their potential threat to the state's territorial integrity. The welfare state has been by no means the only tool of territorial management. States draw upon a range of measures to accommodate national minorities within the existing power structure (Keating, 1988; Rudolph and Thompson, 1989). Nevertheless, systems of state welfare can play a significant role in shaping national identity and maintaining national unity.

WELFARE DEVELOPMENT AND STATE STRUCTURE

In many cases, the development of systems of state welfare imposed standardization and homogenization within countries that have a considerable degree of internal asymmetry and cultural plurality. This territorial and cultural heterogeneity provides fertile ground for an examination of the nation-building potential of the welfare state. However, it also poses limitations on such potential, particularly where internal sub-state territorial boundaries coincide with cultural boundaries. Accordingly, within-state variations should be carefully scrutinized on analysing the constitutional arrangements for governance and welfare provision.

For the purpose of analytical clarification, it is useful to discuss the concept of 'stateness' in the welfare sphere (Flora, 1986/87). In broad terms, it has been generally assumed that the processes of growing *étatisation*, bureaucratization and judicialization of welfare provision would result in the centralization, not only of political institutions, but also of policy-making and public regulation.

In the first place, it should be noted that stateness feeds on the very concept of the state, which is by no means an unambiguous concept. Traditionally, the state has been regarded by democratic liberalism as a 'neutral' network of political institutions within spatial boundaries. Accordingly, the extent of state intervention in the citizens' community should be restricted and social conflicts would be resolved by the *laissez-faire* of market forces. Utilitarian liberalism, in line with the concept of community-nation put forward by Jeremy Bentham (1843), proposed a growing degree of stateness to provide a minimum of social assistance. A corporatist variant of liberal thought has sought to emphasize the role of intermediate corporatist structures in order to achieve social cohesion of the body politic, and to integrate them into the general organization of the state. For Marxism and social democracy, the state is 'operational' rather than 'neutral'. It can be seized upon to correct market failures and, eventually, to transform the capitalist mode of production into a socialist one on either a radical (the former) or a gradual (the latter) basis. State intervention is translated into a wholehearted commitment to economic planning monitored primarily by central institutions.

Second, stateness may be conceived of as a reflection of the degree of penetration of public institutions into the sphere of welfare, displacing non-state institutions such as the church and other intermediary associations of civil society. Such a penetration has frequently been conceptualized as a mere process of centralization. However, the adoption of legitimate constitutions or legal frameworks for the output of public goods has allowed the development of different systems of welfare provision, not always top-down or vertically planned (Toft, 1996). Federations and federal-like systems provide good examples of both shared and self-rule based upon wide constitutional agreements among layers of government and constituent territorial units (Elazar, 1991; Watts, 1994; Linz, 1997; Obinger *et al.*, 2005).

Third, the category of stateness also makes reference to the degree of autonomy of state officials in decision-making and in the implementation of public polices and regulations. Note, however, that such penetration applies to all layers of government - central, regional and local - not only as regards direct intervention but also statutory frameworks. In line with the traditional Jacobin tenets, there has been a tendency to make synonymous both central government and state institutions (administrative, legal and political). Even considering the executive dimension of state institutions, it cannot be said that state officials and bureaucrats exercize their instrumental rationality strictly according to the instructions and orders of central *loci* of policy-making. The public choices of decision-makers, and in particular the so-called 'street-level' bureaucrats, have

often given priority to maximising tenure of office and budgetary resources in all governmental tiers of state provision. Such a reality has objectively put limits on central and hierarchical policy-making even in unitary states.

As already discussed, the historical analysis of both state formation and nation-building is central to understanding the nature of the welfare system in any given context. The changing patterns and diverse outcomes of the interplay between state and civil society should be examined not only from the viewpoint of economic structuring, but also from the perspective of ideas, interests, institutions and actors within modern state arenas. Social solidarity among the political units is inextricably linked to the nature of the cultural and territorial conflicts in the processes of industrialization, urbanization and social communication within contemporary mass society (Tocqueville, 1954; Deutsch, 1966; Giner, 1976).

State Welfare and Decentralization

Spatial cleavages and the quest for decentralization have often been examined as responses to sub-state claims for subsidiarity and democratic accountability. However, the political salience of sub-state regions and regional policy-making in the social policy realm has drawn attention to the growing intersection between these fields of research. Not so long ago, ideas, interests and institutions related to welfare and spatial developments were frequently regarded as contradictory or even incompatible with each other. Regional actors have now gained relevance not only concerning culture and identity politics. They are increasingly regarded as optimal welfare providers as a result of the interaction of the processes of bottom-up globalization and the top-down devolution of powers (Moreno, 2003).

In historical terms, the quest for decentralization has sought to accommodate a response to the *stimuli* of the diversity within the modern nation-state. In the majority of cases, the modern state comprises territorial communities and groups with differences of language, history or traditions (Connor, 1994).[4] As a result of within-state variations, often reflected in the party system, channels of elite representation or interest group articulation, decentralization has become a major embedding factor in contemporary political life.

A broad definition of decentralization involves the establishment of institutions in areas which are the result of the division of the territory of the state. It can be subdivided into two general types: (i) political decentralization, and (ii) administrative de-concentration. The former entails the exercize of autonomous decision-making powers by sub-state governments, elected by and democratically accountable to the citizens under their jurisdiction. The latter refers to the implementation of decisions at a sub-state level by non-departmental governmental[5] bodies appointed by the central government. However, further precision is required on a case-by-case basis as decentralization may imply the transferring of responsibilities for both policy-

making and delivery; while in other cases, policy parameters may continue to be set centrally, with decentralization limited to service delivery.

In some cases, as in France, decentralization is a top-down initiative aimed at increasing governmental efficiency and offloading the day-to-day responsibility for administering welfare from the central to the local level. In other cases, political decentralization was conceded in response to an expressed desire for self-government on the part of sub-state nations or regions. In such cases, the old constitutional order had become untenable, threatening the legitimacy of the state. Political autonomy is thus a means of generating renewed legitimacy and quelling challenges to the state's territorial integrity. Political decentralization may also have a functional goal from the sub-state perspective. Arguments for greater involvement in welfare development on the part of local and regional layers of government concern the maximization of available information for policy-makers, and a better 'tailoring' of social programmes according to local needs and citizens' expectations. Critics draw attention, however, to the fact than an excessive autonomy of the richer regions would be to the detriment of the poorer ones. Inequalities in welfare provision would increase, unless social rights and entitlements are legally guaranteed and can be claimed before the courts.

Where welfare systems developed within an already decentralized structure, this often conditioned the pace and scope of welfare development, and limited the extent to which state welfare could effectively contribute to nation-building. On the other hand, decentralized state structures sometimes facilitated welfare development, with sub-state units acting as a locus of policy experimentation and a vehicle for change at the national level. For example, the post-war development of the Canadian welfare system was hampered by provincial opposition from the governments of Quebec and Ontario, but it was also pioneered by innovative social policies in the province of Saskatchewan (see Béland and Lecours in this volume).

Political decentralization introduced within established welfare democracies may also shape the nature of the welfare state. Sub-state autonomy over welfare legislation can lead to policy divergence, and the development of distinctive and diverse welfare regimes within the boundaries of a single state. Some degree of policy divergence is an inevitable consequence of political decentralization, particularly where this has emerged in response to self-government demands. However, in the context of welfare, policy divergence has the potential to undermine inter-regional solidarity where it implies that citizens in different regions of the same state do not enjoy access to similar services, or recognition of the same social rights and entitlements. Although control over social insurance has tended to rest with central government, sub-state political autonomy has involved the decentralization of substantial areas of the welfare state, particularly within the arena of personal social services. Conversely, the decentralization of the welfare state can stimulate policy innovation, with a 'demonstration effect' that minimizes the detrimental consequences for state-national solidarity. For

example, when the Basque government launched a minimum income programme, (*Plan de Lucha contra la Pobreza*), it sparked the other Spanish *Comunidades* Autónomas into establishing similar programmes, in a form of 'competitive state-building' (Guillén, 1996; Arriba and Moreno, 2004).

State Structure and Welfare Provision

The extent to which the welfare state can perform a successful nation-building function is thus dependent upon the structure of the state in which it has evolved. Table 1.2 sets out a typology of five national and constitutional structures in which welfare provision has taken shape. Examples of the various types included in the table are provided by the case studies included in this book. Such examples do not exhaust the possible state forms but they represent the main developments in territorial accommodation in modern times:

(1) *Uni-national state, unitary structure*: Uni-national states have no significant territorial cleavages and no minorities challenging the state's claim to represent a national community. Consequently, they face little or no internal challenges to their territorial legitimacy. Where such states have a unitary structure, they are likely to be highly centralized, with a central authority that enjoys considerable political and economic dominance. All institutions will fall under its control and public policies will be standardized and uniformly administered throughout the state. Majority state nationalism of the type inaugurated in France after the 1789 Revolution has had wide-range influence in the modern process of nation-building all over the world. French Jacobins succeeded in making equivalent the concepts of reason and homogeneity. This form of nationalism aimed at integrating an ethnically heterogeneous society, as was nineteenth century France. As a result of Jacobinism, the French nation-state came to be composed exclusively of individuals and not of ethnoterritorial communities (such as Alsatian, Breton, Catalan, Corsican, Gaul, Occitanian or Basque).[6]

Table 1.2: A Typology of National and State structures

	Union state	Unitary state	Decentralized/ Federal state
Uni-national state		Denmark Finland France Norway Sweden	Germany (post-1949)
Pluri-national state	Spain (dated 1485) UK (dated 1707)	Belgium (1831) Italy (1870)	Canada Belgium (post-1994) Italy (post-1948) Spain (post-1978) UK (post-1999)

(2) *Uni-national state, decentralized/federal structure*: A distinction between organic - or integrative - federal states and mechanical - or devolutionary - federal states can be drawn. In the first type, federalism emerges from an aggregation from below as a result of the association of distinctive territories. In the second, federalism is promoted from above by constitutional means with the aim of devolving power. Uni-national states which lack significant sub-state national cleavages are more likely to conform to the second type. The dominance of the centre, and the lack of a territorial challenge to the state's political legitimacy from a national minority, minimizes the degree to which federal structures will engender intergovernmental tension or constrain political change. The German federation is a prime example of what has been characterized as 'cooperative federalism'.[7] This federal organization provides the regions (Länder) with a strong role in deciding upon and in implementing federal legislation. As well, the Länder can exercize their power through the Federal Council (Bundesrat), an upper chamber or senate composed of representatives of the Land governments, and which have considerable influence - potentially the power of veto - on a wide range of legislation, particularly in welfare matters.

(3) *Pluri-national states, unitary structure*: Pluri-national states include more than one national community within their boundaries. In some cases, as in Belgium (1831) or Italy (1870), the initial process of state formation and nation-building adopted a highly unitary and centralized form. Subsequent territorial accommodation and the quest for home rule by the constituent nations and regions within the unitary structure paved the way for decentralization and/or federalization. After a long historical process of gradual reforms, the Belgian unitary state transformed itself into a federal state in 1993.[8] Belgium is now one of the European countries with the most comprehensive fiscal autonomy for their federated units. In the case of Italy, a unitary state was the original form adopted after the *Risorgimento* under the Savoy dystany.[9] During the initial phase of Italy's state formation, the new national identity was strong and placed itself above the many sub-state identities which had survived for centuries. The Fascist regime (1922-1943) enforced national homogeneity, but in 1948, the democratic constitution recognized the regions as political bodies with administrative and legislative powers. In 2004, the Senate first voted for a constitutional reform to transform itself into a 'Federal Chamber' and to devolve to the regions full legislative powers concerning education, health and local police.

(4) *Pluri-national states, union structure*: Union states are largely centralized politically. However, some sub-state or minority nations may have retained elements of pre-union identity and institutional autonomy (Rokkan and Urwin, 1982: 11; Moreno, 1986). These boundaries are not necessarily discrete and often overlap. For example, the boundaries of the Scottish nation lie within the British nation, while the Catalan nation is embedded within the Spanish nation. The pluri-national character of such states may or may not be recognized. In some cases, national minorities may be granted enhanced representation in central political or legal institutions, or given symbolic recognition in political discourse. In union states, state-wide institutions, parties and policy networks often represent forces of integration which can contain territorial distinctiveness

and ensure that its expression is channelled in apolitical ways. The United Kingdom represented a good example. Politically centralized for much of its history, its pluri-national character has long been recognized in the institutions of civil society and public administration, including the Scottish and Welsh Offices, the church and (in Scotland) the legal system (Brown, *et al.*, 1998). Beyond elite institutions, distinctive national identities have also found popular expression, with the distinctive nations competing separately in football, rugby and other sports (Brand, 1978).

(5) *Pluri-national states, decentralized/federal structure*: The pluri-national character of a state may be more politically significant in states which have a highly decentralized or federal structure. Politically decentralized and federal states are characterized by a set of institutional arrangements that divide power between the centre and some or all regions. In decentralized systems, power has usually been devolved from the centre to the regional level. Federal states, by contrast, are characterized by a more explicit division of sovereignty between different levels of the state, with each unit recognized as sovereign within its areas of jurisdiction. Where territorial units coincide with sub-state national, linguistic or cultural boundaries, their political significance is likely to be reinforced. Anthony Smith insisted that in multi-ethnic federations, where provincial and 'ethnic' boundaries coincide, 'the politics of nationalism is rarely far removed from the arena of federal politics, feeding into a set of grievances which in one form or another have the potential to mobilize individuals behind calls for the territorial redistribution of power, including independence' (Smith, 1995: 10). However, the boundaries of the respective national communities may not match the boundaries of the sub-state units, creating additional tensions. For example, the prevalent view of Canada promoted in Quebec has been of two nations: Quebec and 'English Canada'. By contrast, the other nine provinces neither represent a political unit, nor do they conceive of themselves as representing a distinctive national community.

In unitary and, to a lesser extent, union states, the centralization of political institutions enhanced the capacity of the centre to command control over the development of social services, and gain recognition as the source and guarantor of social and economic security. In highly decentralized or federal states, by contrast, the development of state welfare has often been shared between the centre and the sub-state level, thus constraining the 'command-and-control' efforts by the central state to develop uniform state-wide social services and national institutions.

The nation-building function of the welfare state has been particularly hampered where the pluri-national character of the state is reflected in multi-level government. Firstly, with control over the development of their welfare regimes, sub-state governments may be in a position to preside over the development of distinctive welfare institutions which can act as symbols embodying the sub-state community's solidarity and shared sense of belonging together. Secondly, sub-state governments may come to be regarded as the providers and guarantors of the social well-being of the people they represent, and as such, become the focus of the people's loyalty and the focal point for their policy demands. Thirdly, they may be perceived as the new centre of political

decision-making for those lobbying and competing over the distribution of resources, thus heightening the significance of sub-state political parties and institutions.

There is no inherent conflict between state and sub-state governments over the process of welfare development. Indeed, as Luis Moreno insisted, welfare state expansion should not only be understood in the context of a centralized state structure. Examining the Spanish case, he noted the growth of 'institutional stateness', defined as state penetration of the welfare sphere, within the context of a decentralized political structure in which the Spanish Autonomous Communities have taken a lead role in welfare development (Moreno, 2001: 110-12). However, there is a greater potential for conflict in politically decentralized or federal states where the constitutionally defined units of government are reflections of distinctive national units, and where this political and national structure is reflected in the decentralization or 'bifurcation' of the political party system, as in parts of Canada and Spain. Keith Banting, one of the few observers to explore the territorial implications of welfare development, noted the potential of the welfare state in territorially heterogeneous countries to act as an instrument of nation-building at the state and the sub-state level, depending upon the locus of social policy control. Where power rests with the central government, social policy can be utilised to mediate regional conflicts and reinforce national integration, strengthening the authority and legitimacy of the state in the face of challenges from territorial minorities. Conversely, where social programmes are developed and managed at the sub-state level, they can strengthen regional cultures and enhance the significance of regional governments in the everyday lives of their citizens (Banting, 1995: 270-1). This may help to explain why control over social policy is frequently an issue of intergovernmental tensions between state and sub-state governments in pluri-national, decentralized states.

WELFARE RESTRUCTURING AND TERRITORIAL POLITICS

During the *trentes glorieuses*, or 'Golden Age', of welfare capitalism (1945-75), West European systems of social protection were based upon the assumption of full employment and on the complementary role developed by the family and, in particular, of women's unpaid work within households (Lewis, 1997, 2001). A combination of social policies, Keynesianism, Taylorism and female segregation facilitated a sustained economic growth and the generalization of a type of 'affluent worker'. The effects of the oil crises in 1973-74 and 1978-79 revealed the increasing openness and interdependence of advanced capitalist economies, and altered a scenario of prosperity and abundant stable male employment. Nevertheless, the 'Golden Age' evolved into a 'Silver Age' of the welfare state, revealing limitations but also a high degree of resilience in resisting pressures of a diverse nature (Taylor-Gooby, 2002).

During the 1980s and 1990s, a neo-liberal ideological offensive challenged the tenets and legitimacy upon which welfare states had previously developed. Its discourse elaborated on the effects of economic globalization and industrial transformations on national labour markets. In parallel, deep structural

modifications had taken place as a consequence of the ageing of the population and the increasing participation of women in the formal labour market. In sum, fiscal crises and the erosion of the ideological consensus which gave way to the 'mid-century compromise'[10] had conditioned the recasting of welfare states in Europe (Ferrera and Rhodes, 2000).

Although references to the 'Golden Age' of welfare are often overstated, there is a widespread belief that the welfare state in many advanced industrial democracies has come under pressure in the last two decades. The state's capacity and will to maintain comprehensive systems of welfare has faced challenges on a number fronts, leading to varying degrees of welfare retrenchment. The politics of welfare retrenchment have translated in most cases into a common approach for the containment of public expenditure, although a variety of pressures have ensured that social spending as a share of GDP has maintained high levels during the last decades in most advanced welfare states. Many states have sought to trim welfare entitlements and introduce selectivity and targeting in welfare provision. Some responsibility for social welfare has been transferred to the individual, the family and to civil society, as the role of the state in direct welfare service delivery has diminished. Accordingly, 'throughout Europe, the dominant theme in contemporary social policy is the retreat of the welfare state' (Bonoli *et al.*, 2000: 1).

The Retrenchment of the Welfare State

Four sources of the pressures that have fostered welfare retrenchment can be identified: demographic pressures; changing attitudes towards taxation; neoliberalism; and globalization.

First, demographic indicators, particularly high unemployment, low fertility and an ageing population, suggest long-term pressures upon the maintenance of welfare regimes, as proportionately fewer workers are left to carry the burden of financing an increasingly costly welfare system. Coupled with declining economic growth and the restricted scope for revenue-raising, this has given rise to a prevailing view among governments across the political spectrum that the welfare state has to be significantly reformed if it is to remain viable (Bonoli, *et al.*, 2000; Kuhnle, 2000; Esping-Andersen, *et al.*, 2002; Pierson, 2001; Taylor-Gooby, 2004).

Second, there is now a belief among governments that their citizens are no longer willing to pay more taxes or higher contributions to finance welfare expenditure. The logic of such fears tends toward expenditure restraint. There is little evidence in surveys of opinion of a shift away from support for an interventionist welfare state. In particular, support remains high for increased social spending on health care and programmes, including pensions, which contribute towards care for the elderly. However, this often coincides with support for tax cuts for lower and middle income earners, creating considerable dilemmas for policy-makers left trying to 'square the welfare circle' (George and Taylor-Gooby, 1996).

Third, the emergence of neoliberalism posed a direct challenge to the Keynesian welfare state. From the perspective of the New Right, the Keynesian welfare state became unsustainable as it lacked the capacity to carry out the responsibilities it had acquired and the expectations it had raised. Whereas social democrats maintained that social rights enabled the working class to acquire full and equal citizenship status, neo-liberals argued that the welfare state had made the poor dependent upon the state without enhancing their opportunities. In place of benefits or 'state hand-outs', which were deemed to have engendered a 'dependency culture', neoliberals advocated free enterprise, individual responsibility and self-reliance (King, 1987; Hoover and Plant, 1989).

Neo-liberalism has enjoyed much greater influence in Anglo-Saxon countries than in Scandinavia or continental Europe, and even within the Anglo-Saxon world, the degree to which the welfare state has actually been 'rolled back' is contested. As Paul Pierson observed, the politics of welfare retrenchment is distinct from the politics of expansion, not least because the large-scale social programmes set up in the period of expansion are now central features of the political landscape, with organizational interests and popular support that render retrenchment policies politically costly (Pierson, 1994: 8-31). Nevertheless, the cumulative effect of retrenchment measures can be significant, and even cuts at the margins can have a profound impact upon sections of the population, often the most vulnerable.

Fourth, the globalization and internationalization of trade have decisively affected the economy world-wide, bringing about a deep restructuring of contemporary capitalism (Hirst and Thompson, 1999; Held and McGrew, 2000). Financial globalization has all but terminated the closed national economies upon which the Keynesian welfare state depended. A hegemonic ideology supporting the necessity and inevitability of the free movement of capital and goods helped to create the institutional conditions which then contributed to making the free movement of capital and goods a reality. Frances Piven (1995) suggested that this was a self-fulfilling prophecy. The inter-related objectives of full employment, progressive taxation and high levels of public expenditure characteristic of the period of post-war welfare expansion have been largely abandoned as policy goals (Mishra, 1999), while the free movement of capital has restricted the degree to which the state can implement 'market-correcting' policies (Rhodes and Mény, 1998).

National governments of the advanced welfare democracies still maintain their nominal sovereignty empowering them to negotiate new economic frameworks. At the same time they can also bargain with multinational corporations. However, their economic manoeuvrability to put forward innovative polices outside global demands has become limited in recent decades (Camilleri and Falk, 1992; Schmidt, 1995). Failure of programmes for indicative planning implemented by the first Mitterrand Government in the early 1980s illustrated the 'persuasiveness' of the external constraints posed on national sovereignty in the most *étatiste* country in Europe.

The scale of the challenge posed by globalization, and the direction in which it is affecting welfare states, is open to debate. For some authors, globalization

not only constrains welfare state expansion but it will inevitably induce further retrenchment as states seek to reduce public expenditure and promote market flexibility (Ohmae, 1995; Cerny, 1990; Scharpf, 2000). For others, globalization may be 'beneficial' for the welfare state and encourage further welfare development. As citizens are becoming increasingly exposed to new risks, the need and demands for additional welfare provision will increase (Katzenstein 1985; Garret 1998; Leibfried and Rieger, 1998: Taylor-Gooby, 2004).[11]

The configuration of the welfare state in a particular national context serves to 'filter' common socio-economic challenges and determine the direction that welfare reform will take. Although all welfare states are facing similar pressures as a result of globalization, how they respond to these pressures depends upon the pre-existing institutional nature of their welfare regimes (Esping-Andersen, 1996; Ferrera, 1998; Rhodes, 1998). The impact of globalization on the welfare state will also be mediated by politics. Indeed, some have argued that the globalization discourse is often used as a tool for those seeking to modify pacts of solidarity at the national level (Deacon, 2001; Palier and Sykes 2001; Taylor-Gooby, 2001).

Thus, the pressures upon the welfare state are many, varied and often contradictory. Welfare states and related social programmes remain popular but sections of voters seem hesitant to further contribute their taxes to pay for them. Welfare states thus often show greater resistance to change as their 'path dependency' trajectories cannot easily be re-routed even by transnational pressures (Pierson, 1998). Nevertheless, the restructuring and retrenchment of welfare can have an impact upon territorial politics, and upon the capacity of the state to effectively contain territorial identities effectively.

The Territorial Consequences of Retrenchment

Where the welfare state helped to maintain national unity and inter-regional solidarity, we might expect that its retrenchment would undermine that solidarity and threaten the political and territorial legitimacy of the state. This is especially problematic when the legitimacy of the state is questioned by citizens within a particular region or nation who share a collective identity that distinguishes them from the rest of their co-citizens, as it increases the potential for a territorial rather than a class response to welfare restructuring. Welfare regime change may thus have consequences for the territorial integrity of the state, serving to politicize sub-state territorial identity in the demand for greater self-government, while undermining the capacity of the state to respond to such challenges.

Where welfare state institutions helped to reinforce national symbols, the weakening of these institutions may have a corresponding effect on the symbolic significance of the nation. Retrenchment pressures, as a result of the stresses and demands identified above, also diminish the scope for decommodification and protection from market forces. The consequences for territorial politics may be particularly significant in pluri-national and decentralized states. If the state can no longer convincingly act as the guarantor of social and political rights to national minorities who already share a strong

sense of identity, then part of the rationale for their continued attachment to the larger unit - the assurance of social and economic security - may be diluted.

A weakened central state, in the face of globalization pressures, also diminishes the importance of representation within, and access to, central state institutions. Where access to and control over the centre and its resources becomes less critical, state-wide political parties and movements may have greater difficulty containing sub-state national identities and corresponding territorial demands. This leaves space for the emergence of minority nationalist parties, and increases the likelihood that they may have an electoral impact. When nationalist parties voicing territorial demands enjoy electoral success, state-wide political parties are usually persuaded to turn their attention to finding new ways to accommodate national minorities through policy concessions or promises of autonomy.

From the perspective of a national minority, where the state can no longer guarantee protection from market forces, or resources to meet social and economic needs, the national state as a focus of identity and loyalty may be weakened. Increased political autonomy, especially political secession, is inevitably something of a leap in the dark. The uncertainty surrounding such constitutional change is often highlighted, perhaps exaggerated, by its opponents to heighten anxieties that social programmes and security offered by the existing state may no longer be affordable (among other fears, such as capital flight, for instance). However, where the existing state retreats from welfare provision, the risks that political autonomy would result in the sub-state community carrying heavy losses in terms of health care, pensions, and other benefits becomes less significant. Under these circumstances, territorial minorities may come to the conclusion that they have little to lose from greater political autonomy or, ultimately, independence from the state. Indeed, some sub-state communities have sought to re-create citizenship by claiming reinforced membership ties of social inclusion which the traditional sovereign state can no longer uphold in a centralized manner. Political actors at the sub-state level have claimed that social solidarity may enjoy a high degree of legitimacy in smaller territories, where a strong sense of common identity and a mutual sense of belonging is shared, and where an 'umbrella' of non-discriminatory constitutional provisions of an egalitarian nature is guaranteed (Moreno, 1999).

Inasmuch as globalization limits the autonomy of the national state, it has also limited its capacity to accommodate territorial minorities within existing political and institutional structures. Increasingly, sub-state governments and local authorities do not require the rationalising intervention of central bureaucracies and elites, and can activate policies of industrial relocation or attraction of foreign capitals without the role of intermediaries at the state's centre. By means of local incentives, urban re-development plans, or favouring corporatist agreements with trade unions and industrialists, regional governments and metropolitan authorities can have direct negotiations with the transnational corporations involved (Rhodes, 1996; Moreno, 2003).

However, sub-state governments do not exist in isolation from the new international order. They are subject to the same socio-demographic pressures and necessity of a greater inter-connectedness with institutions and actors beyond their boundaries (Jones, 1995). This may constrain their capacity to generate social solidarity and reinforce territorial loyalties through the distribution of social transfers and services. Critics of the de-structuring of the old order have suggested that globalization, decentralization and the increasing role of sub-state governments may bring about two major drawbacks to welfare development:

(a) Sub-state governments may be more sensitive to pressures from the business community for increased flexibility, lower taxation and lower public spending. Individually, sub-state communities appear more vulnerable to the threat of disinvestments in an era where capital is increasingly mobile, and 'when even a single corporate relocation can devastate an entire community' (Piven, 1995: 114).

(b) Sub-state governments may be tempted in an increasingly competitive international arena to offer 'too' generous conditions for capital investments or industrial relocations. By engaging themselves in a 'race to the bottom', social rights may be restricted, making welfare retrenchment inevitable. Viewed from this angle, decentralization would render social citizenship rights somewhat precarious.

According to functional theories, the nation-state governments should take on redistribution while sub-state administrations should be in charge of developmental functions. However, no consistent empirical findings lend support for a 'positive sum' arrangement with the allocation of the function of redistribution to the national level and those concerning the operationalization of welfare policies to the regional level.[12] Politicians in either national or sub-state governments make choices so as to maximize their own benefits. This fact greatly explains why members of both layers of government are reluctant to tax their constituents in order to allow less-favoured citizens to prosper, something which makes redistribution difficult (Petersen, 1995).

Both politicians and decision-makers at state and sub-state levels may become 'credit-claimers' or 'blame-avoiders', depending upon their situational logic and political strategies. Furthermore, what is economically efficient may not be politically possible or sustainable.[13] Thus, political impacts on national and regional bureaucracies in the implementation process must be taken into account. Likewise, national and regional politicians seek credit for their activities and they do so regardless of economic and rational arguments.

As already stated, the form of decentralization is an important area for analysis in assessing social policy outcomes. Some findings point to the fact that countries in which responsibility for spending is decentralized, but responsibility for revenue-raising is centralized, tend to spend more than other countries, other things being equal. By contrast, in countries where both revenue-raising and welfare spending are decentralized, expenditure levels appear lower (Rodden, 2003).

Concerns over the 'race to the bottom' or, conversely, of sub-state communities (*länder*, provinces, *regioni*, etc.) becoming welfare 'magnets', have generally been overstated. While politicians may choose to believe that generous benefits will attract welfare beneficiaries from other sub-state territories, there is little evidence to support such claims. Even in a federal country such as the USA - where there is a much greater geographical mobility than in Europe - there is little empirical evidence to suggest that 'voting with their feet' actually takes place (Weissert and Weissert, 2002; Berry *et al.*, 2003). Given the importance of this logic on the normative defence of redistribution as a state-level function, perhaps this long-standing view should be revisited.

The debate on whether decentralization constrains redistribution is an unfinished one. There is a large cross-national literature which uses multi-variate analysis to understand the factors that influence levels of social spending (Hicks and Swank, 1992; Huber and Stephens, 2001). This literature has a long-standing trajectory (Cameron, 1978), and has regularly concluded that federalism and/or decentralization constrains the expansion of the welfare state. Further arguments point to the contention that it can have more powerful negative effects than any other institutional variable; greater than factors such as the level of corporatism in decision-making, the nature of the electoral system or a presidential system of government (Swank, 2002).

In addition to the structure of the state, redistribution may also be affected by the state's ethnic composition. It has been argued that the degree of redistribution is more limited in countries which are ethnically heterogeneous or that have high levels of immigration. Some have suggested that public policies designed to recognize and accommodate internal diversity are detrimental to the robustness of the welfare state, with numerous consequences. They may have: a crowding-out effect, diverting energy, money and time from redistribution to recognition; a corroding effect, eroding trust and solidarity amongst citizens; or a misdiagnosis effect, with 'culturalist' solutions shifting attention from the 'real problem' of class inequalities (for an analysis of this debate, see Banting and Kymlicka, 2003). In responding to such charges, Keith Banting and Will Kymlicka argued that the linkage between welfare retrenchment and policies of accommodation and recognition is not empirically sustained. In fact, they could find no consistent relationship between the adoption of multiculturalism policies and the erosion of the welfare state. Indeed, countries that have implemented far-reaching policies of accommodation and recognition, such as Canada and Australia, tend to demonstrate a greater positive correlation between social spending and redistribution (*ibid.*)

The possible exacerbation of inter-regional inequalities, as illustrated above in the discussion of the 'welfare tourism' argument, needs a more detailed qualification not only from the economic, social and political perspectives, but also from a cultural viewpoint. In the case of the European 'old continent', social bonds, kin and networks of friends have a considerable influence in people's attachment to their territorial contexts. As a deterrence to 'welfare tourism', cultural factors include not only linguistic barriers and differences in customs

and habits, but also a more accessible path towards social insertion. In fact, territorial identities at regional and local level can provide better means of insertion for the poor and excluded. In parallel, there is also little evidence to suggest that globalizing trends have blurred local markers of identity and belonging. If anything, collective attachments to supranational levels of civic membership and institutional development have gone hand in hand with a strengthening of local culture and territorial identities at the regional level, noticeably in Europe. As a result, citizens in advanced industrial democracies seem to reconcile supranational, state and local identities, which both majority (state) and minority (stateless) nationalisms often tend to polarize in a conflicting manner. Thus, the emphasis upon territorial identities and local milieus for political action ought not to be placed merely on distinctiveness, but also on those relationships of interaction, congruence, and growing intergovernmental co-operation (Moreno, 2005).

EUROPEANIZATION AND WELFARE

The unfolding of structures of governance at a supranational European level is taking place by means of formalizing interactions between the members of the European Union. These governmental interactions affect actors and policy networks traditionally confined to operating in nation-state arenas. As a multi-level political framework, the European Union is a compound of policy processes, and Europeanization implies that national, regional and local policies are to be shaped by considerations beyond the mere centrality of the member states.

Supra-national processes such as Europeanization seek to accommodate long-standing national traditions with a common political will expressed by countries sharing a somewhat similar historical development and embracing values of democracy and human rights of an egalitarian nature. Europeanization is developing within a framework of system-values that translates into a gradual process of internal restructuring and institutional boundary-building. It is hardly surprising, therefore, that many processes of political decentralization within contemporary European pluri-national states have gained momentum in parallel with the development of Europeanization. However, the concept of Europeanization is ambiguous and subject to various degrees of understanding and interpretation.[14] A constitution of a United States of Europe cannot be regarded as the compelling end-result of the process of Europeanization. The neo-functionalist school of thought has generally adopted the view that universal progress requires a kind of integration, which is made equal to cultural assimilation and single identity formation, along the lines of the American 'melting-pot' experience. Often this approach is coupled with the view that 'command-and-control' policy provision is quintessential for securing organized solidarity and the maintenance of redistributive welfare. Alternatively, pluralists envisage that European rules can only be achieved and successfully accommodated by taking into account both history and cultural diversity within the mosaic of peoples in the old continent. In both approaches, the principles of democratic accountability and territorial subsidiarity are crucial, although not always shared to the same degree and scope.

The difficulties faced by EU national governments in approving the European Constitution in 2004 seem to corroborate the intergovernmentalist theory that the EU is little more than a forum for bargaining between the member states, and that national governments are the paramount political actors in the process of Europeanization. However, such a state-centric view must be subject to several qualifications: (i) short-term interests put forward by the national governments often have long-term unintended and unanticipated institutional consequences; (ii) the density of EU policy-making and the partial autonomy of EU institutions allow for decisions to expand beyond the member states' control; and (iii) institutional inertia, sunk costs and the rising costs of 'non-Europe' greatly reduce the overriding capacity of national governments to reverse the process of Europeanization (Pierson, 1996).

At the sub-state level, European territories seem to follow a pattern of recreating those political communities which flourished in the age prior to the new world discoveries (for example, Italian city-states, Hanseatic League, principalities). However, and in contrast with the *Renaissance* period, there is now a common institutional tie inherent in the process of European integration. Although in a rather loose and gradual manner, a majority of the EU peoples have internalized European institutions as a common political frame of reference. The European Court of Justice, the Schengen Agreement and the establishment of Economic and Monetary Union can be regarded as milestones in the process of establishing - in Rokkanian terms - a European 'community of trust' (Moreno, 2003).

Subsidiarity, Cosmopolitan Localism and Partner Regions

The principle of subsidiarity enshrined in the Treaty on European Union of 1992 (Maastricht Treaty) implies that decisions be taken supra-nationally only if local, regional or national levels cannot perform better. In other words, the preferred locus of decision-making is as decentralized and close to the citizen as possible. Political elites within EU member states, reluctant to further the process of European institutionalization, interpreted the subsidiarity principle as a safeguard for the preservation of traditional national sovereignty and, consequently, the powers to intervene centrally. They have been keen to place the bottom-line of subsidiarity at the level of the nation-state, not further below (van Hecke, 2003).

Social insurance and fiscal policies which have great repercussions for social policy have largely remained as national, centrally-run functions. From a European and global perspective, however, the decentralization of economic development policies has gone hand in hand with the decentralization of political institutions and the regionalization of welfare development. Sub-state layers of government have found in the principle of European subsidiarity a renewed impulse for the running of public affairs, and new opportunities for policy experimentation. There is certainly a case for sub-state units to become 'laboratories of democracy'. John Donahue has claimed that the payoff from innovation exceeds the advantages of uniformity and has underlined policy

diffusion as a criterion: the greater the need for innovation (for example, a 'new' problem or solution), the greater is the rationale for that function to be provided by the sub-national (sub-state) government (Donahue, 1997).

Many signs seem to point towards the rise of a European type of *cosmopolitan localism* (Moreno, 2004), which should be regarded in quite a distinct fashion from that prescribed in North America for local communities (Etzioni, 1993). In the case of the United States, many of the communitarian experiences may be regarded as reactions to specific social cleavages and pressing social fractures (the criminalization of social life), as instrumental means of socialization in response to urban constriction (suburban isolationism), or as alternative lifestyles to dominant values (possessive individualism). In this respect, North-American communitarianism can primarily be seen as socially defensive.[15]

Such European cosmopolitan localism mainly concerns medium-sized 'meso-communities' - within or outwith the framework of a state - and is based on 'project identities' characterized in many instances by pro-active attitudes.[16] In the old continent, it can be detected in small nation-states (Denmark, Ireland, Luxembourg), stateless minority nations (Basque Country, Wallonia, Wales), but also in regions (Brussels, Languedoc, Lombardy) and big conurbations (Berlin, London, Madrid). These meso-communities are spatially situated in a somewhat equidistant position between the nation-state, transnational regional bodies (APEC, EU, MERCOSUR, NAFTA), and other international frameworks (GATT, IMF, OECD, WB, WTO). Territorial identities associated with these communities have provided new political underpinnings for citizens and groups. Arguably, some 'small' nation-states, which are already integrated in transnational contexts of governance, especially the EU, and which have 'lost' significant powers as former 'small' sovereign unitary states, might also be included in the meso-level category by virtue of their population size and their societal homogeneity (for example, Finland, Ireland, or Luxembourg).[17]

Europeanization has also encouraged intergovernmental co-operation on the assumption that national states will be less 'sovereign' than they have been up until now. Beyond this analytical framework, however, the role of sub-state territories is largely neglected in institutional terms. Illustrative of this lack of political impulse is the case of the 'partner regions', or 'regions with legislative powers', and the workings of the European Convention on the Future of Europe.

In 2002, about half of the EU-15 regions were 'partner regions', or regions with legislative powers (in almost half of the member states). With the forthcoming enlargement of the EU, a considerable number of small nations will gain status as full member states in contrast with large sub-state regions and nations without 'sovereign' powers.[18] This will create a situation in which entities with a few thousand inhabitants are entitled to be independently represented in EU institutions, as well as having their language recognized as an official language. By contrast, historic regions with several million inhabitants, which make a major contribution to the economic dynamism of the Union and to the funding of its budget, would still be unrecognized by the European treaties (European Parliament, 2002). Along the same lines, the Committee of the Regions made a

specific reference to those regions with legislative powers which were regarded as not being genuinely accountable to their own citizens.[19]

Decentralization and Multi-Tier Governance

As a result of within-state variations, often reflected in different party systems, channels of elite representation and interest articulation, decentralization has become a major embedding factor in contemporary political life in Europe. Not all processes of decentralization are born equal, but in some countries (for example, Belgium, Italy or Spain) they are affecting the very 'core' of traditional social policies. In those countries, health care, for instance, has been decentralized in various degrees and manners allowing the establishment of regional systems of health provision (see chapters included in this book). These three countries have systems of social insurance funded nationally on a contributory basis. All three countries have constitutional provisions for the universalization of health care, and social insurance legislation has remained a competence of the central state, although policy implementation is largely regionalized. While in Belgium, Flemish nationalists have called for the decentralization and regionalization of the national social security system, in Italy and Spain, regional policy implementation has so far allowed for a great deal of autonomy in the direction of management (with cost-sharing measures in the case of the former). As in other policy areas, financial arrangements for the funding of decentralized health policies are of the utmost importance and need to be closely assessed on determining the scope of decentralization.

In the era of globalization, on the other hand, the management of sub-state welfare regimes emerging as a consequence of decentralization may necessitate an intensification of intergovernmental relations, inhibiting not only sub-state autonomy but also restraining national and supranational vertical 'interference'. Such intergovernmental relations need not be confined to the national state. Within the European Union, there is increasing co-operation between sub-state regions across states. EU institutions, particularly the Parliament, have encouraged multilateral co-operation on the assumption that nation-states will be less 'sovereign' than they have been up until now. The European Commission has also promoted regional development, and EU structural funds have opened up new development opportunities and additional resources to sub-state regions and nations within decentralized political systems.

The European Union is itself developing a role in social policy, evident in initiatives such as the Social Chapter of the Treaty on European Union and the Working Time Directive limiting the maximum weekly hours EU citizens may be expected to work. The development of social policy within and beyond the state compels state and sub-state governments alike to manage welfare systems within a multi-tiered polity. Streamlining open methods of coordination,[20] as has so far been the case of the national action plans on employment and social inclusion, can be the bases for working out tripartite contracts. These governmental agreements, objective-based and drawn up by the Commission, member states and regions, are but one of the intergovernmental policy

collaborations in which all partners concerned could participate in the three phases of the decision-making process: planning of measures, decision-making and programme monitoring.

At the supranational level, EU institutions can develop initiatives and take actions as a result of 'spillovers' from the process of macro-economic reforms framed by the Maastricht Treaty and the Stability Pact. Member states increasingly need to adjust their political 'sovereignty' in welfare matters to the requirements of the single market. Furthermore, social cohesion has become a common goal to be accomplished and preserved within and among all member states.[21]

Such measures of constitutional design are of prime importance in the restructuring of welfare arrangements. Frameworks of solidarity as those provided by the national systems of social insurance, or those affected by European directives, will continue to play a crucial role. However, sensitive areas of citizens' concern where a more efficient policy provision is plausible by means of a more effective development of community-orientated services are increasingly important. Of particular relevance are those concerned with the weaving of 'safety nets' to combat poverty and social exclusion. Such areas of social intervention appear suitable to be run by elected sub-state layers of government, which can be accountable for the implementation of means-tested programmes, and for purposes of optimising economies of scale (Moreno, 2003).

Social Rights and Law Enforcement

Among the various factors affecting an observable trend towards 'unity' in social policy provision developed by the European member states, we must account for macro-structural constraints such as external social dumping, industrial relocation and financial globalization. But European institutional inputs are also important, particularly those related to European law and to the jurisprudence of European Court of Justice.

Early European treaties provided the EC legislator with the competence to harmonize provisions of national systems of social security in order to secure the freedom of movement of workers. Accordingly, the impact of European law on social security matters is growing in importance and has potentially far-reaching consequences. In recent times, social policy matters have been brought to the forefront of EU interests. The Social Charter on the right of workers, as well as the agreement on social policy within the Maastricht Treaty and its inclusion in the Amsterdam Treaty as a separate chapter on social policy, have meant significant steps in the direction of developing a 'Social Europe'.

A decisive institutional input shaping the future of social security in the European Union is constituted by jurisprudence of the European Court of Justice. The European Court of Justice has used its authority to impose requirements upon member states, for example, to ensure their social policies

are compatible with labour mobility objectives and to secure entitlements to health care and social security for EU citizens throughout the Union. Arguably, and as a consequence of regulations sustained by European Court rulings since the 1980s, European welfare states have transformed from sovereign to 'semi-sovereign' systems (Leibfried and Pierson, 1995).

Two rulings by the European Court concerning core competences of the national welfare state can illustrate the extent to which judicial inputs are 'Europeanizing' social policy-making. In the 1993 Poucet-Pistre case,[22] the Court ruled that citizens cannot abandon their compulsory national insurance systems on the basis of Europe's freedom of service. The ruling upheld the compulsory nature of national systems of public insurance and the principle of redistributive solidarity among the diverse income groups and age groups integrated within them. According to this ruling, the principles of obligatory social insurance and public monopoly do conform to the four freedoms enshrined in the European Treaty.

The decision of 1998 on the Kohll and Decker[23] cases constituted a turning point in the juridical concept of the relation between EU law and national health insurance laws. The Court ruled that, in the absence of harmonization at the EU level, each member state could determine the conditions concerning the right and duty to be insured with a social security scheme, as well as for the establishment of the conditions for entitlement to benefits. Nevertheless, and this was the crucial aspect of the Court's decision, member states should comply with European law when exercising their powers to organize their social security systems, and should reimburse the costs involved. In this sense, the Kohll and Dekker rulings constitute important judicial decisions for the neutralization of territoriality conditions in EU health care systems (Kötter, 1999; Pennings, 2001).

Until now, decisions and rulings by the Court have enjoyed an uncontested degree of legitimacy *vis-à-vis* national interests defended by the governments of the member states. At the root of such an attitude lies the acceptance not only that political life in Europe depends upon the rule of law, but also that rights and values are eventually to be corroborated by Court decisions.

The European Social Model

Despite the diversity of its institutional forms and manifestations, the European social model can be identified as one based upon collective solidarity and as the result of patterns of social conflict and co-operation in contemporary times. During the twentieth century, the rise of the welfare state - a European 'invention'- meant states could meet the basic needs of 'the people', through the provision of income security, health care, housing and education. There is a widespread belief that the 'European social model' provides collective unity and identity to most EU countries, in contrast to other systems, especially the United States model, where individualization is a distinctive tenet for welfare provision (a belief, incidentally, which is also attached to the Canadian welfare system). The articulation of 'floors' or 'nets' of legal rights and material resources for citizens to

participate actively in society can be seen as a common primary concern of European member states. Accordingly, the fight against poverty and social exclusion plays a central role in the European social model.

As viewed from below, the 'European social model' appears much more diverse as a kaleidoscope of sediments and peculiarities, although sharing a common perspective on social risks' coverage and the promotion of social citizenship (Flora, 1993). Indeed, the systems of social protection within the European Union are far from being identical and uniform (Scharpf, 2002). Any future scenario for unified EU involvement in the area of policies regarding social protection must take into account the present situation of welfare peculiarities (Kuhnle, 2000; Pierson, 2001; Taylor-Gooby, 2001).

As viewed from above, there has been in recent years a widening in the forms of welfare provision and, indeed, an expansion of supplementary forms of market insurance. Relevant actors, such as insurance companies, provident funds or mutual societies, are bound to become relevant actors alongside trade unions or business and professional associations (Ferrera, 2003; see also Ferrera's chapter in this volume).

The accommodation of cleavage structures, often forged over centuries, appears to be a pre-requisite to any political attempt to dismantle internal boundaries in a supra-national Europe. The development of a European supra-national welfare system is, therefore, unlikely in the near future. In promoting welfare development, national and local cultures will continue to play a crucial role in peoples' expectations, perceptions and values. This area of social policy-making is highly shaped by local cultures and lifestyles, and is less likely to be dealt with in a homogenous and centralized manner from a supra-national entity. However, in the second half of the 1990s, there were renewed attempts to optimize the building of a Social Europe, resting on a virtuous combination of sub-state, nation-state and supranational programmes and regulations.

CONCLUDING REMARKS

The relationship between social policy and territorial politics has generally been under-theorized and under-examined. There is a large literature on regionalism, mainly focused on political economy questions, the decentralization of government, and the question of 'governance'. The problem of territorial equity and cohesion has been mentioned frequently in discussions of the 'new regionalism' (Keating, 1998), but there has been little focus on the regionalization of the welfare state.

When analysing functional and territorial changes we often acknowledge ambivalences and even apparent contradictions. With regard to the process of Europeanization, for instance, the study of the link between changes in the institutional profile of European welfare states and changes in the cleavage and centre-periphery structures is a very promising front for future empirical research and theory in comparative social policy. If new economic policies have allowed for monetary centralization and a growing harmonization of single-

market policies, a generalization of the quest for policy decentralization also points at a political redistribution of powers in multi-tiered Europe (Ferrera, 2003; Moreno and Palier, 2004).

The welfare/territory comparative field of research has a great potential and will no doubt increase academic interest not only within the discipline of political science, but from other disciplinary quarters of the social sciences. Political actors and institutions, economic variables, sociological categories and historical trends are but a few of the areas to be analysed. The existence of a diversity of interpretations does not entail that the different theories and approaches are incompatible: social phenomena are not 'coherent' or 'uniform'. Rather, they are diverse and generally develop within mutually interdependent and interacting structures.

In this introductory chapter, we have conceptually explored the relationship between territorial politics and welfare development. We have tried to refrain ourselves from 'packing' too many concepts and ideas, and are aware of the limitations of our analyses and discussions. It would have been unrealistic to attempt to cover the many conceptual categories involved in the examination of this welfare and territory inter-relationship. The main distinctions we have sought to address have dealt with state formation, the welfare state and nationhood, and the influence of state structure on welfare development in the light of the internal quest for decentralization and the external constraints of globalization. Welfare retrenchment as a containment of public spending and marketization of social needs, and its territorial implications, has also focused our attention, together with the impact of Europeanization and the prospects of a multi-tiered provision of European welfare, which would incorporate regional, nation-state and supranational layers of government. An emphasis in comparative analyses is the reflection of a concern for making sense of the various territorial developments and institutional routes taken by the state as an arena for welfare solidarity. We have explored this mainly in theoretical terms. The empirical studies in the chapters which follow provide further insight into the territorial politics of welfare.*

NOTES

1. Note that in Wilhelmine Germany, social insurance institutions were established prior to political rights (Flora and Alber, 1981).
2. According to T. H. Marshall (1950), the three stages in the evolution of modern citizenship run in parallel with the various periods of the constitutional recognition of rights; (a) civil, during the eighteenth century related to the demise of the estate society of the *Ancien Regime* after the English, American and French Revolutions; (b) political, during the nineteenth century with the institutionalization of both democratic liberalism and electoral representation; and (c) social, during the twentieth century with the consolidation of egalitarianism in the welfare industrial democracies.
3. The example of Spain is illustrative. In all seventeen Spanish *Comunidades Autónomas* (sub-state regions and nationalities), there is a high proportion of citizens who claim some form of dual self-identification. The question addressed to them in successive polls has been as follows: 'In general, would you say that you feel...(1) 'Only Andalusian, Basque, Catalan, etc.'; (2) 'More Andalusian, Basque, Catalan, etc. than Spanish'; (3) 'As much Andalusian, Basque, Catalan as Spanish'; (4) 'More Spanish than Andalusian, Basque, Catalan, etc.'; or (5) 'Only Spanish'. In the period October 1990-June 1995 a degree of duality was expressed by around 70 per cent of the total Spanish population (that is, categories 2, 3 and 4) (Moreno, 2001: 110-126). In the case of Scotland/United Kingdom, surveys using a similar scale were first carried out in the mid-1980s (Moreno, 1986: 439-441).
4. When Walker Connor analysed the composition of the 132 states which made up the United Nations in 1971, he concluded that only 12 of these were nation-states in which the political unit coincided with the national community. By 1984, he could describe only seven states as nation-states in the strict sense of the term (Connor, 1994). These included Denmark, Iceland, Japan, Luxembourg, the Netherlands and Portugal.
5. Or non-governmental as in the case of the *quango* - quasi-autonomous non-governmental-organization- a body established and appointed by the government. It can also refer to 'private-sector' bodies carrying out functions on the government's behalf. In either case, they are not directly accountable to users of the services they provide, but to the institutions that appoint their members, allowing a great deal of 'behind-the-scenes' negotiations and arrangements.
6. However, Eugen Weber (1976) pointed out that in 1870 the great majority of inhabitants in French rural areas and small municipalities did not regard themselves as members of the French nation. This perception of 'non-belonging' lasted until the first world war. Military conscription and warfare among European states was a major factor for the consolidation of the processes of nation-building in the old continent (Tilly, 1975).
7. Cooperative federalism puts forward the idea that intergovernmental relations should be based on collaboration. Such practices - labelled at times as tortuous or 'joint-trap decision' mechanisms - aim at maximizing administrative interdependence and are better suited to countries with political cultures grounded on values of pact, negotiation and tolerance (Duchacek, 1970). In the case of Germany, and its *Bundestreue*, or federal mutual trust, cooperative practices are in line with a high degree of internal ethno-territorial homogeneity (Manow, 2005).
8. After the 1993 state reform, article 1 of the Belgian Constitution proclaimed that, 'Belgium is a federal state, composed of communities and regions'. These two types of member states (communities and regions) partly overlap territorially, a fact from which much of the complexity of the Belgian federal state derives.
9. At that time, it reigned over Piedmont and Sardinia. Piedmontese political leaders, such as Cavour, were decisive in bringing together into one unitary state other territories and reigns of the Italian peninsula (that is, the RC state, the reign of the Two Sicilies, and other areas under the direct or indirect control of the Austrian Empire).
10. By which there was a compromise between a primary framework of property ownership and social rights in advanced industrial countries representative of welfare capitalism. This mutual concession made feasible the institutionalization of conflicts latent between capitalist inequalities and equalities derived from mass citizenship and allowed for the solidarity principle upon which the post-war welfare state was constructed (Rhodes and Mény, 1998; Crouch, 1999).
11. This approach is criticized on the ground that the only areas of ongoing welfare expansion (services for working mothers, older people) are the least related to globalization. An exception to this general trend may be active labour market policies (Bonoli, 2002).

12. In the United States, after examining federal expenditures over 30 years, Peterson (1995) concluded that legislative federalism helps to understand why some elements of functional federalism, such as redistribution, have been so difficult to achieve.

13. On analyzing the effect of two federal grant programmes in the United States, Chubb (1985) found the exact opposite of what economists predicted because the political factors affected the oversight and ultimately the overall spending.

14. By combining these two dimensions, namely the object of Europeanization, and its understanding as a process and as an outcome, four distinct meanings of the term can be identified as follows; (i) Europeanization as competence shift from the national level on decision-making to the European one; (ii) Europeanization as policy convergence across member states in a particular policy area, (iii) Europeanization as an adaptive response of national institutions to the impact and imperatives of European intervention; and (iv) Europeanization as institutional convergence in the governance systems of member countries (Colino, 1997).

15. Other functional identities linked to various dimensions of social life, such as cultural forms, gender, religion and individual sociobiological conditions can also be interpreted as new forms of 'resistance' (Kilminster, 1997).

16. According to Manuel Castells (1997) 'project identities' do not seem to originate from the old identities of the civil societies in the Industrial Age, but from the development of current 'resistance identities' against the informational avalanche. This argument is rather circular as regards its territorial dimension. In the case of the United States, sub-state spatial identities are not commensurable with the type of collective identities deeply rooted in the *Volkgeist* of the diverse European peoples.

17. The 'No' result in the Danish Referendum to ratify the Maastricht Treaty in June 1992, as well as the 'Yes' ratification of the same Treaty with opt-outs in a similar referendum held on May 1993, can be regarded as expressions of the unease of this 'small and homogeneous' European state in the face of the loss of traditional sovereign powers. The negative outcome of the Referendum on the Nice Treaty held in Ireland in June 2001 may also be interpreted, among other considerations, as a refusal to endorse fiscal harmonization within the EU and a fear about future majority voting by EU decision-making institutions. However, the subsequent referendum of October 2002 produced a clear pro-EU result.

18. Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia have populations of 750,000; 1,370,000, 1,375,000; 2,375,000, 391,000 and 2,000,000 inhabitants, respectively. Such populations make a sharp contrast with some 'partner regions' as North Rhine Westphalia (17 million), Lombardy (9 million) or Andalusia (7.5 million).

19. It made reference to the regions in Finland (the Åland Islands), Belgium (3 regions, 3 communities), Germany (16 *Länder*), Austria (9 Länder), Spain (17 *Comunidades Autónomas*), Portugal (2 autonomous regions), Italy (20 *regioni* and 2 autonomous provinces), and the United Kingdom (3 parliaments, or regional assemblies) (Committee of the Regions, 2002).

20. Or OMC, an acronym coined at the time of the Portuguese Presidency in 2000, which seeks to establish common guidelines, joint evaluation, peer reviews and recommendations involving member states' stakeholders and relevant policy actors. Even in the absence of 'hard' EU regulations and sanctions, the Open Method of Coordination aims at providing an incentive for compliance on the side of state and sub-state governments (Ferrera *et al.*, 2002).

21. The reference to social cohesion has been included in the Single European Act (as the article number 130a already indicates), and there is a chapter on social policy (art. 117- 122) which calls upon member states to cooperate for the improvement of working and living conditions (art. 117).

22. These two French citizens appealed to the European Court after having been denied their expressed option of paying their social contributions to a private scheme instead of the compulsory social insurance. The ruling established that such a national requirement did not infringe the provisions of the Treaty regarding either the provisions of the freedom of services and on the abuse of dominant position.

23. Mr. Kohll, a Luxembourg citizen, had requested the authorization for dental treatment of his daughter in Germany (Trier). Mr. Decker, also a Luxembourg citizen, had solicited the reimbursement of spectacles with corrective lenses he had purchased in Belgium. In both cases, national social security administrations rejected both claims. Kohll and Decker appealed subsequently to the European Court of Justice.

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