

EUROPE AND THE 'AMERICANIZATION' OF BRITISH SOCIAL POLICY

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ABSTRACT: This paper identifies and seeks to resolve the paradox that British social policy appears to have diverged from its EU partners in the period since membership and to have converged with that of the USA. Existing historical institutionalist approaches stress common regime characteristics of Britain and the USA in explanation of British difference from other member states. The present paper challenges such accounts and argues that the explanation lies in the transformation (and demise) of the post-Imperial/ Commonwealth system of political economy in which the British economy (and related social policy) was embedded. This transformation has also produced internal problems within the British state giving rise to its reorganization with devolved Assemblies in Scotland and Wales. The final part of the paper addresses how this latter development has created a 'fault-line' in the British social policy debate with the possibility of reversing the trend toward Americanization.

Key words: welfare; globalization; neo-liberalism; EU; Scotland

Introduction

British social policy frequently seems to be at odds with that of its European partners. The negotiation of an opt-out from the social chapter of the Maastricht Treaty in 1992 was merely the formal expression of manifold disagreements, which have continued. Europe - hostility to the commission's 'bureaucratic' interference into national politics - was a potent factor in British politics throughout the long years of Conservative government. As Mrs Thatcher put it, 'socialism' was not to have been defeated in Britain only to enter by the Brussels back door. For some time, the ideas informing social policy debates in Britain have been imported from the USA - for example, in the various programmes of urban renewal that came in the wake of the urban riots of the 1980s (Wollman 1992) and, more recently, in the emphasis on labour market deregulation and ideas of 'workfare' (King and Wickham-Jones 1999), or that 'prison works' (Downes 2001) - rather than from other partners in

the European Union. The election of a Labour government in 1997 has altered some of the rhetoric towards Europe - once again it is being argued that Britain is destined to be at the centre of Europe - but the direction of social policy seems to be firmly within the earlier agenda with proposals to shift people 'from welfare to work' (with particular attention to be given to single mothers) and to reduce the role of state-provided pensions. As with the previous Conservative governments, there are injunctions to ministers and their advisers to re-think in a fundamental way the organization of social policy and the nature of the British welfare state in the pursuit of private solutions.

For many commentators, the explanation of British difference from the rest of Europe lies in cultural factors and political decision. It is argued that Britain and the USA share a common political culture of liberalism and distrust of the state which explains the dominance of neo-liberal political ideologies in both countries (Esping-Andersen 1990). Certainly, the new right emerged as a significant political force in both countries at much the same time and there was considerable cooperation between the various think-tanks and policy advocacy groups in both countries that sought to influence the governments of Thatcher and Reagan (King 1987), as well as the close relation between the two leaders, to lend credence to the view. The wider debate over Britain's relation to Europe has always involved distrust by some of the partners (in particular, France) of Britain's close relationship to the USA. Indeed, it was fears about that influence, and its consequences for the EEC as a 'third' force, during the period of Cold War politics that led to the French veto of the British application for membership in 1963. With the collapse of communist regimes, defence and international politics have become less the focus of concerns by European partners about undue American influence than social policy itself. Thus, some commentators now fear that European social policy will be driven-down to the residual, safety-net (or below) levels typical of the USA, as a consequence of British reluctance to cooperate on common social policies to complement the extension of the single market. The 'Americanization' of European social policy - the de-institutionalization of welfare and its subordination to the private market - it is feared, might occur by the Westminster back-door through 'social dumping' (Schmitter and Streeck 1991; Streeck 1995).¹

1. Streeck argues that the Maastricht Treaty tied European integration to de-regulation and that, 'the Maastricht settlement was a decisive British victory over the federalist welfare state-building project' (1995: 404). It may seem ironic that what Streeck identifies as a victory should cause such grief for the British Conservative government. However, even free markets require institutional support and a single European market requires supra-national institutional support and it was this that seemed to conflict with expressions of British national interest.

Whatever the threats to European social policy that derive from British exceptionalism within Europe, I shall argue that the trajectory of British social policy is largely misunderstood in current debates. What remains outside the predominant cultural and political explanations - where, apparently, the most significant event is the election into office of Conservative governments under Mrs Thatcher's premiership - are the circumstances of Britain's entry into the Common Market in 1973. In all the discussions about the welfare state and social policy since that time there is barely any mention of these as significant factors in the fate of the British welfare state and social policy. On the face of it, this is because the expected outcome of membership was that British social and economic policy would be convergent with those typical of other member states. This initially formed the basis of neo-functional arguments about the logic of integration in Europe which were once very influential (Haas 1968; Pollard 1974). Such arguments are now somewhat discredited, in part because of the difficulty of explaining the fate of Britain in these terms.²

Convergence is precisely what many critics of British membership feared. Indeed, in the first decades after the war, whatever the current situation, Britain had a welfare state which in many respects was *more developed* than those of its prospective partners. Throughout the protracted period of British agonizing about whether or not to join (and of others, whether to allow membership) - from the immediate postwar years through to the 1970s - one constant feature of the argument of those on the left who opposed membership was that the EEC was a 'capitalist club', dominated by Christian Democratic polities, and that the more 'socialist' character of the British welfare state would be threatened. Very early on in the debate the fear had included that of opening the British economy to competition from those with lower wages and living standards, but it soon became evident that British living standards were being quickly overtaken and outdistanced by the members of the EEC. Indeed, the superior economic performance of what were to become the six (Germany, France, Italy, Netherlands, Belgium and Luxembourg) was becoming very evident well before they signed the Treaty of Rome in 1957 (Lamfalussy 1963). By 1960, income per head in Germany had overtaken that of Britain while in the other countries (with the exception of Italy) the gap was narrow. Nonetheless, despite this relative decline of the British economy, one major strand in opposition to membership

2. However, a new variant of the 'functionalist' argument has recently emerged which is sceptical about the expansion of social Europe to complement the single European market, precisely because of systemic weaknesses of federal governments with strongly defined states' rights (here the USA is an exemplary case) in delivering welfare (Streeck 1995).

continued to be that of the threat to the welfare state and the diminished opportunities for socialist policies that would obtain under community arrangements (Anderson and Hall 1961; Barratt Brown 1961; Balogh 1962).³ By the 1970s, differential economic success was understood to translate into welfare spending, though it was not until retrenchment in the late 1970s that wider economic superiority was perceived to be also associated with superior welfare outcomes and not until after 1979 that this was attributed to a stronger commitment to such provision among other EU states.

Ironically, then, the current dominance of market-oriented policies in Britain *was* what many anticipated, but *they expected it to be a consequence of their dominance in Europe; the superior social character of European policies was not anticipated*. Anderson and Hall, for example, wrote that,

The Treaty of Rome, it is true, prescribes no common social character for the Community. But since integration must take off from the basis of the economic structures which at present characterise the Six, the common market will inevitably develop - even exaggerate - present trends.

(1961: 7)

Barratt Brown, for his part, was concerned about the protectionism afforded to large cartels and described the EEC as an organization where 'the motor-industry can over-expand while social services decay' (1961: 26). Within a few years of formal entry, British policies began to diverge markedly and the developed features of the British welfare state began to be undermined. Now, in contrast to earlier criticisms, a number of commentators with left-wing sympathies regard the EU - and a strengthening of the social chapter, in particular - as a means of changing the direction of British social policy and re-establishing those social rights of citizenship which were so dramatically challenged during the years of Conservative government (Hutton 1995). For this reason, they are unwilling to see Britain's membership of the EU as virtually continuous with the perceived crisis in the welfare state and processes of its dismantling in Britain. Neo-liberal commentators, for their part, believe that Britain is showing the rest of Europe the lead with social policies that are necessary to the increased competitiveness of a globalized economy;

3. This opposition frequently manifested considerable ambiguity. After all, most left-wing critics of the EEC were not committed to the welfare state in itself as the transcendence of capitalist relations and were frequently highly critical of its failures - most especially its failure to *be* socialism. Nonetheless, they did not see why it should be diminished for something they saw to be more capitalist, more oriented to market provision.

Europe, it is believed, will converge upon Britain's 'enlightened' policies (and not because of social dumping).⁴

It is the purpose of the present paper, then, to identify and resolve a paradox: that it is precisely the circumstances of Britain's entry into the European Economic Community which are most significant in explaining a subsequent 'Americanization' of British social policy. These circumstances include the long demise of Britain's post-Imperial/Commonwealth system of political economy and consequent problems of structural adjustment to a common European economy.⁵ These same circumstances also explain the changing place of Scotland within the United Kingdom and the 'break-up of Britain' (Nairn 1977), which, to some degree, has occurred with the creation (on 1 July 1999) of a new Scottish Parliament with powers to determine social policy. Thus, the paper also seeks to identify an emerging faultline in British politics, around which social policy debate will increasingly turn; *the process of 'Americanization' and divergence of Britain from Europe, I shall argue, has its counterpoint in the divergence of Scotland from Britain and an 'Europeanization' of its emerging social policy.* In the conclusion, I shall consider the extent to which this might be the mechanism through which the current direction of policy-making in the UK more generally is altered.

I

It will be apparent that this paper proceeds from an 'historical institutionalist' perspective (Steinmo *et al.* 1992; Thelan 1999). Where it diverges from previous accounts is in its challenge to existing descriptions of the institutional legacy determining the British case. Moreover, where the dominant thrust of the historical institutionalist approach is to establish that 'politics matters' (rather than the rigid 'logics' of systems), the tendency is to introduce new rigidities in the form of political determinants creating path-dependent trajectories which become resistant to

4. Neo-liberal arguments are not directly espoused by those seeking a 'third way' (Giddens 1998), but there is a similar emphasis upon the impact of globalization and innovative political leadership by Britain, albeit now under the premiership of Tony Blair.

5. I take issue, then, with Strang's claim that, 'decolonization brought the political economy of France and Britain closer to that of the Scandinavian, Alpine or Benelux countries.' (1994: 293). In particular, it is difficult to sustain the idea that, in the case of Britain, a convergence is manifest in a turn towards increased social spending that is made possible by the reduction in the costs of sustaining Empire. Thus he writes that, 'With massive de-colonization, Britain and France were reduced to second-rate powers and forced to turn inward. This inward turn may have facilitated the further expansion of metropolitan political, social, and especially welfare rights.' (1994: 292).

change precisely in so far as they are institutionalized. Politics becomes as determined by institutions as by system logics. The historical institutional account I shall offer seeks to break down these rigidities by identifying both path-dependent trajectories *and* the emergence of new opportunities to transcend them. In this section, I shall call into question the identification of Britain as an instance of a liberal welfare regime.

Esping-Andersen's (1990) identification of distinct forms of the organization of welfare arrangements is a useful place to begin to unravel the complex issues of integration, convergence and divergence within welfare regimes. Two of the types he identifies - the social democratic and the statist corporatist - represent fully institutionalized welfare systems with continuous and generous need provision outside market processes operating through inclusive or universalistic, earnings-related benefits. These two types are argued by Esping-Andersen to be de-commodifying in their effects, in that they reduce the individual's reliance upon the labour market. This is contrasted with a third type, the liberal, which seeks to adapt welfare arrangements to the requirements of the market. It is characterized by means-tested assistance and, at best, only modest transfers and social insurance plans. In this system, the market is given precedence in the provision of needs, and social policies are designed both to sustain the efficacy of market provision and to limit any distortions upon it. It is the social policies characteristic of Esping-Andersen's liberal type that I am associating with the 'Americanization' of British social policy. The USA is his exemplar of the liberal type, but he includes Britain, alongside Canada, Australia and New Zealand, within the cluster and this requires further discussion.

For my purposes, what is striking about Esping-Andersen's account of regime types is that the founding members of the EEC - France, Germany, Belgium, Netherlands, Italy and Luxembourg - are all placed in the cluster of welfare state regimes of the corporatist-statist type. This similarity in the organization of welfare arrangements and the political forces sustaining those arrangements, is what gave support to early neo-functional accounts of European integration. Later entrants to the EU, however, have been more mixed. Some - Ireland, which joined at the same time as Britain, and Austria, which joined in 1995 - are also placed by Esping-Andersen within the corporatist-statist cluster. Others - Denmark (and more recently, Sweden and Finland) and Britain - are argued to have come from the social democratic and liberal regime types

respectively (I shall return to Esping-Andersen's categorization of Britain shortly).⁶

There can be little doubt that the enlargement of the EU (together with the impact of the oil crisis and recession in the 1970s) slowed the pace of European integration, a pace that was not picked up until the Single Market Act of 1992 (Leibfried and Pierson 1995; Wallace 1990), however, there are good reasons for arguing that the disparity between member countries can be overstated. For example, even in theoretical terms, the difference between the corporatist-statist and the social democratic regime is not that great. In large part, the differences that Esping-Andersen identifies are historic and the two types show a high degree of convergence in the postwar period. For example, the statist-corporatist type was characterized by welfare programmes developed under conservative, pro-family ideologies (frequently Catholic influenced) which embodied status differentials. However, the particularism of that system became universalized into a general earnings-related system as the various benefits systems became consolidated under the aegis of the state. Unlike the corporatist-statist type, the social democratic type is presented by Esping-Andersen (1990) as a development out of the liberal type. However, the universalistic features of the social democratic type which reflect this background, exemplified by high flat-rate benefits, were further modified in moves towards earnings-related benefits in the 1960s. Indeed, for a number of commentators at the time, this represented the end of progressive development in the Scandinavian welfare state, however impressive the achievement to that point had been (Anderson 1961).⁷

To be sure, differences remain, and these are significant within the current politics and social policy of the European Union. For example, the social democratic regimes are generally more egalitarian than the corporatist-statist ones and this is particularly evident in relation to

6. Still others - Spain, Portugal and Greece, for example - were not addressed by Esping-Andersen, but have been argued by other commentators to represent a distinctive fourth, Mediterranean type (Holman 1992; Palier 1997). However, the special features of these latter countries seem to owe more to their relatively lower levels of economic development, rather than to a fundamental difference between them and the conservative-statist type. Given the authoritarian background of the conservative-statist type, these South European countries seem to differ from other members of the cluster mainly by virtue of the continuity of authoritarian regimes well into the postwar period.

7. The occasion for the interest in Scandinavia was Anthony Crosland's (1956) advocacy of the 'Swedish model' and a retreat from traditional Labour Party policies of nationalization. The final abolition of nationalization - 'Clause IV' - from the formal aims of the Labour Party is one of the key features of New Labour and the 'third way', though it hardly represents New Labour at the vanguard of European social democracy, but rather as a laggard running to catch up.

issues of gender. Opposition to the Maastricht Treaty in social democratic welfare regimes (in contrast to the case of Britain) has come most significantly from the left and, in particular, from women's groups.⁸ The importance of such issues notwithstanding, the problems of European integration in an expanded Europe appear to be peculiarly concentrated upon one member state, that of Britain. In fact, the relative stability of social policy arrangements in Denmark across a period that has manifested considerable instability and retrenchment in Britain tends to confirm this analysis.⁹

On the face of it, there would seem to be a basic social structural incompatibility between Britain and its European partners, and this difference, on Esping-Andersen's arguments, derives from the different political culture in which British institutions have developed. The problem with this account, however, is that it tends to read its version of present incompatibilities too far back in time. For example, Esping-Andersen and other contemporary writers apparently have no difficulty in representing the UK as an instance of the liberal type. On this argument the Americanization of British social policy is all too easy to explain. *It is precisely what is to be expected from type*; crudely, it is American, rather than Americanized. What remains unexplained is *that there was a time when British social policy did not seem to be American*. Many features of British social policy - the National Health Service is the most striking example, but also universal child allowances and state pensions, too - seem to be more social democratic than liberal, at least such to constitute what Taylor-Gooby (1991) calls a 'hybrid'. Furthermore, if comparative studies of welfare states and social policy conducted prior to 1979 are consulted a similar distinction of regime types to that of Esping-Andersen can be discerned, but the place of the UK is much more problematic (Stephens 1979).¹⁰ It seemed closer to the social democratic type than any other and, as already commented, it had welfare policies in some areas which placed it ahead of some other member states of the Common Market. Indeed, there also seemed to be evidence of the kind of re-organization of benefits which was also taking place in other social democratic regimes; for example, the move towards a state earnings-related pensions system and the introduction of an earnings-related element in

8. These criticisms resemble those of the British left in their opposition to British membership in the 1960s and 1970s. What is striking is the decline in left opposition in Britain over the same period.

9. The other late-joining members of the EU share with the original members an economy integrated with Europe, unlike the British economy which had developed in relation to Empire and then Commonwealth.

10. Indeed, given the argument that discourses of welfare follow 'worlds' of welfare, it is significant that the 'words of welfare' that Esping-Andersen uses to characterize the social democratic model are all taken from the British debate, drawing upon such figures as Beveridge, Marshall and Titmus.

unemployment benefits. If this is correct, what requires explanation (and this would be so from a systemic-functionalist or a historical institutionalist approach): 'Why did the UK move from one type of welfare regime to another?' And, given processes of consolidation among other European partners, the further question must be: 'Why has British membership of the European Union given rise to its increasing divergence, rather than an expected convergence?'

Mann (1987) has argued that discussions of the formation and development of welfare states have concentrated too much upon internal factors to the neglect of geo-political factors in the external relations among states.¹¹ Certainly, Esping-Andersen's account tends to elide the issues of European integration and their impact upon welfare states. Some purchase on these issues can be gained by reflecting upon the different countries he assigns to the liberal type - the USA, Britain, Canada, Australia and New Zealand - in the cluster. The USA is treated as exemplar in the sense that it has the least-developed welfare arrangements of any advanced Western country. The other countries in the cluster have more developed welfare states, but, as far as Esping-Andersen is concerned, merit classification alongside the USA, despite the special circumstances - in particular, the divisive nature of race in American society (King 1995; Quadagno 1994) in combination with states' rights limiting federal initiatives (Pierson 1995) - that other writers have postulated for the latter's laggard, or even singular, status. Further characteristics of the group are that the USA and UK are longstanding manufacturing economies, while Canada, Australia and New Zealand have a much greater reliance on primary products. Moreover, four of the economies - UK, Australia, New Zealand and Canada - were part of a trading bloc based upon the complementarity of their respective emphases on manufacturing or primary products, namely the system of Imperial/Commonwealth preferences. This bloc had dominated the trade of the respective countries since Empire (less so in the case of Canada), but was in a process of decline that became increasingly evident in the postwar period. Of course, Canada was not a member of the related Sterling Area and was increasingly absorbed to the wider political economy of the USA. Nonetheless, there is a *prima facie* case that the idea of a distinctive liberal welfare regime based upon a common political culture and associated institutions is misplaced and that the cluster can be differentiated to reveal different underlying processes. Certainly, the Commonwealth group would seem to be quite distinct from the USA.

A paper by Castles and Mitchell (1992) lends support to the above

11. I have discussed the role of the experience of war in the formation of theories of welfare and social policy, elsewhere (Holmwood 2000).

analysis. They accept Esping-Andersen's characterization of three distinct worlds of welfare, but seek to identify a fourth - one they call the 'radical' world - formed essentially by splitting the liberal world into two. Their use of the term *radical* suggests that this group has characteristics in common with the social democratic type. In particular, despite a reliance upon the targeted welfare measures which Esping-Andersen takes as an indication of a liberal regime, they argue that the radical welfare states are typically more egalitarian than the conservative-statist type (such that the volume of spending used by Esping-Andersen as another indicator is also unsatisfactory) and much closer to the social democratic type (while the USA, for its part, is more inegalitarian than the corporatist-statist regimes).¹² Castles and Mitchell place the UK, Australia, New Zealand and Canada in the radical type, suggesting that this re-categorization is also intuitively more plausible because (with the possible exception of Canada) of the more significant role of trades unionism and labour parties within their social and political processes.¹³ However, where Esping-Andersen was concerned to demonstrate the resilience and self-maintaining character of the different regime types once established, the radical group does appear to be vulnerable to regression towards the liberal type with welfare cutbacks and widening inequalities under neo-liberal policy initiatives evident in each of the countries over the last decade and this is a feature which Castles and Mitchell do not explain, or even address. The implication is that the role of targeting in sustaining egalitarian outcomes makes these regimes more fragile and vulnerable to changing political ideologies than regimes where benefits are fully established as rights and integrated with employment status.

This regression has been most marked in the UK and New Zealand and is suggestive of a common process which underlies it. What I shall suggest in the remainder of the paper is that structural adjustment in the UK economy to the decline of the Imperial/Commonwealth trading bloc is a large part of the explanation of the fate of the British welfare state since

12. Esping-Andersen (1990), for example, argues that targeting of welfare benefits through means-testing is stigmatizing and that it creates a dualism where those who are better off seek private welfare solutions and in consequence become indifferent and even hostile to the extension of public welfare. While Castles and Mitchell accept the logic of this argument, they suggest that it need not be the case and that targeted systems can avoid middle-class capture of welfare and deliver resources more effectively to those in most need. This seems to be the position adopted by those sympathetic to the New Labour government in Britain and its aspiration to address inequality while reforming the welfare state.

13. In fact, Castles and Mitchell also re-classify Finland as a radical rather than social democratic type. Other differences are that Ireland appears as a more inegalitarian outlier of the conservative-statist type closer to the USA, with Belgium as a more egalitarian outlier of the conservative-statist type, closer to the Scandinavian group of countries.

membership in the EU.¹⁴ Those problems, I shall argue, are both economic and political in the sense that the nature of the political forces generated by British decline made it less likely that the required measures to address evident economic problems would be taken. Moreover, the debate over Europe was one of the major determinants of the fragmentation of the Labour Party that helped to deliver Conservative government for much of the period of British membership, thus providing the fertile ground in which a political ideology hostile to institutionalized welfare and taking its inspiration from debates in the USA could grow.¹⁵

II

The early history of the British relationship to the European idea has been well-told elsewhere (Young 1993; George 1990; Shlaim 1978; Young 1998). Essentially, in the immediate aftermath of war the issue was what kind of role Britain should play in a new democratic Europe. Other European countries, it seems, were keen that Britain should play a leading role in a more politically as well as economically integrated Europe, but the circumstances of allied victory and the absence of a land invasion of Britain had reinforced traditional tendencies in British foreign policies. Europe seemed too narrow a field for British ambitions of international influence. The Empire was reducing and being replaced by Commonwealth, but it still constituted a major sphere of economic and political influence beyond Europe. Moreover, it seemed a sphere of influence that gave Britain some weight in its special relationship with the United States that might be lost, or transmuted into a general European influence, if Europe was to be an independent power in the emerging Cold War politics.¹⁶ The Commonwealth as an economic system of preferential trading relationships was a much looser set of arrangements than was to emerge in the EEC, but it remained, nonetheless a significant system

14. Indeed, it would seem to be part of the explanation of the problems of the welfare states in other advanced Commonwealth countries which had been reliant on primary products, for example Australia, but most especially New Zealand. On welfare debates in New Zealand, see Peters and Marshall (1996).

15. In part, this was to do with the emergence of three strongly competing parties in a 'first past the post' electoral system. The non-Conservative vote was consistently under-represented and the Conservative Party won seats disproportionate to the popular vote. In the light of the later argument, it is interesting to note that the same 'imbalance' had the opposite consequence in Scotland. The emergence of the Scottish National Party gave the Labour Party the electoral advantage enjoyed by the Conservatives in England and Wales.

16. That Britain should lose its Imperial power and merge with a general European foreign policy bloc was, however, the aim of US policy.

which was reinforced by the (not entirely overlapping) Sterling Area of countries conducting trade in sterling.

British policy towards Europe in the immediate postwar period seemed set by ideas of maintaining distance and encouraging the formation of looser free-trade arrangements across a wider variety of countries (for example, initially through the Organization for European Economic Cooperation - the forerunner of OECD - as an alternative and, subsequently, as was developed with the European Free Trade Association group of countries outside the six) and looser collaborations on defence and foreign policy through NATO, rather than in the development of a European Defence Community and European Army. However, these policies, together with the traditional policy of encouraging an external balance between Germany and France, were undermined by those countries pursuing a more direct alliance together with other smaller countries and underpinning it with common institutions to which some degree of political sovereignty was ceded, first in the European Coal and Steel Community and then in the EEC, itself.

By 1957, the direction of European political and economic integration was clear and Britain was left outside, seeking to slow the development and subvert it to her own policy preferences. However, these preferences were beginning to look increasingly problematic. Postwar independence movements were changing the character of the Commonwealth and producing strains within it - strains which would become particularly evident in relations with South Africa and Rhodesia. Moreover, the Commonwealth trading bloc seemed to have declining significance for Britain's future economic performance when compared with the rapidly expanding European market. Indeed, as has been argued, it soon became apparent that the main European economies were out-performing the British economy, such that initial fears that entry into the EEC would open British markets to competition from the low-wage economies of prospective European partners shifted to fears of competition from the dynamic and highly competitive economies of Europe.¹⁷ The diagnosis

17. Between 1950 and 1961, the British yearly compound rate of growth was less than half that of the six (Lamfalussy 1963). While this lent support to the view that membership in the EEC was not the explanation of the relative economic success of the countries that became the six, their membership seemed, nonetheless, continuous with that success. It was increasingly difficult to argue that the better performance of other European economies was to do with an initial boost due to recovery and reconstruction after the devastation of the war. Indeed, after 1960, the terms of the debate shifted much more to a recognition of British economic stagnation. The six had recovered and exceeded their pre-war position among industrial exporters in the share in world trade - from 33.4 per cent in 1937 to 38.8 per cent in 1961, while Britain's share had declined from 17.8 per cent to 13 per cent over the same period (Lamfalussy 1963: 17; see also Grant 1983).

made by Lamfalussy (1963) was one that was to become familiar over the next decades, namely that the British economy suffered from a shortage of capital investment and that capital investment was less productive than in other European countries. While mere membership of the EEC was not the solution, the current arrangements of the Commonwealth bloc were not conducive to export-led growth through capital-intensive manufactures. Under current circumstances, British exports were directed towards the protected, slow-growing markets of the Commonwealth (Jones 1980),¹⁸ while the reciprocal cheap food policy and unprotected British agriculture meant that, although the latter industry was uniquely efficient when compared with protected European agriculture, the consequent high volume of food imports put a strain on the British balance of payments. The role of sterling as an international currency of the Sterling Area further exacerbated Britain's economic problems and committed the British government to conservative policies to protect the currency against short-term balance of payments problems, taking deflationary measures which further militated against adequate policies towards long-term investment.¹⁹

The role of sterling and financial crises throughout the postwar period, but especially in the 1960s, was fundamental to British economic performance. As Strange (1971; see also Polk 1956) argues, Britain's sterling crises and problems of devaluation should be seen in a much wider political context than has been common in most discussions of monetary policy. She charts the role of sterling as a 'master currency' within imperial dependencies and as a currency accepted as the 'top' currency by other countries outside imperial dominance, as a consequence of British hegemony in the nineteenth century, then declining to the status of a 'negotiated' currency, accepted by other countries for the holding of reserves, but no longer having the status of top currency (though retaining its role as a master currency in the remaining dependencies). In the postwar period, she argues, Britain found itself with a negotiated currency, having to give precedence to monetary stability and international

18. Jones records that the traditional structure of British exports, where two-thirds went to mainly empire markets outside Europe, continued until well into the 1960s and that it was not until 1973 that more than half went to Europe (west and east).

19. This was also the view of the EEC Commission in their 'opinion' on Britain's application for membership. It describes Britain's economic problems thus, 'the difficulties in fact seem to be mainly structural in origin, and stem either from defects in the distribution of productive resources (inadequate and misdirected investment, numerous obstacles to improvement of productivity, the pattern of employment, the tax system) or from the economic, monetary and financial burdens inherited from the country's past, the second world war and the country's international position in the postwar world' (Commission of the European Communities 1967: 38). The writer was Raymond Barre.

considerations, rather than to the domestic requirements of the economy. At the same time, the domestic economy was weak and reserves were low, such that the position of sterling as a reserve currency was ultimately unsustainable. Recurrent crises of confidence (frequently stimulated by external events) generated the stop-go policies that were so damaging to the prospects of sustained, long-term investment in domestic industries; in effect, responsibility for British economic policy was delivered up to the Treasury. At the same time, Treasury advisers and Bank of England officials had not accepted the decline in British monetary hegemony (and the rise of US monetary hegemony), so their ambitions were dictated by attempts not merely to maintain sterling as a negotiated or reserve currency, but to re-establish it as a top currency. Residues of these debates, of course, currently inform British public debates over monetary union in Europe and the adoption of the euro as its single currency.

III

The long period of indecision about British entry into the EEC culminated in an (unsuccessful) application for membership in 1967, but rather than having become more prepared for membership, it seemed that Britain was less prepared.²⁰ When Britain finally gained entry into the EEC in 1973, the circumstances were yet more problematic. Two Labour governments between 1964 and 1970 had substantially failed to improve Britain's economic prospects, despite embarking on a programme of modernization. Indeed, as Lamfalussy had argued would be the case, low productivity made it difficult to maintain the incomes policy necessary to shift resources towards investment. These were problems that were exacerbated under the more acute inflationary pressures of the 1970s. Moreover, as already mentioned, the shift in the relative strength of British and European economies meant that when Britain finally entered

20. One aspect of Strange's account of sterling policy in the postwar period is the demonstration of how US policy (ostensibly directed towards the break-up of British imperial ambitions and in favour of trade multilateralism and, therefore, of sterling-dollar convertibility and the break-up of the Sterling Area) could coincide with British commitment to multilateralism and convertibility in the name of restoring sterling as a top currency. The short-term resolution of this contradiction, however, was US collusion in the maintenance of the Sterling Area and Commonwealth protectionism. As Strange puts it, 'the converse of both the thickening of ties between Britain and the United States and the preservation of British ties to the Commonwealth, it would only be logical to conclude, was the gradual *éloignement* of Britain from the European mainland. The slow accretion of dividing barriers made it genuinely more difficult for Britain to assimilate to Europe in 1967 than it would have been twenty years earlier' (1971: 72).

the EEC it did so with a weak balance of payments record. In the short term, entry could only exacerbate that situation as imports were drawn in from highly competitive European industries. In addition, food prices were higher in Europe than obtained in Britain and, as critics of entry pointed out, living costs would rise, thereby increasing the pressures of wage inflation. Finally, the oil crisis of 1973 had a major impact on all European economies, but especially on weaker ones such as that of Britain.

Centrist opinion had moved in support of entry, but there was significant opposition from the right and from the left, and this was crucial in undermining support for policies which would re-structure the British political-economy in line with that predominant in the EEC. With the terms of entry negotiated by Edward Heath's Conservative government, the right-wing opposition to Europe was rather muted, although it was to become more vocal as membership progressed.²¹ More important was the left-wing opposition, partly because it could mobilize in relation to the ambivalence of the Labour Party, which, despite having applied for entry when in government, sought to expose weaknesses in the Conservative government's negotiating stance, and partly because there were difficulties in disciplining internal dissent in the party's own ranks when no longer in government. Although the intention was to harry the government, the longer-term consequence was to expose fragmentation within the Labour Party itself and weaken it as a potential party of government in the longer term.

For example, one major strand in the left opposition to membership of the EEC throughout the 1960s concerned the fear that Europe had pretensions to the role of super-power and a third force in Cold War politics. For those who had been involved in campaigns against nuclear weapons, the EEC was regarded as an equally problematic entity to that of NATO and one which would compromise any possible future goal of neutrality. In addition, it was observed that the Europe of the six was a rather narrow and inward-looking group. Not only was it a small part of Europe, but it also represented a grouping of developed countries which potentially defined its interests against those of an underdeveloped world by restricting access to its markets. In contrast, the organizations of which Britain was already a member - EFTA and the Commonwealth - represented a wider Europe and a more inclusive group of nations outside Europe, including some of the poorest. Finally, critics had been concerned that socialist alternatives would be circumscribed and that

21. Enoch Powell was the main figure on the Conservative right, but his influence had diminished after defying the government whips to vote against entry in the Parliamentary Debate of 1972.

British governments would not be able to pursue economic planning independently of partner members. Anderson and Hall, for example, expressed this latter view, writing that,

the congealed effect of economic, political and cultural trends has proved irresistible in each of the countries closely affected. This trend will severely limit the manoeuvrability of *any* British government, a labour government most especially. The contradictions for a government trying to steer a socialist economy in tight rein with six capitalist countries, working in close harmony, would be immense.

(1961: 9-10)

In fact, this latter option was already looking somewhat problematic in the aftermath of the two Labour governments of the 1960s (and was to receive a further blow in the experiences of the next Labour government of the 1970s and the 'winter of discontent').²²

The most important critique of the left-wing opposition to Europe (and prescient analysis of its consequences) was provided by Nairn in *The Left Against Europe*, a special edition of *New Left Review* published in 1972.²³ The core of Nairn's argument was his identification of a convergence between left-wing and right-wing criticism of Europe. Although each of the left-wing criticisms seemed to have merit when taken separately, together they seemed to transmute into a petty nationalism and nostalgia for national greatness. This was especially so once the rhetoric of the arguments was removed to reveal what was being proposed as an alternative. The idea of an outward-looking Britain, champion of the developing world, it seems, was to be realized through the traditional instruments of British policy, the Commonwealth and an expanded EFTA. The emphasis upon socialist planning in one country, for its part, easily transmuted into a defence of British constitutional traditions against foreign interference. Although Conservative nationalism was weak (the Falklands war was to revive it), nationalism was being

22. Left-wing political commentators became increasingly disenchanted with social democratic, or labourist politics, and looked to new forms of worker militancy - in unofficial strikes, sit-ins and factory occupations - as the source of a new, revolutionary alternative. Pro-Europeans in the Labour Party increasingly came to be seen as the advocates of a right-wing form of social democracy. Roy Jenkins, one of the founders of the breakaway Social Democratic Party, of course, was the leading pro-European in the Labour Party in the period.

23. He had already written a series of articles on the rise of neo-nationalism and the decline of the British state (later published as Nairn 1977), issues to which I shall return later in the paper.

sustained by a left that had become the defender of nation and sovereignty.²⁴

Ultimately, the Labour Party's reluctant commitment to membership of the EEC was matched by the resigned acceptance of membership on the part of the Conservative Party, too. Although a Conservative government took Britain into the EEC and the Conservatives have been the ruling party for much of the period of membership, this did not initially involve a specific programme for the solution of British economic weaknesses through membership. It is true that some of the problems that had beset the economy during the 1960s had declined in significance. The breakdown of the Sterling Area after the floating of the pound had reduced some of the pressures on the balance of payments and the Labour government had given up foreign policy commitments east of Suez, thus reducing military spending. However, the underlying weakness of British industry remained and, without an economic strategy to address it, entry into the EEC was likely to exacerbate the problems as protection from competition by European industry was removed.²⁵ The failure of previous Labour governments to deliver a coherent investment policy and a secure incomes policy meant that an economic strategy was not forthcoming. The *laissez-faire* individualism of the Heath years was a convenient ideological fig-leaf to cover an embarrassing lack. Increasingly, however, the fig-leaf became the substance and the political divisions in the Labour Party that the debate over Europe had intensified helped to deliver Conservative governments despite the unpopularity (as reflected in public opinion polls) of the social policies that were subsequently pursued.

On entering the Common Market, the UK confronted a very different kind of economic order than that of the Commonwealth bloc to which it

24. According to Nairn, what the left lacked was a strategy *within* Europe, though he was silent on what that strategy should be. However, it was evident that the development of a common social democratic strategy was not being proposed, since his argument was introduced by an editorial statement commending the decline of the nation-state in Europe and the growth of 'proletarian internationalism' (a barely credible proposition). Indeed, Nairn seems to have viewed the welfare state as a product of postwar patriotism and one of the mechanism by which workers were bound to petty British nationalism, writing that, 'the political affirmation of a social class within a nation state is the nationalisation of that class' (1971: 50). In contrast, I shall argue that the growth of the welfare state in Scotland is integral to the break-up of Britain.

25. Of course, tariffs and other trade protections were being reduced generally, independently of the EEC. Morgan (1980) estimates that only about a quarter to a third of reductions in UK average tariffs between 1959 and 1977 could be attributed to EEC membership. Grant (1983), for his part, judged that the consequences of Britain's membership was a major shift in the direction of trade towards the EEC, together with a decline in the balance of trade, especially in manufacturing goods, with the EEC.

had traditionally been tied, one characterized by high basic prices and high wages with highly productive and competitive industries. *It was precisely this disjunction which seemed to make feasible an economic policy of economic modernization on the basis of an apparent competitive advantage provided by lower wage levels.* Increasingly, this became part of self-conscious government policy. In this respect, what, in the early years of debate over Europe, was believed to be a source of competitive advantage for other European economies was now turned around as a possible source of British advantage. However, this had not been the basis of European relative economic success, while support for long-term investment in expanding industries had.

The consequence of giving precedence to the presumed advantages of low wages was not that British industry became more productive and concentrated upon new expanding industries, but that it became more specialized in those sectors of the European industrial base that were declining. These were industries which involved low levels of technology and skills and were likely to come under pressure from emerging industrializing countries. It is perhaps not surprising that British governments should become increasingly conscious of problems of globalization, since the measures taken to maintain a policy of competition through low wages - essentially measures to de-regulate the labour market - are precisely what serves to locate significant sectors of the British economy in such a competitive context.

Of course, a policy designed around the competitive advantage of low wages is quite consistent with the existence of sectors of the economy which do operate in terms of high investment and high productivity, with a different 'wage bargain' between employers and their workers. My argument does not depend upon low wages becoming general through the economy. However, the presence of more dynamic sectors alongside low productivity sectors, sustained by low wages, encourages a polarization of earnings. In addition, the policy of low wages also helps to create a domestic sector which is not part of an internationally competitive system, but provides cheap services - for example, household and leisure services - for consumption by more highly-paid employees. In these respects, then, British government policy can be represented as directed towards the expansion of the 'secondary' sector. This contrasts with the regulation of the labour market which has the aim of the generalization of the advantages associated with 'primary' sector jobs (characteristic of the 'wages solidarity' approach in Scandinavian social policy, for

example).²⁶ The historic process, evident for much of the twentieth century, of a decline in the range of earnings has been reversed and inequality in incomes now stands as great as at any time since 1911 (Hills 1998).²⁷

It is this which has led to the Americanization of British social policy. In order to sustain an apparent relative advantage of low wages, it became necessary to organize social welfare policies accordingly. There is a requirement that benefits should be lower than wages for available jobs and as wages in unskilled jobs fall so, too, must benefits. In addition, unemployment, in the early Thatcher governments, became an instrument of social policy, a surrogate for an incomes policy, to control inflation and weaken trades unions in a de-regulated labour market. Finally, with widening income inequalities and increasing poverty, especially in households with children, circumstances favour a changing moral economy. Emphasis is placed upon private responsibility and the disadvantaged are perceived to be responsible for their own fate; those who are *dependent* upon welfare of an increasingly means-tested and residual kind become stigmatized in that dependency. The welfare state is thus seen as helping to create an underclass of welfare dependants with a different moral orientation to that of the rest of the population and, thus, in need of punitive measures to discipline them (Murray 1984, 1990).²⁸ This is in marked contrast to the ideological debates in the now more developed welfare states of other partners in the EU. Higher levels of welfare provision are not associated with greater problems of an underclass; the focus is reversed and disruptions of institutionalized welfare arrangements are associated with problems of unemployment

26. On the idea of 'primary' and 'secondary' labour markets, see Doeringer and Piore (1971). Bluestone and Harrison (1986) refer to 'junk jobs' and identify their proliferation in the American economy. However, it is not necessary to follow Bluestone and Harrison in their claim that job growth has taken place substantially in 'junk jobs' in order to identify a broad negative impact of policies directed at labour market de-regulation in terms of widening inequalities.

27. Gottschalk and Smeeding (1997) suggest that the widening of income differences is not specific to Britain, but that it has been much more accentuated there than elsewhere.

28. Although the different dimensions of civil, political and social rights appear to be analytically distinct, the reduction of social rights has been associated with a decline in political and civil rights, too. Thus, in the United States, political participation is lower and there is a higher proportion of the population imprisoned (those in prison are disproportionately poor, male and black) than in other welfare regimes. On the dangers of illiberalism inherent in liberalism, see King (1999).

which are seen as risking the creation of a marginalized group of fellow citizens.²⁹

IV

The above explanation of changes in British social policy is continuous with explanations of the current constitutional crisis of the British state evident in devolution and the creation of separate Assemblies in Scotland and Wales. It is precisely the decline of Empire (and Commonwealth) which is placing strain upon the component parts of the United Kingdom, leading to the possible break-up of Britain (Nairn 1977). At the same time, however, I shall suggest that the process of devolution opens the possibility of changing the terms of the social policy debate and the direction of the recent trajectory. The Americanization of British social policy as a general process throughout the UK is confounded, at least in part, by indications of an 'Europeanization' of policy debates in the devolved Assemblies (including the public debates which gave rise to their creation). I shall concentrate upon the Scottish case which is, perhaps, the more significant, because of the special constitutional position of Scotland after the Act of Union in 1707 and, therefore, its role in driving the move toward devolution.

In brief, the highly centralized form of the British state derives from Empire and requirements of its administration. Similarly, the relatively unproblematic status of Scotland within the Union for most of the period derives from the advantages that Empire brought (Colley 1992).³⁰ With the diminution of those advantages and the culmination of British decline in attacks upon the welfare state, the Union has been rendered

29. It is conspicuous that what Murray (1984) believes to be a necessary product of *the* welfare state is most evident where welfare spending is lowest and the welfare state least developed. Indeed, the phenomena he associates with the emergence of an underclass - contested though the term might be - in Britain (Murray et al. 1990) can be traced to the very dismantling of the welfare state. Indeed, one of the first to write of the association between the welfare state and an underclass was Myrdal (1962). However, he believed that US social policy risked creating an underclass precisely because it failed to integrate employment policy and welfare policy in the manner being developed in Europe and especially Sweden. That Murray can discover as actualized what Myrdal feared in prospect, suggests the force of the latter's analysis and Murray's limited appreciation of the issues involved.

30. As McCrone (1992) argues, it was not until the 1960s that Scottish politics began to diverge from that of the rest of Britain. For example, the Conservative Party went from being the most electorally successful party in Scotland in the 1955 Westminster elections to electoral elimination in the 1997 Westminster election.

fundamentally unstable.³¹ Of course, the policies pursued by governments since the 1970s have had a wider unpopularity than simply in Scotland. The divide in British politics is as much 'North-South' as 'Scotland (and Wales)-England' (indeed, it can be discerned within the 'North' and within the 'South' too). However, Scottish identity gave a particular focus to opposition that was not available elsewhere. Indeed, the rise of the Scottish National Party contributed to political polarization between Scotland and the rest of the UK by 'splitting' the opposition to the party dominant in Scotland, Labour, thereby giving it the electoral advantage in a 'first past the post' electoral system (just as the electoral decline of the Labour Party following defections and the formation of the Social Democrat Party and the subsequent strength of the Social Democrat-Liberal Party in England and Wales created an electoral advantage to the Conservatives who managed to increase their representation in successive Westminster elections with a declining proportion of the popular vote).

Although Scotland was not the only place in which nationalism re-emerged as a political force in the 1960s and after, the circumstances of Scottish nationalism are unique. It is difficult to argue that the period in which nationalism re-emerged in Scotland could be characterized in terms of relations of 'internal colonialism' (Hechter 1975) or other explanations in terms of marginalization and peculiar disadvantage. If Scotland is regarded as a region and the regions of the United Kingdom compared with the whole, then Scotland is that region which, in terms of its social structural characteristics, is most like the whole (McCrone 1992). However, it is this sameness with the whole that precisely constitutes Scotland's uniqueness as a region, since other regions of Britain are more divergent from each other. It is precisely the characteristic of 'national societies' that they have relatively similar social structures.

In the first period of the postwar rise of Scottish nationalism (broadly, from the by-election victory of Winnie Ewing in 1967 to the failed referendum on devolution in 1979, where a 52 per cent yes vote was

31. Runciman (1997) has recently argued that the 'English' state with its strongly centralized character and liberal mode of governance was established in the years immediately after the First World War and has remained remarkably stable in terms of its essential features since then. He writes that, 'The distinctive characteristics of [Scotland, Wales and Ireland] are largely irrelevant to the modes of production, persuasion and coercion of an English society whose dominance of them in all three dimensions was, by 1900, indisputable' (1997: 4). I shall argue that this view is mistaken. Runciman does not address the changing context of the British 'mode of production' and the transition from a Commonwealth to a European political economy. In contrast to Runciman, I shall argue that the demise of Empire has fundamentally undermined the basis of the unity of the British state while, as I shall show, the growth of the welfare state created a Scottish quasi-state to challenge the British state and its 'Englishness'.

insufficient to overcome the stipulation that the relevant mandate was 40 per cent of the total electorate), the standard explanation that was offered was the increased confidence and sense of proprietary claims that came from the discovery of North Sea oil in what would have been Scottish waters (Nairn 1977). In retrospect, this explanation seems too facile. Indeed, much of the discussion of Scottish identity has concentrated upon a specific *absence*, of Scotland as a 'nation without a state' (McCrone 1992). Yet this, too, seems rather limited and based upon an overly formal conception of the nature of a modern state. The expansion of the welfare state which largely took place in the twentieth century, but especially in the postwar period, occurred within separate legal and administrative arrangements in Scotland. If Scotland has lacked a direct representative parliament, it nonetheless has had a 'national' welfare state with a separate 'home affairs' office (the Scottish Office).

In fact, the existence of that welfare state called forth the very organization of associations in civil society that later writers have come to see as the basis of Scottish identity.³² The organization of these associations nationally - for example, through the Council of Scottish Local Authorities, Scottish Trades Union Congress, Scottish Development Agency, as well as the national organization of political parties, the churches and mass media³³ - meant that the opposition to cuts in the welfare state under the Thatcher and Major governments was much more organized and concentrated in Scotland when compared with its more fragmented and piecemeal character in the rest of the UK. Moreover, those cuts could be represented as attacks upon sources of Scottish identity and, therefore, were politicized in a different way in Scotland.³⁴ The declining electoral representation (in terms of seats at the Westminster Parliament) of the Conservative Party in Scotland further contributed to a crisis in

32. McCrone (1992) and Paterson (1994), for example, refer to the autonomy and distinctiveness of Scottish civil society despite Scotland being 'stateless', but it is doubtful if the density of civil and political associations and their national character would be so evident in the absence of a central Scottish political authority with responsibility for the different spheres in which these associations are active and to which their activities are directed and given focus.

33. Newspapers such as *The Scotsman* (Edinburgh) or *The Herald* (Glasgow) have an identity with a city - much like the old *Manchester Guardian* - but operate as national UK newspapers operating from a Scottish context and reporting Scottish national news. Radio Scotland performs a similar role, while on television, the local section of news that follows UK national news broadcasts is a Scottish-wide national news, undivided by regions and other localities.

34. This is evident in the referendum campaign for the setting up of the Scottish Assembly where a concern with social rights of citizenship and the welfare state as their embodiment was presented as a longstanding feature of Scottish civic and political culture and contrasted to an alien Anglo-American perspective on these issues.

legitimacy for policies which were otherwise regarded as mandated by large electoral majorities delivered by voters in England.

At the same time, membership of the EU seems to offer the alternative of Brussels and national representation of Scotland within Europe to Westminster and regional representation of Scotland within the United Kingdom. It is precisely this which makes break-up feasible and gives credence to a movement for independence (to which a devolved Assembly is a response). Thus, when Westminster politicians cry 'national sovereignty' against the supra-national institutions of the EU, that cry must be heard differently in Scotland where the same cry is perceived to also call into question the supra-national institutions of the United Kingdom, while 'independence within Europe' seems to offer greater self-determination than integration within the UK.³⁵ This is especially acute when the exercise of British sovereignty is in pursuit of social policies at odds with those implicitly preferred in Scotland (and apparently in other EU member states). In this way, the two paradoxes of contemporary British politics that I identified at the start of this paper - the 'Americanization of British social policy', and a 'Europeanization of Scottish politics' - can be seen as part of a single process, a process which remains unfinished, but which has entered a new phase with the creation of a new Scottish Parliament with powers to determine social policy. With a party committed to independence as the leading opposition party to the New Labour/Liberal coalition in the current Scottish Assembly, the potential pressure on the government's social policy agenda is extensive. For example, where the politics of New Labour at Westminster involves a concern to maintain the erstwhile Conservative voters of middle England, the divergence of Scottish politics creates the opposite situation where the SNP is concerned to attract erstwhile Labour voters disaffected by the politics of New Labour.

V

Although this paper has addressed the peculiarities of British case, I have sought to do so as a contribution to *comparative political sociology*, albeit one

35. For a discussion of the negotiated character of the autonomy of small states, see Paterson (1994). Indeed, if once large Imperial states experience the negotiation of European supra-national institutions as a constraint upon sovereignty, it is at least arguable that smaller states experience that negotiation and their rights with regard to supra-national institutions as providing more opportunities for influence than occurred when they had to accommodate large states with Imperial ambitions. Furthermore, small states with open economies tend to sustain large government and strong welfare states (Katzenstein 1985; Rodrik 1996).

which recognizes the importance of the international, global context. On a simple level, of course, the lessons of British membership in the EU are relevant outside local British debates in their implications for the identification of problems that might derive from enlargement. More generally, however, the present perspective also bears upon other recent debates in comparative political sociology and its relationship to international relations theory (Hix 1994; Hurrell and Menon 1996). As previously noted, I share Mann's (1987) criticisms about the way in which discussions of the welfare state have tended to concentrate upon the sociology and politics of the internal order of states, to the neglect of the relations between states and wider issues of external economic relations and geopolitics. More recently, writers have turned to these wider issues, arguing for a process of the globalization of the system of international political economy which individual political economies must accommodate and recognize the limited possibilities for resistance that individual political economies (or groupings of them, such as the EU) afford (Giddens 1994; Ohmae 1995; Gray 1996; Albrow 1996).

Although this attention to factors of international political economy is welcome, much of the debate in sociology and social policy seems to be highly theoretical and not grounded in a detailed examination of specific processes. From this perspective, the retrenchment of the British welfare state, and any intimations of cutbacks in other EU countries, are interpreted as a response to globalization (Zurn 1995). In contrast, my account of the British welfare state in terms of its wider political economy of the transition from Commonwealth to Europe entails both a greater scepticism towards the general processes attributed to globalization (see also Hirst and Thompson 1996) and points to the continued efficacy of political organizations in making a difference in the face of what are held to be global trends (Rodrik 1996; Esping-Andersen 1996). The pathos of British social and economic policy is that the difference it is designed to produce is the realization *locally* of the very trend identified as deriving from global necessity. A local strategy involving low wages is given justification by reference to 'globalization', but it is properly explained by *local*, historically instituted conditions, rather than by the operation of general, global conditions.

Social policy, too, necessarily raises issues of intervention in social processes and questions about the knowledge claims intrinsic to those policy interventions. Current comment also tends to view present events and policy prescriptions in terms of consequences that will be unfolded into the future and, therefore, evaluation must be deferred while we wait to see what their outcomes might be. The thrust of the present paper is to argue that present events and policy prescriptions are themselves effects with origins in the past and, at the same time, to offer a different account

of their underlying processes. Evaluation of current policies need not be deferred precisely because they derive from and are continuous with past policies. In particular, the strategy of low wages as a means of competitive advantage is not a newly instituted policy whose benefits are yet to be realized, but an already instituted policy whose disadvantages are already being lived.

In brief, the policy of low wages is designed to generate *jobs* and is argued to be successful in these terms. However, the social policies necessary to this aim are organized around the idea of a shift from general welfare to personal responsibility for welfare. The condition for this *private responsibility* to become *general*, however, is not simply *jobs*, but *stable income in employment*. However, policies of low wages and labour-market de-regulation undermine the personal economic security and incomes necessary to a general system of personal responsibility for future welfare. Ironically, the policy could only make sense in terms of a form of economic modernization which, ultimately, would secure a high-wage economy.³⁶ In its absence, what is produced is the *disintegration*, rather than *re-structuring*, of welfare. Any, apparently novel, *third way* represents a response not to the failures of the welfare state, as such, but to the specific difficulties of the British welfare state and it remains within the path constituted by those difficulties.

This paper has suggested that a positive future for welfare beyond the market could be realized only *within* Europe, but its realization requires a proper appreciation of the problem that Europe has been for British society and politics in the postwar period (and vice versa, the problem that Britain has become for Europe). British politics remains beset by the imperial past. The defence of national sovereignty which is such a dominant feature of British political discourse on Europe expresses an atavistic longing for a once national greatness with interests and influence beyond Europe. Perhaps there is a problem for all once-imperial powers in becoming small nations. In these circumstances, given the rebarbative character of many nationalist movements, and the mobilization of nationalist sentiments in past imperialist projects, there may seem to be something problematic or dangerous about the mobilization of a form of nationalism in defence of a small state such as that of Scotland. However, if people determining their activities (in contrast to the activities of people being determined by external forces) is thought to be positive, it must have

36. Indeed, I suggest that one consequence of welfare generalized in circumstances of a high-wage economy is that outcomes in terms of personal security etc. are not easily distinguished between systems based upon institutional social rights (such as social democratic regimes) and systems based upon insurance (such as corporatist-statist regimes). This is one reason why convergence in Europe among those regimes appears easier.

a particular location in time and space and, in any complex society, be mediated through some form of central political authority. The national (or 'regional') welfare state need not be thought of as contradicted by supra-national institutions. The two are mutually reinforcing in that supra-national institutions and arenas for cooperation are necessary to the pursuit of national (or regional) welfare and, conversely, there could be no supra-national institutions without organized peoples (whether in national or regional assemblies) to be represented.³⁷

It is unlikely that the current trajectory of British social and public policy will be easily turned around, and difficult to see that the present New Labour government will be the self-conscious agent of re-direction. However, if the present analysis is correct, what may seem to European partners to be merely local, constitutional changes - the creation of new Assemblies for Scotland and for Wales - might ultimately be the stimulus for a major revision in the British policy debate with fundamental consequences for future cooperation over pan-European social policy.

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37. My argument does not imply that independence for Scotland is the logical next step, or inevitable. The Scottish National Party's current self-understanding is of itself as 'civic nationalist', rather than as 'ethnically nationalist'. However, its campaign for *independence* within Europe in civic nationalist terms, seems somewhat fragile in the light of what others have seen as a shift towards a 'post-nationalist' civic discourse in Europe based on personhood (Soysal 1997). Regional assemblies could meet the civic requirement for local self-determination without basing that self-determination on 'primordial identities'. In these circumstances, continued arguments for full independence may become predicated on an ideological shift away from the 'civic nationalism' currently espoused by the Scottish National Party toward an 'ethnic nationalism' (which has been a feature of SNP ideology in the past). Thus, I do not wish to downplay the possibility of ugly forms of nationalist expression in the future, despite the argument that the social and political processes which have led to the creation of the Assembly in Scotland are different from those of other, recent manifestations of nationalism. Paradoxically, however, the shift to ethnic politics is more likely should the Scottish Assembly succeed in forging a different social policy agenda, since that success would undercut the 'civic' argument for independence and leave such aspirations no other basis than 'ethnic' nationalism.

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