Globalisation and welfare states

Patrick Diamond

Introduction

For the past 30 years there has been increasing scepticism as to whether welfare states are compatible with globalised post-industrial capitalism. There is a view that welfare states distort the market by eroding incentives to work and invest while fuelling high-dependency ratios (Esping-Andersen 1999). There is an argument that demographic and social changes, in particular the ageing society and the weakness of taxation systems, make welfare states fiscally unsustainable. Finally, and most influentially, it is claimed that global economic integration imposes new disciplines upon governments, forcing them to restrain spending on welfare and social protection in order to remain globally competitive (Korpi and Palme 2003). There is an extensive literature on the causes of welfare state retrenchment in Western industrialised societies; most accounts focus on the so-called ‘globalisation effect’.

Research on the relationship between globalisation and welfare states has focused on the tendency of globalisation to enforce cutbacks in state capacity since the 1980s. The argument among an influential group of theorists is that globalisation compels national governments to abandon policies that have sustained welfare states in the post-war era, namely expansionary macro-economic strategies and redistributive social policies (Swank 2005). The fear of capital flight and the risks incurred in running large budget deficits puts downward pressure on public spending. For that reason, welfare states across countries have apparently been converging on a common pathway towards fiscal squeeze and retrenchment.

This chapter will revisit the comparative public policy debate about the relationship between welfare states and globalisation. It will argue that the evidence which demonstrates widespread retrenchment as a consequence of globalisation is not very convincing, and has been surpassed by more recent developments in the advanced capitalist countries. In the late 1990s, a new set of concerns emerged: it was claimed that structural changes from the integration of the global economy to the impact of new social risks provided much-needed impetus for major restructuring of the welfare state. The case was made for a paradigm shift towards a ‘new welfare state’; national governments still had the power to alter institutions and policies rather than being compelled to move on a predetermined trajectory by political and economic forces associated with globalisation. The literature on the ‘trilemmas’ of the welfare state in the service-driven
Globalisation has many facets: it is defined by Genschel (2004: 616) as ‘the international integration of markets for goods, services, and capital’ and is commonly thought to relate to the internationalisation of economics and trade. Nevertheless, globalisation has major consequences for culture and identity, as well as for economic policy: for example, it is argued that the liberal model of globalisation is destroying distinctive identities in the name of ‘Western capitalism’. There is the claim that globalisation (by accelerating the movement of people across borders) has imposed a trade-off between solidarity and diversity; this means that citizens are less prepared to fund collective institutions that no longer benefit people ‘like them’, appearing to offer rewards to newcomers without contribution or reciprocity (Putnam 2007). This development has serious consequences for the future of the welfare state, emphasising that concerns about the sustainability of the welfare state are not only related to economics or trade. The welfare state is affected by the potential values divide between ‘libertarians’ and ‘traditionalists’ beyond the classical dichotomy of Left and Right, particularly in areas such as entitlement to social assistance, unemployment benefit and family policy (Hausermann 2010).

There is no singular definition of the ‘welfare state’; rather there are a variety of welfare state traditions across Western Europe. The sociologist Gosta Esping-Andersen (1990) famously spoke of ‘three worlds’ of welfare capitalism. Navarro and colleagues (2004: 135–136) divide the industrialised countries into four distinctive welfare state traditions: a social democratic model defined by large social transfers, high rates of public sector employment and comparatively low levels of inequality (Sweden, Denmark, Austria, Finland); a Christian democratic model with large social transfers and low public sector employment alongside relatively high rates of poverty (France, Germany, the Netherlands); a liberal model with low spending and low transfers, as well as rising inequality (although, in recent decades, liberal countries have witnessed impressive rates of job creation) (the UK, Canada, Ireland, the US); and finally a ‘dictatorial’ model with initially low levels of spending and public sector employment which had been rising since the 1990s, at least until the post-2008 eurozone crisis (Greece, Portugal, Spain, Italy). Welfare states are hence the unique product of the ideological traditions and institutional structures of a given polity and society.
Discussion and analysis

The convergence versus ‘politics matters’ debate

The academic discussion about whether globalisation had undermined the welfare state in the advanced economy countries took off in the late 1990s. One influential perspective was that regardless of whether a party of the Left or Right was in power, governments were compelled to cut spending on welfare and social security in response to the economic and political forces produced by neoliberal globalisation, particularly the integration of capital markets and heightened capital mobility (Navarro et al., 2004).

Several scholarly perspectives emerged around this debate depicted by Genschel (2004: 615–616): a ‘globalist school’ which emphasised that the integration of the global economy was undermining redistribution and macro-economic stabilisation policies; ‘a globalisation sceptic school’ which claimed that the impact of internationalisation upon the welfare state had been exaggerated; and a ‘revisionist school’ which argued that welfare systems had to be reconfigured to deal with structural challenges but these were not primarily related to globalisation. The section below briefly discusses each in turn.

• The ‘globalist school’ concurred that economic integration was imposing market pressures upon welfare states leading to a ‘race to the bottom’ in social standards. The capitalist economy was being transformed by the internationalisation of economic life which had fundamental implications for the future of the welfare state. The globalisation of economics and trade prevented governments from undertaking large-scale redistribution or public spending, since high taxes would lead to capital flight, while public deficits would mean loss of international market confidence or require a ‘risk premium’ in the form of higher interest rates (Navarro 2004: 133). The ‘credible threat’ of capital mobility gave business interests greater influence in the political system which, in turn, ‘bolsters the appeal of neoliberal economic orthodoxy’ (Swank 2005: 185). Financialisation was accelerating across the advanced economies, and was eroding or destroying distinctive national models. Free trade creates additional pressures, since national governments have to reduce wage costs and regulatory burdens in order to remain competitive with emerging market economies; this led to Cerny’s notion of the neoliberal ‘competition state’ which governments in all the advanced capitalist countries are compelled to emulate (Swank 2005; Genschel 2004). Elsewhere, this perspective has been described as the ‘convergence thesis’, as it argues that all welfare states across the industrialised nations have been forced to cut spending since the 1980s and 1990s as a consequence of globalisation.

• The ‘globalisation sceptic school’ refuted the claim that welfare states were being undermined by global processes, and pointed to empirical examples of where governments appeared to retain policy autonomy while maintaining large-scale welfare provision, notably the Nordic countries. The sceptics argued there was no evidence that the internationalisation of the economy imposed limits upon national policy autonomy (Genschel 2004: 615). Distinctive models of welfare and growth across countries had been retained. In any case, global economic integration was nothing new; it had been underway since the end of the First World War (Gamble 2016). Welfare states developed in the political context of ‘embedded liberalism’; since the 1970s, government intervention and social insurance have been perceived as necessary for states to cope with the effects of economic openness (Rodriguez-Pose 2002; Swank 2005). Marxist theories emphasised that the socialisation of capitalism would require greater collective intervention by the state (Schafer and Streek
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Increased volatility in trade and labour markets requires strategic intervention by governments to maintain political and social stability. Rather than cutting back the welfare state, globalisation has coincided with continuing expansion in the size of government in advanced capitalist democracies.

Finally, the ‘revisionist school’ accepted that welfare states have faced major challenges, but did not attribute these primarily to globalisation. Insofar as welfare states faced problems of affordability and sustainability, they were largely ‘self-inflicted’: the so-called crisis theories of the 1970s averred that the welfare state had become over-burdened with the demands of reconciling markets and politics (Offe 1984; Esping-Andersen 1997). The ‘overloaded state’ thesis has been updated in the light of the pressures of demographic change, and the burden of a rapidly ageing society (Genschel 2004). Moreover, scholars in the revisionist school argue that governments have abandoned Keynesian welfare state policies not because they were compelled to, but because they chose to: political actors on both Left and the Right welcomed the fact that capital liberalisation and exchange rate stability entailed the abandonment of traditional Keynesian remedies, since they no longer believed in the efficacy of short-term expansionary policies (Genschel 2004).

Both the ‘globalisation sceptics’ and the ‘revisionists’ continued to adhere to a ‘politics-first’ approach which insisted that the primary driver of structural change in welfare states is domestic political factors such as ideological traditions and institutional systems rather than globalisation. The literature on ‘varieties of capitalism’ (Hall and Soskice 2001) has emphasised the interdependence of national policies: for instance, in countries with ‘coordinated’ systems of capitalism such as Germany, employers tend to dislike neoliberal reforms of the welfare state which have ‘destabilising’ effects (Swank 2005). Moreover, Korpi and Palme (2003) attest that the ideological position of the party in power matters: for example, governments that are led by social democratic parties have experienced less retrenchment of the welfare state.

The empirical evidence does not favour the ‘globalist school’. For instance, Navarro et al. (2004) found that up until the late 1990s there was no marked reduction in government spending on welfare states, or much robust evidence of convergence across the industrialised countries. More recent data confirm this view.

As Table 30.1 implies, globalisation does not appear to have dramatically affected the size of welfare states as measured by public spending as a proportion of GDP; only the Swedish welfare state has experienced a modest decline. Public sector employment has fallen since the financial crisis, but there is no compelling evidence linking this shift to globalisation. Domestic austerity policies are more likely to be culpable. Neither is there much indication that taxation revenues have fallen, or that states have lost the capacity to tax employment or capital effectively. Where the tax base has declined in countries such as the United States and the United Kingdom, this is mainly the consequence of discretionary policy choices by national governments. As Navarro et al. (2004: 142) explain: ‘Welfare states have […] continued to expand and have maintained the characteristics established in the pre-globalisation period.’ It was the political tradition of each country that principally shaped changes in the welfare state rather than globalisation.

Paul Pierson (1994) broadly supported this line of argument. Pierson insisted that the welfare systems of the United States and Britain were more ‘resilient’ than initially thought due to a combination of popular support and ‘institutional inertia’: not only were cutbacks in the welfare state politically unpopular with voters; they generated concerted resistance from interest groups (Starke 2006: 3). This epimised the shift from the ‘old’ to the ‘new’ politics of the welfare state. The old politics of class-based political parties drove the expansion of welfare states after the Second World War, but was superseded by the ‘new’ politics of the 1970s and 1980s: the
Table 30.1  Government spending as a percentage of GDP and public sector employment rates

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<tr>
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<th>Public spending (% GDP)</th>
<th>Public sector employment (% total employment)</th>
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<tbody>
<tr>
<td>Social Democratic (Sweden)</td>
<td>59.3</td>
<td>49.7</td>
</tr>
<tr>
<td>Christian Democratic (France)</td>
<td>53.3</td>
<td>52.2</td>
</tr>
<tr>
<td>Liberal (UK)</td>
<td>36.2</td>
<td>41.3</td>
</tr>
<tr>
<td>Dictatorial (Spain)</td>
<td>41.6</td>
<td>38.3</td>
</tr>
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</table>

Sources: OECD (2015); Navarro et al. (2004: 138).
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rise of sectional interests who seek to protect welfare benefits and entitlements (Korpi and Palme 2003: 425). The public choice literature insisted that welfare states did not fundamentally change because they were ruled by vested interests, both public sector professionals and client groups (Weaver 1986). This perspective alludes to the structural power of administrators and bureaucrats in the welfare state, rather than national legislatures and politicians. Moreover, in many countries the middle class are the beneficiaries of social security entitlements; this makes pensions and welfare payments to older cohorts virtually untouchable (Wren 2013). At the same time, welfare states are highly path dependent: change has been incremental and has occurred within the existing ‘institutional framework’ (Starke 2006; Pierson 1994). Even where fiscal retrenchment does occur, politicians are desperate to ‘avoid blame’, since it may well have costly electoral implications (Weaver 1986). Pierson, among others, overplays policy inertia: there are ‘complex reform dynamics’ at work in continental welfare states; there has been considerable change since the 1990s in terms of extending coverage to new groups of beneficiaries and undertaking system redesign (Hausermann 2010: 23). However, as Hausermann (2010) indicates, institutional change is more multifaceted than a simple binary choice between ‘preserving’ or ‘dismantling’ traditional welfare states.

Swank (2005: 183) emphasises that the evidence of retrenchment in welfare systems inevitably varies according to what is being measured: while social expenditure does not provide much evidence of major cutbacks in the face of globalisation, there is some indication that entitlement eligibility is being eroded while there is greater use of targeting, co-payments and private insurance in the welfare state. The decline of universalism is particularly significant given the ‘paradox of redistribution’ across welfare regimes: social democratic welfare states have traditionally been more effective at reducing poverty and inequality, since they make social transfers to all citizens rather than targeting the poorest (Esping-Andersen 1999). The expansion of targeting may therefore diminish the long-term effectiveness of the welfare state as an agent of redistribution.

However, Swank (2005: 184) concurs with other scholars that there is no robust causal mechanism linking these changes to globalisation; he insists there is ‘no evidence of systematic dismantling of national systems of social protection, nor is there evidence of significant convergence across welfare regimes’. It may well be that welfare states have expanded rather than contracted in the face of structural pressures associated with globalisation, since global economic integration makes additional demands on government intervention: for instance, it leads to growing labour market volatility as jobs move abroad more rapidly; the growth of low-wage labour and the increasing wage dispersion leads to rising numbers of ‘working poor’ (Genschel 2005). At the same time, globalisation is too often treated as a ‘meta-variable’ that can explain everything; globalisation needs to be deconstructed, while the importance of ‘domestic structures’ and ‘institutional politics’ needs to be reasserted (Genschel 2005: 632).

The debate about the retrenchment of the welfare state since the 1990s has been important and has helped clarify a number of conceptual issues; but ultimately it has proved somewhat fruitless. It is self-evident that welfare states have developed along divergent trajectories and that ‘politics matters’; moreover, it is hard to point towards any single pathway that has defined national experiences since the 1980s and 1990s. The ground-breaking literature on ‘varieties of capitalism’ has helped clarify and pinpoint key differences in the experiences of welfare states, highlighting the interdependence of national policies and systems of capitalism. The ‘globalist school’ always struggled to explain heterogeneity, especially among European welfare systems that apparently remained resilient in the face of several decades of globalisation.
New debates on welfare states and globalisation

Social investment paradigm

The scholarly debate about globalisation and the welfare state was centred on the apparently inexorable road towards fiscal retrenchment. Nevertheless, the initial pessimism about the future of welfare states had begun to subside by the early 2000s, despite mounting cost pressures and long-term demographic changes such as the ageing society; there was an increasing focus on the prospective rejuvenation of welfare institutions. Among the most influential discourses in European states and at the European Union (EU) level was the emergence of a ‘social investment paradigm’ which emphasised that welfare states should be reinvented in the light of major structural challenges including globalisation, but extending also to demographic transitions, the impact of new technologies, climate change and the potential for ‘secular stagnation’ in the capitalist economies (Morel et al. 2012). The ‘social investment’ strategy was connected to the ‘revisionist school’ referred to in the previous section of this chapter: the problems of the welfare state were viewed as primarily domestic in origin, rather than exclusively created by external pressures such as globalisation (Hemerijck 2013).

Underlying this debate was a renewed focus on the ‘Europeanisation’ of social policy: the ambition of the social investment approach was to entrench a common strategy for the development of the European social model and welfare systems across EU member states. This was linked to the emergence of the Lisbon strategy at the end of the 1990s, and the debate about how Europe needed to prepare itself for the expansion of the knowledge-driven economy. The Lisbon strategy saw itself as representing a new synthesis between competitive markets, knowledge-based investment and strategies for social inclusion; there was some ambiguity as to whether the Lisbon agenda constituted a decisive break with the neoliberal paradigm that dominated the previous two decades of policy-making, or whether there were continuities with the liberal model given the emphasis of social investment on labour market activation and economic efficiency.¹

The focus of the social investment paradigm was on moving away from the traditional emphasis on passive social protection and income transfers towards labour market activation, employment flexibility and labour force participation in the era of globalisation (Morel et al. 2012). According to this perspective, European welfare states should focus less on managing ‘old’ social risks such as unemployment and old age, and more on ‘new’ social risks such as family poverty and relationship breakdown. This stimulated a degree of policy change within EU member states: for example, the UK moved in the direction of providing universal childcare with a core entitlement of 30 hours per week for all 3- and 4-year-olds; in Germany, there was increased investment in early childhood education, enabling parents to combine paid work and family life: all parents have the legal right to a daycare place after the child’s first birthday. France has already expanded family support policies (Hausermann 2010); moreover, Spain is extending maternity and paternity leave for working parents (Hemerijck 2013). This indicates that the social investment agenda has remained influential across many EU member states.

Social investment was a strategy by which governments could intervene to protect citizens from the structural consequences of global economic integration, without sacrificing necessary adjustment and reform to safeguard international competitiveness. Moreover, social investment required relatively high and stable levels of public expenditure given the emphasis on service provision from early years’ to retraining for those out of work. Still, the social investment approach is not without critics, particularly in an era of rising inequality where demands have grown for more effective redistribution through the traditional welfare system. At the same
time, the social investment approach has struggled to maintain momentum, despite being embedded in the policy thinking of elite EU institutions.

Moreover, the 2008 financial crisis and its aftermath (especially turbulence in the eurozone) diverted policy-makers from social investment towards more pressing tasks of crisis management, at least in the short term. The fracturing of the EU itself symbolised by the UK’s decision to leave in June 2016 has further distracted politicians and policy-makers. Equally, the fiscal pressures that have resulted from the 2008 crash have made policy innovation in the welfare state harder to achieve. Welfare state ‘maturation’ means that there is less discretionary spending available for social investment, so that government’s ‘hands are tied by past decisions’ (Schafer and Streek 2014: 1). At the time of writing, it was not clear whether social investment approaches had the potential to break through the ‘frozen landscape’ of European welfare states in the early twenty-first century.

**Globalisation and the service-based economy**

Anne Wren (2013) and colleagues have addressed the interrelationship between globalisation (‘economic openness’), the rise of the service-based economy, and the long-term implications for politics and economics in the advanced industrialised countries. In particular, Wren is concerned with how political coalitions that supported collective institutions such as the welfare state may have been undermined. Iversen and Wren (1998) argue that the most significant change in welfare states since the 1970s has not been globalisation per se, but the long-term shift from a manufacturing to a service-based economy which also involved a heavy dose of internationalisation.

According to this analysis, up until the 1960s manufacturing employment grew consistently in Western societies as the demand for manufactured goods and relatively cheap consumer durables increased in countries where the standard of living was rising. However, over the past four decades manufacturing productivity began to grow as consumers placed more importance on the ‘quality’ rather than the ‘quantity’ of production; as a result, manufacturing employment began to decline across the advanced capitalist states (Iversen and Wren 1998; Baumol 2012). This meant that economic growth was increasingly dependent on the expansion of the services sector in retail, hospitality, domestic services, health, education, personal care, and so on. The key issue was that services were ‘inherently less conducive to productivity growth’ than manufacturing, since they were ‘sheltered’ from international trade and unlikely to benefit from technological innovation; this meant growing inequality in wages and the rise of the working poor in the long term (Iversen and Wren 1998: 512).

This shift from manufacturing to services imposed a ‘tremila’ or ‘three-way policy choice’ upon national governments between the goals of budgetary discipline, employment growth and economic equality: in contrast to earlier literature on globalisation and welfare states, governments were not forced down any particular policy pathway, but had to make a strategic choice between these different objectives (Iversen and Wren 1998). In most circumstances, they could realistically achieve two but not three of those public policy goals. In practice, most governments in Western European countries who accept the need for fiscal discipline have either allowed wages to fall so that the level of employment rises (the hallmark of the liberal model), or they have expanded the public sector to provide greater numbers of relatively high-wage jobs (the strategy favoured by the Scandinavian welfare states) (Esping-Andersen 1999; Iversen and Wren 1998: 513). Table 30.2 summarises the approach that has been followed among different welfare state traditions:

Moreover, each of the three models persists because it is supported by an electoral and political coalition: the liberal model has strong backing among high-income middle-class workers,
but it leads to ‘two nations’ with an excluded group at the bottom permanently trapped on low wages; in the Christian democratic countries, there is a growing division between ‘insiders’ who have significant privileges in the labour market, and ‘outsiders’ who have fewer social rights; and while the social democratic model is capable of attracting support from both working-class and middle-class voters since it emphasises labour market security, there is a risk that political divisions between those employed in the public and private sector will grow, sparking heightened tax resistance (Iversen and Wren 1998). The division between the public and private sectors ‘has emerged as a salient cleavage in electoral politics’ (Iversen and Rosenbluth 2008: 15).

The Nordic states have long been viewed as having the most successful welfare states among the advanced capitalist countries; but even these governments ran into trouble in the 1980s and early 1990s (Iverson 1998). It became harder to achieve both full employment and wage equality given that the ongoing expansion of the public sector was less feasible in a climate of fiscal constraint. Some Scandinavian countries decided to accept higher unemployment as the price to pay for the preservation of their welfare model, but the most substantive change was the move away from equality of incomes towards ‘equal opportunity’: ‘In a post-industrial economy […] constrained by a monetarist international monetary system, social democracy appears compelled to make hard choices between different forms of labour market inequalities’ (Iversen 1998: 73). There was less emphasis on generous social transfers and a more egalitarian wage structure even in the Nordic countries; the focus shifted to employability, skills, education and preparedness for a knowledge-driven economy centred on the rapid diffusion of information and communications technology (ICT).

Nonetheless, Wren’s most recent work indicates that the impact of the ‘trilemma’ upon the welfare state may be diminishing as the result of technological change: the ICT revolution and digitisation make it possible to deliver productivity improvements in sectors such as professional and business services, hospitality and retail while increasing their exposure to international trade (Wren et al. 2013). This means that the service sector is not necessarily destined to experience lower productivity growth than the manufacturing sector, despite Baumol’s initial pessimism. The crucial point is that internationally traded services with high levels of productivity can

### Table 30.2 Welfare state responses to the service economy trilemma

<table>
<thead>
<tr>
<th>Welfare state typology</th>
<th>Strategic response</th>
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<tr>
<td>Neoliberal (USA, UK, Canada, Ireland)</td>
<td>Higher inequality of wages and incomes has increasingly been accepted in return for fiscal discipline and private sector employment growth.</td>
</tr>
<tr>
<td>Christian Democratic (Germany, Belgium,</td>
<td>Higher levels of unemployment (and high rates of labour market exit) are tolerated in return for budgetary discipline and lower wage inequality (although inequality has been rising in Germany).</td>
</tr>
<tr>
<td>Netherlands)</td>
<td></td>
</tr>
<tr>
<td>Social Democratic (Sweden, Austria, Denmark,</td>
<td>To preserve employment growth (while encouraging female labour force participation) and income equality, governments have to forgo fiscal discipline (or at least raise taxes where necessary).</td>
</tr>
<tr>
<td>Finland)</td>
<td></td>
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provide employment growth without necessarily leading to cuts in real wages for the low skilled.

This work on the ‘trilemmas’ of the welfare state in the service-based economy diverges from the earlier ‘globalist’ literature: it emphasises the importance of ‘ideological legacies’ and ‘socio-economic institutions’ for the development of welfare states. Globalisation does not destroy the capacity of states to shape public policy outcomes: ‘The pro-active capacity of governments to radically alter institutions and hence to affect the distributional outcomes’ is largely preserved (Iversen and Wren 1998: 546). Nevertheless, as the previous quotation from Iversen indicates, even social democratic governments have been compelled to accept the inevitability of rising labour market inequalities: for instance, the post-1997 Labour governments in Britain gave priority to fiscal discipline and employment growth, but, as a result, they were able only to moderate the worst effects of a more inegalitarian labour market (Iversen and Wren 1998). This has increased the pressure on the welfare state to protect the position of the ‘working poor’ through tax credits and income transfers. As a consequence, global economic integration impacts upon the welfare state, but not in the linear manner implied by the ‘globalist school’.

Conclusion

The evidence that globalisation has unilaterally eroded and undermined the welfare state is on the whole not convincing. It is true that it depends on what is being measured: while social expenditure on the welfare state has not been dramatically cut since the 1970s, there have been important changes to eligibility criteria; welfare states have become less universal and more reliant on targeting; the use of private insurance and co-payments has increased; tax competition and tax avoidance has threatened the future financing of the welfare state; a growing share of expenditure is being allocated to citizens of pensionable age, raising concerns about the welfare of children and families. But none of these changes can be attributed to the inexorable forces of globalisation. The work on the ‘trilemmas’ of welfare states indicates that national governments still enjoy significant policy autonomy, while ideology and politics continue to matter.

This is not to dismiss the impact of internationalisation and globalisation upon the development of welfare states. Governments have sought to create new strategies to achieve both macro-economic stabilisation and full employment, combined with even modest redistributive outcomes in social policy, in a world of rapid liberalisation and financialisation. One of the most important innovations has been the ‘social investment state’ which has emphasised the importance of moving away from passive income maintenance towards active labour market strategies and public investment in education.

However, even this approach has not been without political difficulties. Social investment still requires public funding through tax revenues; we appear to be entering a period of ‘permanent austerity’ where the capacity to generate tax revenues is limited, but the pressures on spending are growing exponentially (Schafer and Streek 2014). The eurozone crisis has imposed further downward pressure upon public expenditure, particularly in Southern Europe. Moreover, the political coalition that favours collective financing has been fraying at the edges. As Wren (2013: 52) has demonstrated, there is growing divergence in ‘policy and electoral preferences’ between high-skilled workers in ‘non-sheltered’ service sectors exposed to international trade, and industrial workers alongside those employed in non-tradable, low-skilled service sector employment.

In this way, we can see that global economic integration may impact upon the future viability of welfare states, not because it imposes a predetermined ‘race to the bottom’ in social spending, but because it makes it more difficult for political parties that support the welfare state to
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maintain viable electoral coalitions. This helps explain the relatively weak electoral performance of Europe’s social democratic parties since the late 1990s. Thus the effects of globalisation on the welfare state are mediated by institutional legacies, political traditions, ideological commitments and the strategic choices of politically calculating agents.

Note


References


Part III

Central policy areas