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The future of the welfare state: An overview

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Introduction

The welfare state has been in existence for about a century in Ireland. The introduction of old age pensions in 1908 and unemployment insurance in 1911 marked its birth (McCashin 2004: 3-27). Some state funded services long pre-dated this period – the National school system, for example, was founded in 1831. On a broad definition, therefore, the origin of state supports for the welfare of the population goes well back into the nineteenth century. However, it is common to think of provisions for maintaining people's incomes in times of need, conceived of as a matter of right rather than of charity, as at the heart of the welfare state. On that basis the first decade of the twentieth century witnessed sufficiently radical shifts in the direction of modern welfare provision for it to be counted as a founding period. Developments in this era were not peculiar to Ireland: the initiatives of 1908 and 1911 came from the UK government rather than from within Ireland and reflected the growing strength of the labour movement in Britain. They were in keeping with the widespread movement in leading western countries at that time to expand the state's welfare role: Germany led the way in the 1880s with the world's first system of state-backed social insurance for sickness, accidents, old age and invalidity, while the United States did not get on the same track until Roosevelt's New Deal of the 1930s (Flora and Alber 1981). The welfare state could thus be said to be entering its second century, as long as we take that to refer to something like its average duration across the western world as a whole rather than its exact duration in every country.

As the welfare state reaches this stage, the question we are concerned with here is what its future will be. I will address this question as it applies to

the welfare state in general rather than in Ireland as it is worth trying to focus on the overall thrust of likely developments rather than dwell on the undoubtedly important issue of national variations. Taking a big-picture approach, then, we can ask if the best days of the welfare state are behind it, or if it has become a too firmly rooted part of modern societies for it to be easily dislodged. Will it take the same form in the future as we have become accustomed to in the past?

The present paper provides a three-fold answer to these questions:

- first, that the welfare state has become so well established and so tied into the fabric of modern life that it is extremely difficult to cut back – the welfare state is unlikely to be much *smaller* in the foreseeable future than it is today;
- second, the *progressivity* of the welfare state (its effectiveness in providing protection to the vulnerable rather than favour the well off) is less secure than its size: there are real risks that ever-present tendencies for the poor and marginalised to come second in welfare distribution will gain the upper hand;
- third, the very notion of what progressivity means is coming under new scrutiny in the light of cross-national inequalities and various movements towards cross-national integration, of which the European Union is a leading example. The issue here is whether the nation-state as the frame of reference for defining and understanding public welfare provision will continue to be as dominant and unquestioned in the coming century as it has been in the century just gone and what that means for what we would define as the ideal welfare state of the future.

Underlying these answers is a more general theme of the cross-cutting nature of forces affecting the welfare state and the consequent difficulty of detecting a single clear underlying direction of movement. So many things are happening at once that it is difficult to list and grasp them all, much less add them together and come up with a forecast of where the resulting balance of forces will lie.

Crisis and retrenchment?

The question of how big the welfare state should be has often been discussed over the past century. Supporters of the welfare state have often worried that it might be about to shrink, while opponents have often sought to bring that outcome about. As we in Ireland, like other peoples in the world, try to come to terms with the recession and financial upheaval of the past two years, talk of welfare cuts is in the air and the future of welfare provision seems particularly threatened at the present time. In dealing with this issue, we have to distinguish between short-term changes during recessions which are more-or-less automatic responses arising from the current structure of welfare provision (such as the increase in welfare payments for the unemployed as their numbers soar) and longer term structural changes which might alter the underlying nature or role of the welfare state. In the short-term, the recession has caused social expenditure to balloon in Ireland, as it has in many other countries, both in absolute terms and as a share of a national income. However, this tells us little about long-term prospects since the future direction of welfare provision will be the outcome of longer-term forces. It is the latter we will be concerned with here, and for guidance on this question, it is useful as a first step to look at past experience and see what that can tell us about where we are headed. Over the past century, there have been two episodes of crisis of a type and on a scale of what we are now experiencing – the depression of the 1930s and the long recession which followed the oil-price shock of 1973. What do they tell us about how the present crisis might affect the welfare state?

The 1930s depression

The value in referring briefly to the depression of the 1930s in this context is the reminder it gives us of the role of welfare spending as part of the *solution* to recession and of how widely that role was adopted and put into practice in the 1930s, even before Keynesian theories of macro-economic management provided a new orthodoxy on that question. Roughly speaking, in the first half of the 1930s the still-young and small systems of state welfare provision of that period come under severe pressure, often to the point of collapse. Economic contraction, soaring unemployment

and falling revenues in effect bankrupted services like Britain's system of unemployment insurance and led to economic chaos in Germany. However, there were other countries where social insurance principles continued to expand, and in many cases did so because of rather than in spite of the social and economic pressures created by the difficult economic problems of the time. The state stepped in to strengthen the fiscal base of social insurance in Britain as its original revenues from insurance contribution bases dried up. In the United States, the Social Security Act of 1935 in effect created the American welfare state (such as it ever was) and was a central component of Roosevelt's New Deal. In New Zealand, the Social Security Act of 1938 was hailed at the time as setting a new benchmark for social insurance provision (Lindert 1984).

At the same time, Keynes was building an intellectual case for the welfare state which presented it not as an altruistic support for the poor but as part of a package of policy instruments which states could use to keep the market economy on track and prevent recurrences of economic collapse. Welfare spending in his model served not only to protect the economically vulnerable but also to stimulate economic demand at times when private expenditure by firms and households dried up and locked economies into downward spirals of falling output and falling demand. In trying to account for the burgeoning of the welfare state after the Second World War, it is difficult to separate out the effects of the war itself from the groundwork that had been laid in the 1930s, but there is no doubt that the experience of depression and the failures of free-market capitalism in that period contributed to the groundswell of support among both political elites and the general public for state social provision that built up during the war. It is instructive in this context to recall that the Beveridge Report, which drew up the blueprint for the post-war welfare state in Britain and was an inspiration for similar efforts around the world, was initiated in 1941 and published in 1942 (Hills, Ditch and Glennerster 1994). The 'giant evils' of 'squalor, ignorance, want, idleness and disease' it sought to combat were of the 1930s and earlier decades rather than of the war itself. Beveridge had been involved in the design of social policy in Britain since 1908 and his thinking in the early 1940s on Britain's welfare state had thus been maturing for over three decades. Beveridge also

emphasised the benefits of welfare provision for the competitiveness of the British economy and as a necessary element of general economic reconstruction.

In general, therefore, it is reasonable to say that the economic crisis of the 1930s was a major spur to the flowering of the welfare state which occurred after the war. It is well to keep in mind this generally pro-welfare outcome of the 1930s depression as we think of the possible consequences of the present financial crisis for the future of the welfare state.

The 1970s recession and the new right

Although the post-1973 recession was less severe than the depression of the 1930s, its portents for the welfare state seemed to have all of the negatives and none of the potential for a stronger public role that were present in the earlier crisis. By the early 1970s, the western world in general, and most western European countries especially, had experienced 'thirty glorious years' of the post-war welfare state. This was the period when there seemed to be no contradiction between strong economic growth and rapid extension of social provision, since both had expanded at an unprecedented rate since the 1950s (Lindert 1984). However, the economic shocks of the 1970s – the collapse of the Bretton Woods agreement in 1971 and the oil crisis of 1973 – brought this period to an end and gave rise to a new era of slow growth, high unemployment and industrial unrest. Most puzzlingly for champions of the then standard model of welfare capitalism, the period was marked by a combination of stagnation and inflation ('stagflation') which could not be accounted for by Keynesian economics and which challenged the intellectual consensus that had underpinned the state-market mix of welfare capitalism. The way was opened for the alternative 'monetarist' doctrine of Milton Friedman and the 'Chicago school of economics' to build a following. This doctrine highlighted control of the money supply rather demand management by government as the key instrument of macro-economic guidance. It advocated a minimal role for state intervention outside the field of monetary policy.

The election victories of Margaret Thatcher in Britain in 1979 and of Ronald Reagan in the United States in 1980 seemed to signal a triumph for

this new approach. Both were swept into power on the back of attacks on high taxation and generous social provision, which they blamed as the causes of slow growth and high unemployment. Their pledge to roll back the state in favour of a stronger role for the free market seemed to herald a new era of retrenchment in social spending, while the historic champions of the welfare state, the trade unions and left-wing parties, were on the wane. It appeared that, in some ways, this period was the reverse of what had emerged in the 1930s and 1940s. Welfare provision in the 1970s and 1980s was not a new arrival on the scene which could be presented as offering a solution to the ills of the day. Intellectual radicalism came from the new right rather than the left, and the 'giant evils' portrayed by the new right as obstacles to progress had to do with indolence and lack of enterprise caused by the nanny state rather the old problems of destitution and diseases caused by the heartlessness of the market.

Against that background, the surprise of the period which followed is how resilient the system of social provision proved to be. Far from succeeding in cutting back on social spending, both Reagan and Thatcher either held it steady or allowed it to expand somewhat (see esp. Pierson 1994). Looking over the whole of the OECD and over the longer period from 1980 to 2005, the overall pattern was for social spending to continue to grow. In the UK, for example, gross social expenditure rose from 16.7 per cent of GDP in 1980 to 21.3 per cent in 2005. In the USA, the corresponding increase was from 13.1 per cent in 1980 to 15.9 per cent in 2005, while taking 24 OECD states together, the increase was from 16 per cent to 20.6 per cent (Adema and Ladaique 2009: 22-24; see also Obinger and Wagschal 2010: 336-7).

There has been a great deal of scholarly debate on how complete and accurate this picture of continued expansion is. The range, diversity and complexity of state social programmes are so great that it is difficult to summarise trends in individual components, much less add them all together to get an overall picture. In the case of social expenditure, for example, programmes come and go over time, the boundaries around what to include and exclude as relevant expenditure are often difficult to define, and tax-related factors such as tax claw-backs on gross

expenditures and tax-breaks for private pensions and health insurance mean that actual net social expenditure can be very different from what gross expenditure data suggest (on these complexities, see Adema and Ladaique 2009). Some fields – such as supports for housing – are so complex to compute on a comparable basis across time and place that they are usually omitted from comparative data on welfare states (Fahey and Norris 2010). Thus even the more comprehensive attempts to measure the scale of the welfare state often have to overlook certain components.

These complexities have enabled some scholars to offer different interpretations of the durability of social provision over recent decades and to argue that in fact there has been 'more retrenchment than meets the eye' (Levy 2010: 558-61). Some individual instances of harsh cutback did occur (e.g. New Zealand in the 'mother of all budgets' in 1991); there were many shorter periods of regress that are lost sight of if long time comparisons are made, and in many cases apparent expansion concealed reductions in levels of benefit since rising unemployment, population ageing and changing family structures caused need to outstrip growth in provision (Korpi and Palme 2003, Starke 2008). Others have argued that to interpret developments along a single axis of expansion and contraction is too narrow since many important changes in welfare provision have had to do with redesign and recalibration of programmes rather than simple growth or decline. This is the case, for example, in regard to the interest in 'activation' which was added to programmes for the unemployed in the 1990s as governments sought to shift the emphasis of unemployment supports from income maintenance to training and incentives to return to work (Eichhorst and Memerijck 2010: 220-9).

Nevertheless, in spite of these qualifications, the picture of trends in the level of social provision in the aftermath of recession in the 1970s and growth of the new right in the 1980s is of resilience and durability rather than radical cutback. The extent of the welfare state may have differed between countries, it may have fluctuated somewhat over short periods and individual programmes may be subject either to contraction or expansion. But it proved surprisingly resistant to overall sustained

reduction, even at the hands of political leaders who seemed to have secured a popular mandate for just that. Thus, the welfare state that took root and flourished in the first thirty years after the Second World War was often assaulted in the second thirty years that followed and was sometimes clipped back here and there, but it has just as often thrown out new shoots and nowhere has returned to the minimal levels of provision of its earliest years.

Why resilience?

In the light of this apparent resilience of the welfare state since the 1980s, researchers have tried to understand what protected it and made it seemingly immune to large reduction (Levy 2010). Many of the forces that caused it to grow in the early years (such as strong labour movements and the success of political parties with left-wing leanings) went into decline and new threats emerged from a resurgent new right, yet large-scale social provision persisted. Why was that so?

Part of the answer lies in basic changes in economic and demographic trends. As the era of full or nearly full employment came to an end in the 1970s, the resulting rise in unemployment put upward pressure on welfare spending. For many European countries in particular, high unemployment seemed to become a fixed part of the landscape in the 1980s and 1990s (Eichhorst and Hemericjk 2009). Population ageing also began to have an impact, as pension costs started out on a long rising trend that has not yet reached a plateau.

In addition to these underlying socio-demographic movements, a range of political factors served to protect the welfare state. The pioneering analysis of this issue by Pierson (1994) traced these factors to the political mobilisation of new interest groups that had grown up around the welfare state as it developed into a major feature of the institutional landscape. Some of these interests centred on the recipients of welfare benefits, of which the elderly in receipt of old age pensions were a particularly large and powerful example. However, it was not just the elderly: the growth

of the welfare state in previous decades had meant that, taking all elements of social provision together, the share of the population that gained no benefit from it was small. Even voters who might be sympathetic to the general idea of a roll-back of the state were likely to resist it very strongly when it came to those aspects of public provision which benefited themselves.

Another large block of interests sympathetic to social provision formed on the provider side of the system, particularly in regard to services in fields such as education and health. An important role was played here by trade unions not so much as advocates of the interests of the working class in general but rather as protectors of jobs and working conditions for their own members in the public sector. Trade unions in general had gone into decline in western countries outside the Nordic regions since the 1970s, particularly in the new and expanding private services sectors of the economy, but rates of unionisation remained high in the public sector in most countries (Visser 2006). Public sector unions provided a powerful source of resistance to wage and job cuts in state social services and thus acted as a bulwark against reductions in spending in these areas of the welfare state.

In addition to the factors which acted directly in support of public social provision was the growing public doubt about the effectiveness of market alternatives (Glennerster 2010). Private pensions provide an important example since it was in the field of pensions that the Chicago school of economics had made a particularly strong case for the virtues of market-based over public provision. It also had its greatest real-life impact in the form of the wholly market-based pension system which was introduced in Chile in 1981 and was held up at the time as a model which other countries should follow.

However, over the past three decades private pension systems have run up against problems of coverage, cost and reliability that have raised as many question marks over their effectiveness as have been raised over any area of public sector provision, and these questions reached a new level during the recent financial crisis. A fundamental issue is their inability to make

provision for the poor – the private pensions system in Chile never reached more than two-thirds of the population and in recent years has had to be supplemented by a public system directed at low-income households. Annual fees charged by the private pensions industry range from 0.5 to 2.0 per cent of fund assets and thus depress the real rate of return – and the more market competition there is, the higher the level of fees since contributors are more swayed by promotion and sales effort than by fees (Tapia and Yermo 2007). In addition, those relying on private pensions have had recent dramatic lessons in how unreliable they can be: before the recent financial crisis, the median funding level for 2,100 private pensions funds across 15 OECD countries was 13 per cent in deficit; by 2009, as a result of the crisis, that median deficit had increased to 26 per cent (OECD 2010: 9).

Protecting the vulnerable

The more inclusive and precise measurement of social expenditures that is now possible on the basis of the OECD data has shown that there is less difference in the size of welfare states across the OECD than had previously been thought: the strong role of private social expenditures and related tax breaks in some countries means that their welfare states are bigger than they seem, while the taxation levied on social welfare incomes in the more generous welfare states means that they are smaller than they seem (Adema and Ladaique 2009). A comparison between Denmark and the United States provides a good illustration (the following is based on Table 5.5 in Adema and Ladaique 2009). Using a traditional measure (gross social expenditure as a percentage of GDP), the Danish welfare state is 87 per cent larger than that of the United States. However, if we take account of the quite high taxes levied on welfare payments in Denmark and the generous tax breaks for pensions and health insurance allowed in the United States, the differential narrows a great deal – the Danish welfare state reduces to a 29 per cent size advantage over the United States. If in addition, account is taken of voluntary private expenditures on social services, which is very high in the United States and low in Denmark, the differential disappears altogether – total social expenditure

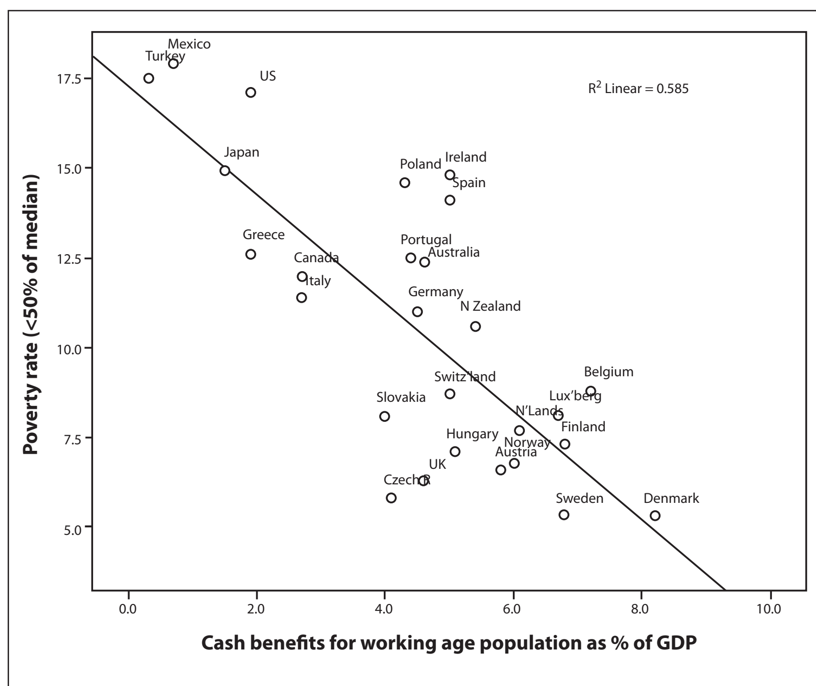
according to the broadest measure used in OECD data is marginally higher in the United States than in Denmark.

However, to say that some welfare states are bigger than we had thought and others are smaller is not necessarily to say that they are also similar in how progressive they are. Precise measurement of the progressivity of a package of social programmes is impossible to achieve (Esping-Andersen and Myles, 2010), but nevertheless there are useful summary measures that go a long way towards capturing their overall distributive impact. A particularly important one is the poverty rate, which provides a metric for the effectiveness of the welfare state in achieving what some would regard as the most important of its core goals, namely, the protection of the economically vulnerable from basic inadequacies in living standards. According to this measure, states in the developed world continue to be quite different from each other and to differ very much along the lines of traditional measures of welfare effort. This pattern is shown in Figure 1, which plots poverty rates in OECD countries against a core traditional element of welfare spending, namely, gross expenditure on cash transfers for the working-age population (the focus here on the working-age population serves to keep to one side the impact of pensions systems where distributive effects often have a distinctive character). As this graph shows, levels of poverty vary widely and are closely related to the measure of welfare spending used. To take the Denmark-United States comparison mentioned earlier as an example, the poverty rate in the United States is roughly three times higher than in Denmark, while cash transfers to the working age population as a percentage of GDP are about four times higher in Denmark than in the United States.

Trends in poverty rates over time also enable us to assess the impact of the rise in social expenditures since the 1980s noted earlier. Here again there are problems of consistency and comparability in the available data, but insofar as a picture can be constructed, it suggests that poverty rates in OECD countries over the period 1985-2000 either remained stable or rose slightly, with very few instances of significant decline (Nolan and Marx 2009: 322). The dominance of stability and increase in poverty levels in most countries over this period could be interpreted to mean that the rise

in social expenditures over the same period did not produce the kind of anti-poverty results that might have been expected of them. Such an interpretation would be consistent with the scepticism about the real significance of those increases among some critics, as outlined above – the 'more retrenchment that meets the eye' view. However, an alternative view is that inequalities in market incomes widened considerably in this period in most countries but disposable household incomes did not, or did so less consistently (Brandolini and Smeeding 2009). This would suggest that the equalising job to be done by public social expenditures increased over this period and that it represented a considerable success on the part of welfare states that there wasn't a considerably larger deterioration in poverty rates than actually occurred.

Figure 1. Cash benefits for working age population as % of GDP and poverty rates (<50% of median income) in OECD countries, 2005



Source: OECD database

Progressive versus regressive programmes

In looking to the future of the welfare state in the light of these patterns, there is a strong case for arguing that we should be less concerned about overall size than about distributive impact. That in turn would require us to treat social expenditures not as a uniformly good thing but as a mix of progressive, regressive and neutral elements which could develop in different directions in the future. In looking at the resilience of the welfare state and its apparent immunity to radical cutback outlined earlier, then, we would have to ask where the greatest resilience lay across these types of elements and what factors were more supportive of the progressive as opposed to the regressive or neutral elements.

Such an exercise is beyond the scope of this paper, but a few points can be made. The first is that certain elements of public social expenditure broadly defined are inherently either regressive or neutral – they are incapable of being progressive. This is most true of 'tax breaks for a social purpose', which are of benefit only to those earning taxable income – and usually the more taxable income they earn, the greater the benefit they can derive from these measures. The prominence of measures of this kind in the United States, along with the private social expenditures they stimulate, is the main reason why the US system of social expenditure seems bigger on a comprehensive measurement than it appears in standard measurement – but also the main reason why the positive distributive impact of American social expenditure remains relatively small no matter what measurement is used. In that context, the pressure to restructure taxation in the light of the sudden deterioration in the fiscal situation in most countries as a result of the financial crisis is an important turning point. It offers the opportunity for champions of welfare distribution to highlight regressive tax expenditures as a particular area for reform and as an area where hard-pressed finance ministries could seek to raise additional revenue.

A second and related point that can be made is that the stance of the public system towards private social expenditures also has important effects on the types of resilience that is present in welfare states. Broadly

speaking, a public-private mix of the American type is more effective in harnessing private sector interests to the defence of social expenditures – but not necessarily in a benign way from a social distribution point of view. Such interests, acting on the provider side of the private social services in fields such as private health care, private pensions and owner-occupied housing, typically strive to maintain public subsidisation of those services through the tax system and resist attempts to reform such subsidies in a more progressive direction. This is one area, therefore, where resilience in the current structures of the welfare state is not necessarily a good thing. However, it is also an area where the appeal of market solutions has been dented by the financial crisis and where the ground for a stronger public role in welfare distribution is more fertile than it has been for many decades.

A final point we can make about prospects for greater progressivity in welfare distribution is the vigilance that needs to be exerted over social provision that is more wholly contained within the public system. The problem here is that public provision can be and often is regressive. A good example is provided by pension systems in some parts of Europe, particularly in the Mediterranean countries. Here, public pensions have tended to be constructed on an insider-outsider basis in such a way that those in secure long-term employment (quite often in the public sector) enjoy generous pension benefits, while those in the secondary labour market have weaker entitlements.

Welfare States and Nation States

I will turn now briefly to my final and most uncertain theme – the future of the nation state as the platform for the welfare state. Twentieth century systems of welfare distribution, as is well recognised, had their economic foundation in the free market and we constantly debate how welfare institutions and market institutions should interact. Less attention is paid to the political dimension of the welfare state in the nation state or to the question of how welfare institutions should relate to the polities which underpin them. Lack of interest in this topic arises largely because the

nation state has become such a taken-for-granted element of the global – and especially the European – landscape. The welfare state in its earliest forms was created by European imperial powers, principally Germany and Britain. But its maturation and full development came about with the end of empire and the emergence of the relatively small and ethnically homogenous nation state as the standard political formation in Europe. One might argue, in fact, that the character of Europe as a continent of small, highly bounded, ethnically distinct and internally homogenous nation states was a foundation of the 'European social model': welfare solidarity was an expression of national solidarity and a means by which national solidarity was built up. Its highly successful impact in that regard is evident in the taken-for-granted character it now possesses in Europe (on these issues, see esp. Bartolini 2005 and Ferrera 2005).

European fragmentation – its proliferation of small to medium-sized nation states – has been coming into question for European political elites since the earliest days of the European movement in the 1950s. Europe's competitors since that time have been large, multi-ethnic continental scale states – in the 1950s, the United States and the Soviet Union, today with rising powers like China, India and Brazil added to the mix. The European project is in part a peace process designed to ensure that European states will never again assault each other as they did in the first half of the twentieth century. But it is also a power process by which the larger states in Europe – now merely mid-sized states by global standards – have sought to come together, gather in their smaller neighbours and together create a polity and an economy that will large and united enough to hold its place in the world.

The long, slow and halting process of European integration has encountered one of its many crises – possibly its worst ever crisis – in the current phase of financial upheaval. The painfully built up single market and the monetary union which seeks to further it are teetering on the brink of collapse, with the financial problems of the Greek government having provided a flashpoint (and with Ireland's problems not far behind). There is now a widely held view that the EU must now move either forwards or backwards: it must integrate more – that is, transfer further

sovereignty from member states to the European level – or slip back into fragmentation.

The welfare state is a core focus in debates on these issues. The retention of national control over social policy has been a cardinal principle of European integration. For European publics, the idea that welfare responsibilities should cross national frontiers has been inconceivable (witness the recent fury among German voters at the idea that German taxes might be used to shore up Greek pensions). As we talk of the future of the welfare state, we automatically think in national terms – we talk of distribution *within* states, not between states. Real household incomes among the Polish middle classes are only about half of what we in Ireland would count as the poverty threshold. The Polish poor, not to speak of the poor in Romania and Bulgaria, are even further removed from what we would count as a basic living standard. So far, it has been possible for us to talk of our welfare state without taking either German financing or east European social need into account. But we are also now becoming aware that these factors could well loom larger in the future: a European polity with European powers of taxation and distribution might have to become part of the context in which the next phase of evolution of welfare states will take place.

Conclusion

The central message to be drawn from the reflections presented in this chapter is that current conditions leave the future of the welfare state relatively open. Financial turmoil and economic slowdown are now exerting a great deal of pressure on public social expenditures. There are also long-term forces at work, such as population ageing, widening inequalities in market incomes and sustained periods of relatively high unemployment, which pose difficulties for welfare states. However, the balance between market and state which public social provision represents is shaped not only by problems on the state side. Of equal significance is what is happening in the market. Here of course what has to be noted about the present crisis is that, echoing the experience of the 1930s, it is a

crisis of the market rather than of the state, and the role of the state as rescuer of last resort for market institutions is now evident in ways that it has not been since the middle of the twentieth century. The global economy has thus been catapulted into a new era of state activism, to a degree and in ways that were wholly unexpected as recently as 2007.

As far as welfare distribution is concerned, a further lesson of recent decades is that state activism is not always progressive and protective of the vulnerable – but equally that it often is. Which of these routes the state takes over the coming decades is a matter of politics in which the weight of political forces is not yet set in any clear direction. It all is to play for. As that play is worked out, there is a particular political challenge for European welfare states in how they relate to each other. The European social model has usually been defined as a distinctively European commitment to social solidarity but it could equally be characterised by the fragmentation of Europe into a multiplicity of states, each with its own jealously guarded control over its welfare system. Whether that fragmentation can continue into the future is one of the looming question marks now emerging over the European tradition of highly bounded national welfare states.

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