

# **Constructing Citizens:** Social Policy and the State-Citizen Relationship.

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# Abstract

This thesis argues that social policy is best seen as an attempt to define and encourage a specific relationship between the citizen and the state. Within this view, the paradigms of welfarism and neoliberalism are seen as attempts to alter this state-citizen relationship. New paradigms can be successful if they can establish legitimacy for a new state-citizen relationship, particularly if the existing relationship is sufficiently plastic to allow change. If a new paradigm falls outside of traditional discourses of legitimate relationship between citizen and state, radical policy change is likely to fail.

The methodology of the study fuses techniques of institutional analysis and discourse analysis. Institutional analysis is used to show how social policy ideas, along with their preferred practices of citizenship, are formed and articulated across the various bodies which influence policy in both the domestic and international arena. Discourse analysis and ‘governmentality’ studies are used to show how new policy paradigms are constructed as being consistent with traditional state-citizen relationships, in order to create space to accommodate radical policy change.

Sweden, France and Britain are used as case studies to illustrate the effect of the state-citizen relationship on social policy change. Each of these countries developed a unique tradition of state-citizen relations over many centuries of political struggle, and each country found itself responding to international social policy paradigms after World War II. In the immediate post-war period, the welfarist paradigm encouraged states to expand their social services and increase the role of the state in the life of the citizen; from the 1970s, the neoliberal paradigm encouraged states to reduce the influence they had adopted. Each country took unique measures to accommodate these international shifts. In some cases, policy change failed, as it fell outside of traditional state-citizen relations and was not accepted by the public or by necessary institutions. In each successful case, policy change was accompanied by discourses which either altered or reinforced ideas of state and of citizenship. The state-citizen relationship creates a space for new social policy ideas to emerge and offers a means by which such ideas could achieve political success. In sum, the thesis posits that changes in social policy can be understood as reflections of and attempts to recreate the state-citizen relationship.

# Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution to Ben Revi and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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# List of Abbreviations

CTC	City Technical Colleges
EC	European Community
EFTA	European Free Trade Area
EU	European Union
FN	Front National
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
LO	Landsorganisationen (Swedish Trade Union Confederation)
NHS	National Health Service
NPM	New Public Management
NSE	New Schumpeterian Economics
OPEC	Organisation of Petroleum Exporting Countries
PS	Parti Socialiste (French Socialist Party)
SAF	Svenska Arbetsgivaföreningen (Swedish Employer's Association)
SAP	Sveriges socialdemokratiska arbetareparti (Swedish Social Democratic Party)
SERPS	State Earnings-Related Pension Scheme
SFIO	Section Française de l'Internationale Ouvrière
SGP	Stability and Growth Pact

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# 1. Introduction: Social Policy Constructing Citizens

This thesis aims to show that the two major policy paradigms of the post-World War II period, here labelled 'welfarism' and 'neoliberalism', do not merely offer techniques to distribute resources, but are in fact comprehensive programmes aimed to define and encourage a specific relationship between the citizen and the state. They each carry with them ideals of citizen behaviour and state responsibility. Under welfarism, the state encourages some collectivism and aim directly to change and improve the social behaviours of citizens. Under neoliberalism, the state encourages individualism, and in turn encourages competition and enterprise. These paradigms have spread through institutions such as universities, international organisations and financial markets, to influence domestic social policy.

Yet the implementation of welfarist and neoliberal policy has differed vastly across nations, as new paradigms must compete with traditional models of citizenship to achieve legitimacy in domestic policy debates. Britain, Sweden and France have been chosen as case studies to represent the successes and difficulties of welfarist and

neoliberal policy implementation. In each case, policies which have been constructed as consistent with traditional practices of state and citizenship have been most successful.

The initial research questions for this project will be familiar to most readers, and at present, remain mostly unanswered. How have neoliberal ideas influenced so many mainstream parties in so many disparate nations? Are present economic circumstances incapable of supporting a welfarist state? Is there *really* no alternative?

These questions were, as it turns out, poorly conceived. Economics is not a standardised discipline, but rather offers a raft of competing analyses as to the best distribution of resources to increase public welfare.

There exists a conventional view that World War II brought with it a period of rapid industrial growth as new technologies brought newfound wealth to the developed world, allowing war-torn governments to institute a raft of social policies that created the ‘welfare state’. This welfarist paradigm was linked to the economic ideas of John Maynard Keynes, who advocated government intervention in the market to ensure that the full productive capacity of an economy could be utilised. In an environment of rapidly increasing wealth and a new sense of social ‘security’, these states prospered for three decades of near uninterrupted growth, which was represented as a ‘golden age’.<sup>1</sup> High industrial growth began to recede in the 1970s and, along with the 1973 oil shock and a rapid increase in welfare claims, this caused a crisis in this welfare state.<sup>2</sup> By the end of the 1970s generous social programmes had become unaffordable, and policy actors needed to look elsewhere for policy ideas.<sup>3</sup> ‘Neoliberalism’, a programme which advocated a withdrawal of state intervention, became the dominant paradigm—the only effective solution—influencing the policies of conservative, liberal and social democratic parties alike.<sup>4</sup>

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1. See, for example, Harold Wilensky, *The Welfare State and Equality* (Berkeley: University of California Press, 1975).
  2. Ian Greener, “Social Learning and Macroeconomic Policy in Britain,” *Journal of Public Policy*, vol. 21, no. 2 (2001), 146.
  3. Evelyne Huber, and John D. Stephens, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001).
  4. Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain,” *Comparative Politics*, vol. 25, no. 3 (1993), 275-96.

Initially, I wished to test the truth of these claims. One of my first avenues of research was into the 1973 oil shock. After the Yom Kippur War, a number of oil-rich Middle Eastern and African nations acknowledged their shared interests, and formed a cartel, the Organisation of Petroleum Exporting Countries (OPEC), which forced up the price of oil.<sup>5</sup> This was one of the phenomena—alongside the switch from manufacturing to service economies, the increase in welfare claims and costs, and others besides—which led to simultaneously rising inflation and unemployment, or ‘stagflation’, in developed nations. The coexistence of inflation and recession caused a crisis in ‘Keynesian’ economics, which had predicted a trade-off between inflation and growth, and thus offered no solution to the economic ills of the era. My initial research examined the extent to which the oil shock was inevitable; whether Keynesian economics was unable to solve the problem; and whether ‘neoliberalism’ offered a strong policy alternative.

The results of this enquiry were disorderly, to say the least. For one thing, the crisis in the Keynesian welfare state was being discussed prior to the 1973 oil shock. On one side, Peter Wiles was suggesting that rising costs of production and rising wages would undermine the welfare state;<sup>6</sup> on another, Claus Offe was claiming that ‘the Keynesian welfare state is a victim of its own success’,<sup>7</sup> given that it offered both disincentives to work in the form of social insurance, along with a ‘full employment’ policy which would drive up wages and inflation.

Secondly, evidence pointed in many directions as to the nature of the oil shock and its impact upon the international economy. Romer and Romer argue that monetary policy has a greater impact on the economy than any spike in oil prices.<sup>8</sup> Schneider believes that ‘the negative effects [of an oil shock] quickly fade’ (although he considers the role of monetary policy in historical crises to be ‘ambiguous’).<sup>9</sup> Furthermore, Bernanke,

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5. Øystein Noreng, *Crude Power: Politics and the Oil Market* (London: IB Tauris and Co Ltd, 2006), 106.
  6. Peter Wiles, “Cost Inflation and the State of Economic Theory,” *The Economic Journal*, vol. 83, no. 330 (1973), 398.
  7. Claus Offe, “Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization,” *Policy Sciences*, vol. 15(1983), 241, original emphasis.
  8. Christina D. Romer, and David H. Romer, “Monetary Policy Matters,” *Journal of Monetary Economics*, vol. 34(1994), 78.
  9. Martin Schneider, “The Impact of Oil Price Changes on Growth and Inflation,” *Monetary Policy and the Economy*, vol. Q2, no. 04), 27.

Gertler and Watson claim that ‘an important part of the effect of oil price shocks on the economy results not from the change in oil prices, per se, but from the resulting tightening of monetary policy.’<sup>10</sup> Crudely, a Keynesian approach may have been to increase the money supply in order to prevent the stifling of demand after such a shock; these accounts suggest that such an approach may have been beneficial.

Interpretations of the oil shock itself are no clearer. Noreng declares, ‘so far, the oil crises have had their causes in politics, not in resource scarcity.’<sup>11</sup> Parra argues that OPEC formed in response to ongoing conflict between Israel and its oil-producing neighbours: ‘how else,’ he asks, ‘could the Arabs retaliate against US support of [victorious] Israel?’<sup>12</sup> This suggests that foreign policy and diplomacy aimed at securing agreements with the major oil-producing countries, or reducing reliance upon OPEC oil, may have been another solution to the crisis.

Quantitative data surrounding the oil shocks is also ambiguous. Data sourced from the United States Department of Energy shows nominal and real prices of oil per barrel over the period in question. Sometimes, such as the spike between 1973 and 1974, rapid increases in oil prices correlate with periods of negative growth in the United States. At other times, such as the even larger spike between 1981 and 1982, they do not.<sup>13</sup>

Moreover, other periods of economic crisis, such as the recessions of the late 1980s<sup>14</sup> and the recent Global Financial Crisis of 2008,<sup>15</sup> have been blamed upon liberal financial speculation; they may be the direct result of ‘neoliberal’ deregulation. Yet most responses to the 1980s recessions were to continue with a neoliberal agenda and

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10. Ben S. Bernanke et al., “Systematic Monetary Policy and the Effects of Oil Price Shocks,” *Brookings Papers on Economic Activity: Macroeconomics* (Washington: Brookings Institution Press, 1997), 136.

11. Øystein Noreng, *Crude Power: Politics and the Oil Market*, 106.

12. Francisco Parra, *Oil Politics: A Modern History of Petroleum* (London: IB Tauris and Co Ltd, 2004), 119.

13. United States Department of Commerce Bureau of Economic Analysis, “Percent Change From Preceding Period in Real Gross Domestic Product,” available at <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=1&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1970&LastYear=2008&3Place=N&Update=Update&JavaBox=no#Mid> (accessed 14 November, 2008).

14. Gary J. Schinasi, and Monica Hargraves, ““Boom and Bust” in Asset Markets in the 1980s: Causes and Consequences,” in *Staff Studies for the World Economic Outlook*, ed. Research Department of the International Monetary Fund (Washington DC: International Monetary Fund, 1993).

15. James Crotty, “Structural Causes of the Global Financial Crisis: A Critical Assessment of the ‘New Financial Architecture’,” *Cambridge Journal of Economics*, vol. 33, no. 4 (2009), 563-80.

wait for the market to self-correct. The Global Financial Crisis has provoked some Keynesian reflation strategies, mostly in the form of stimulus packages, and some attempts to reregulate financial transactions.<sup>16</sup> However, throughout the developed world, these challenges—along with other challenges, such as climate change—have not provoked a radical reorientation toward market scepticism and interventionist policy. The neoliberal paradigm has survived shocks to its assumptions that the welfarist paradigm did not.

The story which runs through this history is that crises are constructed; that policy alternatives are informed and constrained by the discourses which dominate domestic and international politics. It is perhaps impossible to assess with great accuracy the real effect of the oil shock, and determine the hypothetical outcomes of a Keynesian strategy to solve it. It is not so impossible, however, to show how neoliberal discourse gained favour in the US administration and, through this, began to influence the international institutions which determined the rules for international finance. The oil shock of 1973 was constructed as a crisis in Keynesianism, which allowed a discursive space in which alternative policy ideas could emerge. The end of the ‘golden era’ was seen as a ‘policy failure’, and gradually neoliberal ideas came to dominate the networks of thinktanks, media organisations, international institutions, universities, markets and advisors in which policy ideas are diffused.<sup>17</sup> These ideas became the dominant paradigm, and they achieved a discursive hegemony, which remains unbroken.

This observation opened up a new avenue of research into the problems and possibilities of social democratic parties in modern times. The new questions which emerged were: precisely what ideas have informed policy action since the 1970s? How was the oil shock constructed as a failure of Keynesianism, and therefore welfarism? What is preventing the emergence of a radical alternative to neoliberal policy? How successful has neoliberalism really been in changing real policy outcomes?

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16. *Ibid.*

17. Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain,” 286.

Paul Pierson argues that the answer to the last of these questions is: not as much as expected.<sup>18</sup> The welfare state truly has survived the onslaught of the neoliberal era. Even in Britain under the Thatcher Government, which strongly advocated a small government programme, government spending was not reduced. Some of Thatcher's initiatives were able to succeed; others, such as widespread health and education reform, were not. Pierson calls this 'path dependence': once certain programmes are instituted, other programmes become dependent upon them, markets expect them and citizens see them as rights which should not be revoked. Therefore, attempts to remove welfare benefits are more difficult than attempts to establish them. In Pierson's view, those welfare measures which have been embedded in political institutions, such as public education and the National Health Service, are the most difficult to remove. Those which are not, such as public housing which is easily sold, represent more likely areas of retrenchment. (At present, many of the more entrenched welfare institutions are under considerable strain within David Cameron's 'Big Society' project, the results of which remain to be seen.)

As influential as this account is, it lacks an understanding of why some governments attempt to alter some policies, and how some radical change does occur. In Thatcher's Britain, one of the most successful elements of the neoliberal agenda was in industrial relations, where union power was severely reduced. Unions had been a strong feature of British institutional life, but faced the brunt of neoliberal attacks. They were strongly institutionally embedded, involved in collective bargaining, acting as a representative of labour in negotiations with employers and government. The reduction of union power was a radical victory for Thatcher, and represents a radical aspect of her politics, an example of radical policy change.

Thatcher's attacks on the unions come not only in the form of a legislative programme, but a sustained attack on the 'social rights' discourse which had underpinned British

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18. Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment* (New York: Cambridge University Press, 1994); Paul Pierson, "The New Politics of the Welfare State," *World Politics*, vol. 48, no. 2 (1996), 143-79; Paul Pierson, "Retrenchment and Restructuring in an Age of Austerity: What (if Anything) Can be Learned From the Affluent Democracies?," *Cad. Saúde Pública*, vol. 18, no. suppl (2002), S7-S11; Paul Pierson, "Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confront Permanent Austerity," *Journal of European Public Policy*, vol. 5, no. 4 (1998), 539-60.

welfarism. Thatcher constructed a discourse of individualism and choice, against the class consciousness and collectivism which had hitherto been dominant features of British politics. Thatcher separated the unions from the workers, claiming that workers had a right not to be represented by union collectives. By recasting the idea of rights from a collectivist to an individualist conception, located in traditions of liberalism and 'self-help' seen throughout British history, Thatcher was able to frame her attack on the unions within an acceptable discourse. The purpose of the state, and the expectations of the citizen, were reinterpreted. Where Thatcher's programme succeeded, she was able to change the relationship between the citizen and the state, allowing new policy opportunities and disallowing others. The Thatcherite project was thus the institution of neoliberalism as the key relationship between the state and the citizen.

Sweden's experience of neoliberalism is rather different to Britain's, in that neoliberalism was introduced into Sweden through international institutions rather than domestic politics. Its traditionally close, cooperative and corporatist state-citizen relationship came under threat in the early 1990s, when fear of being excluded from international trade precipitated Swedish entry into the European Union.<sup>19</sup> This has enforced some neoliberal implementation in Swedish policy. However, Sweden's cautious embrace of neoliberalism is still constrained within traditional discourses of equality, cooperation and paternalism. The persistence of the comprehensive Swedish welfare state in the face of international acceptance of neoliberalism is striking.

In France, international institutions also caused a shift in the state-citizen relationship, but one that was neither widely accepted nor permanent. In 1981, the Mitterrand Government came to power on a strong interventionist platform of increased social services and nationalisations, espousing a state-citizen relationship where the state would be the employer and the protector of its citizens. Yet international institutions and financial markets had at this time largely accepted the neoliberal paradigm, making it impossible for Mitterrand to finance his expansionist project. After a dramatic 'U-Turn', the Mitterrand regime only gradually increased government spending, committed to

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19. Nicholas Aylott, *Swedish Social Democracy and European Integration : The People's Home on the Market* (Aldershot: Ashgate, 1999).

some privatisations and reduced some measures of social policy.<sup>20</sup> Yet neither Mitterrand's party, nor his country, fully implemented neoliberalism. French politics, traditionally a conflict between radical alternatives which promotes political action by citizens, has maintained its radical character, never fully absorbing any policy paradigm.

The main argument of this thesis is therefore that radical social policy change occurs at the level of the state-citizen relationship; that is, radical change can only be achieved if it can be accepted as part of accepted behaviours of state and citizens. This is not to confuse the discursive and the extra-discursive—in other words, it is not to suggest that welfarism was *not* unable to solve the problem of stagflation. It remains possible that the neoliberal paradigm was indeed better equipped to deal with that crisis. Yet it is difficult to prove the extra-discursive successes of these paradigms, given that their implementation has everywhere been partial, and their record on policy outcomes has been mixed. This thesis argues that the imposition of these paradigms has not been merely as techniques to solve policy problems, but as comprehensive shifts in the relationship between the state and the citizen, with new roles for markets and societies that must to be accommodated within traditional models of governance. The successes of welfarism after World War II, and of neoliberalism after the 1970s, are seen as successful implementations of international paradigms within domestic policymaking. The difficulties these paradigms have faced have been conflicts between traditional and novel forms of the state-citizen relationship.

This argument has been influenced by accounts of social policy as influencing the theory and practice of citizenship, particularly T.H. Marshall's seminal lecture 'Citizenship and Social Policy'. Marshall claimed that the institution of post-war welfare programmes in Britain allowed a redefinition of citizenship, that for the first time included notions of 'social citizenship'. In 'social citizenship', citizens were to be offered material security as a matter of right. The state was to offer such services as health, education and 'a modicum of economic welfare', in exchange for a change in

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20. Peter A. Hall, "The Evolution of Economic Policy Under Mitterrand," in *The Mitterrand Experiment*, ed. George Ross et al. (Oxford: Oxford University Press, 1987), 56.



the behaviour of citizens that would ‘turn paupers into gentlemen’.<sup>21</sup> This new social compact created new roles for the state and for its citizens, based on moral discourses of rights. Although Marshall was explicit in suggesting that social policy assumes and encourages certain behaviours of its citizens and discourages others, Keynes’ writings also implicitly aim toward an ideal society, with ideal citizen behaviours. Welfarism is therefore not merely a policy agenda, but a paradigm of a state-citizen relationship, constructing legitimate roles for each in relation to the other. Neoliberalism not only challenges the economic techniques that informed the ‘Keynesian’ welfarist era, but also challenges this state-citizen relationship. Under neoliberalism, seen in the work of Hayek and Friedman, citizens should not expect rights, but instead should work individually and entrepreneurially to increase their own welfare. These ideas will be explored in greater detail in chapter four.

Because the entire political system is based on a common understanding of the proper relationship between the state and the citizen, any alteration in the practice of that relationship will necessarily have a considerable impact on the composition of institutions, discourses and policies in operation. Truly radical policy change, therefore, is practiced at this meta-level of politics. The shifts to the rights-based ideas of welfarism, and then to the entrepreneurialism of neoliberalism, are not merely new understandings of economics, but are also new understandings of citizenship, involving new structures and technologies of government within political systems.

This thesis will attempt to show the manner in which state-citizen relationships have changed over time, the influence of welfarist and neoliberal discourses, and the manner in which those discourses have been able to influence domestic and international policy. In order to achieve this, the thesis will address an unusually broad literature on social policy. Whereas many studies focus narrowly on particular welfare outcomes, or on specific institutional conditions which influence social policy, this thesis attempts to engage with a wider literature linking changes in discourse at the domestic and international level with changes in domestic social policy. The thesis addresses how discourse evolves in political and extra-political organisations, how it spreads across

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21. See chapter 4.1 or T. H. Marshall, *Citizenship and Social Class* (London: Pluto Press, 1992).

institutions, and what its impact is on domestic policy. It looks at the extent to which discourses surrounding the proper relationship between the state and the citizen have been present within these institutions and policies, as well as how broader discourses—the welfarist and neoliberal discourses which have influenced social policies—carry within them state-citizen relationship ideals. It will also look at the formation of traditional role of state and citizen, through a brief history of the development of citizenship as a status, to show how social policy outcomes result from a negotiation between new paradigms and these traditional state-citizen relationships.

The study thus adopts a methodology combining two approaches to political analysis. The first is an institutional approach, which shows how policy change occurs through networks of influence including ‘experts’, thinktanks, international organisations, financial and market institutions, political parties and governments. Following the work of David Easton, David Dolowitz, David Marsh, and others, this approach maps a course from a conception of ‘policy failure’, to a search for alternatives through ‘policy networks’, and finally ‘policy transfer’. Such an approach demonstrates the practical manner in which policies develop and change over time, and how they become enacted in domestic politics. This approach also illuminates not only how policy convergence occurs between parties and states, but also how this occurs at different times in different jurisdictions, and often results in different outcomes.

The thesis also adopts a view of discourse which is associated with the work of Michel Foucault. It shows how policy is defined and constrained by structures of knowledge. The dominant paradigms of twentieth century policymaking appear as technologies of government within liberal societies. No longer concerned with the maintenance of sovereign power, liberal democracies have as their goal the maximum welfare of the population, and develop instruments of government in order to achieve that aim. Not only are these paradigms of policymaking themselves instruments of government, but they in turn create more instruments—institutions, discourses and the like—which aim to address these welfare issues. Although neoliberalism sought to remove direct intervention of the state in the economic life of the citizen, neoliberal policy still utilised the tools of governmentality, including research, statistics, and targeted

programmes, in order to govern the conduct of the population. At the core of each paradigm is a desired series of behaviours, of the state and of the citizen, the encouragement of which becomes the purpose of public policy.

As such, this study brings institutional and discourse analysis together to show how institutions have been developed with an ideal state-citizen relationship in mind. It investigates the key ideals informing welfarist and neoliberal policy. This framework will be used to analyse key texts, by Marshall and Keynes on welfarism, and Hayek and Friedman on neoliberalism, to show how each paradigm represents a coherent discourse of the proper role of state and citizen. It will then be used to analyse changes in policy at the level of international institutions, to show how ‘policy networks’ form to promote new state-citizen paradigms. It will then be used to analyse domestic policy change, investigating both the policies themselves and the discourses used by political actors in order to achieve policy change. The intention will be to show how new paradigms are implemented in domestic social policy through negotiation with traditional state-citizen relationships.

These ideas will then be tested using Britain, Sweden and France as case studies. These three countries have been chosen as each represents a different ‘world of welfare capitalism’, according to Gøsta Esping-Andersen’s well-known typology.<sup>22</sup> The thesis looks at the development of traditional state and citizen roles in each country, before showing how the imposition of welfarism and neoliberalism challenged these traditions. In particular, it investigates the influence of traditional ideas in the imposition of new paradigms, showing that welfarism and neoliberal policy was most successful when it was successfully negotiated within traditional discourses on the proper role of state and citizens, and least successful when it diverged.

Chapter two is a review of the literature surrounding the ‘welfare state’. It looks first at the development and expansion of the welfare state in the immediate post-war era of welfarism, and then at welfare state retrenchment under the influence of neoliberalism during and after the 1970s. It will address many theories as to how and why the state

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22. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990).

has increased, and then decreased, its level of intervention in the lives of its citizens. Although institutional and discourse analysis accounts are often separated, there are many links between them, making synthesis possible and desirable.

Chapter three concerns the process of policy change. It establishes the model of politics used throughout the thesis, following the work of Easton and Dolowitz and Marsh among others, which show the political system as a series of inputs and outputs, and 'policy transfer' as a solution to 'policy transfer' advocated through 'policy networks'. It then goes on to show how discourse analysis can be used to show how ideas flow through this system, using the literature on 'governmentality' to examine how techniques of government have been established to govern the conduct and welfare of populations.

Chapter four uses this analysis to investigate the ideal state-citizen relationships embedded within the welfarist and 'neoliberal' paradigms, looking in particular at the work of John Maynard Keynes, T.H. Marshall, F.A. Hayek and Milton Friedman. Within the welfarist paradigm, the state is a protector and instructor of the citizen, designed to lift the citizen to adopt the behaviours of the middle classes. The neoliberal paradigm is equally paternalistic, wishing to create an individualistic, responsible, entrepreneurial consumer-citizen. These images of the state-citizen relationship are embedded in the policy changes enacted within the welfarist and neoliberal paradigms.

Chapter five shows how these images have been embedded within international institutions. The Bretton Woods system, instituted toward the end of World War II, was purpose-built to allow developed nations to access the international finance required to build comprehensive welfare systems. The spread of neoliberal ideas, particularly through the US, caused the decline of the Bretton Woods system; these institutions now reflect and encourage neoliberal citizenship.<sup>23</sup> The decline of Bretton Woods forced interventionist states to look to open financial markets to support their policies, which in many cases meant meeting neoliberal requirements so as to not face punishing interest rates or capital flight.

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23. David Harvey, *A Brief History of Neoliberalism*, 29.

Chapter six shows how state-citizen relationships developed in domestic institutions throughout history. In Europe, the idea of citizenship, of equal participation in a bounded political community, emerged at the end of the feudal era. This chapter looks at the cases of Britain, Sweden and France, and shows how traditions of state-citizen relations formed prior to the introduction of new policy paradigms.

Chapters seven through nine examine in some detail the actual policy change experienced in Britain, France and Sweden during and after the eras of welfarism and neoliberalism. In each case, 'policy failure' prompted a revision of the state-citizen relationship, however this occurred for different reasons, at different times, in different ways across countries, and created unique policies and policy positions. The movement toward neoliberalism cannot be seen as a uniform shift reflecting an inherent instability in welfare systems, but rather a struggle between traditional ideas of the role of the state competing with discourses and institutions to which these states are embedded. Paradigmatic discourses such as welfarism and neoliberalism create different policy outcomes across countries and time-periods. Yet their influence within institutions and policy networks give them influence in international and domestic politics. For radical policy change to occur, new paradigms must emerge which alter and reinforce traditional state-citizen relationships.

## 2. A Brief Review of the Literature on the Welfare State

Many of the studies of social policy currently produced are studies of ‘welfare’, of policies aimed at increasing the general welfare of the population via redistribution of wealth or provision of services. The literature on welfare generally acknowledges a period of welfare ‘expansion’, which reached its peak during the 1950s and 1960s, and a period of welfare ‘decline’, following the oil shock of 1973 and the subsequent recessions. Welfare studies tend to explain these periods of expansion and decline through an analysis of the institutional, economic and geopolitical circumstances of the time. In many accounts, welfare expansion was made possible due to the institutional legacy of state intervention during war; the technology and population booms and subsequent economic growth; and the need to ameliorate communist sympathies within the population during the cold war. Retrenchment occurs in the backdrop of the economic crises of the 1970s, which made expansive, interventionist welfare impossible to maintain. Many of those welfare policies that have survived are the result of democratic politics—it is difficult to win elections while reducing social services.

This thesis accepts many if not all of these premises, but wishes to add one further premise: that social policy is influenced by the surrounding discourses of the correct role and behaviour of the state and the citizen. Welfare expansion occurred under the influence of a welfarist paradigm, associated with a discourse which promoted state intervention in the life of the citizen in order to provide ‘social rights’. Welfare retrenchment occurred under the influence of a neoliberal paradigm, associated with a discourse which recast the citizen as a consumer in the market, and constructed the role of the state as the guarantor of free market conditions. Institutions and technologies of government were developed under both paradigms within international and domestic political systems to reinforce these relationships. Implementation of welfarist and neoliberal policy has varied across countries, as the new paradigms have had to negotiate with traditional state-citizen relationships which arose from the divergent histories of different nations.

## 2.1. Defining the Welfare State

The term ‘Wohlfahrtsstaat’ was first used by German Chancellor von Papen in 1932, attacking his predecessors in the Weimar Republic for creating a ‘welfare state that burdened the state with tasks that were beyond its capability.’<sup>1</sup>

In its current usage, it is attributed to either Sir Alfred Zimmern in the 1930s, or Archbishop Temple, who is said to have coined the term in 1941 as an alternative to Hitler’s ‘warfare state’.<sup>2</sup> William Beveridge, whose 1942 report *Social Insurance and Allied Services* would serve as the catalyst for a raft of post-war social policies, strongly disliked being considered the architect of the ‘welfare state’, because of what he believed were its “‘Santa Claus” and “‘Brave New World” connotations,’ preferring the term ‘social service state’.<sup>3</sup>

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1. R. A. B. Leaper, “Subsidiarity and the Welfare State,” *Social Policy & Administration*, vol. 9, no. 2 (1975), 82-97; Peter Flora, and Arnold J. Heidenheimer, *The Development of Welfare States in Europe and America* (Transaction Publishers: New Jersey, 1980), 18.
  2. Kathleen Woodroffe, “The Making of the Welfare State in England: A Summary of Its Origin and Development,” *Journal of Social History*, vol. 1, no. 4 (1968), 303.
  3. Peter Flora, and Arnold J. Heidenheimer, *The Development of Welfare States in Europe and America*, 19.

The term 'welfare state' refers not just to a state which provides social services, but to a state whose proper role is to intervene in the lives of its citizens. Flora and Heidenheimer define the 'welfare state' as

a basic transformation of the state itself, of its structure, functions, and legitimacy. In a Weberian tradition, the growth of the welfare state may be understood as the gradual emergence of a new system of domination consisting of 'distributing elites,' 'service bureaucracies,' and 'social clienteles.'<sup>4</sup>

Briggs defines the 'welfare state' as 'a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of market forces.'<sup>5</sup> Wilensky suggests that 'the essence of the welfare state is government-protected minimum standards of income, nutrition, health, housing and education, assured to every citizen as a political right, not charity.'<sup>6</sup> Here he echoes the 'social citizenship' view of T.H. Marshall, who saw the implementation of a 'welfare state' in Britain as offering a new set of social rights to its citizens.<sup>7</sup>

In Europe, such interventionist politics is sometimes labelled the 'European social model'. This assumes firstly that European welfare states are substantively different from those outside Europe; secondly, that the European welfare state is but one component of a model of social behaviour. Grahl and Teague define the 'European social model' as 'a specific combination of comprehensive welfare systems and strongly institutionalised and politicised forms of industrial relations,' which, despite the plurality of systems throughout the continent, retains a specifically European flavour of corporatism and social conservatism.<sup>8</sup> Within Europe, there is talk of a 'Scandinavian

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4. *Ibid.*, 23.

5. Asa Briggs, "The Welfare State in Historical Perspective," *Archives Européennes de Sociologie*, vol. II, no. 2 (1961), 228. cited in both Kathleen Woodroffe, "The Making of the Welfare State in England: A Summary of Its Origin and Development," 305; Peter Flora, and Arnold J. Heidenheimer, *The Development of Welfare States in Europe and America*, 29.

6. Harold Wilensky, *The Welfare State and Equality*, 1. cited in both Clement Macintyre, "The Stakeholder Society and the Welfare State: Forward to the Past!," *Contemporary Politics*, vol. 5, no. 2 (1999). , 113; Peter Flora, and Arnold J. Heidenheimer, *The Development of Welfare States in Europe and America*, 30.

7. Clement Macintyre, "The Stakeholder Society and the Welfare State: Forward to the Past!"; T. H. Marshall, "The Right to Welfare," in *The Right to Welfare and Other Essays* (London: Heinemann, 1981).: ; T. H. Marshall, *Citizenship and Social Class*. For more on Marshall's 'social citizenship', see chapter 4.1.

8. John Grahl, and Paul Teague, "Is the European Social Model Fragmenting?," *New Political Economy*, vol. 2, no. 3 (1997), 405-27.



model' and a specifically 'Swedish model', with a more universalistic approach to welfare institutions.<sup>9</sup>

## 2.2. The Conditions and Processes of Welfare Expansion

The study of how and why the welfare state came to be is a well-resourced, but contentious, field of analysis. Most explanations conform to four broad theses: the *contradictions of capitalism* thesis, the *logic-of-industrialism* thesis, the *left party influence* thesis, and the *nation-building* thesis. These are not mutually exclusive categories, and often include similar elements. Interestingly, many reviews of welfare state literature offer only three of the aforementioned: Scarbrough<sup>10</sup> excludes the *left party influence* thesis, while Pierson<sup>11</sup> excludes *nation-building*.

The *contradictions of capitalism* thesis, closely aligned with traditional Marxism, asserts that capitalism carried within it the seeds of its own demise. In relying upon the oppression of a massive working class, capitalism would thus encourage its own overthrow. The welfare state, according to this view, was instituted in order to placate the working masses and win them over to capitalism, thus defeating the tendency to enact a socialist revolution.<sup>12</sup> For example, adherents to this view credit Bismarck's nineteenth-century social insurance policies in newly-unified Germany as ameliorating the working class while at the same time, with his Socialists Act, disallowing any meeting of socialist parties.<sup>13</sup>

The *logic-of-industrialism* thesis asserts that the welfare state was designed in order to create a healthy, long-living, educated working class, to meet the increasingly skilled, technological needs of twentieth century industrial capital. In this view, workers were no longer dispensable, but were required to have specific skills and benefits to industry.

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9. Mark Blyth, "The Transformation of the Swedish Model: Economic Ideals, Distributional Conflict, and Institutional Change," *World Politics*, vol. 54, no. 1 (2001), 1-26; Bo Rothstein, *The Social Democratic State* (Pittsburgh, PA: Pittsburgh University Press, 1996).
  10. Elinor Scarbrough, "West European Welfare States: The Old Politics of Retrenchment," *European Journal of Political Research*, vol. 38, no. 2 (2000), 225-59.
  11. Paul Pierson, "The New Politics of the Welfare State."
  12. Elinor Scarbrough, "West European Welfare States: The Old Politics of Retrenchment," 233.
  13. For example, Henry E. Sigerist, "From Bismarck to Beveridge: Developments and Trends in Social Security Legislation," *Journal of Public Health Policy*, vol. 20, no. 4 (1999), 474-96.

In order for a nation to grow, it needed to provide industry with the best possible workforce, and the ‘welfare state’ arose out of meeting those new challenges.<sup>14</sup>

The *left party influence* thesis relies on a power resources model to show that statistical analysis suggests expansion in welfare effort is positively linked to the influence of left parties and other working class activists (trade unions, etc.) in government. The greater the influence, the greater the reach and depth of interventionist programmes.<sup>15</sup>

Associated with the work of Marshall and Rokkan, the *nation-building* thesis attributes the welfare expansion to the needs of the new democratic state, and its new vision of the citizen.<sup>16</sup> It presupposes that the change in the nature of the state preceded the change in social policy, where the other three theories assert that the state changed in order to accommodate the needs of capital *vis à vis* the working class. In this view, the state became the arbiter of the new, enfranchised citizen, and welfare was enacted in accordance with the new ideologies of ‘human rights’ influenced by Paine<sup>17</sup> and Rousseau,<sup>18</sup> intellectual mentors of the American and French Revolutions. A more cynical off-shoot of this view, which coincides with Pierson’s analysis of the current ‘austerity’ era, claims that once suffrage was granted to the working class, and once working class interests became represented by broad-based parliamentary parties, rampant democracy and strong lobby groups resulted in unsustainable social provision.<sup>19</sup> In this view, it is the demands of democracy which have caused the ‘fiscal crisis of the state’.

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14. Elinor Scarbrough, “West European Welfare States: The Old Politics of Retrenchment,” 227.

15. Paul Pierson, “The New Politics of the Welfare State,” 149.

16. Elinor Scarbrough, “West European Welfare States: The Old Politics of Retrenchment,” 236.

17. Thomas Paine, *The Rights of Man* (Penguin: Harmondsworth, 1984).

18. Jean-Jacques Rousseau, *The Social Contract*, Wordsworth Classics of World Literature (London: Wordsworth, 1998).

19. For example, Claus Offe, “Democracy Against the Welfare State?: Structural Foundations of Neoconservative Political Opportunities,” *Political Theory*, vol. 15, no. 4 (1987), 501-37; Paul Pierson, “The New Politics of the Welfare State.”

## 2.3. The Conditions and Processes of Welfare State Retrenchment

### Crisis of the Welfare State

In many reviews of welfare state literature, the first warnings of crisis are attributed to O'Connor (*Fiscal Crisis Of The State*, 1973), Gough (*The Political Economy of the Welfare State*, 1979), and Offe (*Contradictions of the Welfare State*, 1984).<sup>20</sup> In his critique of this, Rudolf Klein grouped these authors as one fictional O'Goffe, claiming they all shared one main thesis, and that main thesis was wrong.<sup>21</sup> Klein argued there has been no discernible fiscal crisis of the State. Empirical evidence shows that in a time of supposed crisis, Government welfare budgets have been maintained or have even grown as a proportion of GDP.<sup>22</sup> Klein takes the view that where these authors failed was that their explanation of welfare 'crisis' was linked to an analysis of the capitalist economy, without taking into consideration the pressures on welfare provision in communist countries. It 'under-predicted the turmoil in the East and over-predicted the crisis in the West.'<sup>23</sup> Klein accused 'O'Goffe' of claiming that the welfare state was naturally contradictory to an expanding capitalist economy, without taking into account the institutions in capitalist economies which would withstand such crises, and 'cope with the reconciliation of competing claims.'<sup>24</sup>

Although Klein questions the veracity of the claims of 'crisis', it is clear that a dramatic shift in the conceptions and functions of welfare has taken place. Castles and Pierson, whose empirical work shows that no great decrease in welfare provision has occurred,

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20. For example, Stein Ringen, *The Possibility of Politics: A Study in the Political Economy of the Welfare State* (Transaction Publishers: New Jersey, 2006), vii., Martin Rhodes, "Globalization and West European Welfare States: A Critical Review of Recent Debates," *Journal of European Social Policy*, vol. 6, no. 305 (1996), 306; Rudolf Klein, "O'Goffe's Tale," in *New Perspectives on the Welfare State in Europe* (London: Routledge, 1993).

21. *Ibid.*

22. For a few studies of this phenomenon: Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment*; Francis G. Castles, "The Future of the Welfare State: Crisis Myths and Crisis Realities," *International Journal of Health Services*, vol. 32, no. 2 (2002), 255-77; Stein Ringen, *The Possibility of Politics: A Study in the Political Economy of the Welfare State*, ix.

23. Rudolf Klein, "O'Goffe's Tale," 10.

24. *Ibid.*

still concur that the paradigm which influences policy has changed. Pierson's work aims at explaining how the welfare state survived Thatcherite Britain and Reaganite America during an 'era of austerity', when both leaders were publicly hostile to its very existence.<sup>25</sup> Castles sees long-term demographic pressure creating a crisis not just of capitalism but of society, and offers as a cure nothing less than 'the redesign of welfare state institutions to confront ... new challenges.'<sup>26</sup> If the initial predictions were wrong, the warnings of O'Connor, Gough and Offe were nonetheless fertile.

O'Connor's theoretical 'fiscal crisis of the state' occurs when citizens within a democracy demand their state take on ever greater responsibilities, but at the same time wish to pay less in tax.<sup>27</sup> O'Connor saw this occurring in the United States in particular:

Society's demands on local and state budgets seemingly are unlimited, but people's willingness and capacity to pay for these demands appear to be narrowly limited. And at the federal level expenditures have increased significantly faster than the growth of total production.<sup>28</sup>

This was not an 'iron law', according to O'Connor, but a phenomenon the US was facing during the 1970s.<sup>29</sup> O'Connor based his analysis on Marxist economics, claiming that the capitalist state's two main objectives were *accumulation* and *legitimation*—it must grow, but it must 'meet various demands of those who suffer the "costs" of economic growth'.<sup>30</sup> Accordingly, 'the state has socialized more and more capital costs, [while] the social surplus (including profits) continues to be appropriated privately'.<sup>31</sup> O'Connor also anticipated Paul Pierson's main argument, that (in O'Connor's words) 'a host of "special interests"—corporations, industries, regional and other business

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25. Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment*; Paul Pierson, "The New Politics of the Welfare State."; Paul Pierson, "Retrenchment and Restructuring in an Age of Austerity: What (if Anything) Can be Learned From the Affluent Democracies?"; Paul Pierson, "Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confront Permanent Austerity."

26. Francis G. Castles, "The Future of the Welfare State: Crisis Myths and Crisis Realities," 255.

27. James O'Connor, *The Fiscal Crisis of the State* (Transaction Publishers: New Jersey, 2001).

28. *Ibid.*, 1.

29. *Ibid.*, 2.

30. *Ibid.*, 8.

31. *Ibid.*, 9.

interests—make claims on the budget for various kinds of social investment.’<sup>32</sup> Accordingly, the state experiences ‘crisis’.

Gough undertook to develop an understanding of welfare through a Marxist framework, and then to understand the observed crisis through what he considered to be its contradictions (having accepted the *contradictions-of-capitalism* approach to welfare development). As to the recession of the 1970s,

in a period of prolonged recession like the present [1979], the ‘need’ to restore profitability directly conflicts with the quite different ‘need’ to improve living standards and levels of social consumption ... the welfare state is a product of the contradictory development of capitalist society and in turn it has generated new contradictions which every day become more apparent.<sup>33</sup>

In his short postscript, Gough argues for a reconsideration of political strategy to encourage the ‘positive aspects’ of welfare policies, without detailing what these positive aspects are, and how such a strategy might succeed.<sup>34</sup>

Claus Offe offers a more systematic approach. Where O’Connor identified a fiscal contradiction of the state, Offe extends this crisis study into the realm of ideas. According to Offe,

the organization of mass participation through a *competitive party system* makes democracy safe for capitalism and ... *Keynesianism* and the *welfare state* makes capitalism safe for democracy.<sup>35</sup>

Offe’s work in crisis study is informed by what he saw as a finding of both classical Marxism and the traditional liberalism of Mill: that capitalism and democracy can never peacefully coincide.<sup>36</sup> Marx expected revolution and the dictatorship of the proletariat; Mill and de Tocqueville wished for the protection of freedom and liberty from the ‘egalitarian threats of mass society and democratic mass politics, which, in their view,

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32. *Ibid.*

33. Ian Gough, *The Political Economy of the Welfare State* (London: Macmillan, 1979), 152.

34. *Ibid.*, 153.

35. Claus Offe, “Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization,” 225. Original emphasis.

36. Strikingly, this is the exact opposite of the argument of the liberalism of Hayek and Friedman etc., being that capitalism is a necessary condition for freedom. Friedrich August Hayek, *The Road to Serfdom* (Routledge: London, 1944); Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2002).

would lead, by necessity, to tyranny and “class legislation”.<sup>37</sup> In the ‘Keynesian Welfare State’, along with mass party democracy, Offe saw at least a temporary answer to that crisis. Democracy was limited to competition between a limited number of mainstream parties; capitalism was limited by impediments presented by state welfare.

Offe saw the crisis of the 1970s as caused by breakdowns in both these ameliorating factors. Mass party democracy was collapsing on the one hand by the claims of new social movements—feminism, environmentalism, gay rights, anti-immigration and nationalism, to name but a few—whose demands for autonomy were not easily appropriated by traditional class-based party politics.<sup>38</sup> On the other hand, political parties were tending toward autocracy, silencing dissent in their own members and, when in power, working to limit the freedom of association and speech of their citizens. As this was in the interest of all mainstream parties, it was likely that the state would be increasingly appropriated into this endeavour.

As for the ‘Keynesian Welfare State’, Offe saw its demise to be inextricably linked to its early success. He claims ‘the KWS, so to speak, has operated on the basis of the false theory that the problems it *is* able to deal with are the only problems of the capitalist political economy.’<sup>39</sup> The welfare state stimulated demand at the expense of supply. In terms of labour, for example, it stimulated the demand for labour, by using government spending to stimulate demand in underperforming sectors of the economy. However, by providing various levels of social insurance, it created disincentives for citizens to work, thus limiting the supply of labour, leading to higher inflation and unemployment. Also, as the economic performance of a polity was increasingly seen to be linked to political management, the state was increasingly blamed for any failures. This blame led to the decline in popularity of the welfare state seen during the 1970s. Accordingly, Crozier and Hay also believe that increasing levels of democracy caused a spike in the demand for social assistance, to the point where this demand has exceeded

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37. Claus Offe, “Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization,” 226.

38. This would later be the basis of the analysis in Herbert Kitschelt, “Social Movements, Political Parties, and Democratic Theory,” *Annals of the American Academy of Political and Social Science*, vol. 528(1993), 13-29.

39. Claus Offe, “Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization,” 239. Original emphasis.

the capacity of government supply.<sup>40</sup> The logical conclusion of this analysis would be a collapse in the coexistence of capitalism and democracy. Klein's aforementioned criticism of this approach was sparked by the absence of any such collapse.

What Offe offers is an explanation for the crisis of the welfare state as an ideal role of government. What we see in the work of Pierson, Castles *et al* is not a decline in the real, experienced effect of state welfare measured as *per capita* Government spending, but rather a decline in the legitimacy of the policies of welfare expansion. Offe suggests that the capitalist state can achieve both *accumulation* and *legitimacy* by creating 'conditions... so that *every* citizen becomes a participant in commodity relationships.'<sup>41</sup> Citizens commodify themselves as labour; their wages are spent on consuming commodities; tax revenue is generated from both of these commodity transactions; political elites are have resources for action and legitimisation. Yet the welfare state has a tendency toward decommodification, through measures such as insurance, housing provision and payments to the poor, where income can be generated and goods and services can be procured without any commodity transaction. In this way, the legitimacy of the capitalist welfare state is threatened. Interestingly, in Offe's view, the weakening of the 'commodity society ... can, however, become the focus of social conflict and political struggle which is oriented towards overcoming the commodity form as the organizing principle of social reproduction.'<sup>42</sup>

## Globalisation

Globalisation, itself a contested thesis, has also provided an underlying assumption promoting policy change. This assumption is, in the words of Geoffrey Garrett, that

the international integration of markets in goods, services, and above all capital has eroded national autonomy and, in particular, all but vitiating social democratic alternatives to the free market.<sup>43</sup>

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40. For example, see Colin Hay, "What's Globalization Got to Do With it? Economic Interdependence and the Future of European Welfare States," *Government and Opposition*, vol. 41, no. 1 (2006), 2.

41. Claus Offe, "Theses on the Theory of the State," in *Contradictions of the Welfare State*, ed. John Keane (London: Hutchinson, 1984), 121.

42. *Ibid.*, 129.

43. Geoffrey Garrett, *Partisan Politics in the Global Economy* (Cambridge, UK ; New York: Cambridge University Press, 1998), 1.

According to this view, globalisation is an exogenous force creating new dilemmas for social democratic parties. The threat has been, in the words of Fritz Scharpf, that

weak investment and employment in the European economies [has been blamed] on excessive wage costs, non-wage labor costs, and taxes ... the only policy options in the early 1980s were to accept further loss of jobs in the private sector or to increase the rate of return of productive investment so much that it could again compete with nonproductive financial investments.<sup>44</sup>

In other words, social democratic governments have lost the power to implement social policy, frightened of the potential flight of capital (and, with it, economic growth and success) from large-government to small-government countries. Economic policies are driven by the need to appease the interests of capital. With that in mind, Gøsta Esping-Andersen has given us the following equation:

if, as in most of Europe, welfare states are committed to uphold existing standards of equality and social justice, the price is mass unemployment; to reduce unemployment, Europe appears compelled to embrace American-style deregulation. This will inevitably bring about more poverty and more inequality.<sup>45</sup>

The traditional welfare state was not built to sustain such international competition. In the words of John Gray, the 'social democratic regime presupposed a closed economy.'<sup>46</sup> When economies become more open and intertwined, social policy decisions can have international consequences. For example, Tor Midtbø has deduced that social democratic rule in Sweden causes inflation to rise, not just in Sweden, but also in Denmark and Norway.<sup>47</sup>

However, it is worth noting here that the globalisation thesis also been disputed. Hirst and Thompson have famously argued that the international economy has been strongly

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44. Fritz Wilhelm Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca, N.Y: Cornell University Press, 1991).

45. Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies* (Oxford ; New York: Oxford University Press, 1999), 3.

46. John Gray, *False Dawn : The Delusions of Global Capitalism* (New York: New Press : Distributed by W.W. Norton, 1998), 88., quoted in Paul Hirst, "Has Globalisation Killed Social Democracy?," *The Political Quarterly*, vol. 70, no. s1 (1999), 84-96.

47. Tor Midtbø, "The Open Politiconomy: A Dynamic Analysis of Social Democratic Popularity and Economic Policies in Scandinavia," *British Journal of Political Science*, vol. 28(1998), 93-112.



linked for centuries, and that the evidence does not support the thesis that markets are more ‘global’ now than at any time in the past.<sup>48</sup> Thomas R. Cusack, while agreeing with the basic thesis of globalisation, claims that ‘partisan politics influences have not been eliminated with the tightening of linkages to the international economy.’<sup>49</sup>

The idea of ‘globalisation’, and the drive toward international competitiveness within open markets, has had a limiting effect on the range of policy instruments available to political actors. As Swank shows, capitalist democracies require private investment in order to advance economic performance. This performance is both directly linked to outcomes, in the sense of more revenue for public sector activities, and indirectly linked to outcomes, in that it is a necessary precondition for the reelection of incumbents. Any strict redistribution policy which achieves the scorn of the business community will lower the level of investment in the economy, which will lower the governing party’s chances at election time.<sup>50</sup>

Globalisation, in the form of increased international trade openness with increased capital mobility, facilitates capital flight. If economic policies in one country are more punitive than those of another, in the form of higher taxes or higher wage rigidity, investment can easily be redirected. In Swank’s words, ‘generally, the literature suggests that capital will flow to relatively low tax nations.’<sup>51</sup>

The increase in capital mobility was ‘facilitated by technological innovations, new institutions, and market forces.’<sup>52</sup> These institutions—international organisations such as the World Bank and the United Nations, bilateral trade agreements, deregulated financial authorities—encourage consent to international paradigms. After the influence of neoliberalism, the operation of this international system has worked to limit the possibilities of an expansionist social policy.

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48. Paul Q Hirst, and Grahame Thompson, *Globalization in Question : The International Economy and the Possibilities of Governance* (Cambridge, UK ; Malden, MA: Polity, 1999).

49. Thomas R. Cusack, “Partisan Politics and Public Finance: Changes in Public Spending in the Industrialized Democracies, 1955-1989,” *Public Choice*, vol. 91 (1997), 391.

50. Duane Swank, “Funding the Welfare State: Globalization and the Taxation of Business in Advanced Market Economies,” *Political Studies*, vol. XLVI (1998), 675.

51. *Ibid.*

52. *Ibid.*, 674. My emphasis.

Swank is but one of a large group of scholars who reject the thesis that globalisation directly impacts on the performance ability of the welfare state. Swank offers alternative factors giving a high tax country the ability to attract investment, such as high demand, skilled and peaceful labour, and political stability.<sup>53</sup> Pierson believes changes in the dynamics of western economies, separate from globalisation, have caused the rupture in support for full welfare programs. He asserts,

had economic openness remained constant over the past quarter-century, governments would nonetheless face increasing inflexibility and intense fiscal pressure, including tendencies towards deficit spending and demands for program cutbacks and policy reform. Globalization accompanied these transitions; it has undoubtedly accentuated and modified the pressures on welfare states in important respects...<sup>54</sup>

Other empirical studies, such as by Kittel and Winner,<sup>55</sup> show weak links between trade openness and welfare effort (or tax regime) in comparative analysis.

Globalisation is creating policy convergence in countries through the increasing influence of international institutions and bilateral trade agreements. Membership of international organisations, the benefits of which may be many and diverse, may require countries to adopt regressive welfare policies. Increased capital mobility has expanded the size and reach of some non-political organisations, such as corporations, whose influence on many simultaneous countries may be palpable. Floating currency and interest rates may be targeted by governments, encouraging them to enact policies to satisfy markets rather than populations.<sup>56</sup> In each case, these are political decisions, intrinsic to the political process.

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53. *Ibid.*, 677.

54. Paul Pierson, "Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confront Permanent Austerity," 541.

55. Bernhard Kittel, and Hannes Winner, "How Reliable is Pooled Analysis in Political Economy? The Globalization-Welfare State Nexus Revisited," *European Journal of Political Research*, vol. 44 (2005), 269-93.

56. Dóra Györffy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union* (Budapest: Akadémiai Kiadó, 2007). This argument will be explored in more depth in proceeding chapters.

## Baumol's 'Cost Disease' and the Postindustrial Economy

Shifts in global patterns of production have shifted most nations in the affluent west to a post-industrial economy. The mass-production of consumer commodities which characterised industrial economies has, by and large, moved to developing nations such as China and India, which are now experiencing rapid growth. In contrast, affluent nations have developed service economies, whereby a large proportion of GDP arises from the production of services—which could be anything from taxi driving to information technology consultancy.<sup>57</sup>

The relationship between deindustrialisation—the creation of the post-industrial economy—and the welfare state is a source of debate. Iversen and Cusack claim that the transfer of production from manufacturing to services, and the various risks faced by the citizenry in light of that, was in fact a cause of welfare expansion.<sup>58</sup> Esping-Andersen offers the opposite argument—deindustrialisation, and the economic stagnation which results from it, has been the cause of welfare decline.<sup>59</sup>

Esping-Andersen claims that the deindustrialisation process has caused greater strain on the ability of welfare states to meet their demands. In this endeavour, he has borrowed Baumol's 'cost disease': 'the difficulty of achieving continuing increases in productivity in services such as teaching, health care, postal services, legal services and the performing arts.'<sup>60</sup> Baumol theorised that the performing arts would become more expensive both to produce and consume in the wake of decreasing productivity gains—that 'much of the success of the English renaissance theatre [could be attributed to] the relatively low level of real wages at the time.'<sup>61</sup> Esping-Andersen and Pierson, among others, extend this analysis to the whole of the service economy in the post-industrial

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57. Chris Hamnett, "Social Polarisation, Economic Restructuring and Welfare State Regimes," *Urban Studies*, vol. 33, no. 8 (1996), 1420; Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies*; Daniel Bell, "The Coming of the Post-Industrial Society," *The Educational Forum*, vol. 40, no. 4 (1976), 574-79.

58. Torben Iversen, and Thomas R. Cusack, "The Causes of Welfare State Expansion: Deindustrialization Or Globalization?," *World Politics*, vol. 52, no. 3 (2000), 313-49.

59. Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies*.

60. William J. Baumol, "Toward a Newer Economics: The Future Lies Ahead!," *The Economic Journal*, vol. 101, no. 404 (1991), 1-8.

61. Tyler Cowen, "Why I Do Not Believe in the Cost-Disease," *Journal of Cultural Economics*, vol. 20 (1996), 207-14.

age. In Esping-Andersen's words, Baumol's 'cost disease' suggests that 'in the long haul, productivity grows on average much faster in manufacturing than in (most) services,'<sup>62</sup> as the mechanical advantage of manufacturing is not evident in services. As Paul Pierson argues, in services such as education, health and hospitality, productivity growth is limited because 'it is essentially the labour effort itself that we wish to consume.'<sup>63</sup> As employment in manufacturing has declined, employment in services has increased proportionally, leading to lower growth and greater strain on the welfare state. This applies equally to employment in the provision of government services.<sup>64</sup>

The strain on the welfare state in this scenario is profound. Cutler, for example, believes that the acceptance on both sides of politics of state provision in Britain was 'underpinned by a twenty-year boom in international trade.'<sup>65</sup> In this view, the growth experienced during the long boom was independent of the welfare measures which arose coincidentally to it. In the 1970s, growth began to decline, and O'Connor's 'fiscal crisis' ensued. Even though Germany's welfare-oriented political system managed to survive the crisis of the 1970s, Kitschelt and Wolfgang argue that Germany simply benefited from the 'good fortune' of having a workforce adequately suited to the times, and suffered a delayed but no less severe crisis during the 1990s.<sup>66</sup>

The main argument here is that service economies grow at slower rates than manufacturing economies. The ability of the welfare state to meet its obligations is heavily influenced by the rate of economic growth. In Pierson's words, 'high real wage growth provides an expanding base for financing pension payments ... as the growth of real wages slows, however, higher payroll taxes are required to finance higher benefits.'<sup>67</sup> In his example of Sweden, a halving of the growth rate would require a near 10 per cent increase in the tax rate in order to fund pension commitments. If growth is

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62. Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies*, 111.

63. Paul Pierson, "Post-Industrial Pressures on Mature Welfare States," in *The New Politics of the Welfare State*, ed. Paul Pierson (Oxford: Oxford University Press, 2001), 84.

64. Torben Iversen, *Capitalism, Democracy, and Welfare* (Cambridge: Cambridge University Press, 2005), 197.

65. Tony Cutler, *Keynes, Beveridge, and Beyond* (London: Routledge, 1986), 71.

66. Herbert Kitschelt, and Wolfgang Streeck, "From Stability to Stagnation: Germany At the Beginning of the Twenty-First Century," *West European Politics*, vol. 26, no. 4 (2003), 1-34.

67. Paul Pierson, "Irresistible Forces, Immovable Objects: Post-Industrial Welfare States Confront Permanent Austerity," 544.

naturally slowed by a low-wage service economy, the impact on the fiscal position of the state will be notable. Iversen and Wren show that, if one assumes that service sector employment is ‘often low wage’,<sup>68</sup> the state in a post-industrial economy faces as ‘trilemma’, whereby employment growth, wage equality, and budgetary constraint come into conflict. In the private sector, increases in service sector employment will also increase wage inequality (contracting the tax base); in the public sector, which by and large *is* a service sector, increases in employment will impact on the state’s fiscal position; and if the State wishes keeps tight budgets while fighting wage inequality, the result will be higher unemployment.<sup>69</sup> Many nations, such as France<sup>70</sup> and Australia,<sup>71</sup> have attempted to liberalise hitherto strict industrial relations laws in order to trade greater wage inequality for lower unemployment. In France, wide-scale protests ensured the policy was revoked by the very government which introduced it;<sup>72</sup> in Australia, the introduction of the new laws was widely believed to be the dominant factor in the defeat of the Government at the 2007 election, leading to the repeal of that legislation.<sup>73</sup>

The service sector, both public and private, has also expanded as a result of a phenomenon Esping-Andersen has called ‘de-familialisation’. ‘Contemporary welfare states can no longer rely on the availability of households and mothers’,<sup>74</sup> he argues, leading both to an increase in paid employment to replace previously unpaid domestic activity, and a greater strain on the welfare system to offer levels of care previously provided by the family. Demographics thus have an influence on welfare possibilities and outcomes.

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68. *Ibid.*

69. Torben Iversen, and Anne Wren, “Equality, Employment, and Budgetary Restraint: The Trilemma of the Service Economy,” *World Politics*, vol. 50, no. 4 (1998), 513.

70. Pierre Cahuc, and Stéphane Carcillo, “Que Peut-on Attendre Des Contrats Nouvelle Embauche?,” *Revue française d’économie*, vol. 21, no. 1 (2006), 37-86.

71. Richard Hall, “Australian Industrial Relations in 2005 - the Workchoices Revolution,” *Journal of Industrial Relations*, vol. 48, no. 3 (2006), 291-303.

72. Otto Kaufmann, “Weakening of Dismissal Protection Or Strengthening of Employment Policy in France?,” *Industrial Law Journal*, vol. 36, no. 3 (2007), 267-86.

73. Paul D Williams, “The 2007 Australian Federal Election: The Story of Labor’s Return From the Electoral Wilderness,” *Australian Journal of Politics and History*, vol. 54, no. 1 (2008), 124; Richard Hall, “The Politics of Industrial Relations in Australia in 2007,” *Journal of Industrial Relations*, vol. 50, no. 3 (2008), 372.

74. Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies*, 70.

## Demographics and Technology

Most advanced capitalist societies are experiencing an ageing of the population. At one end, birth rates are dropping; at the other, advances in medical technology have increased the average life expectancy. The result of this is fewer young people in the workforce, attempting to support, through taxes, more and more pensioners on state-provided income. This presents a major challenge for the welfare state.

As Stein Ringen shows, when claiming that birth rates are dropping, one must also acknowledge that the long economic boom from 1945 into the 1970s was built on the impressive baby boom which followed the return of soldiers from World War II.<sup>75</sup> The result of the present ageing of the population has been the enactment of various policies enacted to reduce state liabilities. Throughout Europe, benefits to poor single parents have been reduced, and employment programs put in place, to provide 'workfare'. Pensioners have been given tax incentives to draw upon private savings rather than accept state pensions, while the workers who would be funding their pensions are being encouraged, or at times forced, into private contributory pension schemes. In this way, the state can be absolved from the responsibility of supporting that generation when the time comes. Ringen calls this 'the new social contract of self-reliance,'<sup>76</sup> built on a novel premise of equality whereby one generation should not be punished for the previous generation's imprudence. He adds, however, that 'new ideologies are here the result of policy changes, not their cause.'<sup>77</sup>

Ringen and Esping-Andersen, among others, demonstrate how the current economic orthodoxy is the result of various movements which are intrinsically political. Esping-Andersen shows that the welfare state has been strongly influenced by the male-breadwinner-family model, offering payments and support to a single-worker family. This is particularly important in southern continental Europe, where the influence of

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75. Stein Ringen, *The Possibility of Politics: A Study in the Political Economy of the Welfare State*, xv-xxii.

76. *Ibid.*

77. *Ibid.*

Catholic parties has been profound. Redistributive tax and benefit transfers are many and varied. However, the provision of state services is limited.<sup>78</sup>

The result has been low fertility rates, as young people take the best of all of the opportunities provided by the state. In Esping-Andersen's analysis,

the lack of social services contradicts women's growing desire for employment and helps account for Europe's overall employment stagnation. As women nonetheless increasingly desire to work, and since high wage costs make private care alternatives unaffordable, the system imposes a severe trade-off between female careers and fertility.<sup>79</sup>

In particular, Esping-Andersen details how, outside of Scandinavia, the European welfare state used increased taxes and decreased benefits to punish two-worker families. Assuming a male-breadwinner model, he wrote as late as 1996,

for a one-child family in which the male earns average wages, the wife's decision to work full-time (at earnings equal to the male) would have negative consequences for net disposable income.<sup>80</sup>

This was compounded by the lack of child care and family services provided in these countries.

At the beginning, the post-war welfare state was able to assume a steady supply of industrial employment for working-age men. Women were relegated to the role of 'housewife', a role which was supported by governments and unions. Wage rigidity, under the notion of the 'family wage', was supported by both institutions. Social policy 'both assumed and created the "standard worker family".'<sup>81</sup> The breakdown of the standard worker family is sometimes attributed to the rise of feminism and other social movements during the 1960s;<sup>82</sup> elsewhere attributed (via Inglehart) to the shift in values

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78. Gøsta Esping-Andersen, "Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy," in *Welfare States in Transition: National Adaptations in Global Economies*, ed. Gøsta Esping-Andersen (London: SAGE, 1996).

79. *Ibid.*, 67.

80. *Ibid.*, 74.

81. *Ibid.*, 76.

82. Judith Stacey, "Scents, Scholars and Stigma: The Revisionist Campaign for Family Values," *Social Text*, vol. 40 (1994), 59.

accompanying an increase in affluence;<sup>83</sup> and often attributed to what is seen as a rise in individualism.<sup>84</sup> This collapse has added significant difficulty to the provision of social programmes such as pensions. In addition, an increasing number of single parents are demanding state assistance. By no longer excluding half the population from employment figures, unemployment has naturally increased. ‘Workfare’ measures are thus often defended as the welfare state meeting the needs of a new reality of social relations.

Expanding upon Inglehart’s argument about values and affluence, it is possible to see welfare state initiatives eroding the traditional family model, only one generation after embedding it. The prosperity of the so-called ‘golden era’, matched by the security of social provision and wage rigidity, allowed the baby boomer generation to focus on concerns unrelated to their immediate financial security. Marriage, and the breadwinner model, were no longer important, and diverse forms of intimate relationships could thrive.

Wage rigidity has also, in some cases, created an unintentional dilemma. Where existing workers are securely protected in their employment, young workers are often priced out of the job market. The costs of employing inexperienced labour on rigid contracts is seen as too high. This has led to what Esping-Andersen calls an ‘insider-outsider’ economy, where the blissful security of the few is outweighed by the deprivation of the many.<sup>85</sup> In particular, this situation is seen vividly in France.<sup>86</sup>

Technology has also played a large part in the increase in welfare expenses. As new medical technologies become available, this has the effect of both adding to the fiscal

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83. Jane Lewis, “Perceptions of Risk in Intimate Relationships: The Implications for Social Provision,” *Journal of Social Policy*, vol. 35, no. 1 (2005), 39-57; Ronald Inglehart, “The Silent Revolution in Europe: Intergenerational Change in Post-Industrial Societies,” *The American Political Science Review*, vol. 65, no. 4 (1971), 991-1017; Ronald Inglehart, and Pippa Norris, “The Developmental Theory of the Gender Gap: Women’s and Men’s Voting Behavior in Global Perspective,” *International Political Science Review*, vol. 21, no. 4 (2000), 441-63.
84. Jane Lewis, “Perceptions of Risk in Intimate Relationships: The Implications for Social Provision.”
85. Gøsta Esping-Andersen, “Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy,” 80.
86. Timothy B Smith, *France in Crisis: Welfare, Inequality, and Globalization Since 1980* (Cambridge: Cambridge University Press, 2004).



pressure of medical provision, and again increasing the lifespan of the population.<sup>87</sup> New medical technologies are often expensive. Medical treatment is considered a de commodified social value, and it is not philosophically justifiable nor electorally viable to restrict access to treatment based on its price.

Yet the growth which underpinned the welfare state was based upon the rapid technological advances achieved during and after World War II.<sup>88</sup> One aspect of the relationship between technological innovation and the welfare state is in the ability of new technologies, particularly information technologies, to spread and support democracy. Douglas Kellner talks critically about what he sceptically calls ‘Microsoft capitalism’, a digital utopia which is said to ‘bring more jobs, wealth, and prosperity to the nation as well as better education, more information and entertainment, and greater democratization.’<sup>89</sup> Certainly, the rapid spread of information from diverse and diffused sources has allowed for campaigns to quickly and forcefully gain political traction. New technologies may also assist in the delivery of social services, increase efficiency, and alter the way in which the citizen perceives and accesses the state. These technologies have been increasingly apparent in the ‘social investment’ regimes that have followed neoliberalism.

## 2.4. Social Investment: The Third Way, New Public Management and the Return of Social Democracy

The success of neoliberalism in changing the discursive landscape of political competition forced many social democratic parties to rethink their strategy in a changed electoral environment. During the 1990s, many social democratic or labour parties adopted some or even most of the tenets of a neoliberal understanding of the state-citizen relationship, including the primacy of the market, the benefits of self-help and

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87. Stein Ringen, *The Possibility of Politics: A Study in the Political Economy of the Welfare State*, xxxii; Joseph P Newhouse, “Medical Care Costs: How Much Welfare Loss?,” *Journal of Economic Perspectives*, vol. 6, no. 3 (1992), 3-21; Maurizio Ferrera, and Martin Rhodes, “Building a Sustainable Welfare State,” *West European Politics*, vol. 23, no. 2 (2000), 259.

88. Moses Abramovitz, “Catching Up, Forging Ahead, and Falling Behind,” *The Journal of Economic History*, vol. 46, no. 2 (1986), 385-406.

89. Douglas Kellner, “Social Policy: Rethinking the Limits of the Welfare State,” in *Communication, Citizenship and Social Policy*, ed. Andrew Calabrese, and Jean-Claude Burgelman (Oxford: Rowman & Littlefield, 1999), 252.

individual achievement, and the critique of state intervention. These parties no longer critiqued the intellectual or philosophical basis of market-driven, supply-side politics. However, they did critique the neoliberal concept of the (lack of a) role of the state. To this version of social democracy, the state's role was not to intervene in the market per se, and not to protect citizens from the uncertain forces markets unleash. Rather, the role of the state was to prepare the citizen for a life in markets, to equip the citizen for a role within the now acceptable market system.

This altered discourse has been variously called 'market socialism', the 'Third Way', and 'social investment'. Under each title, the objective was to combine a more-or-less laissez-faire approach to markets and supply-side economics with an active interventionist approach to ensure each citizen had equal access to the market system.<sup>90</sup> Ideas of social citizenship, of social rights and social protection, were replaced with social investments. Society was not to be shaped or transformed, but merely eased into existing market-based social relations: 'the old welfare state ... sought to protect people *from the market*. A social investment state, by contrast, would facilitate the integration of people *into the market*.'<sup>91</sup>

This presupposes the existence of the 'consumer citizen' of neoliberalism, but while neoliberalism expects from a distance that citizens will conform to this ideal of citizenship, 'Third Way' politics actively intervenes to make this transition. It accepts the primacy of market forces, perhaps through the experience of the impotence of social democratic parties to compete against international liberal discourse during the late 1970s. And it establishes itself as amoral, as post-ideological; in the words of Anthony Giddens, its most prominent public intellectual, it is 'beyond left and right'.<sup>92</sup>

Such discourses were adopted by leaders as diverse as Bill Clinton in the United States, Tony Blair in Britain, Gerhard Schroeder in Germany, Wim Kok in the Netherlands, and

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90. Jane Jenson, "Redesigning Citizenship Regimes After Neoliberalism. Moving Towards Social Investment," in *What Future for Social Investment?*, ed. Nathalie Morel et al. (Stockholm: Institute for Future Studies, 2009), 30.

91. Jane Jenson, and Denis Saint-Martin, "New Routes to Social Cohesion? Citizenship and the Social Investment State," 83.

92. Anthony Giddens, *Beyond Left and Right: The Future of Radical Politics* (Cambridge: Polity Press, 1994).

Massimo d'Alema in Italy.<sup>93</sup> (They were, however, strongly rejected by Lionel Jospin in France.<sup>94</sup>) According to a joint statement by Blair (who used the term 'Third Way') and Schroeder (who used 'die Neue Mitte'),

the politics of the New Centre and Third Way is about addressing the concerns of people who live and cope with societies undergoing rapid change ... the aim of this declaration is to give impetus to modernisation.<sup>95</sup>

Modernisation is seen as being achieved by, if not synonymous with, the growth of capitalism. In the words of Giddens, 'the challenge is to make [social-democratic] values count where the economic programme of socialism has become discredited.'<sup>96</sup>

Furthermore,

the economic theory of socialism was always inadequate, underestimating the capacity of capitalism to innovate, adapt and generate increasing productivity. Socialism also failed to grasp the significance of markets as informational devices, providing essential data for buyers and sellers.<sup>97</sup>

According to this view, globalisation and individualism are extraneous factors, located outside politics, which have made traditional social-democratic policies unmanageable and obsolete. Politics must be decentralised, and must be aware of sub-political groups; the state must be opened up to market forces, including the potential for public-private partnerships; and ecological concerns must be addressed in the pursuit of economic growth.

The Third Way builds upon Putnam's concept of social capital. Putnam sees social capital—the investment by an individual in socialisation and society—as leading to greater trust in social institutions.<sup>98</sup> Putnam and Giddens share the belief that participation in civic activity increases social capital, which has the effect of reducing

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93. Anthony Giddens, *The Third Way and Its Critics* (Polity: Cambridge, 2000), 5.

94. Ben Clift, "The Jospin Way," *The Political Quarterly*, vol. 72, no. 2 (2001), 170-79.

95. Tony Blair, and Gerhard Schroeder, *Europe: The Third Way/Die Neue Mitte* (London: Labour Party and SPD, 1999).

96. Anthony Giddens, *The Third Way: The Renewal of Social Democracy* (Cambridge: Polity Press, 1998), 2.

97. *Ibid.*, 4-5.

98. Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000).

feelings of disenfranchisement. However, this trust is still to be built among networks of individuals, rather than communities with communal spirit. Scanlon argues that the greater the trust in social institutions, the less money need be spent by the state, which makes this concept ‘seamlessly compatible with the market.’<sup>99</sup>

The Third Way does not argue for a wholesale reduction in state expenditure. Rather, state spending should be invested, be it in education, skills training or (preventative) health programmes.

John Phillipmore calls this ‘neo-Schumpeterian economics’:

the main focus of neo-Schumpeterian economics (NSE) is not on aggregate demand (as with the old Left) or on competition and free markets (as with the new Right), but on innovation.<sup>100</sup>

‘Creative destruction’, or the replacement of old technologies by new in search of profits, was central to the growth of the capitalist system; state policies which aim to encourage investment then will yield higher rates of growth. ‘NSE ... recognises the importance in particular of expansive macro-economic settings in achieving growth and reducing unemployment.’<sup>101</sup> In this system, unions are encouraged to make ‘higher wage claims’,<sup>102</sup> so that employers need to innovate rather than simply exploit, and so that aggregate real wage growth is high enough to maintain high demand in the economy. Tougher environmental standards, far from contracting business opportunities, are also held to encourage innovation and thus growth.<sup>103</sup> Education, linked as it is to innovation, must be comprehensive but flexible and diverse; state provision is considered superior to market provision as it offers the least disincentive to potential students.<sup>104</sup> Yet the privilege given to the destructive elements of the market system finds its most potent form in the creation of new, artificial markets for service provision.

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99. Christopher Scanlon, “What’s Wrong With Social Capital,” *Arena*, vol. 69 (2004), BB1-BB12.

100. John Phillipmore, “Neo-Schumpeterian Economics: Political Possibilities and Problems,” *Journal of Australian Political Economy*, vol. 42 (1998), 50.

101. *Ibid.*, 51.

102. *Ibid.*, 60.

103. *Ibid.*, 61.

104. *Ibid.*, 62-63.

Advocates of Third Way politics have encouraged the introduction of artificial ‘quasi-markets’ into public services, under the banner of New Public Management (NPM). Whereas neoliberalism asserts that public assets are best transferred to the competitive private sector to increase efficiency, NPM is a system of creating competition within the public sector. It is built upon the premise, as claimed by William Niskanen, that traditional bureaucrats as rational actors will wish to maximise their budgets and overstate their needs in order to suit themselves (for example, for professional prestige or to increase the size and workforce of their departments).<sup>105</sup>

The basis for NPM is the contracting out of government operations, fostering competition within the public sector. Whoever has the best bid, rated in efficiency, will win the contract. Jan-Erik Lane explains,

in NPM, it is argued that the providers of public services could be anybody, whatever the form of the organisation within which they happen to act... [They] could be public organisations, private ones or even mixtures.<sup>106</sup>

NPM is not without its critics. For example, Rhodes offers four distinct ‘contradictions’. The first is that a strong intra-organisational focus on efficiency ignores occasions when inter-organisational cooperation is required. The second is that strict contractualism erodes trust between public and private organisations. The third, related to the first, is that the results-based architecture of NPM requires that responsibility be taken for successes and failures, and that in an inter-organisational project it will be unclear who should take this responsibility, leading some parties to shirk in their contributions. Finally, Rhodes points to a necessary contradiction in governments attempting to use markets to enact policy decisions, thus attempting to control the outcomes of the market.<sup>107</sup> Doig and Wilson define a parallel phenomenon, ‘New Public Entrepreneurialism’, arguing that NPM’s implied encouragement of the

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105. William A Niskanen, *Bureaucracy and Public Economics* (Aldershot: Elgar, 1994).

106. Jan-Erik Lane, *New Public Management* (London: Routledge, 2000), 218.

107. R. A. W. Rhodes, “The New Governance: Governing Without Government,” *Political Studies*, vol. 44, no. 4 (1996), 652-67.

entrepreneurial tactics of the private sector ‘could lead public managers to take risks or decisions that [appear] to neglect the public perspective or public service standards.’<sup>108</sup>

These elements come together to form what Anthony Giddens calls a ‘social investment’ regime.<sup>109</sup> Jane Jenson claims that the ‘social investment’ model formed as a critique of neoliberalism, and has become a new policy paradigm, replacing the neoliberalism which replaced post-war welfarism. As such, ‘social investment’ has become the new consensus, the new discourse of policymaking. Giddens, a key intellectual influence on New Labour, wrote of a ‘social investment state’, where ‘government has an essential role to play in investing in the human resources and infrastructure needed to develop an entrepreneurial culture.’<sup>110</sup>

Jenson claims that social investment discourses have been adopted by governments and international organisations alike. The Organisation for Economic Co-operation and Development, the European Union and the World Bank have all adopted social investment strategies which aim to actively ‘rebuild social cohesion’.<sup>111</sup> Key to this is the concept of ‘investment’ which, like investment in business, expects its rewards in the future, rather than the present. It is investment rather than ‘expenditure’; as such, social spending should only be considered if there will be an adequate future return. Therefore, as Ruth Lister asserts, ‘it is the future worker-citizen more than democratic-citizen who is the prime asset of the social-investment state’;<sup>112</sup> a citizen’s right to welfare is dependent upon future gains. The European Union has adopted such strategies as ‘reinforcing active labour market policies, and particularly increasing the employment rate; modernising social protection to make it sustainable; [and] stepping up the fight against social exclusion’.<sup>113</sup>

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108. Alan Doig, and John Wilson, “What Price New Public Management?,” *Political Quarterly*, vol. 69, no. 3 (1998), 267-76.

109. Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, 99.

110. *Ibid.*

111. Jane Jenson, and Denis Saint-Martin, “New Routes to Social Cohesion? Citizenship and the Social Investment State,” 78.

112. Ruth Lister, “Investing in the Citizen-Workers of the Future: Transformations in Citizenship and the State Under New Labour,” *Social Policy & Administration*, vol. 37, no. 5 (2003), 433.

113. Jane Jenson, and Denis Saint-Martin, “New Routes to Social Cohesion? Citizenship and the Social Investment State,” 78.

Social exclusion has become a catchphrase of the movement. As Norman Fairclough claims, ‘the concept of “social exclusion” is a relatively new one in Britain, and represents a shift in the previously dominant concept of “poverty”’.<sup>114</sup> By taking the focus away from material poverty to exclusion, social investment regimes can abandon policies aimed at a redistribution of wealth, in favour of investments to assist those who, in the words of Peter Mandelson, might be ‘cut off from what the rest of us call a normal life’.<sup>115</sup>

In this way, the social investment perspective, or the Third Way, carries with it an ideal of ‘a normal life’ which it aims to project using active government intervention. Proper citizenship, and proper citizen behaviour, is thus defined by and against this idea of a ‘normal life’. Government will provide opportunities to act in this ‘normal’ way, and will discourage any other form of action. Ruth Lister claims that although

the concept of inclusion can better address claims of difference and diversity than can that of equality ... issues such as tackling racism and promoting gay and lesbian rights have tended to be dealt with separately rather than explicitly as part of the inclusion agenda.<sup>116</sup>

Although there is a potential within the ‘social exclusion’ discourse to promote the inclusion of diverse practices of citizenship, this is not always achieved, nor intended. It is up to the government of the day to define and enact what is ‘normal’. Indeed, it appears T.H. Marshall is still correct in observing that citizenship can be ‘the architect of legitimate social inequality’.<sup>117</sup>

Fairclough calls this phenomenon ‘cultural governance’, which involves ‘governing by shaping and changing the cultures of the public services, claimants and the socially excluded’. This is in contrast to, and yet also in concert with, the aim of the Thatcher Government to institute ‘interventionist policies designed to create an “enterprise culture”’.<sup>118</sup> In this way, government actively creates institutions designed to promote a

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114. Norman Fairclough, *New Labour, New Language?* (London: Routledge, 2000), 51.

115. quoted in *Ibid.*, 52.

116. Ruth Lister, “From Equality to Social Inclusion: New Labour and the Welfare State,” *Critical Social Policy*, vol. 18 (1998), 217.

117. T. H. Marshall, *Citizenship and Social Class*, 7.

118. Norman Fairclough, *New Labour, New Language?*, 61.

particular culture of citizenship; indeed, to recreate the state-citizen relationship. Some scholars, however, believe institutions are in themselves the authors of political culture.

## 2.5. Institutional Explanations for Policy Change

### Spatial Models of Party Competition

Institutional explanations for policy change attempt to explain observed phenomena by investigating the possibilities to, and constraints against political actors in the exercise of their power. These assume that great moments in history are caused by preceding changes in the structure of society, and not merely by great political actors exercising their powers of choice. Institutional scholars disregard the potency of individual choice in political action.<sup>119</sup>

Institutional research, echoing the historical materialism of Marx, tells the welfare state story as an inevitable function of the need of industrial capitalism to enjoy a satisfied, placated, educated, skilled and healthy labour force. Herbert Kitschelt uses institutional research to investigate one phenomenon which has influenced social policy in the neoliberal era: postmaterialism. The traditional investigation of postmaterialism is predicated on the link between affluence and value change developed by Ronald Inglehart. Using Abraham Maslow's famous 'hierarchy of needs' model,<sup>120</sup> Inglehart asserted that the 'baby boom' generation, raised in a time of relative affluence, were less concerned about material needs that were largely already met. They could move on to 'needs' which would provide an ideal life, leading to a state of 'self-maximisation'.<sup>121</sup>

Kitschelt considers such a sociological model, which blames the increasing size of the middle class for the decline in support for welfare, as 'naive'.<sup>122</sup> In Kitschelt's view, these 'social movements' are ideological, rather than class-based. Supporters of new social movements are rallying against the increased bureaucratisation of socialised life,

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119. Gregory M. Luebbert, *Liberalism, Fascism, Or Social Democracy: Social Classes and the Political Origins of Regimes in Interwar Europe* (New York: Oxford University Press, 1991), 306. cited in Herbert Kitschelt, "Review: Political Regime Change: Structure and Process-Driven Explanations?," *The American Political Science Review*, vol. 86, no. 4 (1992), , 1029.

120. Abraham Maslow, "A Theory of Human Motivation," *Psychological Review*, vol. 50, no. 4 (1943), 370-96.

121. Ronald Inglehart, "The Silent Revolution in Europe: Intergenerational Change in Post-Industrial Societies."

122. Herbert Kitschelt, "Social Movements, Political Parties, and Democratic Theory."



distrusting the model of representative democracy and favouring a model closer to ‘direct democracy’.<sup>123</sup>

As such, Kitschelt believes that the traditionally observed left-right divide in politics is too narrow. Rather, Kitschelt introduces a spacial model of party competition, wherein mainstream parties must compete in an electoral space among a variety of alternative political positions. To their right exist traditionally liberal parties; to their left, communist or socialist parties. This is complicated by the existence of liberal parties which are conservative on social policy, and by left-libertarian sentiment, which often manifests itself in strong minor parties such as the Greens,<sup>124</sup> or the Swedish Left Party.<sup>125</sup> Major parties have to adopt policies which give them greater leverage when competing for votes inside this model.<sup>126</sup>

Kitschelt gives us an *x*-axis with a traditional left-right spectrum (where the left favours increased government intervention in the name of ‘equality’, and the right favours reduced state intervention in the name of ‘liberty’), and a *y*-axis with ‘authoritarian’ and ‘libertarian’ policies.<sup>127</sup> He then investigates the possible methods used by a ‘vote-maximising’ party to win enough votes to form government. An unwillingness to adopt libertarian policy is seen here to lead to poor performance by some social-democratic parties in the 1980s, particularly the British Labor Party. Kitschelt also believes that the internal structure of the party can have an impact on its ability to attract votes. Authoritarian parties may have mainstream appeal but can miss important popular appeals; diversified party structures can incorporate popular appeals but this may move them too far from the mainstream.

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123. *Ibid.*

124. Wilhelm P. Bürklin, “The German Greens: The Post-Industrial Non-Established and the Party System,” *International Political Science Review*, vol. 6, no. 4 (1985), 463-81.

125. David Arter, “The Swedish Leftist Party: ‘Eco-Communism’ Or Communist Echo,” *Parliamentary Affairs*, vol. 44, no. 1 (1991), 60-78.

126. Herbert Kitschelt, *The Transformation of European Social Democracy* (Cambridge: Cambridge University Press, 1994).

127. *Ibid.*, 27.

Kitschelt has not been left unchallenged. Pontusson believes that the move to a postindustrial, rather than a postmaterialist, economy has influenced the policy options available to mainstream parties.<sup>128</sup> Green-Pedersen and van Kersbergen declare that

survey evidence from Denmark and The Netherlands does not suggest that voters being right-wing on old politics and left-wing on new politics constitute a group that is forcing Social Democratic parties to change as implied in Kitschelt's analysis.<sup>129</sup>

Kitschelt's is not alone in the view that institutions directly affect public policy outcomes. In his 'spatial' model, parties and party competition influences policy choices. In other models, the legacy of previous policies, or the composition of the political system, have a strong influence.

### 'New Politics' and Path Dependency

Paul Pierson believes that the legacy of previous policies, and the institutions that these policies create, become a constraining force on public policy change into the future. He argues that the present era is an 'age of austerity', a 'new politics' of welfare state retrenchment which are fundamentally different from the politics of welfare state expansion.<sup>130</sup> Expansion occurred at a time of small government enacting policies with popular support in pursuit of fairness and economic growth; retrenchment occurs at a time of large government enacting unpopular policies in support of stemming economic decline. The failure of even the most rhetorically radical governments—particularly those of Thatcher and Reagan—to make a serious impact on their nations' welfare efforts is considered in this context. In Thatcher's case, Pierson claims,

while there are individual instances of significant retrenchment, notably in housing and pensions policy, these are the exception rather than the rule... social expenditure (merit goods plus transfers) as a share of GDP remains almost unchanged after more than a decade of Conservative governance.<sup>131</sup>

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128. Jonas Pontusson, "Explaining the Decline of European Social Democracy: The Role of Structural Economic Change," *World Politics*, vol. 47, no. 4 (1995), 497.

129. Christoffer Green-Pedersen, and Kees van Kersbergen, "The Politics of the 'Third Way'," *Party Politics*, vol. 8, no. 5 (507-524), 510.

130. Paul Pierson, "Retrenchment and Restructuring in an Age of Austerity: What (if Anything) Can be Learned From the Affluent Democracies?"

131. Paul Pierson, "The New Politics of the Welfare State," 161.

Pierson's explanation is that the welfare state gave rise to interest groups, institutions and industries whose very existence relies upon financial support by the state. Public servants react poorly to cuts in the public sector; lobby groups will emphatically call for Government spending in their area. In contrast, individualism and the desire for less regulation remains a relatively quiet affair. Those retrenchment policies which do achieve popular support, such as the privatisation of public housing by Thatcher, will be implemented forcefully. Those that do not, will not. 'Recipients of social benefits are relatively concentrated and are generally well organized. They are also more likely to punish politicians for cutbacks than taxpayers are to reward them for lower costs.'<sup>132</sup> Speaking again of Thatcher, Pierson asserts,

to name but a few cases, radical retrenchment strategies advanced for the NHS, Child Benefit, and SEPRS [State Earnings-Related Pension Scheme] (the green-paper proposal) were all dropped when they provoked popular hostility.<sup>133</sup>

For both Thatcher and Reagan, challenges such as these proved too much:

Imposing losses on specific groups usually generated such a vigorous response and such limited political benefits that governments were forced to adopt a more cautious posture... shifting their emphasis to other policy goals.<sup>134</sup>

Path dependency theory has its detractors. Raadschelders claims that 'the concept does not come even close to pinpointing a mechanism or the mechanisms that propel social change.'<sup>135</sup> Kay goes further, claiming that

the notion does allow policy change; policy legacies constrain rather than determine current policy. Policy does change but within a particular set of change options ... the weaker is the 'echo' of past policy developments in the present, the more other concepts, framework and theories are required.<sup>136</sup>

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132. *Ibid.*, 175.

133. Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment*, 167.

134. *Ibid.*, 164.

135. Jos C.N. Raadschelders, "Evolution, Institutional Analysis and Path Dependency: An Administrative-History Perspective on Fashionable Approaches and Concepts," *International Review of Administrative Sciences*, vol. 64, no. 4 (1998), 576. in Adrian Kay, "A Critique of the Use of Path Dependency in Policy Studies," *Public Administration*, vol. 83, no. 3 (2005), 561.

136. *Ibid.*, 566.

In other words, following Raadschelders, the explanatory power of path dependence analysis lies in its ability to suggest causality *in retrospect*. In retrospect, it can be seen that the policy settings Thatcher faced upon coming to power remained influential during the years of Conservative rule, such that any radical change may have upset any number of citizens and groups. However, this does not explain why Thatcher adopted such policies in the first place; it also does not explain why her radical rhetoric was a vote-winner, despite the meagreness of her achievements.

Thatcher's greatest successes were in the privatisation of public assets, and in the near-dismantling of union power. Neither of these involved dramatic changes in the funding arrangements of the state; however, particularly in the case of union power, they expose a major shift in the balance of power between classes and interests, and a change in the role of the state *vis à vis* its citizens. To Pierson, this showed the capacity Thatcher had to alter previous policy institutions. To Gøsta Esping-Andersen, Thatcher's relative successes are owed to the system of governance in which she was working—the 'regime'.

### Welfare State Regimes

Since the publication Esping-Andersen's now canonical *The Three Worlds of Welfare Capitalism*, many studies have now been built upon comparing welfare outcomes in one or more distinct welfare state 'regimes'.<sup>137</sup> Although this thesis itself adheres to this model—Britain, Sweden and France have been chosen to represent each of the three 'worlds'—there is still an ongoing debate over its efficacy.

Feminist writers such as Gornick and Jacobs have argued that Esping-Andersen paid insufficient attention to the role of changing behaviours of women in society in achieving welfare outcomes.<sup>138</sup> (Esping-Andersen later introduced such a component into his analysis.)<sup>139</sup> Arts and Gelissen, on the other hand, argue that Esping-Andersen's

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137. Evelyne Huber, and John D. Stephens, "Welfare State and Production Regimes in the Era of Retrenchment," in *The New Politics of the Welfare State*, ed. Paul Pierson (Oxford: Oxford University Press, 2001), 107.

138. Janet G. Gornick, and Jerry A. Jacobs, "Gender, the Welfare State, and Public Employment: A Comparative Study of Seven Industrialised Countries," *American Sociological Review*, vol. 63, no. 5 (1998), 688-710.

139. Gøsta Esping-Andersen, "Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy."

'three worlds' model is too limiting, and that more regime-types, such as a distinct Antipodean or Mediterranean regime, need to be investigated.<sup>140</sup> Mitchell and Castles claim that Australia, with its low state expenditure but (by use of means-tests) high distributive character should be considered a 'radical' welfare regime.<sup>141</sup> Jones has attempted to introduce the concept of 'Confucian' welfare regimes to explain emerging East Asian nations, and other studies attempt to incorporate the former Soviet nations of eastern Europe.<sup>142</sup> As the developing world continues to expand into patterns of democracy and social provision, so too will the arguments over the number of distinct regimes grow and prosper.

For the purpose of the current thesis, Esping-Andersen's initial typology will suffice. It serves as an informative, rather than a definitive distinction—the case studies of Sweden, France and Britain, each belonging to one of the three 'worlds', will yield interesting and diverse results. Implied within this is an agreement that the core of Esping-Andersen's analysis—that institutional differences between nations have had a direct impact on the type and extent of social provision now available—is tenable.

Esping-Andersen's initial three worlds of welfare capitalism are the *social-democratic*, the *conservative/corporatist*, and the *liberal* worlds. The social-democratic 'world', featuring nations such as Denmark, Sweden and Norway, provides universal benefits to its citizens, pursuing 'a welfare state that would promote an equality of the highest standards, not an equality of the minimal needs.'<sup>143</sup> All employees are bound to the same insurance system, with benefits 'graduated according to accustomed earnings.'<sup>144</sup> Esping-Andersen here acknowledges that, in crowding out the traditional roles of family and community in assisting the worst-off, the social-democratic model pursues a

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140. Wil Arts, and John Gelissen, "Three Worlds of Welfare Capitalism Or More?: A State-of-the-Art Report," *Journal of European Social Policy*, vol. 12, no. 2 (2002), 138-59.

141. Francis G. Castles, and D Mitchell, *Three Worlds of Welfare Capitalism Or Four?*, Discussion Paper 21, Graduate Program in Public Policy (Canberra: Australian National University, 1990). quoted in Peter Abrahamson, "The Welfare-State Modelling Business," *Social Policy & Administration*, vol. 33, no. 4 (1999), 404.

142. Catherine Jones, "The Pacific Challenge," (London: Routledge, 1993).: quoted in Peter Abrahamson, "The Welfare-State Modelling Business," 405.

143. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 27.

144. *Ibid.*, 28.

strong ideal of individualism, supported by a decommodified life cycle which allows for post-materialist inclinations.

The *conservative/corporatist* model, seen in central European countries such as France and Germany, is a statist programme which crowds out the market in the provision of insurance, yet rallies against the individualism of the social-democratic programme. It institutes policies in favour of the traditional role of the family, the school and the church. Non-working wives, single parents, and relationships that fall beyond the bounds of tradition are scarcely recognised and even less supported.<sup>145</sup> Redistribution adheres mostly to the tax/transfer model, and the state provides few services to its citizens.<sup>146</sup>

The *liberal* model, represented by Britain, features means-testing, modest universal transfers, and modest social-insurance plans. Work and welfare are seen as dichotomous: ‘the limits of welfare equal the marginal propensity to opt for welfare instead of work.’<sup>147</sup> Social welfare programmes, while inspired by the Swedish model, are available only to the needy. This lack of universalism often creates disincentives as welfare recipients are punished for entering the workforce at a rate of pay lower than their previous rate of benefits.

Esping-Andersen explains the links within, and variations between, these clusters as being the result of their institutional history. In particular, Esping-Andersen bases his analysis on Barrington Moore’s idea of ‘class coalitions’,<sup>148</sup> where majority opinion is shaped by the coming together of different classes for the same end. In Moore’s view, different countries saw different class coalitions due to the different institutional contexts present at the time of rapid industrialisation.

In Esping-Andersen’s analysis, the *social-democratic* states represent a class coalition between the workers and the farmers, where the farmers relied more upon the availability of capital than on mass cheap labour, and where both groups relied upon

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145. *Ibid.*, 27.

146. Gøsta Esping-Andersen, “Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy,” 67.

147. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 27.

148. Barrington Moore, *Social Origins of Dictatorship and Democracy* (Beacon Books: Boston, 1966).

assistance by the state. *Corporatist* states represent a class coalition between workers and aristocrats, the latter of whom wished to strengthen the state against the radicalism of *laissez-faire* capitalism. *Liberal* states, such as Britain, were the early adopters of industrial capital, and as such had an industrial elite of considerable power. In Britain, welfare policy gradually replaced the punitive Poor Laws in place at the turn of the twentieth century. The market would reign supreme; decommodification would be limited to those whom the market was absolutely unable to support, such as the old and the infirm.<sup>149</sup>

In fact, many welfare states have components of any and all of these regimes. T.H. Marshall considered Britain to be a ‘frankly socialist’ system by 1949,<sup>150</sup> a comment that could not have been seriously made about the Britain of Margaret Thatcher in the 1980s. Esping-Andersen’s typology serves as a useful categorisation to show how policy change has occurred in nations with different institutional legacies, and it is with this purpose in mind that the ‘three worlds’ model has been used in this thesis. Its potency is challenged, however, not just with abstract ‘globalisation’, but with the threats to state sovereignty possessed by international organisations such as the European Union.

## 2.6. Europeanisation

European welfare states have met a particularly grave challenge in the later years of the twentieth century, with the increasing impact of the European Union, propelling the force of ‘Europeanisation’. Featherstone defines Europeanisation as the ‘adaptation to the pressures emanating directly or indirectly from EU membership.’<sup>151</sup> The effect, in Britain, France and Sweden as elsewhere, has been an increasing capitulation of the national interest to the interest of a wider allied Europe. This, however, is a fuzzy notion, as much debate ensues on the convergence of national and European interest, such as when ‘domestic actors ... seek to be bound by EU constraints in order to obtain

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149. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 29-32.

150. T. H. Marshall, *Citizenship and Social Class*, 7.

151. Kevin Featherstone, “Introduction: In the Name of ‘Europe’,” in *The Politics of Europeanization*, ed. Kevin Featherstone, and Claudio Maria Radaelli (Oxford: Oxford University Press, 2003), 7.

otherwise elusive reform at home.’<sup>152</sup> Guiraudon has described the process of ‘venue-shopping’, wherein ‘political actors seek policy venues where the balance of forces is tipped in their favour.’<sup>153</sup> If its favoured policy is nationally unpopular, it may seek to introduce such a policy at the EU level, thus eradicating the threat of electoral punishment.

There is a large body of enquiry seeking to develop a theory to explain Europeanisation thus defined. Here much of the research has developed according to a typology first described by Caporaso *et al*, who claim that Europeanisation can occur in three ways. Firstly, there is ‘positive integration’, where domestic policy is altered in order to match EU policy; secondly, there is ‘negative integration’, where domestic policy is constrained and perhaps overturned due to restrictions set at the EU level; and thirdly, there is ‘coordination’, where EU policy alters the ‘beliefs and expectations of domestic actors’, resulting in policy change.<sup>154</sup> To this, Schmidt has added that EU policies will be enacted only when the member state has the capacity to do so, and only in a discursive environment which favours such policy change.<sup>155</sup>

Bulmer and Radaelli claim that ‘national elections are still contested on the basis of policy choices, but policies are substantially decided in Brussels.’<sup>156</sup> The technocratic and generally undemocratic nature of EU policymaking has resulted in a large number of scholars warning of a ‘democratic deficit’.<sup>157</sup> Once a nation has decided to join an EU institution, its domestic policy must be altered to match its supranational commitments.

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152. *Ibid.*, 8.

153. Virginie Guiraudon, “European Integration and Migration Policy: Vertical Policy-Making as Venue Shopping,” *Journal of Common Market Studies*, vol. 38, no. 2 (2000), 251-71.

154. Simon J Bulmer, and Claudio Maria Radaelli, *The Europeanisation of National Policy?* (Belfast: Queen’s University, 2004), C Knill, and D Lehmkuhl, “How Europe Matters: Different Mechanisms of Europeanization,” *European Integration Online Papers*, vol. 3, no. 7 (1999) cited in Kevin Featherstone, “Introduction: In the Name of ‘Europe’,” 14.

155. Vivien A. Schmidt, “Europeanization and the Mechanics of Economic Policy Adjustment,” *European Integration Online Papers*, vol. 5, no. 6 (2001), cited in Kevin Featherstone, “Introduction: In the Name of ‘Europe’.”

156. Simon J Bulmer, and Claudio Maria Radaelli, *The Europeanisation of National Policy?*, 3.

157. There are many papers on this topic. For example, Kevin Featherstone, “Jean Monnet and the ‘Democratic Deficit’ in the European Union,” *Journal of Common Market Studies*, vol. 32, no. 2 (1994), 149-70; Karlheinz Neunreither, “The Democratic Deficit of the European Union: Towards Closer Cooperation Between the European Parliament and the National Parliaments,” *Government and Opposition*, vol. 29, no. 3 (1994), 299-314; Andrew Moravcsik, “Reassessing Legitimacy in the European Union,” *Journal of Common Market Studies*, vol. 40, no. 4 (2002), 603-24.



In the case of Italy, its decision to join the European Monetary System during the 1970s led to a paradigm shift in Bank of Italy policy, favouring competition and balanced budgets, and ‘the end for the welfare capitalism *all’italiana*.’<sup>158</sup> This change would be considered ‘positive integration’: policies set at the EU level were assimilated into the Italian economic programme. It also corresponds to what is known as a ‘goodness of fit’ approach: EU policy will have its greatest impact where it diverges significantly from current national policy, thus necessitating change. However, this change must not be so radical compared to existing practice so as to make it politically impossible.<sup>159</sup>

Negative integration of social policy occurs mainly at the fiscal, monetary and economic level. The ‘common market’, which demands the free movement of goods, persons, services and capital between EU countries,<sup>160</sup> is said to lead to a ‘race to the bottom’ where countries restrict their social policies so as to become more competitive in manufacturing, and less attractive to migrants from poorer countries.<sup>161</sup> Secondly, the establishment of the common currency, the Euro, was predicated on each member state adhering to a distinctly neoliberal monetary policy, being ‘low inflation, public finances without excessive deficits or debt, a stable currency, and stable interest rates.’<sup>162</sup> These demands are incompatible with welfare states based on Keynesian monetary policy, which tolerates rising inflation in order to meet the goal of full employment. The EU has, however, established the European Social Fund, primarily for the Schumpeterian goal of training (especially marginalised) workers, and it has also established social policies, primarily focussing on the conditions of labour.<sup>163</sup>

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158. David Natali, “Europeanization, Policy Arenas, and Creative Opportunism: The Politics of Welfare State Reforms in Italy,” *Journal of European Public Policy*, vol. 11, no. 6 (2004), 1084.

159. Kevin Featherstone, “Introduction: In the Name of ‘Europe’,” 14.

160. Neill Nugent, *The Government and Politics of the European Union* (London: Macmillan Press, 1994), 275.

161. Jon Kvist, “Does EU Enlargement Start a Race to the Bottom? Strategic Interaction among EU Member States in Social Policy,” *Journal of European Social Policy*, vol. 14, no. 3 (2004), 301-18.

162. Neill Nugent, *The Government and Politics of the European Union*, 281; Kathleen R. McNamara, *The Currency of Ideas* (Cornell University Press: New York, 1998).

163. Neill Nugent, *The Government and Politics of the European Union*, 285; Giandomenico Majone, “The European Community Between Social Policy and Social Regulation,” *Journal of Common Market Studies*, vol. 31, no. 2 (1993), 153-70; Jacky Brine, “Equal Opportunities and the European Social Fund: Discourse and Practice,” *Gender and Education*, vol. 7, no. 1 (1995), 9-22.

The influence of Europeanisation on social policy is as profound as it is contestable. In many cases, the neoliberal influence on EU institutions has enforced strict conditions on membership, notably on deficit spending, which in turn encourages reductions in social welfare expenditure at the national level. This is an approach which relies upon the ‘negative integration’ model. Elsewhere, the ‘positive integration’ model sees Europeanisation, and in particular those social policies it has enacted, as a last line of defence against the global force of the neoliberal doctrine espoused by the ever-powerful US. In these views, a strong European Union may have the power to save the ‘European social model’. And as Schmidt argues, discourse can also be a powerful factor in the establishment, and the reception, of supranational control over domestic policy.

## 2.7. Discourse, Governmentality and ‘Cultural Governance’

Institutional studies mention discourse as an institution in itself, or as an institutional factor, which influences public policy. Kitschelt’s view of discourse is similar to Esping-Andersen’s concept of a regime:

[Britain and Sweden are] nations whose political traditions strongly emphasize the tension between liberalism and socialism and leave little room for communitarian concerns. In such discursive environments, strategic deviance could lead only to a socialist appeal in the 1970s and 1980s.<sup>164</sup>

In this image, the ‘discursive environment’ is a function of the institutional environment. The ‘political tradition’ constrains political action such that, when confronted by Thatcher’s intense liberal discourse, the British Labour Party naturally moved toward a socialist discourse, as there was no alternative discourse available.<sup>165</sup>

Discourses are presented as institutions which political actors can utilise. However, there is a wider literature on discourse which show how ideas form institutions and policies by defining and constraining the ideas and understandings upon which all

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164. Herbert Kitschelt, *The Transformation of European Social Democracy*, 279.

165. *Ibid.*; Jim Claven, *The Centre is Mine: Tony Blair, New Labour and the Future of Electoral Politics* (Annandale, NSW: Pluto Press, 2000), 32-33.

politics is based. This view of discourse has already influenced some of the analysis in this chapter, and will underpin much of what is to follow.

Vivien A. Schmidt's accounts of discourse and welfare closely match Kitschelt's description of 'process-oriented' research. That is to say that her accounts normally privilege one political actor, and one set of circumstances, investigating the choices made within and against institutional constraints, in contrast to 'institutional' studies which consider actors' choices to be irrelevant.<sup>166</sup> Schmidt concedes the importance of institutions, but claims,

it is nearly impossible to identify discourse as the cause, or independent variable. However, it can be seen as a cause, and often a defining one, since it may enable public actors to reconceptualise interests rather than just reflect them, to chart new institutional paths instead of simply following old ones, and to reframe cultural norms rather than only reifying them.<sup>167</sup>

Schmidt offers discourse as a solution against the backdrop of explanations of welfare state retrenchment, such as those of Pierson and Esping-Andersen, which assume that external forces have demanded an 'age of austerity'. On the topic of globalisation, she argues,

empirical analyses which simply assume that globalisation pressures logically entail policy change fail to see that policy change itself generally follows from the discourses representing those pressures as economic imperatives for change.<sup>168</sup>

Throughout Schmidt's work, the manner in which discourse influences policy development is addressed in three ways. Firstly, Schmidt offers two 'dimensions' of discourse. In the first, 'ideational discourse', 'discourse performs a cognitive function by providing convincing arguments in favour of a given policy programme ... and it

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166. Herbert Kitschelt, "Review: Political Regime Change: Structure and Process-Driven Explanations?," *The American Political Science Review*, vol. 86, no. 4 (1992), 1029.

167. Vivien A. Schmidt, "How, Where and When Does Discourse Matter in Small States' Welfare State Adjustment?," *New Political Economy*, vol. 8, no. 1 (2003), 129.

168. Vivien A. Schmidt, and Claudio M. Radaelli, "Policy Change and Discourse in Europe: Conceptual and Methodological Issues," 194.

serves a normative function by legitimating the policy programme through appeal to national values.’<sup>169</sup>

The second dimension is the ‘interactive dimension’. Within this, Schmidt offers two different stages of discourse. The first, the ‘coordinative stage’, is ‘the interactive process through which [ideas] are generated’; the second, the ‘communicative stage’, is where such ideas are ‘publicly presented and deliberated’.<sup>170</sup> Once communities and coalitions have formed around one particular discourse, they then attempt to disseminate these ideas to the public. Schmidt analyses the efficacy of particular discourses within both these settings.

Elsewhere, Schmidt and Radaelli use discourse as a component of studies of ‘policy learning’. ‘Thin learning’, performed by institutions developed to cope with specific material standards, is set against ‘thick learning’, wherein the language and understanding of a particular political problem is transformed and ‘a different logic of political behaviour’ ensues.<sup>171</sup> ‘Thick learning’ is the realm of discourse.

Schmidt offers many examples of discursive change forming the backdrop of policy reform, along with counterfactual examples of policy reform being stymied by the absence of an overarching discourse. Often, she does this by using paired countries in similar circumstances. So, Italy was able to use a popular appeal to European integration in order to liberalise its economy; France, stifled by the salience of a traditional, parochial social model, was never able to articulate such a discourse. Thatcher was able to appeal to traditional British liberalism in order to reform the economy, leading to such ‘thick learning’ that successive Labour governments did not deviate wildly from her platform; New Zealand’s David Lange and Roger Douglas were unable to find such a language, and early reform successes were followed by fatigue and blockages.<sup>172</sup> Denmark was able to liberalise its economy due to traditions of

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169. Vivien A. Schmidt, “Democracy and Discourse in an Integrating Europe and a Globalised World,” *European Law Journal*, vol. 6, no. 3 (2000), 280.

170. Vivien A. Schmidt, “How, Where and When Does Discourse Matter in Small States’ Welfare State Adjustment?,” 136.

171. Vivien A. Schmidt, and Claudio M. Radaelli, “Policy Change and Discourse in Europe: Conceptual and Methodological Issues,” 189.

172. Vivien A. Schmidt, “Does Discourse Matter in the Politics of Welfare State Adjustment?,” *Comparative*

cooperation between major parties fostered by multi-party governments, while the dominance of the Swedish Social Democratic Party meant it had nothing but a socialist tradition to articulate, and was hampered in the process of reform.<sup>173</sup>

This type of analysis has severe limitations. Schmidt essentially agrees with Kitschelt in claiming discourse as another institution, part of the procedural toolkit of the political actor. In the words of Fouilleux, ‘discourses [in this model] represent crucial resources that actors can mobilise for both co-ordinating and legitimating purposes.’<sup>174</sup> This leads Schmidt to privilege reformism which liberalises economies, classing those countries who go down the liberalisation path as successes, and those who do not as failures.<sup>175</sup>

This is in marked contrast with Foucauldian views on discourse and governmentality, which claim that discourse is not merely something that political actors can use of their own volition. Discourse, aligned with epistemic understandings of an ‘art of government’, constrains the will and ability of actors who can only perceive themselves, and their capacity to perform, within limited frames of understanding.<sup>176</sup>

Such an analysis is present in the work of Norman Fairclough. In his view,

people live in ways which are mediated by discourses which construct work, family, gender (femininity, masculinity), sexuality and so forth in particular ways, which emanate from experts attached to social systems and organisations, and which come to them through the mass media (print, radio, television, the internet... we might say that contemporary social life is ‘textually-minded’ - we live our practices and our identities through such texts.<sup>177</sup>

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*Political Studies*, vol. 35, no. 2 (2002), 168-93.

173. Vivien A. Schmidt, “How, Where and When Does Discourse Matter in Small States’ Welfare State Adjustment?”

174. Eve Fouilleux, “Cap Reforms and Multilateral Trade Negotiations: Another View on Discourse Efficiency,” *West European Politics*, vol. 27, no. 2 (2004), 236.

175. For example, the case of the Netherlands in Vivien A. Schmidt, “How, Where and When Does Discourse Matter in Small States’ Welfare State Adjustment?”, 142.

176. Nancy Fraser, “From Discipline to Flexibilization? Rereading Foucault in the Shadow of Globalization,” *Constellations*, vol. 10, no. 2 (2003), 160-71; Michel Foucault, *Discipline and Punish: The Birth of the Prison* (New York: Vintage Books, 1995); Michel Foucault, *The Archaeology of Knowledge* (London: Tavistock Publications, 1972).

177. Norman Fairclough, “Discourse, Social Theory, and Social Research: The Discourse of Welfare Reform,” *Journal of Sociolinguistics*, vol. 4, no. 2 (2000), 165.

Political actors are here no different to people generally. They do not just invent and communicate discourses in order to provide support to their schemes. They are themselves constructed and bound by discourses, which give them meaning and enable their activity. Where their choices alter the discursive landscape, the new landscape will go on to constrain them in different ways. As Fairclough observes, ‘structure as well as being the precondition for action is the outcome of action ... action not only produces social life, it also reproduces structures which are its precondition.’<sup>178</sup> Following Fairclough, Prince goes on to argue that North American welfare reform has been dominated by ‘fiscalization’ and ‘marketization’, two ‘orders of discourse’ which constrain the meaning of political choices to those which make sense in a politics which is deemed to be a subsidiary function of finance and the market.<sup>179</sup>

This view of discourse does not study ‘welfare’ as an isolated phenomenon, nor does it study social policy outcomes as consequences of discrete and unique inputs. Rather, this view analyses the whole system of government, and the ideas and understandings which inform government, to show how techniques of governance are used to generate and defuse public policy possibilities. ‘Governmentality’, a portmanteau referring to the ‘art’ of government, is the study of how these techniques are developed and implemented.<sup>180</sup> It is the purpose of this thesis to bring these ideas of governmentality into the welfare debate.

## 2.8. Broadening Welfare Debates

The phenomenon of the creation, expansion and retrenchment of the welfare state has been the focus of many debates during the last half-century. Many of these debates explain movements in social policy through studies of the institutional, demographic and economic pressures which states have faced over decades of intense political and economic change.

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178. *Ibid.*, 170-71.

179. Michael J. Prince, “How Social is Social Policy? Fiscal and Market Discourse in North American Welfare States,” *Social Policy & Administration*, vol. 35, no. 1 (2001), 2-13.

180. See chapter 3.5.

This study attempts to broaden these debates by introducing the relationship between the state and the citizen as a factor in social policy development. This follows the work of 'governmentality' studies, which show how techniques of government have been developed in liberal states to manage the behaviour of the population without direct coercion. Social policy is one technique to encourage certain behaviours in citizens, and to establish a proper role for the state. Changes in social policy can be seen as functions of the changing nature of this state-citizen relationship. By studying the means by which policies change, the effects of discourse and governance on these changes, and the ideal state-citizen relationships latent within theoretical texts on governance, this study aims to show that social policy always carries within it an ideal end goal of forming a specific bond between the state and the citizen. This analysis will then be tested with the cases of Britain, France and Sweden, all of which experienced dramatic social policy change late in the twentieth century, but in ways specific to the state, its citizens, and the relationship between the two in each nation.

### 3. Hegemonies of Citizenship

This chapter establishes the framework by which radical changes in social policy are seen as changes in the relationship between the state and the citizen. As such, this chapter establishes a model to understand the formation of policy paradigms, and how they are implemented into domestic social policy. This view looks beyond Kitschelt's spatial model of party politics, whereby opposition parties will adopt government policies in order to capture the winning centre ground, which forms through competition for electoral advantage.<sup>1</sup> This is not the only method of policy change. Indeed in France and Sweden, policy change occurred not as a result of election promises, but in fact *despite* election promises, as governing parties found themselves unable to enact their electorally successful platforms.

The view taken here is that radical policy change is encouraged when discourses surrounding the appropriate relationship between the state and the citizen, as policy paradigms, become dominant in international institutions. These paradigms then influence domestic politics, wherein political actors attempt to negotiate the

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1. Herbert Kitschelt, *The Transformation of European Social Democracy*.



introduction of a new paradigm into existing traditions of governance. The implementation of the welfarist and neoliberal paradigms in domestic jurisdictions occurred not only as a consensus between mainstream political parties, but reflected discourses spread throughout networks of influence, which underpinned the development of international institutions and the expectations of markets.

This view has much in common with the constructivist view of politics.<sup>2</sup> In this view, the neoliberal turn of the 1980s was successful because the Keynesian economics that had underpinned the welfarist paradigm were *constructed* as the cause of the recessions of the 1970s, for which neoliberalism was *constructed* as the solution. As stated in chapter one, this is not to say that the discursive is everything: the crisis of the 1970s was indeed a problem, and it is possible that Keynesianism was not adequately equipped to solve this. However, the persistence of some welfarist policy after the 1980s, and much neoliberal policy after the crisis of 2008, show the limited extents to which such constructions can influence policy outcomes.

Welfarist and neoliberal paradigms do not constrain only what is considered good policy. They go further, establishing a model of proper behaviour of the state and its citizens. These paradigms have at their core an ideal relationship between the two, promoting certain behaviours within the population to be encouraged by action from the state. It is at this level that paradigms achieve dominance, since at this meta-level the state is constrained by norms of what its function ought to be, not merely technical issues surrounding how it might best achieve outcomes.

The expansion of the welfare state in the post-war period throughout different international and domestic jurisdictions was achieved through discourses which privileged an active state encouraging a strong, educated, healthy populace. It was, as T.H. Marshall showed, driven by ideas of the social rights of citizens, and as such it constrained the state into providing social services as a matter of 'right'.<sup>3</sup> As following chapters illustrate, these ideas influenced the design of the international economic

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2. See, for example, Alexander Wendt, "Anarchy is What States Make of it: The Social Construction of Power Politics," *International Organization*, vol. 46, no. 2 (1992), 391-425.

3. T. H. Marshall, *Citizenship and Social Class*; T. H. Marshall, "The Right to Welfare."

system of the post-war period, which offered financial and budgetary support to domestic governments wishing to implement expansionist policy. As Keynesian economics were constructed as a solution to the ills of depression and war, international and domestic political systems were designed to implement welfarist policy, and as such successfully created a series of ‘welfare states’. Intervention, service provision and redistribution of wealth was considered the proper role of the state, and these functions were implemented by conservative and socialist governments alike, with only some variations around the edges.

The switch to neoliberalism during the 1970s and 1980s is not a tinkering around the edges but, as Peter A. Hall remarks, a ‘paradigm shift’.<sup>4</sup> It concerns not only a shift in social policy, but a shift in the construction of the proper role of the state. Within neoliberalism, an individualistic, entrepreneurial citizenry is to be created by a non-interventionist state which serves to actively support the market. This discourse permeated international institutions, the media, and financial markets, in ways that went beyond words or implicit understandings, explicitly permeating the whole architecture of the international political and economic system. Neoliberalism was built into the institutional framework dominated by the United States, as the policies undertaken by governments and by international organisations began to change. The Bretton Woods institutions—the World Bank and the International Monetary Fund—which had been created in order to coordinate Keynesian policy internationally had, by the 1980s, begun to encourage and implement neoliberal discourse and policy.<sup>5</sup> Neoliberalism also found considerable influence in European Union.<sup>6</sup> Domestic governments which refused to adopt neoliberalism, such as the Mitterrand Government in France, found there were few possibilities to implement expansionist policy in a changed international environment.<sup>7</sup>

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4. Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain.”

5. David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007), 29.

6. Fritz Wilhelm Scharpf, *Crisis and Choice in European Social Democracy*; Andrew Moravcsik, “Reassessing Legitimacy in the European Union.”

7. Peter A. Hall, “The Evolution of Economic Policy Under Mitterrand,” 56-57.

Social democratic and labour parties, traditionally favouring welfarist discourses, found themselves unable to argue against neoliberal reforms which had become discursively tied to the proper purpose of government. In order to win the right to govern, and then to govern effectively, it was imperative that social democratic parties accept the internal logic of neoliberalism, and defend policy in the terms of that discourse. In short, where radical policy change occurs, it occurs in concert with a change in the discursive background of politics.

This chapter establishes a model of politics through which this shift can be analysed. It views the state as a political system with inputs and outputs, influenced by ‘policy networks’ which can affect ‘policy transfer’. However, not only are individual policies transferred, but whole discourses, understandings of political possibilities and of state and citizen behaviours, are transferred by a series of institutions which form the technologies of government which Foucauldian scholars call ‘governmentality’.

### 3.1. A Theory of Policy Change: Diffusion and Discourse

During the neoliberal turn of the late twentieth century, not only did policy change; the whole *idea* of policy-making changed. In the words of Schmidt and Radaelli (following Checkel)<sup>8</sup>, this comprises ‘thick learning’—changing the way institutions *think*—rather than simple institutional learning, where policies seen as functional in the short-term are adopted within an existing institutional and ideational structure.<sup>9</sup> ‘Thick learning’ means that the framework in which policy can be enacted, with its institutions, its received ideas, constraints and opportunities to sell a policy to voters, and the language used to perform such selling, all change.

The argument here is that where social policy is concerned, the central axis upon which thick learning occurs is that of *citizenship*: what it means to be a citizen, what expectations a citizen can have of a state, and what expectations a state can have of a citizen. This is because social policy is directly concerned with a reformation of the

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8. Jeffrey T. Checkel, “The Constructivist Turn in International Relations,” *World Politics*, vol. 50 (1990), 324-48.

9. Vivien A. Schmidt, and Claudio M. Radaelli, “Policy Change and Discourse in Europe: Conceptual and Methodological Issues,” 189.

state-citizen relationship. Where no ideational space exists for governments to enact welfare policy change, two options present themselves. Either these governments must abandon such projects altogether, or these governments must begin a process of changing the discourse of policymaking, with an attempt at ‘thick learning’ which alters the ideas of citizenship existing in the community, in order to make space for reform.

Such a methodology allows for agency within a field of constraints. These constraints may be economic, institutional, or discursive. It will not be assumed that policy changes are predetermined by any of these factors—in other words, it will not be assumed that policy change is *inevitable* based on the discursive, institutional or economic structure of a state. An analysis of the structure of the state may be able to predict its policy changes, but is more comprehensive to study how actors work within the structure to bring about policy change. Here, it will be seen that agency does exist, but the possibility for agency is limited, and the range of policy choices is only as diverse as these constraints will allow.

For a policy to be enacted, it must first be conceived. This could be, as Tawney would argue, a conception of policy as codifying existing practices or understandings of accepted behaviour;<sup>10</sup> or it could be, as Gramsci showed, the enactment of policy enforcing the ideals of those in power.<sup>11</sup> It is likely that public policy will be conceived by non-political actors, or be influenced by social practices outside the political sphere. The entrance of policy ideas into politics is likely to occur through networks of influence, where ideas are diffused, and discourses evolve, until they become political. Climate change offers one topical example: first conceived as a scientific concept, the idea has been diffused through networks of influence, legitimated (and challenged) by various scientific and political discourses, and now it has begun in some jurisdictions to influence public policy.

The model of politics used here is adapted from David Easton’s political systems analysis,<sup>12</sup> where ideas come into the political system as inputs, and are outputted as

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10. R. H. Tawney, *Equality*, (London: George Allen & Unwin, 1964).

11. Antonio Gramsci, *Selections From the Prison Notebooks*, trans. Geoffrey Nowell Smith, and Quintin Hoare (Southampton: The Camelot Press Ltd, 1971), 88.

12. David Easton, “An Approach to the Analysis of Political Systems,” *World Politics*, vol. 9, no. 3 (1957),

policies. Of interest in this chapter is the manner by which ideas reach the political system, which will be placed into two simplified categories: diffusion and discourse.

Diffusion is the name given here to theories of policy transfer that assume an institutional answer to the question of the formation of policy. The term ‘diffusion’ has previously been used by Jack Walker to describe the convergence of policy among American states.<sup>13</sup> Although the present study does not follow Walker’s methodology, ‘diffusion’ seems to be an appropriate term to group a broader range of policy transfer and network theories. Most important to this study will be the policy network ideas of Dolowitz and Marsh.<sup>14</sup>

Diffusion and discourse theories are not mutually exclusive. Policy change may be driven by networks of advocates who lobby government; these same advocates are likely to operate as experts, using language aimed at changing acceptable discourses in order to legitimate their political platform.

## 3.2. Diffusion

The diffusion of policy—that is, the formation and promotion of policy ideas both within and outside political institutions, leading to policy change—occurs in myriad ways. This is reflected in the diversity and complexity of the models of policy change offered by previous studies. Dolowitz and Marsh have uncovered what they call ‘policy transfer’;<sup>15</sup> Rhodes talks about ‘policy networks’;<sup>16</sup> and both Hall and Pemberton have made attempts to chart the existence and the function of such networks in aid of policy change in Britain.<sup>17</sup> All of these studies show that the ideas which drive policy change

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383-400.

13. Jack L. Walker, “The Diffusion of Innovations Among the American States,” *The American Political Science Review*, vol. 63, no. 3 (1969), 880-99.
14. David Dolowitz, and David Marsh, “Who Learns What From Whom: A Review of the Policy Transfer Literature,” *Political Studies*, vol. 44, no. 2 (1996), 343-57.
15. David Dolowitz, and David Marsh, “Learning From Abroad: The Role of Policy Transfer in Contemporary Policy-Making,” *Governance: An International Journal of Policy, Administration and Institutions*, vol. 13, no. 1 (2000), 5-24.
16. R. A. W. Rhodes, “Policy Networks: A British Perspective,” *Journal of Theoretical Politics*, vol. 2, no. 3 (1990), 293-17; R. A. W. Rhodes, and David Marsh, “New Directions in the Study of Policy Networks,” *European Journal of Political Research*, vol. 21, no. 1-2 (1992), 181-205.
17. Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain.”; Hugh Pemberton, “Policy Networks and Policy Learning: Uk Economic Policy in the 1960s and 1970s,” *Public Administration*, vol. 78, no. 4 (2000), 771-92.

do not exist only within political institutions among political actors, but can rather come from any actor or group of actors within a society. Such studies then go on to ascertain which institutions are important in the formulation of policy, and how these institutions interact in order to achieve policy change.

Policy diffusion studies tend to chart the course of policy change from the failure of existing policy, to the formation of new policy by and through networks of policy actors within and outside government, to the adoption of the new policy by government.

### Policy Failure

Sometimes policy change occurs in an environment where a government decides upon a new course; at other times, change is a response to the perceived failure of existing policies. As Peter J. May remarks, ‘dissatisfaction serves as a stronger stimulus for the search for new ideas than success.’<sup>18</sup>

Most vital is May’s assertion that ‘the important point about failure as a stimulus for change is that the objective reality of policy failure is less important than a perception of policy failure.’<sup>19</sup> In the work of Richard Rose,<sup>20</sup> as well as Dolowitz and Marsh,<sup>21</sup> policy transfer begins with the acknowledgement of a policy problem, which provokes political actors to look to solutions from within policies which have achieved success in other jurisdictions. The latter authors take care to claim that this does not always lead to policy success; policies which work in one arena may fail in others, for any number of reasons. They also acknowledge that even the concept of policy failure is political, as political actors may pursue definitions of policy failure that allow for policy change.<sup>22</sup>

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18. Peter J. May, “Policy Learning and Failure,” *Journal of Public Policy*, vol. 12, no. 4 (1992), 341.

19. *Ibid.*

20. Richard Rose, “What is Lesson-Drawing?,” *Journal of Public Policy*, vol. 11, no. 1 (1991), 3.

21. David Dolowitz, and David Marsh, “Learning From Abroad: The Role of Policy Transfer in Contemporary Policy-Making,” 14.

22. David Dolowitz, and David Marsh, “Who Learns What From Whom: A Review of the Policy Transfer Literature,” 347.

As Hall shows, in many instances where neoliberal techniques of government were adopted, the governments responsible claimed the previous welfare techniques had ‘failed’.<sup>23</sup>

## Policy Transfer

Dolowitz and Marsh define their term ‘policy transfer’ as

a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place.<sup>24</sup>

The simplest interpretation of ‘policy transfer’, then, is that it involves the convergence of policy between two different jurisdictions, or the reiteration of policies from the past into the present. However, ‘knowledge’ about policies allows a broader interpretation, being that understandings of policies—or of the broader environment into which policies may be enacted—can be transferred from one situation to another. In other words, political actors may learn from previous mistakes they or other actors have made; but they may also learn from non-political actors, such as experts, lobbyists or media actors (‘policy entrepreneurs’), whose advocacy of particular policies or political approaches may be adopted or considered in the enactment of policy.<sup>25</sup> Supranational institutions may also be responsible for the transference of policy.

Dolowitz and Marsh identify two variations of policy transfer: voluntary and coercive. *Voluntary* transfer involves political actors being persuaded to change policy on the basis of some exchange of ‘knowledge’, whether that be policy enacted in another jurisdiction or knowledge conferred by a policy advocate.<sup>26</sup>

*Coercive* transfer may be either direct or indirect. Direct coercive transfer involves one actor imposing policies on another, most likely as a result of a treaty or agreement, or

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23. Peter A. Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain.”

24. David Dolowitz, and David Marsh, “Who Learns What From Whom: A Review of the Policy Transfer Literature,” 344.

25. Michael Mintrom, “Policy Entrepreneurs and the Diffusion of Innovation,” *American Journal of Political Science*, vol. 41, no. 3 (1997), 738-70.

26. David Dolowitz, and David Marsh, “Who Learns What From Whom: A Review of the Policy Transfer Literature,” 347.

by membership of a supranational organisation. Indirect coercive transfer involves the same result by indirect means, often due to the increased interdependence of states; one state's tariff policy may indirectly coerce another into protectionism, or one state's economic policy may encourage more openness in another in order to compete.

Both Hugh Heclo and Richard Rose also talk of networks—'communications networks',<sup>27</sup> in Heclo's words, or 'epistemic communities' for Rose<sup>28</sup>—that deliver, or diffuse, policy alternatives to be chosen by political actors. Communications networks and epistemic communities may not only provide policy options, but also enforce discursive constraints on political actors. It is clear that networks are highly valuable for the transference of policy across time and space.

### Policy Networks

Although many of the policy transfer models assume networks of influence stretching across various polities like pollenating bees in a field of flowers, picking ideas from one jurisdiction and happily transmitting them across the others, little is said of the way in which such networks operate. The most comprehensive survey of policy networks belongs to Rhodes, who expanded the study of the British state to include the extrapolitical actors who determine and enforce policy. Rhodes' particular concern was with what he described as 'the hollowing out of the state,' resulting in the 'diminished central capability of British government.'<sup>29</sup> The trend of the Thatcher era in British politics was toward 'small government'; then and thereafter, New Public Management techniques were used to decentralise and privatise government operations where possible, and where that was impossible, to subject government bureaucracies to competitive contracts in order to increase efficiency. As a result, the basic functions of the British state were being carried out in a large diverse network of actors outside central control.<sup>30</sup> (This phenomenon is a central concern of the study of 'governmentality'.) Rhodes' network theory does not, however, explain how networks

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27. H. Hugh Heclo, "Policy Analysis," *British Journal of Political Science*, vol. 2, no. 1 (1972)., 107.

28. Richard Rose, "What is Lesson-Drawing?", 15.

29. R. A. W. Rhodes, "The Hollowing Out of the State: The Changing Nature of the Public Service in Britain," *Political Quarterly*, vol. 65, no. 2 (1994), 138.

30. R. A. W. Rhodes, "The New Governance: Governing Without Government."



formed to influence the more centralised state of the pre-Thatcher period, nor how such networks encouraged this state to decentralise and reduce its power.

To that end, Peter A. Hall's work in policy networks offers a highly valuable path. Summoning Kuhn's now-ubiquitous scientific concept of a 'paradigm shift',<sup>31</sup> Hall's investigation concludes that the movement from Keynesian to neoliberal economic policy in Britain was an example of such paradigmatic change.<sup>32</sup> Hall's issue with the policy transfer literature is that it assumes that policy change is performed only by political actors. Instead, Hall charts three 'orders' of change in regard to British economic policy: the adjustment of monetary targets; the adjustment of the measures used to analyse these targets; and then the 'paradigmatic' adjustment of the very way the economy is perceived. He suggests that, in all cases, the agents of change were not actually political actors, narrowly defined. The first two orders of change were put in place by 'experts within the civil service', who 'controlled both the advice going to the chancellor and the forecasts on which that advice was based.'<sup>33</sup> The third, however, took place in various networks, including the media, the financial markets, lobby groups and thinktanks.

The change in opinion in financial markets is particularly acute because governments of all ideological flavours rely upon capitalists to provide them with the tax revenue to perform.<sup>34</sup> According to Hall,

many of the ad hoc adjustments toward monetarism made by the 1974-79 Labour government were forced on it by the behavior of the financial markets, and the popularity of monetarist doctrine in these markets influenced both the Bank of England and the government.<sup>35</sup>

Synthesising the work of Rhodes and Hall, Pemberton tries to clarify what is meant by policy networks, and how they operate. Unfortunately, Pemberton also chooses a limited case study, attempting to extend Hall's methodology to show that the

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31. Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962).

32. Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain."

33. *Ibid.*, 281.

34. Claus Offe, *Contradictions of the Welfare State* (Hutchinson: London, 1984).

35. Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," 288.

introduction of ‘Keynesian-plus’ policies in 1960s Britain is also an example of a paradigm shift. Pemberton makes several good points in relation to policy network theory. Firstly, he extends Hall’s observation that various actors external to the bureaucratic process, such as academics, thinktanks and the media, are involved in policy networks. Such massive networks of influence, extending throughout society, are labelled as ‘meta-networks’.<sup>36</sup>

Secondly, he argues that policy network theory needs to incorporate another concept found within Easton’s ‘political systems’ analysis: a ‘policy feedback loop’. Here, policy directed at changing the sociopolitical environment necessarily has an influence on all future policy options, and thus previous policies form part of these networks.<sup>37</sup>

Thirdly, Pemberton gives credence to the argument of Dolowitz and Marsh, that party competition may lead to policy transfer. In his view, monetarist policy was adopted by leading Conservatives after a deliberate search for policy alternatives to defeat the incumbent Labour government. This search involved meetings with advocates in the academy, the financial markets and the media.<sup>38</sup>

Pemberton believes his schematic approach address Hall’s ‘comment that we need better to understand how and why ideas can be persuasive.’<sup>39</sup> Pemberton’s model aims to show how ‘actors and networks ... can change the policy environment through the medium of ideas.’<sup>40</sup> These ideas are the means by which policy failure is constructed, and by which policy transfer is legitimated. It is in the arena of discourse that change is made possible—or, perhaps, impossible.

### 3.3. Discourse Analysis and Citizenship

In a situation where political actors in a democracy wish to adopt policy change, discourse can be an indispensable tool to secure the consent of their electorates. Dolowitz and Marsh suggest party competition in democracy may lead to unsuccessful

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36. Hugh Pemberton, “Policy Networks and Policy Learning: Uk Economic Policy in the 1960s and 1970s,” 788.

37. *Ibid.*, 779.

38. *Ibid.*, 784.

39. *Ibid.*, 788.

40. *Ibid.*, 779.

parties to attempt policy transfer in order to rejuvenate their political platforms;<sup>41</sup> such actions may in turn reposition them into new self-definitions, as Kitschelt argues, finding space among their competitors to attract voters from various cultural and ideological backgrounds.<sup>42</sup> An example of this was the rebranding of the British Labour Party as 'New Labour',<sup>43</sup> with a significantly altered economic discourse (taken in part from international examples,<sup>44</sup> and in part from its incumbent opponents<sup>45</sup>), prior to its 1997 electoral victory.

The role of discourse is rarely discussed in the policy transfer literature. Yet in any policy transfer situation where the receiving jurisdiction does not have a discursive environment receptive to such changes in policy, such changes are likely to fail to be accepted by the public at large. In the case of coercive policy transfer, they are even unlikely to be accepted by the government of the receiving nation. This is one reason why pluralism is unlikely in policy transfer. The continual defeat of referenda to establish a constitution for the European Union is one example of discursive failure; failure to persuade voters to support a discourse of belonging to Europe at the expense of their own nation.<sup>46</sup> Discourses, however, can be transferred in much the same way as policies.

There are many variations of discourse analysis, stemming from diverse research areas. The studies of Schmidt and Radaelli on the European Union, and the studies of Norman Fairclough in analysing British policy, are two examples of studies of discourse in policy change. The main point of difference between the two studies is their approach to agency.

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41. David Dolowitz, and David Marsh, "Who Learns What From Whom: A Review of the Policy Transfer Literature," 355.

42. Herbert Kitschelt, *The Transformation of European Social Democracy*.

43. Norman Fairclough, *New Labour, New Language?*

44. Carol Johnson, and Fran Tonkiss, "The Third Influence: The Blair Government and Australian Labor," *Policy and Politics*, vol. 30, no. 1 (2002), 5-18.

45. Martin Powell, "New Labour and the Third Way in the British Welfare State: A New and Distinctive Approach?," *Critical Social Policy*, vol. 20, no. 1 (2000), 39-60.

46. Andrew Moravcsik, "What Can We Learn From the Collapse of the European Constitutional Project?," *Politische Vierteljahresschrift*, vol. 47, no. 2 (2006), 219-41; Marcel Lubbers, "Regarding the Dutch 'Nee' to the European Constitution: A Test of the Identity, Utilitarian and Political Approaches to Voting 'No'," *European Union Politics*, vol. 9, no. 1 (2008), 59-86.

Schmidt and Radaelli consider their work as ‘discursive institutionalism’, defining discourse as ‘a set of policy ideas and values, and ... as a process of interaction focused on policy formation and communication.’<sup>47</sup> As such, discourse is considered a tool available to the policy actor to help legitimate his or her policy choices. This assumes that political actors possess complete agency over their choices, and simply use discourse to attempt to cajole the voting public into giving these choices public legitimacy. As such, in Schmidt’s analysis, political actors use discourses in order to sell themselves and their policies, and the efficacy of discourse can be measured by the success of a government or its programme. Thus

Thatcher’s ideologically-grounded neoliberalism, for example, met these criteria so successfully that it has become the discourse of opposition as well, so much so that Labour’s electoral victory can be attributed in large measure to Blair’s embrace of the discourse ... [However] Mitterrand’s ideologically-grounded socialism of 1981 to 1983 ... was abandoned because within the context of the ideology it could not cognitively account for the failure of the policies to promote growth or normatively justify the subsequent turn to budgetary austerity in terms of its social commitments.<sup>48</sup>

To Schmidt, discourse sits somewhere outside of policy, as a means to achieve policy outcomes. Thatcher’s success and Mitterrand’s failure are attributed to their ability to marshal discourses to achieve their goals. It is Mitterrand’s personal failure to account for his austerity programmes in within ‘socialist’ discourse which led him to abandon a discourse of ‘socialism’. Yet Mitterrand’s austerity programme was in fact implemented after a failed attempt at an expansionist programme which could not gather sufficient institutional support in a discursive environment which was shifting toward neoliberal understandings of politics.<sup>49</sup>

Schmidt does not discuss the manner in which policy programmes are constructed by and reflect existing discourses, which are competing for dominance within political and extrapolitical domains. Foucauldian studies of discourse, however, claim that

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47. Vivien A. Schmidt, and Claudio M. Radaelli, “Policy Change and Discourse in Europe: Conceptual and Methodological Issues,” 184.

48. Vivien A. Schmidt, “Democracy and Discourse in an Integrating Europe and a Globalised World,” 284.

49. Peter A. Hall, “The Evolution of Economic Policy Under Mitterrand.”

discourses constrain and impede the agency offered to political actors. Actors are only able to achieve change within the language and the accepted norms already present within a society. Therefore, they are at the mercy of discourse, as much as they are able to harness it.

The work of Foucault represents the archetypal study of the constraining nature of discourse. According to Foucault, the act of governance does not involve rules being forced from the top down, but rather it exists in the micro-practices of encouragement and punishment through all levels of society.<sup>50</sup> Here, discourse is not a pliable tool of legitimisation, but a constant constraining factor in the life of the policy actor.

To Foucault, discourse amounts to ‘a group of *rules* that are immanent in a practice, and define it in its specificity.’<sup>51</sup> Foucault’s purpose was to define ‘things ... by relating them to the body of rules that enable them to form as objects of a discourse and thus constitute the conditions of their historical appearance.’<sup>52</sup> As for concepts, ‘one describes the conceptual network on the basis of the intrinsic regularities of discourse,’ related to ‘the rules that characterize a particular discursive practice.’<sup>53</sup>

Norman Fairclough offers a comprehensive view of these roles of discourse in both public and private life, being that

people live in ways which are mediated by discourses which construct work, family, gender (femininity, masculinity), sexuality and so forth in particular ways, which emanate from experts attached to social systems and organisations, and which come to them through the mass media (print, radio, television, the internet).<sup>54</sup>

All action is constrained by discourse, by the only available contextual understandings possessed by an actor. Our capacity for individual action is constrained by our understanding of ourselves and our environment. We cannot perform an action which

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50. Michel Foucault, “Governmentality,” in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell et al. (Chicago: University of Chicago Press, 1991).

51. Michel Foucault, *The Archaeology of Knowledge*, 46.

52. *Ibid.*, 48.

53. *Ibid.*, 62.

54. Norman Fairclough, “Discourse, Social Theory, and Social Research: The Discourse of Welfare Reform,” 165.

we do not know how to perform. Things do exist outside of discourse; however our understanding of things, and our relations to things, are always thereby constrained.

Such a framework does not completely remove the capacity for individual agency. Such individuality should, according to Foucault,

be sought ... in the dispersion of the points of choice that the discourse leaves free ... in the different possibilities that it opens of re-animating already existing themes, of arousing opposed strategies, of giving way to irreconcilable interests, of making it possible, with a particular set of concepts, to play different games.<sup>55</sup>

Bevir makes a similar point, arguing that, since it is possible for two actors in the same sociocultural circumstances to think and behave differently, there must be a space in front of discursive structures for individual agency.<sup>56</sup> Yet discourse, once established, is necessarily reflexive. Fairclough offers a model of discourse similar to that seen earlier in the institutional work of David Easton. Easton suggests that policy change necessarily alters environment in which the political system operates.<sup>57</sup> Fairclough sees the same reflexivity occurring on the level of personal action: ‘action not only produces social life, it also reproduces structures which are its precondition.’<sup>58</sup>

Fairclough’s ‘text-oriented’ approach offers several interesting tools for the study of policy change. First, he talks of ‘social practice’,<sup>59</sup> being the ‘construction of social identities, and representations of the social world.’<sup>60</sup> People ‘also produce representations of the social world, including representations of themselves and their productive activities.’<sup>61</sup> Social practices are also ‘networked’; they are organised into networks which are ‘more or less stable, more or less fluid,’ which have a ‘relative internal coherence and are relatively demarcated from others.’<sup>62</sup> Thus the operation of policy networks, whereby understandings and practices are dispersed through ‘more or

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55. Michel Foucault, *The Archaeology of Knowledge*, 36-37.

56. Mark Bevir, “Foucault, Power and Institutions,” *Political Studies*, vol. XLVII(1999), 358.

57. David Easton, “An Approach to the Analysis of Political Systems.”

58. Norman Fairclough, “Discourse, Social Theory, and Social Research: The Discourse of Welfare Reform,” 171.

59. *Ibid.*, 168.

60. *Ibid.*, 167-68.

61. *Ibid.*, 168.

62. *Ibid.*, 170.

less fluid' networks, can be seen not only as informing policy choice but also altering the discursive constraints under which political actors operate.

### 3.4. The Governmentality Perspective

Arising from the problem of identifying the structures of power in anti-statist 'liberal' regimes, the 'governmentality' school has advanced an alternative approach, also using the work of Foucault, to the study of governance. Foucault is himself responsible for the portmanteau, which Colin Gordon expands to 'government rationality'.<sup>63</sup> According to the governmentality literature, 'liberal' states—such as those operating according to 'neoliberal' ideas and techniques—have abandoned top-down models of statist power in favour of pursuing power by the encouragement of self-regulation throughout society.

In his lecture called 'Governmentality', Foucault claims that the eighteenth century brought an 'art of government' to replace an art of 'sovereignty'. Early political tracts, such as Machiavelli's *The Prince*, were aimed at establishing and maintaining sovereign power. Modern political tracts are aimed at processes of governance:

in contrast to sovereignty, government has as its purpose not the act of government itself, but the welfare of the population, the improvement of its condition, the increase of its wealth, longevity, health, etc.; and the means that the government uses to attain these ends are themselves in all some sense immanent to the population; it is the population itself on which government will act either directly through large-scale campaigns, or indirectly through techniques that will make possible, without the full awareness of the people, the stimulation of birth rates, the directing of the flow of population into certain regions or activities, etc.<sup>64</sup>

Government becomes, in words attributed to Foucault, the 'conduct of conduct'.<sup>65</sup> It involves techniques of government, which aim to influence citizens to self-regulate, by constructing a society which rewards some behaviours and punishes others. The modern edifice of government, which maintains contact with its citizenry through welfare and

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63. Colin Gordon, "Government Rationality: An Introduction," in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell et al. (Chicago: University of Chicago Press, 1991), 1.

64. Michel Foucault, "Governmentality," 100.

65. Nikolas Rose, *Powers of Freedom* (Cambridge: Cambridge University Press, 1999), 3; Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: SAGE, 1999), 6.

regulatory provisions, is the means by which power is dispersed throughout society. Within this has been an attempt to create an expertise in government, a rationality of government, through which the government can most effectively practice upon the governed. This takes the form of, and is influenced by, other fields of expertise, such as economics, medicine, and psychology, in determining the best social behaviours, and implementing methods to influence the population into practicing them.<sup>66</sup> Such techniques were given much support by the expansionist aims of the post-war welfare state.

Although neoliberalism seeks to reduce the role of the state in the individual in a financial and regulatory sense, it does not seek to reduce the state's role in 'the conduct of conduct'. Remaining within neoliberalism is that suite of technologies of government which do not directly relate to the provision of social services, but which nonetheless involve direct government interaction with the activity of citizens. These include 'little government techniques and tools, such as interviews, case records, diaries, brochures, and manuals,'<sup>67</sup> which aim to record and influence citizen behaviour.

Welfarist techniques of government, which involve direct intervention in the lives of citizens in order to foster some level of material equality and progress, overtly use such governmentality tactics in order to allow and encourage self-improvement among previously excluded classes. Education and health care are not only provided to citizens, but citizens are compelled to partake. This, in the words of Nikolas Rose, makes citizens 'obliged to be free'<sup>68</sup> and as Monica Greco shows, they have 'a duty to be well'.<sup>69</sup> Sentiments such as these echo those made by T.H. Marshall about the post-war welfare system, that there is a 'public duty' to exercise social rights.<sup>70</sup>

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66. *Ibid.*, 22-26.

67. Nikolas Rose et al., "Governmentality," *Annual Review of Law and Social Science*, vol. 2(2006), 89.

68. Nikolas Rose, *Governing the Soul* (London: Free Association Books, 1989), 217.

69. Monica Greco, "Psychosomatic Subjects and the "Duty to be Well": Personal Agency Within Medical Rationality," *Economy and Society*, vol. 22, no. 3 (1993), 357-72. Quoted in Pat O'Malley, "Risk and Responsibility," in *Foucault and Political Reason*, ed. Andrew Barry et al. (Chicago: University of Chicago Press, 1996), 200.

70. T. H. Marshall, *Citizenship and Social Class*, 16.



Accompanying this is the replacement of the punitive techniques of sovereignty with the insurantal techniques of liberalism. As Pat O'Malley shows, one of the technologies of rational government is to insure against problems by 'manipulating the environment or the effects of problem behaviours, rather than by attempting to correct errant individuals.'<sup>71</sup> Rather than identifying problems and devising appropriate punishments, a 'risk society' (in O'Malley's words) aims to remove the risk of such problems occurring in the first place. The provision of benefits, education, and so on, work to remove the conditions conducive to criminal behaviour. As such, these techniques 'appear to act technically rather than morally'.<sup>72</sup> By being amoral, such policies become apolitical, and are constructed as being beyond political debate.

The institution of insurance as a field of expertise has influenced the technologies available to rational government. Social insurance—the term given to welfare policy by its British advocate William Beveridge<sup>73</sup>—is calculated against risk using this expertise. Social policy is implemented and adjusted according to expert risk management techniques. Social insurance spreads risk over the population at large, so that the consequences of any unwanted event (unemployment, illness, etc.) are not felt entirely by any one individual, but are felt minutely by society at large. In a liberal society, potentially risky behaviour such as investing in capital or specialised labour skills is to be encouraged by reducing the risks involved—'it can make what was previously an obstacle into a possibility'.<sup>74</sup> François Ewald, however, claims social insurance was not only used to implement the conditions necessary for capitalist expansion, but also carried within it a sense of justice:

what distinguishes insurance is not just that it spreads the burden of individual injuries over a group, but that it enables this to be done no longer in the name of help or charity but according to a principle of justice, a rule of right.<sup>75</sup>

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71. Pat O'Malley, "Risk and Responsibility," 191.

72. *Ibid.*

73. William Beveridge, *Social Insurance and Allied Services* (London: His Majesty's Stationery Office, 1942).

74. François Ewald, "Insurance and Risk," in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell et al. (Chicago: University of Chicago Press, 1991), 200.

75. *Ibid.*, 205-06.

This sense of justice can be adopted by any ideology, as Daniel Defert notes:

alongside and articulated on to this new juridical framework, there emerges a new, statistical mode of management of populations ... a general economic ordering of the future becomes possible: security can be an inexhaustible market, or alternatively an impulse towards a motive for ever more interventionist political action.<sup>76</sup>

Under the Beveridgean system, social insurance was to be delivered as a right of all citizens, to deliver social 'justice' and to encourage solidaristic behaviours. Neoliberalism, as a critique of the interventionist state, has not jettisoned these technologies entirely; rather, it requires insurance to be instituted outside of the state edifice. In particular, neoliberal actors

created another rationality for government in the name of freedom, and invented or utilized a range of techniques that would enable the state to divest itself of many of its obligations, devolving those to quasi-autonomous entities that would be governed at a distance by means of budgets, audits, standards, benchmarks and other technologies that were both autonomizing and responsabilizing.<sup>77</sup>

Insurance is not to be provided by the state, but is to be practised by the individual, not just by the purchase of privatised insurance policies but by performing insurance upon the self. O'Malley shows that

whether commercially provided (weight-loss programmes, fitness centres) or State-funded (public endorsement of low fat diets, anti-smoking campaigns), a disciplinary regime of the body has been promoted, founded on the assumption that subjects of risk will opt to participate in a self-imposed programme of health and fitness.<sup>78</sup>

This does not prevent neoliberal governments from pursuing large-scale state expenditure. If neoliberal governments wish to undertake interventionist projects, these need to be couched in the actuarial discourse which underpins all social insurance. As Dean points out, neoliberal governments were quick to fund large military and security projects in the wake of the increased terrorist threat after 2001:

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76. Daniel Defert, "'Popular Life' and Insurance Technology," in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell et al. (Chicago: University of Chicago Press, 1991), 215.

77. Nikolas Rose et al., "Governmentality," 91.

78. Pat O'Malley, "Risk and Responsibility," 199.

It is hard to justify the levels of expenditure on security in an economically rational calculus; this is clearly ‘too much government’. It is beside the point in that once it is accepted that zero risk is the only acceptable level of risk in a given situation or space, then a critique of too much government in terms of economic costs can no longer be successful.<sup>79</sup>

Borrowing from the social risk logic of welfarism, neoliberalism recalculates the risks and rewards of social insurance. Where social insurance is better maintained (more efficient, more direct) by individuals, the state should withdraw. Where the risks are too high, however, the state should still intervene.

Throughout this work, the concept of a ‘bio-politics’, or a ‘politics concerning the administration of life,’<sup>80</sup> is offered as an overarching aim of liberal government. This often involves the conflation of economic circumstances with moral-psychological circumstances. Although the critiques change throughout eras and across ideologies, the technologies of this critique remain the same. Just as the goal of the welfare state was the eradication of anti-social behaviours among socio-economically disadvantaged citizens, the neoliberal critique of welfare posits a state of ‘welfare dependency’, whereby social provision by the state creates psychological distress in the citizen. In the latter critique, ‘the central contention is that poor people have something more wrong with them than their poverty’.<sup>81</sup> The aim then is not to alleviate poverty, but to alleviate the pathology of dependence.

Neoliberalism is therefore not immune from the desire to create an ideal citizen. In fact, the neoliberal project is fundamentally geared toward creating a model of society that is entrepreneurial, individualistic and market-driven. Wendy Larner claims that

neo-liberal strategies of rule, found in diverse realms including workplaces, educational institutions and health and welfare agencies, encourage people to see themselves as individualized and active subjects responsible for enhancing their own well-being.<sup>82</sup>

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79. Mitchell Dean, “Power At the Heart of the Present: Exception, Risk and Sovereignty,” *European Journal of Cultural Studies*, vol. 13, no. 4 (2010), 469.

80. Mitchell Dean, *Governmentality: Power and Rule in Modern Society*, 99.

81. *Ibid.*, 62.

82. Wendy Larner, “Neo-Liberalism: Policy, Ideology, Governmentality,” *Studies in Political Economy*, vol. 63

The creation and the maintenance of the ideal citizen is the fundamental goal of all forms of governmentality. Governmentality acts upon the citizen at the level of the self, constructing discourses and institutions which govern the self-regulation of individuals, the 'conduct of conduct'. It is a suite of techniques and technologies of rational government, through which society can be structured to impose standards of behaviour throughout all aspects of life.

The literature on governmentality extends the work of discourse analysis to show not only that constructions of reality inform and constrain the practice of reality, but how an art of rational government has been developed to carefully impose these discursive powers upon the population. The power of discourse can be seen in the methods with which government operates.

The success of neoliberalism as an ideology over the welfare state can be seen as a successful use of these technologies of government. Those political actors who achieved great success, such as Thatcher, were able to do so by using existing structures and creating new structures of rational government which encouraged neoliberal behaviours among the population. Those who were less successful, like Mitterrand, found themselves at the mercy of these structures, which were not able to accommodate radical policy change. Between these two extremes lies Sweden, where an internal governmentality geared toward the maintenance of a social insurance system has come into conflict with an external governmentality of neoliberalism at the level of the European Union, and where these two competing governmentalities fight for dominance in Swedish public policy.

### 3.5. Citizenship and Hegemony

The discourse approaches above provide a consistent framework through which to study the relationship between state and citizen. Just as Ringen and Esping-Andersen remark that the individualism encouraged by the institutions of the interventionist state

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(2000), 13.

created low fertility rates,<sup>83</sup> so Fairclough's analysis suggests that the various practices encouraged by the state will alter the discursive landscape in which it operates.

In this way the imposition of techniques of government as institutions can, as Gramsci noted, help a dominant discourse to gain hegemony.

Bates neatly defines Gramsci's concept of 'hegemony' as

political leadership based on the consent of the led, a consent which is secured by the diffusion and popularization of the world view of the ruling class.<sup>84</sup>

This, in Gramsci's view, was the manner in which all ruling classes exercised their power. It was also the most potent tool for revolutionary Marxism. Traditional Marxism asserted that the proletariat would necessarily rise against the ruling class. Gramsci held that this would not occur until revolutionaries defeated the bourgeoisie at the level of ideas—a 'war of position'<sup>85</sup>—changing social mores and achieving dominance for revolutionary discourse.

The State, in Gramsci's view, is separated into two distinct 'floors' in which ruling class hegemony operated. The top floor is 'political society', which encompassed not only government but also the army, courts and police (thus serving as a functional equivalent of the state). The bottom floor is 'civil society': the schools, churches, clubs, journals and parties.<sup>86</sup> Public opinion—'common sense'—is formed at the level of civil society, by a battle of ideas conducted across social classes.<sup>87</sup>

Gramsci predicted the use of government intervention in order to create favourable conditions to influence public opinion. Political society will enter civil society, whether by establishing its own civil institutions (schools and media outlets, for example) or regulating others. According to Gramsci, the State's aim is 'always that of creating new

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83. Stein Ringen, *The Possibility of Politics: A Study in the Political Economy of the Welfare State*, xv-xxii; Gøsta Esping-Andersen, "Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy," 67.

84. Thomas R Bates, "Gramsci and the Theory of Hegemony," *Journal of the History of Ideas*, vol. 36, no. 2 (1975), 352.

85. Antonio Gramsci, *Selections From the Prison Notebooks*, 88.

86. *Ibid.*, 12.

87. *Ibid.*, 197.

and higher types of civilisation,'<sup>88</sup> revising the morality of the people. Gramsci saw self-interest encouraging individuals to 'incorporate [themselves] into the collective man,' while the State 'obtain[s] their consent and their collaboration, turning necessity and coercion into "freedom".'<sup>89</sup> Law would be used not only to create order, but to encourage and maintain hegemonic practice. Gramsci set the tone for the vision of society upon which Foucault's governmentality studies would later elaborate:

the school as a positive educative function, and the courts as a repressive and negative educative function, are the most important State activities in this sense: but, in reality, a multitude of other so-called private initiatives and activities tend to the same end...<sup>90</sup>

Gramsci's state is the protector of a society which functions to instil the basic principles of the ruling class into the population. Civil society establishes and maintains political society; consent to policy is established within civil society, which allows the correlating institutions to be formed in political society. These institutions then work to support their legitimating discourses within civil society, in the reflexive manner outlined by Easton and Fairclough.<sup>91</sup>

It is not necessary for a hegemonic discourse to be overtly linked to any ruling class. As Haug suggests,

*hegemony* changes its meaning under conditions not only of de-centered multichannel TV but also of de-centered radical politics: It becomes 'hegemony without a hegemon,' or... *structural hegemony*.<sup>92</sup>

It is thus at the level of culture that hegemony that achieves its consent. Stuart Hall sees the creation of hegemony as analogous to the creation of a political identity; that ideology can be personified, and that a political programme can be seen to construct an ideal citizen. So traditional labour politics was based upon the identity of Socialist

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88. *Ibid.*, 242.

89. *Ibid.*

90. *Ibid.*, 258.

91. David Easton, "An Approach to the Analysis of Political Systems."; Norman Fairclough, "Discourse, Social Theory, and Social Research: The Discourse of Welfare Reform."

92. Wolfgang Fritz Haug, "Rethinking Gramsci's Philosophy of Praxis From One Century to the Next," *Boundary 2*, vol. 26, no. 2 (1999), 107.

Man,<sup>93</sup> itself an echo of the *homo oeconomicus* of classical economics;<sup>94</sup> and the neoliberal politics of Thatcher is designed to cater to and thus promote the ideal of a Thatcherite citizen. In Hall's words,

do not fall into the trap of the old mechanical economism and believe that, if you can only get hold of the economy, you can move the rest of life. The nature of power in the modern world is that it is also constructed in relation to political, moral, intellectual, cultural, ideological, sexual questions. *The question of hegemony is always the question of a new cultural order.*<sup>95</sup>

Following Hall, it can be seen that Marshall's idea of 'social citizenship' also represents a kind of Social Citizen, similar to Hall's Socialist Man; in receiving the new social rights of citizenship, Marshall's ideal citizen is pulled out of economic, political and cultural poverty and joins a growing, 'civilised' middle class. The postwar period constructed this identity of the citizen, and the identity grew in stature until it became the dominant, *hegemonic* understanding of citizenship, and so defined the accepted relationship between the state and the citizen at this time.

Neoliberalism disputes this ideal of the citizen. The neoliberal citizen is also pulled out of poverty, but not through means of social rights or of state provision, but by entrepreneurialism and individual endeavour. Just as the welfarist economic programme implied a 'social citizen', the neoliberal programme implies this neoliberal citizen. The policy debates of the 1980s and 1990s pit these two citizens together, and the battle becomes a battle of these two ideas. Although some debates centre around economic policy alone, such as how to achieve stable growth or low unemployment, many political debates concern these images of citizenship, these ideals of social equality or individual liberty, these constructs of citizen ideals.

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93. Stuart Hall, "Gramsci and Us," *Marxism Today*, (1987), 20.

94. See, for example, Samuel Bowles, and Herbert Gintis, "The Revenge of Homo Economicus: Contested Exchange and the Revival of Political Economy," *The Journal of Economic Perspectives*, vol. 7, no. 1 (1993), 83-102.

95. Stuart Hall, "Gramsci and Us."

### 3.6. Policy Change at the Level of Citizenship

As a result of this, a theoretical framework of policy change can begin to take shape. First, a construction of ‘policy failure’ is advanced by actors either within or outside politics; these actors form ‘policy networks’, which advocate ‘policy transfer’, the adoption of their preferred policy position in response to the perceived failure. These networks operate both upon political parties, in order to encourage such parties to adopt their policies, and upon the general public, attempting to win support for these policies, adding to the pressure placed on political parties, and encouraging electoral success for the parties which adopt these policies. Electoral success for this new policy coincides with ‘thick learning’ in the community; learning at the level of discourse. The ideas surrounding politics have now changed, from advocates within and outside the political system, and through this policy consensus among parties can form. The new ideas become ‘hegemonic’ in the community; the new discourse becomes political ‘common sense’.

In both the case of welfarism and neoliberalism, traditional views of the state-citizen relationship were transformed through the creation of institutions, influenced by discourses travelling through policy networks, which delivered consent to a hegemonic position through techniques of government. This framework incorporates elements from institutional and discourse studies to show precisely how ideas influence policy. Once ‘governmentality’ techniques create institutions which spread dominant discourses throughout civil society, it is difficult for alternative policy ideas to gain power. This is particularly the case with regard to discourses establishing the relationship between the state and the citizen, since this relationship forms the basis upon which all laws and governance are determined. Welfarism established institutions which increased the role of the government in the life of the citizen; neoliberalism established institutions that reduced this role. In each case these ideologies had in mind an ideal citizen which the institutions of the state was to create, and these ideas will be the focus of the next chapter.



## 4. Building the State-Citizen Relationship

If social policy is informed and constrained by hegemonic discourses which define the state-citizen relationship, then political actors wishing to advance radical policy change must reconstruct that relationship to suit their political purposes. The two periods of radical social policy change during the twentieth century, welfarism and neoliberalism, offer not only divergent understandings of economics, but different ideals of citizenship. The key figures of the former era—John Maynard Keynes, William Beveridge and T.H. Marshall in particular—advanced the institution of a political system which would cultivate a citizen who possessed all the qualities of the ‘gentleman’, or the ‘civilised’; these qualities were to be offered to citizens as a matter of right. The key figures of the latter era instead advanced a political system that would reward individualism, entrepreneurialism, consumerism, risk and endeavour as citizen behaviour. These images of the ideal citizen are reflected in the policy prescriptions of the respective programmes; they are, in short, the basis upon which social policy has been constructed, supported and enacted. In this chapter, the welfarist and the neoliberal citizen will be examined in detail.

## 4.1. T.H. Marshall and the Social Rights of the Civilised

### T.H. Marshall's 'social citizenship' reconsidered

After the institution of expansionist, welfarist social policy in Britain, T.H. Marshall claimed that these new institutions amounted to a new definition of citizenship. Marshall was overt in linking social policy to the practice of citizenship, and suggesting that policies implemented by the state were designed to encourage certain behaviours of citizens and discourage others. He was also instrumental in advocating the theory that social welfare should be provided to citizens not only as a measure in support of policy objectives, but as a matter of right. According to Marshall, the post-war welfarist regime offered 'social rights' to citizens, in exchange for certain responsibilities, to bring all social classes to an equality of status, which he called 'civilised'. Technologies of government, such as education, were to be utilised in order to encourage these 'civilised' behaviours.

In his 1949 lecture, *Citizenship and Social Class*, Marshall outlined his theory of citizenship, which has become the basis of almost every discussion on the topic thereafter.<sup>1</sup> Marshall's arguments have since been the subject of fierce debate and criticism, yet his lecture remains a foundational text. In particular, his concept of 'social citizenship' has become a point of contention, considered by some as irreconcilable with civil liberties, and by others as an exclusive category which discourages differentiation. Marshall recognised many of these faults; his purpose was to identify the post-war social contract, to give it an image and a name. Strikingly, many elements of 'social citizenship' identified by Marshall during the welfarist era of social policy were deliberately undermined by neoliberalism.

Marshall saw the rise of 'social citizenship' in Britain occurring alongside the sweeping policy changes after World War II, in part the result of William Beveridge's *Social Insurance and Allied Services* report.<sup>2</sup> Radical change in policy was accompanied by a

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1. Ruth Lister, "From Equality to Social Inclusion: New Labour and the Welfare State," 471.

2. Jytte Klausen, "Social Rights Advocacy and State Building: T.H. Marshall in the Hands of Social Reformers," *World Politics*, vol. 47, no. 2 (1995), 246; William Beveridge, *Social Insurance and Allied Services*, 13.; T. H.

legitimizing discourse encouraging a new feeling of equal citizenship among the British population. The effect of this was to develop a new form of citizenship, in which each citizen would be raised to the level of a ‘civilised’ being. Evidently, this assumes that there can be one uniform practice of ‘civilisation’, and that prior to the institution of a welfarist regime, there existed an underclass of citizens who were not ‘civilised’. As *Citizenship and Social Class* was in fact given in honour of economist Alfred Marshall, T.H. Marshall began by quoting the elder (and unrelated) Marshall who believed that economics—along with, one could say, the techniques of government that economics provides—should actively promote certain discourses of proper citizen behaviour. In Alfred Marshall’s words,

the question ... is not whether all men will ultimately be equal - that they certainly will not - but whether progress may not go on steadily, if slowly, till, by occupation at least, every man is a gentleman. I hold that it may, and that it will.<sup>3</sup>

T.H. Marshall then wished to replace the word ‘gentleman’ with a word with fewer class-based connotations: ‘we can, I think, without doing violence to Marshall’s meaning, replace the word “gentleman” by the word “civilised”.’<sup>4</sup> It is, of course, somewhat dubious to suggest that describing an underclass as ‘uncivilised’ is significantly nicer or more appropriate than ‘ungentlemanly’. Fascinatingly, this passage demonstrates that to T.H. Marshall, the purpose of welfarism—‘to live the life of a civilised being’<sup>5</sup>—was, in fact, equivalent to the imposition upon all social classes of a discourse which privileged the behaviour of the ‘gentleman’.

At the time of his writing, Marshall believed that Britain was ‘a frankly socialist system,’ however ‘it is equally obvious that the market still functions—within limits.’<sup>6</sup> His assumption was that, despite the continued operation of a market-based system, a level of equality between social classes was surfacing. This is underpinned by Marshall’s historical analysis, being that ‘the modern drive towards social equality is ...

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Marshall, *Citizenship and Social Class*.

3. Quoted without reference in T. H. Marshall, *Citizenship and Social Class*, 5.

4. *Ibid.*, 6.

5. *Ibid.*, 8.

6. *Ibid.*, 7.

the latest phase of an evolution of citizenship which has been in continuous progress for some 250 years.’<sup>7</sup> This statement provoked Roche to claim that Marshall ‘presupposes ... *an ontology of the citizen.*’<sup>8</sup>

Yet at the same time, Marshall conceded that ‘citizenship has itself become, in certain respects, the architect of legitimate social inequality.’<sup>9</sup> Marshall divided citizenship into three spheres: civil, political and social. Civil rights comprised those liberties, such as of speech and association, which are ‘necessary for individual freedom.’<sup>10</sup> Political rights are based on the free and fair exercise of suffrage. Social rights, instituted by welfarism, incorporate

the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilised being according to the standards prevailing in the society.<sup>11</sup>

Marshall believed that, as a generalisation, civil rights were won in the eighteenth century; political rights in the nineteenth; and social rights in the twentieth.<sup>12</sup> However, he did not necessarily see these as distinct, separate variations of citizenship; rather, he saw each as intertwined and overlapping. One generated the next. If all citizens have civil rights, and were equal under the law, this generates a claim to political rights that enable all to have a voice in shaping laws. So upon being granted suffrage, citizens can push for social rights.

Civil rights, ‘attached to the status of freedom[,] had already acquired sufficient substance to justify us in speaking of a general status of citizenship,’<sup>13</sup> thus creating the political status which allowed for the vote. Proper exercise of the vote required an educated populace, thus encouraging the provision of schools—in education, we can

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7. *Ibid.*

8. Maurice Roche, “Citizenship, Social Theory, and Social Change,” *Theory and Society*, vol. 16, no. 3 (1987), 371. Original emphasis.

9. T. H. Marshall, *Citizenship and Social Class*, 7.

10. *Ibid.*, 8.

11. *Ibid.*

12. *Ibid.*, 13.

13. *Ibid.*, 12.

see the political and the social spheres of citizenship overlap.<sup>14</sup> Indeed, Marshall saw education as having

a direct bearing on citizenship, and, when the state guarantees that all children shall be educated, it has the requirements and the nature of citizenship definitely in mind. It is trying to stimulate the growth of citizens in the making.<sup>15</sup>

Thus technologies of government are to be used in order to create ideal citizens. Citizenship, in this case, is both a right and a duty—the right to be educated, and the duty to be educated. The duty in this case is the ‘public duty to exercise that right’.<sup>16</sup>

This contention between rights and duties in citizenship has become central to the debate surrounding Marshall’s work. In particular, there exists a debate between Mead, who believes that Marshallian duties allowed for repressive state policies such as the requirement to work for welfare, and Lister, who believes that for Marshall, rights come before duties (the duties Marshall includes are, after all, duties to exercise rights).<sup>17</sup>

Marshall was interested in citizenship as an equal category, without requiring equal outcomes. In his view, ‘equality of status is more important than equality of income.’<sup>18</sup> Klausen argues that ‘equality of status’ promotes a universalism which leads to middle-class welfare.<sup>19</sup> Marshall’s ideal system encourages

a general enrichment of the concrete substance of civilised life, a general reduction of risk and insecurity, an equalisation between the more and the less fortunate at all levels—between the healthy and the sick, the employed and the unemployed, the old and the active, the bachelor and the father of a large family.<sup>20</sup>

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14. *Ibid.*, 16.

15. *Ibid.*

16. *Ibid.*

17. Lawrence M. Mead, “Citizenship and Social Policy: T.H. Marshall and Poverty,” *Social Philosophy and Policy*, vol. 14 (1997), 197-230; Ruth Lister, “From Equality to Social Inclusion: New Labour and the Welfare State.”

18. T. H. Marshall, *Citizenship and Social Class*, 33.

19. Jytte Klausen, “Social Rights Advocacy and State Building: T.H. Marshall in the Hands of Social Reformers,” 252.

20. T. H. Marshall, *Citizenship and Social Class*, 33.

Yet, he is quite slippery when it comes to equality of status. Klausen accuses Marshall of settling for equality of opportunity; however Marshall clearly proscribes this.<sup>21</sup>

Marshall says of state education,

equality of opportunity is offered to all children entering the primary schools, but at an early age they are usually divided into three streams ... already opportunity is becoming unequal, and the children's range of chances limited.<sup>22</sup>

Hence, citizenship becomes the 'architect of legitimate social inequality'.<sup>23</sup> This inequality is essentially a meritocracy; yet, according to Marshall, such stratification 'is precisely the way in which social classes in a fluid society have always taken shape.'<sup>24</sup>

Yet, the advantages of the meritocratic system,

in particular the elimination of inherited privilege, far outweigh its incidental defects. The latter can be attacked and kept within bounds by giving as much opportunity as possible for second thoughts about classification.<sup>25</sup>

How this was to be done, Marshall never explained. He also never adequately resolved the question of how to keep those enriched through meritocracy from bequeathing their gains to their children. Marshall's only concession was that 'the conclusion of importance to my argument is that, through education in its relations with occupational structure, citizenship operates as an instrument of social stratification.'<sup>26</sup>

Two additional important points can be made concerning Marshall's essay. The first is that Marshall was himself aware of the natural tension between social citizenship and its civil and political variants. He says that

social rights in their modern form imply an invasion of contract by status, the subordination of market price to social justice, the replacement of the free bargain by the declaration of rights.<sup>27</sup>

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21. Jytte Klausen, "Social Rights Advocacy and State Building: T.H. Marshall in the Hands of Social Reformers," 252.

22. T. H. Marshall, *Citizenship and Social Class*, 39.

23. *Ibid.*

24. *Ibid.*

25. *Ibid.*

26. *Ibid.*

27. *Ibid.*, 40.

The argument that social rights necessarily impinge upon civil rights is therefore not unfamiliar to Marshall; however, the argument needs to be addressed, since Marshall's response, that social rights are 'entrenched within the contract system itself,'<sup>28</sup> is unsatisfactory.

The final point is a return to the correspondence between rights and duties. Initially, Marshall frames this as the duty to be educated as a duty to exercise a right. Later he theorises this generally, claiming that

if citizenship is invoked in the defence of rights, the corresponding duties of citizenship cannot be ignored. These do not require a man to sacrifice his individual liberty or to submit without question to every demand made by government. But they do require that his acts should be inspired by a lively sense of responsibility towards the welfare of the community.<sup>29</sup>

It is again unclear what this 'lively sense' would involve. Later still, he claims that 'the incentive that responds to social rights is that of public duty ... the citizen is urged to respond to the call of duty by allowing some scope to the motive of individual self-interest.'<sup>30</sup>

In other words, if the citizen would only realise that his or her self-interest lies in the performance of duties corresponding to social rights, then Marshall's system will not impinge on civil rights. If social citizenship, embodied in the provision of health care and education to all citizens of a community, is accepted as being in the self-interest of citizens; then the payment of taxes and the provision of public money in order to provide these services will be viable. However, if this acceptance is challenged, the support for Marshall's system will decline. The discursive attack by neoliberal thought on the ideas of social citizenship precipitated a decline in this tacit support; it is not surprising that, as Marshall predicts, this has caused a corresponding decline in the actual provision of social rights as a component of western citizenship.

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28. *Ibid.*

29. *Ibid.*, 41.

30. *Ibid.*, 43.

Critiques of Marshall's thesis tend to focus upon either his empirical or his normative claims. Critiques of Marshall's empiricism contend that his historical approach was naïve; Marshall was himself aware of such a critique, although he did not resolve it adequately. Critiques of Marshall's normative claims focus on the conflict between social rights and the rights of civil and political citizenship, either by claiming that social rights restrict freedom - an argument Marshall again did attempt to resolve unsatisfactorily—or that Marshall's social rights presupposed a closed social model which, in the postmodern world, no longer obtains. All of these issues must be addressed if we are to consider the application of Marshall's ideas to present circumstances.

### Critiques of the empirical basis of 'social citizenship'

Many critics of Marshall's methodology have either misinterpreted his text or not given adequate value to his own acknowledgements; as a result many critics contradict one another. Harris and Roche both argue that Marshall was unaware that social rights were in natural tension with civil and political rights. Harris argues that

contrary to Marshall's vision of citizenship, the State's operationalization of social rights in bureau-professional regimes had the potential to infringe civil and political rights,<sup>31</sup>

and that Marshall 'never faced the empirical evidence that the interests of the state ... were sometimes in opposition to those of ordinary citizens.'<sup>32</sup>

Roche goes further, arguing that

Marshall seems to have assumed that not only were there no particularly important and noteworthy logical connections between the three elements of his concept, as we have already seen, but also that there was little in the way of ultimate normative conflicts of value and principle between them either.<sup>33</sup>

Such claims are quite shocking, considering the lengths Marshall went to in his essay to underline the clear links between the three spheres of citizenship, and to suggest

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31. John Harris, "State Social Work and Social Citizenship in Britain: From Clientelism to Consumerism," *British Journal of Social Work*, vol. 29, no. 6 (1999), 918.

32. *Ibid.*, 929.

33. Maurice Roche, "Citizenship, Social Theory, and Social Change," 372.



potential conflicts between social citizenship, vested in the state, and the freedoms offered by civil and political citizenship. Both Harris and Roche argue that Marshall's idea of citizenship was defeated by the return to liberal individualism during the neoliberal ascent of the 1980s. Roche asserts that

New Right Conservative and neo-liberal political philosophy, in the light of the post-war development of the welfare state and of social rights, have argued that there is a conflict of principle between civil and social rights, and in general between social equality and freedom as competing political aims and ideals.<sup>34</sup>

Going further, Harris invokes a neoliberal 'consumer-citizen', 'seen as capable of entering into responsible relations with the state's structured social services ... services were to be made more responsible to their users.'<sup>35</sup> Harris believes that a political consensus has formed in support of consumer-citizenship; in his view,

the Left has sought to distance citizens' social entitlements to welfare from unpopular statism and has articulated a new concern with the individual citizen as a reaction to the bureau-professional regimes of welfare state bureaucracies.<sup>36</sup>

As a result, ideas such as New Public Management, which stresses decentralisation and contractualism, have gained traction as a means of strengthening civil citizenship while still employing rhetoric in favour of social rights.<sup>37</sup>

It is beyond doubt that neoliberal ideas about citizenship, concentrating on individual liberties, consider social rights to be in conflict with civil liberties. However, Harris and Roche have confused Marshall's central point. Nowhere did Marshall claim that his three spheres of citizenship were mutually exclusive; indeed, quite the contrary—he believed that each were inextricably linked.<sup>38</sup> He understood the tension between civil and social citizenship, 'the replacement of the free bargain by the declaration of

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34. *Ibid.*

35. John Harris, "State Social Work and Social Citizenship in Britain: From Clientelism to Consumerism," 923.

36. *Ibid.*, 924.

37. See, for example, William A Niskanen, *Bureaucracy and Public Economics*; Jan-Erik Lane, *New Public Management*.

38. Michael Lister, "'Marshall-Ing' Social and Political Citizenship: Towards a Unified Conception of Citizenship," *Government and Opposition*, vol. 40, no. 4 (2005), 476.

rights,<sup>39</sup> yet put forward social citizenship as a normative ideal. If Marshallian and neoliberal ideas about citizenship are to be compared, they must be compared as normative projects, not as empirical definitions.

After all, Roche and Plant advance a turn toward individualism as an empirical, historical movement; however, surely individualism is as much a normative project as social equality. Merely suggesting that there has been an increase in individualist feeling among the population does not necessarily mean that this is right, or should be encouraged. As Tawney once said, ‘to convert a phenomenon, however interesting, into a principle, however respectable, is an error of logic.’<sup>40</sup> In contrast to Roche and Plant, authors such as Putnam lament the promotion of individualism at the expense of social cohesion; Putnam believes that social capital, required for productive communities, is being undermined by this turn.<sup>41</sup> It is not enough to disregard Marshall on the basis of new normative trends. One must persuasively argue that Marshall’s normative project falls short of serving the public good.

King and Waldron take a different perspective, in that they themselves attempt to resolve some of the contradictions in Marshall’s thought. They also see Marshall as being aware of the fact that his spheres of citizenship are ‘not rigid or mutually exclusive as categories,’<sup>42</sup> and therefore do not fall into the traps listed above. King and Waldron attempt to give weight to Marshall’s normative values, by using arguments about justice derived from Rawls, offering citizenship as an ideal that requires action on the part of the state.

One of King and Waldron’s arguments is that Marshall, following thinkers from Aristotle to Machiavelli to Burke, believed that a certain level of wealth—or, at least, personal security—is necessary in order to properly exercise political rights. Eighteenth-century conservative Edmund Burke believed that this excused a refusal to extend suffrage beyond the propertied classes; King and Waldron, following Marshall,

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39. T. H. Marshall, *Citizenship and Social Class*, 40.

40. R. H. Tawney, *Equality*, 50.

41. Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community*.

42. Desmond S. King, and Jeremy Waldron, “Citizenship, Social Citizenship and the Defence of Welfare Provision,” *British Journal of Political Science*, vol. 18, no. 4 (1988), 419.

argue that this requires the state to alleviate poverty.<sup>43</sup> Following Rawls, they construct a model of an ideal social contract, where the people willingly enter into a contract with the state. If any group were to be excluded from social rights, they would not willingly enter this contract—therefore, no state is legitimate, from this contractarian perspective, unless it works to guarantee social rights for all of its citizens.<sup>44</sup> This goes a long way toward establishing a normative argument in support of a form of social citizenship, beyond Marshall's weak argument that social rights have always been 'entrenched within the contract system itself'.<sup>45</sup>

Other studies, such as those of Lister and Klausen, argue that Marshall's concept of citizenship can be used as a normative argument by governments wishing to overturn the neoliberal individualism prevalent in present political discourse. Lister argues, against the ideas both of the neoliberals and of King and Waldron, that Marshall did not present a teleology of citizenship that resulted in a Fukuyama-style, Hegelian 'end of history',<sup>46</sup> but rather offered his categories of citizenship as fluid and unfinished. In Lister's words,

citizenship appears, on the one hand, to be underpinned by the same principle and on the other, riven with contradictions. I believe that these two accounts can be reconciled. Marshall notes that there is no universal principle which determines citizenship rights and obligations, but rather that there are ideal images which societies progress towards. As such, the precise meaning of equality of status is unknown.<sup>47</sup>

Furthermore, 'equality of status in the civil sphere promotes different ideas of equality of status in the social and political spheres.'<sup>48</sup>

What Lister appears to suggest is that Marshall invented a means by which to study citizenship; however, the meaning of citizenship and the application of these categories

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43. *Ibid.*, 430.

44. *Ibid.*, 433.

45. T. H. Marshall, *Citizenship and Social Class*, 40.

46. Michael Lister, "'Marshall-Ing' Social and Political Citizenship: Towards a Unified Conception of Citizenship," 485. Also see Francis Fukuyama, *The End Of History and the Last Man* (New York: Free Press, 1992).

47. *Ibid.*, 482.

48. *Ibid.*

can and will change over time. How we, rather than Marshall, choose to view ‘equality of status’ in the civil sphere—i.e. what liberties we believe are fundamental—will determine the social policies attached to citizenship. Citizenship, and particularly social citizenship, is offered as a lens through which to assess public policy.

Klausen echoes Lister’s ideas, and offers citizenship as a tool to be used by policymakers to engage with a potentially reluctant, individualistic public. She believes that although ‘redistributive policies make claims not only against the state but against other taxpayers,’ that ‘by framing social rights as citizenship rights, reformers may achieve depoliticization and sidestep thorny issues regarding electoral consent.’<sup>49</sup> Therefore, in order to enact social policies which may make claims against individual taxpayers, politicians may benefit from entering into a discourse of citizenship, to endear voters to support a redistributive programme.

#### Critiques of ‘social citizenship’ as a normative project: das Gentelmanideal, and ‘The Architect of Legitimate Social Inequality’

As stated earlier, Marshall himself admitted that ‘citizenship has itself become, in certain respects, the architect of legitimate social inequality.’<sup>50</sup> An equality of political status can coexist with social inequality. Marshall believed in the normative project of equality of social status, however this normative project has been criticised, particularly as concerns have been raised about precisely what ‘status’ all citizens are to equally share.

R.H. Tawney’s *Equality* set the scene 18 years before the publication of Marshall’s lecture. Tawney provides a critique of equality, ‘rightly [meaning] not only that exceptional men should be free to exercise their exceptional powers, but that common men should be free to make the most of their common humanity.’<sup>51</sup> A society concerned only with equalising economic opportunity ‘sacrifices the cultivation of spiritual

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49. Jytte Klausen, “Social Rights Advocacy and State Building: T.H. Marshall in the Hands of Social Reformers,” 245.

50. T. H. Marshall, *Citizenship and Social Class*, 7.

51. R. H. Tawney, *Equality*, 108.

excellences, which is possible for all, to the acquisition of riches, which is possible, happily, only for the few.’<sup>52</sup> Indeed,

it is wrong [to suggest] that opportunities to rise, which can, of their nature, be seized only by the few, are a substitute for a general diffusion of the means of civilization, which are needed by all men, whether they rise or not, and which those who cannot climb the economic ladder, and who sometimes, indeed, do not desire to climb it, may turn to as good account as those who can.<sup>53</sup>

*Equality* also evokes the image of the gentleman, which informed Marshall’s categorisation of a ‘civilised being’, and inspired the behaviours to which ‘social citizenship’ would inspire. The idea of the ‘gentleman’ as a social class has existed throughout political writing. Prior to Tawney, Alexis de Tocqueville wrote of the meaning of the word ‘gentleman’, particularly the distinctive use of the word in England and France. In 1856 de Tocqueville wrote,

What must be said is that, for a long time now, England has not, strictly speaking, had a noble class, if we use the word in the ancient and restricted sense it has retained everywhere else. This singular revolution is lost in the mists of time but one living testament still remains, namely the language. For several centuries the word ‘gentleman’ entirely changed its meaning in England and the word ‘vassal’ no longer exists ... In France, the word ‘gentilhomme’ has always remained closely tied to its original meaning; since the Revolution it has practically disappeared from use but that use has never changed. The word has been preserved intact to indicate the members of a caste because the caste itself has been preserved as separate from all other classes as it has ever been.<sup>54</sup>

It is this idea of a gentleman class that raised Tawney’s ire. In *Equality*, he invokes a theoretical body of sociologists, claiming that

they analyse the historical elements in English cultural life, and argue, with Herr Dibelius, that it has been impoverished because the tradition of a single group—*das Gentelmanideal*—has imposed itself on the rest as a national ideal, so that ‘England alone, of all modern peoples, has allowed its ethical outlook to be prescribed by a single type of human being’, and that ‘the Englishman’s social ethic is less

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52. *Ibid.*

53. *Ibid.*, 109.

54. Alexis de Tocqueville, *The Ancien Régime and the French Revolution* (London: Penguin, 2008), 90-91.

deep and exacting than that of other civilized nations because it deliberately includes only a fraction of the common human ideal.’<sup>55</sup>

Tawney is scathing of the celebration of class distinction, of the veneration of the idea of the ‘gentleman’ as the personification of a discourse restricting proper standards of behaviour:

public opinion bias has in all ages been struck by this feature in social organization, and has used terms of varying degrees of appropriateness to distinguish the upper strata from the lower, describing them sometimes as the beautiful and the good, sometimes as the fat men, sometimes as the twiceborn, or the sons of gods and heroes, sometimes merely, in nations attached to virtue rather than beauty, as the best people.<sup>56</sup>

In the evocation of the ‘gentleman’, or even the ‘civilised’, as the standard of behaviour to which the social citizen would aspire, Marshall is committing the same fault which Tawney attributes to ‘public opinion bias’. Social citizenship ‘deliberately includes only a fraction of the common human ideal’. This idea has been expanded upon by many of Marshall’s more recent critics.

Fraser and Gordon argue that, although women were able to claim the title of citizen, its benefits were never fully conferred upon them. Indeed,

*contra* Marshall’s assumption, the exclusion of married women from civil citizenship was no mere archaic vestige destined to fade as citizenship evolved. Rather, women’s subsumption in coverture was the other face and enabling ground of modern civil citizenship. The two mutually defined one another.<sup>57</sup>

In this way citizenship, the privileged membership of a national identity group, was predicated on exclusion; not who should be included, but who should be excluded. So it was that, despite the availability of a measure of social citizenship in Britain and elsewhere in the mid-twentieth century, women were still excluded from ‘the right to share to the full in the social heritage and to live the life of a civilised being according

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55. RH Tawney, *Equality*, 36.

56. *Ibid.*, 61.

57. Nancy Fraser, and Linda Gordon, “Contract Versus Charity: Why is There No Social Citizenship in the United States?,” *Socialist Review*, vol. 22 (1992), 55.

to the standards prevailing in the society.<sup>58</sup> Many rights were accorded to heads of households rather than individuals.<sup>59</sup> Therefore, civil rights ‘belonged instead to male property owners and family heads, often by virtue of their responsibility for ‘dependents’.’<sup>60</sup> Accordingly, (male) workers’ rights, such as unemployment insurance and retirement pensions, were called ‘entitlements’, while (feminine) family payments were considered ‘services’.<sup>61</sup> Working men become the only first-class citizens in the United States;

the widespread fear that ‘welfare’ recipients are ‘getting something for nothing’ is an understandably embittered response from those who work hard and get little ... such responses are of course exacerbated when the poor are represented as female, sexually immoral, and/or racially ‘other.’<sup>62</sup>

Also excluded from the benefits of citizenship are migrants, who may participate in the economy of a nation without being able to be fully active in its life and society. Brubaker asks ‘a stroke of the pen might make foreigners French from the point of view of the law—but would they truly be French?’<sup>63</sup> This question was not hypothetical, provoked as it was by an historical French discourse:

the assimilationist motif is an old one in France ... to assimilate means to make similar ... if school and army could turn peasants into Frenchmen, they could turn native-born foreigners into Frenchmen in the same way.<sup>64</sup>

To be a citizen of France, then, was exclusive to either being a French native, or behaving like one. This, Brubaker characterises, is a reflection of the revolutionary nature of France’s past, of an ideal of ‘Frenchness’ which transcends race and privileges a particular form of identity.<sup>65</sup> This is still more agreeable to migrants than the laws of

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58. T. H. Marshall, *Citizenship and Social Class*, 8.

59. Nancy Fraser, and Linda Gordon, “Contract Versus Charity: Why is There No Social Citizenship in the United States?”, 55.

60. *Ibid.*, 56.

61. *Ibid.*, 61.

62. *Ibid.*, 64.

63. Rogers Brubaker, “Immigration, Citizenship, and the Nation-State in France and Germany: A Comparative Historical Analysis,” *International Sociology*, vol. 5, no. 4 (1990). , 395.

64. *Ibid.*

65. *Ibid.*;

Germany prior to 2000, which offered no nationalisation process, even for second- and third-generation German-born migrants.<sup>66</sup> Germany, Brubaker claims, was far more focussed on its citizenship as an ethnic project. However, increasing migration in the late twentieth century meant that, according to Green, ‘the long-term prospect of a legitimacy deficit ... emerged, as the composition of the voting population in [some] communities coincide[d] less and less with that of the resident population.’<sup>67</sup> Germany’s law has now changed, but still retains restrictions which reflect the ethnocultural focus of past policies.<sup>68</sup>

Kymlicka follows Brubaker’s critique by advancing a form of ‘group rights’, or ‘differentiated citizenship,’ which is ‘defined as the adoption of group-specific polyethnic, representation, or self-government rights’.<sup>69</sup> In offering the right to participate differently in multiple forms of citizenship, communities of interest can form which ‘would help promote national integration for previously excluded groups’;<sup>70</sup> this, says Kymlicka, would solve Marshall’s requirement that the institution of citizenship help bind people to community loyalty.<sup>71</sup>

There is a question of how differentiated citizenship can be reconciled with an idea of citizenship defined, in Soysal’s words, as ‘universal personhood’.<sup>72</sup> Such a criticism is particularly acute to Kymlicka, who claims that he is attempting to reformulate citizenship around liberal principles. According to Kymlicka, ‘what is called “common citizenship” in a multination state in fact involves supporting the culture of the majority nation ... [this] means that the minority has no way to limit its vulnerability to the economic and political decisions of the majority.’<sup>73</sup> Kymlicka, however, does not

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66. Rogers Brubaker, “Immigration, Citizenship, and the Nation-State in France and Germany: A Comparative Historical Analysis,” 396.

67. Simon Green, “Beyond Ethnoculturalism? German Citizenship in the New Millennium,” *German Politics*, vol. 9, no. 3 (2000), 107.

68. Marc Morjé Howard, “The Causes and Consequences of Germany’s New Citizenship Law,” *German Politics*, vol. 17, no. 1 (2008), 41.

69. Will Kymlicka, *Multicultural Citizenship: A Liberal Theory of Minority Rights* (Oxford: Oxford University Press, 1995), 174.

70. *Ibid.*, 180.

71. *Ibid.*

72. Yasemin Nuhoğlu Soysal, *Limits of Citizenship: Migrants and Postnational Membership in Europe* (Chicago: University of Chicago Press, 1994).

73. Will Kymlicka, *Multicultural Citizenship: A Liberal Theory of Minority Rights*, 183.



believe that the liberal principles which constitute civil and political rights should be sacrificed for a group-oriented vision of social rights; if there is a conflict between a universal liberal principle, and the principles of a non-liberal group, liberalism should win. However,

liberals have no automatic right to impose their views on non-liberal national minorities. But they do have the right, and indeed the responsibility, to identify what those views actually are ... that is not the first step down the path of interference. Rather, it is the first step in starting a dialogue.<sup>74</sup>

It is, however, not clear how interference can actually be avoided. As such, a differentiated regime of citizenship may inevitably lead to conflict. However, as Kymlicka points out, conflict can occur between groups held under the umbrella of common citizenship. Ideally, this crisis can be resolved if each personhood is considered to be universal, but the expression of that personhood can differ based on individual identity and association. However, that may not necessarily be enough.

There are many other critiques of citizenship which follow the same paths. Soysal's argument is for the inclusion of non-citizens, such as guest workers, in a 'universal personhood' which transcends the nation-state and bounded forms of citizenship.<sup>75</sup> Young argues that group rights and group participation in political institutions should be an absolute requirement of any ideal of citizenship.<sup>76</sup>

In all cases, Marshall's universalism is questionable, where in reality a plurality of claims to citizenship can be made against the state, by differentiated groups whose needs may not be the same. Yet, once again, Marshall was aware of this.<sup>77</sup> Not only did he make the bold claim that citizenship could be used to support legitimate exclusion, he also talked openly of the acceptance of difference. In his own words,

apparent inconsistencies are in fact a source of stability, achieved through a compromise which is not dictated by logic. This phase will

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74. *Ibid.*, 171.

75. Yasemin Nuhoğlu Soysal, *Limits of Citizenship: Migrants and Postnational Membership in Europe*.

76. Iris Marion Young, "Polity and Group Difference: A Critique of the Ideal of Universal Citizenship," *Ethics*, vol. 99, no. 2 (1989), 250-74.

77. Michael Lister, "'Marshall-Ing' Social and Political Citizenship: Towards a Unified Conception of Citizenship."

not continue indefinitely. It may be that some of the conflicts within our social system are becoming too sharp for the compromise to achieve its purpose much longer ... [but] we must ... realise the profound and disturbing effects which would be produced by any hasty attempt to reverse present and recent trends.<sup>78</sup>

In order to promote a version of citizenship which includes marginalised groups, it is not necessary to dismantle the ideas of social citizenship which have gone a certain, if incomplete, way to flatten the class structure of western society. However, both the neoliberal and the social investment paradigms have abandoned a call to welfare provision based on right, instead favouring discourses of productivity and investment.

## 4.2. Welfarism: Keynes and Elitism

The postwar consensus in favour of state intervention is called, by Claus Offe among others, the ‘Keynesian Welfare State’.<sup>79</sup> This title brings together the two main theoretical features of the arrangement; the first being ‘Keynesian’ economics, the second being welfarism, the suite of interventionist social policies which linked the welfare of citizens to services provided by the state. The latter was budgeted through an understanding of public finances provided by the former; ‘Keynesian’ economics and the ‘welfare state’ worked hand in hand. Although much of what is considered ‘Keynesian’ is somewhat removed from Keynes’ own work,<sup>80</sup> the writings of Keynes provide not only a keen insight into the economic assumptions of the post-war consensus, but also of the discourses of citizenship, and of the state-citizen relationship, which underpinned this system.

Keynesian economics advocates government intervention into the market in order to maintain a high level of productivity. As such, it incorporates such techniques of government as investigated in the study of ‘governmentality’. Economic statistics,

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78. T. H. Marshall, *Citizenship and Social Class*, 49.

79. Claus Offe, “Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization.”. See also Christopher Pierson, *Beyond the Welfare State?: The New Political Economy of Welfare* (Cambridge: Polity, 2006); Bob Jessop, “Post-Fordism and the State,” in *Comparative Welfare Systems: The Scandinavian Model in a Period of Change* (Houndmills, Basingstoke, Hampshire: Macmillan, 1996). etc.

80. Alan Coddington, *Keynesian Economics: The Search for First Principles, Volume 1* (London: Routledge, 1983), 1.

psychology and other fields of expertise are used to develop policy instruments geared toward productive outcomes. Furthermore, the productivity encouraged by Keynesian economics promotes productive behaviours among citizens. Within Keynesian discourse, the proper role of the citizen is to behave in an economically productive manner, which will lead to the cultivation of ‘elite’ tastes and behaviours in the population, which Keynes associated with good social outcomes. The proper role of the state is to develop policy instruments, institutions and discourses which encourage and maintain such productive behaviour from its citizens.

‘Keynesian’ economics is a refutation of the main principles of *laissez-faire* featured in classical and neoclassical economics, which had previously informed social policy. Classical economics held that the public good is most strongly held in the free operation of private transactions; that each person’s individual interest correlates strongly to the interest of the public as a whole; and that the role of government is therefore to intervene as little as possible into the economic lives of its citizens. Its key figure, Adam Smith, talked of an ‘invisible hand’ that guides the market, manifested in the unintended positive consequences of transactions—consumption triggers growth and employment, need facilitates invention. For government, which always rests in the hands of the few, to intervene in this process is to replace the good of the many with the good of the few; inefficiency and misery would thus result.<sup>81</sup> Within this discourse, the citizen is thus a self-interested, profiteering entrepreneur, taking advantage of opportunities, each to the benefit of society as a whole.

The Great Depression of the 1930s, triggered by the collapse of the stock market in 1929, altered the ideational landscape. It represented a perfect example of ‘policy failure’, for which Keynes’ economics became a viable solution for ‘policy transfer’. In Paul A. Samuelson’s words, ‘while Keynes did much for the Great Depression, it is no less true that the Great Depression did much for him.’<sup>82</sup> The classical economic position held that the economy would be self-regulating, that peaks and troughs would balance

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81. Emma Rothschild, “Adam Smith and the Invisible Hand,” *The American Economic Review*, vol. 84, no. 2 (1994), 319-222.

82. Paul A Samuelson, “Lord Keynes and the General Theory,” *Econometrica*, vol. 14, no. 3 (1946), 199.

over time, avoiding disaster. The Great Depression showed this to be a naïve expectation. For Keynes, the equilibrium states analysed by most economists were a specific case, and disequilibrium, such as that experienced during the Depression, was the general case.<sup>83</sup>

In this general case, Keynes claimed that actors' expectations had a large impact on economics; that in the case of a market crash, people change their economic behaviour from spending to saving, from investing to hoarding; aggregate demand, the demand for goods across a whole economy, then falls, leading to 'a fall in real activity'.<sup>84</sup>

Keynes believed that rational economic actions were based on *expectations* in an environment of imperfect information; that the expectations of the individual were, largely, based upon 'conventional' expectations of the future held by 'the rest of the world which is perhaps better informed', and that such changes,

being based on so flimsy a foundation, [are] subject to sudden and violent changes. The practice of calmness and immobility, of certainty and security, suddenly breaks down. New fears and hopes will, without warning, take charge of human conduct.<sup>85</sup>

The influence of politics thus has an economic effect of great importance, being

not only that slumps and depressions are exaggerated in degree, but that economic prosperity is excessively dependent on a political and social atmosphere which is congenial to the average business man. If the fear of a Labour Government or a New Deal depresses enterprise, this need not be the result either of a reasonable calculation or of a plot with political intent;- it is the mere consequence of upsetting the delicate balance of spontaneous optimism.<sup>86</sup>

The 'political and social atmosphere' of which Keynes speaks is similar to the discursive environment outlined by Foucauldian scholars. According to Keynes, if there exists an expectation of high risk, citizens will stop behaving in ways conducive to

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83. John Philip Jones, *Keynes's Vision : Why the Great Depression Did Not Return* (London: Routledge, 2008), 38.

84. Klas Fregert, "The Great Depression in Sweden as a Wage Coordination Failure," *European Review of Economic History*, vol. 4(2000), 347.

85. John Maynard Keynes, "The General Theory of Employment," *The Quarterly Journal of Economics*, vol. 51, no. 2 (1937), 214-15.

86. John Maynard Keynes, *The General Theory of Employment Interest and Money* (London: Macmillan and Co., Limited, 1949), 162.

growth and productivity. In such a discursive environment, the proper role of the state is to institute policies which manage risk and encourage productive behaviours from citizens. This is the basic pillar upon which the government intervention of welfarism was based.

The most obvious ‘Keynesian’ solution to the problem of managing expectations is an increase in government expenditure. The theoretical basis of this rested on an economic instrument Keynes borrowed from Richard Kahn, called the ‘multiplier’.<sup>87</sup> In Kahn’s model, each time the Government invested in ‘public works’, his example being ‘expenditure by the Government on roads,’ not only is direct employment created, but ‘indirect’ employment is created by the services—transportation, materials, and also personal services—required by road workers will fuel an expansion of the private sector. The demand created by offering one group of workers a steady wage will be felt in every area of the economy, ‘and the effect will be passed on, though with diminished intensity. And so on *ad infinitum*.’<sup>88</sup>

Keynes tied Kahn’s multiplier to the ‘marginal propensity to consume’.<sup>89</sup> In Keynes’ view,

the greater the marginal propensity to consume, the greater the multiplier, and hence the greater the disturbance to employment corresponding to a given change in investment.<sup>90</sup>

If there is a greater psychological imperative to consume—for example, if there is a greater expectation of security into the future—a rise in real incomes derived from ‘public works’ will echo through the economy causing a proportionally larger rise in employment. Thus the institution of a policy of ‘public works’ will itself create a discourse of low risk, and low unemployment, which will have a positive impact on

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87. G.C. Harcourt, “Kahn and Keynes and the Making of the General Theory,” *Cambridge Journal of Economics*, vol. 18, no. 1 (1994), 11-23.

88. Richard Kahn, “The Relation of Home Investment to Unemployment,” *The Economic Journal*, vol. 41, no. 162 (1931), 173.

89. John Maynard Keynes, *The General Theory of Employment Interest and Money*, 113.

90. *Ibid.*, 125.

citizen behaviours. Keynes is here advocating techniques of governmentality—policies based on a rational model of governance which aim to govern the ‘conduct of conduct’.

The Keynesian model is not rights-based. Citizens are not to be given services as a matter of right, but rather as a technique of rational government to encourage a productive, working population. This conflicted with more radical socialist elements in Britain, who claimed that the Keynesian system would remove the revolutionary imperative and thus destroy the basis of socialism.<sup>91</sup> This was the position of most of the British Labour Party until 1945, although some young Labourites had been adopting Keynesian strategies as early as the 1930s, seeing in them ‘some utility to the socialist cause.’<sup>92</sup> The British Labour Party eventually synthesised the two positions: the eventual adoption by the British Labour Party of the techniques of government established by Keynesianism, attached to a rights-based model of welfare provision, became the basis of social policy applied in the post-war era.

Keynes himself, however, was a longtime member of the Liberal Party.<sup>93</sup> His stated purpose was to increase productivity, and reduce sloth, within a capitalist economy. He had little fondness for Soviet-style socialism, yet considered that he was putting forward a variation of ‘socialism’ of his own.<sup>94</sup> Dillard cites an illustrative Keynes quotation, in which Keynes claims that capitalism ‘wisely managed can probably be made more efficient than any other system,’ despite being ‘in many ways extremely objectionable.’<sup>95</sup> Dillard’s view is that Keynes worked for the preservation of capitalism, and the salvation of the capitalist class.

In contrast to the classical view that the proper behaviour of the citizen was speculative and profiteering, Keynes held that the proper role of the citizen was to be productive. Keynes viewed liberal economists such as Hayek as having an ‘emotional attachment’

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91. Noel W. Thompson, *Political Economy and the Labour Party* (London: Routledge, 2006).

92. Peter Barberis, “The Labour Party and Mr Keynes in the 1930s: A Partial Keynesian Revolution Without Keynes,” *Labour History Review*, vol. 71, no. 2 (2006), 146.

93. Richard Toye, “Keynes, the Labour Movement, and ‘How to Pay for the War’,” *20th Century British History*, vol. 10, no. 3 (1999), 255-81.

94. John Maynard Keynes, *The General Theory of Employment Interest and Money*, 378.

95. Dudley Dillard, “The Pragmatic Basis of Keynes’s Political Economy,” *The Journal of Economic History*, vol. 6, no. 2 (1946), 126.

to markets. In contrast, Keynes' own experiences as a speculator—for some time a major source of his income—showed him that disequilibrium persisted in markets which classical economics had always expected supply and demand to clear.<sup>96</sup> Indeed, Keynes believed attempts to beat the market in order to pursue short term gains were 'anti-social',<sup>97</sup> and so stock trading should be 'permanent and indissoluble, like marriage',<sup>98</sup> to promote stable investment and transactions. Hoover claims that Keynes 'was intent on navigating a course for England between two whirlpools: the one of an atavistic communist revolution from below, and the other of fascist tyranny arising out of economic collapse.'<sup>99</sup>

Keynes' productive citizen was still a liberal citizen. Fletcher believes that Keynes' main preoccupation was the extension of individual liberty. In his view, the great contradiction in Keynes' thought was the advocacy of state intervention in order to promote individualism. He writes,

predictably, a solution which involved the simultaneous strengthening of the role of the state and of personal freedom, contained a seeming paradox which was to excite the fears of Keynes's libertarian critics.<sup>100</sup>

Inequalities of wealth, leading to unproductive activity from citizens with no financial incentive to work, were to be avoided. Again, this is not a rights-based model. Keynes did not advocate equality as a matter of right, but rather as a means by which to increase the incentives to productive behaviour from citizens. In *The General Theory*, Keynes writes,

for my own part, I believe that there is social and psychological justification for significant inequalities of incomes and wealth, but not for such large disparities as exist to-day.<sup>101</sup>

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96. Peter V Mini, "Keynes on Markets: A Survey of Heretical Views," *American Journal of Economics and Sociology*, vol. 55, no. 1 (1996), 106.

97. *Ibid.*, 108.

98. *Ibid.*, 105.

99. Kenneth R Hoover, *Economics as Ideology: Keynes, Laski, Hayek, and the Creation of Contemporary Politics* (Lanham: Rowman and Littlefield, 2003), 36.

100. Gordon A. Fletcher, *The Keynesian Revolution and Its Critics* (London: Macmillan, 1987), 166.

101. John Maynard Keynes, *The General Theory of Employment Interest and Money*, 374.

Keynes remarked that his system would demand ‘the euthanasia of the rentier, and, consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital.’<sup>102</sup> Lending is also condemned, in that ‘interest today rewards no genuine sacrifice, any more than does the rent of land.’<sup>103</sup> Interest rates under a truly Keynesian system would be reduced to almost nothing in order to encourage enterprise.

Yet Keynes’ ideal citizen is not merely entrepreneurial for, as in the case of speculative profiteering, not all enterprise correspond to productivity. In contrast to the ideal of entrepreneurialism advanced by the neoclassicists, Keynes did not believe that all self-interested economic transactions possessed an inherent benefit of society. Rather, the Keynesian citizen would target productivity to certain proper social goods, and would discard social ills. Keynes believed ‘that the future will learn more from the spirit of Gesell’—whose *Natural Economic Order* strongly advocated meritocracy—‘than from Marx.’<sup>104</sup> Thus in many ways, Keynes was not socialist nor capitalist but elitist, a point illuminated by Skidelsky and by Hoover. Both claim that his Cambridge upbringing and his position within the university system encouraged him into being, in Hoover’s words, ‘on the side of the “educated bourgeoisie” as the practitioners of skills essential to an improved society.’<sup>105</sup> Skidelsky cites a quotation from Keynes’ papers:

I do not want to level individuals. I want to give encouragement to all exceptional effort, ability, courage, character. I do not want to antagonize the successful, the exceptional. I believe that man for man the middle class and even the upper class is very much superior to the working class.<sup>106</sup>

Fletcher talks of Keynes’ preference for government by a ‘small group of the educated bourgeoisie, who were inspired by a disinterested concern for the public good.’<sup>107</sup> Mini

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102. *Ibid.*, 376.

103. *Ibid.*

104. *Ibid.*, 355.

105. Kenneth R Hoover, *Economics as Ideology: Keynes, Laski, Hayek, and the Creation of Contemporary Politics*, 54. Robert Skidelsky, *John Maynard Keynes: The Economist as Saviour 1920-1937* (London: Macmillan, 1992), 233.

106. Cited in Robert Skidelsky, *John Maynard Keynes: The Economist as Saviour*, 233.

107. Samuel H. Beer, *Britain Against Itself: The Political Contradictions of Collectivism* (London: Faber & Faber, 1982), 39. quoted in Gordon A. Fletcher, *The Keynesian Revolution and Its Critics*, 294.



portrays Keynes as an appreciator of the (non-economic) substance of life, wishing to clean London's slums in order to encourage beauty, encourage public art, and create communal spaces for the betterment of man.<sup>108</sup>

In *Economic Possibilities For Our Grandchildren*, Keynes offers a primary account of the political utopia to which his philosophy aspired. Here, the accumulation of wealth for its own sake would have no value. Instead, Keynes provided a vision of the entire labour force becoming similar, in workload and in taste, to an intellectual elite.

The spread of technology, and the exponential increase in wealth attributed to the multiplication effect of demand management, would decrease the amount of work required to maintain the economy. Accordingly,

We shall endeavour to spread the bread thin on the butter—to make what work there is still to be done as widely shared as possible. Three-hour shifts or a fifteen-hour week may put off the problem for a great while ... The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognised for what it is, a somewhat disgusting morbidity.<sup>109</sup>

Once enough capital had been accumulated to achieve Keynes' utopia, 'all kinds of social customs and economic practices... we shall then be free, at last, to discard.'<sup>110</sup>

Once the productive forces of the economy have been utilised to their fullest extent, the Keynesian citizen can adopt that set of behaviours associated with elite classes of society: the 'civilised', or the 'gentleman'. Tawney's *Das Gentlemanideal* can thus be seen in not only in Marshall's categorisation of welfarism as social citizenship, but in the ideals which inform the welfarist techniques of government provided by Keynesian economics. As Elizabeth Johnson remarks,

We do not yet know how to reconcile the boring nature of many jobs with freedom for the human spirit; Keynes, who thought about it in terms that reflected his own social background, looked forward to

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108. Peter V Mini, "The Anti-Benthamism of J. M. Keynes: Implications for the General Theory," *American Journal of Economics and Sociology*, vol. 50, no. 4 (1991), 453-68.

109. John Maynard Keynes, "Economic Possibilities for Our Grandchildren," available at <http://www.econ.yale.edu/smith/econ116a/keynes1.pdf> (accessed 10 May, 2007), 5-6.

110. *Ibid.*, 6.

more automation, less work, and the enrichment of leisure time by cultural activities provided by the state.<sup>111</sup>

### 4.3. Neoliberalism and the ‘Consumer-Citizen’

As a series of discourses, technologies and policies, neoliberalism is heavily associated with the ideas of Friedrich August Hayek and Milton Friedman.<sup>112</sup> Both authors provided arguments in favour of minimal government intervention in the life of the citizen, in order to promote liberty and individual enterprise. Yet the neoliberal programme does not effect a complete withdrawal of the state from social order. Rather, it represents a realignment of the institutions and technologies of the state such that the political system supports the operation of a free market, and encourages individualistic, consumerist enterprise, which is constructed to be the proper behaviour of citizens. Neoliberalism also involves a reorganisation of the arms of government, such that legislative action is curbed in favour of judicial reaction. Issues of social cohesion are to be resolved by individual claims in courts, rather than societal claims in law. Universal claims to social rights are to be abandoned, as equality in any sense is less important than the establishment of a system which rewards individual endeavour.

A contemporary and a critic of Keynes, Hayek outright rejected all forms of elitism, claiming his ideal as ‘a system under which it should be possible to grant freedom to all, instead of restricting it, as their French contemporaries wished, to ‘the good and the wise’.’<sup>113</sup> Hayek’s major contribution to neoliberalism, *The Road To Serfdom*, was published during World War II—prior to the full implementation of post-war welfare programmes—and warned that collectivism, whether socialist or Fascist, was by nature authoritarian and incompatible with liberty. In Hayek’s terms,

have not the parties of the Left as well as those of the Right been deceived by believing that National-Socialist Party was in the service of the capitalists and opposed to all forms of socialism? How many features of Hitler’s system have not been recommended to us for

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111. Elizabeth Johnson, “John Maynard Keynes: Scientist of Politician?,” *The Journal of Political Economy*, vol. 82, no. 1 (1974), 109.

112. Taylor C. Boas, and Jordan Gans-Morse, “Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan,” *Studies in Comparative International Development*, vol. 44, no. 2 (2009), 147.

113. Friedrich August Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), 12.

imitation from the most unexpected quarters, unaware that they are an integral part of that system and incompatible with the free society we hope to serve?<sup>114</sup>

Hayek's equation of socialism to Nazism, his idea that all forms of collectivism are essentially the same, did not gain influence in Europe until well after the establishment of welfare policy. However, Hayek's popularity in the United States (excerpts were printed for a general audience by *Reader's Digest*)<sup>115</sup> neatly coincides with that country's failure, over the twentieth century, to enact anything more than a 'relatively inexpensive and programmatically incomplete system of public social provision'.<sup>116</sup> Hayek became a major influence on those American economists considered to be the progenitors of neoliberalism, and is a noted forebear of Milton Friedman.

Friedman, and the 'monetarism' he promoted, is often cited as the major theoretical influence on the neoliberalism of the Thatcher and Reagan governments.<sup>117</sup> 'Monetarism' itself calls for central banks to increase the supply of money in an economy at a stable, small level, as opposed to the Keynesian tactic of increasing and lowering the growth of the money supply in an attempt to encourage growth and decrease unemployment. Under Friedman's influence the 'new classical' school developed, identifying with neoclassical traditions and using measures discarded by Keynesian theorists.<sup>118</sup>

This is the basis of 'neoliberalism', a title conferred upon this political-economic programme by its critics.<sup>119</sup> If the money supply must be controlled in order to reduce

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114. Friedrich August Hayek, *The Road to Serfdom*, 6.

115. Alan Brinkley, "The Problem of American Conservatism," *The American Historical Review*, vol. 99, no. 2 (1994), 416.

116. Margaret Weir et al., "Introduction," in *The Politics of Social Policy in the United States*, ed. Margaret Weir et al. (Princeton, NJ: Princeton University Press, 1988), 3-4.

117. William J Jr Frazer, "Milton Friedman and Thatcher's Monetarist Experience," *Journal of Economic Issues*, vol. 16, no. 2 (1982), 525.

118. Kevin D. Hoover, "Two Types of Monetarism," *Journal of Economic Literature*, vol. 22, no. 1 (1984), 61.

119. Taylor C. Boas, and Jordan Gans-Morse, "Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan."

inflation, this necessitates a reduction in government spending.<sup>120</sup> Such a view holds government intervention as the cause of, and not the solution to, social problems.

In *Capitalism and Freedom*, Friedman begins with the contention that freedom is the goal toward which all politics should strive. Friedman self-identifies as a liberal, and ‘a liberal is fundamentally fearful of concentrated power.’<sup>121</sup> He asserts,

fundamentally, there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion—the technique of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals—the technique of the market place.<sup>122</sup>

It is clear that Friedman, acknowledging only two options, can only pick the latter.

The ideal citizen in Friedman’s work is, first and foremost, an *economic* citizen. This citizen is fundamentally an individual, who has no *a priori* interest in collective activity besides that which may be of direct benefit. Indeed, even ‘the acceptance of the family as the unit [of society] rests in considerable part on expediency rather than principle’.<sup>123</sup> Citizens are to express their preferences not by public service, as Keynes and Marshall may have preferred, but by consumer choices. Government must therefore not impede upon the citizen’s ability to use the power of consumption in order to influence the political system. This is based on an

ideal [which] is unanimity among responsible individuals achieved on the basis of free and full discussion ... from this standpoint, the role of the market... is that it permits unanimity without conformity; that it is a system of effectively proportional representation.<sup>124</sup>

What Friedman means by ‘unanimity’ is ambiguous; it may simply be that there need be no political disputes between citizens when each is able to assert preferences individually through use of the market mechanism. Here Friedman is denying the existence of any zero-sum trade-offs in market economics, whereby one actor gains and

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120. Ashley Lavelle, “Social Democrats and Neo-Liberalism: A Case Study of the Australian Labor Party,” *Political Studies*, vol. 53, no. 4 (2005), 753-71.

121. Milton Friedman, *Capitalism and Freedom*, 39.

122. *Ibid.*, 13.

123. *Ibid.*, 33.

124. *Ibid.*, 22-23.

another loses in a given transaction. He is also denying any claim to group rights, as advocated by Will Kymlicka.<sup>125</sup>

These themes occur consistently throughout *Capitalism and Freedom*. Friedman advocates school vouchers, where government money follows the student and is payable to private institutions, on the implicit basis that individual choice is the key right, and responsibility, of citizenship. Friedman identifies socioeconomic barriers to education, but offers consumer choice as a policy response. The proper role of the citizen outlined in this section warrants a lengthy quotation:

Ask yourself in what respect the inhabitant of a low income neighborhood, let alone of a Negro neighborhood in a large city, is most disadvantaged. If he attaches enough importance to, say, a new automobile, he can, by dint of saving, accumulate enough money to buy the same car as a resident of a high-income suburb. To do so, he need not move to that suburb. On the contrary, he can get the money partly by economizing on his living quarters. And this goes equally for clothes, or furniture, or books, or what not. But let a poor family in a slum have a gifted child and let it set such high value on his or her schooling that it is willing to scrimp and save for the purpose. Unless it can get special treatment, or scholarship assistance, at one of the very few private schools, the family is in a very difficult position.<sup>126</sup>

Within this fragment, the ideal of the neoliberal citizen emerges. Firstly, choice is to be expressed through consumer preferences—the ‘Negro’ in the first example expresses a choice in a car purchase (which, it might be said, does not immediately lend itself to analogy with education). Secondly, outcomes are best determined by choices made at the individual level; no normative preference is to be given to any particular outcome. Yet there is an issue here with some of Friedman’s assumptions, any change in which would radically alter the outcome. The child in the second example must first be recognised as ‘gifted’, and his or her family must ‘set such a high value on his or her schooling that it is willing to scrimp and save’, in order to have a chance at a good education. Those gifted children whose parents are unaware of such gifts, or whose families do not place a high value on education, would not benefit in Friedman’s

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125. Will Kymlicka, *Multicultural Citizenship: A Liberal Theory of Minority Rights*, 174.

126. Milton Friedman, *Capitalism and Freedom*, 92.

programme. This passage also seems to conclude that, if a voucher system were introduced and the school system was operated by competitive private operators, there would be a greater chance that better schooling outcomes, albeit more expensive, would be made available in low-income areas. There is no evidence provided to suggest why this might be the case. And if this not the case, then the requirement to travel which Friedman set out to avoid would remain firmly in place.

Moreover, society has been replaced by ‘neighborhood effects’, the title Friedman gives to collective action problems. Since everyone in a given ‘neighborhood’ benefits from the ability of all persons to participate in democracy, and to learn the ‘rules of the [economic] game’, civics education at low levels of schooling may feasibly be provided by the state, especially if through private institutions. This is justified by suggesting that the cost of such a system cannot be attributed to all who benefit.<sup>127</sup> The idea of a society—a collection of people who identify as a group and who share interests and goals to which they together might strive—evaporates.

Instead of social relations, Friedman advocates relations by contract. Each transaction is to be performed as though a contract between individuals, enforceable through rules. No trade, not even the medical trade, should be licensed, but should rather be performed through contract. This would allow all who wished to enter into a trade to do so, their success or failure being determined by their ability to attract custom. If a client were to receive poor medical advice, she could sue for malpractice. Indeed, licensure makes

it much more difficult for private individuals to collect from physicians for malpractice. One of the protections of the individual citizen against incompetence is protection against fraud and the ability to bring suit in the court against malpractice.<sup>128</sup>

This logic reappears through Friedman’s work. Indeed, an account of a conversation between Friedman and William F. Buckley has Buckley recalling:

I asked Professor Friedman, ‘Is it your position that, assuming the community decided to license the whores, it would be wrong to insist that they check in at regular intervals for health certificates?’ Yes, he

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127. *Ibid.*, 89.

128. *Ibid.*, 157.

thought that would be wrong—‘After all, if the customer contracts a venereal disease, the prostitute having warranted that she was clean, he has available a tort action against her.’<sup>129</sup>

Thus, the reduction of citizenship to consumer preferences does not, in fact, limit the intervention of government into the private sphere. Rather, it reassigns the power within government from the legislative to the judiciary. The judiciary would be empowered to adjudicate between citizens *ex-post*, when the market has failed, since the legislative and the executive would be disempowered to make anticipatory judgements preventing the market from failing *ex-ante*. The relationship between citizen and state is redefined such that the state is now a rule-setter and an umpire of private economic transactions. The individual right to liberty is maintained, through the judicial system, but no social rights are to be offered. State assistance is limited to assistance given to citizens in order to help them understand and participate in the market; the political system is to be geared toward the protection and expansion of economic markets. The proper behaviour of the citizen is to construct economic goals, to work individually in order to achieve those goals, and to influence the political system through consumer choices. The ‘consumer-citizen’ outlined by John Harris finds its full expression in the ideals of Milton Friedman.<sup>130</sup>

#### 4.4. The Ideal Citizen, The Citizen Ideal

The welfarist and neoliberal paradigms both offer a model state-citizen relationship, with discourses which determine the proper role and behaviours of state and citizens. Within the welfarist paradigm, citizens are encouraged to display the elite behaviours of ‘gentlemen’; they are to be given rights which will assist them to attain an equal status of citizenship, to be social and to be productive. Within the neoliberal paradigm, citizens are encouraged to be entrepreneurial, individualistic, to ensure their own welfare and to exercise political power through consumer choices. Indeed, welfarism and neoliberalism are not merely programmes to achieve policy outcomes, or

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129. Quoted in Rick Tilman, “Ideology & Utopia in the Political Economy of Milton Friedman,” *Polity*, vol. 8, no. 3 (1976), 440.

130. John Harris, “State Social Work and Social Citizenship in Britain: From Clientelism to Consumerism,” 924.

understandings of economics, but also programmes to determine the proper behaviour of the state and the citizen in relation to one another. It is the desired nature of this relationship that determines the social outcomes that each programme is designed to obtain. The technologies of government that each programme implies are instituted in order to give effect to a redefinition of the goals of citizenship.

As stated in the previous chapter, the implementation of welfarism in the immediate post-war period, and neoliberalism during and after the 1980s, occurred through the construction of the previous paradigm as 'policy failure', through the development of 'policy networks', and finally the implementation of 'policy transfer'. One of the most important 'policy networks' disseminating welfarist and neoliberal ideas has been the framework of international organisations, which use their influence to promote discourse throughout diverse jurisdictions, and which use their institutional power to create political systems which are designed to promote the dominant paradigm at the expense of any other. These institutions will be the focus of the next chapter.



## 5. Institutions and the State-Citizen Relationship

Welfarism and neoliberalism in turn were achieved, not only by the construction of welfare policies at the state level, but also through a vast international edifice of economic institutions which permitted high levels of state borrowing and spending. To scholars of international relations, the welfarist regime is called ‘embedded liberalism’.<sup>1</sup> This was constructed as a solution to the problems which created World War II, by enmeshing states into an international system which would allow greater incentives to peace than war, and which would allow states to provide social rights to their citizens so as to dampen the appeal of socialism and fascism. Many of the ideas of ‘embedded liberalism’ were Keynesian in origin, as Keynes himself attended the Bretton Woods conference at which the key elements of this system were decided. After implementation, ‘embedded liberalism’ became hegemonic, coercing other states into

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1. John Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization*, vol. 36, no. 2 (1982), 379-415.

adopting welfarist policies in order to reap the system's rewards. During the 1970s, neoliberal ideas began to influence these institutions, and the international political system began to reflect neoliberal discourse. By the 1980s, nations wishing to implement welfarist programmes in domestic policy found themselves increasingly unable to maintain high social expenditures in a now hostile international environment.

## 5.1. 'Keynesianism', 'Embedded Liberalism' and 'Social Citizenship'

As mentioned in the previous chapter, the experience of Great Depression formed the backdrop for the Keynesian turn in economic analysis and policy. The system of 'embedded liberalism' was similarly influenced by the rise of the Nazi regime in Germany, whose popularity was in part sparked by the immense ill-feeling among German citizens over the costs associated with reparations imposed after World War I.<sup>2</sup> The breakout of World War II was blamed in part on such an unsettled environment. Unsurprisingly, the capitalist system was linked to war and famine. Debates ensued as to whether war was an inevitable consequence of capitalist expansion.<sup>3</sup> In this environment, the influence of Keynesian economics on the economics profession and on public policy grew.<sup>4</sup>

Keynes had already published a critique of the post-WWI settlement,<sup>5</sup> and after World War II, he promoted international cooperation with the intention not to repeat the mistakes of the inter-war period. A conference in Bretton Woods, New Hampshire, in 1944 produced the 'embedded liberalism' system. To John Ruggie, 'the essence of embedded liberalism ... is to devise a form of multilateralism that is compatible with the requirements of domestic stability.'<sup>6</sup> Signatory nations would have their economies

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2. Thomas Childers, *The Nazi Voter. The Social Foundations of Fascism in Germany, 1919-1933* (Chapel Hill and London: University of North Carolina Press, 1983); Robert Gellately, *Backing Hitler: Consent and Coercion in Nazi Germany* (Oxford University Press: Oxford, 2002), 260.

3. Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods* (Cambridge, Mass: The MIT Press, 2007), 175-87.

4. G. John Ikenberry, "The Political Origins of Bretton Woods," in *A Retrospective on the Bretton Woods System*, ed. Michael D. Bordo, and Barry Eichengreen (Chicago: University of Chicago Press, 1993), 164.

5. John Maynard Keynes, *The Economic Consequences of the Peace* (Los Angeles: IndoEuropean Publishing, 2010; London: Harcourt, Brace and Howe, 1920).

6. John Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar

deliberately enmeshed, such that no one country could manipulate its currency or trade regime to improve its circumstances while causing a decline in the circumstances of another. In this way, the system broke the dominance of *laissez-faire* thought; although free trade was to be maintained, countries were encouraged to institute capital controls, to avoid any capital flight which could result from tough domestic economic policies such as higher taxes.<sup>7</sup> Such policies were used in order to enact Keynes' remedy against the recurrence of a 1930s-style depression: full employment.<sup>8</sup>

The development and expansion of the welfare state in the immediate post-war period was thus underpinned by the institutions of embedded liberalism. It was this international regime which allowed the successful implementation of domestic policies to promote the new, welfarist state-citizen relationship. Rights-based social citizenship was made possible by this unprecedented level of international cooperation, whereupon the vast majority of rich and powerful nations adopted a definition of citizenship imbued with social rights. Not only were states' domestic policies imbued with the ideal of the social citizen; the international regime was also predicated upon these designs.

## 5.2. International Welfare and the Designs of Bretton Woods

### The Purpose of Post-War Planning

The Bretton Woods conference recognised that economics and social policy played a part in instigating World War II,<sup>9</sup> and that specifically, the reparations demanded of the German nation was a factor leading to hyperinflation, delegitimising its fledgling democracy and precipitating the drive toward a fascist alternative.<sup>10</sup>

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Economic Order," 399.

7. Dóra Gyórfy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 75.
8. Michael D. Bordo, "The Bretton Woods International Monetary System: A Historical Overview," in *A Retrospective on the Bretton Woods System*, ed. Michael D. Bordo, and Barry Eichengreen (Chicago: University of Chicago Press, 1993); John Maynard Keynes, *The Economic Consequences of the Peace* (London: Macmillan, 1919).
9. John H. Jackson, "The WTO 'Constitution' and Proposed Reforms: Seven 'Mantras' Revisited," *Journal of International Economic Law*, vol. 4, no. 1 (2001), 68.
10. Carl-Ludwig Holtfreich, *The German Inflation 1914-1923: Causes and Effects in International Perspective* (Berlin, New York: Walter de Gruyter, 1986), 137-55; David Abraham, "State and Classes in Weimar

Keynes, who was the British delegate to the conference, had been warning officials at the end of World War I that the reparations demanded from Germany were more than the country would be able to pay.<sup>11</sup> This argument had an empirical and a normative component. Keynes ‘clearly wished the defeated powers to be treated so that they would not need assistance to avoid starvation, unemployment, anarchy, or perhaps bolshevism.’<sup>12</sup>

By the time of the Bretton Woods conference, many economists had been convinced of the merits of Keynesian analysis, and many policymakers had become convinced of the social purpose and economics of full employment.<sup>13</sup> The Bretton Woods arrangements were underpinned by a sincere belief that full employment was the principal means by which to maintain peace. It was the goal of Bretton Woods to create an international environment which would allow individual nations to pursue full employment policies.<sup>14</sup> In this way, Jackson claims a secondary objective of Bretton Woods was no less than ‘the economic betterment of the whole world.’<sup>15</sup>

### Capital Controls and Full Employment

Obstfeld and Taylor have developed a model of an ‘open-economy trilemma’,<sup>16</sup> upon which Dóra Györffy has elaborated. In Györffy’s words,

a country cannot have simultaneously free flow of capital, independent macroeconomic policy to support full employment and fixed exchange rate ... Considering these costs it should not be surprising that in spite of the theoretical benefits, free flow of capital has not always been a preferred choice over the past 150 years.<sup>17</sup>

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Germany,” *Politics & Society*, vol. 7, no. 3 (1977), 231-32.

11. Donald Markwell, *John Maynard Keynes and International Relations* (Oxford: Oxford University Press, 2006), 48. John Maynard Keynes, *The Economic Consequences of the Peace*.
12. *Ibid.*, 53.
13. G. John Ikenberry, “The Political Origins of Bretton Woods,” 164.
14. Michael D. Bordo, “The Bretton Woods International Monetary System: A Historical Overview,” 28.
15. John H. Jackson, “The WTO ‘Constitution’ and Proposed Reforms: Seven ‘Mantras’ Revisited,” 68.
16. Maurice Obstfeld, and Alan Taylor, *Global Capital Markets : Integration, Crisis and Growth* (Cambridge University Press: Cambridge, 2004).
17. Dóra Györffy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 71.

Although Keynes was a lifelong advocate of free trade, he came to see this as a secondary goal to full employment. Indeed, says Markwell,

the General Theory suggested that the principal economic cause of war (the ‘competitive struggle for markets’) could be eliminated, and ‘unimpeded’ trade could be to ‘mutual advantage’, if countries were able to maintain full employment.<sup>18</sup>

In order for individual nations to ensure policies dedicated to achieving and maintaining full employment, there needed to be measures undertaken to ensure national productivity and prevent capital flight. Bordo claims capital controls ‘were required to prevent destabilizing speculation from forcing members to alter their parities prematurely or unintentionally.’<sup>19</sup>

Furthermore, capital controls, ostensibly to promote growth and stability, were also infused with what G. John Ikenberry called a ‘new social purpose’.<sup>20</sup> Western governments had adopted the responsibility to provide social services, notably health, education and housing, in a manner unseen throughout history. This led Keynes to claim that even if the prewar gold standard ‘had its advantages, it is surely out of the question and might easily mean the downfall of our present system of democratic government.’<sup>21</sup>

As such, there were many competing pressures leading to the Bretton Woods conference. At stake was international peace, linked to an ideal state-citizen relationship which would come to be known as ‘Keynesianism’, or welfarism, through which peace would be secured. The radical policy change by which welfarism came to replace traditional models of citizenship occurred in this environment.

### 5.3. The Operation of the Bretton Woods System

What is commonly referred to as the Bretton Woods system did not, in fact, follow the recommendations of the conference; and those recommendations were themselves a

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18. Donald Markwell, *John Maynard Keynes and International Relations*, 140-41.

19. Michael D. Bordo, “The Bretton Woods International Monetary System: A Historical Overview,” 37.

20. G. John Ikenberry, “The Political Origins of Bretton Woods,” 161.

21. John Maynard Keynes, *The Collected Writings. Vol. 26, Activities, 1941-46: Shaping the Post-War World: Bretton Woods and Reparations*. (London: Macmillan, 1980), 27: 373-34. cited in G. John Ikenberry, “The Political Origins of Bretton Woods,” 163.

compromise between different proposals. Keynes' British proposal was not as influential on the outcome as the American proposal, drafted by Harry Dexter White. At the end of World War II, Britain found itself in a subordinate economic position to the US, and accepted the White proposal so as to get access to \$8.8 billion dollars in American aid.<sup>22</sup> As such, Ikenberry claims

in its broadest outlines, the postwar settlement does reflect American interests and its overwhelming position after the war ... The distribution of power and interests within and among the United States, Britain, and continental Europe set the broad limits on the shape of the postwar international economic order.<sup>23</sup>

In the end, there was no clear statement of how the Bretton Woods system was to work. The agreements established two institutions, the World Bank and the International Monetary Fund; the former with a remit to offer loans for European reconstruction and later the development of less industrialised nations,<sup>24</sup> the latter to maintain international financial stability, particularly with respect to exchange rates.<sup>25</sup> In theory, each country was to intervene in the currency of every other country in order to achieve par values. In practice, fixed exchange rates were maintained through the US dollar. The US dollar was pegged to gold at \$35 per ounce; every other country pegged its currency to the dollar, and thus, indirectly, to gold. The difference between this and the gold standard was the existence of the 'adjustable peg', which allowed nations to change their exchange rate in the case of a 'fundamental disequilibrium'.<sup>26</sup> Nations were able to alter the value of their currency, subject to approval by the IMF.<sup>27</sup> However, claimed Bordo, rates were only adjustable in theory. In practice, 'in the face of growing capital mobility, the costs of discrete changes in parities were deemed so high, the system evolved into a reluctant fixed exchange rate system without any effective adjustment mechanism.'<sup>28</sup>

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22. Michael D. Bordo, "The Bretton Woods International Monetary System: A Historical Overview," 34.

23. G. John Ikenberry, "The Political Origins of Bretton Woods," 156.

24. Devesh Kapur et al., *The World Bank: History. Volume 1 of the World Bank: Its First Half Century*. (Washington, D.C.: Brookings Institution Press, 1997), 45-87.

25. John Keith Horsefield, *The International Monetary Fund: 1945-1965 Twenty Years of International Monetary Cooperation Volume 1: Chronicle* (Washington, D.C.: International Monetary Fund, 1969), 112.

26. Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods*, 9.

27. Michael D. Bordo, "The Bretton Woods International Monetary System: A Historical Overview," 35.

28. *Ibid.*, 80.

These institutions broadly constitute the technologies of government which maintained the budgetary conditions sympathetic to domestic welfare policies.

For the US, there were two conflicting outcomes from the construction of an international system centred around its currency. The first was the imposition of conditions favourable to the maintenance of US international dominance. In Eichenberry's words,

its status as the reserve-currency country allowed the United States to live beyond its means: the United States could import foreign merchandise, acquire foreign companies, and engage in foreign military adventures all at the same time. Charles de Gaulle and his followers found these privileges particularly objectionable.<sup>29</sup>

The second outcome, though, was that the US was required to maintain the parity of its currency to gold, and maintain a surplus of currency. This was difficult from the beginning. Simply, the ability to set national goals for full employment was not open to the US. Györffy claims

for the US the mobility of capital and the fixed exchange rate implied that its macroeconomic policy was limited. The problems associated with their constraints became particularly acute as the subsequent US presidents (Kennedy, Johnson and Nixon) wanted to pursue a more activist fiscal policy.<sup>30</sup>

When the United States did begin to enact a form of 'social citizenship', this undermined the international system which had allowed for government expansion elsewhere. Györffy claims that

the Great Society project of Johnson ... aimed at raising expenditure substantially, which produced considerable inflationary pressures. The subsequent appreciation of the dollar made its free convertibility ... to gold less and less credible.<sup>31</sup>

However, when the United States finally abandoned the Bretton Woods system, it was not through any desire to enact the social policy agenda which the system had gifted

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29. Barry Eichengreen, *Global Imbalances and the Lessons of Bretton Woods*, 10-11.

30. Dóra Györffy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 76.

31. *Ibid.*, 77.

Europe. Rather, the Vietnam War required such inflationary spending on the part of the US that the decoupling of the dollar from gold became unavoidable.<sup>32</sup> This ended the surplus of US dollars in the international economy, and forced expansionary governments in Europe to look to different avenues to finance their social citizenship agendas. Over time, these governments had to question the feasibility of maintaining such agendas in the face of an increasingly hostile international environment.

#### 5.4. After Bretton Woods

Dóra Gyórfy tells a clear story to explain the end of the Bretton Woods system of welfarism. According to Gyórfy, the pursuit of full employment relied upon an international environment which allowed independent fiscal policy free from the risk of capital flight. The collapse of the Bretton Woods consensus, driven in large part by the desire of the United States to regain autonomy over its fiscal and monetary policy while promoting unfettered access to global capital markets, removed the capital controls which prevented this risk. Rational self-interest, however, was not the only influence on Nixon's decision to float the US dollar. Rather, international conditions had changed dramatically; the threat of global war had diminished, and in its place the structures of the Cold War had demanded a different kind of US governance. The prevalent ideology in the United States had moved from one supporting international cooperation and demand-management policies to enhance citizenship and promote peace, into an ideology that privileged freedom and individualism in citizenship underneath the protection of a strong, but largely non-interventionist state. States which wished to pursue full employment were not afforded the budgeting stability with which to enact independent policy decisions.<sup>33</sup>

The ascendancy of neoliberalism in that jurisdiction quickly spread through the force of the international institutions it influenced. Harvey states that after Mexico went into default in 1982,

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32. *Ibid.*, 73.; 6.

33. Dóra Gyórfy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*.



The Reagan administration, which had seriously thought of withdrawing support for the IMF in its first year of office, found a way to put together the powers of the US Treasury and the IMF to resolve the difficulty by rolling over the debt, but did so in return for neoliberal reforms. This treatment became standard after what Stiglitz refers to as a ‘purge’ of all Keynesian influences from the IMF in 1982. The IMF and the World Bank thereafter became centres for the propagation and enforcement of ‘free market fundamentalism’ and neoliberal orthodoxy.<sup>34</sup>

Capital controls were quickly abandoned, not just in the liberal capitalist nations such as the United States, but also in staunchly social democratic states such as Sweden. Moses claims that

breakthroughs in communication and computer technologies, the breakup of Bretton Woods, the development of Euro-dollar off-shore markets, increasingly multinational enterprises, et cetera, all contributed to the building of a new world market for capital ... this new world market for capital resulted in an explosion of short-term capital flows around the globe, making capital restrictions more difficult for each of the industrialized countries to maintain.<sup>35</sup>

Reiter makes similar claims. ‘Technological innovations,’ he argues, ‘increased the possibilities for financial actors to circumvent national regulations.’<sup>36</sup> The liberalisation of small closed economies was encouraged by powerful countries such as the United States and Britain, after shifting their policy preferences and assumptions in a neoliberal direction.<sup>37</sup> This is certainly the view of critical theorists such as Gill and Law who, invoking Gramsci, called Bretton Woods consensus ‘a new *international historic bloc* of social forces, centered in the United States.’<sup>38</sup> It is their view that the United States’ dominance of international capital in the period, and the inculcation of the dollar as the reserve currency, allowed it the status of a Gramscian hegemon. Gill and Law believe

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34. David Harvey, *A Brief History of Neoliberalism*, 29.

35. Jonathon W. Moses, “Abdication From National Policy Autonomy: What’s Left to Leave?,” *Politics & Society*, vol. 22, no. 2 (1992), 141.

36. Joakim Reiter, “Changing the Microfoundations of Corporatism: The Impact of Financial Globalisation on Swedish Corporate Ownership,” *New Political Economy*, vol. 8, no. 1 (2003), 105.

37. *Ibid.*

38. Stephen R. Gill, and David Law, “Global Hegemony and the Structural Power of Capital,” *International Studies Quarterly*, vol. 33, no. 4 (1989), 478.

that in the current environment, transnational capital, has hegemonic ‘potential’; at the very least, hegemonic control, through coercion and consent, has been the aim of transnational capital in the post-Bretton Woods period.<sup>39</sup> In this way, neoliberalism became a dominant paradigm.

Within an international system under neoliberal hegemony, capital controls are seen as undesirable. Aside from the desire to constrain wage demands, Jonathon W. Moses claims ‘one can speak of at least four other motives for liberalization: inefficiencies, ineffectiveness, potential EC [European Community] membership, and possibly even “liberalization fever”.’<sup>40</sup>

The increases in market complexity outlined by Moses presents states with other immediate challenges. Deficit spending requires funds to be borrowed, which in an increasingly complex environment, comes with complex risks. Györffy argues that

this volatile and often unpredictable environment provides both opportunities and risks for the individual countries, which implies very different conditions for domestic fiscal policy and budgeting than the more regulated era of the Bretton Woods system.<sup>41</sup>

As governments need to venture into financial markets to gain funds, they are subject to the rules and conditions of markets. Chief among these is credibility, which requires states to follow the rules of markets. Governments need to make themselves appear as an attractive investment option. Indeed,

an alternative solution to the credibility problem is to institutionalize commitment to a certain policy by delegating power to an independent institution, which does not share the short-term incentives of the government. This is the idea behind the independence of the central bank ...<sup>42</sup>

As a result of this, governments are constrained in their actions by the power of investors within the neoliberal international system. Welfarist policy programmes can

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39. *Ibid.*, 496.

40. Jonathon W. Moses, “Abdication From National Policy Autonomy: What’s Left to Leave?”, 141.

41. Dóra Györffy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 74.

42. *Ibid.*, 87.

be defeated by financial markets. Accordingly, Scholte claims that transnational capital movements and supranational governance have undermined state sovereignty and thus the basis for democracy. In his view, ‘formally speaking, of course states have “voluntarily” relinquished sovereignty ... however, the forces of globalizing capital have heavily constrained them to make this “choice”.’<sup>43</sup> Since ‘in the old territorialized world, sovereignty could ... provide a framework for democratic governance,’<sup>44</sup> democracy has been undermined.

Mosley suggests that the removal of capital controls has created an environment where governments can be punished, usually by higher interest rates on borrowings, for not adhering to market-pleasing policies. However,

despite financial globalization, the motivations for many government policies remain rooted in domestic politics and institutions.. Governments concede to financial market pressures in a few areas, but they retain autonomy in many other areas.<sup>45</sup>

Furthermore, ‘there is more than one means’ by which to placate markets:

governments might employ the free-market path (with no minimum wages and no wage bargaining) or the managed path. Provided governments achieve the desired outcomes, market actors do not worry about which means is employed.<sup>46</sup>

In this vein, Milner suggests that the legacy of previous policies and institutions have a dramatic effect on which paths governments may choose, even when attempting to please markets. ‘Under high levels of corporatism,’ Milner asserts,

policies reinforcing corporatist institutions can be expected to have a positive effect on economic performance, while under low levels of corporatism, laissez-faire policies have a similar effect.<sup>47</sup>

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43. Jan Aart Scholte, “Global Capitalism and the State,” *International Affairs*, vol. 73, no. 3 (1997), 444.

44. *Ibid.*, 451.

45. Layna Mosley, “Room to Move: International Financial Markets and National Welfare States,” *International Organization*, vol. 54, no. 4 (2000), 766.

46. *Ibid.*

47. Henry Milner, “The Welfare State as Rational Choice: Social Democracy in a Post-Socialist World,” *Scandinavian Political Studies*, vol. 19, no. 2 (1996), 154.

The reason for this is that adopting policies that do not suit the institutions and expectations of citizens may lead to practices which undermine whatever benefits existing structures of governance have achieved. Milner goes on to say that in highly corporatist countries, such as Sweden, ‘built into [their] nature ... is a tendency to reduce the cost of information and knowledge,’ and that ‘individuals in a more informed society are less likely to free ride.’<sup>48</sup>

Therefore, how different markets construct their interests is a vital determinant of how governments may be rewarded or punished for their policies. Moreover, governments may take the hit of displeasing markets and suffering higher interest rates if such policies are in their domestic interests and suit their short-term electoral goals.

Not only are there structural benefits to implementing neoliberal policy, but radical policy change has also occurred under the influence of neoliberal discourse, which has spread through this system. Even in Scandinavian countries with extensive welfare provisions, the push to adopt neoliberal policies has been justified in terms associated with neoliberal discourse. Liberalisation has been seen not only as a means by which to interact with the international system, but as a benefit in itself.<sup>49</sup>

The shift to neoliberal hegemony has not heralded the end of institutional cooperation. Indeed, some of the strictest budgetary regulations arise from the European Union. Yet Györfy suggests that the requirements of the Stability and Growth Pact, to which all member nations signed when entering into the Maastricht Treaty which transformed the European Community into the European Union, ‘had a negligible role in the implementation of [budgetary] reforms,’ because ‘Swedish public opinion is extremely skeptical towards the EU,’ and the SGP ‘is considered too soft for the perceived needs of the country.’<sup>50</sup> Nevertheless Sweden, along with our other case studies Britain and France, did sign the pact. In each case these sovereign nations have handed authority to a supranational organisation, and have agreed to be bound to its rules. In one sense, this

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48. *Ibid.*, 158.

49. Joakim Reiter, “Changing the Microfoundations of Corporatism: The Impact of Financial Globalisation on Swedish Corporate Ownership,” 110-11.

50. Dóra Györfy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 164.

is a similar environment to that of Bretton Woods, where international cooperation was considered paramount to good domestic economics; only, in the present era, full employment and social spending have been replaced by fiscal surpluses and austerity. The neoliberal ideology underpinning the budgetary policies of the European Union, and the workings of the financial markets to which all governments are subject, may well combine, as Gill and Law claim, to act as a Gramscian historical bloc.

## 5.5. International Institutions as ‘Policy Networks’, and the Process of ‘Policy Change’

The implementation of the welfarist and neoliberal regimes occurred through the construction of the previous paradigms as ‘policy failure’, which prompted ‘policy networks’ to advocate for ‘policy transfer’. One of the most important policy networks, in each case, has been the network of international organisations which determine the budgetary conditions through which domestic governments achieve policy goals.

The international system not only determines the institutional bias which favours one policy paradigm over another, but also imposes technologies of rational government, and discourses which spread throughout the system. The fixed exchange rate system was a technology of government, based on economic expertise, which favoured a welfarist regime. The floating exchange rate system, which established a plethora of financial instruments through which private investors can lend money to governments, constitutes a technology of government which from a considerable distance governs the conduct of governments. In order to gain access to finance, governments need to implement policy amenable to the neoliberal goals of financial markets. These markets influence the discourse used by governments, such that neoliberal policy is justified in neoliberal terms.

The Bretton Woods system created an unprecedented level of international cooperation. Prior to World War II, international cooperation was less systematic, and policy divergence between states was more common. The institution of ‘citizenship’, as distinct from serfdom or subjecthood, occurred at different times in different states.

Traditionally, the relationship between the state and the citizen reflected the circumstances in which an equal status of citizenship was first conferred.

The following chapter will explore traditional state-citizen relations, and show how these traditions diverged strongly from country to country. From here, the thesis concentrates on Britain, Sweden and France as case studies. The following chapters will show how citizenship emerged in each nation, and then show the methods and the results of attempts to accommodate the welfarist and neoliberal paradigms into these traditional modes of governance in each nation.

## 6. The Emergence of Traditional State-Citizen Relationships

This chapter will introduce the three case studies which will be used to illustrate the main claim of this thesis: the paradigms of welfarism and neoliberalism each represent a new relationship between the state and the citizen, and the success of these paradigms required the acceptance of the new relationship at the expense of, or accommodated into, the existing state-citizen relationship. The following chapters will show how welfarism and neoliberalism were introduced in these three nations, and how elements of traditional views of citizenship were maintained and incorporated into these paradigms, resulting in some policy diversity between nations operating under the same paradigmatic discourse. This chapter looks at what those traditions are, and how they formed. Having demonstrated how new paradigms emerge through international policy networks, this chapter will examine how traditional state-citizen relationships formed, before looking at each case study in depth to show how social policy develops from the negotiations between the new paradigms and the traditions of domestic politics.

‘Citizenship’, as a concept, arose throughout the eighteenth and nineteenth century as a status of belonging to a state. Unlike the ‘serfs’ of the feudal era, citizens have a social

contract with the state; rather than being owned by a monarch, they are given rights and responsibilities. This new status, constituting a new series of social relations, arose out of a series of revolutions throughout Europe which redistributed power away from monarchies and into parliaments.

Britain, Sweden and France underwent similar revolutions, however at different times, and with different outcomes. As a result, the discourses and the institutions of citizenship which developed in these countries are different. In Britain, early industrialisation developed a materialist culture which promotes industrial growth over equality; thus, the rights-based citizenship of welfarism was easily discarded for the entrepreneurial individualism of neoliberalism. In Sweden, the unique success of the Social Democratic Party (SAP), arising from its historical association with the institution of universal suffrage along its connection with agrarian land-owners, has given rights-based forms of citizenship, and collectivist attitudes, more influence even in the neoliberal era. In France, class competition and historical political conflict has led to an entrenched culture of self-protection against the insecurities of the modern era, such as immigration, labour flexibility and cultural diversity, which has created barriers to the widespread implementation of neoliberal policy.

Institutions and discourses in each of the three countries still reflect these traditions of citizenship. The following chapter will look at two periods of time: the period of revolutions, and the period of industrialisation and union reaction, to examine the similarities and differences. The following chapters will show how these traditions have had an impact upon the implementation of new paradigms of citizenship.

## 6.1. The ‘Bourgeois’ Revolutions

### Britain

Britain was an early adopter of a hierarchical class system and rapid, early industrialisation. The pressures on the monarchy were profound, and social unrest occurred relatively early. The revolutionary period in Britain brought about a model of state-citizen relations that privileged liberty, Parliamentarism, and decentralisation, all of which still resonate in current political debates. It also created a strong class



hierarchy, in which Tawney saw *das Gentelmanideal* influencing discourses of the proper behaviour of British citizens.<sup>1</sup>

The transference of power from the monarchy to the parliamentary system occurred with the Civil Wars of the 1642-1660 period, culminating in the so-called Glorious Revolution of 1688. The conflicts reflected struggles between a strong aristocracy and a monarchy with increasingly absolutist tendencies. During the Glorious Revolution, the aristocratic parliament forced its Catholic king to abdicate in favour of Protestant Dutch Prince William of Orange. William accepted the role of king and, in return, the Parliament was guaranteed increased political influence.<sup>2</sup>

These wars were fought over two issues: the first being James' strict Catholic beliefs and his granting of privilege to Catholics within staunchly Protestant England; the second being the tendency of James (and, before him, Charles II) toward absolutism, against the Parliamentary tradition within which the English nobility had long enjoyed favour.

The view of the Whigs (the traditional liberal party in the British Parliament) is that the aristocracy acted to defend liberties offered to British subjects for centuries, given that 'the constitution of England had been from the earliest times founded on the principles of civil and political liberty.'<sup>3</sup> So-called 'Whiggish' history tends toward viewing events as points along a linear progression toward the achievement of liberal goals, such as human rights and progress.<sup>4</sup> The Whigs claimed that the Norman Conquest of 1066 interrupted an Anglo-Saxon tradition of liberty and enlightened governance, and that the king had no legal right to impose his own personal rule.<sup>5</sup> It was from this perspective that Edmund Burke was in favour of the Glorious Revolution while he repudiated the radical French Revolution, which overthrew a long-established government for a novel,

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1. R. H. Tawney, *Equality*, 36.

2. Quentin Skinner, "History and Ideology in the English Revolution," *The Historical Journal*, vol. 8, no. 2 (1965), 152-78; James Mackintosh, *History of the Revolution in England in 1688* (Paris: Baudry's European Library, 1834).

3. *Ibid.*, 226.

4. Ernst Mayr, "When is Historiography Whiggish?," *Journal of the History of Ideas*, vol. 51, no. 2 (1990), 301.

5. Quentin Skinner, "History and Ideology in the English Revolution."

untested alternative.<sup>6</sup> Yet although a certain discourse of liberty had manifested itself in Britain over the centuries, particularly in the *Magna Carta*,<sup>7</sup> these liberties did not extend to all British subjects. The strength of the nobility, and the rigid structure of the class system, created an underclass, a proletariat, which had little power or influence. The Glorious Revolution marks the aristocracy defending its privilege under the guise of ‘liberty’, while for some time continuing to deny such liberties to a large part of British society.<sup>8</sup>

What marks revolutionary England as unique among its European neighbours was its relatively decentralised government. Seigneurial privilege was not enshrined, as in France; rather, the English nobility was a ‘court-oriented aristocracy,’ which participated in a parliamentary government. Although the king was sovereign, his power was enacted by members of the noble class at the local level, often in the forms of unpaid Justices of the Peace.<sup>9</sup> The liberal tendencies identified by the Whigs were allowed to flourish in this institutional environment, in particular a relative freedom of speech. Pamphlets were heavily distributed throughout 1642, which gave force to the dispersion of liberal discourses.<sup>10</sup> The existence of the Parliament, and the discursive force such a representative body contains, along with its clear potential as a seat of power, was doubtless a motivation for the Parliamentarians to act.

Religion was a tribal force in these conflicts,<sup>11</sup> but it also made an impact upon discourses of liberty. Davis attributes the growing power of discourses of freedom—often considered a secular concern of the Whigs—to Catholics, who wished to practice their religion freely away from the influence of the Church of England.<sup>12</sup> Davis claims

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6. Bruce Mazlish, “The Conservative Revolution of Edmund Burke,” *The Review of Politics*, vol. 20, no. 1 (1958), 21-33. See, for example, Edmund Burke, *Reflections on the Revolution in France* (Indianapolis: Hackett Publishing Company, 1987), 77. Although known as a conservative political theorist, Burke was a member of the Whig Party in Parliament.

7. Quentin Skinner, “History and Ideology in the English Revolution,” 162.

8. *Ibid.*

9. Mary Fulbrook, “The English Revolution and the Revisionist Revolt,” *Social History*, vol. 7, no. 3 (1982), 255.

10. David Zaret, “Petitions and the ‘Invention’ of Public Opinion in the English Revolution,” *The American Journal of Sociology*, vol. 101, no. 6 (1996), 1498; Jason Peacey, “The Politics of British Union in 1642 and the Purpose of Civil War Pamphlets,” *Historical Research*, vol. 80, no. 210 (2007), 491-517.

11. John Morrill, “The Religious Context of the English Civil War,” *Transactions of the Royal Historical Society*, vol. 34, 162.

12. J.C. Davis, “Religion and the Struggle for Freedom in the English Revolution,” *The Historical Journal*, vol. 35,

that anti-formalism, being the reaction against an enforced formal practice of religion, was a main concern of the puritans who fought against the Parliament during the Civil Wars.<sup>13</sup> Liberty also underpinned the ideas of the Parliament; Maclear attributes to the Parliament an anti-clericalism, a reaction against the power and privilege of the Vatican clergy throughout Europe.<sup>14</sup> Both sides were therefore fighting not just for the maintenance of privilege, but also under notions of liberty, fearful of the concentration of power in the hands of any single institution.

Upon becoming King, William agreed to a contract which set limits upon monarchical power. This enshrined social contract theory into the English constitution, as well as providing for a limited Bill of Rights.<sup>15</sup> This gave the British state its liberal character.

## Sweden

The revolutionary history of Sweden is that of a struggle for power between the nobility and the monarchy, leading to a revolution instigated by a progressive monarch influenced by French democratic philosophy. The outcome was the development of a political system based on democracy, rationality and efficiency, three characteristics of Swedish democracy which still apply today.

Sweden spent most of the Middle Ages as a dependency of Denmark in the Kalmar Union; its independent period dates from 1523. Gustav Vasa, a noble, rallied both the aristocracy and the peasantry, fought the Danish dominion and won;<sup>16</sup> he became hailed as a military 'genius' and as the architect of Sweden's liberty, and was installed as king. He brought with him the Protestant Reformation, made the country officially Lutheran, and installed himself as the head of the Church of Sweden. A Lutheran movement had existed in Sweden for some time, and it is possible that it attracted Vasa spiritually;<sup>17</sup>

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no. 3 (1992), 507-30.

13. J.C. Davis, "Against Formality: One Aspect of the English Revolution," *Transactions of the Royal Historical Society*, vol. 3, Sixth Series (1993), 266.
14. James Fulton Maclear, "Popular Anticlericalism in the Puritan Revolution," *Journal of the History of Ideas*, vol. 17, no. 4 (1956), 443.
15. George L. Cherry, "The Role of the Convention Parliament (1688-89) in Parliamentary Supremacy," *Journal of the History of Ideas*, vol. 17, no. 3 (1956), 324, 335; Thomas P. Slaughter, "'Abdicate' and 'Contract' in the Glorious Revolution," *The Historical Journal*, vol. 24, no. 2 (1981), 324.
16. Perry Anderson, *Lineages of the Absolutist State* (London: Verso, 1979), 173.
17. Trygve R. Skarsten, "The Reception of the Augsburg Confession in Scandinavia," *The Sixteenth Century*

however, the move was also politically expedient, so as to achieve independence from the Roman and Danish churches,<sup>18</sup> as well as to pay his debts using income from expropriated crown lands.<sup>19</sup> Indeed, in Anderson's words, 'virtually the entire windfall of ecclesiastical estates accrued *en bloc* to the Swedish monarchy.'<sup>20</sup> He established the doctrine of the divine right of kings,<sup>21</sup> but ensured that bishops were chosen on merit, not on privilege.<sup>22</sup> As he was making such sweeping reforms—effectively centralising the whole of Swedish governance into the state—he had the support of the aristocracy,<sup>23</sup> no doubt excited by independent rule. In this manner, Gustav Vasa created the centralised, paternalistic Swedish state.

Gustav's Swedish empire was a highly centralised affair. Most of the directives emanated straight from the king, who was in constant conflict with the nobility for power. Of this tendency toward rational centralisation, Roberts claims,

it may have been an empire of necessity; but by no stretch of the imagination could it be described as an empire acquired by accident. It was the creation of deliberate policy in that each addition to it was seen as necessary, and was the result of state action: private enterprise had no part in it. There was no place here for great proconsuls or wealthy corporations.<sup>24</sup>

The Swedish empire was not only created by force, it was also created by the early implementation of rational technologies of government. If Max Weber is right in suggesting that the success of the capitalist era has been predicated upon rationalism and accountancy,<sup>25</sup> this is no more true than the success of the Swedish army during the seventeenth century. Roberts goes on to claim,

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*Journal*, vol. 11, no. 3 (1980), 88.

18. Walter Sandelius, "Dictatorship and Irresponsible Parliamentarism -- a Study in the Government of Sweden," *Political Science Quarterly*, vol. 49, no. 3 (1934), 352.
19. Eugene McKendry, "J.G. Sparwenfeld and Celtic Linguistics in Seventeenth-Century Sweden," in *History of Linguistics*, ed. David Cram et al. (Amsterdam: John Benjamins Publishing Company, 1999), 181.
20. Perry Anderson, *Lineages of the Absolutist State*, 173.
21. Eugene McKendry, "J.G. Sparwenfeld and Celtic Linguistics in Seventeenth-Century Sweden," 181.
22. Trygve R. Skarsten, "The Reception of the Augsburg Confession in Scandinavia," 89.
23. Perry Anderson, *Lineages of the Absolutist State*, 174.
24. Michael Roberts, *The Swedish Imperial Experience, 1560-1718* (Cambridge: Cambridge University Press, 1979), 2.
25. Max Weber, "Bureaucracy," in *The Anthropology of the State*, ed. Aradhana Sharma, and Akhil Gupta (Malden, Mass: Blackwell Publishing, 2006).

The victories of the Swedish armies did not rest only on tactical innovations, or the ability of their commanders. They presupposed also an efficient administrative machine. And among the things which made it possible for Sweden to become a great power was, in fact, the creation of an administration of unusual strength, continuity and honesty.<sup>26</sup>

This was not limited to the military. Walter Sibelius asserts that ‘at the hands of aristocratic office-holders— [there developed] a high degree of administrative efficiency.’<sup>27</sup>

Another secret to Swedish success was its homogeneity—in an era of empire-building, the relative purity of citizens of Swedish descent, who shared a national sentiment before the era of intellectual nationalism, was decisive. By now, the vast majority of Swedes were adherents of Lutheranism; this protestant character may, as Max Weber famously asserted, have been an influence upon the Swedish predilection toward rational, transparent administrative structures.<sup>28</sup> This Lutheran tradition, starting from the meritorious promotion of bishops by Gustav Vasa, conferred upon the country a sense of fairness unknown by Britain or by France. As Roberts has it, Sweden was

bound by religious tradition—social advancement was possible, not on payment, but on merit: the peasant who managed an education could advance through the church, the bourgeois could exert influence through the civil service.<sup>29</sup>

Yet, while Sweden consolidated its power among the nations of Europe,

from start to finish the Swedish imperial adventure was accompanied by a never-ending struggle to finance it ... [it] became the national boast to offset much that was amiss, or the standard deprecation to excuse it: ‘Swedish Poverty’.<sup>30</sup>

Indeed, at the end of the Swedish empire, with the loss of much of its territory to Denmark and Russia, Sweden was still a dispersed agrarian economy. It was in many

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26. Michael Roberts, *The Swedish Imperial Experience, 1560-1718*, 56.

27. Walter Sandelius, “Dictatorship and Irresponsible Parliamentarism -- a Study in the Government of Sweden,” 354.

28. Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Scribner’s Sons, 1958).

29. Michael Roberts, *The Swedish Imperial Experience, 1560-1718*, 64-65.

30. *Ibid.*, 42.

cases yet to enter the cash nexus; Barton shows that ‘rents and dues, tithes, and taxes were payable largely in grain, timber or days of labor ... in such a society relatively little money changed hands’.<sup>31</sup>

Sweden’s democratisation was retarded due to its late industrialisation.<sup>32</sup> As a result, the nobility was never able to fully consolidate legislative power. Whereas Britain and France experienced popular revolutions from the influence of its strong noble and burgher estates, Sweden’s power rested until quite late in the crown itself. Sweden’s history reads like a constant sway between noble and monarchical power; whenever the crown was weak, the nobles would ensure power sharing, but when the crown was strong absolutism would ensue. In any event, there has never been a time when Sweden was presided over by a fully-developed feudal system of ownership and serfdom.<sup>33</sup> All classes could thus participate in political affairs.

The Swedish peasantry, in contrast to their fellows in France, had a permanent seat at any meeting of the Estates. In 1680, at the height of the empire, the Clerical, Burgher and Peasant Estates combined against the Nobility to confer absolute rule upon King Karl XI; the result was the *reduktion*, the appropriation of a large proportion of Noble lands by the State.<sup>34</sup> At the fall of the Swedish empire, in 1718, the King’s rule was so damaged that the noble estate was able to take hitherto unprecedented control of State affairs. Indeed, Sandelius claims that at this time ‘the king became nearly a figurehead.’<sup>35</sup> The eventual Swedish revolution, occurring sixteen years before the French, was a curb to the power of the nobility.

The main protagonist in this Swedish *coup d’état* of 1772 was the King himself. Gustav III had spent many of his pre-coronation days in Paris during its turbulent pre-revolutionary era. He was aware of the work of the *philosophes*, and was well-received

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31. H. Arnold Barton, “Scandinavia in the Revolutionary Era, 1760-1815,” (Minneapolis: University of Minnesota Press 1986), 8.

32. Timothy A. Tilton, “The Social Origins of Liberal Democracy: The Swedish Case,” *The American Political Science Review*, vol. 68, no. 2 (1974), 561.

33. *Ibid.*, 565.

34. H. Arnold Barton, “Scandinavia in the Revolutionary Era, 1760-1815,” 16.

35. Walter Sandelius, “Dictatorship and Irresponsible Parliamentarism -- a Study in the Government of Sweden,” 355.

in literary circles. French democrats were generally well-disposed toward the Swedes, even to Swedish royalty—Voltaire had called Sweden ‘the freest kingdom on earth.’<sup>36</sup> Gustav III was particularly enamoured with Montesquieu; upon receiving the Swedish crown, he set about reforming Swedish law to incorporate Enlightenment-era rationalism. Although never hostile toward the noble classes to which he himself belonged, he was wary of the power of the noble estate, considering it incompetent. With French assistance, and with the confidence of the military, he detained the Governing Council and seized control of Stockholm. The coup was bloodless, and restored the King’s ultimate rule.<sup>37</sup> Many nobles were themselves thankful for this action, realising, in Barton’s words,

full well that Gustav’s revolution was anything but ‘democratic’ and that it had indeed rescued them in the eleventh hour ... The new Constitution represented a compromise between new concepts of enlightened absolutism and old Swedish parliamentary traditions.<sup>38</sup>

Gustav used his rule to confer noble status to certain sympathisers from lower classes, in order to cement his support among the newly disempowered estate. He began the reformation of the Swedish economy to the designs of the physiocrats, the French proto-economists. Free trade and agricultural reform began to reduce the incidence of dire poverty.<sup>39</sup> Yet for all his reforming tendencies, he was still vehemently conservative in his views on state structure. He condemned the American Revolution for its republicanism, and was afraid of the French for its potential to spread across Europe.<sup>40</sup>

No French-style popular revolution did occur. Sweden’s democratic future lay well ahead, but the foundation of a state-citizen relationship based on rationalism and meritocracy had been established.

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36. H. Arnold Barton, “Scandinavia in the Revolutionary Era, 1760-1815,” 77; Walter Sandelius, “Dictatorship and Irresponsible Parliamentarism -- a Study in the Government of Sweden,” 356.

37. H. Arnold Barton, “Scandinavia in the Revolutionary Era, 1760-1815,” 77-82.

38. *Ibid.*, 82.

39. *Ibid.*, 102-03.

40. *Ibid.*, 168.

## France

The Swedish Revolutions were concerned with the distribution of power; the English, with religion and the survival of a liberal tradition. The French Revolution heralded the complete destruction of existing social relations.

If anything distinguishes pre-revolutionary France from its contemporaries, it is the strictness of its institutions of privilege. Feudal France, known as the *ancien régime*, exhibited the characteristics of a caste system. The three French estates—the clergy, the nobility, and everyone else—were segregated, and social advancement practically impossible. Louis XIII had fought to gain Swedish-style absolutism. His administrator, Cardinal Richelieu, manufactured a swelling of the powers of the crown, in order that the State would be able to finance its part in Europe’s ongoing military conflicts.<sup>41</sup>

Yet, despite the political rigidity of the *ancien régime*, it had already undergone great transformations. Serfdom had largely been eradicated, and the population was steadily growing. Yet due to food scarcity, France could no longer support its growing citizenry.<sup>42</sup> Industrialisation and capitalism had entrenched itself in France. In the words of François Furet and Denis Richet,

the size of annual profits, coupled with the virtues of planning and hard work cultivated by the newly rich, made possible the amassing of huge fortunes which were attributed by their possessors not to good luck, and even less to birth, but to sheer merit: the very concept of merit was already a revolution in itself.<sup>43</sup>

Significantly, much of the artisanal and capitalist trade was located in cities, which were rapidly expanding. With the spread of the printing presses, the thought, language and mannerisms of the French *philosophes* such as Rousseau and Voltaire spread throughout the population.<sup>44</sup> This culminated in a sense of nationalism, and also in a sense of expectation—according to social contract theory, any ruling power must have the

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41. Michael S. Kimmel, *Absolutism and Its Discontents: State and Society in Seventeenth Century France and England* (New Jersey: Transaction Publishers, 1988), 55.

42. Alexis de Tocqueville, *The Ancien Régime and the French Revolution*, 37-38.

43. François Furet, and Denis Richet, *French Revolution* (London: Weidenfeld & Nicolson, 1970), 29.

44. Jeremy Popkin, “Pamphlet Journalism At the End of the Old Regime,” *Eighteenth-Century Studies*, vol. 22, no. 3 (1989), 358.



consent of its people, and rule according to the general will. No doubt this is what prompted the Abbé Sieyès, in a famous pamphlet, to write

Where is the nation to be found? Where it is; in the 40 000 parishes which embrace the whole territory, all its inhabitants and every element of the commonwealth; indisputably, the nation lies there.<sup>45</sup>

One great difference, therefore, between the French Revolution and that of its British and Swedish counterparts was the existence of a philosophical tradition which acted against public institutions. Democratic thought was rife, and violence was considered acceptable action. The Revolution was accordingly bloody, and the political conflict between groups competing for power was rife. The Jacobin ‘Terror’ used violence and the threat of violence in order to maintain ‘revolutionary’ goals. Radicalism was urged, up to and including the adoption of a new calendar that began with the Revolution, marking that political event as the beginning of a new era in time.<sup>46</sup>

The French Revolution enjoys a considerable influence in the ideas and events which followed. Judt argues, ‘to be on the left in France is before else to share a style of discourse, a way of talking about politics, present or past ... It is the French Revolution which supplies the form for much of this discourse.’<sup>47</sup> Marx placed the French Revolution into the historical dialectic of socialism. The French Revolution represented the rise of the *bourgeoisie* over the feudal monarchy, leading to a class conflict between the former and the proletariat, who would rise in turn.<sup>48</sup> Marxist socialism was predicated upon this analysis.

The French state is thus a revolutionary state. Judt goes on to argue that ‘the discussion of power, and more specifically, the power of the state, are rather different in France from elsewhere, in that they are manifestly more inclined to a sympathy for the central authority.’<sup>49</sup> De Tocqueville argued that centralisation had occurred well before the

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45. Emmanuel Joseph Sieyès, *What is the Third Estate?* (London: Pall Mall Press, 1963), 133.

46. François Furet, and Denis Richet, *French Revolution*.

47. Tony Judt, *Marxism and the French Left: Studies in Labour and Politics in France, 1830-1981* (Oxford: Clarendon Press, 1986), 3.

48. John D. Stephens, *The Transition From Capitalism to Socialism* (University of Illinois Press, 1986), 1-14.

49. Tony Judt, *Marxism and the French Left: Studies in Labour and Politics in France, 1830-1981*, 4.

Revolution;<sup>50</sup> both he and, later, Furet, give the French State a character of Weberian efficiency which also described the Swedish Empire of Gustav Adolf.<sup>51</sup> This deference to the central authority defines France and Sweden against the liberal, decentralised England. However, where the Swedish state was characterised by cooperation between classes, the French was characterised by violent conflict.

The French Revolution introduced a volatile state-citizen relationship that encouraged political conflict and radical political change. Consensus has never been a strong feature of French politics. Centralisation and radicalism remain the key characteristics of the state, while direct political action is expected from French citizens.

## 6.2. Unionism, Class Awareness and Democracy in the Immediate Pre-War Period

### Britain

The decentralised government, which resulted from the first expansion of parliamentary power in Britain, had the expansion of industry as its main goal. Workers for the most part identified with liberal rather than socialist politics. Unionism, and not socialism, was far and away the most powerful of the British working-class movements in the nineteenth century.

Various explanations of this have been put forward. Jarman believes that the relative dearth of English translations of Marxist texts explains the lack of Marxist influence in the British Isles;<sup>52</sup> Engels himself, when leaving the socialist movement in favour of the Labour Party, believed that no socialist party could be organised along coherent ideological lines in Britain.<sup>53</sup> Yet it appears more accurate to suggest that although Marxism failed to significantly influence British working-class politics, it was not for lack of trying. Many of the individuals and groups which formed the British Labour Party were avowed Marxists. Besides, the British Labour Party was, in principle if not

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50. Alexis de Tocqueville, *The Ancien Régime and the French Revolution*, 9.

51. *Ibid.*; 42.

52. T.L. Jarman, *Socialism in Britain*, 72.

53. Cited in James Hinton, *Labour and Socialism: A History of the British Labour Movement 1867-1974* (Brighton: Wheatsheaf Books, 1983), 53.

in fact, avowedly socialist. Clause Four of the Labour Party's 1917 Constitution, drafted by Arthur Henderson with Sidney Webb, committed Labour to the cause of the 'common ownership of the means of production.'<sup>54</sup> However this clause, although fundamental to the beliefs of Webb and the Fabians, was never a key influence in Labour policy, and repeated attempts to eradicate it finally succeeded after the efforts of Tony Blair in 1995.<sup>55</sup>

T.L. Jarman claims it was Robert Owen, and not Karl Marx, who was the main influence upon British socialism. Owen was a businessman who developed the idea of creating a socialist utopia for his workers; he built self-contained communities, such as the cotton mill at New Lanark, which provided not only wages for the workers, but also housing, goods and services. Indeed,

there were company shops buying in bulk, and providing the best quality at lower prices; he enlarged the workers' houses and built new ones; he arranged for street cleaning and refuse collection; he had health visitors to see that homes were clean inside ... In 1816 he reduced the hours of work to ten and a half, and provided free medical attention, a sick club, and a savings bank.<sup>56</sup>

Owen's ideal was to structure trade around workers' co-operatives,<sup>57</sup> an idea which would later be taken up by the unions. Owen also had paternalistic aspirations. Owen believed that men were mostly the product of social influences, and that education, not merely for knowledge but for character, was the key to a fully-functional society. Education was not to be limited to children, but to be offered to all, supported by the Government. Such paternalism (not to mention Owen's status) endeared him to the Tories.<sup>58</sup>

Owen's utopia was not a working-class leadership but, to return to Tawney, a form of *das Gentslemanideal*. In line with the promise of Marshallian 'social citizenship', Owen's goal was to create a nation of gentlemen. His interventionist regime would

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54. T.L. Jarman, *Socialism in Britain*, 122; James Hinton, *Labour and Socialism: A History of the British Labour Movement 1867-1974*, 100-07.

55. Peter Riddell, "The End of Clause IV," *Contemporary British History*, vol. 11, no. 2 (1997), 24-49.

56. T.L. Jarman, *Socialism in Britain*, 40.

57. *Ibid.*, 44.

58. *Ibid.*, 41-42.

appear familiar to British citizens today. Many features of his communities became the policy of the unions, and of the British Labour Party.

Prior to the formation of the British Labour Party, working-class politics was closely tied to the Liberal Party, which inherited Whig liberalism. The liberal ideology of ‘self-help’ attracted many in the working class.<sup>59</sup> Most working-class MPs, usually from mining backgrounds, were aligned to the Liberal Party, an allegiance given the moniker of ‘Lib-Lab’.<sup>60</sup> It was not until 1893 that Keir Hardie formed the Independent Labour Party (ILP), which would endeavour to elect labour candidates without subscribing to a Liberal platform. And it was only after the Taff Vale Case of 1901, which essentially made striking illegal, that the unions agreed to support, both morally and financially, the cause of labour representation.<sup>61</sup>

Liberalism has in this way been a guiding influence on all sides of British politics. Yet this liberalism has been traditionally mixed with paternalism. The traditional role of the British citizen has been to ‘self-help’. The traditional role of the state has been to not interfere in the economic life of the citizen, but to encourage the cultivation of behaviours associated with the upper classes throughout all levels of the class system.

## Sweden

Sweden industrialised late, but quickly. Although imperial Sweden was characterised by four entrenched classes—nobles, clergy, peasants and burghers—working class consciousness dates only to the late nineteenth century. Benefiting from the experience of their neighbours, Swedish workers were able to quickly centralise their organisational efforts. The first unions began to develop in response to the economic crisis in the 1870s; the *Landsorganisationen* (LO), which organised the unions into a central body, was formed in 1898, within a single generation. Tellingly, the Swedish Social Democratic Workers’ Party, or *Sveriges socialdemokratiska arbetareparti* (SAP) was formed in 1889, preceding the central organisation of Swedish workers. The

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59. James Hinton, *Labour and Socialism: A History of the British Labour Movement 1867-1974*, 48.

60. *Ibid.*, 43.; 86.

61. James Hinton, *Labour and Socialism: A History of the British Labour Movement 1867-1974*, 73-74; Keith Laybourn, *Reader in History: The Labour Party 1881-1951* (Gloucester: Alan Sutton Publishing, 1988), 62.

Swedish Employers Association, or *Svenska Arbetsgivareföreningen* (SAF) was formed in 1902. The existence of three streamlined bodies, compared to the many competing bodies operating in Britain at the time, allowed for clear and coherent negotiation. The peculiarities of the Swedish state stem from this peculiar situation.

The key elements of Swedish citizenship arose out of the corporatist cooperation between the three central class bodies during the twentieth century. This was underpinned not just by late industrial growth, but by the extent to which industry grew.<sup>62</sup> Late industrialisation also resulted in the concentration of economic power into a small number of large firms, which made coordination at the central level easier for the SAF, and led to strong cooperation between the SAF and the state. On the other side, the SAP and the LO grew up together, as independent siblings—no official cooperation exists between them, although they enjoy a large unofficial kinship—and offered different, but complementary objectives for their respective members.<sup>63</sup>

Unlike in Britain, trade unions are not represented at SAP meetings, and few union officials have served in SAP governments.<sup>64</sup> Yet, also unlike Britain, the SAP won the favour of unionised labour who, although skewing liberal at the very first,<sup>65</sup> were quickly drawn to the social democratic cause. There existed no battle for working-class allegiance between labour and parliamentary liberals.<sup>66</sup> At this time, the SAP leadership chose their battles wisely. Eschewing the revolutionary objectives of continental socialists, first SAP leader Branting chose to concentrate on the achievement of two objectives, universal suffrage and an eight-hour working day, that the SAP shared with the liberals. Tilton reveals Branting

pursued an alliance with the Liberal party until together they achieved democracy and the eight-hour day at the end of the First World War. The fundamental cleavage in Swedish society at present,

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62. Richard F. Tomasson, "The Extraordinary Success of the Swedish Social Democrats," *The Journal of Politics*, vol. 31, no. 3 (1969), 785-86.

63. *Ibid.*, 787.

64. *Ibid.*, 788.

65. Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe* (Cambridge MA: Harvard University Press, 1998), 44.

66. Richard F. Tomasson, "The Extraordinary Success of the Swedish Social Democrats," 786.

he argued, ran between those for and against universal suffrage, not between the bourgeoisie and the proletariat.<sup>67</sup>

Of course, Branting was assisted in his endeavour by the fact that, by 1900, Sweden had nothing like the democracy enjoyed in France and Britain. The 1866 reform of the Swedish *Riksdag* had retained large power for the king, and conducted suffrage on a system of property and income qualifications which denied the vote to all but six per cent of the population.<sup>68</sup> Democracy was a cause upon which the Liberals, representing the lower middle class and strongly influenced by John Stuart Mill, could easily agree.<sup>69</sup>

Indeed, late democracy appears far more important in the history of Swedish social democracy than late industrialism; in Sweden, by the time democracy was established, the social democrats were a trustworthy mainstream party with a large potential voting base. By 1940, Hohman was able to say, 'at the present time, the Social Democratic Party is the dominant factor in shaping social policy in Sweden.'<sup>70</sup> Not only had the social democratic party courted liberal voters, they had also strongly identified with the Swedish peasantry.<sup>71</sup> In 1870, still 72 per cent of the population was employed in agricultural labour, and having enjoyed separate status in the Swedish estates system for centuries, the peasantry had respectable influence in Swedish affairs.<sup>72</sup> In 1907, when universal male suffrage was passed for the Lower House, membership of the SAP had reached 133 000.<sup>73</sup> The SAP was involved in Sweden's first ever elected coalition government in 1917 and, when this collapsed in 1920, the SAP enjoyed majority government.<sup>74</sup> From 1932 until 1976 (and with the exception of one month in 1936),<sup>75</sup> the SAP presided over 44 years of continuous government.<sup>76</sup>

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67. Tim Tilton, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism* (Oxford: Clarendon Press, 1990), 26.

68. *Ibid.*, 40-41.

69. Richard F. Tomasson, "The Extraordinary Success of the Swedish Social Democrats," 779.

70. Helen Fisher Hohman, "Social Democracy in Sweden," *Social Security Bulletin*, vol. 3, no. 2 (1940), 8.

71. Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe*, 11.

72. *Ibid.*, 42.

73. Richard F. Tomasson, "The Extraordinary Success of the Swedish Social Democrats," 782.

74. *Ibid.*

75. *Ibid.*, 783.

76. Socialdemokraterna, "The Swedish Social Democratic Party: An Introduction," <http://www.socialdemokraterna.se/upload/Internationelt/Other%20Languages/>

Sweden's dramatic transformation from an authoritarian monarchy to a universal welfare state must be seen within such a context. It is easy to see how a nation starved of democracy can be so supportive of a working-class party which promises change; it is also easy to see how a nation so late in industrialising can develop without the discursive animus toward socialism seen elsewhere. Sweden can also boast a kind of Keynesianism before Keynes—although Patinkin maintains that the work of Swedish economists such as Wicksell do not anticipate Keynes' most significant discoveries,<sup>77</sup> Prime Minister Ernst Wigforss is well-known for having instituted the kind of interventionist policy to which 'Keynesianism' refers four years before the publication of *The General Theory*.<sup>78</sup> Such policies, of maintaining the right to work through state action in a time of crisis-level unemployment, were consistent with Swedish social democratic thought, even if the Keynesian justification did not yet exist.<sup>79</sup> With little effective opposition, and with the discourse of democracy on his side, Wigforss was able to achieve what may have seemed impossible in other countries. Democracy, with its inherent redefinition of citizenship, was brought to Sweden by social democracy; it was thus free to define citizenship on its terms, and alter the political discourse to suit its goals.

Socialist political discourse was, in the main, equally as paternalistic as Britain's *Gentelmanideal*. Marxists within the SAP blamed capitalism not only for impoverishment, but also for drunkenness, prostitution and war.<sup>80</sup> Branting himself desired not just education for the poor, but a particular kind of education which in Swedish is called *uppföstran*:

To *uppföstra* is to do more than educate; the word normally conveys the sense of 'bringing up' children ... [which] fostered the growth of an independent intellectual tradition that helps account for the shaking of bourgeois hegemony in Swedish society.<sup>81</sup>

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TheSwedishSocialDemocraticParty.pdf (accessed 7 January, 2009), 13.

77. Don Patinkin, "On the Relation Between Keynesian Economics and the "Stockholm School"," *The Scandinavian Journal of Economics*, vol. 80, no. 2 (1978), 135-43.

78. Tim Tilton, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism*, 46.

79. *Ibid.*

80. Richard F. Tomasson, "The Extraordinary Success of the Swedish Social Democrats," 781.

81. Tim Tilton, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism*, 23.

This is not to say that the Swedish education system owes its existence to Branting. In fact, Sweden's first public education system was instituted in 1842. However, by 1940 not only was education compulsory for all children aged 14 and under, but further education, including university education, was provided by the state without charge.<sup>82</sup>

In the 1930s, such an education policy took a more paternalistic turn. Gunnar and Anya Myrdal, who strongly influenced the development of the SAP, wished for education to eradicate questionable living habits, and to direct consumption toward social goods.<sup>83</sup> Such measures included free school meals and subsidised essential foods.<sup>84</sup> Indeed, they believed,

if Swedish society wishes to survive, it must assume a collective responsibility for raising the coming generations and implement a socialization of consumption in their favour.<sup>85</sup>

By the time of the elevation of Tage Erlander to the Prime Ministership in the 1950s, such an interventionist policy had become tied to a particularly socialist view of freedom. The 'strong society', in Erlander's term, was the name given to the expansion of the public sector; intellectually it was, in Tilton's words, 'a mystical merging and identification of state and society.'<sup>86</sup> The increasing specialisation of a technological society brought with it an individualism which could threaten social cohesion. It was the job of the state to compel cooperation. Changing the culture became the primary goal of Swedish politicians.<sup>87</sup> For just one example, the sale of alcohol in Sweden is restricted to one state-owned monopoly, which has 'the goal of reducing alcohol problems by a combination of high alcohol prices and restrictive access to alcohol.'<sup>88</sup>

Although this was couched in terms of democracy, it is possible to take a more paternalistic view, that Swedish social democracy was geared toward creating and

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82. Helen Fisher Hohman, "Social Democracy in Sweden," 4.

83. Tim Tilton, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism*, 151.

84. Helen Fisher Hohman, "Social Democracy in Sweden," 9.

85. Tim Tilton, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism*, 165.

86. *Ibid.*, 177.

87. Johannes Lindvall, and Bo Rothstein, "Sweden: The Fall of the Strong State," *Scandinavian Political Studies*, vol. 29, no. 1 (2006), 60.

88. Sven Andreasson et al., "Estimates of Harm Associated With Changes in Swedish Alcohol Policy: Results From Past and Present Estimates," *Addiction*, vol. 101, no. 8 (2006), 1096.



maintaining a citizen ideal, not far from the gentlemen desired by the British. It is not entirely surprising that the SAP was also responsible for mass sterilisation programmes designed to eradicate unwanted traits from the Swedish genepool.<sup>89</sup> Productivity was key, order and discipline were necessary. Although leisure—*maklighet*, which also means a more holistic quality of life—was the paramount objective of social democrats,<sup>90</sup> it was not up to each individual citizen to choose his or her personal *maklighet*.

The traditional role of the citizen in Sweden is, thus, to conform to strict expectations of public behaviour; the role of the state is to provide incentives, institutions and policies which encourage and enforce this. It is therefore little surprise that the ideals of welfarism took hold so strongly in Sweden, and that the implementation of neoliberal policy was significantly delayed.

### France

The revolutionary character of French politics has led to a history of radical policy activism within and outside French political institutions. Although neither fascism nor socialism has had long-term success in French politics, nevertheless radical party competition and public protest has characterised the traditional state-citizen relationship.

As with the British Labour and Swedish Social Democratic Parties, for many decades the French *Parti Socialiste* (PS) existed with a dual identity. Although the PS was moderate in its intentions and actions, its constitution was avowedly radical, calling for revolution to enable the abolition of the state as a bourgeois institution.<sup>91</sup> Furthermore, the French can claim to have anticipated Marxism. While Marx set down the critique of capitalism which was to be the main intellectual argument for socialism, many of his terms were derived from the French. The term ‘proletariat’, as well as the world-view

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89. Alberto Spektorowski, and Elisabet Mizrahi, “Eugenics and the Welfare State in Sweden: The Politics of Social Margins and the Idea of a Productive Society,” *Journal of Contemporary History*, vol. 39, no. 3 (2004), 333-52.

90. Franklin D. Scott, “Review: Ingrid Millbourn. “Rätt Till Maklighet”: Om Den Svenska Socialdemokratis Lärprocess, 1885-1902,” *The American Historical Review*, vol. 96, no. 4 (1991), 1217.

91. Wayne Northcutt, “François Mitterrand and the Political Use of Symbols: The Construction of a Centrist Republic,” *French Historical Studies*, vol. 17, no. 1 (1991), 441.

which sees a ‘base’ underneath a ‘superstructure’, are all French in origin, and were active in the socialism of St Simon.<sup>92</sup> Louis Blanc, a key French socialist thinker, anticipated the theory of monopoly capitalism.<sup>93</sup>

For French socialism to morph into a mainstream political movement, it had first to overcome its revolutionary history. It could not rely upon trade unions, as in Britain, or upon late rapid industrialisation, as in Sweden. Judt shows that French citizens have been ‘notoriously slow to join national organizations ... but the history of radical politics in France has none the less been a story of collective activity grouped around incessant discussion.’<sup>94</sup> Activism was an intellectual endeavour; it was disorganised and radicalised. This is in contrast to the centralisation of French political institutions. De Tocqueville showed that even before the revolution, centralisation was a way of French political life;<sup>95</sup> the State became no less powerful in the age of Napoleon.<sup>96</sup> With the achievement of democracy during the 1870s, the socialist cause took on a democratic imperative.<sup>97</sup>

In the 1890s, French socialism appeared as an even more haphazard collection of assorted ideologies than its British counterpart. The various trade unions were linked to political movements which ranged from liberals to anarchists, all of which were engaged in debates which were polarised around specific concepts such as republicanism.<sup>98</sup> No umbrella organisation existed until 1886, when Vaillant established a *bourse du travail* in Paris; by 1894, there were 40 in operation.<sup>99</sup> These *bourses*, technically labour exchanges, offered many of the benefits of the large unions in England, including housing and travel subsidies, education, and consumer cooperatives. More importantly, they enabled coordinated strikes, and established the general strike as

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92. Tony Judt, *Marxism and the French Left: Studies in Labour and Politics in France, 1830-1981*, 61-68.

93. *Ibid.*, 70.

94. *Ibid.*, 7.

95. Alexis de Tocqueville, *The Ancien Régime and the French Revolution*.

96. Alfred Cobban, “The Napoleonic System of Administration in France,” *The Modern Law Review*, vol. 9, no. 1 (1946), 52-57.

97. David L. Hanley, *Party, Society and Government: Republican Democracy in France* (New York: Berghahn Books, 2002).

98. Christopher K. Ansell, “Symbolic Networks: The Realignment of the French Workind Class, 1887-1894,” *The American Journal of Sociology*, vol. 103, no. 2 (1997), 367-68.

99. *Ibid.*, 368.

a viable industrial threat.<sup>100</sup> Action became the unifying force discussion could never be. The CGT, the first national umbrella union, was established by the now united (although still ideologically diverse) union movement in 1895.<sup>101</sup> The socialist political movement would take another ten years to unite.

The socialist side of French politics, with its revolutionary fervour was embroiled in debates over whether to sanction the use of ‘bourgeois’ institutions such as parliament, and attach itself to ‘bourgeois’ causes. As leader, it was Jean Jaurès who secured the involvement of the socialist movement in the Dreyfus affair, wherein a Jewish army officer was falsely accused of espionage. Jaurès came to the aid of Dreyfus, claiming that socialists could not ignore human rights, regardless of the fact that the officer was not from the working class. Guesde, Jaurès’ main opponent within the newly formed socialist party, the *Section Française de l’Internationale Ouvrière* (SFIO), refused to involve himself in what he considered to be a ‘bourgeois quarrel’.<sup>102</sup> At this time, the broad socialist movement in France was torn between those favouring involvement in French democracy, and those who wished its overthrow. The radical imperative of French politics was here at its most apparent.

The Guesde faction saw the state as the institution of their enemy.<sup>103</sup> Yet the more influential Jaurès saw the state as the perfect home for a socialist movement with mass appeal. In Howorth’s words, Jaurès saw

the presence of a single socialist minister in Government [as] a logical and inevitable consequence of parliamentary action, and that such a presence would accelerate and intensify the rhythm of progressive republican reforms ... Jaurès clearly saw the republican state as a potentially neutral force, arbitrating impartially between the different classes and collective interests.<sup>104</sup>

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100. *Ibid.*, 368-69.

101. *Ibid.*, 379.

102. Michel Winock, “Le Parti Socialiste dans Le Système Politique Français: Rupture et Intégration,” *Vingtième Siècle Revue D’Histoire*, vol. 96 (2007), 11-21.

103. Madeleine Rebérioux, “Les Tendances Hostiles À L’Etat Dans La S.F.I.O. (1905-1914),” *Le Mouvement social*, vol. 65 (1968), 31.

104. Joylon Howorth, “From the Bourgeois Republic to the Social Republic,” (London: Frances Pinter, 1983), 6-7.

*Das Gentelmanideal*, the attempt to manage a working-class population and raise its social standard (defined in existing class prejudices), is nowhere to be seen in this neutral republican state. Jaurès rejected a Branting-esque desire to inculcate ‘socialist’ attitudes in the classroom, and did not hold the desire for education to destroy social ills. In fact, Jaurès wanted education to

give to children the sense of the perpetual movement of humanity, to deliver them from the weight of routine and this burden of despair which devastates progress ... there is a decisive service that socialists can give effect to their ideal without inflicting upon children the mechanical tyranny of formulae.<sup>105</sup>

Furthermore, Coombes claims that Jaurès rejected ‘cultural imposition ... in favour of genuine popular participation in deciding what developing educational norms should be.’<sup>106</sup> Judt claims that the growing class-consciousness of the French proletariat brought about ‘the quite remarkably fast growth of anti-bourgeois sentiment in French popular *milieux*.’<sup>107</sup> Jaurès desired not the embourgeoisement of the proletarian class, not the creation of a single class of gentlemen, but rather a ‘self-awareness which, mediated through evolutionary social forms, can alone assure a free future for human development.’<sup>108</sup> Coombes goes on to argue that Jaurès’ ‘concept, though based on a genuinely classless method of selection ... nonetheless posits the continued existence of an elite of intelligence.’<sup>109</sup>

The radicalism of French politics has created the character of French citizenship. The French citizen is to be a revolutionary—to be French first, above all other identifications, to act directly in political affairs, and to be conscious of class. Further more, ‘the continued existence of an elite of intelligence’ has crowded many French citizens out of the lucrative sectors of the employment market. Such a strong and sharply-defined traditional view of state-citizen relations has resulted in France in only weak implementations of welfarist and neoliberal programmes. Any implementation of

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105. Quoted in J.E. Coombes, “Jaurès: Education, Class and Culture,” *Journal of European Studies*, vol. 20, no. 23 (1990), 31., my translation.

106. *Ibid.*, 24.

107. Tony Judt, *Marxism and the French Left: Studies in Labour and Politics in France, 1830-1981*, 61.

108. J.E. Coombes, “Jaurès: Education, Class and Culture,” 42.

109. *Ibid.*, 43.

policies from new paradigms may be overturned by radical political action, either from opposing parties, or by political action by citizens through protest and civil unrest.

### 6.3. Traditional Models as a Point of Conflict

Although the paradigms of welfarism and neoliberalism have both influenced social policy in Britain, Sweden and France, their implementation has been vastly different in each country. Explanations such as those of Esping-Andersen point to the institutional structures of states—liberal, social-democratic and corporatist—to account for differences in welfare policies.<sup>110</sup> The account of this chapter accepts Esping-Andersen's premise, but looks further into each country to investigate how these institutions formed, and how they reflect ideals of state and citizen behaviour.

In each country, traditions of citizenship exist which developed alongside democracy, which inform and constrain the proper function and role of the state and the citizen in relation to one another. In Britain, early industrialism and 'self-help' liberalism developed in tandem with a strong paternalistic streak, providing ample room for new social policies to adopt either a liberal or a paternalistic character. In Sweden, late industrialisation and strong class cooperation allowed collectivism to become a dominant feature of social relations. In France, violent political conflict and radicalism set the scene for a less cooperative political culture. The following chapters will examine how these traditional models of state-citizen relations have come into conflict with novel paradigms, and how present social policy outcomes reflect a negotiation between the old and the new.

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110. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*.

# 7. Britain: Liberalism, Industrial Paternalism, Decentralisation

## 7.1. The State-Citizen Relationship in Britain

Britain offers a strong test case for the thesis that welfarism and neoliberalism represent paradigms of a state-citizen relationship, which challenge and incorporate political traditions. Traditionally, British citizenship was developed by a hierarchical class system, early industrialism, Parliamentarism, and decentralised governance to feature both a liberal and paternalistic character. Although British citizens were given economic and social liberties, a range of personal characteristics which Tawney labelled *das Gentelmanideal* was expected from them, promoted by discourses of ‘self-help’ and technologies of government such as education.

The welfarist paradigm expanded upon the paternalistic traditions of Britain, instituting a wide range of measures which aimed to increase the welfare of the population so as to enable all British citizens to, in T.H. Marshall’s words, ‘live the life of a civilised

being'.<sup>1</sup> This involved providing welfare measures to British citizens as a matter of right. Yet it also demanded a traditional responsibility of citizens: 'self-help'. Traditional 'self-help' required the citizen to self-improve without government assistance, a kind of liberal paternalism. Welfarist 'self-help' was self-improvement through government. Government would provide the institutional assistance, but it was still incumbent upon the citizen to use this assistance to eliminate undesirable characteristics among the population, so that every British citizen could live as a 'gentleman'.

The institution of the welfarist paradigm touched many aspects of British social policy, including universal health care and education, and the goal of 'full employment'. Yet welfarist discourse was always a poor match for Britain's liberal, decentralised traditions of government. After the experience of stagflation, 'policy failure' was declared, and 'policy networks' competed for influence in determining an alternative. The election of Margaret Thatcher as Prime Minister in 1979 allowed 'policy transfer' to neoliberalism. Neoliberal discourse has since gained genuine influence in British politics, matching the traditional liberalism and decentralised structures of the British political system. However, in health and education, where the paternalistic 'self-help' strand of British governance is most strongly seen, elements of the more paternalistic welfarist regime remain in place.

## 7.2. Policy Networks and International Institutions

The key figures involved with the promotion of a welfarist discourse in the post-war period are almost all British. Keynes and Beveridge, as well as Marshall, are the British progenitors of the welfarist paradigm. Yet the institution of welfarism in Britain could not have been successful without a sympathetic international political system.

The construction, and then the collapse, of the Bretton Woods arrangements, changed the international economic environment under which Britain operated. In 1976, as a result of the economic crisis, Britain was required to apply for a special loan from the

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1. T. H. Marshall, *Citizenship and Social Class*, 8.

International Monetary Fund, one of the key Bretton Woods institutions.<sup>2</sup> That same year, the US had '[secured] agreement on amending the IMF's articles ... such that one of the essential purposes of the international monetary system was now to promote the free exchange of capital.'<sup>3</sup> Although the IMF had not yet changed its fundamental policies in line with neoliberalism, IMF loans now came with conditions consistent with neoliberal ideas.<sup>4</sup> These were welcomed by Labour Prime Minister James Callaghan, who in 1976 famously declared,

We used to think that you could just spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that option no longer exists, and that in so far as it ever did exist, it worked by injecting inflation into the economy.<sup>5</sup>

Yet although this represented dramatic institutional change, it did not have an equally dramatic effect on policy change until the election of the Thatcher Government in 1979. In the intervening years, Labour governments attempted to restrict government spending by means of targets, with scant changes to the discourse and policy of rights-based 'social citizenship'. It was in 'policy networks' of non-political actors, such as the media, the finance community and various thinktanks, who began contributing to debates about economic policy in order to influence 'policy transfer'.<sup>6</sup> The Thatcher Government not only changed economic policy, but instituted a neoliberal programme which radically altered the state-citizen relationship in Britain.

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2. Colin Hay, "Chronicles of a Death Foretold: The Winter of Discontent and the Construction of the Crisis of British Keynesianism," *Parliamentary Affairs*, Advance Access 10.1093/pa/gsp056 (2010).
  3. Jeffrey M. Chwieroth, "Testing and Measuring the Role of Ideas: The Case of Neoliberalism in the International Monetary Fund," *International Studies Quarterly*, vol. 51 (2007), 16.
  4. Anthony King, "Governmental Responses to Budget Scarcity: Great Britain," *Policy Studies Journal*, vol. 13, no. 3 (1985), 479.
  5. Quoted in *Ibid.* and Milton Friedman, "Nobel Lecture: Inflation and Unemployment," *The Journal of Political Economy*, vol. 85, no. 3 (1977), 460.
  6. Peter A. Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," 286.



### 7.3. Policy Change

#### The 'Beveridge Report' and the Institution of 'Social Citizenship'

The British welfare state was created in the context of World War II, under the influence of a swathe of ideas which had disseminated throughout the twentieth century, about the best form of social organisation. The effect of the war on the subsequent legislation was palpable, as Clement Macintyre notes:

the experience of government mobilization and reorganization to fight the war had shown the scope for direct state intervention to secure particular social and economic outcomes. Total war had demonstrated the capacity of the state and the tasks of post-war reconstruction merely reinforced the centrality of state planning. In Britain, just as in much of the rest of western Europe, it was clear that social and economic recovery from the ravages of war would depend upon the coordinated actions of state agencies.<sup>7</sup>

The inspiration for many of the post-war reforms was a single report, *Social Insurance and Allied Services*, prepared by liberal sociologist William Beveridge. Beveridge was connected through the London School of Economics to a tradition following Keynes, Tawney and the Webbs.<sup>8</sup> Although Tawney and the Webbs were avowedly socialist, Beveridge remained politically liberal throughout his career. His liberalism informed the universal ambitions of his plan.<sup>9</sup>

The Beveridge plan was to provide provide universal benefits to Britons as a condition of citizenship.<sup>10</sup> The plan was to address the 'five giants on the road to reconstruction': want, disease, ignorance, squalor and idleness. The last three of these were not structural impediments to social improvement, but were rather undesirable characteristics within the citizen. Having received this social security, British citizens were expected to procreate (women were to be mothers first, whose professional

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7. Clement Macintyre, "The Stakeholder Society and the Welfare State: Forward to the Past!", 128.

8. Jose Harris, "Political Thought and the Welfare State 1870-1940: An Intellectual Framework for British Social Policy," *Past and Present*, vol. 135 (1992), 116-41.

9. Brian Abel-Smith, "The Beveridge Report: Its Origins and Outcomes," *International Social Security Review*, vol. 45, no. 1-2 (1992), 5-16.

10. George Hoshino, "Britain's Debate on Universal Or Selective Social Services: Lessons for America," *The Social Service Review*, vol. 43, no. 3 (1969), 245-58.

occupations should not detract from family) and to contribute productively to British social and economic life.<sup>11</sup> T. H. Marshall considered the outcomes of these plans to constitute 'social citizenship'.<sup>12</sup>

Although the welfarism of the Beveridge plan involved increased government intervention, it was still constructed in terms of traditional discourses of liberalism and paternalism in Britain. Marshall's idea of a 'right to share in the full social heritage ... according to the standards prevailing in the society'<sup>13</sup> presupposes an existing hierarchical social model, to which hitherto excluded classes can finally gain access. Social citizenship thus carried this burden; the state was to bring Britons into a covenant which encouraged, if not explicitly enforced, a mode of behaviour typified by the upper classes: *das Gentelmanideal*.<sup>14</sup> This was also strengthened by an appeal to crude nationalism. Social policy was designed to educate, house and care for the British people, so that the British nation could increase its industrial and military strength.<sup>15</sup>

Beveridge's report marks an attempt to change the culture of British social policy, in such a way that it could be considered a radical project. This brought the Beveridge plan occasionally at odds with the liberal, and particularly the decentralised, traditions of British governance. In particular, the Beveridge report explicitly promotes collectivity. Beveridge issues a normative call to a common citizenship, although the word is never explicitly used. In Beveridge's report,

the term 'social insurance' ... implies both that it is compulsory and that men stand together with their fellows. ... There is no longer an admitted claim of the individual citizen to share in national insurance and yet to stand outside it, keeping the advantage of his individual lower risk whether of unemployment or of disease or accident.<sup>16</sup>

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11. Joya Misra, "Mothers Or Workers? The Value of Women's Labor: Women and the Emergence of Family Allowance Policy," *Gender and Society*, vol. 12, no. 4 (1998), 376-99.

12. T. H. Marshall, *Citizenship and Social Class*.

13. *Ibid.*, 8.

14. RH Tawney, *Equality*, 36.

15. Fiona Williams, "Racism and the Discipline of Social Policy: A Critique of Welfare Theory," *Critical Social Policy*, vol. 7, no. 20 (1987), 4-29.

16. William Beveridge, *Social Insurance and Allied Services*, 13.

Throughout the report, Beveridge suggests that the radical changes he is encouraging have in fact already occurred in Britain:

Today, views on social policy differ in two respects from those accepted in 1911. There is wide-spread acceptance of a principle of a national minimum. There is growing support for the principle discussed in paras. 24-26 that in compulsory insurance all men should stand in together on equal terms, that no individual should be entitled to claim better terms because he is healthier or in more regular employment.<sup>17</sup>

Strength of the citizenry—a precondition of ‘self-help’ paternalism—is a major factor for Beveridge. Welfarism was designed to encourage productivity and engagement among citizens. The benefits of his plan are that:

such better distribution [of wealth] cannot fail to add to welfare and, properly designed, it can increase wealth, by maintaining physical vigour ... Unemployment and disability are already being paid for unconsciously; it is no addition to the burden on the community to provide for them consciously.<sup>18</sup>

The influence of Keynes can be seen most strongly in the above paragraph. Keynesian economics, which held that government intervention in the market was a productive exercise, was central to the welfarist project. In Britain, rights-based social welfare was still expected to be primarily industrial, and to increase productivity. In Keynes’ *General Theory*:

public works even of doubtful utility may pay for themselves over and over again at a time of severe unemployment, if only from the diminished cost of relief expenditure.<sup>19</sup>

From 1944 through 1948, sweeping social policy initiatives were enacted by both mainstream political parties, the institutions of the National Health Service, and government-funded education among them.

Education was to be provided as a citizen’s right. Under the Education Act 1944, introduced by the Conservative Government, education was to be provided in order to

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17. *Ibid.*

18. *Ibid.*, 167.

19. John Maynard Keynes, *The General Theory of Employment Interest and Money*, 127.

improve the behaviour of the citizen. The then Education Minister, R.A. Butler, summarised ‘an educational system by itself, cannot fashion the whole future structure of a country, but it can make better citizens’.<sup>20</sup> Furthermore,

traditions and standards which have been a feature of our British education should, so far as possible, be preserved. There is no desire to ‘level down’; there is only a desire to bring everybody, ever upward.<sup>21</sup>

Education was to be provided as a matter of right: ‘instead of a rudimentary education, under this Bill we hope to institute the broader training of a citizen for all’.<sup>22</sup> But it was also provided in order to increase British industrial strength: ‘education itself will oil the wheels of industry and will bring a new efficiency, the fruit of modern knowledge, to aid the ancient skill of farm and field.’<sup>23</sup> It would remain decentralised, administered by local government bodies, and would conform to traditional models of British governance. Its tripartite structure (grammar schools, secondary schools and technical schools) also promoted meritocracy rather than strict equality,<sup>24</sup> in a manner akin to the meritocratic ideas of Keynes.

The National Health Service, implemented by a Labour Government in 1948, introduced universal health care to British citizens. This was also established as a matter of right. Aneurin Bevan claimed that ‘a person ought to be able to receive medical and hospital help without being involved in financial anxiety’.<sup>25</sup> The NHS stressed collectivism, universalism and, rare in British political history, centralisation. Bevan’s scheme would centralise health services under the Ministry of Health, and would administer hospital care not from the local, but from the central government.

That this was a poor fit with traditions of British governance, Bevan was clearly aware. Bevan pushed the need for centralisation, while also taking care to explain how some

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20. House of Commons Debates, 19 January 1944, vol 396, <http://hansard.millbanksystems.com/commons/1944/jan/19/education-bill> (accessed 27 February 2011).

21. *Ibid.*

22. *Ibid.*

23. *Ibid.*

24. Howard Glennerster, *British Social Policy Since 1945* (Oxford: Blackwell, 1995), 56.

25. House of Commons Debates, 30 April 1946 vol 422, available at <http://hansard.millbanksystems.com/commons/1946/apr/30/national-health-service-bill>, (accessed 27 February 2011).

aspects of the programme would remain decentralised. Local government control of hospitals would be inadequate, because

if it be our contract with the British people, if it be our intention that we should universalise the best, that we shall promise every citizen in this country the same standard of service, how can that be articulated through a rate-borne institution which means that the poor authority will not be able to carry out the same thing at all?<sup>26</sup>

Yet, in a memorandum, Bevan explained ‘a centralised service must, indeed, be planned so as to avoid rigidity ... that is why I have proposed that the hospital service be administered locally by Regional Boards and District Committees.’<sup>27</sup>

Liberalism was represented by Bevan’s concern that each British citizen should have ‘freedom of choice’ when deciding upon which doctor to see. Industrialism was to be supported by new technologies of government, based on expert medical advice, which would be used to guide citizen behaviour. The resulting system would be rational and ‘efficient’,<sup>28</sup> and provide opportunities for the development and distribution of new medical technologies. In this way, the NHS would contribute to Britain’s industrial growth.

Bevan relied more heavily upon the paternalistic strand of British governance in order to link welfarism in which traditional modes of governance. Rudolf Klein claims that the NHS instituted a form of ‘technocratic paternalism’ into British governance.<sup>29</sup> The NHS operated, as T.L. Jarman claimed of the whole British welfare regime,<sup>30</sup> like the rational systems of governance in Robert Owen’s utopian communities. ‘Self-help’ would not be diminished by the NHS, but rather strengthened. A modernised health system would provide the state and its citizens with new technologies through which self-government would be enhanced. The success of this discourse and its

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26. *Ibid.*

27. Quoted in Rudolf Klein, *The New Politics of the NHS: From Creation to Reinvention* (Abingdon: Radcliffe, 2006), 14.

28. House of Commons Debates, 30 April 1946.

29. *Ibid.*, 187.

30. T.L. Jarman, *Socialism in Britain*.

accommodation within the mainstream of British political debates allowed the NHS to withstand the neoliberal turn during the 1980s.

If the eventual implementation of welfarism in Britain did not match the expectations of Beveridge and Marshall, the concept of ‘social citizenship’, of rights-based welfare to encourage proper citizen behaviour, was nonetheless at its core.<sup>31</sup> Yet welfarism introduced a point of contention between the liberal and paternalistic aspects of traditional British governance. Once welfarism experienced ‘policy failure’, this contention was strongly felt, and neoliberal discourse rapidly gained influence.

### Thatcher and Neoliberalism

The election of the Thatcher Conservative Government in 1979 heralded the abrupt end of ‘social citizenship’ in British policy discourse. Callaghan had already seen ‘policy failure’ in the ‘stagflation’ of the 1970s. Thatcher’s solution was not just retrenchment of welfare policies, but a wholesale discursive reorientation of the state-citizen relationship, following neoliberal ideas of a ‘small government’ intended to promote productivity, entrepreneurialism and individualism among its citizens. Dennis Kavanagh claims that ‘what made her a novel Conservative was that she was a crusader about changing attitudes and restructuring society and economy—social engineering.’<sup>32</sup>

In short, as Smith notes, Thatcher’s policy radically changed citizens’ expectations of themselves and their state:

electors could [under welfarism] naturally assume that personal taxation would inevitably remain high to allow the state to perform its many duties in social engineering; now [under Thatcher], people probably expect that taxation will remain relatively low, as the state ‘frees the individual’. Asked what a fourth Thatcher government should do, [Government Minister] Nicholas Ridley ... replied: ‘Nothing. That is the proper role of government.’<sup>33</sup>

Strength is a quality seen as admirable in both traditions, but within Thatcherism, this strength was to be gained through individual endeavour—through traditional ‘self-

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31. Howard Glennerster, *British Social Policy Since 1945*.

32. Dennis Kavanagh, *The Reordering of British Politics* (Oxford: Oxford University Press, 1997), 22.

33. Malcolm Smith, *British Politics, Society and the State: Since the Late Nineteenth Century* (Houndmills: Macmillan, 1990), 216.

help'. Influenced by Milton Friedman, Thatcher's Conservative Government argued that inflation would lead to a loss of consumer and business confidence, lower rates of investment and thus higher unemployment.<sup>34</sup> It was thus foolish to try for government to attempt to intervene in the economy to maintain employment directly—the only worthwhile monetary policy was to control inflation.<sup>35</sup> Many of Friedman's ideas, such as stable monetary policy and school vouchers, became aspects of Conservative policy during the era.<sup>36</sup>

Yet Thatcher's record of neoliberal policy implementation is mixed. Kavanagh goes on to argue that 'the figures hardly bear out ministers' claims that the 1980s saw a dramatic relative reversal of the country's economic decline.'<sup>37</sup> Taxes actually increased as a share of GDP over the duration of her Prime Ministership, and although public spending did marginally decline under Thatcher, it steadily rose again under her conservative successor, John Major. Economic growth over the Thatcherite period was lower than the OECD average, and inflation was higher in 1990 than in any other G7 country. The stable monetary policy advocated by Friedman's 'monetarism' was attempted in the first few years of the Thatcher Government but by 1984, as Britain's economic situation declined, the policy was 'effectively dead'.<sup>38</sup>

Thatcher abandoned the goal of 'full employment'. Under neoliberalism, any short-term rise in unemployment would be merely a corollary effect, purging the economy of artificial jobs and encouraging real investment from productive sectors. This would create—to use the Marxist expression—a 'reserve army' of unemployed persons who could be put to use in a boom, creating the optimal circumstance for an economy pursuing growth. Yet Iain MacLean claims that this was not likely an intended outcome from the Thatcher Government:

This is to go too quickly for conspiracy where (as usual) cock-up is the likelier explanation. It is better to assume that Thatcher and Howe did not anticipate that their monetarism would take such a

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34. William Keegan, *Mrs Thatcher's Economic Experiment* (London: Penguin, 1984), 40.

35. *Ibid.*, 58.

36. William J Jr Frazer, "Milton Friedman and Thatcher's Monetarist Experience."

37. Dennis Kavanagh, *The Reordering of British Politics*, 120.

38. *Ibid.*, 122.

huge toll on employment. If they had anticipated it, they would have known that they would have to modify it to have any hope of winning the next election.<sup>39</sup>

The reserve army created by Thatcherite monetary policy was still entitled to unemployment benefits, and this increased the benefits budget substantially.<sup>40</sup> Over the course of Thatcher's rule, several alterations to unemployment benefits law were made to reduce this burden, from removing the indexation of benefit values, to completely disqualifying certain groups of citizens (those under the age of 18, students) from obtaining benefits. The departmental officials responsible for policing the collection of benefits were also given the resources and the instructions to be stricter.<sup>41</sup> The aim was to increase the value of work relative to benefit collection. Thus technologies of government were used to promote individualistic and productive behaviours in citizens. Under neoliberal discourse, there is no structural unemployment, but rather a group of individuals who refuse to work at the income level on offer.<sup>42</sup> Unemployment continued to rise during Thatcherite rule.<sup>43</sup>

In the fight against inflation, unions were another target of Thatcherite policy. Unions pushed for inflationary wage rises; controlling the unions, and advocating a non-inflationary incomes policy, had become the key feature of the previous Labour Government's efforts to curb 'stagflation'.<sup>44</sup> Such a policy promotes union negotiations as a solution to stagflation. For Thatcher, unions were the cause of the problem. Unions have little place within the neoliberal state-citizen relationship; the individual should be free, and even empowered, to determine his or her work conditions. The worker's value,

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39. Iain Maclean, *Rational Choice and British Politics: An Analysis of Rhetoric and Manipulation From Peel to Blair* (Oxford: Oxford University Press, 2001), 217.

40. Chris Grover, "'New Labour', Welfare Reform and the Reserve Army of Labour," *Capital & Class*, vol. 27, no. 1 (2003), 17-23.

41. David G. Blanchflower, and Richard B. Freeman, "Did the Thatcher Reforms Change British Labour Market Performance" (Paper presented at the CEP/NIESR Conference: "Is the British Labour Market Different?", 1993), 37-38.

42. Michael Kitson, and Frank Wilkinson, "The Economics of New Labour: Policy and Performance," *Cambridge Journal of Economics*, vol. 31, no. 6 (2007), 805-16.

43. Ken Coutts, and Wynne Godley, "The British Economy Under Mrs Thatcher," *The Political Quarterly*, vol. 60, no. 2 (1989), 137-51.

44. Colin Hay, "Chronicles of a Death Foretold: The Winter of Discontent and the Construction of the Crisis of British Keynesianism."



and thus the worker's wage, should be determined by the market. Unions could be used to assist in those negotiations, but should not advocate economy-wide policy; this would price workers out of employment, or price businesses out of business.<sup>45</sup>

Various changes in legislation reflected that political logic, and thus substantively changed the political structure in Britain. Under Thatcher's legislative programme, just as trade unions should have the right to represent their individual constituents in resisting ruthless employers, so too should union members be able to resist union leaders. During the 1984 coal strike, Thatcher announced, 'day by day, responsible men and women are distancing themselves from this strike. Miners are asserting their right to go to their place of work.' Furthermore, '[miners'] rights as members of the union are being treated with disdain and [their] suffering is being callously disregarded by a ruthless leadership.'<sup>46</sup> In concert, Industrial Relations Minister Norman Tebbit declared that the government's desire was 'to safeguard the liberty of the individual from the abuse of industrial power.'<sup>47</sup>

Thatcher undermined the 'closed shop', and passed legislation which removed benefits from spouses of strikers, making striking more difficult for union members. The result of these reforms severely reduced trade union influence, all the while promoting the individualistic, productive model of a neoliberal worker, entering into a new discourse of civil rather than social rights, including the right to disagree with union policy.<sup>48</sup>

Thatcher's other major policy successes were in the areas of housing and pensions, where she was able to enact a significant transition from public to private financing. Paul Pierson claims these successes as evidence to support his 'path dependence' theory of welfare resilience; according to the theory, historically significant welfare programmes, strongly embedded within political institutions, are difficult to retrench. Immature or loosely embedded programmes offer much easier cutback options.

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45. Neil J. Mitchell, "Where Traditional Tories Fear to Tread: Mrs Thatcher's Trade Union Policy," *West European Politics*, vol. 10, no. 1 (1987), 33-45.

46. *Financial Times*, 13 November 1984.

47. *The Bulletin*, 24 November 1981.

48. *Ibid.*

Housing policy was a grand achievement of the Thatcher era. Vast swathes of public housing were sold at reduced prices to working-class tenants, with such electoral success that Pierson suggests the Thatcher government was able to enjoy ‘credit claiming rather than blame avoidance’.<sup>49</sup> This particular privatisation policy was so well-liked that, despite being a reduction in welfare provision, the Thatcher government could be openly proud of its achievement.

Pension reform was enacted through making the state pension scheme less attractive than private alternatives. Pierson argues that this was possible due to the ‘immaturity’ of the state pension scheme on offer.<sup>50</sup> According to Pierson’s analysis, Thatcher’s successes here, and her failure to radically change education and health policy, correspond to the relative strength of these institutions. Yet Thatcher’s success in dismantling the unions, a strong institutional force in the British political system, does not match Pierson’s framework. Through looking at policy as representative of a state-citizen relationship, it can be seen that neither union strength, nor government housing or public pensions conformed to the liberal, decentralised, ‘self-help’ traditions of British governance. Education and health, despite being associated with welfarism, developed within traditional discourses of industrial and military strength. These discourses are also traditional, and were strong enough to survive the neoliberal turn in British policy.

In education, piecemeal reform was achieved where radical reform was touted. At the head of education Thatcher placed Keith Joseph, one of her staunchest supporters and a strong advocate of economic liberalisation, who quickly began openly discussing radical ideas.<sup>51</sup> In particular, Joseph became enamoured of Friedman’s voucher system for education. Rather than directly own and fund state schools, the government would give vouchers of a set value to parents, who could use them at any school, whether publicly or privately owned. If parents wished to send their children to expensive schools, the government vouchers would cover a proportion of the cost.

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49. Paul Pierson, “The New Politics of the Welfare State,” 160.

50. Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment*, 55.

51. Clyde Chitty, “Privatisation and Marketisation,” *Oxford Review of Education*, vol. 23, no. 1 (1997), 51-52.

The policy was never implemented, and Joseph blamed the political inexpediency of such a scheme:

In the course of my examination of this possibility, it became clear that there would be great practical difficulties in making any voucher system compatible with the requirements that schooling should be available to all without charge, compulsory and of an acceptable standard.<sup>52</sup>

Joseph also took care to maintain that the voucher scheme failed for political, not financial reasons; in his view, such a scheme would have been practicable, but would not have passed through Parliament without causing significant difficulty for the Conservative Government.<sup>53</sup> Instead, the Conservatives established initiatives which slightly expanded private interest in the education market, and slightly undermined the influence of the Local Education Authorities, which operated at a local level to regulate government schools. The Assisted Places Scheme, introduced in 1981,<sup>54</sup> represents what Peter Taylor-Gooby refers to as ‘reprivatization’, analogous to the sale of public housing.<sup>55</sup> It offered government-funded scholarships to independent schools for students of intellectual capacity but limited financial means; the idea was to be able to send these students to schools which reflected their ability, implicitly suggesting that non-government schools would be able to better educate such students than their government-funded equivalents.<sup>56</sup> Not only did this policy thus have a rhetorical objective—declaring that the private provision of education was better than public—but it also had the effect of moving a proportion of potential students away from the public system, and allowed for a public subsidy to private education. As with many of these policies, there is evidence to suggest that the outcome was less equitable than intended. Many of the students offered assisted places were not from lower socioeconomic backgrounds, but were instead from middle-class families hit by temporary financial

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52. House of Commons Debates, Sixth Series—Vol. 62, Col. 290, written answers to questions, 22 June 1984) cited in *Ibid.*, 51.

53. *Ibid.*, 51-52.

54. *Ibid.*, 47.

55. Peter Taylor-Gooby, “The New Right and Social Policy,” *Critical Social Policy*, vol. 1(1981), 20.

56. Clyde Chitty, “Privatisation and Marketisation,” 48.

distress.<sup>57</sup> As Le Grand argues, even in means-tested programmes it is the middle class, with its higher levels of education and better understanding of government services, which tends to benefit disproportionately from welfare schemes.<sup>58</sup>

This is certainly true of the other big reform of the education system, the City Technology Colleges (CTCs). These were established by the government in order to provide a greater level of choice to parents, to link industry and private funding directly to the provision of education, and to fashion a layer of education institutions which were responsible to the national government rather than to the Local Education Authorities. However, Dale notes that the outcomes of CTCs once again failed to meet all of their objectives. Much of the technical education offered by CTCs was not vastly different from that offered by pre-existing schools, thus these schools did not offer a significant variation for choice-savvy parents. Industry did not support the move in great numbers; in some cases, the government contributed up to 85 per cent of the capital to build CTCs. Only in the latter category, the subversion of the Local Education Authorities, did CTCs achieve some success. CTCs were thus ideological institutions, established to allow a new form of private funding for education, directly linking students to industry.<sup>59</sup> The failure of CTCs to capture industry funding or a large amount of interested families shows that the British citizenry did not take to the idea with anywhere near the fervour of their government.

In health care, the Thatcher Government never committed to full-scale privatisation, but rather implemented policies using New Public Management techniques to institute an internal market in health care, which would treat patients as consumers and reinforce choice in health care provision.<sup>60</sup> Private insurance was also supported, and the number of citizens taking out private cover rose considerably during the Thatcher era.<sup>61</sup>

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57. *Ibid.*, 47.

58. Julian Le Grand, *The Strategy of Equality: Redistribution and the Social Services* (London: Allen & Unwin, 1982).

59. Roger Dale, "The Thatcherite Project in Education: The Case of the City Technology Colleges," *Critical Social Policy*, vol. 9 (1989), 4-21.

60. Rudolf Klein, *The New Politics of the NHS: From Creation to Reinvention*, 125.

61. Chris Ham, "Privatisation on Parade," *British Medical Journal*, vol. 303 (1991), 1009-10.

The Griffiths Report, handed down in 1987, became the catalyst for some of this health care reform. Initially believed to be a canvas upon which a radically transformed health care system might be painted, the Griffiths Report ended by advocating little more than a tinkering around the edges. The Report's suggestions were underpinned by the idea of an 'internal market', whereby health care providers would compete with one another to gain access to patients (and the money received for servicing them), which would foster competition to increase efficiency in service provision. Health care providers such as hospitals would 'opt out' of government management and, newly self-governing, would engage in offering services to patients which would then be paid for by the patient's public insurance. Hospitals took this option only gradually, against the wishes of the British Medical Association.<sup>62</sup> The Thatcher Government, consistent with trends worldwide, also supported the transfer of chronic patients, such as the mentally ill, from institutional to community care, to be looked after by volunteer, community, commercial and family interests. Although there were concerns that this could end up being more expensive per patient than institutional care, given the latter's economy of scale, the Conservatives pressed on. This plan also placed more pressure on families to take full responsibility for care, which would inevitably mean family members (mostly women) would take on full-time caring responsibilities which would mask the real economic cost of reform.<sup>63</sup>

Where Thatcher was able to enact successful reform of the NHS, it occurred within the discourse of 'self-help' paternalism which Bevan had used to establish the system in the 1940s. Private insurance is a clear form of 'self-help'. New technologies of government, following New Public Management methods, offer the same kind of industrial efficiency benefits which Bevan used to justify centralisation. Yet the centralised public provision of the health service in Britain remains unchanged, tied to a discourse of paternalism and industrialism which has in this case succeeded in its contention with the liberal strands of British governance.

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62. Edwin Griggs, "The Politics of Health Care Reform in Britain," *Political Quarterly*, vol. 62, no. 4 (1991), 419-30.

63. Steve Illife, "The Politics of Health Care: The NHS Under Thatcher," *Critical Social Policy*, vol. 5 (1985), 57-71.

Thatcher was able to initiate true, radical reform in terms of housing policy and union power; in the latter case, this altered the structures of governance within the British political system. Yet in each case, she was able to rely upon the traditional ties of the working-class to liberalism, and of ‘self-help’ paternalism, to enmesh these neoliberal strategies within traditional roles of British citizenship. However, Thatcher could not meaningfully alter the means by which education and health were to be provided. Education and health, both supported by traditional ‘self-help’ paternalism and discourses of industrial strength, had achieved discursive dominance in the political system. Although some of these welfare regimes are now again threatened by David Cameron’s reforms to encourage greater local control, they remained in place throughout the Thatcher era.

Yet Thatcher was able to substantively change political discourse in Britain, away from state responsibility and into individual action. This change held through the ‘social investment’ regimes of the Blair and Brown Labour Governments which succeeded her.

## 7.4. Changes in Party Politics

The main alteration in party politics provoked by the neoliberal era is the creation of ‘New Labour’, a campaign run by Tony Blair to ‘modernise’ the Labour Party away from the post-war political environment. ‘New Labour’ accepted the hegemony of Thatcherite citizenship, but recast it in terms of social goods, placing the liberalism of the Thatcher era into Labour’s social democratic discourse. The resulting political framework, labelled ‘social investment’ by Jane Jenson, combine the promotion of the market system with an active interventionist approach to ensure each citizen has equal access to the market system.<sup>64</sup> Welfare is not provided by right, but rather as an investment. Citizens are to be eased into existing market-based social relations.<sup>65</sup>

A common thread in the literature on the formation of ‘New Labour’ is the convergence between the Labour and Conservative party platforms during the 1990s.<sup>66</sup> What was

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64. Jane Jenson, “Redesigning Citizenship Regimes After Neoliberalism. Moving Towards Social Investment,” 30.

65. Jane Jenson, and Denis Saint-Martin, “New Routes to Social Cohesion? Citizenship and the Social Investment State,” 83.

66. Richard Heffernan, *New Labour and Thatcherism: Political Change in Britain* (Hampshire: Palgrave, 2000);

billed as a ‘modernisation’ project in the Labour Party involved the incorporation of certain aspects of Thatcherite neoliberalism. Heffernan claims that

the forward march of the New Right has prompted Labour to alter its programmatic stance, electoral strategy and state political objectives. Unrecognisable as the party which fought the 1983 general election, the word a ‘shift’ is too subtle to describe what has happened to Labour since 1983; ‘re-invention’ nearer the mark but ‘transformation’ perhaps more accurate. This change is both deep and fundamental.<sup>67</sup>

This resembles a spatial model of electoral politics, similar to that of Kitschelt,<sup>68</sup> where parties aim to capture as much of the popular political ground as possible. Such a political system tends toward consensus; if the Conservative Party is winning elections on a particular platform, their main opposition will gradually move toward that winning space.

‘New Labour’ represents a radical alteration to Labour Party discourse and policy, stemming from its unstable early response to Thatcherite dominance. In the first years of Thatcher’s rule, the Left faction of the Party attempted to assert more authority over policy, while several members of the Right faction broke away to form the Social Democratic Party. As a result of this instability, the Party’s 1983 manifesto was an unwieldy compromise between the Right and Left factions, featuring a suite of ‘radical’ socialist policies which Labour MP Gerald Kaufman famously called ‘the longest suicide note in history.’<sup>69</sup>

Tony Blair was instrumental in bringing the Party together behind a ‘modernisation’ programme. By far the most potent symbol of Blair’s modernisation programme was the alteration of Clause IV of the Party’s constitution, which had committed Labour to the full nationalisation of industry. Despite the fact that Labour had never in practice acted upon this commitment—Thatcher-era leader Neil Kinnock described it as ‘nonsense’, and Hugh Gaitskell had attempted to change it during his leadership in

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Dennis Kavanagh, *The Reordering of British Politics*.

67. Richard Heffernan, *New Labour and Thatcherism: Political Change in Britain*, 20.

68. Herbert Kitschelt, *The Transformation of European Social Democracy*.

69. Jim Claven, *The Centre is Mine: Tony Blair, New Labour and the Future of Electoral Politics*, 32-33.

1959—the clause was kept as a sentimental would-be mission statement, printed on Labour Party membership cards as a symbol of socialist faith.<sup>70</sup> Yet throughout the early 1990s, as many within the labour movement saw a commitment to public ownership as damaging to the movement’s chances of success, the issue of revising the clause reemerged. Blair saw this as a means to place his stamp on the Labour Party, to encourage and publicise a changed mission for the Party. Blair managed to convince a wide majority of the Party to support a statement that reads:

The Labour Party is a democratic socialist party. It believes that by the strength of our common endeavour we achieve more than we achieve alone, so to create for each of us a community in which power, wealth and opportunity are in the hands of the many not the few, where the rights we enjoy reflect the duties we owe, and where we live together, freely, in a spirit of solidarity, tolerance and respect.<sup>71</sup>

In practice, Blair’s Labour Government did not attempt radical policy change, and accepted much of the neoliberal policy implemented by Thatcher and Major. However, as Lund argues, *discourse*—the rhetoric used to legitimate policy—was transformed under Blair.<sup>72</sup> Thatcher’s discourse established a state-citizen relationship of individualism, productivity and enterprise. Blair’s discourse was a return to collectivism, encouraging neoliberal behaviour as socially beneficial.<sup>73</sup> The three main themes of the Blairite project can be categorised as ‘third way’ ideology, social inclusion and depoliticisation.

### The ‘Third Way’

Among the scholars of ‘social investment’, Anthony Giddens is held to be the major influence on New Labour’s ‘Third Way’ project.<sup>74</sup> Giddens criticises the view that a welfarist regime and a freely operating market can coexist; in Giddens’ view the two are

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70. *Ibid.*;

71. Matt Beech, *The Political Philosophy of New Labour* (London: I.B. Tauris, 2006), 113.

72. Brian Lund, “Major, Blair and the Third Way in Social Policy,” *Social Policy & Administration*, vol. 42, no. 1 (2008), 43-58.

73. Michael Temple, “New Labour’s Third Way: Pragmatism and Governance,” *British Journal of Politics and International Relations*, vol. 2, no. 3 (2000), 302-25.

74. *Ibid.*, 309.



antithetical. Instead, Giddens suggests that a social-democratic party can accept the market, but can intervene within it to ‘empower’ citizens. At length,

... welfare measures aimed at countering the polarizing effects of what, after all, remains a class society must be empowering rather than merely 'dispensed'. They must be concerned with just that reconstruction of social solidarity mentioned before, on the level of the family and the wider civic culture ...

Positive welfare ... places much greater emphasis on the mobilizing of life-political measures, aimed once more at connecting autonomy with personal and collective responsibilities.<sup>75</sup>

Giddens attaches the term ‘the Third Way’—a term which ‘is of no particular significance in and of itself’<sup>76</sup>—to New Labour. Blair himself used the term ‘the Third Way’ to describe his programme, and the programmes of many other contemporaneous social democratic parties. In a joint manifesto with then German Chancellor Gerhard Schroeder, Blair writes,

most people have long since abandoned the world view represented by the dogmas of left and right. Social democrats must be able to speak to those people ... today’s world requires realistic and forward-looking policies capable of meeting the challenges of the 21st century. Modernisation is about adapting to conditions that have objectively changed, and not reacting to polls.<sup>77</sup>

Here Blair establishes the Third Way as a pragmatic movement aimed at achieving traditional social democratic objectives in a changed context. Rather than wish to directly lead the economy, New Labour appears to wish to prepare citizens for those market forces the government will not control, ‘to make the individual and businesses fit for the knowledge-based economy of the future.’<sup>78</sup> The role of government is ‘to not row, but steer’.<sup>79</sup> Government was not to insert itself into the market; but the market was to insert itself into government.

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75. Anthony Giddens, *Beyond Left and Right: The Future of Radical Politics*, 18.

76. Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, vii.

77. Tony Blair, and Gerhard Schröder, “The Third Way/Die Neue Mitte,” in *The New Labour Reader*, ed. Andrew Chadwick, and Richard Heffernan (London: Wiley-Blackwell, 2003), 110.

78. *Ibid.*, 111.

79. *Ibid.*

Under the Third Way banner, New Public Management technologies of government have been implemented in Britain. This involves the introduction of market logic into service provision, most usually through the creation of quasi-markets. Within neoliberal discourse, the introduction of market mechanisms into welfare provision encourages ‘competition’ and ‘efficiency’ as ends in themselves; under New Labour’s ‘social investment’ discourse, the terms used changed markedly, no longer privileging competition, but rather privileging social outcomes.<sup>80</sup> In New Labour language, ‘joined up’ services would be better able to achieve positive welfare solutions. The idea is that collaboration between public, private and volunteer services will better assist those in need than purely state-led solutions. In practice, the implied restraint in public spending means that many services remained underfunded.<sup>81</sup> Stuart Hall claims that the institution of New Public Management techniques by New Labour is another victory for neoliberalism, whereby

the proposition that markets are the only measure of ‘the social good’— advanced by Hayek, adopted by Mrs. Thatcher, and reinvented by New Labour—has been swallowed, hook, line, and sinker. Marketization in this deeper sense is now installed in every sphere of government.<sup>82</sup>

### Social Inclusion

Ruth Levitas claims that although *social exclusion* ‘first makes its appearance in French social policy in the 1970s, its emergence in the British context owes much to the publication in 1979 of Peter Townsend’s monumental *Poverty In The United Kingdom*.’<sup>83</sup> Whereas Marshall’s ‘social citizenship’ entitled the citizen to access to all of the social tools on offer, the concept of social inclusion involves little more than paid employment, and thus equal opportunity in the economic life of the community. This is firmly stated in the Department for Work and Pensions’ *Opportunity For All 2003*

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80. John Clarke et al., *New Managerialism, New Welfare?* (London: SAGE Publications, 2000).

81. *Ibid.*, 54.

82. Stuart Hall, “New Labour’s Double-Shuffle,” *Review of Education, Pedagogy, and Cultural Studies*, vol. 27, no. 4 (2005), 325.

83. Ruth Levitas, “Let’s Hear it for Humpty: Social Exclusion, the Third Way and Cultural Capital,” *Cultural Trends*, vol. 13, no. 2 (2004), 44; Peter Townsend, *Poverty in the United Kingdom: A Survey of Household Resources and Standards of Living* (University of California Press: Berkeley, 1979).

report, that ‘work is the best route to financial security and inclusion.’<sup>84</sup> Opportunity here is the opportunity to work; the ‘socially unexcluded’ become the unemployed, and the means by which to offer social *inclusion* is to reintroduce citizens into economic productivity. Yet ‘full employment’ has not returned as a government objective. Rather, the role of government here is to discourage reliance upon welfare benefits,<sup>85</sup> and to encourage future ‘self-help’ exercises such as reskilling and increasing financial competence. Attempts to address exclusion with a class character are driven by the goal of moving these people into higher social strata; under the heading ‘breaking the cycle of deprivation’, the report states:

One of the starkest aspects of poverty and social exclusion is the way people’s current situation feeds through into later life—or a parent’s disadvantage feeds through into their children’s lives, continuing the cycle across generations. Today’s poverty can translate into tomorrow’s poor outcomes ... We are also putting in place direct preventative policies to break this intergenerational link, through effective nurturing in the crucial early years, a school system that promotes opportunities, and effective support in the transition from school to further and higher education and work.<sup>86</sup>

Throughout the report, there is an emphasis on the social exclusion of the underprivileged through poverty, and a subsequent lack of access to material goods such as health, education, and housing. The provision of social goods such as education and housing, and the skilling of the underprivileged in order to gain employment, are seen as the answer to these problems. Such underprivileged individuals, having received such social goods, should now be in a position to find ways to best utilise these services for their advancement. Just as Alfred Marshall wanted to transform paupers into gentlemen, so too the Department of Work and Pensions wishes to transform the character of the disadvantaged into that of the socially successful.

Furthermore, the report does not engage with other sources of discrimination, such as on the basis of race, gender, sexuality or disability, which could lead people currently in

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84. Department for Work and Pensions, *Opportunity for All: Fifth Annual Report 2003* (London: Department for Work and Pensions, 2003), 26.

85. Ruth Lister, “From Equality to Social Inclusion: New Labour and the Welfare State.”

86. Department for Work and Pensions, *Opportunity for All: Fifth Annual Report 2003*, 45.

the workforce to face ‘exclusion’. Exclusion in these areas will not disappear once a person becomes gainfully employed. Paid employment may be a way out of poverty—then again, it may not—but it does not guarantee inclusion into society. The effect of New Labour policy was, as with ‘social citizenship’ and neoliberalism before it, to remove undesirable characteristics from British citizens.

Such a claim has been made by Levitas, who argues,

The moral underclass discourse has antecedents in accounts of the mob or the dangerous classes ... It presents the socially excluded as morally distinct from the rest of society. Benefit payments become a moral hazard encouraging dependency rather than a social good preventing destitution.<sup>87</sup>

Citizens under New Labour have both rights and responsibilities. Most notably, citizens have a responsibility to be productive within an economic model set out by the New Labour project.<sup>88</sup> This is rhetorically, if not substantively, different to the Thatcher model, which held individual enterprise as the ideal. Rather, under New Labour the ideal was a productive *society*.

Tony Blair most gregariously outlined this with the words, ‘to all should be given opportunity, from all responsibility demanded.’<sup>89</sup> In this Marx-esque formulation, Blair promises only *opportunity*. Responsibility, however, implies a responsibility to conform to a certain pattern of behaviour, characterised by industrial productivity and ‘self-help’ paternalism.

This rhetoric allowed for Labour to construct a collectivist discourse which implicitly accepted the individualistic model of state-citizen relations established by Thatcher. Equality of opportunity will be conferred upon those individuals who meet the criteria of entrance into a behaviourally predetermined society. ‘Social inclusion’ aims to provide citizens with the specific tools to be sufficiently productive to join their fellows in the market.

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87. Ruth Levitas, “Let’s Hear it for Humpty: Social Exclusion, the Third Way and Cultural Capital,” 44.

88. Ruth Lister, “From Equality to Social Inclusion: New Labour and the Welfare State.”

89. *Ibid.*, 228.

## Depoliticisation

*Depoliticisation* is the name given by Peter Burnham to New Labour's strategy of 'placing at one remove the political character of decision-making';<sup>90</sup> to be, in Anthony Giddens' words, 'beyond left and right'.<sup>91</sup> Burnham outlines three distinct methods of depoliticisation. The first is the relegation of responsibility to ostensibly apolitical bodies, such as granting operational independence to the reserve bank to set monetary policy without the interference of an elected government. The second is the adoption of measures aimed at increasing the transparency and accountability of government, and the third is the adoption of 'rules' to bind governments to strict regimes. The latter limits the ability to make decisions on the basis of political expediency, but also restricts any government wishing to change policy to reflect a change in circumstance.<sup>92</sup>

New Labour has adopted a similar stance on the institution of rules-based policy as described by Györffy, being that such policy reassures a financial market upon which governments depend to finance public expenditure. According to Keech, such rules hinge 'on an explicit theory of perverse discretionary behaviour'.<sup>93</sup> Ed Balls, who in 1997 was Gordon Brown's economic adviser, specifically stated that

in a world of global capital markets in which policy-making by fixed rules has been discredited in theory and practice, governments must take a different route to ensure macroeconomic credibility.<sup>94</sup>

Despite this, New Labour adopted many aspects of rules-based policy. Indeed, New Labour adopted several strict policy rules. The golden rule 'decrees that on average over the economic cycle, the government will borrow only to invest and not to fund current spending.'<sup>95</sup> Not only did Labour set its own rules, but throughout the New

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90. Peter Burnham, "New Labour and the Politics of Depoliticisation," *British Journal of Politics and International Relations*, vol. 3, no. 2 (2001), 127-49.

91. Anthony Giddens, *Beyond Left and Right: The Future of Radical Politics*.

92. Peter Burnham, "New Labour and the Politics of Depoliticisation."

93. William Keech, "Rules, Discretion and Accountability in Macroeconomic Policymaking," *Governance: An International Journal of Policy, Administration and Institutions*, vol. 5, no. 3 (1992), 267.

94. Ed Balls, "Open Macroeconomics in an Open Economy," in *The New Labour Reader*, ed. Andrew Chadwick, and Richard Heffernan (London: Wiley-Blackwell, 2003), 106.

95. Andrew Glyn, and Stephen Wood, "Economic Policy Under New Labour: How Social Democratic is the Blair Government?," *Political Quarterly*, vol. 72, no. 1 (2001), 51.

Labour era in government international rules were keenly followed, such as those of the European Union and the World Trade Organisation. Rules such as these were followed in order to guarantee the government's 'credibility' in global financial markets, to ensure that owners of mobile assets (i.e. capital for investment) are not frightened away from investing in Britain.<sup>96</sup> Such policies also help the British Government attract the cheap debt needed to finance public expenditure, even at restricted levels.<sup>97</sup>

Even as he was deriding rules-based policy, Balls was searching for credibility through 'new institutional arrangements which guarantee a long-term view'.<sup>98</sup> Many of these, such as the European Union's Exchange Rate Mechanism and the World Trade Organisation, come from outside of British domestic politics.<sup>99</sup> Therein lies the difference between Blair and Thatcher—Thatcher's commitment to rules-based policy was based on a deep ideological commitment to 'neoliberal' policy rules, whereas for Blair, it represented a political tactic to win the support of constituent groups.

Depoliticisation here can be seen as the Blair government taking on the role of the socially excluded. Entrance into international institutions, and adherence to the neoliberal policies required of entry, was a way of establishing Britain as an 'included' and responsible international citizen. The necessity of policy designed to placate international financial markets is not a compromise, but a social good in and of itself. New Labour has constructed the market as a provider of social goods, and adherence to market rules has become a key reciprocal feature of the state-citizen relationship—both the state, and the citizen, must be market operators in order to achieve 'social inclusion' and to 'live together, freely, in a spirit of solidarity, tolerance and respect'.<sup>100</sup>

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96. Colin Hay, and Mark Watson, "The Discourse of Globalisation and the Logic of No Alternative: Rendering the Contingent Necessary in the Political Economy of New Labour," *Policy and Politics*, vol. 31, no. 3 (2003), 289-305.

97. Dóra Gyórfy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*.

98. Ed Balls, "Open Macroeconomics in an Open Economy," 106.

99. Peter Burnham, "New Labour and the Politics of Depoliticisation," 143-44.

100. Matt Beech, *The Political Philosophy of New Labour*, 113.

## 7.5. The Contention between Liberalism and Paternalism in British Citizenship

The British state has been influenced by early industrialisation, a strong union movement, decentralisation and a strict class system. As a result, British politics has been characterised by a state-citizen relationship based upon a contentious mix of liberalism and 'self-help' paternalism. Welfarism hinged itself upon the strand of paternalism in traditional British governance. The success of neoliberalism in overturning the welfarist agenda was in its return to strictly 'self-help' paternalism, and its promotion of traditional British liberalism and decentralisation.

Britain offers a key example of the way in which discourses of citizenship have informed and constrained social policy change. The rapid alteration of the state-citizen relationship during World War II, which for the first time centralised government operations, allowed the institutional and discursive space for Beveridge's report and the creation of the welfare state. Thatcher's radical change in favour of neoliberal discourse was a return to traditional modes of British governance. However, some aspects of the welfarist regime, such as health and education, had become so tightly linked to industrial strength and national success that no radical policy change in these areas could occur.

The contention between discourses of liberalism and decentralised governance, and discourses of paternalism and industrial strength, remains in force in Britain. In order for any new radical political project to become successful, it would need to set about a project to again alter the state-citizen relationship, using these two contentious strands of British governance to gain consent and achieve discursive dominance.

## 8. Sweden: Equality, Paternalism and the Strong Society.

### 8.1. The State-Citizen Relationship in Sweden

The Swedish political system is characterised by late industrialisation, early adoption of universal suffrage and the historically strong position of labour and the Social Democratic Party (SAP), leading to a state-citizen relationship based on discourses of equality, cooperation, and paternalism. Welfarism was a remarkably good fit to these traditions of Swedish governance, and has enjoyed great influence in Swedish policymaking. Neoliberalism is a much poorer fit; its implementation in Sweden has been halting and incomplete.

As a result of SAP dominance and a history of cross-class cooperation, Sweden has experienced few paradigm shifts in social policy. Welfarism was instituted early, even prior to World War II, and carried with it many elements of both equality and paternalism. ‘Policy failure’ was not recognised until the economic crisis of the early 1990s, and the wholesale transfer of the neoliberal paradigm has never been fully accepted as a solution. The initial shift toward neoliberalism occurred as a result of



Swedish accession to the European Union in 1991. Accession was promoted on the basis of the gains from international cooperation. Neoliberal reforms have occurred slowly in Sweden, which has refused to adopt the Euro currency. Decentralisation is the only aspect of neoliberal reform to have achieved great success. Two decades after the recognition of ‘policy failure’ in Sweden, much of Swedish social policy retains a welfarist character, and paternalism, cooperation and equality still remain dominant discourses in Swedish policy.

Swedish citizenship has long been linked to a social democratic vision of Swedish governance and social organisation. When universal suffrage was granted to the Swedes, it was the Social Democratic Party (SAP) at the front of the movement;<sup>1</sup> at the first Swedish election under universal suffrage, the SAP was able to form a government with its leader, Hjalmar Branting, as prime minister. The Social Democrats have gone on to be, by far, the most dominant party in Swedish democratic history. From 1932 until 1976 (and with the exception of one month in 1936),<sup>2</sup> the SAP presided over 44 years of continuous government.<sup>3</sup> The unparalleled success of the SAP has allowed its ideology to become synonymous with Swedish democracy. A large universal welfare programme with extensive state intervention in the economy has become part of the basic structure of rights afforded Swedish citizens. And in the period of relative austerity following the collapse of Bretton Woods, the restructure of Swedish governance has largely been performed by the Social Democrats.

Berman attributes the prolonged success of the SAP to what she calls their ‘programmatic beliefs’. Specifically, this involves the identification of the SAP as a broad-based people’s party, rather than a specifically class-based party:

the SAP presented Marxism as a doctrine that demanded that workers take control of their destinies and change their surroundings in order to create a society where all citizens could enjoy the fruits of their labour.<sup>4</sup>

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1. Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe*, 119.
  2. Richard F. Tomasson, “The Extraordinary Success of the Swedish Social Democrats,” 783.
  3. Socialdemokraterna, “The Swedish Social Democratic Party: An Introduction,” 13.
  4. Sheri Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe*, 50.

Furthermore, Aylott claims that not only did the SAP seek to identify itself with the Swedish people, but set about reimagining what it is to be Swedish; thus the Party created the people whom it would represent. In his words,

the idea of ‘the Swedish people’ ... the Social Democrats exploited it skilfully, expanding that use of the term to denote working-class solidarity. It was Per Albin Hansson, SAP’s leader from 1928, who coined the term *folkhemmet*, the ‘people’s home’, to describe his party’s vision.<sup>5</sup>

It was the SAP’s next leader, Tage Erlander, who coined the term the ‘strong society’. This too was an image of the Swedish people designed by and for a Social Democratic government. Aylott refers to it as ‘a mystical merging and identification of state and society.’<sup>6</sup> Lindvall and Rothstein concur, arguing that

although Tage Erlander spoke of a strong society that would satisfy the expectations of citizens demanding more and more from the government as overall welfare increased, he clearly referred to a strong state, or, more precisely, he did not distinguish between the two.<sup>7</sup>

The incorporation of the middle class into a social democratic Swedish identity has made the middle class the key stakeholder in the model’s success.<sup>8</sup> Just as Swedish citizenship is founded upon discourses of equality, cooperation and paternalism, Swedish political institutions are characterised by consensus, trust and governance by elite.

### Consensus

Dahlstedt and Hertzberg have claimed that ‘Swedish society is assumed to be characterised by a “democratic ethos”’.<sup>9</sup> This does not refer to democracy in a literal sense; it is not that the Swedes pride themselves on being able to make democratic decisions or participate directly in politics. Rather, it is that the Swedish variation of citizenship is particularly imbued with the success of Swedish democracy, with the

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5. Nicholas Aylott, *Swedish Social Democracy and European Integration : The People’s Home on the Market*, 59.
  6. *Ibid.*, 60.
  7. Johannes Lindvall, and Bo Rothstein, “Sweden: The Fall of the Strong State,” 50.
  8. Bo Rothstein, *The Social Democratic State*.
  9. Magnus Dahlstedt, and Fredrik Hertzberg, “Democracy the Swedish Way? The Exclusion of ‘Immigrants’ in Swedish Politics,” *Scandinavian Political Studies*, vol. 30, no. 2 (2007), 185.

successful welfare outcomes of democratic governments, and with trust in democratic institutions. The assumption Dahlstedt and Hertzberg have uncovered is the trust Swedes have in Government provision, as opposed to provision by markets alone.

This is not the only manner in which democracy is inextricably linked to Swedish citizenship. In Sweden, democratic decisions are honoured, and interest groups are encouraged to come together to make decisions, rather than allowing markets to decide on economic issues through the intersection of demand and supply. In Petersson's view, this amounts to a 'culture of consensus', that 'different groups are given the opportunity to state their views and be heard.'<sup>10</sup> The strong society 'implied that conflicting interests could be transformed into manageable social problems resolvable through public-sector expansion.'<sup>11</sup> It is thus the conflation of the state and the citizen, the definition of one in its close relationship to the other, which defines Sweden's democratic nationalism.

### Trust

The success of Sweden's broad, centralised welfare state indicates high levels of trust among citizens in Swedish institutions. The near-dominance of the SAP in Swedish government demonstrates that the Swedish citizenry has rarely seen fit to punish the architects of the system. Since the 1960s, however, trust in Swedish governance, measured by surveys, has consistently declined, and Holmberg attributes this to declining support in the citizenry for Swedish politics and political outcomes.<sup>12</sup> In this era, the Swedish governing model has had to deal with the collapse of the Bretton Woods institutions; the ambitious and ultimately failed plans by unions; and, eventually, entrance into the European Union. One interpretation of this data could be that trust in institutions declined in Sweden in a manner proportionate to the decline of the welfare state which underpinned the traditional state-citizen relationship. In any event, the declining trust in government allowed a space for changes in that relationship to emerge in the 1990s alongside accession to the EU.

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10. Olof Petersson, "Democracy and Power in Sweden," *Scandinavian Political Studies*, vol. 14, no. 2 (1991), 176.

11. *Ibid.*, 177.

12. Sören Holmberg, "Down and Down We Go: Political Trust in Sweden," in *Critical Citizens: Global Support for Democratic Government* (Oxford: Oxford University Press, 1999).

Trust in institutions is not the only relevant measure of trust. Rothstein reveals that the form of trust preferred by the social capital theorists—trust in one another—remains strong in Sweden. An increase in individualistic attitudes, occurring in the same time period as a decrease in trust in government, has not led to an increase in distrust in fellow citizens. It has also not produced attitudes associated with neoliberal discourse; individualistic Swedes still value the welfare state, and do not support the idea that the underprivileged are alone responsible for their circumstances. Swedish individualism is in fact a post-materialist phenomenon; it reflects a desire to engage in various sub-cultures and not identify with a national ideal, but still considers government intervention in material circumstances to be valid and desirable.<sup>13</sup> This level of trust in the idea of government, if not in any specific governing party, allows for the continuation of interventionist social policy.

### Paternalism

Although egalitarianism is at the heart of Swedish identity, this egalitarian ideal is to be pursued through the organs of Swedish governance which are controlled by policy elites. Despite the success of democracy, Lindblom holds that ‘to simplify the matter, we could describe the Swedish welfare state as paternalistic’,<sup>14</sup> since ‘in Sweden, the role of citizens has been to passively accept, as clients, the centrally directed services offered.’<sup>15</sup> This is boosted by the design of Sweden’s parliament; unicameralism requires a strong majority for a party to govern and requires strong adherence to party discipline by its members.<sup>16</sup> Petersson claims that ‘an essential element of the Swedish model is social engineering ... experts and specialists have actively participated in shaping public policy.’<sup>17</sup> Lindvall and Rothstein paint a picture of governance by the elite, claiming that

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13. Bo Rothstein, *Social Traps and the Problem of Trust* (Cambridge: Cambridge University Press, 2005), 77-78.

14. Anders Lindblom, “Institutional Legacies and the Role of Citizens in the Scandinavian Welfare State,” *Scandinavian Political Studies*, vol. 21, no. 2 (1998), 110.

15. *Ibid.*

16. Arend Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven, CT: Yale University Press, 1995).

17. Olof Petersson, “Democracy and Power in Sweden,” 177-78.

from the 1930s to the 1980s, Swedish politics was based on the assumption that social change could be accomplished through a political and administrative process...

Beyond rationalism and planning, this political culture was based on consensus in the sense that wide political majorities and the support of interest groups were thought to be of great value.<sup>18</sup>

This changed during the 1980s, when Sweden developed a range of small-scale institutions aimed at increasing citizen participation. Yet Lindvall and Rothstein claim that this reform was not designed to increase individual citizen involvement and thus foster diversity in politics, but instead created institutions aimed at directly encouraging citizens into the existing consensus. The major political parties no longer aimed merely to broach consensus among the major social institutions (labour and capital); they now operated bodies whose purpose is to spread the ideological message through society. Sweden's tradition of ombudsmen is given particular attention; the two authors claim these act as 'ideological state apparatuses', a term derived from Althusser, designed to win the consent of the Swedish polity.<sup>19</sup> The desire to preserve state power is thus used to explain Sweden's relative tardiness in dropping its full employment policy.

### The Strong Society and Full Employment

Sweden had been committed to full employment early, even before World War II.<sup>20</sup> As an adjunct to a strong full employment policy, Sweden's industrial relations regime also supported the 'solidaristic wage', whereby every worker in a particular industry was to be paid the same wage, regardless of the profitability of their employer. This is the basic principle behind the 'Rehn-Meidner' model, developed by the two *Landsorganisationen* (LO) economists in 1951.<sup>21</sup> The provision of a 'solidaristic' wage was intended to promote wage restraint and gradually move Sweden toward the principle of equal pay

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18. Johannes Lindvall, and Bo Rothstein, "Sweden: The Fall of the Strong State," 49.

19. *Ibid.*, 50.

20. Guy Standing, "Training, Flexibility and Swedish Full Employment," *Oxford Review of Economic Policy*, vol. 4, no. 3 (1988), 94-107.

21. Rudolf Meidner, "Gosta Rehn as an LO Economist," *Economic and Industrial Democracy*, vol. 9, no. 4 (1988), 455-74; Lennart Erixon, "The Swedish Third Way: An Assessment of the Performance and Validity of the Rehn-Meidner Model," *Cambridge Journal of Economics*, vol. 32, no. 3 (2008), 367-93.

for equal work. The most unique feature of Sweden's employment programme has been its active labour market policy, which allows for a dynamic and flexible labour market while providing training and subsidies to ease the inevitable pressures of adjustment. When businesses found themselves insufficiently profitable to pay the solidaristic wage, they were allowed to collapse; their former employees were then able to access the active labour market policy, which provided generous payments, training and relocation subsidies, to try to move Swedish workers into the most profitable sectors of the economy.<sup>22</sup> The overall intended effect of this policy was to maintain a productive and successful growing economy, while affording a level of equality and protection suitable to the goals of social democracy.

On top of this, the Swedish government has offered its citizens a number of services and transfers. Services such as health care, child care and education have been offered universally, in the manner Esping-Andersen describes as a citizen's right.<sup>23</sup> Interestingly, such equality of citizenship has pervaded Swedish policy, even during the relatively austere era of economic crisis during and after the 1990s.

## 8.2. Institutional Change

### The Collapse of Bretton Woods

Sweden spent most of the twentieth century using deficit budgets to finance its generous welfare state. The collapse of the Bretton Woods regime, and the subsequent deregulation of financial markets, made access to international finance a key imperative for the Swedish government. This along with global economic downturns had, by 1990, severely impacted upon the ability of the welfare state to meet its obligations.

The point is best made by Gyórfy, who claims that

overall the availability of foreign savings after the liberalization of capital markets presented a convenient way for governments to finance their overspending for a considerable period after the col-

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22. Olof Petersson, "Democracy and Power in Sweden," 176.

23. Gøsta Esping-Andersen, *Welfare States in Transition: National Adaptations in Global Economies* (London: SAGE, 1996), 3

lapse of the Bretton Woods system ... [yet] especially short-term investor irrationality led to inadequate risk assessment.<sup>24</sup>

In other words, where the supply of US dollars dwindled in the aftermath of the floating of that currency, governments looked to private markets in order to finance expansive state policies. This meant playing by a different set of rules, such that

by the 1990s, numerous countries both in the developed and developing world have learnt that in order to benefit from the opportunities and minimize the risks it is crucial to signal credibility of economic policies both in the monetary and fiscal fields.<sup>25</sup>

This was accompanied by a reorganisation of Sweden's internal economy and demographics, such that the 1990s looked radically different from the 1960s. As Esping-Andersen shows, the welfare state was designed for a Fordist, industrial economy, where a large group of working-age contributors provided the funds for a smaller group of dependants, such as pensioners and the infirm. An ageing population, a relatively shrinking working population, and fewer work opportunities have skewed this balance such that the needs of citizens are outweighing the ability to provide. Furthermore, Esping-Anderson invokes Baumol's 'cost disease': as developed nations move away from manufacturing and into service industry, productivity decreases, as it is harder to make gains in productivity from services than from manufacturing. To 'have a "Fordist" welfare state in a "postindustrial" society,'<sup>26</sup> as Esping-Andersen describes it, constitutes 'policy failure' as much as an inability to attract international credit.

### Individualism and Postmaterialism

The 'solidaristic', or postmaterial, individualism of the previous section appears here as an effect caused by these industrial and economic shifts. As Micheletti shows, the increasing dominance of white-collar work, diversification within the union movement, and greater international opportunity wore away the nationalistic, collectivist

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24. Dóra Györfy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 98.

25. *Ibid.*, 175.

26. Gøsta Esping-Andersen, "The Sustainability of Welfare States Into the Twenty-First Century," *International Journal of Health Services*, vol. 30, no. 1 (2000), 4.

framework within Swedish society traditionally operated. When the white-collar union TCO campaigned for greater worker ownership of industry through wage-earner funds, there was a backlash from non-socialist union members which decreased the trust citizens placed in their highly-unionised system.<sup>27</sup> This was coupled with a rise in postmaterialist concerns among citizens who, not content with the materialist visions of socialist unions, demanded a greater range of support structures from their governments. In Micheletti's view,

people holding postmaterialist values did not cause a silent revolution in Sweden, but their points of view were indeed leading to a cultural shift ... a question which could have been asked at the time was whether these developments were generally steering Sweden down a path toward political disintegration.<sup>28</sup>

By the 1990s, the economic crises and the rise of postmaterial concerns led Micheletti to conclude that Swedes had become more individualistic—

rather than considering themselves members of groups, Swedish citizens have begun to identify themselves as individuals and concerned citizens who can exercise political influence in new ways. A key concept in the emerging new collective identity is individual responsibility, community action, and civic republicanism.<sup>29</sup>

In this new identity, consensus and trust remain paramount, but government by elite, worn down after decades of constructions of 'policy failure', has been replaced by a new civic engagement.

### Corporatism

Despite the strength and force of the state in developing the Swedish citizen, the country's large welfare state has been underpinned by equally strong support for private ownership. Early in the country's democratic development, the SAP renounced the cries for nationalisation which had formed part of socialist policy elsewhere in Europe. Although the state would be the centre of Sweden's welfare service provision, private

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27. Jonas Pontusson, and Sarosh Kuruvilla, "Swedish Wage-Earner Funds: An Experiment in Economic Democracy," *Industrial and Labor Relations Review*, vol. 45, no. 4 (1992), 779-91.

28. Michele Micheletti, *Civil Society and State Relations in Sweden* (Aldershot: Avebury, 1995), 114-15.

29. *Ibid.*, 176.



business was allowed and encouraged to flourish.<sup>30</sup> The Swedish model's consensus between unions and labour allowed no role for the State in incomes policy.<sup>31</sup> Such active participation between organisations; in Petersson's words, 'the Swedish corporatist system is manifested in cooperation between the State and the large interest organisations.'<sup>32</sup> This spirit of consensus has allowed for a relatively conflict-free, harmonious political settlement in the country, but at the expense of democracy. The State either withdraws from the formation of policy, or deals only with the largest institutions, in a manner which lacks transparency and opportunities for citizen involvement.

The Swedish citizenry has begun to revolt against this method of conflict resolution. Petersson claims that civil rights, as opposed to the social rights posited by T.H. Marshall, 'have been given a more predominant role in legislation and public debate since the 1970s. The authority of rule by experts has weakened.'<sup>33</sup> Union action against capital in the 1990s undermined the consensus achieved in the many decades previous,<sup>34</sup> yet this breakdown had been a long time coming.

The debate over the 'wage-earner funds' has also made a large impact here. A series of wildcat strikes in 1969 and 1970, spearheaded by workers and not by union officials, led to the decline of the elite model of wage formation between the LO and the SAF.<sup>35</sup> Furthermore, during the 1970s, the LO adopted a 'wage-earner fund' policy. Solidaristic wage restraint had led to a greater concentration of profits in the most efficient companies; these profits were generated by workers, but could not be claimed by them. In 1975, Rudolf Meidner put forward the plan for such profits to be given to the workers in the form of funds, share-like entities which would enable the workers to gain some ownership of the companies for which they worked, and allow employees to

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30. Andreas Bieler, *Globalisation and Enlargement of the European Union: Austrian and Swedish Social Forces in the Struggle Over Membership* (London: Routledge, 2000).

31. Olof Petersson, "Democracy and Power in Sweden."

32. *Ibid.*, 178.

33. *Ibid.*

34. *Ibid.*

35. Michele Micheletti, *Civil Society and State Relations in Sweden*, 94.

participate in crucial decisions.<sup>36</sup> The radical nature of this project attracted strong opposition by the SAF and other employers' groups, and divided the union movement. By the time a watered-down version of the plan was enacted in 1983, the antimony generated by the debate had weakened union solidarity and created a rift between the unions and employers which destabilised the consensus model of wage formation.<sup>37</sup>

Radicalism in the socialist movement was not the only concern for employers. The opening of markets outside Sweden during the 1970s and 1980s made capital flight possible, and encouraged business to act in its own interests against the consensus model.<sup>38</sup> In a parallel development, immigration has undermined the monocultural concept of Swedish identity which fostered trust in Sweden's welfare institutions.<sup>39</sup> The breakdown of the traditional family model, and the move toward a knowledge-based post-industrial economy, have made the relationship between labour and capital more complex, and with greater conflicts of interest.<sup>40</sup>

In these ways, Swedish policy-making has become more complicated, and less prone to easy consensus formation. Yet the policy changes enacted in response to the economic crisis of 1990, including the speedy movement of Sweden toward full membership of the European Union, could only be achieved due to the strength of Sweden's political institutions. This 'policy transfer' was made successful through efforts to minimise the damage such international influences might cause on the Swedish model of social interactions

### Decentralisation

Although the 'strong society' was to be provided by services emanating from a strong centralised state, by the 1980s it was considered that local bodies were better able to

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36. Jonas Pontusson, and Sarosh Kuruvilla, "Swedish Wage-Earner Funds: An Experiment in Economic Democracy.;" Peter Swenson, "Labor and the Limits of the Welfare State: The Politics of Intra-class Conflict and Cross-Class Alliances in Sweden and West Germany," *Comparative Politics*, vol. 23, no. 4 (1991), 379-99

37. Juhana Vartiainen, "Understanding Swedish Social Democracy: Victims of Success?," *Oxford Review of Economic Policy*, vol. 14, no. 1 (1998), 27-28.

38. Nicholas Aylott, *Swedish Social Democracy and European Integration : The People's Home on the Market*, 108.

39. Aleksandra Ålund, and Carl-Ulrik Schierup, *Paradoxes of Multiculturalism: Essays on Swedish Society* (Aldershot: Avebury, 1991), 79-81.

40. Gøsta Esping-Andersen, "Welfare States Without Work: The Impasse of Labour Shedding and Familialism in Continental European Social Policy."

coordinate policy outcomes. In education, health and labour market services, the state divested itself of responsibilities, and handed these to municipalities. In principle, the greater diversity offered by this approach would assist to tailor programmes where they were most appropriate. Additionally, as Lane and Murray suggest, decentralisation was seen a means by which to provide services which were by nature becoming more complex and bureaucratic. A 1983 report on higher education claimed that ‘organisational complexity had to be reduced and the relative scale of the administrative element decreased.’<sup>41</sup> Furthermore, decentralisation had an ideological element; it was seen as ‘an end in itself and as a means to other ends.’<sup>42</sup>

To a certain extent, this was a reaction against the highly centralised nature of the strong society. Again in higher education, the state wielded control in a variety of ways, imposing ‘detailed national curricula, a variety of earmarked state subsidies and a vast number of other regulations concerning resources, organisation, staffing and the control of work...’<sup>43</sup> Tenured staff were appointed by the state, which also had control over the ‘construction of physical facilities and scale of student enrolment.’<sup>44</sup> The movement to decentralise, on the other hand, stressed ‘local decision-making, competition and choice and individual agency.’<sup>45</sup> Some private sector involvement was encouraged, but not at the expense of national regulation; in the 1990s, a voucher system was initiated, whereby citizens were able to use public funds to send their children to independent schools. Some national standards were enforced, but decision-making was delegated to the municipal level, funded by lump-sum (i.e. non-targeted) payments from the state.<sup>46</sup>

In 1996, Sweden began to decentralise its active labour market programmes. Local employment service committees were established, on the idea that ‘local authorities have first-hand knowledge about the nature of local labour market problems.’<sup>47</sup> This

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41. Jan-Erik Lane, and Mac Murray, “The Significance of Decentralisation in Swedish Education,” *European Journal of Education*, vol. 20, no. 2-3 (1985), 167.

42. *Ibid.*, 169.

43. Lisbeth Lundahl, “From Centralisation to Decentralisation: Governance of Education in Sweden,” *European Education Research Journal*, vol. 1, no. 4 (2002), 625.

44. Jan-Erik Lane, and Mac Murray, “The Significance of Decentralisation in Swedish Education,” 165.

45. Lisbeth Lundahl, “From Centralisation to Decentralisation: Governance of Education in Sweden,” 687.

46. *Ibid.*, 691.

47. Martin Lundin, and Per Skedinger, “Decentralisation of Active Labour Market Policy: The Case of Swedish

was particularly driven by the aforementioned policy shift away from placing unemployed citizens in public works programmes, and instead attempting to find them work in the private sector.

The results of these experiments were complex. Firstly, there was some evidence to suggest that decentralisation improved educational outcomes; more students were moving on to upper and higher education. However, those whose situations did not improve were largely from disadvantaged groups, by ethnicity, socio-economic background. As a result, the early 2000s saw the reinstatement of targeted funds delivered by the state to the municipalities, in order to achieve specific outcomes such as increasing teacher numbers.<sup>48</sup> As for the active labour market programmes, Lundin *et al* find that municipality-led programmes tended to focus on outsiders, such as migrants and persons with low qualifications, and tend to place them in services offered by municipalities such as child care.<sup>49</sup> It appears that the basic effect is to solve short-term problems by placing problematic job-seekers in available positions, rather than providing the reskilling and restructuring which could assist in permanently lowering the unemployment level overall.

In each case where decentralisation measures have been introduced in Sweden, traditional discourses of equality has been strengthened rather than undermined. Private entry into fields associated with public provision have still been strongly regulated by the state, whether independent schools funded in part by state vouchers, or private industry staffed through active labour market programmes. Greater choice and competition has been made available through democratic institutions, by cooperation among classes. Neoliberalism has been implemented in its softest forms, in line with international imperatives, such as arresting capital flight and, after the end of the Cold War, joining the European Union.

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Local Employment Service Committees,” *Journal of Public Economics*, vol. 90, no. 4-5 (2006), 776.

48. Lisbeth Lundahl, “From Centralisation to Decentralisation: Governance of Education in Sweden.”

49. Martin Lundin, and Per Skedinger, “Decentralisation of Active Labour Market Policy: The Case of Swedish Local Employment Service Committees,” 795.

## 8.3. Policy Change

### Accession to the European Union

The decision by the SAP in 1991 to apply to join the European Union, after many years of staunch opposition, constitutes a dramatic about-face which has attracted many interpretations. Christine Ingebritsen contends that Swedish policy has been dominated by sectoral interests, such that ‘the capacity of the state to pursue an integrationist strategy varied according to the political influence of leading sectors,’<sup>50</sup> and that once business and labour, among others, warmed to EU membership, Sweden found the support and the will to change course. Nicholas Aylott argues that

two environmental changes—the success of the campaign by the Moderates and Liberals to use the European issue to win electoral support, and the short-term effects of economic and financial crisis forced the Social Democratic leadership to refocus its strategy.<sup>51</sup>

Jonas Vlachos sees support for European integration determined by insider and outsider status among Swedish citizens; voters in ‘stable and rich regions’ voted for the EU, which amounts to voting ‘for the dismantling the Swedish transfer system.’<sup>52</sup> Andreas Bieler offers a Gramscian explanation of Swedish EU membership; according to his account, the growth of the EU and its policies and platforms constitutes a historic bloc, an ideology which was absorbed by and gained the consent of the vast majority of European nations. It thus became ‘common sense’ that EU membership was not only necessary but desirable to the previously hostile SAP.<sup>53</sup>

All authors also point to structural preconditions for the change. One reason for Sweden’s hostility to the EU was the former’s commitment to neutrality. Sweden wished to remain unaligned, either to the west (and thus to NATO), or to the Soviet

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50. Christine Ingebritsen, *The Nordic States and European Unity* (Ithaca NY: Cornell University Press, 1998), 33.

51. Nicholas Aylott, *Swedish Social Democracy and European Integration : The People’s Home on the Market*, 127.

52. Jonas Vlachos, “Who Wants Political Integration?: Evidence From the Swedish Eu-Membership Referendum,” *Journal of Public Economics*, vol. 88, no. 7-8 (2004), 1600.

53. Andreas Bieler, *Globalisation and Enlargement of the European Union: Austrian and Swedish Social Forces in the Struggle Over Membership*.

east. According to Ingebritsen, ‘the Swedish government [held that] the policy of neutrality prevented the state from participating in the Common Market.’<sup>54</sup> The position of the SAP had for many years been ‘to augment the credibility of Swedish neutrality by achieving something close to self-sufficiency in certain products, such as food, arms and textiles.’<sup>55</sup> To support the interests of the Nordic states, a specifically Nordic customs union was proposed. This was quickly superceded by the European Free Trade Association (EFTA), a seven-member organisation formed to facilitate trade between those European countries who were uncomfortable with membership of the then European Economic Community (EEC, later the EU).<sup>56</sup> Sweden was a founding member, as was Britain. However the EFTA, undermined by the self-determination preferences of its members, was not strong enough to offer the advantages that an expanding EU could provide. After the dissolution of the Soviet Union, Sweden could effectively question the impact of neutrality upon membership, even as a common defence strategy was being proposed.<sup>57</sup> It was now possible for Sweden to take a formal place in the institutional structures of Europe without becoming an ‘enemy’ of the east.

Furthermore, EU entry is seen within the context of a deepening economic crisis. The oil shocks of the 1970s provoked a move away from Keynesian, and into neoliberal, monetary and fiscal policy in many continental countries such as France and Britain. Sweden chose not to follow that trend, instead looking to decentralisation and the strengthening of active labour market policies as policy solutions. However, such solutions still relied upon a traditional industrial economy which no longer applied in Sweden. The fall of Bretton Woods meant that ‘the Swedish government was forced to start borrowing from abroad,’ a situation that according to Bieler introduced Sweden to the Gramscian ‘common sense’ of rules and self-regulations set by international finance.<sup>58</sup> Sweden deregulated its credit sector in 1985, which led to an asset-price

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54. Christine Ingebritsen, *The Nordic States and European Unity*, 82-83.

55. Nicholas Aylott, *Swedish Social Democracy and European Integration : The People’s Home on the Market*, 50.

56. Lee Miles, *The European Union and the Nordic Countries* (London: Routledge, 1996), 20.

57. Andreas Bieler, *Globalisation and Enlargement of the European Union: Austrian and Swedish Social Forces in the Struggle Over Membership*, 132.

58. *Ibid.*, 41.

boom which collapsed in the early 1990s.<sup>59</sup> In addition, Sweden's internal economic position was entering a more dynamic phase. As labour was moving from manufacturing to services, and as the traditional support networks of family and cultural homogeneity were being transformed, the one-size-fits-all universalism of the strong state was no longer entirely successful in keeping the Swedish economy growing while providing an ever more complex array of social services. In the early 1990s, Sweden 'was suffering from its most acute economic crisis since the 1930s,'<sup>60</sup> with GDP falling by six per cent in three years and total unemployment reaching 13 per cent,<sup>61</sup> a frightening figure in a 'full employment' country.

Lindbeck *et al.*, in a 1993 report given to the government, did not blame the collapse of Bretton Woods or the changing industrial structure of Sweden, but rather pointed to what they considered 'policy mistakes' and 'system failures', which were endogenous within the state. In detail,

the most obvious system failures in the economic sphere are perhaps the high level of public spending, the over-generous social security system, the wide marginal-tax wedges, the low level of private, including household, saving, the detailed regulations and cartelization in various markets, the lax anti-cartel legislation and the inflation-prone system of wage formation.<sup>62</sup>

The authors also claim short political terms and the centralised, unicameral nature of Swedish parliament as 'system failures', while the rapid deregulation of financial markets and poorly-timed tax reform count as 'policy mistakes'. So, it appears that what is being criticised is the Swedish model itself. The authors do not suggest that external forces or changes in the industrial structure are to blame for the crisis—that the Swedish model is no longer valid in a changing economic climate—but rather that the model itself, along with the economic assumptions that underpin it, is false. Neoliberal reforms, such as greater competition in the provision of public services and abandoning

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59. Peter Englund, "The Swedish Banking Crisis: Roots and Consequences," *Oxford Review of Economic Policy*, vol. 15, no. 3 (1999), 80-97.

60. Assar Lindbeck et al., "Options for Economic and Political Reform in Sweden," *Economic Policy*, vol. 8, no. 17 (1993), 220.

61. *Ibid.*, 221.

62. *Ibid.*, 244-45.

centralised wage bargaining, are promoted. Yet even in this context, the traditions of Swedish citizenship remain strong. Vouchers are preferred to privatisation; decentralisation is to be accompanied by national auditing and the provision of greater taxation power to the municipalities. Throughout the document, greater democratic involvement on the part of citizens is recommended. So in a time of acute crisis, where neoliberal policies are advocated as a response to policy failure, the policy measures suggested maintain the key discursive elements of Swedish citizenship.

Nor was this the consensus within the Swedish economics fraternity. Pontusson does believe that external constraints—shifts in Swedish industry and in international economics—challenged the Swedish model.<sup>63</sup> As for endogenous causes of crisis, Pontusson points to centralised bargaining; however, his argument runs entirely counter to that of Lindbeck *et al.* Where those authors sought to end centralised bargaining entirely in order to constrain wage drift, Pontusson believed that the loosening of centralised bargaining patterns in the 1980s in fact caused wage drift. In Pontusson's view, the 'third road' policy pursued by the SAP undermined the wage restraint pursued under the Rehn-Meidner model. The pursuit of corporate profits encouraged wage drift, and pitted unions against each other in the competition for increased wages in their industries. This broke apart the consensus model which had until then dominated Swedish politics. The shifts in Swedish industry from blue-collar to white-collar work undermined the political power of the largest blue-collar union, the LO, and led to the collapse of labour solidarity across the board. Also, increasing demands by labour against capital in the 1970s, particularly in the form of wage earner funds, undermined this method of bargaining. In trying to attract corporate profits, the SAP exacerbated the situation. Wage restraint could not be undertaken in such a competitive environment; along with the asset price boom caused by financial deregulation, this led to high inflation and the risk of capital flight. According to Pontusson the move away from typical Swedish consensus-building set the foundations for the crisis to follow; but this was a result of the exogenous pressures of the post-Fordist economy, and while the

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63. Jonas Pontusson, "At the End of the Third Road: Swedish Social Democracy in Crisis," *Politics & Society*, vol. 20, no. 3 (1992), 305-32.



SAP's policy choices may have been mistakes, some policy change was needed. The move toward EU membership in 1991, in the context of other dramatic changes in SAP orientation, becomes more understandable.

Györffy explains membership of the European Union as yet another example of adopting policies to reassure the international finance community of a nation's investment potential. She claims that

the introduction of a rules-based fiscal policy in advanced economies is seen by international organizations as one of the main reasons for the general decline in deficits in the 1990s.<sup>64</sup>

As such, membership of the European Union could assist Sweden in gaining credit in international markets. Györffy claims, however, that Sweden's return to strict budgeting and fiscal surpluses was not enforced by Europe; that 'Europe had a negligible role in the implementation of reforms,'<sup>65</sup> because the Swedes were so Eurosceptic, and because the requirements of the Stability and Growth Pact were considered too soft for Sweden in crisis time. This may be so, however the key reform which was membership of the European Union can still be seen as part of a campaign to increase trust in the Swedish economy, and conform to what Bieler would claim as Gramscian 'common sense' in the international community.

Aylott develops a more sophisticated explanation for why the SAP changed so quickly from Euroscepticism to support for EU membership. In his view, the crisis of the early 1990s left few policy options open for an SAP hoping to maintain its economic credentials in advance of an election. The other policy option available, a forced devaluation of the Swedish Kronor, would have appeared as a failure to manage the Swedish economy. The opposition conservative party supported EU membership, and opinion polls showed this was not an unpopular policy. The union movement was gradually coming around to the idea; LO chair Stig Malm claimed, 'we pay a political price for standing outside the EC.'<sup>66</sup> The threat of being left out of the closed EU market

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64. Dóra Györffy, *Democracy and Deficits: The New Political Economy of Fiscal Management Reforms in the European Union*, 88.

65. *Ibid.*, 163.

66. Cited in Nicholas Aylott, *Swedish Social Democracy and European Integration : The People's Home on the*

and the threat of an economic collapse signalled policy failure; the end of the Cold War, and the growing support for EU membership among Swedish citizens enabled the consideration of membership as a viable solution. In the circumstances, the SAP chose to adopt membership as policy transfer in an effort to win back the support of Swedish citizens.<sup>67</sup>

After the Conservative victory in the 1991 elections, new Prime Minister Carl Bildt took up the cause of accessions in terms which support Aylott's argument:

for too long, Sweden has been on the sidelines of European cooperation. Yet we have an economy that is very integrated with the rest of Europe. That is an untenable position ... We are absolutely determined to be at the heart of Europe—inside its hard core. We will pay the price, heavy as it may be, because to lose the fight would be even more costly.<sup>68</sup>

Sweden had increasingly relied on international finance in order to support its welfarist infrastructure; during the 1990s Sweden found a new purpose in entering into new international arrangements. This was achieved in the spirit of cooperation and democracy which have been traditional features of Swedish governance. Not only did both mainstream parties support accession, but accession itself entitled Sweden to a role in the democratic institutions of the European Union, whereby Sweden had a chance to influence EU decisions in favour of traditional modes of Swedish governance. In this spirit, then Finance Minister Allan Larsson was quoted in 1991 as saying, 'we will show there is a way to combine price stability on a European level with the Swedish level of unemployment'.<sup>69</sup>

The decision several years later to keep the national currency also supports the idea that democracy and cooperation have had a large influence on Sweden's policy regarding entry into international organisations. In announcing the SAP's decision to not join the Eurozone, Minister for Finance Erik Asbrink claimed,

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*Market*, 123.

67. *Ibid.*

68. *International Herald Tribune*, 27 October 1992.

69. *Reuters News*, 1 July 1991.

I can state that support for accession on January 1st 1999 is lacking. This is clearly shown by numerous opinion polls and other indicators ... Politicians must take citizens' worries seriously.<sup>70</sup>

### Changes in Social Policy Before and After Accession

Sweden's economic crisis occurred late by international standards. By the late 1970s, policy action was being taken across many continents to fight an economic contraction which occurred alongside the collapse of the Bretton Woods consensus, the oil shocks and the decline of industrial production in the developed world. Sweden also enacted reforms to match the circumstances of the 1980s, however these reforms remained very clearly within established parameters. Sweden's 'third road' was meant to distinguish itself from the neoliberal reforms of Thatcher's Britain and the intended socialist restructure of Mitterrand's France. The idea behind the 'third road' was to support an increase in corporate profits and growth, and then aggressively redistribute those profits among the population.<sup>71</sup> Financial deregulation and decentralisation of governance and public services followed, and went some way to delaying the crisis, which finally hit in 1990. Yet even after the onset of the crisis, Sweden avoided most aspects of neoliberalism; internal 'quasi-markets' are the only measures which Sweden and Britain share. Sweden generally failed to enact strict neoliberal reforms, preferring paternalistic measures to create competition within the public sector and retrain its potential labour force.

Sweden's active labour market policy has been strengthened, rather than undermined, since the crisis of the 1990s. Historically, downturns in Swedish employment have provoked measures to increase labour demand, such as public works and recruitment subsidies. However, in the 1990s, direct placement, vocational training and adult education were the most commonly offered services.<sup>72</sup> In conjunction with changes to active labour market policies, the era of fiscal austerity led the Swedish government to reduce the replacement rate of unemployment insurance from 90 per cent to 80 per cent

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70. Cited in Nicholas Aylott, *Swedish Social Democracy and European Integration: The People's Home on the Market*, 168.

71. Jonas Pontusson, "At the End of the Third Road: Swedish Social Democracy in Crisis," 314.

72. Dominique Anxo, and Harald Niklasson, "The Swedish Model: Revival After the Turbulent 1990s?," *International Institute for Labour Studies (Discussion Paper)*, vol. 189 (2008), 6-7.

in 1993, and then to 75 per cent in 1996. Most interesting, however, is that after fiscal consolidation, the Swedish government brought the rate back up to 80 per cent in 1997, showing that the reduction in rates was seen as a temporary measure aimed at preventing fiscal trouble on behalf of the government.<sup>73</sup>

In education, Sweden adopted a measure highly uncharacteristic for its social democratic, centralised welfare state: Friedman's preferred policy of school vouchers. Successive Social Democratic governments during the 1980s liberalised what had been a highly centralised education system, devolving power to the municipalities and allowing some public funds to enter private schools.<sup>74</sup> The election of a centrist government in 1991 shifted that policy again in the direction of school vouchers. Under this policy, if parents chose to send their children to an independent school, their municipality was instructed to send 85 per cent of normal public education funding to the private institution. The 85 per cent figure took into account that private schools were not forced to offer all of the services, such as meals and language instruction, that were compulsory for public schools.<sup>75</sup> Many of the independent schools established were from specific religious backgrounds, or offered alternative pedagogies, such as Waldorf or Montessori. Initially more popular in theory than in practice—only seven per cent of parents availed themselves of independent options within the first two years<sup>76</sup>—the number of independent schools has grown from 166 in 1993 to 596 in 2003.<sup>77</sup> The school choice policy was not at first sufficiently popular to avoid the Social Democrats promising to abolish the system prior to the 1994 election. Yet when the Social Democrats won that election, they did not in fact recentralise education; rather, they made independent schooling far more strictly regulated.<sup>78</sup>

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73. Kenneth Carling et al., "Do Benefit Cuts Boost Job Finding? Swedish Evidence From the 1990s," *The Economic Journal*, vol. 111, no. 474 (2001), 766.

74. Michael Baggesen Klitgaard, "School Vouchers and the New Politics of the Welfare State," *Governance: An International Journal of Policy, Administration and Institutions*, vol. 21, no. 4 (2008), 491.

75. Martin Carnoy, "National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education?," *Comparative Education Review*, vol. 42, no. 3 (1998), 332.

76. *Ibid.*

77. Michael Baggesen Klitgaard, "School Vouchers and the New Politics of the Welfare State," 491.

78. Martin Carnoy, "National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education?," 331.

By 1996, independent schools were still entitled to request municipal funds, only now municipalities were entitled to refuse. These independent schools were required to offer the same services—meals, language instruction—offered by public schools and, if in receipt of public funds, were not allowed to charge additional school fees.<sup>79</sup> Although Sweden still has a system of public funding for private education, a private school availing itself of this system must resemble a public school. As a result, the centralised, universal education system has not been significantly altered even after the institution of an archetypal neoliberal reform package.

Swedish health care did undergo significant change during the 1990s. From a state-based universalist system, the Swedish government attempted a range of reforms, some of which have since been reversed. The Health Care Act of 1983 had decentralised the health system from the national level to the counties, believing that localised institutions were ‘more able to influence the services in a direction that complied with local demands and priorities.’<sup>80</sup> However, health care funding still came from the national level, and the confusion between competing bodies with competing responsibilities took its toll.

In response to these perceived ‘policy failures’, New Public Management techniques proliferated through the Swedish health care system, as they did the NHS, during the 1990s. Competition between health care providers was increased. Where hospitals were once funded and controlled by councils, from 1992 they have been theoretically separate entities, competing amongst one another for council funds.<sup>81</sup> Private provision of health care has also been allowed, although privatisation has been limited—a change which Ake Bergmark labels ‘a shift in degree rather than a shift in kind.’<sup>82</sup> A plan to allow choice between public and private physicians as family doctors, established by a Conservative government in 1993, was abolished two years later by an incoming SAP

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79. Michael Baggesen Klitgaard, “School Vouchers and the New Politics of the Welfare State,” 492; Martin Carnoy, “National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education?,” 335.

80. Finn Diderichsen, “Market Reforms in Health Care and Sustainability of the Welfare State: Lessons From Sweden,” *Health Policy*, vol. 32 (1995), 149.

81. Ake Bergmark, “Market Reforms in Swedish Health Care: Normative Reorientation and Welfare State Sustainability,” *Journal of Medicine and Philosophy*, vol. 33, no. 3 (2008), 241-61.

82. *Ibid.*, 258.

government concerned that such doctors should remain salaried employees.<sup>83</sup> The increase in fees, from SEK 60 in 1990 to SEK 150-260 in 1996,<sup>84</sup> has not had a substantial effect on the proportion of the population who have sought health care,<sup>85</sup> however it has led to a greater inequality between socio-economic groups. Manual labourers are now less likely than professionals to seek medical assistance.<sup>86</sup>

Throughout the 1990s, the number of hospital beds has been dramatically reduced, and the amount of inpatient days per capita has declined by more than half.<sup>87</sup> Some of this is the result of new technologies and means of providing health care; the cost of health care as a percentage of GNP barely changed throughout the decade.<sup>88</sup> If cost were at the core of these changes, the result has been to prevent a cost blow-out, rather than effect a cost reduction.

The patterns of health care reform in Sweden clearly show the continuing power of the idea of services offered as a citizen's right. The initial period of reform, decentralising from the national to the regional level of government, was to increase the democratic dividend of local populations. Although a private market in health care has been allowed, the retention of most of the public health infrastructure, and the SAP's insistence that family doctors be salaried employees, have undermined full private participation in the health care market. Although service fee increases work against the universalism of the health care system, Bergmark claims that this has resulted in a concentration on health care provision to the most needy (presumably as less needy citizens are no longer encouraged to claim more than necessary).<sup>89</sup>

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83. *Ibid.*, 247.

84. Bo Burström, "Increasing Inequalities in Health Care Utilisation Across Income Groups in Sweden During the 1990s?," *Health Policy*, vol. 62 (2002), 119.

85. Ake Bergmark, "Solidarity in Swedish Welfare - Standing the Test of Time?," *Health Care Analysis*, vol. 8, no. 4 (2000), 405.

86. Margaret Whitehead et al., "As the Health Divide Widens in Sweden and Britain, What's Happening to Access to Care?," *British Medical Journal*, vol. 315, no. 7114 (1997), 1006-09.

87. Bo Burström, "Increasing Inequalities in Health Care Utilisation Across Income Groups in Sweden During the 1990s?," 119.

88. *Ibid.*

89. Ake Bergmark, "Solidarity in Swedish Welfare - Standing the Test of Time?," 408.

Sweden has moved toward a two-tier health care system, where the best care is reserved for those who can pay for it. Yet it has done so stallingly, retaining most of its public infrastructure. In health care as elsewhere, neoliberal reform has only occurred within traditions of Swedish politics which favour equality, democracy and cooperation. Where neoliberal reforms have not found a place within these traditions, such as the liberalisation of schools, they have faced the threat of being revoked.

#### 8.4. Changes in Party Politics

A reasonable interpretation of the subtle changes in Swedish policy during the last two decades of the twentieth century would be that party politics in Sweden has hardly changed, even throughout the shock of economic crises and membership of the European Union. Although the SAP has attempted some neoliberal reforms, it has often reversed controversial reforms, such as in unemployment insurance and schooling, when the opportunity permitted. There has been no Thatcher among the centrist parties to institute a radical discursive shift at the level of citizenship. No alternative to the Swedish model of social interactions—of consensus, trust and government by elite—has been accepted. As a result, the implementation of neoliberal reform in Sweden has been a slow, careful process within historical limits.

# 9. France: Radicalism and Conflict

## 9.1. The State-Citizen Relationship in France

Whereas most political systems tend toward an ideological centre, with major parties competing to secure the centre ground, France has a history of more radical political conflict.<sup>1</sup> The *Parti Socialiste* (PS), refusing to become a centrist ‘social democratic’ party, came to power in 1981 intending to install a suite of radical social policies which would dramatically change the state-citizen relationship.<sup>2</sup> However, the Mitterrand Government—the first socialist government of the Fifth Republic—could not secure the means by which to enact this agenda, neither within the French citizenry,<sup>3</sup> nor within the international financial markets required to finance expansionist policy.<sup>4</sup> The eventual

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1. François Furet et al., *La République Du Centre: La Fin De L'Exception Française* (Paris: Calmann-Levy, 2988); Mairi Maclean, “Privatisation, Dirigisme and the Global Economy: An End to French Exceptionalism?,” *Modern & Contemporary France*, vol. 5, no. 2 (1997), 215-27; Jill Lovecy, “The End of French Exceptionalism?,” *West European Politics*, vol. 22, no. 4 (1999), 205-24; Claude Imbert, “The End of French Exceptionalism,” *Foreign Affairs*, vol. 68, no. 4 (1989), 48-60.
  2. Jeffrey Sachs, and Charles Wyplosz, “The Economic Consequences of President Mitterrand,” *Economic Policy*, vol. 1, no. 2 (1986), 290.
  3. Howard Machin, and Vincent Wright, “Why Mitterrand Won: The French Presidential Elections of April-May 1981,” *West European Politics*, vol. 5, no. 1 (1982), 5-35; David S. Bell, *François Mitterrand* (Cambridge: Polity, 2005), 25.
  4. Peter A. Hall, “The Evolution of Economic Policy Under Mitterrand,” 56.



sudden turn toward the centre by the Mitterrand Government represented, in Furet's analysis, the end of the revolutionary project.<sup>5</sup> Yet the centre ground has not lasted. In the years after the Mitterrand government, French politics has radicalised again, around issues relating to both the economy and French identity. The 'policy transfer' enacted by the PS in 1983—the 'U-Turn'—was temporary, and by the 1990s several aspects of the 1981 programme had been reinstated. The French case presents an example of 'thin' learning in policy transfer. The maintenance of radical options in French politics has been made possible by this discourse of radical and conflictual state-citizen relations.

The traditional French citizen, developed in the context of the Revolution, is politically active but individualistic. The French state is centralised, offering a suite of social services but, unlike Britain or France, French social institutions are not constructed to encourage a stable set of sanctioned social behaviours. Policy is more likely to change in France than elsewhere. The lack of a coherent French political centre has caused the absence of a clearly identifiable, static state-citizen relationship in social policy. Rather, the key relationship between the two is conflict: conflict between major parties, between key stakeholders, and between citizens. Industrial unrest is common in France,<sup>6</sup> as are protests against the state.<sup>7</sup> Instead of the corporatist, trustful, cooperative relationship of the Swedes, the French have a conflictual and dynamic relationship with their government, which is reflected in political institutions and their policies.

This has predictably made the French party system unstable. Whereas Soviet-aligned communist parties declined in most of Europe early in the post-war period, the *Parti Communiste France* (PCF) retained electoral might until the 1980s. The PS, therefore found itself unable to become a broad, mainstream people's party like its Swedish counterpart.<sup>8</sup> When Mitterrand's PS came to government in 1981, he included members

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5. Cited in Phillippe Bénéton, "France: Consensus Without Vision," *Journal of Democracy*, vol. 6, no. 3 (1995), 31; Claude Imbert, "The End of French Exceptionalism," 68.

6. Horst Feldmann, "The Quality of Industrial Relations and Labour Market Performance," *Labour*, vol. 20, no. 3 (2006), 564-65.

7. Hank Johnston, "Protest on Unemployment: Forms and Opportunities," *Mobilization: An International Quarterly*, vol. 13, no. 3 (2008), 291.

8. Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin," *Modern & Contemporary France*, vol. 7, no. 1 (1999), 74.

of the PCF in his government; after the 'U-Turn', the PCF withdrew, and the government lost its radical fringe.<sup>9</sup>

The French citizen is a Revolutionary citizen, defined by participation in the French political community, adopting the principles of the Revolution, and embodying its ideals.<sup>10</sup> The Jacobin tradition of French politics remains an important discourse. The Jacobins sought to destroy tradition by building new, centralised political institutions.<sup>11</sup> 'Jacobin' policymaking has been a feature of politics during the Fifth Republic. A predetermined ideal of Frenchness, against which it is impossible to argue, is a reflection of this Jacobin tradition. The stifling of debate, the imposition of centralised policy, and the radical reformation of politics by a newly victorious president, are seen as entirely consistent within the French political tradition.<sup>12</sup> As citizens frequently feel their claims are not being heard by the French political system, unpopular measures are often accompanied by strikes, protests and riots.

The individualistic identity of French citizenship has encouraged such political action, as the populace sees itself not as members of a collective under state protection, but rather as unique citizens with claims to inalienable rights. The French Revolution inspired the human rights discourse, with the Declaration of the Rights of Man in 1789. However, these rights extend only to the individualistic, secular citizen privileged by the Revolution. Group rights, such as the right to openly practice religion and abstain from secular education are not to be tolerated.<sup>13</sup>

As such, pluralistic multiculturalism is seen in France as an undesirable, Anglo-Saxon approach to increased migration. Rather, French migrants are expected to 'integrate'; their own cultural practices are to be retained in private, while the language and the

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9. Armen Antonian, and Irwin Wall, "The French Communists Under Francois Mitterrand," *Political Studies*, vol. 33, no. 2 (1985), 254-73.
  10. William Safran, "Pluralism and Multiculturalism in France: Post-Jacobin Transformations," *Political Science Quarterly*, vol. 118, no. 3 (2003), 439; Phillipe Bénéton, "France: Consensus Without Vision," 37.
  11. See, for example, Patrice LR Higgonnet, *Goodness Beyond Virtue: Jacobins During the French Revolution* (Cambridge: Harvard University Press, 1998).
  12. Phillipe Bénéton, "France: Consensus Without Vision," 37.
  13. William Safran, "State, Nation, National Identity, and Citizenship: France as a Test Case," *International Political Science Review*, vol. 12, no. 3 (1991), 233-34.

secular, political ideals of French citizenship are to be overtly adopted.<sup>14</sup> Ethnic homogeneity in Sweden has been linked to the consensual, non-confrontational attitude to politics;<sup>15</sup> in France, where large-scale postcolonial immigration has reduced ethnic homogeneity, cultural homogeneity has been pushed in order to advance a coherent polity which will adhere to the precepts of French citizenship and national identity.

The rapid increase in immigration from former French colonies in post-war era was met with large-scale public housing projects, which unintentionally formed a ghetto of cultural difference, unemployment and inequality.<sup>16</sup> These have become centres of debate, protest and rioting in recent times.<sup>17</sup> The chosen solution to this policy failure has not, however, been an acceptance of cultural plurality with a *laissez-faire* encouragement of difference, as has been seen in ‘multicultural’ Britain. Rather, integrationist policy has required that migrants adopt French political citizenship. This is particularly acute in concerns over the principle of *laïcité*, or secularism. The practice of French citizenship is still decided by the state.

The key static features of the French state-citizen relationship are *dirigisme*—the centralised power of the state without corporatist cooperation—and political conflict. These aspects have remained constant throughout the political upheaval of the late twentieth century. The ‘U-Turn’ of the Mitterrand Presidency represents the creation of a French centre as a temporary adjustment to international requirements. Unable to finance a welfarist project, the PS adopted some small neoliberal reforms as dictated by the neoliberal paradigm influencing international financial arrangements.

The PS did not create the kind of discursive environment amenable to such radical policy change. Mitterrand’s centre was ‘thin’, and temporary. Mitterrand did not make any overt effort to redefine the state-citizen relationship. The persistence of *dirigisme*

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14. Jeremy Jennings, “Citizenship, Republicanism and Multiculturalism in Contemporary France,” *British Journal of Political Science*, vol. 30, no. 4 (2000), 584.

15. Maureen Eger, “Even in Sweden: The Effect of Immigration on Support for Welfare State Spending,” *European Sociological Review*, Advanced Access jcp017 (2009), 2.

16. Maurice Blanc, “Urban Housing Segregation of North African “Immigrants” in France,” in *Urban Housing Segregation of Minorities in Western Europe and the United States*, ed. Elizabeth D. Huttman et al. (Durham, N.C.: Duke University Press, 1991), 148-51.

17. Cathy Lisa Schneider, “Police Power and Race Riots in Paris,” *Politics & Society*, vol. 36, no. 1 (2008), 133-59; Catherine Wihtol de Wenden, “Urban Riots in France,” *SAIS Review*, vol. 26, no. 2 (2006), 47-53.

and conflict can be seen in the context of the shifting French centre. Through governments led by Presidents Mitterrand, Chirac and Sarkozy, under Prime Ministers Mauroy, Fabius, Chirac, Jospin and Fillon, policy change has often been radical, leading to protests and dramatic policy reversals. Many of the more radical aspects of the 1981 programme have remained popular in the PS ever since, and after the dissolution of the French centre, some of the most radical PS policies have since been implemented.

## 9.2. Institutional Change

The very installation of a socialist government at the 1981 election represents something of an institutional change. Conservatives had dominated the Fifth Republic, which had been shaped by Charles De Gaulle. However, conservative dominance had not diminished the willingness of the French Government to implement the welfarist paradigm. Indeed, the most rapid increase of government spending in the history of the French republic occurred during de Gaulle's reign;<sup>18</sup> it occurred at the same time as his efforts to open the French economy to trade.<sup>19</sup> Despite his predilection toward growth and openness, de Gaulle was ideologically committed to a state that 'should guarantee and protect the French people against the risks of everyday life.'<sup>20</sup> In this effort, de Gaulle was extending a tradition not only of the centralised French state of the revolution, but also of a system of social insurance which had been developed by the first post-war government of 1944-1946. A government announcement dated 4 October 1945 declared the intention to create a 'universal and unique regime to cover all French people from all risks.'<sup>21</sup> Such an idea was influenced by international ideas, such as those of Beveridge.<sup>22</sup> However, unlike the British welfare state, the French social security system was eventually designed to follow existing patterns of insurance,

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18. David S. Cameron, "Continuity and Change in French Social Policy: The Welfare State Under Gaullism, Liberalism and Socialism," in *The French Welfare State: Surviving Social and Ideological Change*, ed. John S. Ambler (New York: New York University, 1991).

19. Serge Bernstein, *The Republic of De Gaulle, 1958-1969*, trans. Peter Morris (Cambridge: Press Syndicate of the University of Cambridge, 1989), 102.

20. *Ibid.*

21. Jean-Pierre Dumant, *La Sécurité Sociale Toujours En Chantier* (Paris: Les Editions Ouvrières, 1981), 39.

22. Nicole Kerschen, "L'Influence Du Rapport Beveridge Sur Le Plan Français De Sécurité Sociale De 1945," *Revue française de science politique*, vol. 45, no. 4 (1995), 570-95.

allowing those who had already achieved some measure of security to keep their existing programmes.<sup>23</sup> This is the basis upon which Esping-Andersen claims France as ‘corporatist’, rather than universal; yet, in most cases, social provision is the domain not of cooperating sectors, but of the centralised state.

Immigration has in some ways presented a challenge to the centralised, revolutionary French model of citizenship. The revolutionary citizen was above all a political nationalist. Although French citizenship does not require specific social behaviours from its citizens as in Sweden and Britain, it does assume a level of political participation. *Laïcité*, or secularism, is a key component of revolutionary France, marking the victory over Vatican influence by enforcing a strict separation of church and state.<sup>24</sup> More abstractly, the revolutionary citizen carries on the work of the revolution, adheres to its central principles (*liberté, égalité, fraternité*) and participates in the development of the French nation. As such, the French citizen is defined not by ethnicity but by political and civic participation.<sup>25</sup> Since the Revolution, France has been willing to accept migrants from various ethnic backgrounds.<sup>26</sup> Yet the large-scale migration of the 1960s and 1970s has caused social fragmentation and conflict.

The 1980s saw the emergence of an anti-immigration discourse particularly aware of a tension, real or imagined, between French citizenship and Islam.<sup>27</sup> At the state level, the social issues relating to immigration were to be ameliorated by a policy of ‘integration’ rather than multiculturalism; although technically migrants had a ‘*droit à la différence*’,<sup>28</sup> this was subsidiary to a policy aimed at integrating migrants into behaviours associated with French citizenship rather than the incorporation of

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23. Mark Kesselman, “The Triple Exceptionalism of the French Welfare State,” in *Diminishing Welfare: A Cross-National Study of Social Provision*, ed. Gertrude Schaffner Goldberg, and Marguerite G. Rosenthal (Westport CT: Auburn House, 2002), 187.

24. William Safran, “State, Nation, National Identity, and Citizenship: France as a Test Case.”; Jeremy Jennings, “Citizenship, Republicanism and Multiculturalism in Contemporary France.”

25. Maxim Silverman, *Deconstructing the Nation: Immigration, Racism and Citizenship in Modern France* (New York: Routledge, 1992), 22.

26. James F. Hollifield, “Immigration and Republicanism in France: The Hidden Consensus,” in *Controlling Immigration: A Global Perspective*, ed. Wayne A. Cornelius (Stanford: Stanford University Press, 2004).

27. Adrian Favell, *Philosophies of Integration: Immigration and the Idea of Citizenship in France and Britain* (New York: Palgrave, 1998), 49-51.

28. *Ibid.*, 51.

pluralistic elements into that tradition. The privilege of a single, traditional concept of what it is to be 'French' has caused a sense of alienation and exclusion among some migrant communities, which have resorted to protest and riots. This has caused a reactionary front within the political system. Despite the existence of the French centre since the 1980s, a far-right party, the *Front National* (FN), has attracted votes from the margins of anti-immigration sentiment. This presents a challenge to the two major parties when considering social policy.<sup>29</sup> Conflict has now asserted itself between the centre and nationalist groups, which reached a zenith moment when FN leader Jean Marie Le Pen defeated PS leader Lionel Jospin in the first round of the 2002 elections.<sup>30</sup> Conflict has also asserted itself between migrant groups, citizens harbouring anti-immigrant sentiments, and the government. Such conflict is of course a key feature of the French political system, but conflict over immigration adds a new element to social policy discourse. Immigration and integration policies are by their very nature engaged with identity politics—who, or what, is 'French'.

In 1989, debate erupted over the decision by Moroccan high school girls to wear traditional headscarves inside a public school;<sup>31</sup> in 2004, such 'ostentatious' coverings, also including Jewish yarmulkes, Christian crosses and Sikh turbans were banned from all public schools.<sup>32</sup> In 2009, a debate began over whether to completely ban any public wearing of the burqa, a full-body veil worn by a minority of Muslim women. This measure has the support of the ruling conservatives, and is opposed by the PS only because, in its view, to outlaw the garment may prove 'counterproductive'. The PS has officially declared that it is opposed to the burqa itself.<sup>33</sup>

While anti-immigration discourse in France is mostly post-materialist in character, the issues faced by recent migrants are more materialistic. Young French citizens of migrant

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29. James F. Hollifield, "Immigration and Republicanism in France: The Hidden Consensus," 164.

30. Arnauld Miguet, "Election Report - the French Elections of 2002: After the Earthquake, the Deluge," *West European Politics*, vol. 25, no. 4 (2002), 207-20.

31. James F. Hollifield, "Immigration and Republicanism in France: The Hidden Consensus," 165.

32. Adrienne Katherine Wing, and Monica Nigh Smith, "Critical Race Feminism Lifts the Veil?: Muslim Women, France and the Headscarf Ban," *UC Davis Law Review*, vol. 743, no. 3 (2005), 743-86.

33. The Economist, "The War of French Dressing: Facing an Increasingly Assertive Islam," *The Economist*, (2010).

backgrounds feel excluded from the equality their citizenship theoretically provides them. In words,

the egalitarian, individualist and hedonist values that their country has instilled in them are sometimes in violent contradiction with the social destiny reserved for them by that country, which makes them particularly sensitive to feelings of oppression and discrimination. Today employment seems the most important issue to be faced.<sup>34</sup>

French social policy therefore now must meet the needs of classes in French society which are identifiable not only through economic means, but also through other social indicators such as race. This makes conflict in the present era even more widely dispersed, presenting new challenges for French politics in the future.

### 9.3. Policy Change

#### The Setting for a Socialist Victory

It is generally claimed that the Socialist victory in 1981 was not so much a socialist victory as it was a repudiation of the Presidency of Viscard d'Estaing.<sup>35</sup> As such, the radical Socialist programme was not supported by all of those who voted Socialist. The subsequent victory of the Socialists in the Parliament, which gave Mitterrand near-complete legislative control, may also be attributed to the general disappointment in conservative rule at the time.

#### The U-Turn and its Consequences

The initial programme put forward by the Mitterrand government was unashamedly expansionist, beyond the welfarism of de Gaulle and d'Estaing, relying upon expectations of a surge in international economic growth which proved too optimistic. As Peter A. Hall notes,

foremost in the minds of its [the Government's] leaders seems to have been a concern to fulfil their electoral pledge to recure rising levels of growth and employment. However, they felt justified in ig-

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34. Véronique de Rudder, "Immigrant Housing and Integration in French Cities," in *Immigrants in Two Democracies: French and American Experience*, ed. Donald L. Horowitz, and Gérard Noiriel (New York: New York University, 1992), 263.

35. Howard Machin, and Vincent Wright, "Why Mitterrand Won: The French Presidential Elections of April-May 1981.,"; David S. Bell, *François Mitterrand*, 25.

noring the adverse effects of such a reflation on the trade deficit because most forecasters were predicting an upturn in world economic activity in 1982, which after a brief deterioration was expected to improve the balance of payments deficit.<sup>36</sup>

As the French Government began to realise that international conditions were unfavourable to their preferred economic policy, the first response was to request a change in international conditions. In 1982, under Prime Minister Mauroy, the French Government appealed to the United States to alter their economic strategy, specifically to reduce the exchange value of the dollar, in order to suit the French.<sup>37</sup> Only after the United States refused to cooperate did the Mauroy Government consider rethinking its own economic ideas.<sup>38</sup>

The U-Turn began with small measures; two slight devaluations, followed by a price and wage freeze in June 1982. Yet by 1983, more needed to be done. In the end, the PS faced a dilemma. On the one hand, they could continue an expansionist fiscal policy at the expense of having to leave the European Monetary System and face further international isolation. On the other, they could remain within Europe, and adopt the neoliberal economic strategies favoured by the European Community.<sup>39</sup> Against the wishes of some of his closest advisors, Mitterrand chose the latter. France was to remain strong within Europe; it was to compete with West Germany, and would prove itself to its financiers. Moreover, the PS would prove itself to voters. Staying within Europe and opening the economy was a path with clear goals and means, whereas closing the economy and going alone was uncharted and uncertain territory.<sup>40</sup> Mitterrand decided to follow the French tradition of international engagement, and abandoned the radical aims of the PS for the safety of the centre.

Sachs and Wyplosz offer competing explanations for the failure of the 1981 programme, and the subsequent adoption of neoliberal policy:

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36. Peter A. Hall, "The Evolution of Economic Policy Under Mitterrand," 54.

37. *Ibid.*, 56.

38. *Ibid.*

39. Jeffrey Sachs, and Charles Wyplosz, "The Economic Consequences of President Mitterrand," 276-77.

40. Peter A. Hall, "The Evolution of Economic Policy Under Mitterrand," 56-57.



it is now official doctrine in the Socialist Party that ‘we have learned a lesson’. Yet it is not clear what has been learned. One interpretation ... is that the main problem was the delay in the world recovery ... an expansion was warranted in 1981, and could have been sustained without major external deficits had the world recovery materialized that year, as most forecasts then predicted.

Another possibility ... [is] that the mere election of a Socialist government committed to sweeping social changes and income redistribution, prompted a crisis of confidence among investors, forcing the Franc down and provoking a deep slump on the stock market ...<sup>41</sup>

Although the major features of the Socialists’ 1981 programme were scaled back or jettisoned entirely, there is scant evidence of a shift toward neoliberal philosophy.<sup>42</sup> Markets were reluctantly accepted, but not encouraged; unemployment was still seen as a genuine concern. Industrial relations reform, favouring liberalisation, was actually unintended. The government enacted the *Lois Auroux*, named after Minister Jean Auroux, in an attempt to increase union power—to make workers ‘citizens in the workplace’, and to ‘increase the rights of wage-earners’.<sup>43</sup> However, when employers used unintended loopholes to deal directly with workers, effectively shutting unions out of the bargaining process, the government failed to act, observing the mistake a good opportunity to allow market forces to work without adopting any overt policy.<sup>44</sup> Intervention in the employment market came to an end, publicly owned companies were able to retrench workers, and new financial instruments were allowed into the market; yet all the banks were state-owned, and the credit market favoured conditions beneficial to state debt.<sup>45</sup>

Between 1986 and 1988 Mitterrand faced a period of *cohabitation* with conservative Prime Minister Jacques Chirac. Mitterrand refused to directly support a decree that would allow Chirac to privatise 42 banks and 13 insurance companies on ideological

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41. Jeffrey Sachs, and Charles Wyplosz, “The Economic Consequences of President Mitterrand,” 277.

42. *Ibid.*, 300-01.

43. Jean Auroux, *Les Droits Des Travailleurs: Rapport Au Président De La République Et Au Premier Ministre* (Paris: Collection des Rapports Officiels: La Documentation Française, 1981).

44. George Ross, “From One Left to Another: Le Social in Mitterrand’s France,” in *The Mitterrand Experiment*, ed. George Ross et al. (Oxford: Oxford University Press, 1987), 212.

45. Jeffrey Sachs, and Charles Wyplosz, “The Economic Consequences of President Mitterrand,” 300-01.

grounds; this had the effect of forcing the measure through parliament, which Chirac's conservatives controlled. Mitterrand knew that the law would be passed either way, but by frustrating the easiest form of passage, Mitterrand made the law the responsibility of Chirac alone.<sup>46</sup> Yet when the PS returned to power at the legislative elections of 1988, piecemeal privatisation continued. At this time, Mitterrand's policy was officially *ni-ni: ni* privatisation *ni* nationalisation. Yet this official maintenance of the status quo had its limits, and the lines between private and public became blurred. Foreign companies were invited to purchase small stakes in publicly-owned companies, thus 'allowing the public sector to breathe'.<sup>47</sup> The necessity to conform to European Union rules against state aid to firms also prompted some of the limited privatisation measures.<sup>48</sup> By 1991, Mitterrand had come out in favour of ratifying the Maastricht treaty, which would create a European Union that 'imposed a monetarist vision of an ever-closer union, a logic which had little in common with Keynesian reflationary policies or the Left's traditional objectives.'<sup>49</sup>

The next sections will look closely at the stated policies of Mitterrand's 1981 platform, and their eventual outcomes, in five key areas: nationalisations, industrial relations, social services, economic policy and *autogestion*.

### Nationalisations

The nationalisation of industry represented perhaps the most radical aspect of Mitterrand's 1981 programme. This was undertaken almost immediately after his ascendancy to office. The state effectively bought control of all of the large private banks, and a large share of private industry; according to Cole,

the State thus obtained a majority shareholding in the major industrial sectors of energy, mining, steel, chemicals, artificial fibres, arms, aerospace, telecommunications, electronics and defence. A total of 36 banks were taken into public ownership, as well as the finance companies Suez and Paribas. The result was that the public

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46. David S. Bell, *François Mitterrand*, 128-29.

47. Mairi Maclean, "Privatisation, *Dirigisme* and the Global Economy: An End to French Exceptionalism?", 220.

48. Vivien A. Schmidt, "Privatization in France," in *Privatization Or Public Enterprise Reform?: International Case Studies With Implications for Public Management*, ed. Ali Farazmand (Westport, CT: Greenwood Press, 2001), 67.

49. Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin," 78.

sector increased from around 8 per cent to around a quarter of French industrial capacity ... while the nationalisation of the main banks left the State in control of virtually all credit.<sup>50</sup>

Although the State could have taken control of industry with any more than 50 per cent ownership, Mitterrand insisted on 100 per cent ownership.<sup>51</sup> The decision was ideologically motivated and was a distinct break with the existing structure of French industry, aimed to allow a greater involvement from the state in capital.

### Industrial Relations

Another central pillar to Socialist policy was shortening the working week from 40 to 35 hours. Upon coming to office, the Socialists instituted a 39-hour working week, intending future reductions to reach the 35-hour goal.<sup>52</sup> The idea was to create employment opportunities, reduce the exploitation of labourers and share more evenly the profits of capital. However, workers were not prepared to reduce real wages to control inflation; hours worked were to be reduced, but annual wages were not. As a result, little new employment was actually generated by the change, and the macroeconomic effect was to increase inflation.<sup>53</sup> Also, Crépon and Kramarz have found evidence that some firms fired some minimum-wage workers paid on a 40-hour rate, in order to hire workers whom they could pay on a 39-hour rate; and overall, full-time workers were more likely to lose their jobs after the 39-hour legislation was passed.<sup>54</sup> The PS proved unable create employment in a hostile private sector. As Cole argues, 'employment required cooperation from the business community; by November 1981, confidence in the government from business was gradually deteriorating.'<sup>55</sup>

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50. *Ibid.*, 74.

51. *Ibid.*;

52. Jeffrey Sachs, and Charles Wyplosz, "The Economic Consequences of President Mitterrand," 272; Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin," 75; Bruno Crépon, and Francis Kramarz, "Employed 40 Hours Or Not Employed 39: Lessons From the 1982 Mandatory Reduction of the Workweek," *Journal of Political Economy*, vol. 110, no. 6 (2002), 1355-91.

53. *Ibid.*, 1385.

54. *Ibid.*, 1386.

55. Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin," 75.

## Social Services

The Socialist victory also translated to increases in social provision. Nicole Questiaux took on her position as Social Affairs minister asserting that she would be ‘an activist, not a minister of accounting.’<sup>56</sup> Almost immediately,

the minimum wage was raised by 20 per cent; old-age pensions also by 20 per cent, as were disability allowances, and housing benefits rose by half. Over the 1981-1986 period, the basic state pension rose by 81 per cent for a single person and 64 per cent for a couple—well above the rate of inflation.<sup>57</sup>

However, the U-Turn was to be the death knell for such expansive welfare policies. Questiaux was replaced by Pierre Bérégovoy, who took a decidedly more cautious approach.<sup>58</sup> Social policy continued to expand throughout Mitterrand’s rule, but did so slowly. In the end, the Mitterrand Government presided over spending increases far smaller than those of de Gaulle.<sup>59</sup> Spending has tended to increase despite the ideological flavour of the government. Bruno Pallier has demonstrated that French governments on both sides have preferred increasing resources, such as through higher taxation, than reducing benefits.<sup>60</sup>

## Economic Policy

A notable aspect of French exceptionalism is the relatively low impact of Keynesianism upon its economic policy. Although Keynesianism did influence French policy after the end of World War II, Keynesian texts were scarcely translated into French, and Keynesian ideas were taught in universities alongside, rather than in competition with, orthodox methods.<sup>61</sup> In other countries, Keynesianism was accepted by all mainstream

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56. David Wilsford, “The Continuity of Crisis: Patterns of Health Care Policymaking in France, 1978-1988,” in *The French Welfare State: Surviving Social and Ideological Change*, ed. John S. Ambler (New York City: NYU Press, 1993), 123; George Ross, “From One Left to Another: Le Social in Mitterrand’s France,” 201.

57. Alistair Cole, “French Socialists in Office: Lessons From Mitterrand and Jospin,” 74.

58. *Ibid.*, 75.

59. David S. Cameron, “Continuity and Change in French Social Policy: The Welfare State Under Gaullism, Liberalism and Socialism.”

60. Bruno Pallier, “‘Defrosting’ the Welfare State,” *West European Politics*, vol. 23, no. 2 (2000), 119-20.

61. Robert Boyer, “The Influence of Keynes on French Economic Policy: Past and Present,” in *The Policy Consequences of John Maynard Keynes*, ed. Harold L. Wattel (Armonk, NY: M. E. Sharpe, 1985).

parties; in France, the conservative side retained a conservative economic outlook, while French socialism never entirely divorced itself from Marxism. As Blik and Parguez argue,

Marx drew heavily from Ricardian economic analysis, and it is therefore easy to understand how the French branch of Marxism came to agree with the outcome of the dominant right-wing French economic ideology.<sup>62</sup>

The U-Turn to neoliberal economics is thus seen not as the defeat of Socialist principles, but rather the end of a short-lived Keynesian experiment which itself was contrary to French tradition.<sup>63</sup>

The PS did adopt Keynesian strategies upon entering office, after a collapse of the Keynesian orthodoxy elsewhere. Such strategies represented ‘policy transfer’ in response to the ‘policy failure’ of the economic crisis of the late 1970s.<sup>64</sup> Mitterrand moved to encourage aggregate demand, promoting growth and employment; a policy which differed greatly from the strategies adopted by France’s main trading partners.<sup>65</sup> Yet in the post-Bretton Woods environment, this adherence to Keynesianism was quickly discarded in order to placate the international markets on which the Mitterrand Government was to rely.

### *Autogestion*

A more radical, and uniquely French, pillar of Mitterrand’s socialist strategy was a version of decentralisation known as *autogestion*. This formed a large part of an anti-totalitarian push which the Socialist movement in the wake of revelations about life under Stalinism, in which ‘authority as such was identified with domination and repression.’<sup>66</sup> The logic of *autogestion* was anti-Communist, and was used to differentiate the PS from the PCF.<sup>67</sup> *Autogestion* was a philosophical ideal which would

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62. Jean-Gabriel Blik, and Alain Parguez, “Mitterrand’s Turn to Conservative Economics: A Revisionist History,” *Challenge*, vol. 51, no. 2 (2008), 103.

63. *Ibid.*

64. *Ibid.*, 106.

65. Alistair Cole, “French Socialists in Office: Lessons From Mitterrand and Jospin,” 76.

66. Daniel J. Mahoney, “1968 and the Meaning of Democracy,” *The Intercollegiate Review*, vol. 43, no. 2 (2008), 9.

67. Thomas Rodney Christofferson, *The French Socialists in Power, 1981-1986: From Autogestion to Cohabitation*

reconcile socialist planning with democratic liberalism, without conforming to the centrist, piecemeal reformism of social democracy.

Koichi Nakano translates the term *autogestion* to ‘participatory democracy’, and describes the theory thus:

in today’s society, division of labour, and consequently specialisation of tasks, permeate all parts of life. These tendencies create two categories of citizens—those who are active and those who are relegated to a passive existence ... thereby lies the need to revitalise the local social life and civic participation, thus rendering the citizenry active again.<sup>68</sup>

It can be seen here that the principle of *autogestion* anticipates some of the arguments made by Robert Putnam about social capital, whereby greater civic participation of citizens leads to greater trust in political institutions, benefiting society as a whole.<sup>69</sup> In practice, *autogestion* would decentralise policy to small institutions, such as regional bodies, whose representatives would be directly elected. Such a policy would appear superficially similar to the decentralisation strategies adopted in Sweden, but the French variant offers quite a different theoretical approach. Whereas Swedish decentralisation was concerned with outcomes and efficiency (different policy strategies could be used in specific geographical areas with specific needs), *autogestion* was a philosophy directed toward the exercise of a particular type of democratic citizenship. Although socialism tends toward centralised decision-making, under *autogestion* these decisions would be made at the local level with the participation of citizens themselves. This would enable a form of self-rule which would, ideally, take on a socialist, worker-led character.<sup>70</sup>

However, Mitterrand’s nods toward decentralisation came far short of the principles of *autogestion*.<sup>71</sup> Some functions of public policy were divested from the state to the

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(Newark: University of Delaware Press, 1991).

68. Koichi Nakano, “The Role of Ideology and Elite Networks in the Decentralisation Reforms in 1980s France,” *West European Politics*, vol. 23, no. 3 (2000), 252.

69. Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community*.

70. Raf Geenens, “‘When I Was Young and Politically Engaged’: Lefort on the Problem of Political Commitment,” *Thesis Eleven*, vol. 87 (2006), 19-32.

71. Koichi Nakano, “The Role of Ideology and Elite Networks in the Decentralisation Reforms in 1980s France,” 105; Yves Mény, “The Socialist Decentralisation,” in *The Mitterrand Experiment*, ed. George Ross et al.

regions, however these were largely inconsequential. Universal suffrage of officials at the regional levels was delayed or abandoned, and regional governments were consistently underfunded.<sup>72</sup>

Many of the precepts of PS policy were in direct contradiction to French tradition, and to the ideas of citizenship in France; without a supporting discourse, these radical policies were never fully implemented. *Autogestion* was, ideally, a safeguard against the centralisation of power in the office of the presidency. Although Mitterrand argued vehemently against such pseudo-monarchical power while in opposition, upon gaining office he abandoned such principles in favour of using the traditional power of office to enact sweeping, centralised reform.<sup>73</sup> The failure of *autogestion* reflects the victory of the *dirigiste* state over socialist ideology.

## 9.4. Changes In Party Politics

The experience of the dramatic U-Turn during the Mitterrand Presidency represents a key example of ‘policy transfer’, here transferred from international institutions into French governance, in response to ‘policy failure’. Yet, this transfer did not occur at the level of ‘thick learning’ identified by Checkel,<sup>74</sup> and this brief flirtation with consensual politics did not challenge the radical, conflictual relationship between the citizen and the state. Rather, the centrist solutions offered by the Mitterrand Government after 1982 were seen as temporary. The PS did not alter its radical programme, and aspects of its 1981 agenda reemerged in subsequent years.

In 1997, a third period of *cohabitation* began; this time, conservative President Jacques Chirac was to share power with Socialist Prime Minister Lionel Jospin. Notable for its refusal to join the governments of Britain and Germany in calling for a market-led third way in social democracy,<sup>75</sup> the Jospin Government returned to a traditional *dirigiste*

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(Oxford: Oxford University Press, 1987), 252.

72. Koichi Nakano, “The Role of Ideology and Elite Networks in the Decentralisation Reforms in 1980s France,” 106.

73. Phillipe Bénétou, “France: Consensus Without Vision,” 34.

74. Jeffrey T. Checkel, “The Constructivist Turn in International Relations.”

75. Alex Callinicos, *Against the Third Way* (Cambridge: Polity, 2001), 9.

programme, refusing to accept the logic of privatisations and free markets. Many of the 1981 Socialist policies were returned and the PS retained its radical character.

Of course, this did not translate entirely into radical policy outcomes. Although Jospin declared he would renegotiate the stability pact with Germany, there was to be no exit from the European Union.<sup>76</sup> Jospin's anti-privatisation rhetoric also did not translate into policy; rather, most of the outgoing privatisation policies would be enacted, but with a *dirigiste* flavour. Under Jospin, either a controlling stake was maintained by the Government (i.e. France Télécom), or 'friendly' investors were hand-picked during the privatisation process. In this way, privatisation can be seen as a state-led restructuring of French industry which, while reducing the Government's financial interest, has not dramatically reduced Government power.<sup>77</sup> The Jospin Government also finally instituted the previously discarded 35-hour working week,<sup>78</sup> openly discussing the ideal of a return to a 'full employment' economy.<sup>79</sup>

Like Mitterrand before him, Jospin himself called for a new Bretton Woods consensus to re-regulate international finance; Jospin added a call for a Tobin tax on international speculation.<sup>80</sup> Domestically, Jospin attempted piecemeal reform in a radical direction. His 1998 budget had a more expansionist character than anything seen since the beginning of the Mitterrand era, yet Jospin still acknowledged the constraints he faced. The result has been an increase in profits on taxes, and a trend toward greater redistribution; no radical change, but ample radical character.<sup>81</sup>

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76. Frédéric Lordon, "The Logic and Limits of the Désinflation Compétitive," *Oxford Review of Economic Policy*, vol. 14, no. 1 (1998), 96-113.

77. Ben Clift, "The Jospin Way," 174; Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin."

78. Ben Clift, "The Jospin Way," 177; Ben Clift, "The Political Economy of the Jospin Government," *Modern & Contemporary France*, vol. 10, no. 3 (2002), 325-37; Frédéric Lordon, "The Logic and Limits of the Désinflation Compétitive," 111.

79. Ben Clift, "The Jospin Way," 178.

80. Ben Clift, "The Political Economy of the Jospin Government," 327. A Tobin Tax is a tax imposed upon transactions converting one currency into another, aimed to stabilise exchange-rate fluctuations.

81. Alistair Cole, "French Socialists in Office: Lessons From Mitterrand and Jospin," 79.



## 9.5. The Persistence of Conflict as the Dominant Feature of State-Citizen Relations

Whereas Britain represents a model of ‘thick learning’ through domestic influences and institutions, and Sweden represents a model of ‘thick learning’ through international institutions, France shows only ‘thin’ learning through international institutions. The PS, at least, shows no sign of having acceded to neoliberal hegemony. Even in a neoliberal international environment, the PS has maintained rhetoric, and attempted policy, consistent with a large, centralised, interventionist state and a distrust of markets. Although the U-Turn of 1983 marks the beginning of a French ‘centre’, this was only temporary, and does not reflect the kinds of consensus which have formed across most other developed nations. Conflict between radical ideas remains the key feature of French political institutions.

This conflict naturally appears at the level of civil society, through industrial unrest, protests and even riots. Recent years under the Sarkozy government have seen riots by migrant communities against exclusion from economic opportunity; wide-scale protests against neoliberal industrial relations reforms; and industrial unrest relating to budget cuts. Policies restricting the religious practices of migrant groups have brought identity politics into the domain of social policy. This conflict allows the space for radical policy change which the Swedish SAP and the British Labour Party have rejected. As tensions in France increase, the PS may choose to create a new centre; alternatively, it could move in an even more radical direction. Either way, the traditional paradigm of a politically engaged French citizen in a political environment characterised by conflict will allow the PS greater scope when determining its policy, and allow greater chance of influence from international paradigms; although, of course, that influence may not last long in France’s volatile political environment.

## 10. Conclusion

Welfarism and neoliberalism not only constitute paradigms of public policy, but also discursive understandings of the proper relationship between the state and the citizen. Their profound influence during the twentieth century has been a challenge to traditional models of citizenship which developed alongside democracy. The incorporation of welfarism and neoliberalism into domestic public policy has required the use of legitimating discourses in order to accommodate these new paradigms into traditional models of governance. The persistence of difference in policy outcomes across nations, despite the dominance in turn of welfarism and neoliberalism internationally, can be seen as the result of a process of negotiation between traditional and novel paradigms which determine the proper function and behaviour of the state and its citizens.

At present, the social investment paradigm offers a challenge to neoliberalism in both the domestic and international levels. Yet both paradigms privilege market-based solutions ahead of direct government intervention. As a result, most social problems are being offered market cures. Climate change is an instructive contemporary case.

In 2005, then British Chancellor of the Exchequer Gordon Brown delivered a speech on climate change to foreign finance and environment ministers. In this speech, he invoked the Bretton Woods conference, declaring

more than 60 years ago, in 1944, the great British economist John Maynard Keynes laid down what he believed were the foundations of economic policy—that it was for government to ensure the twin objectives of high and stable levels of growth and employment.<sup>1</sup>

Implied within this is a call for a similar international compact in order to address climate change. Climate change is constructed as a ‘policy failure’ which will cause poverty, environmental degradation, and harm to the operations of the market:

as these costs unfold, an unstable climate could lead to instability in some societies and economies. And as economic instability increases risk and undermines investment, so climate change will come to threaten our economic development and growth.<sup>2</sup>

As such, the solution lies not only in public investment, but in

carbon trading and of the economic opportunities it brings. I am delighted that the City of London has become a centre of carbon trading activity. And having seen the interest in cap and trade schemes in the north eastern states of the US and in California, and elsewhere, I hope that in due course that we can extend the hand of trading from Europe to other parts of the world.<sup>3</sup>

In fairness, Brown also advocated government spending on research, education and infrastructure. However, carbon trading has become the cornerstone of methods to reduce the use of carbon-intensive energy by industry. Other methods, such as a tax on carbon emissions, have not proved as popular, despite being simpler and more redistributive. Such a tax was considered by the European Union but was rejected after successful lobbying. Braun argues that the construction of carbon trading as the ideal European Union policy was developed through ‘policy networks’, featuring non-government actors such as research and industry groups.<sup>4</sup> The result has been conflict

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1. *The Guardian*, 15 March 2005.

2. *Ibid.*

3. *Ibid.*

4. Marcel Braun, “The Evolution of Emissions Trading in the European Union: The Role of Policy Networks, Knowledge and Policy Entrepreneurs,” *Accounting, Organizations and Society*, vol. 34, no. 3-4 (2009), 469-87.

between European states as they try to minimise the loss of sovereignty resulting from a supranational quasi-market mechanism that will create winners of some states and losers of others.<sup>5</sup>

The state is still the dominant actor in the implementation of social policy. However, policy networks of international organisations and financial institutions are influential. The spread of decision making to different levels, whether decentralised to local government or spread to supranational bodies, increases the avenues through which these networks can influence policy decisions. It will thus be increasingly difficult for any state to adopt policy which diverges radically from the discourses embedded in international politics, and even more difficult for any opposition to propose domestic policy change which is not supported in the international arena.

The present dominance of a neoliberal (or social investment) paradigm internationally represents a consensus on the role of the state and the citizen. In the matter of climate change, the role of the state is not to intervene in the market to reverse ‘policy failure’, but to encourage the market—or create new markets—to solve the problem through individual enterprise. The problem is then recast as a problem not for the state but for citizens; it is citizens, through their economic activities, who will provide the solution to climate change. No longer is it appropriate for the state to protect its citizens from risk; rather, the state must expose its citizens to risk, so that policy solutions can emerge.

The explanatory value of examining policy through its impact on the state-citizen relationship is it exposes the key intended outcomes of policy change. Neither the welfarist nor the neoliberal paradigm can claim to promote apolitically ‘good’ or ‘rational’ social outcomes. Rather, both paradigms aimed to promote some behaviours and discourage others. These behaviours, which would be performed by citizens, are to be encouraged by the state through the enactment of social policy and the utilisation of technologies of government. As the ‘governmentality’ literature shows, these technologies of government, of statistics, analysis and expertise, are increasingly used

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5. Ian Bailey, “Neoliberalism, Climate Governance and the Politics of EU Emissions Trading,” *Area*, vol. 39, no. 4 (2007), 431-42.

to govern conduct at the micro-level. The ‘social investment’ paradigm, incorporating artificial quasi-markets and complex methods of rational accountability, strengthens the link between techniques of ‘governmentality’ and social policy.

These observations can help build a framework through which to analyse public policy decisions on a small scale. In such a framework, each social policy can be analysed to discover the form and function of state and citizen behaviour it is encouraging. Social policies such as targeted taxes and benefit payments can be viewed as attempts by the state to construct its citizens. This is self-evidently true in the case of payments made to a family after the birth of a child, a current Australian policy which encourages procreation. But it can also be seen across the whole spectrum of economic and social policies which encourage some activity at the expense of others.

This framework also illuminates the construction of ‘policy failure’, by showing precisely which behaviours, which social outcomes, such policy has failed to achieve. The appearance of ‘stagflation’ held welfarism responsible for failing to prevent an economic crisis. ‘Policy networks’ influenced by neoliberalism emerged, constructing the crisis as a failure not merely to maintain a healthy economy, but also a failure to encourage risk and enterprise among the body of citizens. This led to a radical reorientation of policy away from the welfarist goal of a social, collective populace. Welfare state retrenchment, and the move toward ‘small government’, can be seen as the pursuit of this neoliberal paradigm of state-citizen relations. Had neoliberalism failed to gain influence, policy actors would have been forced to search within the existing paradigm for understandings of and solutions to the crisis. Both paradigms offer not only techniques of economics, but also complex ideas as to the proper functions and behaviours of the state and its citizens.

These paradigms exist within institutions and discourses. The institutions of governance, both in the domestic and international arenas, have been constructed in accordance with dominant policy paradigms. The Bretton Woods institutions created the institutional setting for welfarism, and through them welfarist policy spread throughout the international political system. The imposition of welfarist policy in domestic jurisdictions created institutions designed to implement the welfarist paradigm, which

reinforced welfarism at the policy level. These paradigms also exist at the level of discourse, informing and constraining the understandings of politics, economics and policy available to political actors. Technologies of government, such as ‘expertise’ in areas of economics, psychology, accounting and mathematics, reflect these dominant paradigms, such that the rational operation of government is conducted in accordance with these discursive constraints.

Yet despite the dominance of the welfarist and neoliberal paradigms over time, wide variations persist in the implementation of these paradigms at the domestic level. Britain, Sweden and France, all occupying a different ‘world’ of welfare according to Esping-Andersen’s now canonical typology,<sup>6</sup> have never seen true policy convergence between them. According to Esping-Andersen, this is due to the institutional settings of the three nations’ political system, which he characterises as liberal, corporatist and social-democratic, respectively. The argument of this thesis is that the variations in policy implementation between these nations also reflect negotiations between the novel paradigms of welfarism and neoliberalism, and traditional state-citizen relationships.

In Britain, the implementation of the welfarist regime occurred during and immediately after World War II, which sparked a temporary and unusual period of centralised governance in order to support the war effort. Traditionally, state and citizen relations in Britain had been characterised by an uneasy mix of liberalism and paternalism embedded in the idea of ‘self-help’. Although certain proper behaviours were to be encouraged among British citizens, these were to be enforced not by a centralised state, but by self-government. Education policy was an easy fit into this ‘self-help’ idiom, and even though welfarist education was to be provided by the state, the Education Act 1944 allowed administration by decentralised local agencies. The institution of a centralised National Health Service appears to have an even more awkward relationship with traditional British liberalism, however its implementation was supported by a discourse of technological industrialism—a ‘technocratic paternalism’<sup>7</sup>—whereby the

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6. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*.

7. Rudolf Klein, *The New Politics of the NHS: From Creation to Reinvention*, 187.

consolidation of health services into the state was seen to increase efficiency and allow for the distribution of new medical technologies, matching Britain's early industrial traditions. The NHS also offered some decentralised administration, while ensuring the citizen was given 'freedom of choice' of doctor and service. In both cases, welfare provision was to be provided as a matter of a citizen's right, in accordance with the welfarist paradigm. Despite the decline of this rights-based approach under the influence of neoliberalism, both the education and health care systems remain intact in Britain; the recent meagre reforms of each system have reinforced the idea of 'self-help', and of industrial efficiency.

Yet the neoliberal paradigm has had success in other areas, particularly in the privatisation of housing and industry, and in the liberalisation of industrial relations. Margaret Thatcher was able to harness traditional discourses of liberalism and 'self-help' to recast union power as a brake on workers' liberty. Such a discourse reflects the long history of liberal tendencies in the British working class, which may no longer have felt adequately represented by an increasingly powerful union movement. The sale of public housing, particularly at prices affordable to the working class, neatly fits long-standing discourses of 'self-help'. At present, Britain has been influenced by ideas of 'social investment' by which direct and indirect state intervention is required to ease citizens into market relations. This discourse is seen in the discourse of both major parties, with current Conservative Prime Minister David Cameron speaking of a 'compassionate conservatism', which acknowledges a collective society—indeed, the 'Big Society'—while promoting individual responsibility:

real change is not what government can do on its own—real change is when everyone pulls together, comes together, works together, where we all exercise our responsibilities to ourselves, to our families, to our communities and to others.<sup>8</sup>

In Sweden, dependence upon international financial markets and the lure of membership of the European Union encouraged 'policy transfer' of the neoliberal paradigm into domestic social policy. The neoliberal influence can be most strongly

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8. *Guardian*, 11 May 2011

seen in Swedish fiscal and monetary policy, as Sweden has normalised its economic arrangements in accordance with European Union rules. Sweden has also conformed to other neoliberal rules, such as the establishment of an independent central bank, so as to better attract international finance.

However, at the level of domestic public policy, little of the neoliberal agenda has been implemented. Some internal markets have been instituted, and there has been a slight liberalisation of education. The Swedish monopoly pharmacy, *Apoteket*, was opened to competition in 2010 after a ruling from the European Court of Justice declaring its practices to be anticompetitive, yet the state monopoly alcohol retailer, *Systembolaget*, remains in place.<sup>9</sup>

The most widespread policy change in Sweden during the neoliberal era has been decentralisation. Yet this, and other liberalisations, have only occurred within traditional discourses of equality, cooperation and paternalism. The role of the Swedish state is still to encourage citizen behaviours associated with the image of the ‘strong society’.

In France, conflict between competing paradigms remains the key feature of the political system. As such, the welfarist and neoliberal paradigms have had varying effects on French social policy, as policies have been implemented and revoked during periods of radical policy change. The neoliberal measures installed by Mitterrand formed a temporary French ‘centre’, a consensus between mainstream parties, which history shows was only a temporary measure. Since the election of Lionel Jospin in 1997, the socialists have instituted some of the key radical policies of Mitterrand’s 1981 agenda, such as the 35-hour working week, while conservative governments have attempted radical neoliberal reforms of industrial relations. Attempts to liberalise the industrial relations system, with a ‘first employment contract’ for new entrants into the job market, met with such strong protest in 2006 that the policy was rescinded.<sup>10</sup>

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9. *Financial Times*, 10 November 2009. Pelle Neroth, “Sweden’s State Pharmacies May Lose Hold Over Drug Sales,” *The Lancet*, vol. 365, no. 9477 (2005), 2079-80.

10. Marco Oberti, “The French Republican Model of Integration: The Theory of Cohesion and the Practice of Exclusion,” *New Directions for Youth Development*, 119 (2008), 55-74. This *Contrat Première Embauche* would offer two-year employment contracts for employees under 26 years of age which offered no protection against dismissal, aimed to increase youth employment in a tight labour market.



The neoliberal paradigm has survived many recent challenges. Climate change and the 2008 Global Financial Crisis, to name two examples, have offered opportunities for political actors to construct neoliberal discourse as a ‘policy failure’.<sup>11</sup> ‘Policy networks’ could form to advocate new paradigms in international institutions, in discourse, and technologies of government. These could then be used to support domestic policy transfer. At present, however, the neoliberal paradigm seems safe from such attacks.

In this view of policy paradigms, it can be seen that all social policy is an attempt to encourage some behaviours at the expense of others. An analysis of social policy at this level could, and perhaps should, study the content of individual policies to illuminate the behaviours condoned and condemned within them. Not only does social policy determine the size of the state, it also determines its function; not only does it give rights (or not) to citizens, it attempts to encourage their actions. An ideal society lies behind many social policy platforms.

The relationship between the state and the citizen is dynamic, but has most often changed through evolutionary steps within established boundaries. Radical change is possible, but only if this radical change can be presented and accepted as a legitimate alteration of this relationship, or as a good fit within existing parameters. To achieve successful policy change, policy actors may adopt a strategy of presenting a case which addresses the impact of such a change upon this relationship. Ultimately, if any novel social policy project is to be attempted, it must confront these paradigms of state-citizen relations.

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11. See, for example, Kevin Rudd, “The Global Financial Crisis,” *The Monthly*, (2009), 20-29.

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