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THE WESTERN EUROPEAN WELFARE STATE AND ITS HOSTILE WORLD

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The New Meaning of Social "Reform"

The welfare state is one of the distinctive institutions of Western Europe, together with national settings of capital-labour relations and supranational social systems such as the European Union and, more broadly, a continental *normative area*, buttressed both by the Court of Human Rights, the OSCE and by the European Court of Justice. Were the welfare state to go, a major part of the Europe of the second half of the 20th century that we know would disappear too. Naturally then, the welfare state is a very major concern of European policy-makers and of Europe´s policy-taking citizens, as well as a central object of political and economic debate.

Language tells us that something important has happened. Until the late l980s / early l990s, "social reform", "welfare reform", and more specific measures such as "pensions reform" and "health care reform", generally meant *extensions* of social entitlements and *more* supportive concern for people below the median income. In the l990s, the same expressions usually denote the opposite, -*curtailments* of entitlements and *less* positive concern for people below the upper middle class.

The battering ram for this turn of the social tide seems to have been "tax reform", denoting income tax cuts mainly, if not exclusively, for the benefit of people earning more than the median income. How the new meaning of welfare state "reform" spread, I have not studied properly, although my guess is that in Europe the new usage originated in Thatcher´s Britain. Anyway, in the l990s one can see the new direction of "reform" in English, in German, in French, and in many other (probably all) European languages.

The progressive direction of reform was bound up with modernity, as its current disappearence coincides with post-modernist questionings of modernity.

Literally and originally, re-form was turned to the past, meaning giving back the original form to something. That was, of course, the meaning of the Protestant Reform(ation), a return to the pure original Christianity before its corruption by the “Roman harlot”.

“Reform” acquired its new meaning in the Western European languages in the wake of the French Revolution. Now it meant giving a *new* form to something, opening a door to the future, instead of returning to the past. And in the context of that time, a new form meant extension of popular rights, whether political (parliamentary reform, suffrage reform), legal (judicial reform), economic, or social. (See Therborn l989).

The switch of the meaning of “reform”, from going back to the past to going forward to a new future was part of a much wider cultural turn, the rise of modernity. Reform became part of a linear direction of time, and of a unilinear conception at that, embodied also in concepts like progress, development, emancipation, abolition etc. Pre-modern at the time of Luther and Calvin, modern from the times of Kant and the second Earl Grey, and now, in the l990s, post-modern, in the sense of conceiving time as reversible, albeit not necessarily cyclical, the notion of reform provides us with a capsule conceptual history of European political culture.

So, something important has happened, but what? Frequent and widespread cries of “wolf” to the contrary, there is as yet no sign of any tendency for the welfare state to disappear. Whether the very frequent use of the word “crisis” in connection with the latter is much more than an ill-chosen synonym for “controversy” or “maturation” is a moot question.

To what extent is the Western European Welfare State being reshaped?

The welfare state is currently one of the central motifs of European political debate and policy-making. However characteristic the institution may be of Europe, it is not left in peace, neither to stand as it is, to mature on its own, nor left to decay in a polluted world. But what is actually happening? Is the Western European welfare state being reshaped, or simply changed, and if so, how much, in what ways, why, and with what prospects?

Let us start a rapid and summary overview by looking into some relevant dimensions of "shape". We shall pay attention to four such dimensions of welfare states: their size, their finance, their organization of provision, and the rights they recognize.

1. Size

Size is then the obvious, perhaps banal, starting-point. The overall picture of the size of EU states shows a slightly upward-tending stability since the early l980s, in terms of total public expenditure and its share of GDP. In l995, total public expenditure covered a larger share of GDP of the EU than it did in l990 (that is, before the l991-93 recession), 50.0 per cent as against 47.5 in l990. OECD (l996a:A31) projections for l996 and l997 estimate a slight decrease, down to the proximity of 49 per cent.

The drastic expansion of the l960s and the l970s has both ended and settled down. There is a certain amount of cross-country variation. Germany and the United Kingdom exhibit a very strong stability since the second half of the l970s, only oscillating a bit with the business cycle. Belgium and the Netherlands have a curvilinear development, expanding in the l980s, then contracting in the l990s, although not back to the size of the late l970s. The other countries, the

Nordic as well as the Mediterranean, had a positive trendline of growth for the l975-l995 period.(OECD l996a: table A28; l996b: table 6.5.)

The trajectory of social security transfers is similar, but with more leaning upwards. Germany (excluding the former GDR) is here an exception, now rather bowing downwards, while the British curve rises in the l990s, and the French is more even since the early l980s. The slightly curvilinear shape of total public outlays in Belgium and the Netherlands is more difficult to find in social expenditure. It reappears in OECD data (l996b: table 6.3), but the Eurostat (l995a:230; l995b:1-3) figures show rather a slightly declining trend in Belgium since the early l980s and a basic stability with conjunctural oscillations in the Netherlands.[1] In the EU12, expenditure for social protection stood at 23.2% of GDP in l980 and at 26.6% in l993 (Eurostat l995b:1).

Government employment has been somewhat less stable than spending. Since a peak in l986, its share of total employment has been sliding down, slowly, from l8.9 to 17.9 per cent (OECD l996b:44). The absolute change of public employment is more clear, and shows an interesting national pattern. Until l991, government employment in the current EU15 had a bit of positive growth in absolute terms, which turned negative beginning in l991.

Table 1. *EU countries with declining government employment l991-l994. Annual decline in per cent (arithmetic averages).*

UK	-7.6
Sweden	-2.8
Finalnd	-1.7
Belgium (1991-93)	-1.1
Netherlands	-0.8
Denmark	-0.5

[1] As the OECD, the ILO, and the EU calculate social expenditure in different ways, and as the GDP base tends to vary somewhat from one edition of the same agency´s statistics to the next, I leave out any descriptive tabulation in this section.

Italy	-0.1
Spain	-0.0

Source: OECD l996b:34.

Data for Greece are missing, but all the other European countries, including Norway and Switzerland, exhibited a growth of public employment. In the German case, the rate was only 0.1% on the average, though. Austria, at +2.9%, and France, at +1.7%, had significant growth.

The British decline includes not only privatizations, but also a very significant decline of health service employment and a lesser one in public education. The Swedish reduction refers to the personnel of public bodies, and only insignificantly to privatizations, affecting central government, military and civilian, provincial health care employees, and lately, municipal services personnel. (Cf. OECD l993).

Since about l970 all rich countries of the world are welfare states, in the sense that the bulk of their expenditure is devoted to health and other care, education, and social transfers.

The relative allocation of public spending has not changed very much either over the last ten years. The long postwar tendency for the relative share of family benefits to decline and for the health bill to grow has continued. The unemployment share has moved with the conjuncture, declining in the late 1980s and rising again in the 1990s (Eurostat l995a:234-5). Old age and survivors' benefits take about 45% of the EU12 total, sickness around 25%, and unemployment 9% (in l993)(Eurostat l995a:234-5;l995b:4).

According to Eurostat (l996:6, referring to OECD Health Data), there should be one outstanding national exception to the relatively stable, upward-bending expenditure pattern, if we look into spending on large social sectors. That should be Sweden with regard to health expenditure. Whereas the latter in most countries has grown by 40-60 per cent in constant (l990) prices, in Sweden they should have declined by some ten per cent. We shall come back to the outstanding Swedish record of cost containment in health care, but this figure is wrong, most probably because it does not take into account the transfer in l992 of longterm care for old people from provincial health care to municipal old age care. Correcting for that, the Swedish health care bill grew by some 28 per cent between l980 and l993, still at the low end, but not running in the opposite direction. However, it is in the 1990s that Swedish cost cutting really bites. Between l991 and and l993 health care costs decreased by 7-8 per cent in real terms.[2] And the hunt goes on.

Sweden is unique, together with Ireland, among OECD countries in exhibiting, since l982, a clearly declining trend of health care expenditure as a proportion of GDP. In l994 the country devoted 7.7% of GDP to health care, which is below the OECD average for l991 of 7.86%.(OECD l994:70ff; Landstingsvärlden no. 24 l996).

Welfare and the EMU Race in l996

The overwhelming pattern of institutional size stability is reinforced by how governments so far are preparing themselves for meeting the EMU criteria.

[2] An exact figure is impossible to give, because of the organizational and classificatory changes in l992. My calculations are taken from the social expenditure data of Statistics Sweden (as published in the Statistical Yearbooks), and in contrast to the OECD/Eurostat I have used the ordinary consumer price index, with l980 as the base year. The effect of these statistical differences should be marginal.

After the defeat of the French government in December l995 by a massive popular movement headed by public sector workers resisting proposed cuts in their special social rights, all EU governments have been careful not to link EMU adaptation with significant welfare restrictions.

The French budget for l997, which envisages a slight decline of public expenditure in real terms, even includes an increase in social spending. The “Solidarity” (Social Affairs) part is planned to increase by somewhat more than one per cent in real terms. The Belgian coalition government did not use its extraordinary powers to govern by decree to enact any radical deterioration in the country´s welfare provisions, although some cuts were made, in allocations to children and to health care for instance.

The southern European governments which are particularly anxious to be allowed on board the EMU train have not found it possible to make any significant short term social reductions, but the welfare state is, of course, affected by the common stratagem of public sector wage and employment freezes. The Italians, having both high ambitions and a long jump to make to Maastricht respectability, have had the unique daring to introduce a new income tax to contribute to the required deficit reduction. Of the 62.5 trillion lire planned budget reinforcments for l997, which the Italian government presented to Parliament in November l996, one tenth is accounted for by cuts in pension spending and two per cent by cuts in health care spending. By comparison, the proposed extraordinary Europe tax will cover twenty percent of the deficit reduction, which will also rely on “technical financial operations” (read: budgetary tricks).

Germany, which has surprising difficulties in meeting the EMU criteria once set to placate German bankers and conservative politicians, is cutting corners in its social budget, but so far nothing dramatic has been proposed. The

April l996 government programme of cutting public expenditure down to 46 per cent of GDP by the year 2000 (from around 49 per cent in l993-94) is so far mainly an ideological vision. A modest proposal to delay a due increase of child allowance was successfully blocked by the Social Democratic opposition.

The seemingly drastic curtailment of statutory sick pay, from l00 per cent to 80 per cent over the first two weeks, is another matter, for two reasons. First, it does not affect the government deficit, as it is paid by employers directly to their sick employees. Secondly, in the unionized sectors of the economy it only pulls the legal carpet from under collective agreements, leaving the unions with power to fight for the maintenance of full sick pay.

Britain has not committed itself to EMU, and l997 is election year. It is little surprising, then, that the Conservative government´s new budget proposes a significant rise in health spending, and also some more to the schools. [3]

The Swedish Social Democratic government does not want to commit itself publicly to EMU either, knowing well its unpopularity in the country. On the other hand, the policy of draconian public deficit reduction, also very unpopular, that the government is doggedly pursuing only makes sense with a view to EMU qualification. The main welfare state victims of this policy are the caring services of the provinces and the municipalities. The latter have to be in overall financial balance by l999, the former by 2000, also taking their unfunded pensions obligations into account. A proposal has also been put forward, from the public investigation machinery (which is very extensive in Sweden), to make it legally possible for the central government to put financially recalcitrant provinces and municipalities under administration.

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[3] The above overview is primarily based on a regular reading of the Western European press, in particular *Dagens Nyheter, The Economist, Financial Times, Frankfurter Allgemeine Zeitung, Le Monde*, and *Die Zeit*, and, more irregularly, Austrian, Belgian, and other papers. Furthermore, a series of official policy papers and policy investigations in the Netherlands and in Sweden have been consulted. For help in finding the former I am grateful to Wessel Visser and Gerald Jansen.

On the other hand, the classical traditions of the Swedish welfare state obtained an unexpected re-endorsement in November l996, when a public commission, headed by a liberal labour market economist, recommended *against* Swedish first-wave entry into the EMU, because EMU membership would cement current mass unemployment, at nine per cent by international standardization (OECD l996c:198).

2. *Finance*

With regard to finance, there is considerable experimentation going on. But it had better be characterized as changes in the systems than as changes of system.

As far as social insurance is concerned, there is tendency, on the average rather slight, *for lower employers´ contributions*. This has been a marked tendency since the mid-l980s in the Netherlands, where they went down from one third to one fifth of total receipts between l985 and l990. (On the new use of direct, outside the public budget obligations of employers in the Netherlands, see below.) But a small reduction took place everywhere in the EU except in Belgium, Germany and Ireland. *Employees*, on the other hand, have seen their *shares going up*, also in Belgium. General taxation has remained of equal importance over time on the average, an average evening out the Dutch and Greek increase and the strong Belgian decrease. The recent French introduction of a “Generalized Social Contribution” is the noteworthy step of an insurance system in the direction of more general social taxation.

The new Swedish pension system, agreed upon in principle by the Social Democrats and the bourgeois parties, is to be financed half and half by employers´ and one's own contributions. The redistributive features of the current system will be largely dismantled - except between women and men - and the link between contributions and benefits will be made tighter, motivated in the Public Commission report (SOU l994:20) by a typical neoliberal economist´s argument that taxes and "tax-like" contributions were inherently inefficient. Ten per cent of the ensuing individual accounts of contributions will be invested in capital funds, private and public.

"Other current receipts", mainly meaning capital interest, are slowly on their way up, but are so far significant only in the Netherlands and the United Kingdom, where they contributed 15-16 per cent of the current finance of social protection. The EU average was six per cent only (data from l992).(Eurostat l995a: 232).

In recent years there has arisen a new argument for restructuring social policy, that is, of promoting fully funded pensions schemes - operated on the capital market by private investment managers - with a view to boosting capital markets. That is an argument the World Bank (l994) is pushing in Eastern Europe upon willing ears among Treasury politicians and bureaucrats. It is currently taken up by bankers and some economists in Germany and France, but hitherto the idea has not gone very far politically. It will not go away, but if it reaches the stage of a policy proposal, it is likely to be as a minor part or as a supplement, like the new Swedish proposal.

In health care, there is since l980 a general, but still rather weak, trend towards an increasing share of *private finance*, users´ fee and private insurance, accelerating in the 1990s. Still, however, the public purse covers three quarters of health expenditure in the EU (of l993). Portugal is here an outlier, where private health expenditure constituted almost 40 per cent of the total in l991.(OECD l994:70ff; Eurostat 1996a:4).

Even though global expenditure figures show that no major turn has taken place, yet, the British government has made special efforts to introduce private finance into public services, for example encouraging private investors to build hospitals for lease to the National Health Service while running all the "nonclinical services" attached to the hospital. So far, these "private finance initiatives" have not been very attractive to private financiers. Paybeds have also been re-introduced into public hospitals.

3. The Organization of Provision

In the organization of provision, a large number of new measures are being tried out, in which certain patterns may be discerned.

Generally, there is a broad tendency towards a *managerialization* of the public service, diminishing legal rules and delimiting professional expertise, and increasing the power and rewards of managers. The British concept of Executive Agencies, explicitly modelled on private business, launched in l988, is probably the most far-reaching. But it has its parallels and/or imitators elsewhere. (Cf. OECD l993). Part of this process in the health sector has been the establishment of the more managerially organized National Health Service Trusts, providing the supply of public health care in Britain. In Sweden, some public hospitals have been made into public corporations.

New rules and control systems are being devised to tighten *budgetary control and constraints*, cash limits, longterm expenditure targets and ceilings.

The drive is to get away from public rights/demand-driven expenditure and from compensation for collective agreements and wage drift. In the welfare sector of the state, the tax-financed public health care systems have been the most successful cost containers. In Western Europe, there were three countries where the share of health care expenditure in GDP was lower in l990-l993 than in l979-80: Denmark, Ireland and Sweden. All three have tax-financed national systems. (OECD l994:70ff, Eurostat l996a:3).

The British also pioneered the separation of public services into purchaser and provider units, with a contractual relationship between them, a sort of planned market or *quasi-market*.(Cf. Saltman and von Otter l995). The idea has also been taken up by a considerable number of the elected provincial governments which provide health care in Sweden. But there, the tendency is rather away from it in the second half of the l990s. In many cases it has been found cumbersome, and the first provincial government (of Dalarna) that introduced it recently considered that it was less effective for cost reduction purposes than direct budgetary control. (Landstingsvärlden no. 28 l995.).

Among insurance-financed health care systems, there is a tendency towards making sick funds compete with each other, and to substitute market-like contracting for licensing and public allocations. The Dutch have gone furthest on this road, in the direction indicated by the (former Philips chief executive) Dekker report. But, in addition, German funds of obligatory sickness insurance (*Krankenkassen*) have been set free to compete with each other.

There is an old tradition in Europe for employers to remunerate their white collar employees when they are sick. In l956, West German manual workers gained that right too, after a long strike. The principle of *employers administering* short-term sick pay has recently spread to other countries, although at a rate lower than full wage compensation. Sweden adopted it in l992, for a period of two weeks, which is now extended to four weeks. The Netherlands have gone further, first by introducing, in l993, differentiated sickness insurance contributions for employers, based on sickness in their enterprise, and then in March l996 extending the employer´s own risk period to one year, for which he is responsible for a 70% sick pay. The employer may in turn insure himself against these risks by private or public insurers. For l998 the Dutch government envisages the introduction of differentiated employers' contributions to disability insurance and the possibility of the employer taking the risk, and the legal obligations, on his own account for five years.

The reasons for this reshaping are twofold: lower administrative costs and lower rates of sickness absence. The former hope has been borne out, the latter also, but the reasons for the decline of sickness absenteeism in recent years, both in Sweden and in the Netherlands, for example, are difficult to disaggregate. The recession and the fear of unemployment is one powerful factor, the introduction of waiting days and the lowering of sickness benefits are also pertinent.

Privatization of previously public provision has been marginal, but not insignficant. At least three routes may be distinguished, all of them rather discrete and indirect. None has the fanfare of the sell-off of public utilities or council housing in the United Kingdom.

The crudest of these relatively discrete privatizations is to starve public provisions and subsidize private ones. This is how the British Conservatives have paved the way for private pensions, while holding back the public SERPS scheme. The British National Health Service has been maintained, true, but nobody claims any longer that it should and that it does furnish every citizen "with the best that medical skill can provide", as its political father, Aneurin Bevan, intended fifty years ago.

A second option is to facilitate, or even mandate, private competition for public providers. Again, Conservative Britain took a lead in the 1980s. The Swedish bourgeois government of 1991-94 also pushed this idea vigorously, which is now widely accepted by all parties of the country. The changes have been on the margin, though. In 1993, ten per cent of all children in daycare were with private providers; nine per cent of health care employment was private.

Thirdly, the reorganization of public finance may open up a private market. This is the case with the new German old age care insurance, which largely replaces the obligation that municipal social assistance had to provide for necessary care. With the new insurance money, local authorities lease caring services to a number of (so far little regulated and supervised) private providers.

On the European continent, there is also a discernible tendency towards the *decentralization* of public competence, in recent years mainly in favour of the municipalities. This is a very strong current in the Nordic countries, where municipalities have always had considerable autonomy and a resource base of their own. But it is also to be seen in the Netherlands, for instance. Sometimes, as in Sweden after 1994, the enlarged public service competence of the municipalities - most recently into the field of employment policy - is countered by another tendency, of tighter central financial control.

Corporatist arrangements are on the whole maintained, but the *power of labour* in them tends to *weaken.* The new French allocation of seats in the running of sickness insurance, for instance, places the employers on a par with the unions, which are divided into five different organizations. The new Dutch privatization of obligatory sickness insurance means more weight to the individual employer, and less to the corporate body of the industry. However, there is much less change in the status of organized labour in the welfare state than in the rest of society. With the return to office of Swedish Social Democracy in l994, the plan of the bourgeois coalition to divest the unions of their control of the Swedish unemployment insurance was shelved.

4. Rights

Here we shall only deal with rights to claim, not with rights to act. The latter is crucial to labour, family, and gender legislation, areas which may legitimately be regarded as pertaining to the competence of welfare states, and which are usually included in discussions of EU social policy. For reasons of space, however, we shall here confine ourselves to social claim rights. These, in turn, may be specified in terms of three aspects: *access* or eligibility, size or *generosity*, and *choice*. Changes may then be taken as either extending or restricting access, generosity, and choice.

Extensions. Given the current political-economic environment, one may wonder whether there are any extensions at all of social rights in Europe of the l990s. It *is* the case, however, with respect access to daycare for children. It has, for instance, been institutionalized as a legal right in Sweden, tightened up as a municipal responsibility from l995, and in Germany from l996. Swiss women have also obtained pension rights of their own, even if they are without an employment record, and German women have acquired a "baby year" of pension contribution allocation.

Since most social rights are either for employees or for denizens (legal residents), rather than for citizens, the EU has so far not meant much to an extension of social rights. The vigilance of the European Commission and of the European Court of Justice with regard to gender discrimination, which was of great help to Irish, Belgian and Dutch women, particularly, in the l980s, now tends to be given a restrictive interpretation. The main example, in the wake of the Barber case, is the retirement age, which is now being raised for women where it has been lower than for men. (See further Ostner and Lewis l995).

Fathers´ rights to leave have also been extended. Since January l995, Swedish fathers have had a right to at least one twelfth of full parental leave - a measure pushed through a bourgeois government coalition by a social liberal Minister of Social Affairs -and since July l996 Austrian fathers have had a right to a quarter of full (but unpaid) parental leave.

The French government reiterated its commitment to an extension of health insurance rights in its September 30 l996 proposal for "the reinforcement of social cohesion", but it has not materialized yet. In sum, where access has been extended, it has been a question of gender rights.

Extensions of choice are on the current agenda: choice of pensions fund, health insurance fund, with a range of benefits to choose from and to pay for differentially; choice of provider, private or public, of care and of education.

An extension of choice, in the direction of claim rights of quality, was the idea of the British "Citizens' Charter" of l991, referring to a number of public services, and to the somewhat later, more specific, Swedish health "Care Guarantee". However, the former seems largely to have stayed in the box of ideology, and the latter, after inciting a major reduction of treatment waiting in the early 1990s, is being eroded in the second half of the decade by draconian expenditure cuts.

The choices are rather state-supply than popular-demand driven, by new regulations, tax subsidies, and to some extent vouchers. Britain, the Nethelands, and the Nordic countries have been ice-breakers here, followed at a distance by countries such as Germany and Italy (in the health sector). Liberal ideology, public cost-cutting, and upper middle class concerns appear as the main promoters.

The EU also implies a widening of social choice, to the extent that benefits are made portable outside the state where they were acquired. So far, this extent is either very limited or not new. Acquired pension rights are of old portable abroad, for instance to southern Spain. However, a proposal to make it possible to carry on and to add on occupational pension rights from one country to another within the single market was stopped by German opposition in February l996. On the other hand, recipients of unemployment benefits may now go for three months to try their luck in another EU country.

I know of no case where there has been an extension of social generosity in recent years. It is true, though, that the maturation of pensions schemes has meant that old age poverty has declined, a trend which started earlier but which has not yet been reversed.(Cf. Van den Bosch l996:12; Guillemard l996:195) Currently, it stands in increasing contrast to the bleak prospects of young people from the popular classes.

Restrictions of rights are far more common. With regard to access rights, restrictions include access to disability pensions on labour market or other non-medical grounds (Netherlands, Sweden and Italy among others); to unemployment benefits, with increasing demands of age and work record (Britain, Nordic countries etc.); to old age pensions, the gradual raising of the pension age (Germany, Greece, Italy, Portugal), extending contribution periods (France, Greece, Italy, Portugal, Sweden).

In a number of countries, most recently France, where it was the major concrete part of the autumn l996 “social cohesion” programme, and northwards, there is an increasing pressure for workfare, for some contributions of labour in exchange for social benefits. So far these policy-makers´ demands have not led to much social re-integration of the policy-takers.

There has been no significant tightening of means testing, a major plank of British Conservative policy of the l980s. The increasingly socially active World Bank also published a major report recently, which constitutes the first major setback for means tests arguments in the Anglo-Saxon world, demonstrating the conceptual ambiguities and practical traps in the “targeting” approach to social policy (van de Walle and Nead l995).

Generosity is in shortened supply these days. Unemployment benefits have been cut and shortened in many countries (Denmark,France,Germany, Spain, Sweden among others, in Britain earlier already). Sickness benefits have been reduced, most recently in Germany, but also earlier in the Netherlands and Sweden, for example. Disability benefits have been cut in the Netherlands. Family benefits and pensions have been temporarily de-indexed (for example, France, Netherlands, Sweden). Social assistance has been cut in the Netherlands and in Germany, and is being prepared in Sweden. (Cf. Department of Social Security l993.)

Restrictions of choice fall primarily upon old age care, under the cost containment agenda. This is palpable in Sweden, which together with the other Nordic countries and the Netherlands provides the most extensive caring services for old people (cf. Daatland l992; Alber l995), but also in a low provider country such as Germany, where the new care insurance rather seems to have restricted caring options (*Die Zeit* 1.11.96, pp. 33-34). These restrictions of the option of elderly people should also be seen in a historical context. While there is currently a narrowing of choice in some countries, in a somewhat longer time perspective, old people remain the main beneficiaries of the welfare state, in terms of income, access to care, autonomy, and of general quality of life.

Searching for Explanations

The overall stability of size corresponds to the picture conveyed by Gösta Esping-Andersen (1996) and his associates. However, I do not think his concluding metaphor of a “´frozen´ welfare state landscape” (p. 24) is very well chosen. Rather, the welfare state is a big building, erected in the 1960s and 1970s, upon previous foundations, which is still standing tall, but within which and upon which an increasingly active process of refurbishing, refurnishing and trimming is taking place.

Furthermore, the feverish, almost universal attempts at curtailing the welfare state, in spite of the electoral risks and in spite of the weight of institutional inertia, calls for a different perspective on current social politics than the politics of “blame-avoidance” that Paul Pierson (1996) has singled out as the key to “the new politics of the welfare state” in an otherwise very perceptive article.

The combination of basic stability and frantic attempts at change, which are not without their effects, that we have observed above, calls out loudly for a usually recommendable two-pronged approach to explanation, by context and by actors.

Answers to the question of why the above has happened should be sought in two directions: in the context in which the events and the non-events have occurred, and among the actors who actually acted. To look for circumstances only, without actors, means making unwarranted aprioristic assumptions about human agency. To concentrate on actors only would be to close one’s eyes to the set of options which the actors perceive.

Why by Context?

Two major contextual variables seem to account for the parameters of current social policy making in Western Europe. The most conspicuous is a pervasive perception of *cost pressure*, which politicians everywhere see as their task to contain. Its discrete, silent companion is *institutional inertia.*

Where the cost pressure comes from is not very easy to pin down. We saw above that the Western European social insurance schemes, with the exception of France and Portugal, tend to exhibit a surplus. It is true, however, that all governments are running more or less underbalanced budgets, although some, like Italy or Belgium, have been doing so for decades without this previously having been considered a major problem.

Aging and unemployment may provide longterm problems. Aging involves the following: a larger share of a cohort survives to retirement age, retirees live longer, and declining birth rates provide fewer contributors. The unemployed cost just over two per cent of GDP in direct sustenance costs (Eurostat 1995b:3), and add a loss of (net) contributors. But within the foreseeable future these processes have proved themselves budgetarily manageable.

Intensified global competition is another argument often heard in the debate, which *de facto* does not add very much new. With regard to goods, where social labour costs have more significance than in the export of services, the EU has in recent years become slightly less dependent on international trade than before. (Eurostat 1995a:260-1). Western Europe has also maintained itself well in the markets of world trade, supplying a third of world exports in 1950 and around forty per cent since about l960, up to and including l995 (UNCTAD l995: Table 1.9 and 1.10; UN l995: Special Table A; IMF l996: Table 1.)

Permanent unemployment takes us only a short way, and demography and globalization even less. The cost pressure is better seen as the product of three tendencies, of a *cost push*, of *monetary constraint*, and of *fiscal constraint*.

The cost push comes from a number of sources: from increasing demand for education, health care, daycare for children, care for the elderly, for pensions and unemployment or related benefits; from demands, which in their turn arise from a variety of reasons; from the progress of medical treatability; from labour market developments producing both disability and unemployability; from the maturation of previously installed social insurance programs, then often calculated on the assumption of higher economic growth than the current rates; from low or zero productivity growth in many social services.

Monetary constraint is expressed in low inflation targets, which have become part of the international macroeconomic environment after the stagflation of the l970s. Keynesian demand-boosting deficits were then discredited. Monetary policy was rehabilitated, and interest rates are held to be a key factor influencing domestic economic activity. And public deficits tend to raise interest rates.

This monetary environment is institutionally anchored in the EU, and even quantified into specific criteria of economic performance since Maastricht. Acceptance of the norm of fixed exchange rates provides a powerful sanction against monetary laxness, in the form of speculative runs against the currency by powerful investors.

Fiscal constraint is perceived by the politicians of all major parties in all countries, which indicates that it is something more than ideology. But where it comes from is far from obvious. In a country like Britain it may be linked to the Thatcherite recasting of the political landscape, now providing the terrain on which "New Labour" has to compete. That would not explain why a country such as Sweden has a Social Democratic government with a huge left-of-centre parliamentary majority that is doggedly pursuing a very unpopular fiscally constrained austerity policy. In fact, polled public opinion is very clearly in favour of higher taxes for health care. It is true, though, that the early l990s depression and the public bail-out of the bankrupt over-speculated banking system had created a situation of snowballing public debt, which had to be contained. At its peak, in the budget year July l993-June l994, debt interest made up 17.2% of central state expenditure, equal to all social security contributions and more than twice the income tax revenue.

Nor was their any popular demand which drove German Christian Democracy to commit itself in April l996 to a substantial reduction of taxes by the year 2000.The fiscal constraints will have to be explained by the cast of major actors.

Three welfare states have been put under extraordinary strain, as we have seen above: the British, the Dutch and the Swedish.Together they illustrate the complexity both of the contextual and the actors´ reasons. They cover the whole Esping-Andersen (l990) world of welfare capitalism. They represent one of the meanest and the two most generous welfare states by the late l980s.Their politics, while wholly within the Northwestern European range of efficient, rule-bound, non-clientelistic polities, differs strongly. Alongside very centralized and, since l979, militantly rightwing Britain, there is the confessionally shaped but currently weakly Social Democratically governed Netherlands with its strong traditions of concertation and compromise, and Sweden with its powerful, deeply entrenched labour movement, profoundly rooted egalitarianism, and since l994 nominally very leftwing parliament. What do they have in common?

This essay is not geared to explaining crossnational variation, so part of the question will have to be left hanging. However, some hints follow from the previous analysis. The different kinds of high generosity in Netherlands and Sweden supplied a strong cost push, which in the Netherlands by older tradition and in Sweden, more recently and somewhat more laxly, had to be accommodated within powerful monetary constraints. In the United Kingdom, the cost push was much less, but the self-assumed fiscal constraints were much higher, while the precariousness of external balances kept up monetary pressure. And given challenges, all three had efficient polities, relatively little harrassed by protesting crowds capable of actual action.

The second major contextual variable impinging upon the reshaping of welfare states is *institutional inertia,* a force against major changes of the social policy system. This inertia operates through several mechanisms: patterning of expectations and of expertise, transition costs, political risks of systemic change as the major part of the electorate will be immediately affected (as pensioners or other beneficiaries, and as public employees), through the entrenchment of specific interest groups, as manifestations of a specific national tradition.

The welfare state in Western Europe of the late 20th century cannot be treated as a *tabula rasa*, as the only distinguished current European Social Minister, the German Christian Democrat Norbert Blüm, well put it recently (*Die Zeit* no 39-l996, p. 24). There are also the high costs of systemic change -for instance, between one matured pension system and another, which would mean that the current generation would have to pay twice, for the pensions of the currently old, and for themselves. For that reason, the Swedish Public

Commission on pensions rejected a system change, in spite of its own neoliberal preponderance in favour (SOU l994:20).

Why By Actors?

Here the most remarkable aspect of l990s politics is the suspension of much of the modern left-right divide. In Sweden the cuts of social entitlements have deepened since the Social Democrats came back into office in l994, with regard to unemployment benefit eligibility, to unemployment, sickness, and family benefit levels and to social assistance levels.

The only concrete social policy commitment of the British Labour Party, for example, at its last annual conference before the parliamentary elections, was a vow to *abolish* universal child allowances for 16-18-year-olds - before the current situation, a typical rightwing policy stand. Vice versa, the new rightwing government of Spain is so far refraining from invoking Maastricht and EMU for a curtailment of social rights. It is true that the SPD did recently block a cut of child allowances in Germany, but oppositional politics far from governmental power have their special demands. On the other hand, Chirac's public concern with inequalities and exclusion in his electoral campaign and after, until October l995, and subsequent volte-face to deficit reduction as an allout priority, recalls many left-of-centre politicians and parties in and out of office.

Elected politicians are still key actors, but elections are no longer significant acts, for the time being, and with regard to social and macroeconomic policy. It is true that anticipations of electoral reaction still play a part, for example, in braking British Thatcherism. But instead of alternating right and leftwing parties and politicians, current mainstream politics may be better summed up as one configuration of actors, some elected, some not, some national some international, which we might label the configuration of *post-democratic liberalism*.

This configuration of actors is better denoted as post-democratic rather than undemocratic or authoritarian. The latter recognize freedom of opinion, the state of law, and the indispensability of legitimation by competitive elections. But public opinion and popular participation are irrational dangers, which have to be kept out and at bay as much as possible, by institutional enclosures and resolute shepherding, or "leadership". We can spell out this new configuration of public actors at four levels: polities, governments, parties, and public administrations.

Inside polities there is an important shift from elected to non-elected actors and institutions. A major part of this is related to the current interpretation and use of the EU, as a supranational polity. The EMU, very much a non-elected institutional goal, has become, in the eyes of most of the European political elites and of the southern European electorates, a prestigious gentlemen´s club, the entrance fee of which is well worth paying for by the people, even with their social rights. (If they could be made to take that without rebelling.). Both as a preparation for the EMU and for other reasons, there is a strong current tendency, well under way in practice, to make central banks unaccountable to elected institutions. Monetary policy is supposed to be geared to monetary stability only, without any regards to employment or growth, that is, to the well-being of the population. In spite of a cross-nationally similar set of actors, with a common, internationally diffused worldview, and in spite of the very significant inputs of the EU and, less so, of the OECD, it should be stressed that the action is still very much a national one. It is from within national polities that the shift away from electoral politics is taking place. There may be some subtle processes of integration going on, as Stephan Leibfried and Paul Pierson (l995) argue in their book, but in this context they are secondary.

Inside governments there has been established a towering dominance of the Treasury, and within the Treasury of post-Keynesian neoliberal economics. Against this dominance there is nowhere any significant countervailing power. With all his currently unique political clout as Minister for Social Affairs, the German Christian Democrat Norbert Blüm did manage to push through a social insurance for old age care, of ambiguous practical implications given its background in previous municipal social assistance obligations. For the rest, however, the only thing he can do is to guard the institutions of the Bismarckian system against the neoliberal iconoclasts, while administering the cuts of its entitlements.

Inside parties, a major shift of power has taken place from politicians with any pouplar roots and representativity, in favour of slick technocrats with an overwhelmingly neoliberal education. This internal party shift is most dramatic in the Social Democratic parties and in Italian post-Communism and in some, but not all, the Christian Democracies. The PCI was for long, since Berlinguer´s embrace of austerity, a critic of the Italian welfare state, while not often distinguishing between governing clientelism and a generous state of social citizenship rights. Its successor, the PDS, has gone further on that road. In October l996, its main representative in the government, vice-Prime Minister Veltroni, even suggested that the difficult compromise on pension change, which the previous Dini government and the unions had agreed upon, should be re-considered. That the Italian EMU budget did not include drastic social slashing seems to have been due to the stiff opposition of the "Refounded Communists", on whom the left-of-centre government depends for a parliamentary majority, rather than to any qualms on the part of the latter. The German party system, both

SPD and CDU, seems to be less affected, so far, than most of their respective sister parties.

The basis of the political changes is to a large extent the socioeconomic disaggregation of the popular coalitions of the l960s and l970s, a disaggregation and dissolution which the new politics is doing its best to accelerate. In addition are the international monetary constraints, to which the new neoliberal politics also contributed significantly, by freeing capital movements across borders and by putting money management as the top criterion of economic performance, by making central banks unaccountable to the public or the government etc.

In the public service a remarkable bifurcation has taken place. On the one hand, a small stratum of top managers is created, with vastly increased remunerations, and on the other a radically shrunken public proletariat, confronted with heavier and more stressful workloads, employment insecurity, and often less remuneration -at least, relatively speaking, in relation to middle-level private employees. The creation of the former stratum is crucial for implementing drastic reductions of and deterioration for the latter bulk of public employees. This process can be seen most clearly in Britain, which pioneered it, and in Sweden, the most enthusiastic disciple of managerial Thatcherism on the continent.

The losers in this bifurcation are mainly three groups: a major part of care workers in health and social services; the rule-experts or bureaucrats, either losing their power and status to the managers and their consultants, or their job; and the professionals, physicians, especially hospital doctors, teachers, engineers, being subordinated to the new managerial stratum.

With elections marginalized - and conventional popular protest defused into impotent protest voting for xenophobic parties, in countries such as Austria, Belgium and France - and concertation and collective bargaining increasingly shunned both by governments and capital, there has risen another significant actor, besides the post-democratic liberal configuration. That is the *protest crowd*, usually rallied by some rather specific vested interests attacked by the configuration. France in December l995 exhibits the best example, with the defence of the right of the Métro drivers to retire at the age of fifty triggering massive strikes and demonstrations that closed down the country. But there were also in Italy the year before huge demonstrations against the pensions cuts proposals by the Berlusconi government, with some parliamentary mediation bringing the government down.

In the autumn of l996 German workers took to the streets en masse to protest against the cuts in legal sick pay and against militant employers rushing out to exploit the new legal situation immediately, forcing Daimler-Benz and other employer *ultras* to retract. At the same time, a series of grass roots demonstrations took place in Sweden, focused on the cut of unemployment benefits but expressing a more general and more diffuse anger with the Social Democratic government policy of reducing social rights and employment. In England, government meanness toward public education brought forth protesting crowds. And in Belgium, a seemingly all-corrupt political and judicial system became the target of huge public demonstrations brought to life by the discovery of mysteriously protected child abuse and child killing. France and Italy have both had a second round of major social protest crowds in the streets in the autumn of l996, even if these were not as huge as the time before.

A Welfare State of Less Welfare

The welfare state is not disappearing. And its national systems are reproducing themselves, even when they embark upon ambitious programs of change, as in the United Kingdom, the Netherlands and Sweden. On the other hand, welfare states are producing less welfare.

This is most clearly expressed in the rates of unemployment.

Table 2. *Unemployment in the EU15 l964-l995. Per cent.*

1964-73	2.7
1974-79	4.7
1980-89	9.3
1990-94	9.6
1995-96	11.3

Sources: OECD (l996b:47; l996c:4)

There has been a general tendency towards more relative poverty - defined as less than fifty percent of household equivalent income - and more income inequality. The latter has been most dramatic in the United Kingdom and in Sweden (OECD l995 and Swedish income statistics, covering l994), but whether welfare states should reduce inequality remains controversial.

In terms of absolute poverty, starting from the relative poverty line of the base year, expressed in monetary terms, there has been an increase in absolute poverty in the United Kingdom between l979 and l991 and in Greece between l982 and l988 (Van den Bosch 1996:12). In other countries of Western Europe, absolute poverty in this sense fell significantly in the course of the l980s and early l990s. By the mid-l990s an increase of absolute poverty can also be detected in Germany, by the re-emergence of the issue of beggars in the big cities (*Die Zeit* 11.10.96 p.71; 1.11.96 p.21). Western Europe, and in particular Germany and Sweden, became in the late l980s and the first half of the l990s major countries of immigration. So far, this wave of immigration has produced a considerable amount of marginalization, of unemployment, low income, and social exclusion (*Dagens Nyheter* 9.11.96 p. A5; Costa-Lascoux l996).

The European welfare state is not in crisis; it is not unviable. It is maintaining itself, both as a pattern of national institutions and as a major commitment of national socio-economic resources. But it is facing a hostile world, from domestic political elites as well as from international forces. And it is decreasingly capable of ensuring popular welfare, squeezed between the simultaneous growth of popular needs and of anti-popular constraints.

The final conclusion of all this, of this social disequilibrium, is struggle.[4]

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[4] Cf. Bourdieu l996.

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