

# **From competition state to competition states? An empirical exploration**

**Daniel Gary Horsfall**

**Thesis submitted for the degree of Doctor of Philosophy**  
**Department of Social Policy and Social Work**  
**Submitted March 2011**

## **Abstract**

The competition state thesis has for twenty years sought to make sense of the profound changes in the global economy and explain the impacts of globalisation on both the nation state and the welfare state. That the thesis is still consistently cited by scholars stands as testament to the power of its central messages and the fact that the authors have revisited and revised their work so as to keep pace with an ever changing world. At a time when governments around the world are implementing ‘austerity budgets’ to address a series of profound financial crises, the core arguments made by Cerny and Evans appear extremely pertinent. Gone they say are the days of the welfare state, created as it was to serve citizens bound by bonds of solidarity forged in the war. Here to stay are the days of the competition state, brought into being to serve the global economy in which citizens exist in a more atomised society, joined to one another by weak bonds of mutuality.

While the arguments advanced within the competition state thesis ring true and hold much persuasive power, their focus on only a small collection of nations and the limited body of systematic empirical evidence with which they are supported represent an obvious and addressable flaw. This thesis sets out to provide a rigorous empirical investigation of the competition state and through the use of quantitative and qualitative methods uncovers much to support the work of Cerny and Evans. The competition state can indeed be evidenced through the application of empirical research, but it doesn’t necessarily take the form we might expect. Indeed it does not merely take one form and maybe, just maybe, offers a glimmer of hope for the welfare state it is meant to replace.

## Table of Contents

<b>Acknowledgements .....</b>	
<b>Chapter one: Introduction to the thesis .....</b>	<b>1</b>
1.1: Introduction .....	1
1.2: Purpose and aims of the study .....	2
1.3: Approach of the thesis.....	3
1.4: Structure of the thesis.....	4
1.5: Contributing to knowledge .....	6
<b>Chapter two: Literature review .....</b>	<b>7</b>
2.1: The changing nature of the welfare state.....	7
2.1.1: Introduction.....	7
2.1.2: History of the welfare state: welfare before Beveridge .....	7
2.1.3: Beveridge and all that: the golden age of welfare consensus?.....	9
2.1.4: Away from Beveridge .....	19
2.1.5: Social Democracy: Renewal or Removal? .....	24
2.1.6: Summary .....	36
2.2: Globalisation and the transition from welfare state to competition state? .....	38
2.2.1: Introduction.....	38
2.2.2: Myth, menace, reality.....	39
2.2.3: Smoke, mirrors, and globalisation .....	40
2.2.4: The unstoppable force .....	42
2.2.5: The (global) voice of reason?.....	45
2.2.6: Globalisation and the Nation-State.....	47
2.2.7: Globalisation and the welfare state .....	49
2.2.8: If not a welfare state, then what? .....	53
2.3: The competition state thesis .....	61
2.3.1: Introduction.....	61
2.3.2: The good old days? .....	62
2.3.3: The party's over.....	64

2.3.4: New realities? .....	67
2.3.5: More than a matter of economics.....	73
2.3.6: From the welfare state to the competition state.....	77
2.3.7: The competition state and the nation state.....	81
2.3.8: The competition state: a vignette and a critique .....	88
2.3.9: Summary .....	97
<b>Chapter three: Operationalising the competition state thesis.....</b>	<b>98</b>
3.1: Methodology .....	98
3.2: A brief introduction to the empirical chapters .....	102
3.2.1: Operationalising the competition state, or from competition state to competition states?.....	103
3.2.2: Charting the competition state over time, or from competition states to competition state? .....	104
3.2.3: A fuzzy set approach to operationalising the competition state, or the stable diversity of competition state forms .....	108
3.3: Summary .....	114
<b>Chapter four: Can the competition state thesis be operationalised and if so, what does it tell us? .....</b>	<b>115</b>
4.1: Introduction .....	115
4.2: Constructing an index.....	118
4.2.1: Selecting meaningful variables .....	118
4.2.2: Overall welfare effort.....	118
4.2.3: The post welfare contracting state .....	119
4.2.4: Traditional welfare responsibilities .....	120
4.2.5: Government regulation of industry .....	122
4.2.6: Taxation.....	125
4.2.7: Method of indexing .....	128
4.3: Findings.....	129
4.4: Conclusion .....	140
<b>Chapter five: There and back again? Or: From competition states to competition state?.....</b>	<b>143</b>
5.1: Introduction .....	143
5.2: Findings.....	148

5.2.1: The observation of change .....	148
5.2.2: Towards the competition state? .....	152
5.2.3: Unpacking the index .....	155
5.3: Discussion .....	178
5.4: Conclusion .....	185
<b>Chapter six: A fuzzy set approach to operationalising the competition state, or the stable diversity of competition state forms .....</b>	<b>189</b>
6.1: Fuzzy set ideal-type analysis .....	189
6.1.1: Introduction .....	189
6.1.2: A fuzzy set approach .....	190
6.1.3: From sets to combinations of sets .....	194
6.1.4: Linking possibilities to theory .....	196
6.2: Operationalising the fuzzy-set ideal type competition state .....	198
6.2.1: Selecting cases .....	198
6.2.2: Selecting dimensions as sets .....	199
6.2.3: Calibrating competition state fuzzy sets .....	204
6.2.4: Labelling types .....	210
6.3: Findings .....	219
6.3.1: Fuzzy set ideal-type country memberships in 2007 .....	219
6.3.2: Fuzzy set ideal-type memberships over time .....	226
6.4: Reflection .....	240
6.5: Conclusion .....	243
<b>Chapter seven: Discussions and conclusions .....</b>	<b>246</b>
7.1: Reflection .....	246
7.1.1: Introduction .....	246
7.1.2: The competition state thesis .....	246
7.1.3: An empirical investigation .....	247
7.2: Synthesis of findings .....	250
7.3: Discussion: From welfare state to competition state? Or Welfare state to competition states? The rise of the differentiated competition state and the stability of welfare .....	256
7.4: Reflection on the thesis as a whole: meeting the aims of the study and making an original contribution to knowledge .....	257
7.4.1: Meeting the aims of the study and contributing to knowledge .....	257
7.4.2: Limitations .....	258

7.4.3: Lessons to be drawn .....	260
7.4.4: Where next? .....	261
<b>Appendix .....</b>	<b>263</b>
<b>Bibliography.....</b>	<b>280</b>

## Table of charts, figures, and tables

<b>Chapter two .....</b>	
Table 2.1: Comparison of the Keynesian Welfare State and the Schumpeterian Workfare Post-national Regime .....	57
Table 2.2: Similarities and differences between the Keynesian welfare state, the Schumpeterian workfare post-national regime, and the competition state. .....	92
<b>Chapter four: .....</b>	
Table 4.1: Countries covered by this study .....	116
Table 4.2: Summary of the competition state index .....	127
Table 4.3: The competition state index, shown in rank order of total score, displaying dimension scores, and total index score .....	130
Table 4.4: Overall index scores .....	131
Chart 4.1: Bar chart showing the competition state index .....	132
Table 4.5: The RHSS and their index scores in selected dimensions .....	133
Table 4.6: Countries included in Esping-Andersen's decommodification index, ranked both in terms of commodification and their competition state index scores .....	134
Table 4.7: Selected social democratic countries and their post-welfare contracting state dimension scores .....	135
Figure 4.1: Normal distribution of z-scores .....	136
Chart 4.2: Bar chart showing countries' post-welfare contracting state scores .....	139
<b>Chapter five: .....</b>	
Table 5.1: Competition state index scores for 2002 as taken from chapter four.....	144
Table 5.2: Summary of the competition state index .....	148
Chart 5.1: Line chart showing changes in ranks within the competition state index over time	149
Chart 5.2: Line chart showing changes in index scores over time .....	150

Chart 5.3: Bar chart showing total index scores in 1997 .....	151
Chart 5.4: Bar chart showing total index scores in 2002 with 1997 as a reference year .....	152
Chart 5.5: Bar chart showing index scores in 2007 with 1997 as a reference year .....	153
Table 5.3: RHSS and their welfare scores over time .....	156
Chart 5.6: Bar chart showing overall welfare effort scores in 1997 .....	158
Chart 5.7: Bar chart showing overall welfare effort scores in 2007 with 1997 as a reference year .....	159
Chart 5.8: Line chart showing changes in PWCS over time .....	162
Chart 5.9: Bar chart showing PWCS scores in 1997 .....	163
Chart 5.10: Bar chart showing PWCS scores in 2007 (with 1997 as a reference year).....	163
Chart 5.11: Line chart showing PWCS scores over time for those countries classified as neo-liberal competition states in 1997 .....	165
Chart 5.12: Line chart showing PWCS scores for selected countries over time .....	168
Chart 5.13: Line chart showing Government regulation of industry scores over time .....	172
Chart 5.14: Line chart showing tax dimension scores over time .....	174
Table 5.4: Correlations between index scores and both government debt and growth levels..	184

---

<b>Chapter six:</b> .....	
Table 6.1: Fuzzy-set scores and 5 point descriptors. ....	193
Table 6.2: Fuzzy-set scores and 9 point descriptors. ....	193
Table 6.3: Truth table showing the property space for a two-set study. ....	195
Table 6.4: Illustration of how sets have been constructed and calibrated .....	209
Table 6.5: Competition state ideal-types.....	211
Figure 6.1: Fuzzy set ideal type country memberships (2007). ....	220
Chart 6.1: Fuzzy membership across time for those countries that were members of the neo-liberal group in 2007. ....	227
Chart 6.2: Fuzzy membership across time for those countries that were members of the active group in 2007. ....	230
Chart 6.3: Line graph showing the Standardised Unemployment Rate in Austria, along with Austrian expenditure on ALMPs over time.....	232
Chart 6.4: Fuzzy membership scores across time for those countries that were members of the pro-competition state policy group in 2007. ....	236

---

<b>Appendix</b> .....	
A.1: Bar chart showing overall welfare scores in 2002 with 1997 as a reference year .....	263

A.2: Dimension bar charts for 2007 omitted from the main body of the thesis .....	263
A.2.1: Bar chart showing welfare generosity scores in 2007 (1997 ref. year).....	263
A.2.2: Bar chart showing government regulation of industry scores in 2007 (1997 ref. year).....	264
A.2.3: Bar chart showing taxation scores in 2007 (1997 ref. year) .....	264
A.3: Tables showing results of sensitivity analysis when PMR is operationalised instead of EPL .....	265
A.3.1: Fuzzy set membership for 1997 where PMR is operationalised rather than EPL .....	265
A.3.2: Fuzzy set memberships for 2002 where PMR is operationalised rather than EPL .....	266
A.3.3: Fuzzy set memberships for 2007 where PMR is operationalised rather than EPL .....	267
A.4: Figures showing fuzzy set memberships for 1997 and 2002 .....	268
A.4.1: Figure showing fuzzy set ideal-type country memberships for 1997.....	268
A.4.2: Figure showing fuzzy set ideal-type country memberships for 2002 .....	269
A.5: Table showing full breakdown of countries' memberships of each fuzzy set.....	270
A.6: Line graphs replicated with fewer countries in each graphic .....	276
A.6.1: Charts showing changes in total index scores over time.....	276
A.6.2: Charts showing changes in PWCS scores over time .....	277
A.6.3: Charts showing changes in government regulation of industry scores over time .....	278
A.6.4: Charts showing changes in taxation scores over time .....	279

## Acknowledgments

A PhD, while a rewarding enterprise, is difficult, frustrating, and incredibly lonely at times. I don't believe anybody could get through one without the support of friends and family and to that end I have been especially lucky. Too many friends have played such an important role for me to mention them here, but heartfelt thanks must go, in alphabetical order, to Beach, Beth, Billy, Chris, Dave, Fezz, Gabs, Hannah, Helen, Holmes, Jen, Jo, Mark, Nam, Rich, Samik, Smarty, and 'Welsh Pete'. Also big thanks to Mum and Dad for everything they have done, forever.

I have also been extremely lucky to work within a fantastically supportive department and would thank all who have wished me well at some stage along the way. Special thanks go to Caz, Chris, J.B, Jane, Jonathan, Lisa, Kath, Mary, Robert, Sam, Sandra, Sharon, Stefan, and Stuart for their continued support, in some case for the last eight years. A debt of gratitude is owed to Neil, who has helped me enormously throughout the past four years, thank you for your support.

Two people however have done so much for me that I can honestly say, without their support, this thesis would not have been started, never mind finished. To my wife Laura all I can say is that you are my life and as with everything else that we do, you made this special.

And to John, I'm not sure I can do justice in words to the support you have shown me and the faith you have placed in me. I will be working a long time to repay everything you have done for me. It is a testament to the kind of person you are that I know these words have been written many times before and that I will not be the last person to write them.

## **Chapter 1: Introduction to the thesis**

### **1.1: Introduction**

The Beveridge report was a statement of intent; it was a report on what the government of the time could and should do (Abel-Smith, 1994:15; Lowe, 1993:125; Thane, 1996:278). In many ways the competition state thesis is similar. For Cerny and Evans there is a limit to what governments around the world can do, which is a reflection of a re-evaluation of what governments should do. In fifty years since Beveridge unveiled his bold plans, not only has the detail been compromised, the underlying ethos has been fundamentally reversed.

The primary rationale behind the competition state thesis is that globalisation has acted as a ‘game-changer’, re-writing the rules of civil association and stripping institutions such as the welfare state of legitimacy and relevance (Cerny and Evans, 1999:1-3). The game has been changed economically, politically, and practically with old rationales and mechanisms that supported the industrial welfare state lost to the rise of a post-Fordist economy within a global economy (Burrows and Loader, 1994:1; Hudson, 2003:269; Warhurst, 2008:72). For scholars of social policy the implications of Cerny and Evans’ thesis are both profound and disconcerting. Their vision of a qualitatively disempowered state that no longer exists primarily to protect its citizenry is troubling, especially for those who studies are concerned with the effects of poverty and social exclusion. The fact that Cerny and Evans’ key contentions make such qualitative sense serves only as a cause of even more concern. Moreover, their thesis seeks not only to explain what has happened in (largely American and British) social policy, but also the limits of what can be done. If their key assertions are correct, they suggest a rather bleak future for many.

While Cerny and Evans’ competition state thesis rings true given the rhetorical abandonment of the passive and redistributive welfare state by Thatcher’s Conservatives and Blair’s New Labour, this should not be taken as evidence that there is indeed no alternative to the competition state. By continually adapting around the edges of the core thesis, Cerny and Evans have managed to ensure that the CST remains a source of debate within the political economy literature.

This is despite the fact that they only infrequently refer to systematic empirical evidence and certainly utilise only a limited amount of data to support their logical and persuasive arguments. Furthermore, Despite the UK focus, the CST purports to address a global phenomenon and offer a global ‘diagnosis’. However Cerny and Evans core focus beyond the UK relates primarily to The US, which Cerny and Evans seem to model as a natural partner for policy transfer to and from the UK (Cerny and Evans, 2003:27). It is clear that the persuasive arguments advanced by Cerny and Evans merit further exploration and their thesis is ripe for empirical investigation.

Hay criticises Cerny for his apparent unwillingness to explore the alternatives, though Cerny’s natural defence undoubtedly rests in the fact that he doesn’t believe such alternatives exist. The continued presence of the CST in the political economy literature renders it almost unique and deserves both a degree of respect and further study. What Cerny and Evans cannot escape is that their thesis is abundant with hypotheses that can and should be explored. Perhaps the fact that such exploration could raise difficult questions regarding the CST provides us with an explanation for why it has yet to be undertaken. Conversely of course, an interrogation of the CST may find much to support it.

### **1.2: Purpose and aims of the study**

While it should be acknowledged that the competition state thesis is not the only explanatory account of welfare state change, there are a range of reasons why it is the focus of this thesis. First, as even a cursory review of google scholar reveals, this is a body of work that has received significant attention. Second, a rigorous, systematic investigation of all competing welfare state change theories would prove unwieldy and in reality impractical. And third, this is a thesis that has captured the researcher’s imagination. Having been exposed to the work of Cerny and Evans as an undergraduate, the potential for further study in this arena has always held appeal. Moreover, while the authors of the competition state have worked hard to ensure that their thesis has retained its relevance over the last twenty years, there is still plenty of opportunity to add to the debate.

This thesis seeks to address this crucial gap within the body of scholarship that has arisen around the competition state. The intention is certainly not to ‘close the

book' on the competition state, rather stimulate a critical debate around key assertions such as the inevitability of welfare restructuring. Quite simply, this thesis asks what a systematic empirical approach to the competition state tells us. Does it answer questions? Does it pose new questions? To this end the goals of this thesis may appear rather modest. However, the addition of empirical evidence to the existing debate will undoubtedly advance it and perhaps impact on wider debates within the arena of political economy. To achieve such an impact, this thesis aims to:

- Collect and analyse the key sources within the wide range of important publications that pertain to the decline of the welfare state and/or the rise of the competition state.
- Develop a rationale for collecting empirical evidence and determine what data is most relevant.
- Operationalise the competition state thesis as a measurable concept.
- Use the existing scholarship to inform data collection.
- Analyse data in terms of how it relates to the key contentions of the competition state.
- Illuminate any trends or observations that may inform debate around the competition state thesis.
- Identify evidence that supports or challenges the competition state thesis as well as findings that are not easily explained in the context of the competition state debate.

As mentioned, these aims are in some respects modest. They do not stem from a judgement about whether the competition state thesis is correct or desirable. Instead they reflect the identification of an important gap in the existing scholarship and a curiosity as to what filling it will tell us.

### **1.3: Approach of the thesis**

A mixed methods approach is adopted throughout; at times the thesis relies on principles of qualitative research and at in places it is largely quantitative. The thesis utilises both deductive and inductive process within the operationalisation and analysis stages. Indeed the investigation is perhaps at its strongest and most

nuanced when it blends qualitative and quantitative methods alongside both inductive and deductive process as part of the fuzzy-set ideal type analysis that is conducted.

The key methodological process involves operationalising the competition state thesis as a measurable concept. Here there is a keen commitment to engaging with the literature to ensure operationalisation is meaningful, truly reflecting the competition state thesis. As Cerny and Evans insist that the competition state is the welfare state's successor, the plethora of welfare state studies that exist represents an important starting point for this study. Of notable inspiration is Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990). The task at hand, to operationalise the competition state, draws heavily on Esping-Andersen's work as well as the many responses to and extensions of his study. The construction of an additive competition state index that is subsequently replicated over time reflects the continuity between studies of welfare states and this study of the competition state. This is complemented by the utilisation of a rather separate, yet similarly comparative methodology, which blends both qualitative and quantitative approaches to data analysis.

The empirical approach is presented across three empirical chapters with three separate methodologies explored and the findings thereof presented, analysed, and discussed individually. The important findings from each chapter are then synthesised with reference to the existing literature. This serves to break up the analysis into more reader-friendly chapters akin to academic papers.

#### **1.4: Structure of the thesis**

This introduction is followed by a discussion of the birth, expansion, decline, and perceived death of the welfare state. This sets the context for a debate around whether such a death has occurred, what caused it, and what if anything has replaced the welfare state. The focus here is primarily on the UK case, reflecting the fact the UK provides the backdrop to much of Cerny and Evans' competition state work. This literature review closes by acknowledging the relevance of the competition state thesis, while highlighting the fact that the competition state thesis lacks a systematic empirical base, having never been subject to any form of rigorous empirical interrogation. While there is an extensive body of political

economy literature that offers alternative models to the competition state thesis, for the reasons outlined in the previous section, the literature review will be primarily focused on the perceived emergence of the competition state thesis.

Following the establishment of a rationale for exploring the competition state thesis a brief methodological chapter introduces readers to the key approaches taken to operationalise the competition state. The intricate methodological details are not fully discussed here so as to avoid repetition. The primary purpose of this chapter is to air methodological debates and outline some of the key features of the three empirical chapters that follow.

The operationalisation of the competition state thesis is primarily detailed not in the methodology, but rather within the empirical chapters. In essence there are three methodologies utilised within this thesis and each one is discussed as part of the empirical chapter in which they are utilised. In the first chapter much emphasis is placed upon what features of the competition state thesis can be operationalised and how they could be operationalised. Here there is an in-depth discussion of the dimensions of the competition state that are measured, what variables are used to represent these dimensions, and how data measured in a diverse range of units or scales can be standardised and thus compared.

In the second empirical chapter the precedents set in the first are followed in terms of variables and dimensions. The key methodological difference is wrought by the fact that the purpose of this chapter is to explore whether the observations of the first chapter hold over time. This requires a minor yet important alteration to the methodology adopted in the first empirical chapter and this is discussed in detail in the second chapter. This chapter produces rather voluminous findings and as such there are many charts and tables to be found.

The final empirical chapter adopts an altogether different methodology from those that are utilised in the first two empirical chapters. This is partly as a check on the findings of the first two chapters, to establish whether the conclusions drawn were truly a reflection of how things are, or rather a reflection of the methodology adopted. The fuzzy-set ideal type methodology also has the potential to answer some of the questions that prove difficult to address with an additive index approach. As fuzzy-set ideal type analysis is a relatively new and innovative

method within the social sciences, a lengthy discussion of its merits and limitations is hosted before findings are presented and analysed.

Despite the clear methodological distinctions between the three chapters, they represent the organic development of the investigation within this thesis and seem to complement one another both methodologically and in terms of their findings. This thesis closes by acknowledging the various limitations of each empirical chapter, but concluding that much of value has been discovered. In terms of the competition state there is strong evidence of robust, stable differentiated competition state forms, which both supports the main thrust of Cerny and Evan's work as well as challenging some of their key assertions. These challenges must be addressed going forward as they potentially hold the key for understanding what governments within the global economy can realistically hope to achieve.

### **1.5: Contributing to knowledge**

This thesis is first and foremost an empirical exploration of an existing thesis. Saying something new is no easy task. Innovation and originality is achieved through the adoption of an analytical, empirical, and methodological approach to the competition state thesis literature. Devising dimensions of the competition state that are theoretically rooted and feasibly measured is undoubtedly an ambitious and original endeavour. However, the main achievement of this thesis is that it advances the competition state debate through its findings. There is indeed much of merit to the competition state thesis, but no longer can the competition state be considered as a single entity, found in only one form. Moreover, the classification of nations into more than three worlds, however much they may be informed by Esping-Andersen, ensures that this thesis joins a growing body of literature and empirical evidence that suggests we live in a world more complex than that described in the '*Three Worlds of Welfare Capitalism*'.

## **Chapter 2: Literature Review**

### **2.1: The Changing nature of the welfare state**

#### **2.1.1: Introduction**

There is no real consensus surrounding the nature of the welfare state in the UK, or anywhere else for that matter. While it has its critics, the model of war-time birth, golden-age of consensus, and finally, slow death of the welfare state seems eminent within the current zeitgeist. Understanding a little more about the welfare state and its development is an important step towards answering questions about whether the welfare state has indeed died, or at least begun the process of dying. The purpose of this thesis is ultimately to shed light on one of the many theories of 'post-welfare', this chapter will set the context for what exactly is meant by welfare, while the next will consider the wider implications for the welfare state.

#### **2.1.2: History of the welfare state: welfare before Beveridge**

Pinpointing the birth of the welfare state in Britain is a difficult task due to the deep roots of British social welfare. Many point to the 1940s and the creation of the NHS as being the most significant period in the development of the welfare state (Fraser, 2003:227; Patriquin, 2007:5; Sullivan, 1996:51; Thane, 1996:279). However, several commentators point out that some welfare structures, even at the national level, had been in place well before the Second World War (Fraser, 2003:60; Silburn, 1998:4; Patriquin, 2007:1-7:90; Slack, 1988:169-173).

When considering the development of the welfare state, it is perhaps more useful to think of the war period (1939-45) and its immediate aftermath as a time when the welfare state moved from infancy towards its adolescence (its maturation into adulthood and perceived demise into infirmity will be discussed later). If this period did represent an adolescence in the development of the welfare state, we can say that it enjoyed an extremely long infancy (see, Brundage, 2002; Fraser, 2003; Patriquin, 2007; Schama, 2000; 2001; 2002; Slack, 1988). During this infancy, state action was limited to infrequent interventions, such as the poor laws of Elizabethan England (Fraser, 2003:34; Stewart, 1998:16; Patriquin,

2007:90:93:192; Slack, 1988:113:122-131). The genesis of the welfare state, or at least social welfare in Britain, was characterised by local programmes of relief aimed at the most unfortunate in society (Fraser, 2003:36; Patriquin, 2007:90-106; Thane, 1996:278). It was a central feature of welfare provision that the initiative was often left to local boards, such as the poor law boards and charities (Patriquin, 2007:90-93; Slack, 1988:122-131; Thane, 1996:13:19-26). It is fair to say that without the hard work of local boards and, charities, and churches, as well as individual acts of philanthropy, welfare – in essence little more than ‘poor relief’, would not have existed at all (Fraser, 2003:135-140; Patriquin, 2007:89-98:197; Thane, 1996:13:19-26)).

While the local, small-scale nature of welfare, plus its reliance on philanthropic donations continued into the twentieth century (Brundage, 2002:140; Patriquin, 2007:192; Slack, 1988:162-169; Thane, 1996:19), the sixty years that followed the Second Reform Act (1867) marked a turning point in terms of the delivery of welfare in the UK (Thane, 1996:14). What the Second Reform Act (1867) did (as well as the Representation of the People Act(s) (1918) (1928)) was expand the electorate, bringing suffrage to sections of the working and lower middle classes for the first time ever (Schama, 2002:144:260; Thane, 1996:14). This endowed a constituency facing serious social problems with a voice that was now too loud to be ignored in Westminster (Stewart, 1998:17; Schama, 2002:260; Thane, 1996:14).

The aftermath of 1867 saw the confluence of two factors that were to shape the development of welfare provision throughout the next century: the rise of partisan politics in response to the enfranchisement of working men and the subsequent mobilisation of class as a (party) political issue (Stewart, 1998:17-19; Thane, 1996:14). The second factor of import was the undertaking of the first genuinely systematic surveys of urban poverty – most notably by Booth (1892) and Rowntree (1901) (Brundage, 2002:13; Schama, 2002:311:317).

By the second decade of the twentieth century, the Edwardian Liberal welfare reforms, notably in the arenas of pensions and health insurance, had begun to “create a symbiotic link between the state’s economic policy and its social policy” (Crowther, 1988:14). The seeds were beginning to be sown for a welfare state in

which the policies of welfare and the economy were not only linked; they were also contracting towards the centre (Brundage, 2002:152; Stewart, 1998:32). Stewart suggests that this process of an increasingly centralised pursuit of collectivism, or at least the collectivist provision of welfare, has been anything but linear (Stewart, 1998:31), however a snapshot of the first half of the twentieth century would suggest otherwise.

From the nineteenth century acorns of welfare, the oak of the welfare state grew – first with the expansion of education (Fraser, 2003:85-97; Sanderson, 1998:133-135; Sullivan, 1996:44), then the creation of a National Insurance system (Brundage, 2002:143; Sullivan, 1996:48), the abolishment of the Poor Laws (Brundage, 2002:151), the continuous battle with unemployment (Fraser, 2003:184-192:212-215; Sullivan, 1996:8), and the commitment to build ‘Homes for Heroes’ (Ginsburg, 1998:228-232; Schama, 2002:335). By the time that Beveridge published Social Insurance and Allied Services (1942), this oak may have only been a sapling, however its roots were already drinking deep and holding firm.

### **2.1.3: Beveridge and all that: the golden age of welfare consensus?**

While the seeds of British welfare may have indeed been sown much earlier, the impact of Beveridge should not be under-estimated. As an economist with a keen interest in social insurance (Abel-Smith, 1994:11; Harris, 1994:23; Sullivan, 1996:21; Timmins, 2001:12), Beveridge had spent much of the early twentieth century working within the Liberal governments on various insurance schemes (Abel-Smith, 1994:12; Harris, 1994:23; Sullivan, 1996:21; Timmins, 2001:13). Despite this, Beveridges’ inclusion on the Social Insurance and Allied Services Committee (SI&ASC) owed as much to his unpopularity as to his knowledge and expertise. Indeed, what turned out to be a paradigm defining report by the SI&AS was intended as little more than a ‘tidying up’ report (Harris, 1977:376; Land, Lowe, and Whiteside, 1992:18; Timmins, 2001:19), which it was hoped, would achieve the added benefit of keeping Beveridge away from the centre of government (Harris, 1977:376; Lowe, 1993:125; Sullivan, 1996:22 Thane, 1996:230; Timmins, 2001:18).

Despite the strange route by which Beveridge joined the committee, once there he utilised his vast knowledge of social insurance and the rather vague terms of

reference provided to the SI&ASC, to embark on a review and recommendation exercise much larger in scope than ever anticipated. Beveridge, who saw social insurance as the underpinning of good citizenship (Baldwin, 1994:43; Harris, 1994:30-32), argued that the country needed a unified and universal system of social insurance (as well as Social Assistance) (Abel-Smith, 1994:14; Sullivan, 1996:24), which would provide cash benefits to protect those in employment and their dependents from 'cradle to grave' (Daily Mail, 2/12/1942; Land, Lowe, and Whiteside, 1992:18; Schama, 2002:405) – though this phrase was indeed coined by Churchill and not Beveridge (Timmins, 1995; 47). These benefits would be universal for all those who made NI contributions and only means-tested for those who did not (Abel-Smith, 1994:14; Land, Lowe, and Whiteside, 1992:6; Lowe, 1993:127). His justification for such a bold and costly policy largely rested on the findings of Rowntree, who suggested that 5/6<sup>ths</sup> of all poverty resulted from insurable contingencies (Glennerster and Evans, 1994:61; Lowe, 1993:131; Rowntree, 1941:166; Timmins, 2001:21).

For Beveridge, a genuinely successful restructuring of social insurance could not focus on social insurance alone; central to Beveridge's plan would need to be the creation of a National Health Service, the provision of family allowance, and the pursuit of full employment (Abel-Smith, 1994:15; Lowe, 1993:127; Sullivan, 1996:24 Thane, 1996:231-232; Timmins, 2001:20). It was clear that Beveridge's plans were much grander than any had anticipated; Keynes himself warned that to fund a comprehensive, flat-rate, universal (for contributors) system that provided benefits at subsistence level and included family allowances would be difficult – though not impossible (Abel-Smith, 1994:17; Harris, 1977:412; Land, Lowe, and Whiteside, 1992:7; Thane, 1996:233).

Having quite considerably expanded the scope of his committee, Beveridge manipulated the tide of public opinion to brush past the misgivings of the Phillips Committee (Land, Lowe, and Whiteside, 1992:18; Thane, 1996:236; Timmins, 2001:43) and even the Prime Minister of the time – Winston Churchill (Fraser, 2003:236; Sullivan, 1996:30; Thane, 1996:235), releasing *Social Insurance and Allied Services* in December 1942. As queues formed outside Her Majesty's Stationary Office (Sullivan, 1996:25; Timmins, 2001:23), the Daily Mirror was carrying the headline "*Beveridge tells us how to banish want*". At a time of extreme

poverty, hardship, and due in large part to the war, social solidarity (Fraser, 2003:228; Harris, 1994:39; Pierson, 1998:122; Sullivan, 1996:33; Thane, 1996:211), popular imagination had been captured by Beveridge's proposals (Fraser, 2003: 235; Lowe, 1993:125; Sullivan, 1996:25 Thane, 1996:237).

The Beveridge report was a statement of intent, a report on what the government could do (Abel-Smith, 1994:15; Lowe, 1993:125; Thane, 1996:278). While Beveridge made concessions with regards to pensions (and was rather miserly when considering the issue of women) (Abel-Smith, 1994:17; Land, Lowe, and Whiteside, 1992:20; Lowe, 1993:130; Thane, 1996:234-235), his plan, which public opinion supported, mandated the government to undertake the most drastic programme of intervention in the history of social welfare (Fraser, 2003:227; Patriquin, 2007:5; Sullivan, 1996:51; Thane, 1996:279). Indeed, so wide ranging were Beveridge's ambitions for social insurance, his plans to tackle want, idleness, squalor, ignorance, and disease, required not just action in the arena of social security, but also employment, housing, education, and health (Alcock and Craig, 2001:126; Fraser, 2003: 236). This is perhaps best illustrated by Beveridge himself, who stated that, *Social Insurance and Allied Services*, in addressing social insurance:

"[was] one part only of an attack upon five giant evils: upon the physical Want with which it is directly concerned, upon Disease which often causes that Want and brings many other troubles in its train, upon Ignorance which no democracy can afford among its citizens, upon squalor... and upon the Idleness which destroys wealth and corrupts men" (Beveridge, 1942:170).

This clearly required more than just policy commitments, but new infrastructure, institutions and, as mentioned, expenditure to almost double the social expenditure of the time (Abel-Smith, 1994:15; Land, Lowe, and Whiteside, 1992:19; Sullivan, 1996:23).

Turning such a grandiose plan into something concrete could not happen overnight and the Beveridge report would not have been the first to have found itself agreed in principle then left to collect dust on a shelf. However, a combination of support from the backbenches and prominent Ministers who were dedicated to the underlying principles of Beveridge's recommendations (Such as

Richard Austen Butler, Clement Attlee, Herbert Morrison, Quintin Hogg, and Nye Bevan – to name a few), along with the vast groundswell of public support, ensured that government committed to implementing the core of Beveridge's plans (Sullivan, 1996:29; Thane, 1996:237; Timmins, 2001:46). These commitments were formalised by the creation, by the end of 1943, of the Sheepshanks Committee (to deal with social insurance) and the Steering Committee on Postwar Employment (Land, Lowe, and Whiteside, 1992:6).

By 1944 formal commitments were turning into policy and even legislation; 1944 ended with the creation of a Ministry of National Insurance in November, having seen the beginning of what has since been referred to as the 'White Paper chase' (Fraser, 2003:243), with the Papers *A National Health Service* (February 1944); *Employment Policy* (May 1944); and *Social Insurance* (September 1944) released in quick succession (Fraser, 2003:243). These were supplemented by the 'Butler Education Act' of 1944, which amongst other things saw the school leaving age increase to the age of 15 (Sullivan, 1996:45). Though not directly a 'Beveridge Act', this began the process of tackling through legislation, Beveridge's five giants – in this case ignorance.

A year later the Family Allowance Act was passed (Fraser, 2003:250; Land, Lowe, and Whiteside, 1992:39; Thane, 1996:228), addressing Rowntree's assertion that benefit increases, in order to truly address the issue of poverty – especially in large families, should represent an increase per child rather than an increase in benefits to parents (Rowntree, 1941:457). Despite the passage of the Education Act the year before, it was the Family Allowance Act that represented the first real universalist attempt to insure against 'want' (Fraser, 2003:250; Timmins, 2001:48). Indeed it represented the only such legislation to be passed by Churchill's coalition government (Fraser, 2003:250; Timmins, 2001:48), though the following six years of Labour government more than compensated (Alcock, 1998:204; Fraser, 2003:247-248; Sullivan, 1996:54).

For six years the Labour government did indeed fight the good fight against the five giants Beveridge had outlined (Alcock, 1998:204; Land, Lowe, and Whiteside, 1992) – though Beveridge himself played no significant role in this (Timmins, 2001:49). In an attempt to address the issue of want, The Labour government built

upon the Family Allowance Act by passing the NI Act in 1946, which brought together sickness, unemployment, old age, maternity and widows benefits, and even saw pensions introduced immediately rather than waiting the twenty years Beveridge predicted would be need to allow for sufficient contributions to accrue (Alcock, 1998:206; Fraser, 2003:251-253; Land, Lowe, and Whiteside, 1992:22-23; Sullivan, 1996:55). This was supplemented by the National Insurance (Industrial Injuries) Act, which extended the insurance net to cover those who had been rendered incapacitated at work. Subsequently, those who were injured at work were entitled to the same flat rate benefit as those who were unemployed for other reasons (Fraser, 2003:250; Land, Lowe, and Whiteside, 1992:41-42; Thane, 1996:238).

While it was acknowledged that the issue of want could not be tackled without addressing the other four ‘evils’, the granting of Royal Assent to the National Assistance (NA) Act seemed to neatly complete the package of measures aimed at directly addressing want through the social security system (Fraser, 2003:253; Sullivan, 1996:54; 224; Thane, 1996:238). The NA Act provided means tested benefits to those who had not made NI contributions (Sullivan, 1996:55; Thane, 1996:238) and even became a supplementary form of support for those who had (Alcock, 1998:207; Fraser, 2003:253), thus ensuring that all were covered by some form of social security provision – even if this coverage did not conform to Beveridge’s principle of subsistence (Abel-Smith, 1953:3; Alcock, 1999:54; Alcock, 1998:205; Fraser, 2003:253; Land, Lowe, and Whiteside, 1992:35).

After war-time fears that the Beveridge report would somehow be diluted, Britons eagerly awaited the fifth of July 1948, the day when many of Beveridges key ideas - not just in the arena of social security, would come into action. It is fitting that the day on which many of Beveridge’s plans for a flat-rate scheme of insurance contributions and benefits were finally realised, saw all the headlines instead stolen by the opening for business of the NHS (Lowe, 1994:119; Timmins, 2001:102; 127), something Beveridge had pushed the furthest reaches of the SI&ASC’s remit by suggesting; how far things had truly come from that tidying up exercise Beveridge had embarked upon in 1942. This newly instituted NHS, the product of the White Paper *A National Health Service* and the subsequent National Health Service Act (1946) was to tackle the issue of illness by providing universal

healthcare, free at the point of service (Jones, 1998:167-172; Sullivan, 1996:40; Timmins, 2001:111; Thane, 1996:221), just as Beveridge had envisaged (Beveridge, 1942:159).

The NHS Act followed a similar Beveridgean vein of unifying existing services and then shifting control towards the centre of government (Addison, cited by Alcock, 1999:54; Jones, 1998:169; Sullivan, 1996:59-61). Michael Foot went as far as to suggest that the creation of the NHS represented the “greatest socialist achievement of the Labour government” (cited in Land, Lowe, and Whiteside, 1992:90). Passing and then implementing the NHS Act proved difficult in the face of both Conservative Party and British Medical Association (BMA) – notably doctors’ opposition (Fraser, 2003:259; Sullivan, 1996:41-43; Timmins, 2001:123). The Act, which would not only see the nationalisation of hospitals, but also the creation of regional boards of administration, the redistribution of doctors to under-supplied areas, a new salary structure, and the opening of health centres (Land, Lowe, and Whiteside, 1992:113; Morgan, 1984:157; Timmins, 2001:111) proved controversial outside parliament, however passed with little difficulty (Land, Lowe, and Whiteside, 1992:113; Fraser, 2003:257). While the next two years played host to some stormy negotiations between the BMA and the Ministry of Health (Fraser, 2003:260; Sullivan, 1996:41-43; Timmins, 2001:124-126), by the 5<sup>th</sup> of July 1948 nearly all GPs had joined the NHS (Fraser, 2003:261; Land, Lowe, and Whiteside, 1992:114; Sullivan, 1996:60-61); the welfare state had the jewel firmly set in its crown (Titmuss, 1958).

Combating illness wasn’t, however, the sole giant-slaying operation tasked to Aneurin Bevan and the Ministry of Health; the issue of squalor also fell within Bevan’s purview (Ginsburg, 1998:230; Land, Lowe, and Whiteside, 1994:76; Sullivan, 1996:61) and the Housing (Building Materials and Housing) Act of 1945 represented Labour’s second legislative assault on the five giants (Timmins, 2001:141). Indeed Timmins suggests that the issues of housing standards, homelessness, and house building dominated the 1945 General Election and the in-trays of many MPs (Lowe, 1993:235; Thane, 1996:243; Timmins, 2001:141).

Labour’s housing policy under Bevan was marked by a flurry of legislation (Land, Lowe, and Whiteside, 1994; Lowe, 1993:240), which brought with it a commitment

to separate dwellings for all families that wanted one (Land, Lowe, and Whiteside, 1994:71; Timmins, 2001:141), a high standard of housing (Land, Lowe, and Whiteside, 1994:71; Sullivan, 1996:62; Timmins, 2001:145), housing largely provided by local authorities (Lowe, 1993:245-246; Lowe, 2004:180; Timmins, 2001:142), and lots of houses to be built quickly (Lowe, 1993:245; Lowe, 2004:180; Timmins, 2001:140; Sullivan, 1996:62). The need for housing was extremely urgent, with over a half-a-million houses having been rendered uninhabitable or destroyed in the war and a further three million damaged to some extent (Land, Lowe, and Whiteside, 1994:70; Lowe, 1993:245; Timmins, 2001:140). This prompted Labour to set a target of 240,000 houses to be built each year, a process that began slowly and attracted much criticism (Land, Lowe, and Whiteside, 1994:76). Bevan was accused of putting his socialist belief in social housing above the need of the homeless by not allowing a free-market approach to building (Lowe, 1993:247; Sullivan, 1996:62; Timmins, 2001:144). Others referred to him as the tremendous Tory in response to his insistence that each council house be built with three bedrooms and toilets both upstairs and downstairs (Land, Lowe, and Whiteside, 1994:77; Sullivan, 1996:63; Timmins, 2001:146).

The arena of housing policy has often found itself on the periphery of welfare debates (Lowe, 2004:287) and indeed will not receive the attention it merits here. More recently described by Torgersen as the wobbly pillar of the welfare state (Torgesen, 1987), housing policy was at the heart of the welfare state in the six-year period of Labour government, which saw over one million houses of a high standard built in an attempt to address the evil of squalor (Thane, 1996:242; Timmins, 2001:148). While debate now turns to that final giant, idleness, discussed in the context of underpinning the ‘post-war consensus’, it is worth noting that the issue of housing is one that simultaneously represented disagreement and consensus ever since the rapid expansion in council house creation of the 1940s (Fraser, 2003:272; Lowe, 1993:235; Sullivan, 1996:63).

As mentioned earlier, the pursuit of full employment - along with the provision of family allowances and the creation of the NHS, was one of the three necessary commitments that underpinned Beveridge’s plan to tackle the five giants (Abel-Smith, 1994:15; Sullivan, 1996:24; Thane, 1996:239). The pursuit of full

employment - utilising a largely Keynesian approach, has also been credited by some as the glue that held together a thirty-year consensus regarding the welfare state (Lowe, 1993:100; Pierson, 1998:124; Mishra, 1984:1; Sullivan, 1996:247; Thane, 1996:240). While there are those who question whether such a consensus every existed in reality (Pierson, 1998:122; Pimlott, 1988:129-141), the thirty year period that stretched from the end of the war until the election of James Callaghan represented a time during which both major parties in the UK embraced a staunch belief in social rights, combined with the notion that the state could intervene in industry and the economy to smooth out the peaks and troughs of the economic cycle, and in turn, guarantee full employment (Alcock and Craig, 2001:124-127; Deacon, 2002:102-107; Hudson and Lowe, 2009:44-45; Stewart, 1998:28).

The commitment to full employment was outlined in both Beveridge's *full employment in a free society* (1944) as well as the coalition government's White Paper, *employment policy* (1944). Seen as unfeasible by many – including the Treasury (Land, Lowe, and Whiteside, 1992:7; Lowe, 1993:101-102; Smith, 1997:45), this principle was leant some credence by the work of Keynes; whose publications: *How to pay for the war* (1940) and *The General Theory of Employment, Interest and Money* (1936), advocated an approach to economic policy that he believed could marry welfare policy and economic policy in a way that ensured welfare expenditure even in times of recession (Hudson and Lowe, 2009:45; Land, Lowe, and Whiteside, 1992:7; Pierson, 1998:122; Smith, 1997:35). While Keynes' work was not necessarily understood by Beveridge (Thane, 1996:239), Beveridge was convinced of its logic and viability by colleagues and as such became a supporter of the notion that through state regulation of demand – rather than state ownership of industry, full employment could become a reality (Pierson, 1998:124-125; Smith, 1997:45; Thane, 1996:239). Amongst Beveridge's core assertions were the notions that demand for labour be kept above the level of supply and that a target of no more than three percent unemployment (which would allow for 'labour mobility') be set (Lowe, 1993:103; Smith, 1997:44; Thane, 1996:240).

While the Labour government did not completely adopt a Keynesian approach to their post war economic policy (Fraser, 2003:265; Smith, 1997:61), the issue of tackling unemployment was granted highest priority and with no real opposition to

the proposals, essential industries and welfare services were nationalised (Fraser, 2003:248; Thane, 1996:240; Tomlinson in Page and Silburn, 1998:41). It is important to acknowledge that this was not merely a Labour Party endeavour; while many Conservatives believed that the 1944 Employment Policy White Paper went too far (and a similar proportion of Labour backbenchers believed it did not go far enough), Lowe (1993:100) and Fraser (2003:243) correctly note that this was a White Paper released by a coalition government. Indeed it was not only a coalition government, it was one that, by shifting much of the home front planning away from Labour Ministers and towards the Lord President's Committee, was largely controlled by the Conservatives (Land, Lowe, And Whiteside, 1992:4). Nonetheless, as Lowe highlights, this Conservative-dominated government articulated its acceptance of a more Keynesian, collectivist approach to the economy and the issue of unemployment in the opening section of the Employment Policy White Paper (1944):

The Government accepts as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war [...] A country will not suffer from mass-unemployment so long as total demand for its goods and services is maintained at a high level (cmnd 6527:para 41 and 66, cited in Lowe, 1993:100).

By the 1950s full employment had been achieved (Fraser, 2003:248; Glynn, 1998:186; Lowe, 1993:104; Pierson, 1998:127; Smith, 1997:56; Thane, 1996:241) and the British economy looked strong (Fraser, 2003:265; Hudson and Lowe, 2009:46; Pierson:126; Thane, 1996:241; Timmins, 2001:177), two facts that many have suggested solidified the emerging consensus regarding the role of the state (Glynn, 1998:179; Lowe, 1993:100; Thane, 1996:241). There were of course disagreements over a range of issues, such as nationalisation (Pinker, 1998:98; Sullivan, 1996:248), how to manage the NHS (Sullivan, 1996:248; Webster, 1990:149), education policy (Fraser, 2003:266; Sanderson, 1998:137-138; Sullivan, 1996:253), and to a lesser degree, housing policy (Fraser, 2003:266; Ginsburg, 1998:229; Lowe, 1993:235; Lowe, 2004:180; Sullivan, 1996:222). Crucially however, the commitment to full employment did not die with the fall of the Labour Government and therein lies the consensus that Lowe (1993) and Fraser (2003) insists was built across all parties. There were ideological

differences between how best to achieve the aims of government, but the aims were agreed in principle; after the resignation of Thronycroft (1958) the means came closer to agreement as well (Lowe, 1993:104; Smith, 1997:65; Stewart in Page and Silburn, 1998:31). Until the middle of the 1970s both parties, when in power, pursued policies that conformed to the Keynesian logic of mixed management, a balance between private and public investment. It is true that Keynes left enough ambiguity to allow the Conservatives to favour the market a little more and Labour to favour the state (Fraser, 2003:266; Lowe, 1993; 119; Pierson, 1998:26; Timmins, 2001:178), but the overall trend was easily identifiable as Keynesian.

For those who still insist that the consensus was a myth (Such as Pimlott, 1988), that there was no real, fundamental agreement between parties, they must at least accept that there was a consensus about which policies were electorally correct (Crosland, 1956:61; Hudson and Lowe, 2009:45; Lowe, 1993:104), which translated into a steady rise in social expenditure (Fraser, 2003:268; Pierson, 1998:124). Whether this truly was a consensus or rather a paradigm defined by the electoral success of a Keynesian approach and the pursuit of full employment, the thirty years following the war stand in stark contrast to the period since 1976.

By 1976 however, the consensus had failed. Some blame a combination of the 1973 oil crisis and general economic downturn, which precipitated rising unemployment' for ending the thirty-year consensus on the logic of Keynesian economics (Alcock and Craig, 2001:56; 77; Glynn, 1998:189; Hudson and Lowe, 2009:47-49). Others (notably Keith Joseph, Milton Friedman, Freidrich von Hayek, and of course, Thatcher) suggested that a Keynesian approach just didn't work and point to the emergence of stagflation and the fact that unemployment had increased slowly, but steadily, throughout the 1960s (see Hudson and Lowe, 2009:47; Timmins, 2001:177; 355). Some commentators – critical of 'over-simple' consensus and crisis theories, believe that the economic conditions of the 1970s were exaggerated in order to move away from Keynesian economics (Castles, 2004:5-9). Regardless of this, with unemployment spiralling out of control, the chief electoral bargaining chip of Keynesian economics - that it could guarantee full employment, was gone. It is worth noting the words of Labour Leader and PM

James Callaghan, who three years before Thatcher came to power, announced that the party was over:

"We used to think you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that option no longer exists" (Callaghan, 1976).

The process of financial deregulation that followed - prompted by the International Monetary Fund (IMF), privatisation, and the shift towards social responsibilities over social rights, has for many signalled the end of the traditional welfare state (Alcock and Craig, 2001:ch.1; Hewitt and Powell, 1998:10-11; Hudson and Lowe 2004:38-40; Thatcher, 1993:626-627). It is this notion that is central to the competition state thesis; does the abandonment of Keynesian economics, coupled with the acceptance that unemployment is a "price worth paying" (Lamont, recorded in Hansard, 1991), truly signal the end of the welfare state? Cerny and Evans insist that since the election of Thatcher, the prevailing logic sees "actors in a competition state seeking to make the domestic economy more prosperous and competitive, while accepting the loss of key traditional social and economic state functions" (Cerny and Evans, 1999:1). Moreover, they insist that in the wake of the 1970's economic decline, competitive policies began to rise to the top of the agenda, which made social policy subservient to the economy (Cerny and Evans, 2003:20). This stands in stark contrast to Beveridge's assertion that employment policy - in order to be effective, requires the effective subordination of private investment to public policy" (Beveridge, 1944:261).

Whether this shift in policy did mark the end of the welfare state and the rise of the competition state forms the crux of this thesis. Subsequent chapters will explore the role globalisation has played in the changing landscape of political economy, explore alternative theories of post-welfare, and ultimately, delve deeper into the competition state thesis itself.

#### **2.1.4: Away from Beveridge**

The welfare state's death knell has, for those who wish to hear it, been sounded. When the killer blow was struck depends on who was listening; for some, 1996 (see Brindle, 1996; Timmins, 2001) marked the end, for others it was 1979 (see

Andrews and Jacobs, 1990), and a few even suggest the great promise of a welfare state died with the publication of SIAS (1942) (see Ditch and Glennerster, 1994). Others insist no such toll is pealing (see Castles, 2004; Powell and Hewitt, 1998:1).

What is difficult to discount however, is that a snapshot of the welfare state in 1976, is profoundly different from a snapshot taken in 1986, again in 1996, and almost unrecognisable to a snapshot taken in 2006. Whilst Beveridge undoubtedly expected specific policies to evolve, maybe even out of recognition, whether he would even recognise the underlying principles, sown in his lifetime, as being present today, is uncertain.

As covered, for Beveridge, welfare was best administered holistically, and crucially, centrally. It was to be based on contributions, offering flat rate, universal (to contributors), and subsistence level cash benefits. While subsistence levels were never met, the 1946 NI Act, covered in more detail earlier, embodied most of Beveridge's key principles. This Act, which did not mean test, which linked benefits to contributions, and which adopted a flat-rate for benefits, stands in stark contrast to the state of income support and family allowance during the late 1980s (Andrews and Jacobs, 1990:281). While overall state expenditure was on the increase (Lowe, 1993:309; Thatcher, 1993:50), benefit levels were falling further and further below the subsistence levels anticipated by Beveridge. Moreover, ostensibly to target and then spend resources on those for whom the need was most desperate, came a reliance on means-testing and the erosion of universal benefits (Andrews and Jacobs, 1990:59-64; Atkinson and Micklewright, 1989:145; Lowe, 1993:145; 314; Pierson, 1994:106-107).

Indeed, Thatcherite welfare was built upon a rather different ethos to that which had gone before, so much so that Hudson and Lowe characterised it as representing a "mirror image of those [values] that under-pinned the post-war consensus" (Hudson and Lowe, 2009:50). In terms of her personal ideology, Thatcher differed from Beveridge in two key ways: first, she did not trust the state, believing it to be intrusive and inefficient and at its best when it remained small (Andrews and Jacobs, 1990:5; Evans, 1997:29; 34; Thatcher7-8; 626; 631). As such she favoured a supply-side approach to managing the economy, a clear

rejection of Keynesian economics (Evans, 1997:19:29; Lowe, 1993:303; Thatcher, 1993:51; 677). Second, she was increasingly concerned with what she saw as the negative implications of welfare provision, particularly the notion of an unemployment, or poverty trap (Andrews and Jacobs, 1990:56; Hudson and Lowe, 2009:49; Pierson, 1994:105-106). This ultimately led her Conservative Government to pursue what Pierson identifies as four main goals: increased use of specific targets, the reduction in state expenditure, less bureaucracy and complexity, and stronger work incentives (Pierson, 1994:105).

The second and third goals mentioned above were integral to Thatcher's desire of rolling back the state (Lowe, 1993:303; 309), which stemmed from her belief that not only is a large state inefficient (Evans, 1997:55; Thatcher, 1993:8; 53) and extremely bureaucratic (Evans, 1997:53; Lowe, 1993:315; 317; Thatcher, 1993:46-49), its profligacy was crushing private enterprise (Hudson and Lowe, 2009:49; Thatcher, 1993:32; 677-680; Winter and Connolly, 1996:30).

It was not just in the economic arena that Thatcher believed that a large state was a harmful state, often insisting that it too often encroached upon the natural workings of the individual and their family (Lowe, 1993:309; Pilcher and Wagg, 1996:2).

The first and fourth goals reflected the personal beliefs of Thatcher and her closest advisors, that the welfare state polluted the national psyche in some way (Hall, 1983:29; Ridley, 1991:110), supporting a citizenry in which a lazy underclass, caught in a poverty trap, had no real incentive to work and as such had no real stake in society (Andrews and Jacobs, 1990:54-58; Lowe, 1993:314; 316; 329; Oppenheim and Lister, 1996:116; Pierson, 1994:105; Winter and Connolly, 1996:301). Thatcher's own words provide perhaps the best insight into her approach towards the welfare state in what she described as “[N]ot so [M]uch a [P]rogramme, [M]ore a [W]ay of [L]ife” (Thatcher, 1993:625).

Welfare benefits, distributed with little or no consideration of their effects on behaviour, encouraged illegitimacy, facilitated the breakdown of families, and replaced incentives favouring work and self-reliance with perverse encouragement for idleness and cheating (*ibid*:8).

The root cause of our contemporary social problems – to the extent that these did not reflect the timeless influence and bottomless resources of old-fashioned wickedness – was that the state had been doing too much. (ibid:626)

The problem with our welfare state was that – perhaps to some degree inevitably – we had failed to remember that distinction [between the deserving and undeserving poor] and so we provided the same ‘help’ to those who had genuinely fallen into difficulties and needed some support until they could get out of them, as to those who had simply lost the will or habit of work and self-improvement (ibid:627).

Thatcher believed that the state had not only become too big, it had also become too generous. Not only was private enterprise being stifled, so was individual enterprise, even at the basic level; the very desire to work (DHSS, 1985). Hall insists that these issues were not simply matters of economics for Thatcher, instead inherently political and moral, suggesting that they ran to the very heart of ‘Britishness’ (Hall, 1983:29). Just as the Liberal consensus had, for Thatcher, undermined the very notion of the family (Andrews and Jacobs, 1990:50; Hudson and Lowe, 2009:49; Lowe, 1993:317; Pilcher and Wagg, 1996:3; Winter and Connolly, 1996:30), it had fostered “the image of the overtaxed [Briton], enervated by welfare ‘coddling’, his or her moral fibre irrevocably sapped by state handouts” (Hall 1983:29).

These firm beliefs about the limitations of both the state and human nature were expected to translate into an all-out assault on the welfare state and while some insist this didn’t really happen (Lowe, 1993:311; Pierson, 1994:108), the welfare state and especially welfare provision, had profoundly changed by the end of Thatcher’s reign (Andrews and Jacobs, 1990; Atkinson and Micklewright, 1989:144-145).

In the arena of Social Security, the foundation of Beveridgean welfare (Beveridge, 1942:170), Thatcher oversaw what has been described by some as a ‘death by a thousand cuts’ (Andrews and Jacobs, 1990:148-150; 280-1; Atkinson and Micklewright, 1989:125; Pierson, 1994:101; 115). Pierson (1994:107-108) outlines many of the often institutional barriers that hindered any possible large-scale

retrenchment, while at the same time highlighting how the cumulative effects of small policy changes left the UK with a social security system, especially in the realm of income maintenance, which was increasingly means-tested, poorly funded, and largely punished the poor (Andrews and Jacobs, 1990:24-49; Evans, 1997:19; 31; Lowe, 1993:314; Oppenheim and Lister, 1996:120; Pierson, 1994:107; 110; 114). In their work *Turning the Screw*, Atkinson and Micklewright detail no fewer than 17 seemingly minor policies, all of which either extended disqualification periods, abolished lower rates of benefits, tightened restrictions, or just lowered the replacement rate generally (Atkinson and Micklewright, 1989:128; Lowe 1993:314). The alarming situation faced by those in poverty is even starker when considered alongside the fact that the number of low-income families doubled within the first four years of Thatcher's premiership (Pierson, 1994:110).

Child Benefit is another example of how the Thatcher Governments changed, if not the welfare state, at least citizens' experience of the welfare state and the ethos that underpinned it. Upon their election in 1979, the Conservatives targeted Child Benefit as an area where money was being wasted on those who were not even experiencing poverty (Andrews and Jacobs, 1990:282; Oppenheim and Lister, 1996:119; Pierson, 1994:104; 107-110; Thatcher, 1993:631). Thatcher herself was said to have been extremely dubious as to the moral value of such a programme (Pierson, 1994:107; 108) and with only limited public sympathy for Child Benefit (Andrews and Jacobs, 1990:54-55; Pierson, 1994:107; 108), coupled with the huge potential savings that could be made, it was assumed that major changes would occur. Indeed, the Fowler reviews were rumoured to have considered taxing or even abolishing Child Benefit (Pierson, 1994:107; Thatcher, 1993:630-631). As with Income Support however, the main changes were delivered 'by the back door', with increases being at best only partially uprated in line with prices and more often than not, frozen (Lowe, 1993:314; Oppenheim and Lister, 1996:119; Pierson, 1994:107; 109-111; 115). Coupled with the twin forces of economic growth and inflation, these measures reduced the real-terms impact of Child Benefit (Lowe, 1993:314; Pierson, 1994:107).

By the end of the 1980s then, while an all-out war on the welfare state had not been declared, let alone won, the day-to-day experiences of the welfare state had

changed and many of the principles that had underpinned Beveridge's vision had changed (Lowe, 1993:148). Partly for institutional reasons and partly because the Conservatives did not 'have the stomach' for it, much of the infrastructure of the welfare state survived the eighteen years of Conservative rule and were ready to be utilised in a more traditional fashion when New Labour swept to power in 1997.

### **2.1.5: Social Democracy: Renewal or Removal?**

The Labour Party that swept to power that May morning was not however, the Labour Party of Bevan and Attlee (Chadwick and Heffernan, 2003:1; Glyn and Wood, 2001:64; Mullard and Swaray, 2008:48; Powell and Hewitt, 1998:10-11). Indeed, nor was it the Labour Party of Wilson, Callaghan, Foot, Benn, or even Kinnock. Those names were to be consigned to the annals of 'old Labour' - and now was the time for New Labour.

Having undergone a long and painful process, first of introspection (Beech, 2006:77-98; Deacon, 2000:11; Driver and Martell, 1998:15; Powell, 1999:6), then of personnel change (Chadwick and Heffernan, 2003:51), and finally, organisational change (Atkins, 2010:39; Beech, 2006:98-105; Chadwick and Heffernan, 2003:3; Powell, 1999:7), New Labour emerged with a new plan, to take the 'third way' between the first way of new-right free markets and the second way of old-left collectivism (Blair 1996; Bochel and Defty, 2007:17; Giddens, 1998:26). This new dawn would be marked by a commitment to supply-side economics, public/private partnerships (PPP), and market competition (DSS, 1998a:83; DTI, 1999; Glyn and Wood, 2001:63; Powell and Hewitt, 1998:9). This meant of course the formally unthinkable abandonment of policies such as nationalisation, redistribution, and progressive taxation (Glyn and Wood, 2001:50; Powell and Hewitt, 1998:8). Furthermore, the focus on not just rights, but also responsibilities, especially in the arenas of employment and benefits (Clarke, 2005:451; Deacon, 2000:11; Powell and Hewitt, 1998:10), saw the abandonment of a national minimum, free higher education, and the severance of the link between earnings and benefits (Alcock, 2005:87; Driver, 2008:62; Powell and Hewitt, 1998:9). Indeed, in the government's own words, the New Labour project would "rebuild the welfare state around work" (DSS, 1998a:23) replacing passive welfare, with active welfare (Clarke, 2005:448; Deacon, 2003:133; Driver, 2008:53).

Unlike Thatcher though, New Labour would temper this neo-liberal approach with an investment in human capital, social justice, and public services, promoting an equality of opportunity (Alcock, 2005:86; Atkins, 2010:40; Blair and Schroeder, 1999:3-4; Finn, 2005:95; Sefton, 2005:110-111). While Blair railed against the culture of welfare dependency and demanded responsibility from citizens (Blair, 1995:7; HM Treasury, 1997:47), he did so in the belief that a ‘new social contract’ had emerged (Deacon, 2000:12). For Blair, the right to be tougher when applying rules relating to employment would be afforded by citizens, to the government, in return for the state enabling those very citizens to share a stake in society (Blair, 1995:7). As we will see a little later, this hard-line stance, offset by a dedication to the cause of social inclusion, ran to the heart of Blair’s third way approach to welfare provision. Powell suggests that this third way approach is built upon four key principles: the need for an active, preventative welfare state; the importance of work; the focus on equality of opportunity rather than outcome; and the matching of rights with responsibilities (Powell, 1999:15).

Some however, both within the Labour Party and without, saw such rhetoric, let alone the policies that followed, as a betrayal of Labour values (Cruddas, 2006:206; Gamble, 2007:32; Hattersley, 1999:26; Hattersley, 2001; Lister, 1998; Lister, 2007; Piachaud, 1998). Others meanwhile, merely saw such changes as a recasting of Labour values in a new world (Alcock, 2005:85; Field, cited in Powell and Hewitt, 1998:9), while cynics have suggested the changes served only one real master: the need for electoral success (Cruddas, 2006:205-206; Deacon, 2000:11; Giddens, 2000:44; Finlayson, 2010:11; Klein and Rafferty, 1999:374; Lister, 1998:18). Tony Blair himself stated that New Labour was a project dedicated to modernising social democracy, committed to social justice and the broader centre-left principles, but crucially for him “flexible, innovative and forward-looking in the means to achieve them” (Blair, 1998:1).

This innovation included sticking to Conservative spending plans and the emancipation of the Bank of England, which in turn saw control of interest rates pass from the government (Glyn and Wood, 2001:50; Walker and Wiseman, 2003:6). This, Beech suggests, could be “interpreted as a departure from social democracy and an endorsement of a form of neo-liberalism” (Beech, 2008:6). Indeed, much of the New Labour rhetoric had a distinctly neo-liberal – even at

times, Thatcherite tone to it. The White Paper, ‘Our Competitive Future’ (DTI, 1999) for example, stated “The UK needs a period of sustained stability [...] for this reason, the Government has reformed the macroeconomic framework to focus policy on stability” (DTI, 1999:11). This reformation of macroeconomic policy is reflected in the Code for Fiscal Stability’s first ‘golden rule’, which states that “the current budget be in balance or surplus over the economic cycle” (DTI, 1999:11).

With so much emphasis placed on the strength of the economy, coupled with New Labour’s reluctance to roll back Thatcher’s roll-backs, there had to be losers; the drift towards means-testing was not reversed (Deacon, 2000:15; Deacon, 2002:113; Sefton, 2005:111) and entitlements continued to be tightened – especially for young people (Finn, 2005:96; Kemp, 2005:18; Powell and Hewitt, 1998:8; Sefton, 2005:111). No much more so was this felt than in the sphere of unemployment benefits. New Labour adopted a workfare approach to welfare provision, not too dissimilar from the Tory policy (Alcock, 2005:85; Powell and Hewitt, 1998:8), which saw a range of activation policies favoured rather than the traditional reliance on cash-transfers to the unemployed. Benefits were now contingent on the genuine, active search for work (Deacon, 2000:12; Piachaud, 1998:10; Powell and Hewitt, 1998:8; Walker and Wiseman, 2003). As mentioned earlier, young people bore the brunt of such schemes, which had, under the Conservatives, seen “entitlements for the young unemployed conditional on undertaking skills-enhancing training, subsidised employment, or voluntary work, on pain of a 40% benefit cut if they refuse” (Timmis, 1996:517).

To focus on the economic policies and rhetoric of New Labour does indeed paint a rather neo-liberal picture of Blairite polity. Some, such as Powell and Hewitt (1998) would suggest that this was because New Labour had accepted the Thatcherite logic of the 1980s (See also Alcock, 2005:84; Burchardt and Hills, 1999:48; Clarke, 2005:452; Chadwick and Heffernan, 2003:49; Cruddas, 2006:206; Driver and Martell, 1998:3; Driver, 2008:51; Heffernan, 2001:10; Walker and Wiseman, 2003:10) and was merely trying to present Thatcherism with a human face – or Thatcher without the handbag (Giddens, 2000:8). Blair however was insistent that the third way was decidedly not New Right. It stood apart he suggested, primarily in its disagreement with the New Right orthodoxy that insisted “public investment

and often the very notions ‘society’ of collective endeavour, as evils to be undone” (Blair, 1998:1).

Whether this is borne out by New Labour policy is a hotbed of disagreement (Contrast Crudass, 2006; Glyn and Wood, 2001:54; Lister, 1998; Lister 2007, with Piachaud 1998; Finn, 2005). The ‘employment first’ welfare state (Finn, 2003:111) adopted by New Labour is viewed by some as unmistakably New Right, neo liberal, even Thatcherite (Bochel and Defty, 2007:17; Cruddas, 2006:206; Lister, 1998:15). The workfare approach – so heavily influenced by policy in America, ultimately draws its base in scholarship from underclass theorists such as Lawrence Mead, Charles Murray and Michael Novak (Deacon, (2000:11) for example compares Frank Field’s analyses of welfare dependency to Charles Murray’s; see also Freedon, 1999:43; Hewitt, 1999:150), as reflected in Blair’s speeches (Blair, 1996:9-10). As such, some have argued that the ‘work-first’ approach is inherently right-wing and not only punishes the poor, but also fails to meet many of the underlying, rhetorical principles of social justice (Clarke, 2005:452; Cressey, 1999:178; Lee, 2008:33; Lister, 1998:15; Lister, 2007:150-152). Walker and Wiseman for example, note that the compulsory schemes, especially those aimed at the young unemployed, have a relatively high attrition rate. This is in part due to the lack of training offered by the work first schemes, which results in un-prepared or ill-equipped claimants finding themselves in a workforce that expected a higher standard of employee and as such, ultimately finding themselves once again claiming benefits (Glyn and Wood, 2001:56; Walker and Wiseman, 2003:15). Such issues have led Ellison and Ellison to question whether workfare schemes offer genuine opportunities for the unemployed to fully integrate with the workforce (Ellison and Ellison, 2006:34). With work first schemes having been accompanied with a tightening of passive entitlements, especially with regards JSA (Finn, 2005:96; Powell and Hewitt, 1998:8; Sefton, 2005:111), many of the poorest still find themselves ‘abandoned’ by the state (Clarke, 2005:452) and excluded from society.

For both Lister and Sefton, New Labour have crucially ‘missed the point’ by focusing on equality of opportunity, suggesting that the freedom to make choices is nothing without the capacity and capability to enact those choices (Lister, 2004:17; Sefton, 2005:10). Moreover, Lister insists that New Labour’s hypocrisy is

evident in the unequal application of its rights and responsibilities principle towards the rich and poor (Lister, 2007:151). On a similar theme, Stewart and Hills suggest that where redistributive principles have been retained by New Labour, the focus has almost solely been on redistribution from those near the middle, to those at the bottom, while ignoring those who are comfortably well off (Stewart and Hills, 2005:15 – See also Lee, 2008:33), something that is seen as yet another betrayal of Labour principles by the traditional left (for a good discussion of New Labour betrayal see Cruddas, 2006 and Lister, 2007). Ultimately, those from the left who have not ‘bought into’ the New Labour agenda remain sceptical largely due to the perceived abandonment of social democracy. Glyn and Wood suggest that “New Labour has disentangled the traditional social democratic aims of promoting equality and eliminating poverty in ways that many on the left find both unacceptable (in respect of greater inequality in the top half of the distribution) and unconvincing (in respect of the near-exclusive emphasis on the labour market)” (Glyn and Wood, 2001:64). In this regard both Beech and Paton goes further, suggesting that the Third way represents a rejection of social democracy (Beech, 2008:191; Patton, 1999:75).

Both Blair and Giddens insist that the third way, rather than an abandonment or disentanglement of social democracy, represents a modernisation of social democracy (Powell, 1999:13), an attempt to “sustain social democratic values in a modern world” (Beech, 2006:103; Blair, 1998:2). Indeed, they both stress that while the purpose of the third way is not redistribution, there is an added emphasis on people (Blair, 1998:2; Giddens, 2000:73; Sefton, 2005:111). The state’s role within the third way is increasingly a small one (though an active one), primarily concerned with creating the conditions whereby a successful economy can flourish and in turn, ensure prosperity (Giddens, 2000:7). The state is no longer a leveller, rather an investor, with Giddens stressing the importance of human capital (Giddens, 1998:117).

Whether the third way does mark a continuation of social democratic values or otherwise, it is clear that the commitment to egalitarianism has undergone some degree of change. Giddens is forthright in stating that there is “no future for egalitarianism at all costs” (Giddens, 2000:85). Even the concept of poverty has been recast, with a broad shift from discussing material poverty, to the concept of

social exclusion (Alcock, 2005:85; Atkins, 2010:43; Bochel and Defty, 2007:17; Driver and Martell, 1998:90; DSS, 1998a:63; DSS, 1998b:6; Glyn and Wood, 2001:57). Giddens goes as far as to suggest that inequality is exclusion, concerned with issues of citizenship and political rights, rather than merely material deprivation (Atkins, 2010:43; Giddens, 1998:102-103). To this end, while New Labour's insistence that benefits do not fight poverty (Lister, 1998:15) may not convince all, by shifting the goalposts with regards what is actually being combated (SE rather than poverty), New Labour have shaped the debate in such a way that seeks to consign passive welfare to history.

This departure is bound together with a reappraisal of the roles of both structure and agency in combating social exclusion (Alcock, 2005:86), exemplified by New Labour's focus on both rights and responsibilities (Driver, 2008:50; DSS, 1998:31; Giddens, 1998:99; Giddens, 2000:52). For Blair and New Labour, the contract forged by matching both opportunity and responsibility represented a new deal between citizen and state (Blair, 1996:10; DSS, 1998a:80; Kemp, 2005:17). This new deal was built not only on the principle of 'work for those who can' (DSS, 1998b:8) - primarily out of a responsibility to the state, but that by working, one would escape social exclusion (Bochel and Defty, 2007:18).

This emergence of work as an accepted dimension of welfare has been central to reconciling the left and centre left within New Labour. The third way, described by Giddens as the vital process in the task of shifting from passive to active welfare (Pierson, 2006:182), espouses work as not only being the 'royal road from welfare' (Pierson, 2006:182), but also states that where welfare had once been seen as the right of citizenship, work should now be seen as the obligation of citizenship (Ellison, 2006:95). Central to New Labour's assertion that work is the best form of welfare (McCafferty and Mooney, 2007:209) is the notion that it is inclusion in the workforce that offers not only the quickest route out of poverty, but also the safest (Cerny and Evans, 2003:37; Deacon, 2000:11; Deacon, 2002:107; DSS, 1998:23; Ellison, 2006:84).

The very notion of employment as a tool to combat social exclusion is neatly crystallised by considering the role of ALMPs as tackling the dependency culture (DSS, 1998b:9; Sunley et al, 2006:10) – propagated by passive welfare, which

results in the long-term unemployed finding themselves on the periphery of society (DSS, 1998a:9). Skills based, training intensive courses, which invest in the person, are seen to not only reduce the burden on the state, but also as having the ability to reverse the exclusion faced by an increasingly deskilled non-workforce in a way that passive entitlement provision cannot (Blair and Schroder, 1999:3-4; DSS, 1998a:23; Giddens, 1998:65; Sunley et al, 2006:5). As such, third way thinkers would argue, activation policies are not merely a neo-liberal response to the burgeoning state, rather a compassionate response to the twin problems of state burden and social exclusion, shifting the emphasis from passive to active welfare and thus combating social exclusion (Clarke, 2005:448; Giddens, 2000:88; Giddens, 2006:382; Hewitt, 1999:150; Kemp, 2005:16; Sunley et al, 2006:5; Walker and Wright, 2003:6). It may be through this very principle that New Labour can claim to reconcile the notion of a more competitive nation with a more inclusive nation. Brown for example, insists "What is good for the nation - inclusion in society through paid work - is also good for the economy, which needs to utilise and develop the skills of the workforce if it is to become a global competitor" (Brown, cited in Ellison, 2006:95-96).

It could be argued that nothing better underlines New Labour's shift in emphasis from a focus on structure to agency, within a broader commitment to tackling social exclusion, than their raft of New Deals (Beech, 2008:8; Deacon, 2003:133; Kemp, 2005:16). For Blair, the New Deal[s] stood in stark contrast to passive welfare, which stressed only rights and not responsibilities (Bochel and Defty, 2007:19; Clarke, 2005:451; Kemp, 2005:17). Instead the New Deal would "promote opportunity, personal responsibility [and] enhance the skill base of the country, counter dependency and the growth of the underclass, and foster public support for benefits by emphasising conditionality and showing welfare to be working" (Blair, 1996; DSS, 1998a:24-25).

The New Deal for Young unemployed People (NDYP), delivered by a partnership between the public, private, and third sectors (Sunley et al, 2006:185; Walker and Wiseman, 2003:11-14) encapsulates not only the distinction between 'old' and New Labour, it also highlights how the third way sought to provide a fairer society than Thatcherism had. The NDYP, funded by a redistributive windfall tax on the profits of privatised utilities (Driver, 2008:52; Finn, 2005:94; Walker and Wiseman,

2003:6) is illuminating in the way it does indeed thread a path between old Labour's passive redistribution and the New Right's hard-line stance on redistribution. While direct payments were still made to young unemployed people, the passive Jobseeker's allowance (JSA) was supplemented by a raft of measures geared to returning the claimant to work (Finn, 2005:94). Such measures included intensive employment assistance, training courses, subsidised employment and voluntary work (DSS, 1998a:25; Cressey, 1999:177; Glyn and Wood, 2001:53; Walker and Wiseman, 2003:11-14), though as Bochel and Defty highlight, there was no fifth option, no right to opt out (Bochel and Defty, 2007:19; Cressey, 1999:177; Glyn and Wood, 2001:54).

As discussed however, a commitment to returning people to the workforce in order to combat social exclusion is insufficient if those jobs cannot be held, or worse, if holding a job is not sufficient to escape poverty. As such, it was necessary to ensure that while activation strategies had become integral to social policy, they would sit alongside initiatives aimed at ensuring employment did indeed promote social inclusion. This commitment was central to the mantra 'making work pay' (Deacon, 2002:108; Driver, 2008:53 DSS, 1998a:29; Ellison, 2006:97), which reflected New Labour's assertion that not only would a return to employment ensure that people would better engage with society, it would also ensure that engaging with employment offered the best route out of material poverty (DSS, 1998a:19). To this end, the minimum wage was heralded by New Labour as a giant step towards making employment more attractive (Driver, 2008:53; DSS, 1998b:iv; Glyn and Wood, 2001:57), though some have suggested that this did primarily benefit the already established middle class, rather than acting as an agent of social mobility (Glyn and Wood, 2001:57; Sefton, 2005:112).

Perhaps a more successful method of making work pay has been the introduction of tax credits (Bochel and Defty, 2007:20; Driver and Martell, 1998:109; Glyn and Wood, 2001:53; Kemp, 2005:17). These credits ensured that redistribution benefitted not just those without employment, but those who found themselves in employment (Driver, 2008:54; Glyn and Wood, 2001:53). This was achieved by supplementing wages, initially for those with dependents (HM Treasury, 1998), though the Working Family Tax Credit (WFTC) eventually split into both the Working Tax Credit (WTC) and the Child Tax Credit (CTC) (Beech, 2008:9; Driver,

2008:54; Finn, 2005:94). Tax credits have not been without their critics, with some suggesting that those of working age – especially those under 18 but without children (Hewitt, 1999:156; Driver, 2005:263), or partners of WTC claimants (Finn, 2005:94) have found themselves worse off. However, the overall response has been relatively positive (Finn, 2005:94; Pierson, 2006:189). The aim of WTCs was to use the tax credits system as a “step towards greater integration of the tax and benefits system” (HM Treasury, 1998:7). This was something New Labour had committed to before the 1997 election, stating in their manifesto that they would “examine the interaction of the tax and benefits system so that they can be streamlined and modernised, so as to fulfil our objectives of promoting work incentives, reducing poverty and welfare dependency and strengthening community and family life” (Labour Party, 1997:13). With a third way primarily interested in securing equality of opportunity, rather than of outcome, it is unsurprising that even after the creation of separate WTC and CTC, redistribution was more often than not aimed towards children (Sefton, 2005:111).

None-the-less, whilst advancing a policy agenda that would surely be unthinkable (Deacon, 2000:6; Driver, 2008:51) under ‘old’ Labour, this agenda was markedly un-Thatcher. Even in the arena of welfare, in the instances where ALMPs are characterised fearfully as an alternative to social policy rather than a supplement to it (see Powell and Hewitt, 1998:10), these seemingly draconian schemes can be interpreted as third way, rather than neo-liberal.

Focusing on the adoption of ALMPs as part of a more welfare approach to unemployment is interesting not merely because of how it informs opinions surrounding the New Labour project. While such an approach certainly does provoke debate as to whether New Labour has managed to reconcile a commitment to social justice, equality of opportunity, and a fairer Britain, with a competitive economic policy, which also focuses on individual responsibilities; it also highlights the importance of policy transfer within the New Labour’s policy process. Without such transfer, something that was at the heart of the repositioning of Labour under Blair (Beech, 2006:107-111; Deacon, 2000:6; Giddens, 2000:4) it is unclear how far Blair would have dared move New Labour to the centre.

While New Labour Ministers and advisors were happy to discuss the ways in which the workfare approach had been informed by other European countries, the New Labour approach to activation was indeed seen to be original within Europe (White, cited in Deacon, 2000:13). White insists that is in large part due to the profound impact Bill Clinton's Democratic Party had on Tony Blair's New Labour Party (White, cited in Deacon, 2000:13) – though not all commentators subscribe to this analysis (see Beech, 2006:107-111). Some have even suggested that the parallels between Blair and Clinton are almost more profound than those that existed between Thatcher and Reagan (Clinton, 2005:367:686:756:786:813; King and Wickham-Jones, 1999:268; Rentoul, 2001:194-198:432-435). Rhetorical similarities, which Gough insists make up no small part of policy direction (Gough, 1991:122), were increasingly turned into firm policies under Blair, such as the New Deals, CTCs, and WFTCs (Finn, 2003:115; Rentoul, 2001:380). Although workfare programmes had been pioneered by the Reagan administration of the 1980's, Thatcher had not particularly favoured them, preferring instead stricter benefit restrictions (Finn, 2003:115). It was not until the election of Clinton in the USA, that the workfare message began to take hold in British politics, initially under Major, but primarily under Blair (Finn, 2003:115; King and Wickham-Jones, 1999:264-270). The success and popularity of Clinton added enormous legitimacy to the Blairite agenda on welfare (King and Wickham-Jones, 1999:278; Rentoul, 2001:194-198) with Clinton himself playing a substantial role in convincing Blair of the need for both 'the stick' and 'the carrot' in welfare policy (Clinton, 2005:271-272:720; Rentoul, 2001:194-198).

The transfer of policy principles from America in the wake of US welfare reform (especially the Personal Responsibility and Work Opportunity Reconciliation Act (1996)) was largely manifested in the New Deal programmes mentioned above (Deacon, 2002:102). Such policy transfer, a direct consequence of globalisation, highlights the importance of this very phenomenon to the New Labour project. Not only was the emergent epoch one in which talk of nationalisation or a return to managing demand were as irrelevant as discussing the divine right of Kings (Chadwick and Heffernan, 2003:8), it was also one marked by unstoppable force of globalisation.

Indeed, Blair and New Labour insisted that globalisation provided the ‘new’ environment in which the country had to be governed (Blair, 1996:118; Finlayson, 2007:42; Giddens, 2000:54:122). At the individual level globalisation changed everything, from the amount of information citizens received and the way they received it (Beech, 2006:115; Giddens, 2010:68), to a shifting perception of everything from “traditional institutions, practices and belief systems, such as the family, patterns of work and political ideologies” (Legget, 2010:55-56) all of which become less sacred. At the national level, globalisation changed everything from international relations (Buller, 2008:146; Plant, 2008:152) to domestic economic policies (Evans, 2008:71; Plant, 2008:152). As such it was central to New Labour’s approach to government. This is perhaps best underlined by both Blair and Giddens who stressed the centrality of the information revolution and globalisation to the third way (Blair, 1998:4; Giddens, 2000:163).

This reference to globalisation was common to most New Labour utterances, so much so that throughout the Blair years, barely a speech was delivered, or policy proposed without the mandatory mention of globalisation, all littered with references to the rise of new technologies, the increasing interconnectedness of the global economy, and the need for a new way of thinking:

The modern world is swept by change, new technologies emerge constantly, new markets are opening up (Blair, in DTI, 1999:5)

I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer. They're not debating it in China and India. They are seizing its possibilities, in a way that will transform their lives and ours (Blair, 2005:4).

In truth, globalisation is a fact. It's why resisting it is self-defeating and even absurd (Blair, 2007:2)

The pressures of globalization are pushing people together, obliterating boundaries through trade, travel, telecommunications and mass migration (Blair, 2008:1).

The scope of globalisation was for Blair, immense. Both he and Mandelson accepted that “globalisation imposes limits on all social and economic policies”

(Cerny and Evans, 2004:56) and as such, policies were only desirable if they aided competition in the global knowledge economy (Finlayson, 2010:13; Legget, 2010:55). This knowledge economy required an increasingly educated workforce (Blair, 1991:32; Brown, 2005:4; Driver and Martell, 1998:33; Hassan, 2007:42; Hudson, 2006:277) and to facilitate this, investment in the knowledge economy (Finlayson, 2007:42; Hudson, 2003:271), which sat comfortably alongside New Labour's social democratic values.

It was these twin forces, of globalisation and the knowledge economy, Blair opined throughout his premiership, which necessitated the renewal and restructuring of social democracy he insisted New Labour represented (Blair, 1998:2; Giddens, 2000:163). Whether this renewal of social democracy is real is as contentious as the debate that rages around the notion that the welfare state has died. Globalisation has had a profound impact on the policies of New Labour; however the impact it has had on the welfare state, the nation state and its counterparts abroad is less clear and merits further discussion.

### **2.1.6: Summary**

The welfare state is steeped in a long history of redistribution, from the days of the Elizabethan poor laws through to creation of the NHS and the greatest socialist achievement of all time (Foot cited in Land, Lowe, and Whiteside, 1992:90). But the welfare state of post-war Britain, marked by demand management, nationalisation, universality and generous redistribution and combined with a commitment to full employment (Glyn and Wood, 2001:50; Powell and Hewitt, 1998:8) has been consigned to history. That is not necessarily to say that the welfare state has died, as the Guardian proclaimed (Brindle, 1996); it may very well be that the aims and outcomes of Beveridge and Attlee are being achieved today. However, the *modus operandi* has changed, economic policy focuses on the supply side, the market is much freer, welfare policies make much wider use of means-testing, are less generous, and are increasingly being delivered by private companies or public/private partnerships (DSS, 1998a:83; DTI, 1999; Glyn and Wood, 2001:63; Lee, 2008:28; Powell and Hewitt, 1998:9). For Thatcher this was necessitated by the ‘choking grip’ that the inefficient welfare state held on individuals’ creativity, motivation, and ‘Britishness’ (Hall, 1983:29). For Blair these new principles and modes of delivery are necessary to renew and retain a semblance of social democracy in the face of globalisation and the knowledge economy- a changed world (Blair, 1998:1).

The role of globalisation is extremely important. We’ve seen how it was readily accepted by New Labour, seen by Blair and his guru, Anthony Giddens, as the reason why, ultimately, Old Labour’s ideology was outdated. While Thatcher shifted her focus away from citizens’ role in the production of goods as mass production began to die, it did not settle on a replacement role. New Labour helped it rest on people as buyers and sellers of those goods. This, Finlayson insists, has required a re-education of citizens, which necessitated a commitment to investment in human capital, skills, education, and ideas (Finlayson, 2007:42; Mullard and Swaray, 2008:48).

Some have argued that the recasting of citizens as individuals in a global economy has stripped back the bonds of solidarity and commodified the individual (Finlayson, 2007:43). It may be however, that global pressure on markets- such a

threat to inefficient policies, has provided the very justification for a new contract for welfare, rather than the abandonment of welfare altogether. To compete in the knowledge economy requires an educated, skilled workforce and with it an investment in human capital. Blair and Giddens have talked about freedom within an opportunity society (Finlayson, 2007:44) and committed New Labour to the principle of equality of opportunity (Alcock, 2005:87; Blair and Schroeder, 1999:3-4), which they accept, cannot be achieved by the market alone. To suggest that globalisation, the perceived executioner of the welfare state, is actually its saviour, seems a little extreme and not only ignores the ideology behind New Labour's investment in human capital, it also implies that globalisation is an extremely powerful agenda setting tool.

This chapter has charted the growth of the welfare state, from a tiny acorn into a great oak without really addressing whether the welfare state is indeed dying – a popular topic amongst social policymakers, political economists, and sociologists alike. To understand that we must look closer at the role globalisation plays, how it both limits and liberates the state and the individual and ask the question: if the welfare state is obsolete, what if anything has replaced it?

## **2.2: Globalisation and the transition from welfare state to competition state?**

### **2.2.1: Introduction**

The previous chapter highlighted the shifting principles and priorities of the welfare state throughout the twentieth century. For many right of centre politicians, scholars, and commentators, such shifts represent a recasting towards a neo-liberal position that reflects an ideology that is sceptical of both the state and welfare recipients. However the welfare state is a deeply entrenched institution, taken for granted by the British people, endowed as Pierson suggests with a constituency of its own (Pierson, 1994:277). When New Labour swept to power, many would argue that the road towards a more collectivist, socially democratic polity was still available. However, while Blair claimed that he represented the only viable future for social democracy, he insisted that this was a different future. Something had changed and that something, globalisation, had rendered the old approach impossible.

In this next chapter we will explore just how powerful the role of globalisation is and has been, as well as asking whether the changing principles outlined in the previous chapter, have really seen the departure from a welfare state. One of the weaknesses of such claims has been the lack of viable alternative theories to that of the welfare state. We see that many have embraced the changes to the industrial economy as epoch-defining, but perhaps not paradigm-changing, leaving us to question how different such conceptualisations are from the traditional welfare state. One thesis that has not only captured popular imagination within the academy, but also evolved over time and as such remained contemporary, is that of the competition state. The competition state is interesting not only because it seeks to offer an alternative way of conceptualising government social policy, but also because many of the claims can be empirically tested. If the competition state truly is the successor to the welfare state it will be impossible to argue that a paradigm shift had not occurred in the political economy of the UK. Furthermore, while the authors initially focused on the UK and USA, their work has been expanded to a range of countries and ultimately, there is no fundamental reason

why the thesis cannot be used to compare the behaviour of a range of countries, not unlike Esping-Andersen's decommodification index.

The competition state holds centrally, the notion that that the processes of globalisation have qualitatively disempowered the state (Cerny and Evans, 1999:1), which would have profound implications for New Labour's attempt to sustain social democracy in the new epoch. This chapter analyses that claim, amongst others, and concludes by suggesting that while there is no real consensus on whether the competition state has indeed replaced the welfare state, a rigorous empirical exploration will offer more illumination.

### **2.2.2: Myth, menace, reality**

Globalisation was a key factor in shaping New Labour because Blair, Brown, Prescott, and Mandelson all believed it should (Cerny and Evans, 2004:54; Finlayson, 2007:42; Rustin, 2008:274), but the debate about the real impact globalisation has had on the UK (and other nations) still rages. Some have suggested that Blair never fully grasped the concept, using it to justify all things new within New Labour and society (Lee, 2008:20), while others, Blair included, insist that the unstoppable force of globalisation marked a new epoch in how states could and should govern. While some would argue that the true nature of globalisation is somewhat immaterial given how freely New Labour adopted the rhetoric of globalisation and thus, willed the phenomenon into being (Hay and Rosamond, 2002:4), the impact of globalisation is an extremely important focus of interest.

Legget (2010) suggests that the basis of the third way being primarily empirical rather than ideological is extremely important. He goes on to state that the third way merely sought to account for changes in the way life was being experienced and how the state must respond (Legget, 2010:55). Giddens, Blair, and Clinton all believed that the key driver of that change is and was globalisation (Blair, 1998) and as such, this was reflected in the policy approach New Labour (and the Democrats) adopted.

There is no consensus regarding how much of a role globalisation would have played in policy formation had New Labour not accepted the logic of globalisation so readily. Some authors insist that globalisation is nothing more than ‘smoke and mirrors’, given a more corporeal feel by the continuous lip service it was paid by politicians such as Blair and Clinton. A minority even contest the notion that the world has become smaller, more interconnected, more networked (Hudson and Lowe, 2009:20), implying that globalisation is itself, a myth (for a summary see Hirst and Thompson, 1999:98; Hudson and Lowe, 2009:33-34).

### **2.2.3: Smoke, mirrors, and globalisation**

The main objections to the globalisation thesis fall into two categories: the ultra-sceptical, those who question the very existence of globalisation; and impact-sceptics, those who accept that we live in a changed, more global world, but that the impact of such globalization is limited. The ultra-sceptics insist that we are not seeing an emerging epoch, rather history repeating itself (Desai cited in Rustin, 2008:276; Hirst, 1997:411; Kleinknecht and Wengel, 1998:639). This is a position Giddens neatly summarises; “whatever its benefits, its trials and tribulations, the global economy isn’t especially different from what existed at previous periods” (Giddens, 2002:8). Such sceptics note that world trade in relation to world GDP, as with national trade to national GDP ratios, does not differ much between the 1890’s and 1990’s (Bairoch and Kozul-Wright, 1996:6; Hirst and Thompson, 1999:28; Krugman, 1996:212). Moreover, they opine, the fact that increased economic activity is confined to the rich OECD countries (Hudson and Lowe, 2009:33-34; McGrew in Eatwell et al, 1998:11-12), or more specifically, the triad of the US, EU, and Japan (Held and McGrew, 2003:5; Hirst, 1997:410; Hirst and Thompson, 1999:98-105; Rugman and Moore, 2001:65:68; Kleinknecht and Wengel, 1998:638), is evidence that the phenomenon is anything but global. Even within this triad, many industries remain bound to national markets. Rugman and Moore for example, cite the fact that over 85% of all automobiles sold in North America are made and produced there and that the figures for Europe and Japan lie at 90% and 93% respectively (Rugman and Moore, 2001:65), a trend reflected in other industries (Weiss, 1999:63).

Those categorised here as ultra-sceptics accept that modernisation has indeed occurred especially in the world of ICT, and to this end do not contest Giddens's assertion that information is more readily available. They are however, at pains to stress that modernisation is not the same as globalisation (Hirst and Thompson, 1999). Indeed, the technologies that connect the world may be new, but the degree to which the world is connected is in fact rather old. The cultural globalisation that Giddens espouses is less profound, they insist, when the impact of economic globalisation is judged more realistically (Hirst and Thompson, 1999:3). Sceptics also question whether we can truly talk of global labour, insisting that while capital may well be mobile (though Hirst and Thompson (1999:2) contest even this), people are not as mobile and labour is in fact nationally bound and relatively static (Hirst and Thompson, 1999:257:261; Krugman, 1996:61). Even Castells accepts that labour mobility is largely restricted to professionals and, in particular, scientists, though he does assert that while labour may not move towards capital, the opposite does occur (Castells, 1998:93).

The more moderately sceptical are less obsessed with the notions that history is repeating itself, or that the modern phenomenon is confined to the triad of Europe, Japan, and the US. Instead they question the proposition of hyperglobalists, that globalisation exerts a physical, material force on either individuals or the state (Hirst, 1997:410; Hobson and Ramesh, 2002:7). Indeed, the use of globalisation as an explanatory tool, or to legitimate decisions, does not mean that globalisation is in fact the cause (or inhibitor) of policy decisions (Castles, 2004:46; Hay and Rosamond, 2002:148-149; Held and McGrew, 2003:5; Hirst, 1997:424). Hay and Rosamond go further, suggesting that the increased use of the 'rhetoric of globalisation' to legitimate unpalatable economic or social policies has clouded the role globalisation is in reality actually playing (Hay and Rosamond, 2002:148). As such, "it is important to differentiate between: the effects of globalisation itself; the effects of having internalised popular constructions of globalisation; and the strategic and disingenuous appeal to globalisation as a convenient justification for unpalatable reforms" (Hay and Rosamond, 2002:150). It is, according to Hay and Rosamond, impossible to tell whether events that are consistent with the globalisation thesis are a product of this very force, rather than the fear/acceptance of it. They cite the example of corporate tax, which advocates of

the globalisation thesis insist needs to be low in order to avoid capital flight. When governments lower corporate tax and see no capital flight it seems to confirm the globalisation thesis, though there is no proof whether this is the real cause, rather than merely the ‘hegemonic delusion’ of globalisation being the cause (Hay and Rosamond, 2002:150). However, Hay contends, no state seems willing to ‘call the bluff’; to maintain high levels of corporate tax at the risk of such flight and speculate that it may indeed be possible to retain the tax revenues without the consequence of capital flight (Hay, 2002:204).

#### **2.2.4: The Unstoppable force**

Ultimately, the opinion held by such sceptics is that globalisation is what states and individuals make of it. This stands in stark contrast to the views advanced by those whom Held et al refer to as the hyperglobalists. These hyperglobalists insist that globalisation has changed the world beyond recognition in a very short space of time (Held et al, 1999:3) and represents the great transformation of our time (Polanyi, cited by Munck, 2002:1). What Holton calls ‘globetalk’ has pervaded our lives (Holton, 1998:1), fuelled by the phenomenal rise and improvement of information technologies, technologies that have demolished (Wriston, 1993:117) or stretched (Held et al, 1999:15) time and distance. As Giddens notes, knowledge is no longer bound to the place where it is created, rather shared across the globe (Giddens, 2002:12) and this has had a profound impact on the individual. Globalisation influences everyday as well as world events (Giddens, 2002:4) and consequently, the world can no longer be viewed with old assurances; globalisation has begat a world that is more abstract and immaterial (Guehenno, 1995:9). This new world has, according to Giddens, restructured “the ways in which we live, and in a very profound manner [...] by propelling us into a global order that no one fully understands” (Giddens, 2002:4-7).

Hyperglobalists contend that individuals are perfectly aware that ‘something is out there’ (Held et al, 1999:6) and are beginning to understand that the “fate of all parts of the globe is somehow bound together more intensely than before through the ties of interdependence and the interpenetration of economic, political, and cultural relationships across existing borders” (Holton, 1998:1). This awareness

has begun, Giddens suggests, to make a mockery of tradition, with even the most recognisable institutions – the family, Church, community, and the state - seeming less concrete (Giddens, 2000:4:45:51; Legget, 2010:55-56). Even the role of the citizen, traditionally that of worker (Finlayson, 2007:42), has changed with the birth of the ‘global citizen’, consumer of global products (Ohmae, 1990:18:22). The intertwining of neo-liberalism, to the extent that Munck defines globalisation as “the worldwide application of laissez-faire principles” (Munck, 2002:175) has, through the “diffusion of consumerist ideology” (Held et al, 1999:4), further supplanted tradition.

For hyperglobalists, globalisation has also effectively ‘destroyed geography’ by removing the borders that have traditionally separated nations (Munck, 2002:4; Ohmae, 1990:18-19; Wriston, 1993:122). These boundaries have found themselves: redundant in the face of the global economy (Ohmae, 1995:3-4); meaningless as a consequence of the weightless nature of the informational economy (Hudson and Lowe, 2009:34); and blurred by information itself (Ohmae, 1990:18-19). Where once the precious guarding and expansion of national borders was necessitated by the centrality of natural resources to economic success, the global economy pays scant heed to such resources (Ohmae, 1990:11). Guehenno cites the example of the electronic component, which he insists is the symbol of the new age. Within this component, the “raw materials represent less than 1%” and as such, to be successful one no longer need to be master of a material producing territory (Guehenno, 1995:8), which has led to what Munck terms a deterritorialisation of the world (Munck, 2002:4). Wriston cites a further example, that of declarations at the airport customs desk. Where once wealth was bound together with resources and as such, nation states felt it was necessary to ask whether passengers had ‘anything to declare’. Wriston suggests that in terms of the global economy, the value of physical belongings pale into insignificance in comparison to the knowledge and ideas of the skilled participants of the knowledge economy (Wriston, 1993:217). More and more the notion that actors in the global economy will have to, when stopped at customs, echo Wilde’s supposed declaration of possessing nothing but their genius (Ransome, 1912:64), is becoming a reality. However, as Ohmae points out, while stopping the

movement of individuals is still possible, preventing their ideas from crossing the increasingly porous borders is not (Ohmae, 1995:4).

For those such as Wriston and Ohmae, all maps may as well be thrown away as “the new world financial market is not a geographical location to be found on a map, but rather more than two hundred thousand electronic monitors in trading rooms all over the world” (Wriston, 1993:126). Ohmae suggests that to talk of nation states is foolish within what he insists we must call the global economy (1990; 1995). Indeed, Ohmae questions how we can possibly believe that the nation state has somehow survived as the most important aspects of a functioning economy. He notes that investment, industry, information technology, and individual consumers are all now globally mobile, paying little heed to the archaic national borders that once contained them (Ohmae, 1995:3-4).

Even in the arena of trade, both Wriston and Ohmae dismiss the role of the state with Wriston insisting that to talk of international trade is to employ an obsolete term insisting that “technology has made us a global community in the literal sense of the word. Capital will go where it is wanted and stay where it is treated well. It will flee from manipulation or onerous regulation of its value or use and no sovereign power can restrain it long” (Wriston, 1993:126). Even those dominant companies that seem to wear their nationalism on their sleeve cannot be held as champions of the national economy (Ohmae, 1995:13). Where once (1953) the U.S Secretary of Defense and former CEO of General Motors was able to proclaim that “what was good for our country was good for General Motors and vice-versa” (cited in Reich, 1992:48), the notion of a national company is now outdated. Ohmae highlights the case of IBM Japan, which is based in Japan, staffed by a Japanese workforce, pays tax to the Japanese government, but its equity holders are American, and asks the question: “is IBM Japan a Japanese or American company” (Ohmae, 1990:8).

The deterritorialisation of the world, the disintegration of national borders, and the birth of the global citizen, a consumer of global products owned by multinational companies trading in the global economy, has profound implications, hyperglobalists opine, for the nation state (Giddens, 2002:8; Guehenno, 1995:12;

Munck, 2002:3; Ohmae, 1995; Wriston, 1993:117). The dilemma facing the state is not singular, though globalisation lies at the heart of each individual threat to the state. For Wriston the demise of the national company and rise of the global knowledge economy not only changes the nature of the work we do and the way we do it, but also our view of sovereignty (Wriston, 1993:117). As the global economy follows its own logic and develops its own webs of interest, which rarely duplicate the historical borders between nations (Ohmae, 1990:190), Munck suggests that national competitiveness has lost its purchase and the very notion of the nation state is drawn into question (Munck, 2002:3).

Munck is not alone amongst the hyperglobalists who question the state's legitimacy in a global economy. For Guehenno the state has historically shown itself to "be ill-equipped to collect taxes and manage expenses" (Guehenno, 1995:12), which is central to success in the global economy. Furthermore, Guehenno believes that the state is too remote to manage the problems of our daily life yet too constrained to confront the global problems that affect us and has become little more than an outdated 'straightjacket' (Guehenno, 1995:12-13). While Ohmae sees the state as a generally benign 'nostalgic fiction' that, "in terms of the global economy, has become little more than a bit actor" (Ohmae, 1995:12), others question whether an institution that is so inept in supporting economic success (Guehenno, 1995:12) and unable to truly adopt a social democratic approach, which is seen by hyperglobalists as untenable in the global economy (Held et al, 1999:4), has been stripped of legitimacy to such an extent that it has or should cease to exist (Guehenno, 1995:12-13; Munck, 2002:3; Wriston, 1993:117). Whether the growth of global governance, dominated as it is by national interests (Weiss, 1999:59) is seen as a facilitator of this disintegration or a bar to it largely depends on whether you ask a hyperglobalist or those whom Held calls the transformationalists. Suffice to say, the sceptics have long-since dismissed the notion that such governance exists (Hirst and Thompson, 1999:60).

### **2.2.5: The (global) voice of reason?**

It is to these transformationalists we now turn. As Giddens notes the majority of 'globalisation scholars' find themselves closer to the hyperglobalist position than

the sceptics' standpoint (Giddens, 2002:9). Ohmae's discussion of the global economy marked by more porous borders and the prominence of transnational companies, is indeed adopted by a range of transformationalists authors (Giddens, 2002; Held et al, 1999; Hudson and Lowe, 2009), though assimilated into more moderate perspectives on the role of the nation state. Most of these commentators believe that some element of control has been surrendered to the forces of globalisation, though there is little consensus on how much control has been lost.

At the heart of the transformationalists' stance on globalisation is a belief that it "is not only an economic transformation of the world but involves the reprogramming of many aspects of social and political life" (Hudson and Lowe, 2009:35). As both Giddens and Hudson and Lowe point out, this in itself brings the transformationalists position to rest much closer to the hyperglobalist position than that of the sceptics (Giddens, 2002:9; Hudson and Lowe, 2009:35). It is indeed the firm belief of transformationalists that globalisation is the "central driving force behind the rapid social, political, and economic changes that are reshaping modern societies and our world order (Held et al, 1999:7). Giddens proclaims that "we are all internationalists now" (Giddens, 2000:123), due in large part to what Held et al refer to as the "stretching of social, political, and economic activities across frontiers such that events, decisions, and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe" (Held et al, 1999:15).

Unlike both the hyperglobalists and sceptics however, transformationalists make no bold claims about the future trajectory of globalisation believing it is flexible, to be moulded and as such, whatever effect it has, is not yet 'set in stone' (Held et al, 1999:7). Giddens for one, is profoundly optimistic, believing that globalisation offers the opportunity to secure social democracy and fight truly global vices such as global poverty (Giddens, 2000:124:131), insisting that economic globalisation has been a success (Giddens, 2000:124). Transformationalists insist that central to globalisation is the expanding role of world trade, a process that sees global financial markets operating at staggering levels in real time (Armstrong, 1998:463; Drezner, 2001:75; Evans, 1997:67; Giddens, 1998:30), which they do concede creates new political pressures on governments where trade is directly linked to

levels of unemployment and associated with more labour market risk (Hays, 2009:10).

Refuting the type of claims that were presented by sceptics such as Hirst and Thompson, transformationalists argue that economic globalisation is a reality and not merely a continuation of previous trends and that trade is much more open than has ever been seen before (Giddens, 1998:30). Indeed it is the opinion of some that, rather than being “an exchange of goods between domestic productive systems, trade is increasingly a flow of goods within production networks that are organised globally rather than nationally” (Evans, 1997:66). Such a fixation on trade rates or the comparisons between trade rates are, according to Held et al, irrelevant anyway (Held et al, 1999:11). They contend that this is because such statistics do not tell the full story, being unable to encapsulate what the “social, political, and economical impact” of late 19<sup>th</sup> century trade (Held et al, 1999:11). Transformationalists are also at lengths to stress that globalisation cannot merely be considered in economic terms, but as the “transformation of time and space in our lives” (Giddens, 1998:30). We have already seen this referred to as a stretching of activities, however Held et al go further, noting how globalisation not only stretches, but also intensifies, speeds up, and increases the impact of events that are experienced by both the state and the individual (Held et al, 1999:15-16).

#### **2.2.6: Globalisation and the Nation-State**

If by embracing the notion of globalisation as a ‘game-changer’ sets the transformationalists apart from the sceptics, it is with regards their view of the nation state that transformationalists stand furthest away from the hyperglobalists (Giddens, 2000:122). As mentioned, transformationalists do concede that globalisation does create political pressures on governments where trade is directly linked to levels of unemployment and associated with more labour market risk (Hays, 2009:10). This is not the only challenge that transformationalists accept the nation state faces as a consequence of globalisation. However, crucially, for transformationalists, Nation states remain the most important agents on the international scene, not because of their power as an economic entity *per se*, but

rather due to what Giddens terms a ‘generic power’ (Giddens, 2000:122; Prior and Sykes, 2001:205). Giddens accepts that sovereignty has begun to change a little due to globalisation from below (Giddens, 2000:123), but rejects the idea that successive moves away from national sovereignty “restricts the policy options of member states leaving them less able to cope with global competition” (Leibfried and Pierson, 1995:3). Indeed, if anything, the redistribution of power within states (Sassen, 2009:48) has been facilitated in order to keep pace with globalisation (Hudson and Lowe, 2009:24), while retaining a sense of the nation state. Furthermore, while sceptics such as Holton, believe that sovereignty is flowing towards the EU, WTO, and World Bank (Holton, 1998:82), the transformationalists position is that institutions such as the WTO are “weak and are increasingly relying on the consent and support of nation states” (Cable, 1995:51).

This is not to say that the pressures of the global economy are not being felt by nation states, quite the contrary. Indeed transformationalists concede that boundaries are being broken down (Armstrong, 1998:461) or becoming fuzzier (Giddens, 1998:32), with Giddens accepting Ohmae’s example of the Catalan trading region as being one that transcends the nation state (Giddens, 1998:32). Trade, which is central to the ‘new’ globalisation that transformationalists believe is changing the world (Armstrong, 1998:463; Drezner, 2001:75; Evans, 1997:67; Giddens, 1998:30) is placing pressure on nation states, forcing them to respond. However the response comes from within nation states, reflecting their own institutions and, as Hudson and Lowe argue, “their own cultural histories” (Hudson and Lowe, 2009:35). The state is not eclipsed by the simple fact that it is becoming more dependent on trade (Evans, 1997:67), rather a process of adjustment is occurring, one that has prompted a more activist state in some ways (Held et al, 1999:9). Indeed Giddens suggests that the role of the state has actually expanded with the rise of globalisation, creating new possibilities, especially with regards its role in shaping regional identities (Giddens, 1998:31-32).

For Hudson and Lowe, the “central paradox of globalisation is that it simultaneously creates a convergent economic order while nation states are compelled to redefine their role and purpose in the faces of these new challenges” (Hudson and Lowe, 2009:24). While the economic role of the state has begun to

change, maybe even as Cable argues, decline (Cable, 1995:38), other aspects of the state have definitely expanded. Not only is the state involved in regulation of the global economy (Holton, 1998:83), Hays insists that the “continued integration of national markets and growth of the global economy depend on domestic political support” (Hays, 2009:150). With this need comes the scope for expansion of the state’s role suggests Sassen, and maybe even the possibility of a trade off between the state’s support of the global economy, for its right to pursue a social democratic programme of social provision (Sassen, 2009:51-52). It is possible then, that as Hudson and Lowe suggest, the “network society has, paradoxically, strengthened the nation state” (Hudson and Lowe, 2009:26).

### **2.2.7: Globalisation and the welfare state**

Sassen’s speculation that nation states may be able to use their centrality to the new global economy does, as she freely admits, run contrary to the “typical view of the state today as somewhat powerless in economic matters” (Sassen, 2009:53). Indeed, even amongst transformationalists, there is a sense that the downward pressure of the global economy pulls away some of the power that nation states used to possess, especially those that underlay Keynesian economics (Giddens, 1998:31; Sassen, 2009:36). For Cerny and Evans, in the wake of the 1970’s economic decline (covered in the previous chapter), competitive policies began to rise to the top of the agenda, which in turn has seen social policy find itself subservient to the economy (Cerny and Evans, 2003:20). They insist that the prevailing logic that developed throughout the Thatcher years and is still present today, sees “actors in a competition state seeking to make the domestic economy more prosperous and competitive, while accepting the loss of key traditional social and economic state functions” (Cerny and Evans, 1999:1). Largely through a process of ‘hollowing out’ (discussed later) and embedding financial orthodoxy, Cerny and Evans insist that the state is being qualitatively disempowered and stripped of legitimacy, to the point where the state can no longer perform the generic functions mentioned earlier (Cerny and Evans, 1999:1-3). The key focus of the state has thus become the controlling of inflation (Cerny and Evans, 1999:10-11).

For Pierson, the global economy can potentially catalyse a downward spiral of social provision (Pierson, 1995:452) towards what Kühner summarises as “lowest common denominator social policies” (Kühner, 2007). This race to the bottom, sees welfare states “progressively dismantle themselves so that they can compete on more equal terms with economies where labour costs are much lower” (Gray, 1998:92). For Cerny, it is the nature of competition in the changing world environment that searches for effectiveness (Cerny, 1999:199) necessitating that “big spenders reconsider the generosity of their social provision [...] and move towards reforms designed to make their welfare systems leaner, meaner, and more residual in character” (Castles, 2004:74). In reality, the race to the bottom is dismissed by most authors, aided somewhat by the fact that statistics have failed to highlight such a trend. While countries such as the UK have seen the emergence of a “more contract-orientated, post-industrial, less egalitarian, and more workfare form of social provision” (Hudson and Lowe, 2009:25), they have not seen a convergence towards lowest common denominator social policies (Castles, 2004:45; Drezner, 2001:75; Hays, 2009:128). Indeed, quite the opposite has happened, with the UK reaching a social expenditure of 21% as a proportion of GDP in 1998, compared to 8% of GDP in the 1960’s (Castles, 2004:25). Even with regards more nuanced arguments that speculate about a race to the middle (Hays, 2009:128), or a ‘downwards harmonisation’ towards a European model (within Europe only) (see Castles, 2004:74; Prior and Sykes, 2002:198), the reality is that convergence towards a single point has not occurred on many of the dimensions that can be measured (for example, see Castles, 2004; Horsfall, 2009; Hudson and Kühner, 2009).

This lack of convergence is, according to Drezner, a consequence of the fact that the extent of policy convergence is determined by the states’ ability to cooperate and their ability to agree on norms of governance (Drezner, 2001:78). Quite simply, “even as pressures generated by global phenomena increase, they are likely to be viewed through the lens of domestic policy” (Ellison and Pierson, 2003:4), which on a global scale results in a variety of different state, market, and family relationships, contained within national boundaries (Esping-Andersen, 1990:26). Indeed, countries “viewing globalisation through their own domestic lens” (Ellison and Pierson, 2003:4) has led to what Prior and Sykes see as a

range of nationally flavoured responses to globalisation (Prior and Sykes, 2001:205). The UK is not alone in responding in its own fashion; while the UK approached the late 1980's economic pressures with what Esping-Andersen terms 'its liberal tendencies' (Esping-Anderson, 1990:26), moving towards workfare principles (Jessop, 2002:248), marked by means-testing and welfare qualification (Pierson, 1994:49), commentators have highlighted how other countries shaped their reactions in the context of their institutional histories. Germany for example, faced with increasing pressure being exerted on wage rates and labour costs, which created unprecedented unemployment rates (Daly, 2001:83-85) responded by introducing a slight increase in tax and social insurance contributions from employees along with higher unemployment spending (Daly, 2001:83-85). This higher spending was aimed at providing an 'exit strategy' for individuals from the labour market, and was criticised for being passive, thus fostering a sense of welfare before work (Alcock and Craig, 2001:163-166). Likewise Sweden, facing similar economic pressures to those being experienced in both the UK and Germany sought to tackle this problem in an altogether different manner. Here, a programme of 'active social expenditure' was favoured, featuring a combination of job creation, and education and skills schemes often aimed at the young and long-term unemployed (Kosonen, 2001:157; Salonen, 2001:156; Sødersten, 2004: 155).

At the heart of these variations lie domestic factors such as institutions, path-dependency, the values of the electorate, and the ideology of decision makers (Hudson and Lowe, 2009; Prior and Sykes, 2001). Institutions are particularly important within the policy process, "establishing the 'rules of the game' for all political struggles" (Pierson, 1994:31) and it can be convincingly argued that the welfare state has become intertwined with the institutional fabric of British politics, and as such, become extremely resilient, even in the face of profound exogenous change (Ellison, 2006:5; Peters, 2003:41). Pierson goes as far as to imply that the conservative nature of institutions, coupled with the depth to which the welfare state is embedded into many UK institutions, has brought the welfare state to represent the status quo, which not only means that decisions are generally considered within such a context, but non-decisions also favour the welfare state (Pierson, 1996:173). From a position of such institutional stability and normality,

the welfare state has become entrenched within the hearts and minds of the British people (Peters, 2003:41), effectively creating a constituency of its own, consisting of enormous levels of public support (Pierson, 1996:174) and maybe even dependency (Bartholomew, 2004:33-34:332-333; Thatcher, 1993:8:626-627). With so many having a stake in the survival of the welfare state, even the most ardent supporters of retrenchment find that existing commitments are hard to reverse, and politically provide an increasing return of support when followed (Giddens, 1998:115; Pierson, 1996:173-174).

As Hudson and Lowe suggest, decision makers are constrained by the prevailing ideological paradigm (Hudson and Lowe, 2004:34), yet the previous chapter has already outlined that a sizeable shift did occur at the dawn of the 1980s. Such a shift may be explained by what Peters et al call “punctuated equilibrium”, which sees the relatively stable status quo undergo quite sizeable shifts due to moments of severe crisis (Peters et al, 2005:1289). However, even when such windows of opportunity present themselves, the emerging paradigm is shaped by the existing institutions, policies and voter expectations (Peters et al, 2005:1289-1290). Indeed, as Hudson and Lowe point out, the shift from Keynesian to post-Keynesian economics was largely facilitated by the Civil Service (Hudson and Lowe, 2004:34).

When considering the demise of the welfare state and the role that globalisation has played in this process, it is also worth considering Therborn's belief that a true welfare state is one that spends more on welfare than other purposes (Therborn, cited in Castles, 2004:31). To follow this criterion denotes that only Germany and Denmark from within the OECD had ever managed to achieve this by the mid 1980's (Castles, 2004:31). By 1998 fourteen OECD countries had achieved Therborn's welfare state status (Castles, 2004:31). True welfare state ascension came not in the 'golden years' of the 1960's, rather in the 'crisis years' of the 1980's and 1990's (Castles, 2004:31). Castles appears to be correct in asserting that there has been no 'race to the bottom' (Castles, 2004:21), with global convergence, if it exists at all, being limited to 'types' (Castles, 2004:21) of the kind classified by Esping-Andersen (1990). This convergence is not towards a retrenched welfare state, instead a "steady state welfare state" (Castles,

2004:168), which is squeezed in spending terms both from the top, and from the bottom (Castles, 2004:168). What is even more interesting is that social spending has occurred within a context of decreased total expenditure, which suggests that non-social expenditure has been downsized in order to maintain the privileged position of social policies (Castles, 2004:35).

As we have seen, the emerging epoch is one where competitive rhetoric and workfare principles are fused with an expansion of welfare, through regulation of programmes such as a minimum wage and maternity benefits. This has led some to characterise this epoch as ‘paradoxical’ (Ellison and Pierson, 2003:11). Rosenau observes that “diverse and contradictory forces have been unleashed that can be summarised in the clash between globalisation, centralisation, and integration on one hand, and localisation, decentralisation, and fragmentation on the other hand” (Rosenau, 2002:70), a clash Rosenau calls ‘*fragmegration*’ (Rosenau, 2002:70). It is also possible that we are merely witnessing welfare states moving beyond their traditional growth trajectories (Castles, 2004:169). Castles uses Hinrich’s simile of social security systems being, like ‘elephants on the move’, to suggest, “when they are young they stampede ahead, but when they mature they generally move more slowly. Irrespective of age, turning them around involves much energy and no little persuasive power” (Castles, 2004:22; Hinrichs, 2001:79).

#### **2.2.8: If not a welfare state, then what?**

There is then, little consensus about whether the welfare state has begun to die and whether such a death has been catalysed by the process of globalisation. However, an increasing number of authors have suggested that the departure in principles from those of Beveridge, the epochal shifts in policy between Attlee, Thatcher, and Blair, combined with the decline of the industrial economy must prompt a re-evaluation of the welfare state. If we simply define, as Therborn suggests, a welfare state to be one that dedicates over half of its expenditure towards social provision (Castles, 2006: 234), such a re-appraisal may not be necessary. If we take Lowe’s belief that a “welfare state is a society in which government is expected to provide, and does provide, for all its citizens not only

social security, but a range of other services at a standard well above the barest minimum" (Lowe, 1993:14), it could be argued that no such welfare state has existed in the UK. If however, one is to focus on the centrality of Keynesian economics, the (Fordist) industrial economy, the pursuit of full employment, and the principles of universality and a national minimum (as Cerny and Evans, (1999), Hudson and Lowe (2009), and Jessop (2002) suggest such elements are central to the traditional welfare state), the label 'welfare state' may no longer be adequate. Indeed, as we will see, perhaps no 'one-size-fits-all' label will ever do justice to the range of systems of social provision present on planet Earth.

While Burrows and Loader still talk of a welfare state, their notion of a post-Fordist welfare state is one that reflects the profound changes in the fields of technology, communications, industry, and ultimately, the economy (Burrows and Loader, 1994:1; Hudson, 2003:269; Warhurst, 2008:72). In what they deem a crude yet reasonably accurate analysis, the traditional welfare state was built upon the Fordist principles and process of "mass production, mass consumption, modernist cultural forms and the mass public provision of welfare" (Burrows and Loader, 1994:1), whereas the post-Fordist welfare state is "characterised by an emerging coalition between flexible production, differentiated and segmented consumption patterns, post-modernist cultural forms and a restructured welfare state" (Burrows and Loader, 1994:1). While globalisation is undoubtedly an important factor and has indeed played an important role in precipitating such changes, for Burrows and Loader the crucial separation has been between the ways in which the state has been able to guarantee the economic and social conditions required for capital accumulation (Burrows and Loader, 1994:1). Where once this was achieved as part of a cycle of mass-production and mass-consumption (Jessop, 1994:15; Pierson, 1998:60), which in turn engendered mass solidarity (MacGregor, 2003:62), the rise of the service industry and knowledge economy has rendered such Fordist methods obsolete (Jessop, 2000:97) and possibly seen the rise of what MacGregor calls narrow mutuality (MacGregor, 2003:62). For Pierson, this has necessitated a series of structural adjustments "designed to make social policy more consonant with a quite new international political economy" (Pierson, 1998:59), without creating substantial problems for the functioning of the welfare state (Pierson, 1998:59).

One particular weakness of the idea of a post-Fordist welfare state is that there is no real consensus on what has substantively changed within the welfare state. Most accept the advent of a post-Fordist industrial economy,<sup>1</sup> however little is advanced as to what this new post-Fordist welfare state is about, what principles underlie this welfare state and how they truly differ from before. The processes may have changed, but in terms of welfare provision, the post-Fordism thesis offers few tangible differences from what has gone before, except to suggest that owing to the changes to how capital can be accumulated, the needs of the economy may no longer be subservient to the welfare needs of citizens (Burrows and Loader, 1994:1; Hudson and Lowe, 2009:54-55; Jessop, 2002:152; Pierson, 1998:61). Thus they argue, the post-Fordist welfare state is likely to be both leaner and meaner (MacGregor, 2003:62) than the industrial welfare state. It is important to note however, that while Burrows and Loader propose that the emerging post-Fordist era marks a new epoch (Burrows and Loader, 1994:1), there is still a place for what can be defined as a welfare state.

The attachment to the welfare state label is however sundered by Jessop who, building upon the post-Fordist debate, advances an alternative characterisation of state action. This Schumpeterian competition state is concerned with maintaining a competitive advantage in the realm of capital accumulation (Hudson and Lowe, 2009:55; Jessop, 1994:24; 1999:9; 2000:175; 2002:119-120; Pierson, 1998:61). It is, according to Jessop, Schumpeterian “insofar as it tries to promote permanent innovation and flexibility in relatively open economies by intervening on the supply-side and to strengthen as far as possible their structural and systemic competitiveness” (Jessop, 1999:9).

However, the shift from Keynesian economics towards Schumpeterian economics is not limited to macro-economic policies related to competition; the nature of the economic shift has for Jessop, profound implications for welfare delivery, encompassing what is delivered, how it is delivered, and by what it is delivered (Hudson and Lowe, 2009:55; Jessop, 1994:24-25). Over time Jessop has

---

<sup>1</sup> Though see Harris and Macdonald, 2000, who argue that the post-Fordist thesis is over-simplistic and misses many of the constants that exist within both the Fordist and post-Fordist time-periods.

developed the notion of a Schumpeterian Workfare Post-National Regime (SWPR) to explain how the post-Fordist epoch and the shift towards Schumpeterian economics has pervaded every aspect of what he refers to as the KWS (see table 2.1 for a summary).

This SWPR differs significantly from the traditional welfare state in its Schumpeterian economics (as detailed above), but also in its pursuit of a more workfare approach (Hudson and Lowe, 2009: 55; Jessop, 1994:24-25; Jessop, 2000:173; Jessop, 2002:152-153; Pierson, 1998:61). This transition is again evidence of a shift from Keynes to Schumpeter, in this case with regards to a (Keynesian) welfare model based on the rights of worker-citizens to welfare, towards a (Schumpeterian) model whereby workers are obliged to support themselves as much as possible. Furthermore, within the Schumpeterian model innovation in the form of supply-side flexibility, rather than demand management, is seen as key to economic prosperity in the long run (Jessop, 2000:174). In this respect and in a departure from Keynesianism, the social wage becomes a cost of production and in the drive to create and maintain a competitive advantage; such a cost being subject to downward pressure (Jessop, 2002:157; Pierson, 1998:61). This stands alongside the abandonment of full-employment commitments and an increasing desire for a more effective workforce. Central then to the SWPR is this shift from welfare to workfare, which Jessop opines is associated with a change in societal values, identities, and society's relationship with the concepts of welfare and social democracy (Jessop, 2000:176-177).

The post-Fordist shift from mass-solidarity to narrow mutuality (MacGregor, 2003:62) has been reflected in the abandonment of class-based redistributive politics (Jessop, 2000:176-177) which has, in the UK, allowed the expression of 'traditional liberal work ethic norms' (Esping-Andersen, 1990:26) that continue to distinguish between the 'deserving' and 'undeserving' poor (Alcock and Craig, 2001:33-34). This subordination of social policy to the demands of labour market flexibility and structural competitiveness has profound implications for social policy. Jessop states that whilst the KWS tried to extend the social rights of citizens, the SWPR is "concerned to provide welfare services that benefit business and thereby demote individual needs to second place" (Jessop, 1999:355). As we saw in the

previous chapter, authors such as Clarke (2005), Lee (2008), and Lister (1998; 2007) have suggested that such a workfare approach marks a clear departure from social democratic values and the centrality of welfare to the New Labour project is possibly the strongest form of support for Jessop's claims.

**Table 2.1: Comparison of the Keynesian Welfare State and the Schumpeterian Workfare Post-national Regime**

Keynesian Welfare National State		Schumpeterian Workfare Post-national Regime	
Keynesian	<ul style="list-style-type: none"> <li>• Full employment</li> <li>• Closed economy</li> <li>• Demand management</li> </ul>	Schumpeterian	<ul style="list-style-type: none"> <li>• Innovation and competitiveness</li> <li>• Open economy</li> <li>• Supply-side policies</li> </ul>
Welfare	<ul style="list-style-type: none"> <li>• Welfare right</li> </ul>	Workfare	<ul style="list-style-type: none"> <li>• Social Policy subordinated to economic policy</li> <li>• Downward pressure on social wage</li> <li>• Attacks on welfare rights</li> </ul>
National	<ul style="list-style-type: none"> <li>• Primacy of national scale</li> </ul>	Post-national	<ul style="list-style-type: none"> <li>• Hollowing out of the state</li> </ul>
State	<ul style="list-style-type: none"> <li>• Mixed economy</li> <li>• State intervention to correct market failures</li> </ul>	Regime	<ul style="list-style-type: none"> <li>• Increased role of governance mechanisms to correct market and state failures</li> <li>• State role in metagovernance</li> </ul>

Source: Adapted from Hudson and Lowe, (2009:55); Jessop, (2002:252)

Interestingly, it is not merely the policy approach that Jessop believes has shifted with the transition towards a post-Fordist epoch; the SWPR is marked also by the changing role of the state. Indeed Jessop insists that to talk of the state, especially in terms of the welfare (or workfare) state hides the fact that the state is losing its primacy in the policy process (Jessop, 2000:175). Welfare/workfare and the wider economy are no longer contained within the national territorial state. To this end Jessop echoes the assertions of Ohmae<sup>2</sup> that the knowledge based economy has rendered such economic borders obsolete (Jessop, 2002:98) and that we should now think of such issues as being post-national, as opposed to the economic and

---

<sup>2</sup> Covered earlier

social policies of the KWS, which saw decisions taken at the national level (Jessop, 2000:172-174). The state has, for Jessop, not only ceased to provide the territorial boundaries for such policy decisions, it has also undergone a ‘hollowing out’ (Jessop, 2002:235).

This hollowing out, which is discussed in more detail later, has seen policy decisions and sometimes delivery, shift from the traditional nation state, to sub-national, regional, and supranational forms of governance (Rhodes, 1997:53-54) and further underlines Jessop’s belief that such action cannot be considered either national or state-led (Jessop, 2002:235). Furthermore, not only has the unitary state seen the translocation of certain powers to both regional and supranational bodies, there has also been an increasing role in what both Jessop (2002) and Rhodes (1997) call governance for non-state actors such as quasi-governmental agencies, private corporations, and the voluntary sector (Jessop, 2002:51-53; Rhodes, 1997:53-54). All of this means that the generic functions of the welfare state have not only changed in becoming more Schumpeterian in their workfare nature, they are also being formulated by a network or regime that extends beyond the direct control of the state (Jessop, 1994:24-27; 1999:354; 2000:175; 2002:252-253).

The idea that the KWS has undergone such a profound transition under the four dimensions of the SWPR is rather radical. Crucially however, even in what must surely be regarded as a thesis that implies a paradigm shift in welfare policy, Jessop does not abandon all hope for the state. Indeed, he highlights certain circumstances in which state action increases, such as the arena of what he calls metagovernance (Jessop, 2002:211). Jessop is also at pains to point out that the neo-liberal SWPR is not the only form of SWPR that can be theoretically conceived (Jessop, 2000:177-179). Hudson and Lowe even characterise the SWPR as less a break from welfare traditions and more a “new way of reconciling the demands for social policies that meet the needs of citizens with economic policies that meet the needs of the capitalist class” (Hudson and Lowe, 2009:54).

Moreover, for all Jessop’s insistence that we should now talk of a workfare regime rather than a welfare state, he concedes that the SWPR often promotes

decommodification rather than commodification<sup>3</sup> (Jessop, 2000:179). With decommodification being a central tenet of the welfare state (Esping-Andersen, 1990:21-22; 37) it could be argued that such processes are evidence of continuity between the KWS and the SWPR. Indeed, Jessop himself acknowledges that while many of his claims can be justified, the term SWPR is largely used for heuristic purposes, to clarify the difference between what is Fordist and what is post-Fordist (Jessop, 1994: 35; Jessop, 2002:255). There is in fact much continuity between the KWS and the post-KWS epoch and in reality the experiences of the post-KWS era will in many cases be less extreme than those foretold in the articulation of Jessop's SWPR (Jessop, 2002:255). It is worth remembering that Jessop outlines a view of ideal-types that are not only significantly different from each other, but that also contain much diversity within (Jessop, 2000:181; 2002:255).

Perhaps one of the key difficulties with Jessop's work is that for all its assertions about the demise of the KWS and the suitability of the SWPR as a replacement framework, he never really outlines how individual nations (or regimes for that matter) fit into his theory. Jessop mentions that the US and Finland would pursue the neo-liberal SWPR on the back of what he calls their transition from flawed Fordism to post-Fordism (Jessop, 1994:35). He also highlights how East-Asian countries are examples of arenas in which 'pure' Fordism has translated into 'pure' post-Fordism and as such, is a perfect arena for the development of the SWPR (Jessop, 2002:255). However, on the whole he is ambiguous with regards what form of the SWPR various countries are taking and offers little concrete evidence that regions are becoming more important than nations. What is hard to discern from a reading of Jessop is precisely which regions or regimes he is trying to describe; it is unclear how a traditional nation state would move towards its SWPR future and towards which ideal-type it would travel.

The key arguments: that the economy has become more Schumpeterian; welfare policy has become more intertwined with workfare principles; that such policies are formulated and delivered beyond the traditional state boundaries; and that this

---

<sup>3</sup> In what Jessop calls the SWPR's Neo-Statist and Neo-Communitarian forms.

policy direction and delivery comes less from a state and increasingly from a regime, are advanced without specific reference to an ‘end-game’. Are all welfare states undergoing this transition towards a form of SWPR and if so, which form? It would be easy to assume that the downward pressures that Jessop discusses would favour a neo-liberal form of the SWPR, however he insists that this is not the sole incarnation of the SWPR. Even when he highlights countries like the US that would naturally lend themselves to the neo-liberal model, his arguments are qualified with caveats, which insist that the development of a neo-liberal SWPR is not inevitable, rather reflects the political will and even then, processes of decommodification will still continue (Jessop, 2000:182). To this end Jessop is also insistent that limits to neo-liberal retrenchment are embedded within most nations’ politics of representation (Jessop, 2002:151). With regards the UK, Jessop questions whether a post-Fordist era can really exist given that in his opinion, the UK at best experienced flawed Fordism (Jessop, 1994:35). This he opines, is reflected in the flawed SWPR that will rise from the ashes of the flawed KWS. An example Jessop highlights is Major’s use of welfare principles as part of his policy agenda, which he suggests was less a part of some grand plan to aid competitiveness or labour market flexibility and instead, was largely motivated by a moral revulsion towards the lazy (Jessop, 1994:34)

For Jessop, we do indeed live in a new epoch, profoundly changed by technologies, globalisation, and also by citizens themselves (Jessop, 2000:176). He is unambiguous in his claims about the nature of the economy, the importance of new technologies and the rise of the knowledge economy and from this he builds upon regulation theory (Jessop, 1988:159-160) to advance a theory of what would ideally replace the traditional welfare state (Jessop, 1994; 1999; 2000; 2002). However, he doesn’t actually suggest that such transitions [from the KWS to SWPR] have occurred and though he insists that evidence can be found to justify such claims (Jessop, 2002:255), he doesn’t present it in any systematic fashion. Jessop’s work seems to stop just short of detailing the end of the state and in particular the welfare state, all but suggesting its death in most instances, only to then talk of the former’s important role in metagovernance (Jessop, 2002:242) and its retention of national sovereignty (Jessop, 1994:24), and with

regards the welfare state, even the possible emergence of a welfare society (Jessop, 2000:183).

It is then difficult to use Jessop's own work to measure the salience of his claims. However, many of his major assertions run parallel to a much more assertive thesis, developed over the last twenty years by Phil Cerny and Mark Evans. Where Jessop has sought to add to the broad understanding of political economy from a primarily sociological perspective, the competition state thesis (CST) has largely been informed by the political science literature (Hudson and Lowe, 2009:54). What has evolved over the past twenty years is a thesis that not only continues to challenge the notion that the KWS still functions, but also advances bold claims about the existence of a competition state in various countries. The CST, which will be explored now, is a thesis that has kept pace with the changes of the 21<sup>st</sup> century. It presents many policy problems and is ripe for empirical exploration.

## **2.3: The competition state thesis**

### **2.3.1: Introduction**

The competition state is interesting and important due not only to the bold claims it makes, but also due to its ability to hold a privileged position in the political science literature for twenty years, despite making such bold statements. Throughout twenty years of debate, the authors have suggested that the very nature of social policy has changed to the degree that it is now serving a different master in the form of the economy rather than the citizenry. Many of the core assertions of the competition state hint at profound implications for social policy, even suggesting that social policy is not fully under the control of the state and as such, merit further exploration. Herein lies a crucial problem however; the competition state, like the welfare state, is not a solid entity with a straightforward definition.

The thesis evolved as a tool to understand the changes wrought by globalisation and the responses to the global economy. It is marked by policy approaches, methods of delivery, institutions, rhetoric and importantly, changes, which are often subtle. It is then difficult to develop a clear picture of the competition state, what exactly is this leviathan that has replaced the welfare state? This section explores in detail the core assertions and key features of the competition state with the ultimate aim of outlining a clear and structured form of the competition state that can be analysed and empirically tested. Only then can we move beyond a theoretical discussion of the effects of the competition state and begin to measure such effects.

The first in a series of questions that must be addressed is: what is the competition state? This is quickly followed by: how is the competition state thesis (CST) different from other theories such as the SWPR? What has brought about the ‘rise of the competition state’? What are the implications of the competition state? And finally: can we rigorously test the assertions of the competition state thesis? Exploring the competition state literature does not bring us to a definitive answer to this first and most basic of questions, as the competition state is many things. Cerny and Evans seemingly answer the first question by stating that “the

competition state is the successor to the welfare state, incorporating many of its features but reshaping them, sometimes quite drastically to fit a globalizing world” (Cerny and Evans 2003:24). This of course tells us that the competition state is thought to exist at the same level or scale as the welfare state, though as there is little consensus as to how one defines the welfare state, this definition is not entirely illuminating. It helps then to look at what Cerny and Evans believe has changed with regards the welfare state, to highlight the difference between the features of a welfare state and a competition state and question exactly why these changes have occurred.

### **2.3.2: The good old days?**

The previous chapter looked at how the ideals behind the welfare state have changed over the last sixty years, however the CST suggests that much more than the principles underlying the welfare state have changed. For Cerny and Evans, there is a clear difference between not only the welfare state of thirty years ago and the competition state of today, but also such differences can be witnessed with regards the very nature of the economy, the structure of the state, and ultimately, the very purpose of the state. They opine that prior to the rise of the competition state the economy was deployed very much as the servant of the state (Cerny and Evans, 2003:20), a tool in its arsenal to support its pursuit of the general well being of its citizens (Cerny and Evans, 1999:27). The general consensus, built around what Cerny has often referred to as a sense of *gemeinschaft*, was that the state should ensure that social policies, which served to decommodify its citizens, were not affected by the peaks and troughs of the economy (Cerny and Evans, 1999:3). To meet this end, the state was able to adopt the type of Keynesian approach highlighted in the previous chapter, and ultimately, insulate social policy from the externalities of the global economy (Cerny and Evans, 1999:4-5). In essence, the economy was at this stage national in scale (Cerny, 1997: 258-259; Cerny and Evans, 2003:24; 2004:52), serving to promote domestic prosperity, which it managed by taking up the slack of inefficiency, while ensuring that the national markets that prospered after the war were able to remain relatively closed and thus insulate domestic business from international competition (Cerny, 1997:259; Cerny and Evans, 2003:24; 2004:52).

That the state was able to do this was a testament to a range of factors, namely the size and structure of the state, which was large (Cerny and Evans, 2004:51), powerful and extremely hierarchical (Cerny, 1995:5-7; Cerny and Evans, 1999:5; Cerny and Evans, 2004:51). Most importantly however, was the degree of legitimacy granted to the state, borne out of a sense of *gemeinschaft*, which was fostered by the very fact that social policy was debated on the basis of ethics and voter choices (Cerny and Evans, 2003:20), and remained autonomous from economic policy (Hudson and Lowe, 2004:44). This support, granted through the bonds of civil-association (Cerny and Evans, 1999:2), legitimised programmes of state intervention and redistribution (Cerny 1997: 261; Cerny and Evans, 1999:4-5; 2004:52), regardless of whether they were profligate or caused inflation (Cerny and Evans, 2003:20; 2004:52). Inflation could be tolerated and indeed it was seen as a necessary consequence of the pursuit of full employment (Cerny and Evans, 1999:6; 2004:52).

A final factor in the success of the state in achieving what Cerny and Evans refer to as its generic functions<sup>4</sup> (Cerny and Evans, 1999:1-2) was ultimately the success of the domestic economy itself. The embedded liberal orthodoxy that emerged (Cerny, 1997:259; Cerny, 2010b:129 Cerny and Evans, 2004:53), which allowed social policy to remain largely autonomous from the economy (Cerny and Evans, 2003:20:24), did so in a time when unemployment remained low and the domestic economy enjoyed prosperity (Hudson and Lowe, 2009:46). The 1970s saw an end to this period however (Hudson and Lowe, 2009:46), and as a consequence, Cerny and Evans argue that the walls of legitimacy that safeguarded the Keynesian approach were brought crashing down (Cerny and Evans, 2003:23; 2004:52).

### **2.3.3: The Party's over**

That the post war boom was over could be in no doubt; the 1970s had seen a worldwide oil crisis compound domestic market failures, which had in turn led to

---

<sup>4</sup> Stabilising the national polity, promoting the domestic economy in the public interest, promoting wider public interest, and social justice (Cerny and Evans, 1999:1-2)

the ‘winter of discontent’ (Hudson and Lowe, 2009:47-47); whilst inflation continued almost unchecked, the economy was seen as increasingly stagnant and, as Hudson and Lowe note, unemployment had pushed through the “psychologically important ‘one million mark’” (Hudson and Lowe, 2009:47). It is important to note that it took a serious, ten-year failure of the market to uproot the liberal consensus that was so deeply embedded not only in the structures of the state, but also in the ‘hearts and minds’ of the citizens (Cerny, 1997:259; Cerny and Evans, 2004:53). Cerny and Evans point to what was seen as a failure of Keynesian economics to correct the failures of the 1970’s market as pivotal in ushering in the final days of the welfare state and the first days of the competition state (Cerny, 2008:14). General economic downturn was not of course unheard of, but the Keynesian belief that the economy would prove to be cyclical and that the negative implications of downturn could be mitigated by the state was sundered by the cycle of decline in which the economy seemed to be stuck (Cerny and Evans, 2003:19; 2004:52).

The market was not only stagnant, it also found itself suffering the implications of increased inflation and this stagflation (Cerny, 2008:20; Cerny and Evans, 1999:6: 2004:51), coupled with rising unemployment, undermined the very legitimacy of the national programme, based on intervention within a Keynesian model (Cerny and Evans, 1999:3; 2003:23; 2004:52). It became apparent that the state could not - at least indefinitely - insulate the economy from either domestic or international complications, while taking up the slack of inflation and inefficiency (Cerny, 1997:262; Cerny and Evans, 1999:5; 2003:4-5; 2004:52). Moreover, the state appeared increasingly overloaded (Cerny, 2008:39), locked into what Cerny and Evans call a ‘lame duck syndrome’, whereby the state found itself in a perpetual cycle, which saw it taking responsibility for an ever-increasing range of unprofitable aspects of the market (Cerny and Evans, 2003:25). This was compounded by what Sir Keith Joseph termed the ‘ratcheting up’ of welfare expenditure (Cerny, 2008:20; Cerny and Evans, 2003:24).

Ultimately, during the early 1970s, the failures of the market prompted further expansion of the state, which in turn prompted more failure. We saw in the previous chapter how Thatcher felt that the state had become too big in ideological

terms, however with regards its economic role, the lame duck state found itself simply servicing debt through successive governments, while at the same time expanding its frontiers. This of course enabled critics on the right who were already suggesting that the era of big government had bred laziness as well as inefficiency (Evans, 1997:55; Thatcher, 1993:8), to proclaim that the Keynesian method for managing the economy could no longer protect citizens from its own inefficiency (Cerny, 2008:14; Cerny and Evans, 1999:5). Such arguments were lent credence when in the late seventies, the IMF was called upon to assist with The UK's balance of payments (BoP) crisis (Hudson and Lowe, 2009:49).

The implications of such market failure were, at face value, that the resources that were desperately needed for investment were propping up the burgeoning state (Cerny and Evans, 2003:24-25; 2004:52). Furthermore, as Cerny and Evans summarise, market failure saw the cost of capital rise, inflation spiral out of control, and prompted a genuine crisis regarding the BoP (Cerny, 2008:10; Cerny and Evans, 1999:5; 2003:25; 2004:52). The main implication of the market crisis was however, that the embedded liberal consensus began to splinter as the legitimacy of big government eroded (Cerny and Evans, 2003:23; 2004:52), to the extent that 'big government' was beginning to be viewed as the problem and not the solution<sup>5</sup> (Cerny and Evans, 2003:21; 2004:52). Importantly it was not just the legitimacy borne out of the assumed wisdom of Keynesian economics that had started to wither; rather the presupposed contract between citizens and the state was being torn up, as the civil association bonded by *gemeinschaft* was replaced by what Cerny calls the enterprise association<sup>6</sup>, marked by relationships more akin to *gesellschaft*<sup>7</sup> (Cerny, 1997:255). For Cerny This shift away from mutualistic bonds of *gemeinschaft* reflects the increasingly global nature of the domestic crisis (Cerny, 2008:239). Indeed for both Cerny and Evans, the role of globalisation and international trade was not limited to the domestic sphere. While serving to undermine the state's ability to insulate domestic industry and ultimately undermining the precepts of the national economy (Cerny and Evans, 2003:20;

---

<sup>5</sup> A phrase coined by Ronald Regan

<sup>6</sup> The terms civil association and enterprise association were originally coined by Oakshott (1976) (Cerny, 1997:255)

<sup>7</sup> See Tonnies (1887) or Christenson (1984) for a comprehensive discussion of distinction between the terms *gemeinschaft* and *gesellschaft*

2004:52), globalisation was also seen to atomise individuals, or at least free them from the bonds of civil association, which until that point had held people together in pursuit of a general well-being within the territorial borders of the UK (Cerny, 1995:10; 1997:255). Globalisation shattered those borders however, primarily in terms of international trade, which in the face of a crippled domestic economy was playing an increasingly prominent role (Cerny and Evans, 1999:9).

Cerny and Evans find themselves amongst those who believe that globalisation is the main challenge facing governments (Cerny, 1997:251-253; Cerny and Evans, 1999:1), a process that is hard, if not impossible to reverse (Cerny, 1997:269; Cerny and Evans, 2004:51). For Cerny, who can reasonably be placed at the globalist end of the transformationalist school of thought, globalisation not only changes much, it affects such changes in its own self-interest, thus begetting further globalisation, which ensures that it cannot be rolled back (Cerny, 1997:251; 2008:39; Cerny and Evans, 2004:51:60). Every time policy makers take a decision, and increasingly when non-decisions are made (Pierson, 1994:162; 1996:173; 2001:437), the grip of globalisation is tightened, increasing the likelihood that future decisions that foster globalisation will be taken. This is an important issue that we will return to soon, along with a discussion of the role state actors have played in the embracing of globalisation. However it is first important to highlight what Cerny and Evans see as the key implications of globalisation and how this fits with their competition state thesis.

### **2.3.4: New Realities?**

Hyperglobalists or those such as Cerny and Evans who can be placed at the hyperglobalist pole of transformationalism, insist that market failure helped shape a new paradigm. For them, the primary response to market failure was the acceptance by much of the policy making elite of new ‘realities’ about what the state could and should do, and who was best placed to deliver many of the traditional state services. Whether such realities were forced upon governments, or whether they were willingly accepted is both a contested and ultimately moot point. Castles for example suggests that the market failure of the 1970s, rather than representing a crisis for the welfare state, simply provided an opportunity for

opponents of the welfare state to undermine it from a position of political cover (Castles, 2004:46; see also Hay, 2004:44; Pierson, 2001:99). As Radcliffe notes however, the assumption that new realities had to be faced is as important as the process that was purported to have necessitated such realities (Radcliffe, 2010:125). In short, for those who accept the general thrust of the competition state thesis it doesn't matter whether globalisation and the failure of the domestic market did necessitate the abandonment of previously held truths. They posit that the embracing of new 'realities' by state and non-state actors established the new 'realities' as the rules of the political and economic game. What had been decided was that the state should be smaller, efficient, and importantly, competitive on the world stage (Cerny, 1997:259; 2008:25; 2010a:17; Cerny and Evans, 2003:25; 2004:61; Evans, 2010:104).

Regardless of how these new realities and practices came to be accepted, those who argue that they were indeed accepted insist that they mandated the pursuit of new financial goals and ultimately represented a new financial paradigm in which state action could exist. The fundamental shift was the establishment of a new doctrine, one that placed market success at the heart of government policy (Cerny and Evans, 2003:20; Evans, 2010:102; Taylor, 2010:41) and abandoned the prior commitment to privileging the domestic over the international (Cerny, 2000:448). This doctrine was enshrined within the embedding of a financial orthodoxy (Cerny, 1997: 259; Cerny and Evans, 1999:6; 2003:21; 2004:51), which established the commitment to prioritising the needs of the economy over the general welfare requirements of the citizenry (Cerny and Evans, 1999:9). Central to the new orthodoxy was an emerging ethos, if not of austerity, at least one of prudence (Cerny, 2008:22; Cerny and Evans, 1999:8:17; 2003:23). It was this very need for prudence that gave birth both to Gordon Brown's tag as the 'Iron Chancellor' (Driver and Martell, 1998:76; 2006:79; Fielding, 2003:155) and his broad fiscal framework (Cerny and Evans, 1999:17; 2003:28-29), which included a code for fiscal stability (Cerny and Evans, 2004:55; HM Treasury, 1998).

The pursuit of "prudent, pre-determined, balanced budgets" (Eatwell, 1998:85) necessitated tackling the twin issues of inflation (Cerny, 1997:270; 2008:20; Cerny and Evans, 1999:6; 2003:20-21:25; 2004:53:61) and inefficiency (Cerny, 2008:22;

2010a:17; Cerny and Evans, 2003:21; 2004:56). Inflation, which was once seen as a palatable by-product of an inefficient national economy became the primary focus of governments (Cerny and Evans, 2003:25; Evans, 2010:101) and, Cerny and Evans posit, the competition state (Cerny and Evans, 1999:6; 2003:25). Indeed the task of controlling inflation can be seen as the key battleground for governments in their bids to adapt to the new realities of the global economy. In particular, the need to prevent capital flight was used by policy entrepreneurs to justify an economic approach that conformed to “the anti-inflationary norms of the international financial markets” (Cerny and Evans, 2003:25). Tackling inflation not only required that “monetary policy was privileged over fiscal policy” (Cerny and Evans, 2003:25), but that the broader issue of inefficiency was broached. Inefficiency was not simply considered in the narrow terms of departmental ‘slippage’ or waste however (Cerny, 2008:22; Cerny, 2010b:144); key actors not only believed that the large unwieldy state – however well intentioned - was too big to be efficient, but that the priorities of the state had reached the stage where they almost ensured waste, inefficiency, and ultimately, huge deficits (Cerny and Evans, 2003:25; Evans, 2010:104).

Perhaps the biggest and for some, most unpalatable of the new ‘realities’ was that politics and economics could not stop at the water’s edge. Efficiency could not be achieved with introspective national policies and it was deemed necessary to reduce the barriers to international trade, in order to maintain a competitive advantage in the global market (Cerny, 1995:12; 2008:18; 2010a:17; Cerny and Evans, 2003:21-23). Political actors were particularly concerned with ensuring that the domestic economy was not “disadvantaged in terms of investment behaviour in international markets” (Cerny and Evans, 1999:17). Cerny has suggested that in embracing the global nature of the financial markets, by reducing barriers to international trade, states and state actors have played an important role in hastening the spread of globalisation (Cerny, 1997:269; Cerny, 2008:34), or as Radcliffe opines, “locking in globalisation” (Radcliffe, 2010:25).

With the pursuit of a competitive advantage in the international markets becoming an increasingly pivotal goal for the state, and the emerging consensus within the political elite holding that this could not be achieved by a large unwieldy state

focusing on macro-level policy, major changes were deemed necessary. In particular, the focus of intervention was abruptly shifted from the macro, to the micro-level (Cerny, 2008:10; Cerny and Evans, 1999:8:21), embodied in the development of what Cerny and Evans term pro-competitive micro-industrial policy (Cerny and Evans, 1999:21). Whilst private enterprise was indeed central to plans for a more competitive economy under both Thatcher and Blair (Glyn and Wood, 2001:63; Lee, 2008:28; Thatcher, 1993:32; 677-680; Winter and Connolly, 1996:30), the state obviously had a role to play. Often however this was a facilitating role, investing in innovation, science and research, supporting small and medium enterprises, entering into public/private partnerships (PPP), and promoting competition (Cerny and Evans, 1999:21-23).

Ultimately the belief became that governments should, wherever possible, simply get out of the way (Cerny et al, 2005:17). This prompted not just a reliance on business, especially private enterprise, but also led to both deregulation and the inevitable privatisation. Indeed, Cerny and Evans speak of a general marketisation of the UK, for which they have coined the phrase UK Plc (Cerny, 1997:259; Cerny and Evans, 1999:17: 2003:23; 2004:451; Evans, 2010:96) to reflect the degree to which the state was being run like a business both in terms of its methods and desired goals (Cerny, 1997:259; 2008:10; 2010a). Gone suggest Cerny and Evans was the commitment to the general well being of the citizenry, replaced by the prioritising of the economy and as a consequence, gone also was the hierarchical bureaucracy (Cerny and Evans, 1999:8)<sup>8</sup>. For Cerny and Evans, the importance of the competitive advantage was and remains at the centre of every decision taken by policy makers, reinforcing the fundamental shift that had turned the ethos of and very reason for the state on its head (Cerny and Evans, 1999:25).

The commitment to a low-spending, business-like, competition-promoting, state, one which existed in the global market place not only pervaded those who found themselves amongst the policy making elite in the late 1970s and early 1980s. In reality a neo-liberal consensus had been accepted, initially by the Thatcher governments (and Regan governments abroad), but eventually by state and non-

---

<sup>8</sup> The shift from top-down government to multi-layered governance will be returned to in detail

state actors across both the political spectrum and the geographical map (Cerny, 2008:11; 2010b:136; Cerny and Evans, 2003:21:26; 2004:53:55:60; Cerny et al, 2005:19). It was this neo-liberal consensus, marked by an embedded financial orthodoxy, which not only paved the way for the rise of the competition state, but also formed some of its core features (Cerny, 1997:251:264:266; 2008:16). The neo-liberal orthodoxy or competition state had become both the engine room and steering mechanism for globalisation (Evans and Lunt, 2010:1) and at the heart of the competition state, as its core institution or ordering mechanism, lay the market (Cerny, 2008:10; Cerny, 2010b:134).

The neo-liberal approach is well documented. In order to meet both financial imperatives and ideologically rooted beliefs, neo-liberal orthodoxy held dear the ideals of low-spending, limited intervention, and of course, low taxes (Cerny, 1997:259; 2008:21-22; 2010a:17; Cerny and Evans, 2003:21:25; 2004:61; Evans, 2010:104). Cerny and Evans, who have historically held that the neo-liberal model represents the orthodox competition state, are keen to stress that such policy goals are a by-product of the constant search for the competitive advantage (Cerny, 1997:259; 2008:10:25; 2010a:17; Cerny and Evans, 2003:25; 2004:51:61). To this end reducing expenditure and especially waste (Cerny, 2008:22; 2010a:17), is a pivotal task for the competition state (Cerny, 1997:259). It is only by doing so, opines Cerny, that a state can avoid ‘crowding out’ private investment (Cerny, 1997:259). The primary goal of the competition state (controlling inflation in the pursuit of a competitive advantage in the global financial markets) often necessitates the removal of government from the market. A reduction in state intervention, as with a reduction in spending, paves the way for increased private enterprise, which is central to running the state on business lines, thus making the domestic economy more competitive and in turn, more prosperous. Likewise, competition states concerned with economic performance, seek to incentivise entrepreneurial behaviour and private enterprise, which is most easily achieved through the tax system (Cerny and Evans, 1999:22). Cerny and Evans demonstrate how corporate tax has been manipulated by New Labour, who reduced the National Insurance contribution and rate of tax required from small and medium enterprises, in an attempt to encourage risk-taking in the market (Cerny and Evans, 1999:22). For Cerny and Evans then, the neo-liberal

consensus is marked by an agreement between those who have ideological reasons for favouring a policy approach that is more austere, with those who simply see economic growth as the key social policy (Cerny, 2010a:7; 2010b:135; Cerny and Evans, 2004:55).

The pursuit of the competitive advantage and the neo-liberal direction such a pursuit has taken conjures the image of the state leviathan streamlining in some race to the bottom in terms of expenditure and general involvement. Indeed the rolling back of the state was a key priority of Thatcher's governments and while huge programmes of both deregulation and privatisation were pursued (Cerny and Evans, 1999:3; 2003:25-26; Evans, 2010:98; Hudson and Lowe, 2009:49; Thatcher, 1993:32; 677-680; Winter and Connolly, 1996:30), competition is difficult to achieve simply through passive measures. Both deregulation and privatisation are important steps in the development of a competitive economy, with Conway et al suggesting "regulation is perhaps the most pervasive form of state intervention, potentially too intrusive, possibly affecting productive efficiency and a corporation's ability to compete" (Conway et al, 2005:4). In particular, Cerny and Evans point to the deregulation and flexibilisation of the financial markets under both the Tory and New Labour governments (Cerny and Evans, 1999:10), alongside the privatisation of public services under the Tories, and the rise of PPPs under New Labour, as key processes in the embedding of the competition state (Cerny and Evans, 1999:10:23). However, as both Cerny and Jessop highlight, the pursuit of pure economic competition is both an active and perpetual process (Cerny, 2010a:7; Jessop, 2002:119:123) and while Cerny and Evans maintain that the many traditional functions of the state have withered away, the promotion of competition is one arena in which the state remains active (Cerny, 2000:450; Cerny and Evans: 2000:10; Taylor, 2010:46). In particular, Cerny is keen to point out that competition does not occur naturally and that to assume that neo-liberalism is built upon laissez-faire ideals is incorrect (Cerny, 2010a:7). Rather the circumstances needed to facilitate competition require substantial state involvement (Cerny, 2010a:7; Cerny and Evans, 1999:17) and in reality while we may think of the invisible hand of the market as ensuring economic prosperity, the sleight of the invisible hand is that it masks the once noticeable state, which is still working away to maintain the competitive advantage. Indeed for Cerny and Evans, one of the

central features of the competition state is the way in which regulation as a concept has been turned on its head, from the restrictive market regulation to the pro-competitive regulation of the competition state (Cerny, 2008:3:10; 2010b:134; Cerny and Evans, 1999:3:9).

Adjusting to the new realities wrought by globalisation has been a big undertaking, one that has seen the flexibilisation of state apparatus as well as restructuring of the mechanisms for policy formulation and delivery. This has disempowered some actors, institutions, and maybe even the state, while privileging others, most notably creating a new policy making elite. Examples at the organisational level include, the different roles that have been adopted by central banks all over the world (Cerny and Evans, 1999:9:17), with the relinquishing of powers to the Bank of England being seen as one of the most profound acts of competition state conformation imaginable (Cerny and Evans, 1999:9; 2003:28)<sup>9</sup>. Much of this has been seen to lock in not just the neo-liberal competition state but also globalisation as a process (Cerny, 1997:264-266; 2008:16), with Cerny implying that the two are locked in a symbiotic and mutually entrenching relationship (Cerny, 2008:2; 2010a:17; Radcliffe, 2010:125). The tendency however is to overstate the economic changes precipitated by the rise of globalisation and by focusing on the centrality of tackling inflation and maintaining the competitive advantage, one can neglect the role of people and ideas. Indeed, Castles, Hay, and Pierson have suggested that it is people rather than inalienable power of globalisation and subsequent market failure that rendered the Keynesian approach obsolete (Castles, 2004:46; Hay, 2004:44; Pierson, 2001:99), which provokes the question, is the competition state testament to the triumph of neo-liberalism, or the success of neo-liberals?

### **2.3.5: More than a matter of economics**

Cerny and Evans readily accept the role played by individuals and ideas in the embedding of neo-liberalism, or the rise of the competition state (Cerny, 2000:448; 2008:32; Cerny and Evans, 1999:i; 2004:51; Cerny et al, 2005:12). Indeed it is the

---

<sup>9</sup> The qualitative disempowering of the state will be discussed in more detail at a later stage.

very acceptance by the policy-making elite that has ensured the success and longevity of the competition state project. They suggest that the rise of the competition state is not merely a manifestation of the economic by-products of globalisation; instead it is the embodiment of the acceptance of such new realities and the adoption of policy and rhetoric that serves the very needs of the competition state (Cerny, 1997:251; 2008:32; Cerny and Evans, 2004:51:61). Central to this have been people and their ideas (Cerny, 2000:448; 2008:32; Cerny and Evans, 1999:I; 2004:51; Lunt, 2010:24). Cerny highlights the fact that it is not actually nations that compete, rather actors (Cerny, 2008:23) and this perhaps explains why a policymaking elite so bound to pro-competitive policies and strategies that served the needs of the competition state emerged (Cerny and Evans, 2003:39). The needs of the competition state were very much their own and again we can ask, did neo-liberalism come to dominate, or simply neo-liberals? Both Cerny and Evans insist that it has been through policy entrepreneurship that agents have rejected redistribution and “sought to capture the benefits of globalisation [...] in order to reshape their political coalitions and prospects of power” (Cerny and Evans, 2003:21; see also Cerny, 1997:251; Evans, 2010:101). They have actively participated in the expansion of international business for with business’ success, comes their own (Cerny, 2008:32). It is the fact that the interests of the competition state, globalisation, and the new policy making-elite are not only complementary, but also reinforcing of one-another, which ‘locks in’ the effects of globalisation, entrenches the competition state, and privileges the entrepreneurial elite (Cerny, 1997:251; 2008:32; Cerny and Evans, 2004:51:61).

The locking in of the competition state has only occurred -indeed could only have any chance of occurring- with the aid of self-interested actors who have played both economic and political roles (Cerny, 2000:448; 2008:34; Cerny et al, 2005:19). Earlier, the role of Sir Keith Joseph was discussed and Cerny and Evans draw parallels to the role of Gordon Brown, who was influential in shaping New Labour Policy (Cerny and Evans, 2004:56), while Evans has speculated on the importance of David Cameron in shaping the future of the competition state (Evans, 2010:110). It is actors such as these who have accepted either the limits of redistribution, the importance of globalisation, the need for economic prudence,

or in Cameron's case, the value of tempering the harsh realities of the New Right (Cerny, 2000:448; Cerny and Evans, 2004:60; Evans, 2010:110). Such acceptance being of course the first step towards the persuasion of others, ultimately affecting a shift in party politics (Cerny, 1997:260; Cerny and Evans, 1999:9; 2004:61). In the UK this began with the adoption of an ideology of marketisation (Cerny and Evans, 2003:21), which fused the language of austerity with the language of opportunity. Once the feared outsider, globalisation was arguably softened by those who stood to gain most from it and possibly quite altruistically believed that the many stood to gain also, and the rhetoric of globalisation with a human face became all the more frequent (Cerny, 2000:450; Cerny and Evans, 1999:28; 2003:40; Evans, 2010:96:102). This represented not only a huge task within political parties, with Blair, Brown, and Mandelson and Thatcher and Joseph in essence recasting their parties' ideologies (Cerny and Evans, 1999:11-13), but also a huge public task. As mentioned earlier, the redistributive nature of politics was publicly popular and thus entrenched and while some of the legitimacy of the big state project may have withered with the perceived failure of Keynes (Cerny, 2008:10), no such legitimacy had been established for the competition state project. Cerny has suggested that globalisation created a more "complex consumer society" (Cerny, 1995:10), which saw the sense of *gemeinschaft* upon which the legitimacy of the big state and the principles of redistribution were built and sustained break down (Cerny, 2008:10). Others such as MacGregor echo Cerny's analysis of a withering solidarity (MacGregor, 2003:62), suggesting that the breakdown of mass production in society has indeed atomised society and what we witness now, rather than a sense of *gemeinschaft*, is a more opportunistic *gesellschaft* (Cerny, 1997:255)<sup>10</sup>. This sense of *gesellschaft*, being induced by globalisation, has, according to not just Cerny, but also Lunt (2010:26), Soderberg (2010:77), and Radcliffe (2010:121), been fostered globally and it is upon this phenomenon that actors have sought to construct a sense of legitimacy for the competition state project (Lunt, 2010:27).

---

<sup>10</sup> See Christenson (1984) for a comprehensive discussion of the differences between *gemeinschaft* and *gesellschaft* as principles according to Toennies.

The first tentative attempts to legitimise a programme that, whether inevitable or not, challenged many of the entrenched and publicly popular collectivist and redistributive policies, revolved around the successful marketing of the competition state as a national programme (Evans, 2010:102). What Lunt has labelled the “battle for the hearts and minds” (Evans, 2010:102) concerning the competition state, utilised a sense of patriotism that seems paradoxical when one considers the international implications<sup>11</sup> of the competition state. The creation of the image a British competition state, one built around the idea of a young Britain competing against the rest of the world involved no little razzmatazz and a quite a substantial amount of misdirection. A Blair government that happily rode the tide of ‘cool-Britannia’<sup>12</sup> (Cerny and Evans, 2004:55), which had swept the UK throughout the mid-nineties, presented popular policies such as lower taxation as central to a patriotic national programme (Cerny, 2008:21). The impressive sleight-of-hand involved was that somehow, actors managed to present support of an open, competitive global market, as a support for an almost closed Britain, akin to what was found in the 1970s (Lunt, 2010:28). Lunt goes further, suggesting that the British, Kiwi, and Irish competition states (Lunt, 2010:29) managed to mask what can be seen as a decline of solidarity or march towards gesellschaft and instead foster an image of togetherness and gemeinschaft (Lunt, 2010:28).

The patriotic competition state project was not however simply just a mirage; Cerny highlights the pivotal role played by lowering taxation in establishing a baseline of legitimacy (Cerny, 2008:21). More importantly however is the investment in skills and the investment in human capital (Cerny, 1997:271). When Cerny and Evans draw the distinction between the competition state mark one and the competition state mark two, they are not simply highlighting a more embedded form of the competition state under New Labour, but also a more legitimate competition state. The very fact that Cerny and Evans are able to even suggest that the welfare state has been replaced by the competition state stands as a testament to not only the new economic realities, but also the hard work of those wishing to convince the citizenry of the existence and implications of those new

---

<sup>11</sup> And indeed the implications for the nation state, which will be discussed shortly

<sup>12</sup> Which included a formal invite to Downing Street for Oasis, who were more than happy to roll with New Labour’s New Britain

'realities'. Whether the welfare state has truly been replaced by the competition state is however a matter of contention.

### **2.3.6: From the welfare state to the competition state**

It follows that in a political environment that favours austerity, is wary of the public sector, and fears the ill of idleness, the welfare state would find itself in peril. Cerny and Evans insist that the days of welfare are gone (Cerny, 1995:14; Cerny and Evans, 1999:10) and that as such the welfare state has died and that in its place is the competition state (Cerny and Evans, 2003:24). Cerny and Evans insist that what once was the welfare state has been so dramatically restructured along market lines (Cerny, 1997:259; Cerny and Evans, 1999:17: 2003:23; 2004:451; Evans, 2010:96) that it no longer serves the same purpose as upon its inception (Cerny and Evans, 2003:39). It is not simply the providers of services or the methods of provision that have altered; rather citizens are simply living "without the kinds of public services and redistribution characteristic of welfare states" (Cerny and Evans, 1999:10).

Cerny and Evans argue that this marketisation has pervaded all aspects of the welfare state to the extent that social policy has been incorporated into the economic orthodoxy of the competition state (Cerny and Evans, 1999:7; 2003:25). The traditional welfare functions across not just traditionally liberal countries, but also more corporatist countries (Cerny, 2008:14-15; Cerny and Evans, 1999:8), have shrunk and have had to adapt to a more financially rigorous environment, resulting in a downsized labour force, which seek to integrate wherever possible into the private sector (Cerny and Evans, 1999:7). Such marketisation has been achieved through the creation of internal markets, privatisation, the rise of new public management, performance indicators, the contracting out of services, and crucially, the adoption of more workfare principles (Cerny and Evans, 2003:19). Indeed the commitment to workfare is crucial, because while all other features of marketisation could, possibly, be pursued within a traditional ethos of welfarism, the workfare approach fundamentally alters many of the underlying principles of the welfare state.

In the previous chapter the shift towards means testing and the more active role for the welfare state were discussed in depth; for Cerny and Evans these are symbolic of the shift from the welfare state to the competition state. Hay summarise their main argument: “Whereas the welfare state’s principal priority was the promotion of the welfare of its citizens [...] the competition state principal strategy is one of marketisation in order to make activities located within the national territory more competitive” (Hay, 2004:40). Cerny and Evans insist that there is now no welfare state that seeks to decommodify citizens and as such, so central is decommmodification to the entire *raison d'être* of the welfare state; there is no welfare state whatsoever (Cerny and Evans, 2003:39). The principal approach of the competition state is one that turns the ideals of the welfare state on its head and seeks to marketise and commodify citizens (Cerny, 1995:15; 1997:266; 2010a:8) and as such, to accept the rise of the competition state is to accept the decline of the welfare state.

Working Tax Credits, the New Deals, and Active Labour Market Programmes (ALMPs) are for Cerny and Evans, examples of the shift from welfare to workfare, from the welfare state to the competition state, in action (Cerny and Evans, 2003:30-38)<sup>13</sup>. However, as covered earlier, central to New Labour’s assertion that work is an integral form of welfare is the notion that it is inclusion in the workforce that offers not only the quickest route out of poverty, but also the safest (Cerny and Evans, 2003:37; Deacon, 2003:120; Ellison, 2006:84). It may be through this very principle that New Labour can claim to reconcile the notion of a more competitive nation with a more inclusive nation. Brown for example, insists “What is good for the nation - inclusion in society through paid work - is also good for the economy, which needs to utilise and develop the skills of the workforce if it is to become a global competitor” (Brown, cited in Ellison, 2006: 95-96). Indeed even Cerny and Evans accept that the WTC has reduced the tax bill of around one million workers by around £20 per week, and that the CTC is equivalent to a 2.5% tax cut for the average family (Cerny and Evans, 2003:38). It may be that citizens are not yet living “without the kinds of public services and redistribution characteristic of welfare states” (Cerny and Evans, 2003:10), however Hay

---

<sup>13</sup> See the previous chapter for a discussion of WTCs, ALMPs, and the New Deals.

supplies the answer, suggesting that for those who subscribe to the thesis, in a competition state, welfare is merely a by-product of successful competition (Hay, 2004:40). The debate about whether New Labour's approach is truly a rejection of social democracy has been hosted earlier, what cannot be questioned is that Cerny and Evans are able to point to a range of policies that seem, at least on the face of things, to conform more to economic needs than welfare needs.

The risk of course is that welfare service may reach an irretrievable state, that those who rely most on such services find themselves further and further from the policy making elite, the elite that is so well served by policies that favour the competition state. If welfare truly is a by-product of economic policies, there may come a day when either welfare fails to be such a by-product, or the economy fails to be successful. That surely is the logic of the competition state thesis, however Cerny's more recent work does suggest that even the competition state has a place for and a role in the compensation of 'losers' (Cerny, 2010a:9). This precipitates two important questions: first, what then is the difference between the welfare state and the competition state if not the level of generosity at which losers are compensated? And secondly, if such altruistic decisions are being made contrary to the new economic realities of the competition state, what is to stop other decisions being reversed? Ultimately, if the complex consumer society, marked by a sense of atomisation and gesellschaft suddenly rediscovers its solidarity, could the welfare state once again rise to prominence? For Cerny and Evans the answer to the final question is quite simply no. Cerny repeatedly asserts that the neo-liberal competition state is not only the orthodox model, but also the unavoidable model (Cerny, 1997:266; 2008:16; Cerny and Evans, 1999:3:7; Cerny et al, 2005:21-22). Other approaches may be highlighted but Cerny suggests that they exist merely while the economic circumstances permit them (Cerny, 1997:251:263). This is in large due to the 'locking in' of globalisation, the pro-competition state policy making elite, and ultimately, the competition state itself (Cerny, 1997:251; 2008:2; 2010a:17; Cerny and Evans, 2004:58). Just as the welfare state found itself woven into the fabric of many UK institutions, and indeed society itself, to such an extent that it came to represent the status quo (Pierson, 1994:162; 1996:173; 2001:437), so now has the competition state (Cerny, 2010a:17).

Shifts of the magnitude that the transition from welfare state to competition state represents are not normally possible due to path dependency and institutional ‘lock-in’ (Hudson and Lowe, 2009:176:290; Pierson, 2001:411; Wood, 2001:407), however such was the collapse of the 1970s and the failure of Keynesian economics that a window opened, a moment of punctuated equilibrium occurred (Hudson and Lowe, 2009:192), a moment where the ‘parameters of possibility’ shifted (Hudson and Lowe, 2009:57). It would, presumably, take such a moment to facilitate a shift from the competition state towards its successor, or perhaps its predecessor.

Whether ‘active’ and means tested policy approaches have come about due to the ideological changes seen over the last thirty years, a belief that there is no alternative to a mean, lean welfare state, or a genuine withering of support for the welfare state due to an increasing sense of gesellschaft, is neither clear, nor, ultimately, of great importance. What is important is that such changes have occurred and that they have become ‘locked in’ (Cerny, 1997:264-266; 2008:16). For Cerny and Evans, the fundamental shift in welfare provision centres on the role of contracts. The underlying ideological changes and economic realities have led in the first instance to the replacement of entitlements with contracts, often tied to labour-force participation (Cerny and Evans, 2003:30).

The second use of contracts is seen in service provision, with many aspects of traditional welfare being provided by a mix of state and non-state bodies (Cerny and Evans, 1999:3). Cerny and Evans label this the post-welfare contracting state, noting that provision has moved beyond its traditional attachment to welfare. However the implication seems to be that we should talk of the Post Welfare Contracting State (PWCS) not simply because of how services are delivered but also because of the very services that are delivered. Indeed the contracting out of services to NGOs, PPPs and even the private sector (Cerny and Evans, 1999:27) suggests that Post Welfare Contracting *Post* state may be a more accurate label to describe the replacement of not only welfare as a national priority or service, but also the state as the key provider. Cerny and Evans, unlike Jessop, do stop short of removing the state from their thesis, something that initially seems paradoxical.

How can the state remain pertinent if it has been disempowered to such a degree by globalisation that it cannot fulfil what Cerny and Evans refer to as its generic functions<sup>14</sup> (Cerny and Evans, 1999:1-2)? Moreover, if non-state actors and organisations are at least delivering services (if not also formulating them), what role does the state have?

### **2.3.7: The competition state and the nation state**

Perhaps the greatest difference between Jessop's SWPR and the CST is that while Jessop insists that State is obsolete, the regime that replaces it still exerts enough influence to pursue, should it wish, welfare objectives (Jessop, 2000:177-179). He theorises that welfare would indeed be replaced by workfare, but neither claims that this has happened, nor that this is the only option open to regimes (Jessop, 1994:24-25; Jessop, 2000:173; Jessop, 2002:152-153). Cerny and Evans on the other hand believe that while the state is being qualitatively disempowered and stripped of legitimacy, to the point where the state can no longer perform the generic functions mentioned earlier (Cerny and Evans, 1999:1-3), the demise of the state is limited to its role in promoting and providing welfare services. Ultimately Jessop insists that the state as a term is obsolete and rather we should refer to regimes. He believes however that while the state has been replaced by a regime, this transition has not entirely disempowered the state/regime with regards welfare policy. This contrasts with Cerny and Evans who believe that the state exists but has been disempowered to such an extent that, in the arena of welfare policy, it cannot fulfil the functions synonymous with the nation state of the welfare state era.

If the provision of welfare is such a central feature of the state, it is at first rather difficult to understand how Cerny and Evans can be so adamant in their convictions with regards the demise of the welfare state, while stopping short of proclaiming the end of the nation state. Cerny suggest that the case of the state is not as 'black and white' as the welfare state (Cerny, 1997:268); while public opinion, actors, and most importantly, the economic realities of the competition

---

<sup>14</sup> Which they define as stabilising the national polity, promoting the domestic economy in the public interest, promoting wider public interest, and social justice.

state do, he contends, render the welfare state obsolete (Cerny and Evans, 1999:8), contradictory forces supplied by those same individuals and processes mean that while the state is disempowered in many arenas it is, sometimes paradoxically, being strengthened in others (Cerny, 1997:258; 2008:24; 2010a:17; Cerny and Evans, 1999:10; Taylor, 2010:46). There is, in short, “no simple decline of the state” (Cerny and Evans, 1999:8). Even in states where the rise of governance and infusion of transgovernmental networks has been most ubiquitous, certain elements of the state have been strengthened (Cerny and Evans, 2004:57).

For Cerny it is still pertinent to talk of states for three primary reasons: first, Cerny believes that states retain their relevance due to their differentiated nature, suggesting that states are “organisationally distinct from families, Churches, classes, races, interest groups [...] economic institutions like firms or markets; and indeed, from non-state political organisations such as pressure groups or social movements and as such, the state stands on its own” (Cerny, 2010a:10). Second, Cerny highlights that states are still the primary unit of analysis in any international study. This opines Cerny, is because there is nothing ‘above’ states, there exists “no international ‘state’ or authority structure that has the kind of legal, political, social, economical, or cultural reality or claim to primacy that the state possesses” (Cerny, 2010a:11); and finally as we shall soon discuss, the state has an important role to play in fostering competition (Cerny, 2008:24; 2010a:17; Cerny and Evans, 1999:10).

The state cannot however continue to serve as a decommodifying institution (Cerny and Evans, 1999:8) and has indeed become “residual not only in terms of policy instruments but also the outcomes they entail” (Cerny and Evans, 1999:10). Gone indeed are the days of welfare insists Cerny (Cerny, 1995:14) and gone also is the legitimacy that supported such a state (Cerny, 1995:2; Cerny and Evans, 2003:25). However, if the competition state represents a triumph of neo-liberalism, forged from a new emerging legitimacy based around neo-liberalism, an ideological transition, why then should the state be affected? Surely the neo-liberal elite, having wrested control from the previous state masters would simply use the state apparatus to suit their own ends. Indeed as we have covered briefly and will

explore in a little more detail, that is what did in fact happen. However using the state to meet neo-liberal ends, or more importantly to retain the competitive advantage that is central to the global economy has frequently necessitated the loosening of the state apparatus (Cerny, 1995:12; Cerny and Evans, 1999:25-26). The rolling back of the state empowered many new networks and organisations that exist sometimes beyond the fingertips of government (Cerny and Evans, 1999:26). This new governance represents almost a coalition of power built upon the principle that we can simply fuse the efficiencies inherent with business and the markets, with the legitimacy of elected officials (Cerny, 1995:12; 2008:26-27). However, as Cerny highlights, the more that happens outside the state, the less legitimate the state becomes (Cerny, 1995:2)

Perhaps the most obvious example of the combining of the ideological and structural competition state comes with the ceding of power by New Labour to the Bank of England (BoE). For Cerny and Evans, this is a fusion of not just financial orthodoxy, but also flexibilisation of state apparatus and the development of competitive micro-industrial policy (Cerny and Evans, 1999:19-21). Moreover, the surrendering of power to the BoE is an example of the state not only “occupying the norms of global finance, but also accepting and reinforcing the structural autonomy and power of those agencies that guard such financial orthodoxy” (Cerny and Evans, 1999:9). Whilst in itself this measure seems benign, it is one of many that when collected represent the key challenges to the state. The issue being that the restructuring Cerny and Evans insist was necessitated by and then further precipitated the rise of the competition state, is subject to the same laws of the policy process as all others. In particular it can become locked into the very same types of path dependency that had, until the tipping point of the 1970s crisis afforded actors a window in which to make profound changes, entrenched welfare policy so deeply (Hudson and Lowe, 2009:176:290; Pierson, 2001:411; Wood, 2001:407).

With regards the BoE it may well be that as Held suggests, this was not a measure enforced on New Labour (Held, 2001:394) by the irresistible nature of globalisation and the global economy. For Cerny and Evans this is largely irrelevant, building as they do upon institutionalist theory to insist that however this orthodoxy and

openness comes about, a process of path-dependency, driven by increasing returns, ensures this openness breeds even further openness (Cerny and Evans, 1999:19-21). For both Cerny and Evans, the genie is quite simply out of the bottle (Cerny, 1997:251; 2008:2; 2010a:17; Cerny and Evans, 2004:58). The problem then becomes that the initial decision to separate steering from rowing in order to harness the positive aspects of the market results in more and more of the state's control being drawn to its finger tips and beyond, rendering states less able to act as "strategic sites" (Cerny, 1997:270). Cerny highlights the increasing prevalence of "political and economic structures that are frequently (though not always) more transnational and multinational in scale (and therefore more significant) than the state, have a greater impact on outcomes (i.e. may be more 'Sovereign') than the state, and may permit actors to be decisionally autonomous of the state" (Cerny, 1995:1-2). Ultimately, the state becomes qualitatively disempowered by virtue of its 'hollowing out' (Cerny, 2008:11; Cerny and Evans, 1999:26; 2004:59), which, somewhat ironically, relied on constitutional reform to legalise such governance from within the state's own authority (Cerny and Evans, 1999:24-25; 2003:23; Evans, 2010:99-100).

Whether the increasing shift towards governance as opposed to top down Westminster style government has indeed served to hollow out the state is still a matter of debate some twenty years after the notion was first broached. Rhodes insists that the state is being hollowed in three ways. Firstly the state is hollowed outwards through a process of privatisation, which limits the scope and forms of public intervention. Secondly, the state is hollowed downwards through looser delivery mechanisms, which remove the generic functions of the state to non-state actors. And thirdly, upwards towards the European Union (EU) and the IMF (Rhodes 1997:17:46:53-54). Indeed, as with globalisation, New Labour adopts the rhetoric of governance, proclaiming that government has a critical supporting role – not an interventionist role (DTI 1999:11).

New Labour's hope that the development of local networks and clusters will produce regionally tailored policy (DTI 1999:42) is turned on its head by Rhodes who opines: "as networks multiply so do doubts about the centre's ability to coordinate and plan" (Rhodes, 1997:54). Cerny and Evans go further, simply

insisting, “networks resist central guidance (Cerny and Evans, 1999:26). There is a belief that policy makers have begun to worry that they are losing control over their ability to make and deliver policy (Woods, 2002:25). If Cerny and Evans are correct in asserting that the control of inflation is the top priority for the New Labour government (Cerny and Evans, 1999:17), to what extent have policy makers truly felt in control of this priority since the decision to cede interest rates to the BoE was made (Cerny and Evans, 1999:18-21)? Even Jessop believes that, whilst retaining authority, the hollow state struggles to translate this into effective control (Jessop, 2002:212). Sanger envisages a more alarming problem for the state, that the qualitative loss of power is not accompanied by an equal loss of accountability, which in turn can severely damage the perceived legitimacy of the state (Sanger, 2003:9).

There is a contrary belief amongst some who accept that governance has replaced government, that this governance may be a very positive aspect of the welfare state. Peters, for example, suggests that not only are networks more humane, flexible and responsive to the needs of clients, than traditional demeaning hierarchies (Peters, 2003:42), but also as opposed to the view of Sanger, believes that networks hide the long arm of the state, insulating it from public scrutiny (Peters, 2003:51-52). Jessop declares, “[l]ike a hollow corporation and its headquarters, the state maintains its core of power at the centre” (Jessop 2002:212). Cerny and Evans concede that the use of short-term contracts leaves contractors open to political manipulation (Cerny and Evans 2000:18), and that even the BoE has been careful to stick to their code of governance, so as not to anger the government (Cerny and Evans 2000:19). In the literature there is even an implication that decentralisation is a reward for those agencies that have been successful in fostering economic success, alongside improved welfare delivery (Ellison and Pierson, 2003:12).

The notion that governance improves welfare is seized by Giddens who suggests that wider public partnerships have helped to create a welfare community (Giddens, 2006:382-386). Peters highlights that the regulatory state is able to go further than its predecessor by “effectively requiring the creation of new services and benefits above those provided traditionally, and that examples of these;

maternity leave, childcare and a minimum wage, have been provided by private action under state regulation" (Peters, 2003:45). Even Jessop, who accepts the general demise of the Keynesian welfare state, insists that the emergent regime has incorporated a range of 'extra-economic' factors such as the allocation of resources for innovation (Jessop, 2002:122), and social policies that meet both the needs of citizens and the demands of the capitalist class (Hudson and Lowe 2004:45). For such thinkers, "governance need not mean hollowing out, partnerships can be seen as a further dispersal and penetration of the state" (Newman, 2001:125), or as Kettl phrases it, "instead of privatising the public sector, partnerships have governmentalised the private sector" (Kettl, cited in Sanger 2003:11).

Cerny and Evans however are most definitely from the school that believes governance has lead to a hollowing out of the state, rejecting out of hand the notion that "the contemporary restructuring of the state is aimed at maintaining its generic functions" (Cerny and Evans, 1999:1-2). This makes Cerny's insistence that the state within the competition state "is not dead" (Cerny, 1997:268) all the more puzzling. When one considers from Cerny and Evans' perspective, that the state has undergone a restructuring that has destroyed many of the bureaucratic hierarchies in which its power rested along with much of its *raison d'être* in terms of welfare provision, combined with the increasing diffusion of transgovernmental networks, the future and purpose of the state does indeed look bleak. Furthermore, as Cerny highlights, in this global marketplace it is actors and firms that compete, not nations (Cerny, 2008:5:33).

It would seem that the state had a role in providing welfare, firmly putting the state into the welfare state, however as the competition state has rendered much if not all of that prior input obsolete, what role could it possibly play in the competition state? To accept Cerny and Evans' main contentions, that the state has been stripped of legitimacy (Cerny, 1995:2), undermined (Cerny and Evans, 1999:2; 2004:45), robbed of purpose (Cerny and Evans, 1999:8; 2004:59-60), and disempowered (Cerny and Evans, 1999:2), all due to the unstoppable and irreversible rise of globalisation and the new economic realities it entails, renders it difficult to see how Cerny and Evans envisage a future for the state. It is important

to finish Cerny's proclamation, "the state is not dead, but it serves a different role" (Cerny, 1997:268), indeed it has changed in terms of both its "structure and purpose" (Cerny and Evans, 1999:10).

The paradox is resolved by considering the changes that the state has undergone, the breakdown of bureaucratic hierarchies (Cerny and Evans, 1999:8), the diffusion of transgovernmental networks (Cerny, 2000:450; 2008:3:34; Cerny and Evans, 1999:10), even the stripping of its generic functions (Cerny and Evans, 1999:1-2), as the very processes that guarantee the state's long-term significance. Consider the arguments of Cerny and MacGregor who both believe that contemporary society is with regards to the increasingly complex and consumerist in its nature (Cerny, 1995:10). For them this consumer society is one that has seen the bonds of solidarity disintegrate only to be replaced by the weak, mutualistic bonds (MacGregor, 2003:62) of gesellschaft (Cerny, 1997:255). As a consequence the legitimacy of the big state project has withered and its continued existence is not viable. The competition state, rather than signalling the state's demise instead offers its salvation.

Within the competition state, the state has gained a new purpose, primarily, the promotion of competition (Cerny, 2008:24; Cerny and Evans, 1999:10; 2004:58). Cerny cites the words of Foucault:

*...[P]ure competition is not a primitive given. It can only be the result of lengthy efforts and, in truth, pure competition is never obtained. Pure competition must and can only be an objective, an objective thus presupposing an indefinitely active policy [...] Government must accompany the market from start to finish* (Foucault, cited in Cerny, 2010a:7).

Promoting competition or perhaps more accurately, regulating to ensure competition, has become, for Cerny and Evans, the new *raison d'être* of the state (Cerny, 2008:24; Cerny and Evans, 1999:10; 2004:58). While the regulation that Conway et al describe as "too intrusive, possibly affecting productive efficiency and a corporation's ability to compete" (Conway et al, 2005:4) has indeed been stripped back, the regulation of the competition state represents its mirror image.

Cerny talks of pro-market regulation the ostensible purpose of which is “to prevent fraud, promote competition and restrict monopolistic and oligopolistic practices, counteract ‘market failures, enforce contract and property rights, and generally provide a quasi-legal environment for actors to operate in efficient market fashion” (Cerny, 2008:24). While global in nature many of the markets can be located both within and without states (Cerny, 1997:253). Furthermore, owing to the lack of any ‘world government’ to provide the necessary pro-market regulation (Cerny, 2010a:11), such a burden falls on the state (Cerny, 2008:24). Ironically, the re-regulation of the markets has, in many cases become more intrusive and bureaucratic than the regulation of the late 1970s<sup>15</sup> (Cerny, 2008:25). The state is thus not only far from dead due to its symbolic value, its military role, or its territorial significance, the state is central to the working of the competition state. The promotion of the general welfare of the citizenry has been replaced by the promotion of economic competition and the environment within which it can thrive. The state thus becomes active in fostering openness (Cerny, 2008:1) and stabilising such openness (Cerny, 1997:257) and ultimately, becomes perhaps the most important instrument – along with state actors - in the competition state. All this results in Taylor suggesting that Neo-Liberalism as a broad philosophy and the competition state requires, just as Keynesianism did, a big state to support it (Taylor, 2010:46).

### **2.3.8: The competition state: a vignette and a critique**

The competition state is then both a response to globalisation and a replacement for the welfare state. Typically marked by lower social spending, lower tax, a reliance on active market programmes and governance through flexible networks consisting of state and non-state actors, institutions and organisations, the competition state is fundamentally geared towards ensuring the conditions for a successful (global) market economy (Evans, 2010:104). In the UK we can chart the developments of first the Thatcher (and Major) governments and subsequently the Blair governments, ‘ticking off’ the elements of the competition state as they

---

<sup>15</sup> Cerny cites the example of insider trading laws in the US (Cerny, 2008:25).

emerged. As discussed, first came the ideological rejection of Keynes, which was followed by the streamlining of welfare services (though expenditure remained high), the replacement of entitlements with contracts, and eventually the move towards a more ‘active’ workfare approach (Clarke, 2005:448; Deacon, 2003:133; Driver, 2008:53).

Under Blair the more structural dimensions of the competition began to elucidate; the apparatus of the state became much more flexible, networks began to deepen, and the (re)regulation of competition policy became entrenched (Cerny, 2008:25; 2010a:7-8; Fielding, 2003:160). The impact of this on the citizen has been variable, depending on their socio-economic status. For those who Mead, Murray and Novak branded the ‘underclass’ (See Deacon 2000:11), benefits have become less generous, available for shorter terms, and nearly always means-tested (DSS, 1998a:83; DTI, 1999; Glyn and Wood, 2001:63; Lee, 2008:28; Powell and Hewitt, 1998:9). The emphasis has been shifted towards participation in the labour force, a requirement that was crystallised in the series of New Deals, and perhaps somewhat offset by the introduction of a minimum wage (Beech, 2008:8; Deacon, 2003:133; Driver, 2008:53; Glyn and Wood, 2001:57; Kemp, 2005:16). For those who are better off, the commitment to work is still there, with WTC rewarding those who previously may have stayed out of work. This, combined with the increasing access to education (especially Further and Higher Education) and availability of service and information sector employment, has led to a burgeoning and increasingly ‘active’ middle class (Lowe, 2004:205). Both home ownership (Bramley and Morgan, 1998:2; Lowe, 2004:187) and the numbers of small and medium enterprises (Carree et al, 2002:274) have increased and entrepreneurs are encouraged to take risks and are supported in such endeavours (Cerny and Evans, 1999:22). This is surely the portrait of the orthodox, neo-liberal competition state.

Not all are convinced however by the orthodox model or the competition state thesis. Indeed the CST can be criticised for being little more than a narrative of the Thatcher and Blair governments, with an air of there being ‘no alternative’ attached. Hay for example suggests that Cerny falls into the trap of extrapolating “from ongoing developments to provide an account of the emergent competition

state, which is then retroactively presented as the only possible response to the crises of the old regime [...] The result is an inadvertent neo-liberal apologism which both naturalises and seemingly necessitates whatever political processes throw up" (Hay, 2004:42). Given that many of Cerny's assertions concerning the competition state emerged prior to the Blair government and their raft of competition state-conforming policies, this is perhaps a little harsh.

However, it is also true to say that certain elements of the competition state thesis have shrunk from or found prominence as the New Labour project has been played out. As was mentioned at the beginning of this chapter, giving a 'straight answer' to what the competition state is proves difficult because 'it' is not fixed, which seems to be a flexibility the authors have 'exploited' to ensure that the CST has remained pertinent throughout the profound changes of the last twenty years. There are other criticisms of the CST, chiefly that it overstates issues, especially that of the crises faced by governments, the impact on the state, and the power of neo-liberalism (Hay, 2004:44). Even Cerny has recently suggested that neo-liberalism is what we make of it (Cerny, 2008:40), which surely represents a departure from earlier assertions that the orthodox neo-liberal model of low spending represented the only viable option for governments pursuing the competitive advantage (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60). Hay for example takes issue with the almost unwavering focus on economic determinants of the ideological and structural changes of the last twenty years within the CST.

For Hay, the CST is both simplistic and single-minded, brushing under the carpet the roles of political parties and the political process in general (Hay, 2004:43-44). This is perhaps again a little over-critical from Hay<sup>16</sup>, with the role of both politics and economics being intertwined by Cerny and Evans in their discussion of both the Thatcher and New Labour governments' competition state policies. It could be argued that rather than being apolitical, the CST is on the contrary overtly political. Both Cerny and Evans continuously stress the role played by actors in shaping and perpetuating both the course of globalisation and the competition state

---

<sup>16</sup> Although see also Taylor, 2010:42-43 for a discussion of what he sees as oft overlooked socio-political determinants of state change.

(Cerny, 2000:448; 2008:34; Cerny et al, 2005:19). Indeed as discussed, for Cerny and Evans the role of actors in bringing together both the economic and political dimensions of the competition state was and continues to be paramount. It is fair to say that Hay's analysis of the CST<sup>17</sup> is purposefully critical and while some of his criticisms can be dismissed or have been addressed by more contemporary work by Cerny and Evans, some observations remain pertinent. It is hard to escape the suggestion that Cerny and Evans have overstated the importance of their thesis. From the work of Hay and more recently, Taylor, three main challenges to the competition state thesis can be posited: first, the CST is not significantly different from Jessop's SWPR; second, the CST is possibly over-reliant on *a priori* assumptions or minimal evidence, making bolder claims than it can substantiate; and finally, many of the central assertions of the CST haven't actually been borne out.

This thesis has already addressed many of the similarities and discussed some of the subtle, but extremely important differences between the competition state and the SWPR, however table 2.2 (overleaf) is instructive. Here we can see that both the competition state and the SPWR represent a significant theoretical departure from the industrial welfare state, while at the same time appearing rather similar to one another.

Hay suggests that the primary difference between the two theses is that Cerny's is simply more stylised (Hay, 2004:43), though again this criticism seems to stem more from a personal disapproval of both the CST and SWPR than any rigorous academic critique. For Hay, both are flawed theses due to the very fact that they attempt to explain something so abstract as the profound changes in political economy witnessed over the last twenty to thirty years, with apparent parsimony (Hay, 2004:45). For Social Policists or indeed anyone with a scholarly interest in the welfare state however, the subtle differences are extremely important and the notion that either the state has broken down or remained intact but disempowered within the arena of welfare policy is extremely important.

---

<sup>17</sup> Along with Jessop's SPWR.

**Table 2.2: displaying the similarities and differences between the Keynesian welfare state, the Schumpeterian workfare post-national regime, and the competition state.**

Keynesian Welfare National State		Schumpeterian Workfare Post-national Regime		Competition State	
Keynesian	<ul style="list-style-type: none"> <li>• Full employment</li> <li>• Closed economy</li> <li>• Demand management</li> </ul>	Schumpeterian	<ul style="list-style-type: none"> <li>• Innovation and competitiveness</li> <li>• Open economy</li> <li>• Supply-side policies</li> </ul>	Schumpeterian	<ul style="list-style-type: none"> <li>• Innovation and competitiveness</li> <li>• Open economy</li> <li>• Supply-side policies</li> </ul>
Welfare	<ul style="list-style-type: none"> <li>• Welfare right</li> </ul>	Workfare	<ul style="list-style-type: none"> <li>• Social Policy subordinated to economic policy</li> <li>• Downward pressure on social wage</li> <li>• Attacks on welfare rights</li> </ul>	Workfare	<ul style="list-style-type: none"> <li>• Social Policy subordinated to economic policy</li> <li>• Downward pressure on social wage</li> <li>• Attacks on welfare rights</li> </ul>
National	<ul style="list-style-type: none"> <li>• Primacy of national scale</li> </ul>	Post-national	<ul style="list-style-type: none"> <li>• Hollowing out of the state</li> </ul>	Blurred boundaries of national and post national	<ul style="list-style-type: none"> <li>• Primarily national though hollowing out has occurred</li> </ul>
State	<ul style="list-style-type: none"> <li>• Mixed economy</li> <li>• State intervention to correct market failures</li> </ul>	Regime	<ul style="list-style-type: none"> <li>• Increased role of governance mechanisms to correct market and state failures</li> <li>• State role in metagovernance</li> </ul>	State	<ul style="list-style-type: none"> <li>• Primarily market economy</li> <li>• State intervention to prioritise market</li> <li>• Increased role of governance mechanisms to correct market and state failures</li> </ul>

The second charge, that the CST is over-reliant on *a priori* assumptions or minimal evidence, making bolder claims than it can substantiate is perhaps more significant. One of the difficulties in providing a credible defence for the CST is that it is almost wholly formulated from a largely qualitative analysis of the UK. Little empirical evidence is offered by the authors, nor is any rigorous analysis of policy or welfare outcomes forthcoming for that matter. Despite this, first Cerny and then both Cerny and Evans use their narrative of the Thatcher and New Labour governments to make rather bold claims about the global state of political economy (Cerny, 1995; 1997; 2000; Cerny and Evans, 1999; 2003; 2004).

On more than one occasion Cerny discusses the emergence of China as a leading competition state, one with neo-liberalism at its heart (Cerny, 2008:15; 2010a:18), a statement that, *prima facie*, seems rational. However, this claim seems largely based on the simple if not flawed logic that China has a successful economy and therefore, must be a competition state. While Cerny concedes that China is of course a different type of competition state due to its undemocratic nature (Cerny, 2010a:18), it is actually rather puzzling to consider it to be any form of competition state. Indeed, it is rather difficult to see by what criterion beyond economic success Cerny bases his assertion that China is a competition state. Evans accepts that competition state can be broken down in terms of the following expected characteristics, behaviours, and processes: the shift from government to governance; the development of a post-welfare contracting state; the shift from market regulation to pro-market regulation; the adoption of lower taxation; and the utilisation of international policy transfer (Evans, 2010:104<sup>18</sup>).

It is possible that Cerny is quite correct, however at no stage does Cerny present any data, any case studies of Chinese social or economic policy, nor even any circumstantial evidence to suggest that China has shifted from government to governance; developed a post-welfare contracting state; shifted from market regulation to pro-market regulation; adopted of lower taxation; or made use of international policy transfer. It may also be that Cerny incorrectly presents China as a competition state. It is interesting to compare Cerny's brief discussion of the

---

<sup>18</sup> Evans presents a development of Horsfall's work, which puts forth 'key dimensions' of the competition state.

Chinese competition state with Taylor's more nuanced investigation of the Chinese model of political economy. Taylor, while acknowledging China's economic success, highlights that this has been achieved despite "pervasive macro-economic interventions, endemic corruption and close synergies between officials and business leaders from municipal politics upwards; ambiguous property rights and the uneven enforcement of the rule of law" (Taylor, 2010:41). It would require, he argues, the incorporation of vastly divergent state and institutional forms to even begin to stretch the CST to cover the case of China (Taylor, 2010:41). Even the issue of economic success is far from clear-cut; Taylor insists that China's growth owes more to the sheer scale of its market, than it does to any active policy (Taylor, 2010:42).

Despite the UK focus, the CST purports to address a global phenomenon and offer a global 'diagnosis'. The only substantial analysis beyond the UK relates to the US, which Cerny and Evans seem to model as a natural partner for policy transfer to and from the UK (Cerny and Evans, 2003:27). Such a narrow focus, especially one that involves rather little empirical investigation, does somewhat damage the credibility of the bold, global claims that Cerny makes. It is such bold claims that ultimately, there is 'no alternative' to the neo-liberal competition state (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60), states are bound to converge (Cerny, 2008:16), and that alternatives to the neo-liberal model will remain viable only in the short to medium term, until they inevitably fail in their pursuit of the competitive advantage (Cerny, 2010a:18; Cerny and Evans, 1999:8), which invites the most concerted and hardest to refute criticisms. It is the unwillingness to explore alternatives, or at least present the exploration of alternatives, thus providing support for the CST that seems to provide the greatest source of Hay's ire (Hay, 2004:13). Cerny of course would argue that there is simply no alternative to explore. The data does not for example bear out the notion there is some race to the bottom, nor does it necessarily support the idea that there is any form of convergence in policy, spending or outcomes (Castles, 2004:45-46:170-171). Cerny and Evans sidestep such arguments by accepting that path dependency ensures that different state forms will continue to exist

(Cerny, 2010a:17) and by highlighting that they never suggested we would witness a race to the bottom<sup>19</sup>.

The issues raised above do leave the CST rather hollow; either the competition state does signal the end of the welfare state while at the same time precipitating the transformation of the state to best facilitate the pursuit of neo-liberal ends, or it doesn't. Even if, under closer inspection, Cerny and Evans prove correct in many of their assertions, if globalisation and the competition state are pulling from without and pushing from within states towards a neo-liberal orthodoxy, how is this likely to be affected by a crisis or series of crises similar in scale and magnitude, to the very situations that set in progress the rise of the competition state? It will take some time before perspective can be gained on the current global recession, but already there is much debate as to how nations are likely to or able to respond to the 'credit crunch'. Cerny insists that the logic of the competition state can be witnessed in early responses, though his claim that it is the market economy itself that has begun to correct the sub-prime housing fiasco (Cerny, 2010a:17) is yet again made without any real evidence. Indeed, it could be argued that the vast fiscal stimulus packages injected by the Obama and Brown governments into the domestic economies of the US and UK respectively (Davig and Leeper, 2010:1; Feldstein, 2009:7; Watt and Nikolova, 2009:13) are symbolic of the unwavering supremacy of the state over the market.

Evans, while predicting an even leaner, meaner, more orthodox competition state under David Cameron's Conservative Government (Evans, 2010:110), is slow to attribute this to the continuing pertinence of the CST. Rather Evans accepts that the global financial crisis represents a real test of the CST, being a time when ideological differences become more discernable between and within nations (Evans, 2010:112). Perhaps this represents a similar window, a similar opportunity for punctuated equilibrium, which Cerny and Evans believe provided the resolve, mechanism, and legitimacy to support the breakdown of the welfare state.

---

<sup>19</sup> While Cerny and Evans both hold that the neo-liberal competition state represents the orthodox competition state and similarly suggest that convergence is likely, they have stopped short of predicting a race to the bottom. One logical interpretation of their work would however be that such a race to the bottom would be a likely consequence of the competition state.

The CST is a powerful thesis, one that sits easily with the changes we have witnessed over the last twenty to thirty years. In a parsimonious manner it offers explanations for those changes and prompts the social scientist to consider many important questions regarding the future of welfare provision. It is a testament to the strength of Cerny and Evans' convictions, their persuasive power, and the fact that their work has continued to ring true with people from academic, government, or lay backgrounds, that it remains pertinent. At times however it seems that Cerny and Evans have succeeded in putting the CST at the forefront of academic debate without ever having their work rigorously critiqued. Whether it has been an unwillingness to address the ambiguities that Evans himself acknowledges exist (Evans and Lunt, 2010:2), the endeavour to incorporate almost all events within the rubric of the competition state (Hay, 2004:42; Taylor, 2010:41), or the lack of systematic empirical research, the CST is possibly at risk of slipping from its privileged position within the political economy literature. The main protagonists have worked tirelessly to ensure that the CST remains contemporary and pertinent, however the time seems ripe to force their hand and truly investigate, in a systematic fashion, the rise and possible demise of the competition state.

### **2.3.9: Summary**

The last twenty to thirty years has seen profound changes to the provision and experience of welfare services, the structure of the state, and the very nature of society. Whether such changes were wrought by the unstoppable nature of globalisation or whether they simply represent the manifestation of states', policy entrepreneurs', and institutions' responses to the perceived unstoppable nature of globalisation is unclear and perhaps, no longer pertinent. The competition state thesis has for twenty years sought to explain the shifts in policy, governance, and to a lesser extent, the welfare outcomes experienced in states around the industrial world.

By continually adapting around the edges of the core thesis, Cerny and Evans have managed to ensure that the CST remains a source of debate within the political economy literature despite offering very little empirical evidence and certainly little data to support their logical and persuasive arguments. Hay criticises Cerny for this apparent unwillingness to explore the alternatives though Cerny's natural defence undoubtedly rests in the fact that he doesn't believe such alternatives exist. The continued presence of the CST in the political economy literature renders it almost unique and deserves both a degree of respect and further study. What Cerny and Evans cannot escape is that their thesis is abundant with hypotheses that can and should be explored. Perhaps the fact that such exploration could raise difficult questions regarding the CST provides us with an explanation for why it has yet to be undertaken. Conversely of course, an interrogation of the CST may find much to support it.

## **Chapter 3: Operationalising the competition state thesis.**

### **3.1: Methodology**

A deeper understanding of the competition state thesis, alongside an appraisal of its relevance, lends itself to empirical study. Evans and Cerny (1999; 2003; 2004), as well as others such as Hay (2004), Lunt, Soderberg, and Taylor (all 2010), have sought to explore the competition state model largely from a theoretical and usually qualitative basis. Where quantitative evidence has been offered in support, it has often been ad hoc, isolated, and at best, unsystematic. Of course, the competition state thesis seeks to explain a fluid and complex process and as such, there are no simple alternatives to the theoretical approaches favoured by its authors. Indeed, it is important that any quantitative investigations are as rooted within the theoretical literature as possible to ensure measurement, analysis, and subsequent discussions are truly linked to the phenomenon one sought to explore at the outset.

As with the operationalisation of any theory, one is faced by a series of questions and more often than not, problems. The first question, perhaps the most fundamental, is quite simply, can the theory or phenomenon, be operationalised? If a quantitative approach is favoured, can we conceive of a method to construct a quantified variable? For example, could the concept of policy transfer be operationalised as a quantitative variable? More pertinently, is data available to allow the operationalisation of the aforementioned phenomenon? The next series of questions relate to what should be operationalised. Is the entire thesis of interest? Taking one element of the CST, the issue of taxation, what type of taxation are we interested in? Personal taxation or corporate taxation? If personal taxation is what we are interested in, should we look at the tax burden of a single worker at median income? Or should we investigate the tax burden of higher earners? Similar questions involve the source of such data and when the data should be taken from. Finally, we're faced by the question of how to operationalise the phenomenon. How should variables be constructed and if relevant, measured? These are all questions that must be asked when attempting to operationalise the competition state and furthermore, additional complication is encountered due to the unfixed nature of the CST and at times, the lack of available data.

With the competition state being the successor to the welfare state (Cerny and Evans, 2003:24), a natural point of reference is the countless studies of the welfare state. While the purpose, methodologies, and subsequent findings of these studies are extremely diverse, one common theme is the comparative approach they take. Perhaps it is a by-product of the competition state that so much endeavour is dedicated to comparing how countries are performing or perhaps it is simply the manifestation of a more evidenced based approach to the social science (see Hudson and Lowe, 2009:280). Regardless of the reasons, social scientists are consistently attempting to understand the welfare state in a global, or at least 'rich Western' context. And, as Cerny and Evans have developed the CST as an analytical tool for understanding the global phenomenon of globalisation and welfare state change, a comparative approach seems extremely pertinent. At this stage it is worth heeding the words of Hudson and Kühner, who insist that no comparative study of the welfare state can escape the groundbreaking work of Esping-Andersen, whose seminal publication '*The Three Worlds of Welfare Capitalism*', has shaped all subsequent welfare state investigations (Hudson and Kühner, 2010:168). In his work Esping-Andersen grouped many richer nations into three typologies having indexed them in terms of the degree to which citizens are decommodified by the state, and how stratification occurs within countries (Esping-Andersen, 1990). One example drawn from his decommodification index is the issue of unemployment protection policy; Esping-Andersen measures unemployment decommodification by looking at both the minimum and average replacement rates in a country, the length of the period that the benefit can be claimed, the number of days a claimant must wait before they can make their first claim, and also the length of any mandated contributory periods (Esping-Andersen, 1990:54). It is his contention that the degree to which a nation decommodifies its citizens, or allows them to exist outside the influence of market forces, is a key insight into the nature of its social policy (Esping-Andersen, 1990:35). Furthermore, advanced industrial nations can be categorised as belonging to one of three regimes by exploring how decommodified they are and the ways in which society is stratified (Esping-Andersen, 1990:52:74).

It could be argued that the comparative welfare studies exist within the Esping-Andersen paradigm, with researchers seeking to either explore and extend his

work, refute his analysis and conclusions, or simply learn what they can from his work and apply many of his principles to their own. Examples of those who embraced Esping-Andersen's '*The Three Worlds of Welfare Capitalism*' include the works of Goodin et al (1997; 1998), which sought to chart welfare outcomes within Esping-Andersen's 'three worlds' typology, using data from Denmark, the US, and Netherlands to analyse how citizens' experience of welfare ranged across different welfare regimes. Similarly, the works of Castles and Mitchell (1990; 1993), Bambra (2005; 2007), and Korpi and Palme (1998), accepted the broad approach of Esping-Andersen while attempting to assimilate an increased range of dimensions into his index, often resulting in suggestions that more than three worlds exist. Indeed such was the interest in adding dimensions to Esping-Andersen's study and in turn, the subsequent clamour to suggest fourth and fifth worlds, inspired the publication of Arts and Gelissen's '*Three worlds of welfare capitalism or more? A state of the art report*' (2002), which sought to provide a mechanism for 'wading through' the increasingly populous series of published responses to '*The Three Worlds of Welfare Capitalism*'. Esping-Andersen has also inspired replication studies that sought to test the validity of his methods and conclusions (see Scruggs and Allen, 2006), and provoked criticism from those who question the validity of using decommodification as the key variable with which to cluster welfare states (Bonoli, 1995). Indeed, one of the major criticisms of Esping-Andersen's *The Three Worlds of Welfare Capitalism*, as highlighted in studies such as those by Cousins (1997) or Kemeny (1995), is that the complexities of welfare states can be and often are missed or blurred by quantitative comparative approaches.

While twenty years has passed since Esping-Andersen published his still hotly debated work<sup>20</sup>, his influence is still felt, be it in the syllabi of Social Policy courses around the globe, or the output of contemporary comparative research (Scruggs and Allen, 2006:55:69). Recent comparative studies by Hudson and Kühner (2009; 2010) for example, which have moved away from comparing additive indexes, do not focus solely on decommodification or stratification, and offer a more nuanced approach to classifying welfare states, still maintain a commitment to comparing welfare state 'ideal types'. The authors are forthcoming in citing the influence

---

<sup>20</sup> And indeed, the data Esping-Andersen used is now some thirty years out-of-date.

Esping-Andersen has exerted on their work (Hudson and Kühner, 2009:35; 2010:168) and while their methods and conclusions represent a clear departure from Esping-Andersen's work, they are fundamentally still attempting to address the very same questions that occupied him, utilising an approach that still makes use of macro-level data in order to group countries with regards the nature of their welfare provision.

The purpose of this study is to quite simply investigate whether, when subjected to empirical research, the CST remains pertinent. Esping Andersen insists that it is only through the utilisation of "comparative empirical research [that we] will adequately disclose the fundamental properties that unite or divide modern welfare states" (Esping-Andersen, 1990:3). The same can of course be said for the competition state and as noted, the time for such an approach is ripe. The first step in this process involves addressing the most basic, yet potentially problematic question of whether the competition state can be operationalised in a way that allows comparative analysis. From there we can learn more about the 'true' nature of the competition state, asking, just as Esping-Andersen did of welfare states, whether they cluster into types, converge to a single point, or represent individual units following personalised trajectories through time. The investigation within this thesis is presented as a series of three empirical chapters, which reflects the organic development of the research. The first empirical chapter relies heavily on the approach of Esping-Andersen in the construction of a tentative index of competition states. The chapter is preoccupied with operationalising dimensions of the competition state in a way that is not only measurable, but also meaningful. This chapter was developed, presented, and eventually published as a 'first step' in the quantification of the CST. Partly as a natural second step, but also in response to the feedback that was received for the first empirical chapter, the second chapter seeks to introduce an element of time-series into the comparative analysis of competition states. This chapter is marked by a series of fundamental methodological debates that deal with how one charts changes over time, arriving at the conclusion that while the principle method that has been adopted is sound and illuminating, it is not the only possible method and perhaps, may not be the most appropriate. The third empirical chapter builds upon the two previous chapters, offering a methodology that is not only more stable for time-series

analysis, but perhaps offers a more theoretical rooting to the quantitative approach adopted in this thesis.

The rationale for including all three chapters is that they not only represent three stages in an organic process of investigation, but that they also afford an important discussion as to the role methodologies play in forming conclusions, shaping debates, and even establishing paradigms within research. Esping-Andersen's triumvirate of welfare regimes was cemented in the social policy psyche (even amongst its critics) to such an extent that it shaped the very research that has subsequently been undertaken. When one considers the claims of Scruggs and Allen (2006) that methodological mistakes and data inaccuracies hide what would have been merely two worlds or perhaps no real worlds of welfare capitalism (Scruggs and Allen, 2006:69), it becomes important to endeavour to ensure that one's findings are not simply a product of the methodology that has been adopted. If one methodology provides results that provoke certain conclusions about the nature of competition states and a different methodology, making use of the same data, offers contrary conclusions, the researcher has to question not only the methodologies, but also the very thesis as an explanatory tool.

### **3.2: A brief introduction to the empirical chapters**

All three empirical chapters have been prepared with the intention that they would be submitted for publication and in their final formats include a brief literature review. However, as they are presented in this thesis after an already lengthy literature review, their introductions or context have been removed or at least shortened. With this exception aside, the empirical chapters are designed to 'stand alone' and include analyses and discussions regarding that particular chapter only. A broader discussion of what the three chapters tell address the findings collectively, along with an appraisal of the various methods utilised follows the three chapters and is treated as the concluding discussion within the thesis. A series of brief summaries of the three chapters is included to highlight the methodologies used and the justification for doing so, and a brief discussion of the difficulties faced and the possible limitations to the methods and analysis.

### **3.2.1: Operationalising the competition state, or from competition state to competition states?**

In this chapter the primary focus is on establishing a meaningful method for operationalising elements of the competition state. As such the initial debate is split between what elements can and should be operationalised and what method should be used to compare countries' behaviour. In the first instance, five dimensions of the competition state are operationalised using data soured from various locations within the OECD. The objective being the creation of an index of competition states akin to Esping-Andersen's decommodification index. The dimensions of the competition state presented here are in most cases the product of more than one variable and are constructed in such a way that we can measure a country's 'behaviour' against a simple statement of whether we would expect to see high scores, expenditure, or behaviour within a competition state. The simplest example being the taxation dimension of the competition state; this is constructed using average scores for average taxation, the top rate of personal taxation, and the top rate of corporate taxation. The logic, drawn from the literature, being that a competition state would best flourish and in turn encourage an environment of low taxation.

Having discerned what variables should be used to construct a meaningful index of competition states, the method of indexing and subsequently ranking countries according to the 'competition stateness' is then next addressed. Here the rationale for following Esping-Andersen's methodology is tempting, however in attempting to address some of the criticisms of his methodology, a Z-score based approach is adopted. This not only standardises all the data so as to facilitate an easy comparison between rather different data from a range of sources, but also reveals how far a country falls above or below the mean for the group as a whole. As we would expect competition states to exhibit high scores in some dimensions of the index and low scores in others, the data is transformed for simplicity, ensuring that a high score on the index indicates competition state behaviour.

What chapter four presents then is an index based on the z-scores of data drawn from the OECD, measuring the degree to which countries exhibit competition state

behaviour on the dimensions of the post-welfare contracting state; overall welfare expenditure effort; the regulation of industry by Government; the generosity of the state; and taxation<sup>21</sup>. The findings are interesting and on the whole, intuitive. They seem to confirm some of Cerny and Evans' key positions, whilst posing one-or-two questions of their own.

### **3.2.2: Charting the competition state over time, or from competition states to competition state?**

The purpose of this second chapter is to build upon the findings of the first chapter, which suggest that if we are to accept Cerny and Evans' competition state thesis, we must at least talk of variant forms of the competition state. One of the key weaknesses over the first chapter is that it uses data from only one point in time and as such, we cannot definitively state whether the two or possibly three types of competition state represent stable, differentiated models, or rather whether the three groupings are merely separated by how far they have moved towards the orthodox competition state model. If we accept that one group of nations, including the ideal-types Ireland and Korea as well as the Antipodes, the UK and the US, do indeed exhibit the behaviour expected of orthodox competition states, we would expect in accordance with Cerny's views, to witness two trends develop over time: the first trend being that those established orthodox competition states will continue to exhibit high scores on the index. This reflects the fact that as Cerny and Evans posit, turning back the tide of globalisation and the competition state is extremely difficult, becoming perhaps impossible as the features, goals, and policy actions of the competition state become further embedded (Cerny, 1997:269; Cerny, 2008:34). Secondly, we would expect, or at least Cerny and Evans would predict, that over time, the behaviour of those nations that occupied the remaining two 'types' of competition state would begin to exhibit behaviour more akin to the orthodox competition state model (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60; Cerny et al, 2005:21-22).

The natural procedure for testing the two hypotheses outlined above would seem to be the replication of the investigation presented in chapter four at other points in

---

<sup>21</sup> In his most recent publication on the subject, Evans accepts both the dimensions that are operationalised as accurate indicators of the competition state, and the z-score approach for indexing. See Evans, M. (2010). Cameron's Competition State. In *Policy Studies*, Vol.31, No.1, pp.95-116.

time. This in itself is illuminating and worthy of inclusion, showing as it does how countries' performance relative to one another has changed over time. It allows us to chart whether Ireland, the ideal-type orthodox competition state in 2003, held that position in 1998 and whether it retains that position in 2008. This is interesting because we can seek to explain the relative changes in success over time in terms of policy approaches, global conditions, and domestic environments. This methodology is extremely popular in business, showing as it does the degree to which organisations or in this case nations, are performing against competitors. It allows for example the Financial Times newspaper to compare the relative success and performance of European business schools in a league table and demonstrate how schools have slipped or risen in the rankings from year-to-year (Financial Times, 2010). Similarly, Bradshaw and Richardson's indexes of childhood well being in Europe (2007 and 2009) are used to highlight, especially in the British press, the degree to which the UK is in terms of childhood well being, finding itself outperformed by other European nations. While Bradshaw and Richardson are forthcoming in accepting that their indexes of 2007 and 2009 are not directly comparable, they still draw conclusions about the position occupied by the UK in both the 2007 and 2009 indexes. By offering statements such as "The UK came bottom of the OECD league table and fourth from bottom of the EU25 league table, and this ranking indicates that British government efforts to eradicate child poverty and improve child well-being have yet to improve its comparative position" (Bradshaw and Richardson, 2009:325), or "that the UK is making such slow progress out of the bottom of this league table is an indication of the long term damage that can be done by neglecting children, especially in a recession" (Bradshaw and Richardson, 2009:350), suggest that the UK is failing to improve. What these statements mask is that an index built on average z-scores cannot be used to prove or refute such a claim. While the comparison of two indexes at two different points in time can confirm how a country's performance has changed relative to the group of countries being measured, it cannot illuminate a discussion around how its performance has changed relative to its own previous results.

The primary problem with comparing z-scores over time is directly related to what makes a z-score based index so useful when analysing just one point in time. The z-score is a measure of how far a country's behaviour, be it expenditure or a score

that has been generated within a specific domain, falls from the mean score for all the countries measured on that domain. It allows the researcher to build an index that “compares apples and oranges” by standardising the data. However, the z-scores, by being dependent on the mean and standard deviation of the sample or population, become meaningless when compared to the z-scores derived from another sample and by extension, a different mean and standard deviation. In chapter four for example we saw that on the dimension of the post-welfare contracting state, the UK exhibited an averaged z-score of 0.222. If we imagine that when the index is recalculated for 2008, the UK’s averaged z-score for the post-welfare contracting state dimension was 1.200, the tendency would be to assume that the UK had got ‘better’ or in this case, more competitive with regards this domain. Such an assumption would be lent credence if the UK also increased in rank on this dimension, let’s say from fifteenth to tenth. Indeed we could quite correctly declare that relative to other (measured) OECD countries, the UK was more competitive in 2008 compared to its relative position in 2003. However the increase in z-score and/or increase in rank cannot be cited in support of a statement that suggests the UK has become more like a competition state in this domain over time. The UK’s increased Z-score could simply be a product of a series of cutbacks in ALMP expenditure across the states that had previously exhibited lower expenditure in this arena, while expenditure across the remaining nations, the UK included, held steady. This would result in a lower group mean and as such, would result in those countries that were already above the mean finding themselves to be further away from it in 2008. Similarly, the rise in rank could be attributed to a combination of the above scenario alongside the reduced expenditure on this dimension by nations previously ranked higher than the UK, all while the UK’s behaviour remains static. As the index masks this, one would have to compare the raw data to check whether the UK’s behaviour in absolute terms, which in this case is expenditure, has increased. This would then have to be weighted for inflation and other such changes.

Comparing z-score indexes over time is still, as mentioned, illuminating; by charting the relative changes in rank we can assess which countries are proving to be most successful at pursuing the competitive advantage in terms of competition state behaviours. We can also add extra depth by referring to raw data and as long as both the researcher and the reader is aware of what the data can and

cannot be used to say, the endeavour is a useful one. However, with a slight alteration to the z-score formula, it is possible to not only compare relative behaviours over time, but also compare absolute behaviours. This chapter addresses the comparability issue of z-score indexes by employing a further layer of investigation. Following the lead of Scruggs and Allan (2003:33), rather than simply using z-scores, a reference year is built into the compilation of the index. In this instance the z-score equation is altered for the compilation of the index in years two and three so that:

$$Z = \frac{X - \bar{X}}{s}$$

(Adapted from Field, 2006)

becomes:

$$Z = \frac{X - \bar{X}_{\text{yr1}}}{s_{\text{yr1}}}$$

(Adapted from Field, 2006)

In the second equation,  $z$  is calculated by ascertaining how far a country's behaviour falls above or below the year one mean. This will not only allow us to rank countries in order of their behaviour, but will also allow some comparison to previous behaviour. In this instance we can suggest that an increase in averaged z-score such as that outlined above where the UK moved from 0.222 to 1.200 is due to an increased score, a score that moves further away from the average established in year one.

As the chapter's title suggests, what is uncovered can be thought of as a convergence towards the competition state model, just as Cerny hypothesised (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60; Cerny et al, 2005:21-22). However, this convergence masks much divergence or at least difference in behaviours. Rather than a uniform transition to the neo-liberal competition state, we can see the rise of potentially distinct competition state models, some of which similar to other models, others rather different. Furthermore, while the rise of the competition state can on some level be evidenced, the decline of the welfare state is not so easily charted. This chapter then answers and poses questions in almost equal measure. What this chapter also suggests is that the methodological debate and potential weaknesses of the additive index methodology weakens the findings to some extent. It also highlights

the fact that up to this stage, what is being measured is the relative behaviour of nations, assessing which countries are acting most like competition states. The simple fact is that the underlying assumption has been not only that the competition state exists in at least one, if not more forms, but also that nations are to differing extents exhibiting competition state behaviours. The indexes show that in year one for example, Korea spends the least in terms of social expenditure and as such, on that dimension is the leading competition state. What it doesn't show is whether the expenditure exhibited by Korea is what we would expect of a competition state; does Korea's social expenditure fall beneath a threshold whereby it can be truly symbolic of a welfare state and such can be considered as the behaviour of a competition state, or is the z-score indicate high competition state behaviour simply because compared to other nations, it spends relatively modest amounts? If most social expenditure as a proportion of GDP is around 50% in most nations, compared to around 30% in Korea, the index will indeed show that Korea is acting most like a competition state on this dimension. But we must ask, at what threshold is social expenditure as a proportion of GDP symptomatic of a welfare state and at what threshold is it symptomatic of a competition state? It may very well be that social expenditure of 35% of GDP is sufficient to support a traditional welfare state, if perhaps not as generous as those where 50% of GDP is dedicated to social expenditure, but sufficient nonetheless. That level of complexity is masked by simply accepting the original premise and then ranking nations in terms of their relative 'competition stateness'. The chapter ends therefore with a suggestion that a methodology that allows, where possible, a closer link to the expectations of the competition state thesis, could add real depth to the already much-illuminated debate.

### **3.2.3: A fuzzy set approach to operationalising the competition state, or the stable diversity of competition state forms**

This chapter's *raison d'être* owes much to the complications faced during the investigation detailed in chapter five. The findings of chapters four and five have been illuminating, however they have possibly stopped short of providing definitive answers to perhaps the most important questions: Does the competition state

exist? Are there different types of competition state? Are competition states changing?

Chapter six employs a rather different methodology from those utilised in the first two chapters, in an attempt to not only address some of those unanswered questions, but also to tie the quantitative analysis much tighter to the qualitative, theoretical approach of the authors and of the CST as well as the observations of other commentators. Perhaps the major finding of the first two chapters is that the competition state and welfare state do not exist in a binary, mutually exclusive relationship. Just as many have suggested that there are different types of welfare state (Bambra, 2005; 2007; Bonoli, 1995; Castles and Mitchell 1990; 1993; Esping-Andersen, 1990; Hudson and Kühner, 2009; Vis, 2007), so too does it appear that there are different types of competition state. It is worth remembering that Cerny and Evans believe that “the competition state is the successor to the welfare state, incorporating many of its features but reshaping them, sometimes quite drastically to fit a globalizing world” (Cerny and Evans, 2003:24). The type of competition state that emerges is then reflective of what features have been incorporated and the way they have been reshaped. Throughout the literature review it was demonstrated that while there was no consensus as to what features would be reshaped and how, this process was likely to be framed by existing national policies, state and non-state actors, institutions, and public opinion. The league table approach, however nuanced in its construction, cannot effectively capture this. What is needed is a methodology that can reflect the multidimensionality of the competition state (Hudson and Kühner, 2009:35:88; 2010:169; Kvist, 2007:475; Vis, 2007:108). The first two chapters suggest that at least two types of competition state exist, based largely on the fact that some states seemed to conform to the low expenditure orthodoxy of Cerny’s expectations whilst other states’ competition state behaviour seems confined to active labour market programmes. In chapter six we will see whether these do represent two distinct competition state models.

While the standardisation of data in the form of z-scores allowed the construction of an index that was able to capture the overall picture of a process that involved elements that were at times contradictory, it still faced some major limitations. In

terms of the data, z-score indexes, along with factor analysis and cluster analysis is dependent on mean averages, which as Hudson and Kühner highlight, “mask important elements of cross-national diversity<sup>22</sup>” (Hudson and Kühner, 2009:36; 2010:169:170). With regards the type of additive index presented in chapters four and five, it is possible that a high score on one dimension may mask what would have otherwise been a low score overall. This can quite easily be illustrated with both the neo-liberal competition states and Nordic competition states in chapter four. If we posit that the competition state is marked by both high ALMP expenditure and low social expenditure, it would be difficult to suggest that either the neo-liberal or Nordic nations had developed competition states. However, as both indicators were simply fed into the same index, ‘extreme’ performance on one of the dimensions could carry the overall score through lower scores on the other dimension. Furthermore, the entire z-score index was based on deviations from the mean, which in itself means that the index can be skewed or squashed due to the existence of outliers (Hudson and Kühner, 2009:38; 2010:169:170). As highlighted in chapter four, in the realm of the post welfare contracting state, Denmark most definitely represented such an outlier. Finally, as mentioned earlier, the z-score index can be used to merely paint a picture of the relative behaviour of nations. In chapter four we saw that from our sample of nations, Ireland and Korea exhibited the most competition state-like behaviour. Taken alongside the assumption or at least acceptance that the competition state thesis is correct, we are then moved to suggest that Ireland is the ideal type competition state. In reality, it may have fallen well short of competition state behaviour, despite appearing more like a competition state than any other nation.

In this chapter fuzzy set ideal type analysis is utilised in an attempt to address all of these problems. The real strength of employing this methodology is that it allows the researcher to operationalise a concept that has distinct dimensions in a way that ensures that the behaviour in one dimension is quantified and analysed separately from the other dimensions, while still being considered in the ‘final reckoning’ when one address the concept as a whole (Vis, 2007:118). To take the competition state as an example, fuzzy set analysis allows the researcher to

---

<sup>22</sup> A point also advanced by Vis (2007:118)

determine whether nations are acting as competition state in the arena of ALMPs whilst simultaneously ascertaining whether the same nations are acting as competition states in terms of social expenditure. This is achieved through the method itself, which requires the researcher to set thresholds that relate to the behaviour they are measuring (Berg-Schlosser and De Meur, 2009:25-26; Cronqvist and Berg-Schlosser, 2009:77; Ragin, 2000:150:318; 2009:93:118; Yamasaki and Rihoux, 2009:132). This is because a fuzzy set is based on a score that ranges from 0 to 1 where a score of one signals that a country or unit of analysis is fully in that set and zero denotes that it is fully out of the set (Ragin, 2009:89). Again, drawing on the competition state thesis, we could argue that any nation that spends 100% of GDP on social measures is definitely not a competition state and as such we could give it the score 0. This denotes that such a country is fully out of the social expenditure within a competition state set. In terms of the competition state, the nation in question is not displaying the expected competition state behaviour. Conversely we could state that any nation that spends 0% of its GDP on social programmes is demonstrating perfect competition state behaviour and as such is offered full membership of the social expenditure within a competition state set and a subsequent score of 1. As Ragin, Kvist, and Hudson and Kühner note however, such absolutes are unusual in the real world, or to invoke the language of the methodology, cases are often fuzzier, rather than crisp (Hudson and Kühner, 2009:36; 2010:169; Kvist, 2007:477; Ragin, 2000:149).

In reality what fuzzy set analysis requires, is for the researcher to consider the thresholds or qualitative breakpoints that make sense in the context of the literature (Ragin, 2000:123; 2009:118). So to take the example of social expenditure, a researcher interested in the welfare state may build upon the work of Therborn and suggest that a country that is spending over 50% of its total outlays on social measures is a true welfare state (Therborn, cited in Pierson and Castles, 2006, p.234). It doesn't really matter whether the actual figure is 51% or 80%; taking Therborn's lead 50% could be used to set the upper qualitative breakpoint and all nations exhibiting such expenditure levels at or above this level would achieve the score of one. We could also look at historical trends and argue that social expenditure above 30% as proportion of total outlays has always been maintained by the majority of welfare states and expenditure at the level is

necessary to maintain a welfare state. Any countries with expenditure below that level would consequently be assigned the score of zero. Many countries however would lie between these two breakpoints and here the midpoint, the score of 0.5, which would be assigned to any country with social expenditure at 40% of GDP, becomes extremely important (Kvist, 2007:478). Below such a score we can say that a country lies more out of a set than in and at levels above 0.5 a country can be viewed as more in than out of the set.

To continue with the example of the welfare state, it could be suggested that expenditure represents only one dimension and as such, that set would be complemented by others, which address other facets of the welfare state, perhaps even contradictory elements. If for example we believed that a welfare state was one that had high social expenditure, high levels of decommodification, generous benefit levels and maybe even low levels of poverty, we could follow a similar process to that outlined for social expenditure to create sets for each dimension. At the most basic level we could then insist that to be a welfare state a nation must be fully in, or at least more in than out of each set. So, to be defined as the ideal welfare state a nation would have to exhibit scores of above 0.5 in the social expenditure AND the generosity AND the decommodification AND the poverty outcomes sets. We may, alternatively suggest that a nation, to qualify as a welfare state must belong to at least two of the sets and we may even suggest that one of these must be the decommodification set. This way there is more than one route to being classified as a welfare state.

While setting the qualitative breakpoints and the justifications used for such points is a key consideration of chapter six, the example outlined above does not represent the limits of fuzzy set analysis. Fuzzy set analysis is indeed even more nuanced than the example above is able to demonstrate, allowing the researcher to capture not simply different routes to the same goal, but also different goals themselves. Hudson and Kühner for example use fuzzy logic and Boolean algebra to assign nations to different ideal types within the world of welfare, drawing the distinction between productive elements of welfare and protective elements (Hudson and Kühner, 2009). Similarly, Vis builds a model that reflects traditional welfare policies and behaviour alongside more workfare approaches (Vis, 2007).

Fuzzy set analysis is extremely useful when one wishes to capture the multidimensional nature of a process or phenomenon (Hudson and Kühner, 2010:177). With regards the competition state thesis, evidence presented earlier suggests that there may be at least two distinct competition state models. By using fuzzy set analysis not only can we test this finding more rigorously, we can also explore other manifestations of competition state that may have been masked in earlier research.

In chapter six then, sets that reflect the important dimensions of the competition state thesis are constructed and Boolean algebra is used to demonstrate all possible combinations of the sets (Berg-Schlosser et al, 2009:8:13; Ragin, 2000:39:71). This is tied to theoretical debates about the competition state, ultimately leading to the construction of ideal types. As Boolean algebra ensures that the number of combinations is equal to  $2^k$ , with k being the number of sets in the analysis (Hudson and Kühner, 2009:37), it is possible to produce more ideal types than there are cases, as such some ideal types can be collapsed as being extremely similar while others can be dismissed as not relevant to the literature, though this must be justified of course (Berg-Schlosser and De Meur, 2009:27). The results of this analysis, which involves the same countries and time periods investigated in chapter five, offer much to support the key findings of chapter five. Ultimately, fuzzy-set ideal type analysis confirms that nearly all countries demonstrate competition state behaviour within at least one domain of the competition state thesis. Moreover, this almost universal adoption of the competition state does not imply a uniformity of competition state forms. Instead, as the findings of chapter five suggested, there is clear evidence of stable, differentiated competition state models.

### **3.3: Summary**

The competition state is ripe for the kind of empirical exploration to which the welfare state has been subject for so long. In many respects the approaches to comparative welfare state studies can be easily transferred, however this relies on meaningful operationalisation of the competition state as a measurable concept first. This is not a straightforward task, which must be completed successfully so as to ensure that any conclusions reached do indeed reflect the true nature of the competition state thesis. It is important also that conclusions are reached as a consequence of the data and not simply the methodology and as such a multi-method approach is desirable.

The next three chapters detail linked, yet methodologically distinct investigations into the competition state thesis. They do not represent the only methods that can be used, but they do represent valid, interesting, and innovative approaches to a concept that has never been operationalised in such a fashion. As we will see, there will be much evidence provided over the next three chapters to support many of Cerny and Evans' key assertions, alongside findings that ask searching questions of the competition state thesis.

## **Chapter 4: Can the competition state thesis be operationalised and if so, what does it tell us?**

### **4.1: Introduction**

While measuring the competition state is relatively uncharted territory, this is a task that Cerny and Evans had indeed prepared for, deeming it both possible and necessary (Cerny and Evans, 1999:11). Indeed, Cerny and Evans provide dimensions on which they believe the competition state can be analysed. The goals of this ‘analytic framework’ were limited to monitoring the British experience of the competition state, notably the interaction between New Labour and the competition state (Cerny and Evans, 1999:11). This is the first of a series of problems faced by those wishing to use Cerny and Evans’ own framework as a tool for operationalising the competition state. The contention of the competition state thesis is that the competition state is a global phenomenon constructed by the forces of globalisation. Whether this is taken to imply some form of ‘race to the bottom’ or global convergence, or conversely, that national institutions will succeed in filtering out the global economic pressures they face, a rigorous appraisal of the competition state must surely not be limited to just one country.

When selecting appropriate countries for this study, certain issues had to be acknowledged: firstly, standardised data does not exist for every country in the world, and secondly, the competition state thesis is primarily concerned with advanced welfare states (see Cerny 1997; Cerny and Evans, 1999; Cerny and Evans, 2003). A good starting point is Esping-Andersen’s *Three Worlds of Welfare Capitalism* (1990). This seminal piece of work established the paradigm within which contemporary comparative studies of welfare states have existed (Alcock and Craig, 2001:5; Arts and Gelissen, 2002:143; Gough, 1996:222; Hudson and Lowe, 2004:51). Esping-Andersen classified eighteen nations into regimes to reflect the degree to which citizens of those countries were protected from the commodifying pressures of the market (Esping-Andersen, 1990; Hudson and Lowe, 2004:51). Esping-Andersen suggested that advanced nations could be categorised as belonging to one of three welfare regimes: liberal, social democratic, and conservative/corporatist regimes. Each regime was marked by a

different approach to welfare provision, equality, and social rights (Hudson and Lowe, 2004:51). The OECD does, however, provide the opportunity to widen the lens of Esping-Andersen's study, which has been criticised for omitting countries (see Bambra, 2007:1098). It would not have been worthwhile to include all OECD nations; countries such as Mexico and Turkey can hardly be described as mature welfare states. Likewise, following Castles', lead, Luxembourg and Iceland, two very small nations with 'patchy' data collection (Castles, 2004:13), were also omitted.

**Table 4.1: Countries covered by this study**

Countries and their country codes	
Australia (AUS)	Austria (AUT)
Belgium (BEL)	Canada (CAN)
Czech Republic (CZE)	Denmark (DEN)
Finland (FIN)	France (FRA)
Germany (GER)	Greece (GRE)
Ireland (IRE)	Italy (ITA)
Japan (JAP)	Korea (KOR)
Netherlands (NED)	New Zealand (NZE)
Norway (NOR)	Poland (POL)
Portugal (POR)	Slovak Republic (SLO)
Spain (SPA)	Sweden (SWE)
Switzerland (SWI)	United Kingdom (UK)
United States of America (USA)	

A second issue is that the competition state has undergone an evolution; speculative elements of Cerny and Evans' early framework have changed to varying degrees of magnitude. The importance of pensions policy and the centrality of the post-welfare contracting state are more clearly pronounced in later works for example (compare Cerny and Evans, 1999:11:27, with Cerny and Evans 2003:30-36). This evolution of the competition state thesis has seen stronger

elements of the competition state survive and be supplemented by other elements at the detriment of slightly less illuminating dimensions of the competition state. This may, of course, be a reflection of a theory that is constantly in development, and not a tool to insulate the competition state from empirical testing. Regardless of the motives however, the unfixed nature of the competition state makes it difficult to induce solid, fixed indicators for empirical testing of the thesis.

Added to this, among stable elements of thesis that seem ideal candidates for operationalisation, it is possible that constructing a robust variable is difficult because some elements of the thesis are difficult to quantify. For example, ‘recasting party ideology’ is one of the dimensions highlighted by Cerny and Evans as providing an empirical foundation for testing the competition state (Cerny and Evans, 1999:11). It is possible to think of the ‘recasting of party ideology’ as a theoretically measurable indicator of the competition state, with some form of coding reflecting that a country with centre-left parties undergoing such ideological recasting, being a country witnessing the competition state<sup>23</sup>. Quantifying this however, would undoubtedly prove more complex. For example, while there is general agreement that in the UK, New Labour has undergone profound ideological change, how one would measure the scope of this is unclear<sup>24</sup>. A simple dichotomy of ‘undergone ideological recasting’ on one hand and ‘not undergone recasting’ on the other hand tells us very little. Furthermore, the very notion that parties haven’t adjusted naturally over a fifteen to twenty year period is possibly naïve. Attempting to differentiate the different degrees to which a party has recasted its ideology would prove a subjective and ultimately arbitrary task, and would again tell us very little. These issues would be further complicated when one attempted to standardise this measure across a wide range of various nations to aid a meaningful comparative study.

Operationalising the competition state is not, then, straightforward. Where indicators can theoretically be induced, they cannot always be quantified, where quantification should be possible, data may not exist, and where data is available it

---

<sup>23</sup> Indeed the comparative manifestos project (CMP) has a wealth of data on the ideology of political parties.

<sup>24</sup> Using the CMP to assess whether Labour became a party with a ‘new’ ideology would prove complex and highly subjective. Moreover, this would need to be undertaken for all countries in the sample.

may not be applicable in the manner we had envisaged. What is necessary for a meaningful investigation of the competition state is a range of indicators that can be easily quantified, collected, and directly attached to the competition state. Acting on the assumption that these goals can be achieved by focusing on direct government action, asking what we would expect a government acting in a competition state to do in certain policy areas, this chapter outlines an index of the competition state-ness and subsequently uses this index to highlight any distinct patterns or clusters of competition states. In order to achieve these goals, a lengthy review of potential variables, and the relative importance of these variables to the competition state thesis, is necessary. It is to this review that we now turn.

## **4.2: Constructing and index**

### **4.2.1: Selecting meaningful variables**

There are many dimensions to the competition state, and each dimension has a plethora of potential indicators. What follows is a brief discussion centred on the specific variables selected for inclusion in a meaningful index of the competition state. Each variable is introduced with a brief rationale for its inclusion, along with a description of what the variable measures, the dimension of the competition state it represents, and how we would expect a competition state to behave with regards to this variable. The variables vary in their level of complexity and subsequently some variables will require a deeper discussion than others. Following the lead of studies such as the recent UNICEF investigation into child poverty in rich countries (UNICEF, 2007), the dimensions of this index will be weighted equally and be comprised of the average Z-scores of the variables within that dimension. A brief summary of this chapter can be found in 4.2.<sup>25</sup>

### **4.2.2: Overall welfare effort**

#### **Social Expenditure**

According to Cerny, reducing expenditure is a pivotal task for the competition state (Cerny, 1997:259). It is only by doing so, opines Cerny, that a state can avoid

---

<sup>25</sup> In this UNICEF report the authors stress that unless there is a compelling reason to do so researchers should resist the urge to weight aspects of the investigation. Rather, it is sensible to treat all dimensions as equally important (UNICEF, 2007:5).

'crowding out' private investment. Coupled with this is the assertion of Cerny and Evans, that a competition state subjugates social policy to needs of the economy, ultimately reneging on the traditional promises of the welfare state (Cerny, 1997:258; Cerny and Evans, 1999:1-2). These two statements imply that social expenditure should be lower in competition states than in more traditional welfare states. The insistence that governments are becoming increasingly preoccupied with 'prudent, balanced budgets' that foster competition (Eatwell, 1998:85) has indeed led to many assuming that we should witness a 'global race to the bottom' in terms of social spending (Castles, 2004:221; Kennett, 2001:16-17).

The practice of measuring social expenditure is well established, with both aggregate and disaggregate spending forming the basis to a plethora of studies that focus on welfare states (for example, see Bryson, 2001:70; Castles, 2004; Esping-Andersen, 1990; Pierson, 2006:131). While some have suggested that a focus on expenditure hides much in terms of the welfare state (See Esping-Amerson, 1990), Cochrane et al suggest that such methods allow for objective cross-national comparisons (Cochrane et al, 2001:9), and aid the construction of typologies. Castles adds to this, by insisting that social expenditure is the most widely used measure of welfare effort (Castles, 2004:21). One issue with analysing social expenditure is that the definitions of what constitutes social expenditure may differ between countries (Castles, 2004:21). However, this data is successfully standardised if one utilises the OECD social expenditure database (SOCX) as one source of data. The SOCX database provides a thirteen-component measure of social expenditure (SOCX, 2007), which ensures that social expenditure in one country reflects the same dimensions of spending as the social expenditure in another country (SOCX, 2007).

#### **4.2.3: The post-welfare contracting state**

##### Active Labour Market Programmes

The next dimension pertains to what Cerny and Evans call 'the post-welfare contracting state' (Cerny and Evans, 1999:27). Central to this is the notion that welfare entitlements are being replaced by schemes that favour integrating people

into the private sector workforce (Cerny and Evans, 1999:27). It is hypothesised that competition states would make use of Active Labour Market Programmes (ALMP's) as an alternative to social assistance. Commentators such as Clarke and Giddens insist that ALMP's facilitate a 'shift from passive to active welfare' and shift the focus of government expenditure from unemployment benefits to subsidised employment or training programmes (Clarke, 2005:448; Giddens, 1998:115; Powell and Hewitt, 1998:10). Walker and Wiseman argue in a way that is consonant with Cerny and Evans' competition state, that ALMPs in the UK, which are applied to all irrespective of age, gender, or reason for being in receipt of either social insurance or social assistance, reflect both the economic and social goals of the Government (Walker and Wiseman, 2003:22). In the UK then, perhaps the inspiration for Cerny and Evans competition state, along with all other competition states, we would expect to find a relatively high usage of ALMPs.

ALMPs are, at their most basic, strategies or programmes designed to return unemployed people to employment. This can be direct through job creation, job harmonisation, or job subsidisation, or through education or training (Fay, 1996:6; Martin, 2000:93-98; Robinson, 2000:17; Walker and Wiseman, 2003:9).

SOCX provides data on ALMP's, both as a proportion of GDP, and as a percentage of government expenditure and both measures will be included in the index. This allows us to highlight not only which governments are spending the most on ALMP's, but also what the relative importance is of ALMP's within individual state's policy programmes.

#### **4.2.4: Traditional welfare responsibilities**

##### Pensions generosity ratio

Pension policy has become an increasingly important aspect of the competition state. Not only does this represent an arena where 'government expenditure crowds out private investment' (Cerny, 1997:259), it also represents a policy arena in which citizens could take greater responsibility (Cerny and Evans, 2003:37). It should also be noted that unlike ALMP's, which may ultimately aid competitiveness, pensions expenditure represents a form of spending that cannot be categorised as investment in the long-term performance of the market. These

integral elements of the competition state (and the third way) dictate that overall government spending should be modest. Indeed, Cochrane et al highlight how reducing pension expenditure as a proportion of GDP was an early target for New Labour (Cochrane et al, 2001:82-83), who sought to supplement a basic state pension with private second and third tier pensions.

Once again SOCX provides data on old age spending, both as a proportion of GDP, and as a proportion of government expenditure. However, this may not be sufficient to create a meaningful indicator of pension policy. This is because high levels of spending may be artificially driven by higher numbers of older people in some countries, compared to lower numbers in other countries. This is potentially a major problem, especially if, as many commentators contest, most advanced welfare states are facing a ‘demographic time-bomb’ (Hay, 2001:206).

In ‘*The Three Worlds of Welfare Capitalism*’ (1990), Esping-Andersen measures pension effort by looking at both the minimum and average replacement rates in a country, as well as taking into account the length of any necessary contributory periods (Esping-Andersen, 1990:54). Castles however, utilises an altogether simpler method to produce what he terms a ‘welfare generosity ratio’ (Castles, 2004:37). This is generated by dividing a country’s total social expenditure as a proportion of GDP by the sum of the percentages of people at or above retirement age, and the percentage of people who are unemployed (Castles, 2004:37). This, Castles argues, gives an indication of social expenditure per welfare recipient, and as such provides a measurement of a country’s generosity (Castles, 2004:37). One obvious problem with this approach is that the unemployed and elderly are not the sole recipients of welfare, a point Castles himself concedes (Castles, 2004:37). The basic method however, is sound, and if instead of attempting to create a composite generosity measure, we simply divide old age spending as a proportion of GDP (available through SOCX), by the percentage of people who are at or above pensionable age (available through OECD General Indicators), this could be considered as a measure of old age generosity. As stated above, we would expect to find low levels of generosity amongst competition states.

### Unemployment generosity

The notion that competition states favour more active forms of welfare, and how ALMP's are central to what Cerny and Evans label 'the post-welfare contracting state' (Cerny and Evans, 1999:27) has already been discussed. This empirical section has also highlighted how competition states seek to decrease their levels of overall spending. While ALMP's represent attempts to increase participation in the workforce, there will still be many people not in employment, subsidised employment, education, or training. If welfare entitlements represent what Clinton often referred to as a 'carrot' (Clinton, 2005:271-272; Powell and Hewitt, 1998:11; Pierson 2006:182), low levels of passive unemployment benefits and stricter qualification criteria surely represent the 'stick' of a more workfare approach (Clinton, 2005:271-272; Powell and Hewitt, 1998:11; Pierson 2006:182). Competition states, in trying to minimise their involvement in the labour market, alongside an attempt to foster a greater notion of responsibility, would not favour high levels of passive unemployment spending.

As with the case of pension spending, a simple indicator of national expenditure is not particularly useful on its own. While creating a generosity ratio is not the only option available (Esping-Andersen, for example, looks at replacement rates and qualification periods, 1990:54), it does again provide a simple yet realistic measure of government effort. As with the old age generosity ratio, unemployment spending as a proportion of GDP is divided by the percentage of the civilian workforce who have found themselves unemployed (available from OECD Labour Force Statistics).

Combined with our old age generosity ratio, unemployment generosity represents a broader welfare effort dimension to our competition state index, and as noted, this is a generosity we would expect to be lower amongst competition states.

#### **4.2.5: Government regulation of industry**

##### Product Market Regulation

Another dimension to the competition state index is 'government regulation of industry', which comprises of the variables Employment Protection Legislation (discussed below) and Product Market Regulation (PMR). PMR is a measure

compiled by the OECD, of the “relative friendliness of regulations to market mechanisms” (Nicoletti, et al, 2000:2). This relative friendliness is measured along three dimensions: state ownership of business; barriers to entrepreneurship; and barriers to trade and investment and the aggregate PMR score reflects how easy it is, in a nutshell, to do business. If, as highlighted earlier, competition states are concerned with the risk of crowding out private enterprise, it would follow that competition states would also seek to ensure that business is not impeded by a restrictive and overly regulated market. Conway et al opine, “regulation is perhaps the most pervasive form of state intervention, potentially too intrusive, possibly affecting productive efficiency and a corporation’s ability to compete” (Conway et al, 2005:4). Indeed, research shows that PMR raises barriers to trade, investment, and even research and development (Schiantarelli, 2008:46-48). Moreover, Schiantarelli notes that the higher and “faster rate of productivity growth associated with less stringent PMR reduces, *ceteris paribus*, inflationary pressure” (Schiantarelli, 2008:48). Low PMR then is directly related to the principle goal of the competition state, the reduction of inflation. Perhaps more stark is the simple assessment of Nicoletti and Scarpetta that PMR presents a barrier to both productivity and investment, while the contrary force or pro-competitive reforms towards lower PMR scores can lead to higher per capita GDP growth (Nicoletti and Scarpetta, 2006:83).

A PMR score has been generated for a range of countries on the basis of various economic indicators collected by the OECD, and answers to a questionnaire. Despite the connotations, the questions avoid subjectivity, requiring relatively straightforward answers to questions across the range of domains included in the PMR, one example being: “are there any National, state or provincial laws or other regulations that restrict the number of competitors allowed to operate a business [in a range of industrial sectors]?” (Conway et al, 2005:48)<sup>26</sup>. This largely qualitative data is then converted into a quantitative ‘score’, with a low PMR score

---

<sup>26</sup> Other examples include: “Are there statutory or other legal limits to the number or proportion of shares that can be acquired by foreign investors in publicly controlled firms?” (Conway et al, 2005:52). And, “is there an explicit program to reduce the administrative burdens imposed by government on enterprises and/or citizens?” (Conway et al, 2005:45).

reflecting a country that has weaker regulatory barriers to business. Cerny has argued that the competition state has prompted the re-regulation of markets (Cerny, 2008:25; 2010a:7-8), turning the purpose of regulation on its head (Cerny, 2008:3:10; Cerny and Evans, 1999:3:9). As such it is important to ensure that the regulation in question is indeed prohibitive. Conway et al accept that regulation can indeed be pro-competitive and address this by ensuring that “the indicators are constructed from the perspective of regulations that have the potential to reduce the intensity of competition in areas of the product market where technology and market conditions make competition viable” (Conway et al, 2005:4). As lower levels of regulation imply a more open and competitive market (Nicoletti et al, 2000:36), we would expect competition states to exhibit low PMR scores.

There is, however, one area of concern: the PMR is a composite measure of over fifteen indicators, ranging from: the simplification of rules, to price controls, and barriers to foreign ownership. As a result, this can lead to country's PMR scores masking contrary trends along certain indicators. The US for example, generally exhibits low levels of regulation, except in the case of tariffs on foreign goods, and barriers to foreign ownership (Conway et al, 2005:10) which may reflect an often protectionist industrial history (McGee, 1996:3-5). The overall PMR score for the US is subsequently raised due to slightly higher regulations on foreign ownership (McGee, 1996:3-5).

### Employment Protection Legislation

A further indicator of the degree to which governments regulate business is the strictness of Employment Protection Legislation (EPL) within a country. EPL was first introduced to safeguard the welfare of workers, and was primarily concerned with limiting a company's ability to fire employees (OECD Economic Outlook, 2004:2). Over the last twenty years however, there has been a growing debate as to whether EPL has a negative effect on labour market performance (OECD Economic Outlook, 2004:16; Nicoletti et al, 2000:54). There is a belief that EPL presents a particular difficulty for new industries, especially those requiring the use of new technologies for which the market is uncertain (OECD Economic Outlook, 2004:20). This is particularly relevant to the competition state thesis, which

envisages an era of borderless states interconnected by information and communications technologies (Cerny and Evans, 1999:1-3).

The measure of EPL utilised in the index was taken from the OECD Economic Outlook (2004), and was compiled from a plethora of indicators. It ultimately reflects a variety of employment issues. These issues range from how difficult it is to fire a person, to the use of temporary contracts in industries (Nicoletti et al, 2000:43; Conway et al, 2005:27). A low EPL score reflects a country with a more lax system of employment protection, and if the implications noted above have any basis, a country that places fewer obstacles in the path of companies. As such, we would expect to find low EPL scores amongst competition states.

#### **4.2.6: Taxation**

Colin Hay invokes the writings of Adam Smith in considering the vexatious inquisition of taxation, noting that the proprietor of stock would, rationally, abandon any country that burdened him with taxation (Hay, 2001:209). For Hay, the competition state is underpinned by the very issue of capital mobility and investment (Hay, 2001:209), and if the competition state is marked by anything, it is the opening of economic borders, which in theory, makes such flight a possibility. It is Hay's contention that capital is much more fixed than Cerny and Evans would argue and as such, relatively high levels of taxation, especially on corporations, can be sustained by the countries that wish to do so (Hay, 2001:212). The competition state is though, in part, a product of active policy, the pursuit by a neo-liberal policy elite, to chase the competitive advantage. It is central to the competition state as it not only directly affects business, but also is a key factor in building the legitimate competition state (Cerny, 2008:21), or as Lunt argues, instrumental in winning hearts and minds for the competition state (Lunt, 2010).

##### Average rate of income tax

According to the competition state thesis, a government that is endeavouring to reduce its various forms of expenditure while at the same time favouring policies

that stimulate the domestic market should require a smaller financial contribution from its citizens. It will also undoubtedly relish a situation where the population has a higher disposable income. Lower taxes would reflect both the above points, and as such we would expect to find lower rates of tax amongst competition states. In the index, the tax burden of a worker earning the average weekly wage, payable to all forms of government, and any mandatory social security contributions is retrieved from the OECD Wages and Taxes (2006), and provides an accurate picture of the tax burden of the average worker.

### Top-rate of income tax

Competition states, concerned with economic performance are less likely to institute a high top-rate of personal tax as this may render that state less attractive to entrepreneurs and established business owners. They also make use of tax cuts to encourage risk taking in the markets (Cerny and Evans 2000:22). Furthermore, it should be noted that competition states, existing in what may be referred to as a more liberal context, often place an emphasis on meritocracy (Hay, 2001:210; Hudson, 2003:283; Hudson, 2006:11), and that embedded in the fabric of such regimes is what Esping-Andersen terms “traditional liberal work ethic norms” (Esping-Andersen, 1990:26). As with the average worker, competition states would be expected to favour a low rate of tax for the high earners, but here there is an added incentive, retaining the capital they possess, and increasing the number of potential risk takers.

Data for this variable is taken from the OECD Wages and Taxes database (2006). It measures the top-rate tax burden of a single person, including all taxes payable to all forms of government, and any mandatory social security contributions. The top rate of tax would be expected to be lower among competition states than traditional welfare states.

## Top-rate of corporate tax

For many of the same reasons as we would expect to find lower rates of personal tax in competition states, we would also expect to find low rates of corporate tax. Indeed, in the rush to ensure that domestic markets are attractive to corporations, one may even expect a ‘race to the bottom’ with regards to corporate tax rates. Cerny and Evans demonstrate how corporate tax has been manipulated by New Labour, who reduced the National Insurance contribution and rate of tax required from small and medium enterprises, in an attempt to encourage risk taking in the market (Cerny and Evans, 1999:22). Data from the OECD in figures (2005), provides information on the top-rate of corporate tax across the OECD, and includes necessary social security contributions. Once again, we would expect to find this at a low level amongst competition states. Table four summarises the dimensions, variables, and expectations involved in the creation of this index.

**Table 4.2: Summary of the competition state index**

Dimension	Variables	Expectation and operation	Source
Overall Welfare Effort	Social Expenditure as %GDP	Low amongst competition states. (Z*-1)	OECD SOCX 2007
The Post-Welfare Contracting State	Active Labour Market Expenditure as %GDP	High amongst competition states. (Z*1)	OECD SOCX 2007
	Active Labour Market Expenditure as % Total Expenditure		
Government regulation of industry	Product Market Regulation	Low amongst competition states. (Z*-1)	OECD
	Strictness of Employment Protection Legislation		
Traditional Welfare Responsibilities	Unemployment Generosity	Low amongst competition states. (Z*-1)	OECD SOCX 2007; OECD Labour Force Statistics
	Old Age Generosity		
Taxation	Tax Burden of Average Worker	Low amongst competition states. (Z*-1)	OECD Wages And Taxation 2006
	Top-Rate of Income Tax		
	Top-Rate of Corporate Tax		OECD in Figures 2005

#### **4.2.7: Method of indexing**

This study adopted a methodology based on the Z-scores of different government actions in certain policy fields. The Z-score based approach (ZBA) is, like Esping-Andersen's famous decommodification index, devised to place welfare states into different ideal types (Esping-Andersen, 1990), based upon deviations from the mean. By using Z-scores, the ZBA is able to standardise the data, transforming it into a form whereby the mean becomes zero and the standard deviation becomes one, thus:

$$Z = \frac{X - \bar{X}}{s}.$$

(Field, 2006:13)

This is a useful approach, which avoids many of the problems faced by Esping-Andersen's work (See Ditch, 1999:118; Pierson, 2006:174-176; Scruggs and Allen, 2006:1-5) and has been adopted not only in the realm of social science, but psychology, medicine, and business. Z-scores are put to uses as diverse as compiling an international index of childhood well-being across nations (see UNICEF, 2007), and the compilation of university league tables (see Chauhan, 2005). By using a scale whereby the upper and lower limits are defined by the countries in the index, the ZBA reveals, "how far a country falls above or below the average for the group as a whole" (UNICEF, 2007:7).

Z-scores can be both positive and negative in nature, which reflects that a data point might lie above or below the mean. Because we would expect competition states to produce relatively high Z-scores on some dimensions, and low Z-scores on other dimensions, it is necessary to transform some of the results. Z-scores for dimensions where we would expect competition states to score lower, will be multiplied by minus one ( $Z(-1)$ ). This approach is therefore called the ZBA, and not merely the Z-score approach. By employing this function, a high overall ZBA score would be expected from competition states.

### **4.3: Findings**

Table 4.3 shows that Ireland and Korea score highest on the competition state index (ZBA), while Poland and Austria score the lowest. Ireland appears to act as a competition state on all five dimensions used in compiling this index, an achievement matched only by the UK. Interestingly, all countries display ‘competition state behaviour’ on at least one dimension of the index. Poland for example, registers a relatively high index score in the dimension of taxation, whereas France, Belgium, and Germany, all score high in the dimension of post-welfare contracting state. Indeed, the post-welfare contracting state appears to be a dimension of the index where the countries displaying overall competition state behaviour, seem to be acting in a manner contrary to expectations. It is possible that such states, while favouring active labour market policies over unemployment benefits, still view any expenditure as a burden on competitiveness.

Table 4.4 (p.138) shows the competition state index compiled using the ZBA. Here only the overall index score for each country is presented. Two broken lines have been used to divide the index into three groups of countries. These lines have been placed at seemingly ‘natural’ divides in the data. The first group, of ‘relatively high scoring states’ (RHSS) runs from Ireland with an overall score of 9.419, to the United States with an overall score of 1.909.

A second group of ‘middling states’ (MS) includes all of the Nordic nations, and runs from Sweden with an overall score of -0.029, to Spain with a score of -1.514. The final group, of ‘relatively low scoring states’ (RLSS) runs from Italy with a score of -2.611, to Poland, with a score of -5.892. While these divisions are mathematically arbitrary (not unlike Esping-Andersen’s), chart 4.1 (p.139) helps to illustrate the almost ‘natural’ nature of these divides.

Indeed, chart 4.1 (p.139) clearly shows two distinctive blocks of countries registering visually clear positive and negative scores at opposite ends of the index, with a ‘flatter’ block of countries lying in the middle, scoring between -0.029 and -1.514.

**Table 4.3: The competition state index, shown in rank order of total score, displaying dimension scores, and total index score**

Country	Dimension of the competition state index					
	Overall welfare effort	Post-welfare contracting state	Traditional welfare responsibilities	Government regulation of industry	Taxation	Total Score
Ireland	1.081781	1.316376	1.229554	1.792017	4.000032	9.41976
Korea	3.034466	-1.74499	2.935126	-0.41678	3.177291	6.985116
United Kingdom	0.18363	-0.52917	1.530778	2.769879	0.973382	4.9285
Slovak Republic	0.613399	-1.18545	0.604971	0.680775	3.253356	3.967053
Switzerland	0.321481	0.11987	0.020321	0.289593	2.919913	3.671178
Australia	0.698156	-1.19251	1.447238	2.313524	-0.19001	3.0764
New Zealand	0.514355	-0.92519	0.612069	1.298723	0.946906	2.446866
Canada	0.729819	-1.23276	1.52224	2.0523	-1.47828	1.593323
United States	0.981579	-2.47478	0.921751	3.196482	-1.43409	1.190949
Sweden	-1.8069	3.840945	-0.62265	0.045573	-1.48634	-0.02936
Finland	-0.15076	0.647501	0.322505	0.092993	-1.34016	-0.42792
Czech Republic	0.014503	-2.54996	0.163516	-0.85337	2.327931	-0.89738
Portugal	-0.20617	-0.27759	-0.04531	-2.36183	1.811779	-1.07913
Japan	0.696804	-1.73632	0.746824	0.428779	-1.34092	-1.20484
Denmark	-1.12209	4.667521	-3.09115	1.379347	-3.15562	-1.32199
Norway	-0.67533	0.207783	0.417723	-1.01438	-0.29955	-1.36375
Netherlands	0.226298	1.949265	-1.46334	-0.16809	-1.96703	-1.42289
Spain	0.163358	0.770024	-0.0513	-1.97201	-0.42456	-1.51449
Italy	-0.52879	-0.16691	0.182099	-1.22827	-0.86889	-2.61077
France	-1.32442	1.85234	-0.90995	-2.20437	-0.42301	-3.00941
Greece	-0.04593	-2.28439	-0.23975	-2.2634	1.735818	-3.09766
Belgium	-0.97323	1.874175	-1.18197	-0.21441	-3.91754	-4.41298
Germany	-1.14004	2.511027	-1.22187	-0.4382	-4.15109	-4.44019
Austria	-0.90933	-0.66808	-2.30156	0.065878	-0.74172	-4.55481
Poland	-0.37665	-2.78873	-1.52785	-3.27074	2.072416	-5.89155

**Table 4.4: Overall index scores**

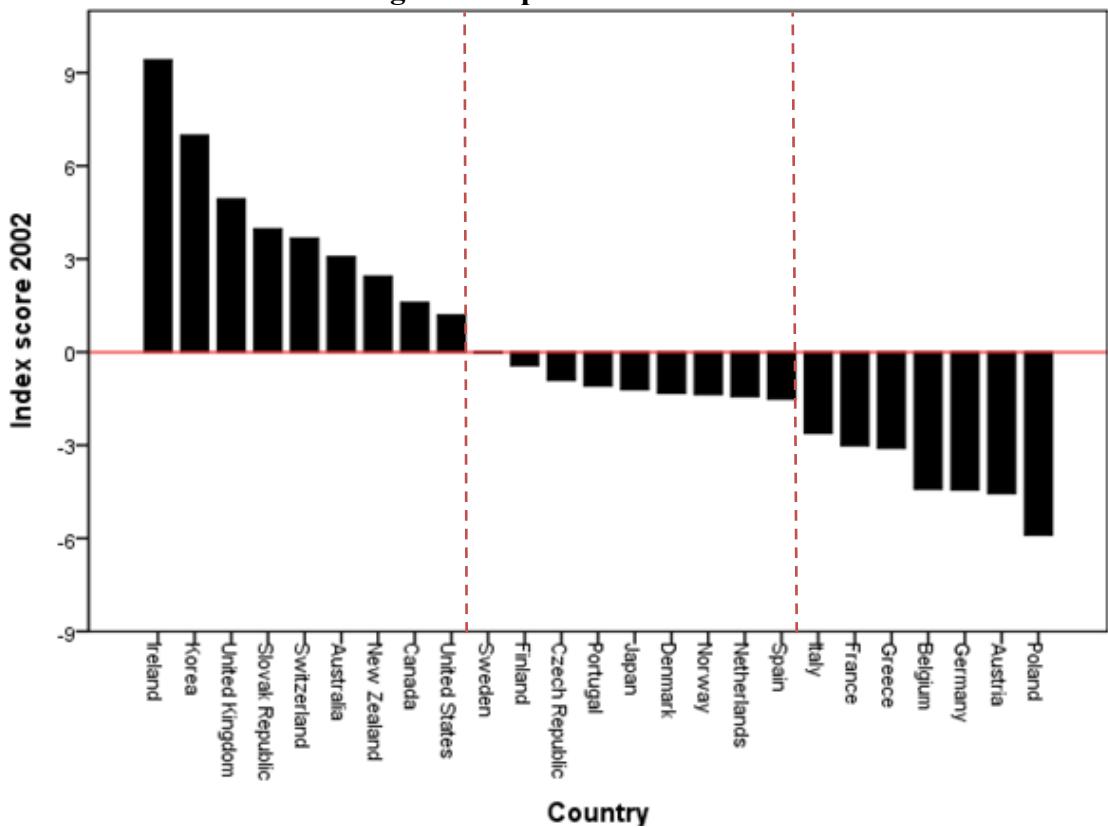
Country	Score
Ireland	9.41976
Korea	6.985116
United Kingdom	4.9285
Slovak Republic	3.967053
Switzerland	3.671178
Australia	3.0764
New Zealand	2.446866
Canada	1.593323
United States	1.190949
Sweden	-0.02936
Finland	-0.42792
Czech Republic	-0.89738
Portugal	-1.07913
Japan	-1.20484
Denmark	-1.32199
Norway	-1.36375
Netherlands	-1.42289
Spain	-1.51449
Italy	-2.61077
France	-3.00941
Greece	-3.09766
Belgium	-4.41298
Germany	-4.44019
Austria	-4.55481
Poland	-5.89155

While the findings of this index will be discussed in more detail later in this chapter, it is worth highlighting at this early stage that the index is not merely an inversion of Esping-Andersen's de-commodification index. It is true that the nations Esping-Andersen labelled as 'liberal regimes' have all scored high on the index, however they have not retained the same order. Another point that will receive attention later is the fact that the states Esping-Andersen classified as 'social democratic' lie closer to the liberal regimes in this index than they did in Esping-Andersen's de-commodification index.

Referring back to table 4.4, the RHSS are largely as expected, with liberal regimes dominating the group. What is interesting is that all of the RHSS display low levels of welfare effort and generosity. This point is illustrated in table 4.3, which tells us

that the RHSS are also states with a ‘laggardly’ approach to welfare effort and a ‘miserly’ approach to generosity.

**Chart 4.1: Bar chart showing the competition state index**



This point is illustrated in table 4.5 (overleaf), which tells us that the RHSS are also states with a ‘laggardly’ approach to welfare effort and a ‘miserly’ approach to generosity. This is particularly interesting when we consider Cerny and Evans’ assertion that competition states undermine a state’s ability to perform its generic functions. If, as was suggested earlier, the most important generic function is providing a decent level of welfare, and such a level is related to how much the government spends on such measures (Castles 2004:178), it would appear that the RHSS below, may indeed be failing to perform their generic functions.

What is also interesting is the relatively high position of the Nordic states in the index. Table 4.6 compares the index with Esping-Andersen’s de-commodification index. This table (4.6, p.134) illustrates that the ZBA is not merely an inversion of Esping-Andersen’s de-commodification index, if that were the case, a country’s rank in the ZBA index would be virtually analogous to its rank in terms of commodification. As the third column shows, all countries except Japan either move up or down as we shift from the ZBA to a rank of commodification.

Interestingly, the ‘big movers’ are Esping-Andersen’s social democratic regimes and his conservative regimes.

**Table 4.5: The RHSS and their index scores in selected dimensions**

Country	Overall welfare effort	Traditional welfare responsibilities
Ireland	1.081781	1.229554
Korea	3.034466	2.935126
United Kingdom	0.18363	1.530778
Slovak Republic	0.613399	0.604971
Switzerland	0.321481	0.020321
Australia	0.698156	1.447238
New Zealand	0.514355	0.612069
Canada	0.729819	1.52224
United States	0.981579	0.921751

Table 4.6 shows how these two regimes inhabit much higher ranks in one index compared to the other with the social democratic regimes scoring much higher in the index, and the conservative regimes scoring much higher in terms of commodification.

The high scoring by social democratic regimes on the index seems to be largely a consequence of the ‘post-welfare contracting state’ dimension of the index. Table 4.7 shows that Denmark, the Netherlands, Sweden, and Norway all present high positive scores in terms of ‘post-welfare contracting state’.

The raw data used to compile this index is even more illuminating here: both Sweden and Denmark produced raw z-scores of above 2 in the variable of ‘spending on active labour market policies as a percentage of public expenditure’. With a sample size of twenty-five, the expectation would be that only one country (1.25) would present a z-score above 2, as a z-score of 2 or above (either positive or negative) represents 5% of all z-scores in a normal distribution. Furthermore,

the figure of 2.49 achieved by Denmark represents a data point that we would only expect to find in 1% of cases (0.25 cases in this sample), as illustrated in figure 4.1 (p.136).

**Table 4.6: Countries included in Esping-Andersen's de-commodification index, ranked both in terms of *commodification* and their competition state index scores**

Index score	Commodification	Difference in ranks
Ireland	Australia	Ireland -4
United Kingdom	USA	United Kingdom -4
Switzerland	New Zealand	Switzerland -10
Australia	Canada	Australia +3
New Zealand	Ireland	New Zealand +2
Canada	UK	Canada +2
United States	Italy	United States +5
Sweden	Japan	Sweden -10
Finland	France	Finland -2
Japan	Germany	Japan +2
Denmark	Finland	Denmark -5
Norway	Switzerland	Norway -5
Netherlands	Austria	Netherlands -2
Italy	Belgium	Italy +7
France	Netherlands	France +6
Belgium	Denmark	Belgium +2
Germany	Norway	Germany +7
Austria	Sweden	Austria +5

Spearman's Rho coefficient of correlation = 0.591; p= 0.010

**Table 4.7: Selected social democratic countries and their post-welfare contracting state dimension scores**

Social democratic countries	Post-welfare contracting state
Denmark	4.668
Sweden	3.841
Netherlands	1.949
Norway	0.207

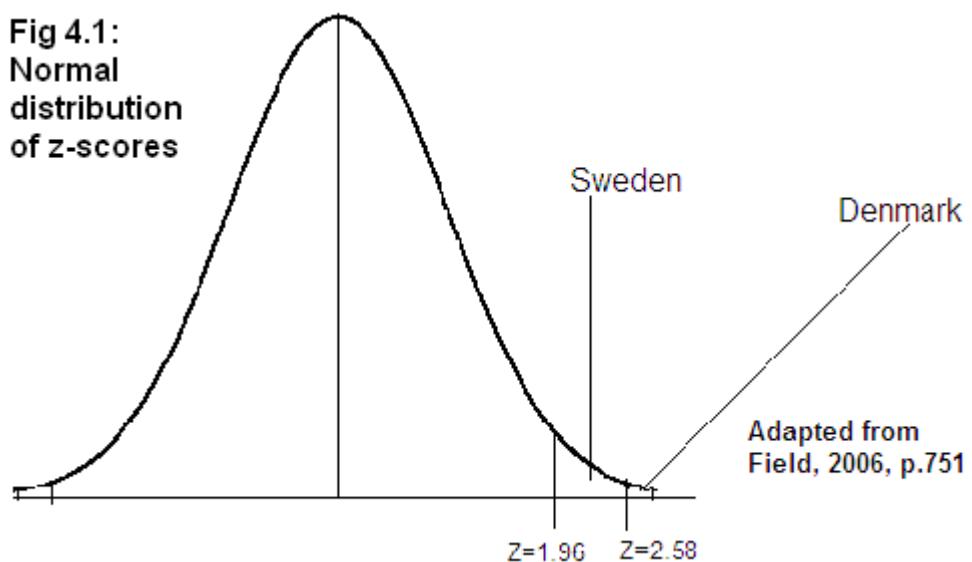
This tells us that both Sweden and Denmark are spending a much higher percentage of their social expenditure on active labour market policies relative to all the other countries in this study, indeed a higher relative level than we would expect in such a sample.

With Sweden often referred to as the most developed ‘universal welfare state’ (Salonen, 2001:143), the fact that Sweden scores highly could have three possible implications: firstly, Cerny and Evans are correct in insisting that the competition state forces nations into a post-welfare contracting state; secondly, ALMP’s may be a perfectly routine part of the universal welfare state; or, thirdly, what we are seeing are two distinct forms of the competition state - one that conforms to Cerny and Evans’ low spending model and one that shifts expenditure towards more active social policies, while not reducing overall expenditure.

It is worth noting that the Swedish use of ALMP’s is nothing new, stretching as far back as the 1930’s (Ellison, 2006:121). It is also true that the nature of these has shifted amongst the social democratic regimes over the past twenty years, largely in the face of an ‘unemployment crisis’ (Salonen, 2001:156). The nature of this change is worthy of exploration because it will help to clarify which of the two scenarios mentioned above is most realistic.

Ellison concedes that the use of ALMP’s in the ‘Nordic Block’ and the Netherlands has witnessed what he calls a ‘neo-liberal drift’ (Ellison, 2006:117). This neo-liberal drift reflects EU and OECD attachment to the emerging themes of social responsibility and more active welfare, and has seen the Nordic Block and the Netherlands tighten up their historically generous ALMP’s (Ellison, 2006:124-125). In the case of the Netherlands, Ellison claims this may even represent a paradigm shift in term of labour market policy (Ellison, 2006:115).

**Fig 4.1:**  
Normal  
distribution  
of z-scores



A now somewhat dated report commissioned by the Social Policy Research Centre at the University of New South Wales showed that throughout the 1970s and 1980s, Swedish utilisation of ALMPs was extremely high compared to the other Nordic countries (Larsen, 1991:13). Moreover it argues that ALMPs are by their very nature a force of commodification, as indeed is any policy geared towards full-employment. At the time of writing, Larsen demonstrated how over 70% of Sweden's policy approach was based on active measures. This stood in contrast to Denmark, which provided more passive support and in addition, generated more exit strategies for older workers (Larsen, 1991:13). Despite this Larsen, in his discussion of the Danish 'Job Offer Scheme', highlights the fact that the 1990s represent an era in which the intention of the Government in Denmark "is to transfer resources from passive public support to active employment measures for all the long-term publicly supported" (Larsen, 1991:25; see also Daguerre, 2004:42; and Lindsay and Mailand, 2004:196-197). Furthermore, as Daguerre (2007:103) and Dwyer and Ellison (2009:402) note, this refocusing of Danish policy reflected a shift towards what they call a more American work first principle. As the results of this study show however, some 12 years after Larsen's report, it seems that Denmark was successful in increasing its commitment to ALMPs while at the same time failing to shake off the shackles of high expenditure and generous public support.

The increasing use and strictness of ALMP's in these countries, should not however, be taken as evidence that Cerny and Evans are correct in their assertions regarding the post-welfare contracting state. Robinson suggests that ALMPs around the world representing a balance between serving as a mechanism to "meet one of three objectives: the reduction of unemployment; the reduction of welfare expenditure or at least the cost of welfare dependency; and finally, the reduction of poverty" (Robinson, 2000:14). Moreover he argues that these objectives can conflict, either in an outright fashion or simply due to the unintended consequences of certain measures (Robinson, 2000:14).

The answer lies not in exactly how much a country is spending on ALMPs or even whether ALMPs rather than passive measures represent a greater proportion of a country's policy approach to dealing with unemployment. The USA for example is preoccupied with the first of Robinson's ALMP objective – the reduction of unemployment and inactivity. As such it is increasingly making use of what Ellison calls 'work first programmes' primarily utilised for economic reasons (Ellison, 2006:119). The UK on the other hand, or at least Robinson argues, is pursuing all three objectives, attempting to tackle unemployment and reduce expenditure, while also endeavouring to tackle the causes and experiences of poverty (Robinson, 2000:14). If that is indeed the case, one would have expected to identify higher ALMP expenditure than was actually exhibited by the UK.

With regards Sweden and the other 'Nordic' countries it is clear that the twin goals of ALMPs are to reduce unemployment, but also to reduce income poverty (Calmfors, et al, 2002:4). This explains both the high ALMP expenditure and high passive expenditure. Furthermore, it is argued that the countries covered here are taking a more 'human capital approach' (Alcock and Craig, 2001:156; Pierson, 2001:442). Such human capital approaches are centred on lifelong learning, job creation, and tax credits for employers who employ the long term unemployed (Alcock and Craig, 2001:156); Jonasson and Petterson, 2004:173). Here, the emphasis is more focused on work as a means of social integration (Jonasson and Petterson, 2004:173), at the heart of citizenship (Ellison, 2004:120). This doesn't necessarily mean that the Nordic ALMPs are not indicators of a shift towards a competition state. It is a direct response to economic conditions that Denmark has

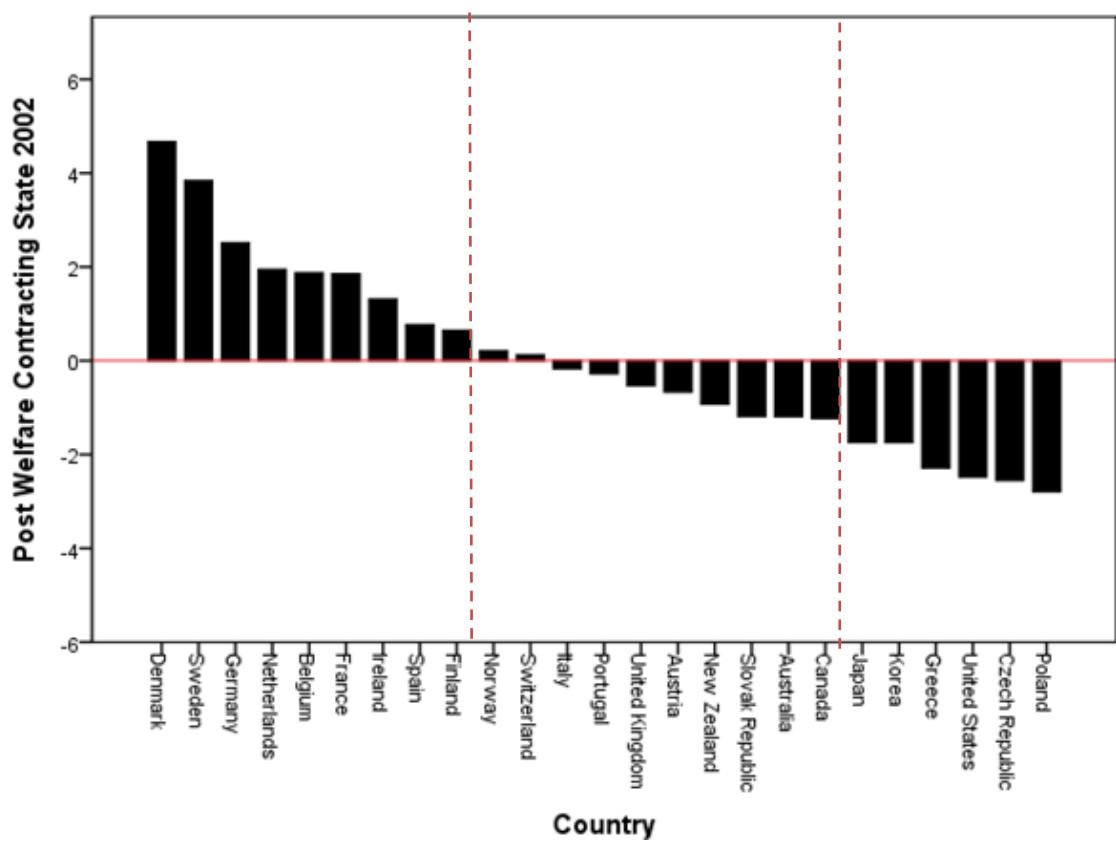
embarked upon a programme that makes increased use of ALMPs and even in Sweden, where public support is extremely generous and ALMPs are incredibly human capital intensive (Calmfors et al, 2002:4; Pierson, 2001:442; Salonen, 2001:156; Sianesi, 2004:134), they are still mandatory and strict (Wood, 2001:400). The aim of these policies, whether we look at Denmark's Job Offer scheme, the UK's New Deals, or even Sweden's historical commitment to ALMPs, they all have one thing in common and that is that they ultimately commodify the citizen.

To assess then, whether a high score in the index within the dimension of 'post-welfare contracting state' alludes to a neo-liberal drift, requires an extra layer of depth to the data used to comprise this index. A composite measure of ALMP spending cannot differentiate between countries whose ALMP's are marked by human capital ideals, or work first principles.

Finally, a brief mention of those states that do not favour ALMPs is pertinent. The relatively low post-welfare contracting state scores exhibited by the overall RHSS are particularly intriguing. Chart 4.2 shows that no countries exhibit scores vastly below the mean, and that the countries that lie between the two broken lines (which includes all the overall RHSS) show very little variation. As suggested earlier, the inclusion of states that seem to, in all other dimensions, exhibit 'competition state behaviour' runs contrary to expectations. This could possibly be explained if the RHSS all favour a more work first ALMP approach. If this is the case, and ALMP's are solely a tool to enforce labour market participation, expenditure per unemployed person on ALMP's could be lower in such countries. In the cases of the Slovak Republic, Poland, and the Czech Republic, the low levels of expenditure may owe more to the stage of development that their market economies find themselves in. Indeed research by Lubyova and van Ours (1998), Kluge et al (1998), and Boeri and Burda (1995), suggests that the Slovak Republic, Poland, and Czech Republic respectively have made increasing use of ALMPs. Boeri and Burda go further suggesting that the Czech 'miracle' of low unemployment stands as testament to the efficacy of ALMPs (Boeri and Burda, 1995:807), though a contrary assessment is offered by Lehman (1995:8). Lehman actually believes that ALMPs are not the correct tool to battle the levels and types

of unemployment faced by Poland, the Slovak Republic, and Even the Czech Republic (Lehman, 1995:54). He suggests that each of these markets lacks the structure within which ALMPs can be successful and ultimately, they will not reduce unemployment (Lehman, 1995:55). Wherever the truth lies, it is clear that expenditure does not match the rhetorical importance that is placed on ALMPs in these countries (Lehman, 1995:8). It is important however to consider the observation that these are all market economies in their infancy and much more may be to follow (Boeri and Burda, 1995:809; Kluge et al, 1998:3; Lubyova and van Ours, 1998:8).

**Chart 4.2. Bar chart showing countries' post-welfare contracting state scores**



#### **4.4: Conclusion**

This empirical chapter opened with the question: can the competition state be measured? This was not a straightforward task; the unfixed nature of the competition state made it difficult to construct dimensions that could be operationalised. This problem was at times, further compounded by a lack of useful, available data.

Despite these obstacles, a functioning index was compiled. Nations previously categorised by Esping-Andersen as ‘liberal regimes’, were relatively high scoring in the index, suggesting that these nations were more like competition states than other nations were. Two intriguing findings to emerge involved the performance of the social democratic regimes, as well as the performance of countries that were not part of Esping-Andersen’s *‘three worlds of welfare capitalism’* (1990). Here we found that largely due to their extensive use of ALMP’s, social democratic regimes scored high on the index. It was considered that if it had been possible to separate more human capital based ALMP’s from work-first ALMP’s, we may have witnessed a different pattern. Countries such as Spain, Portugal, and Greece, seemed to be grouped together with the conservative regimes of France, Germany, and Italy, forming a group that could be called ‘continental European regimes’. In this study, as with studies by Castles (2004) and Esping-Andersen (1990), countries that shared a similar geography or recent political history, generally seemed to inhabit the same groups as one another. What was particularly interesting was that the countries from Eastern Europe seemed to follow paths that were independent of one another. It might have been hypothesised that three bordering countries, all of which, until recently, were under Soviet influence, may have exhibited similar trends. It would be potentially worthwhile, if, data permitting, future studies included more Eastern European countries as this may add illumination to this hypothesis.

Tasked with determining whether the competition state thesis could be operationalised and then measured, and what such measurement would tell us; this study has revealed the existence of at least two distinct forms of the competition state. The first, largely made up of those countries that were categorised by Esping-Andersen as liberal regimes, seem to conform to the

competition state thesis as detailed by Cerny and Evans. This is especially evident in terms of welfare expenditure and generosity. Even here though, this investigation cannot necessarily attribute these findings directly to the rise of the competition state. It may be possible to explain the high levels of competition stateness in Ireland and South Korea, two countries with extremely ‘open’ economies (Chung, Jung, and Yang, 2006:125-126; Cotter, 2004:2; O’Riain, 2004:28) as being a direct product of the irresistible demands of the economy and subsequent processes of hollowing out that Cerny and Evans mention (Cerny and Evans, 1999:26). This may not necessarily be the case with other countries that scored high in the index. These high scores, driven by low expenditure and generosity, in countries such as the UK, USA, Australia, and New Zealand may owe more to what Esping-Andersen calls “traditional liberal work ethic norms” (Esping-Andersen, 1990:26).

As for the second type of competition state, the predominantly Nordic countries are marked by a conflict between seemingly generous levels of welfare expenditure and a propensity towards ALMP’s. We really need to discern whether these ALMP’s truly represent what Giddens calls active welfare (Giddens, 1998:115), or whether they represent a more neo-liberal drift towards a greater reliance on the ‘stick’ in more draconian ALMP’s (Ellison, 2006:124-125). The answers may help us understand whether this second type of competition state represents an example of countries adapting to the rise of the competition state by moulding the competition state to fit traditional national ideals.

The discovery of at least two types of competition state raises some interesting questions regarding the competition state thesis; for starters, does the existence of these two distinct competition states run contrary to the competition state thesis itself? This is especially salient if the ‘Nordic model’ differs from the more traditional, ‘liberal model’ largely on the basis of national, institutional action. If it has been possible for countries such as Sweden and Denmark to filter the effects of the competition state in a fashion that protects and promotes human capital, could this also be attempted in countries such as the UK and South Korea?

Is there anything that can be gleaned by looking at the countries that have scored lowest in the index? Is this evidence that some forms of governance are more susceptible to the rise of the competition state than others? Are some forms of governance impervious to the competition state? Or can we surmise that as even in this block of countries there is some indication of competition ‘stateness’, the competition state really is as pervasive as Cerny and Evans suggest?

We should also not lose sight of the fact that what has been measured here is a country’s competition stateness relative to other countries in this study. Yes Ireland is the most like a competition state in our sample and yes Poland appears to be least like a competition state within our sample; but can we really infer that this means Poland is still a welfare state and Ireland is the competition state ‘ideal type’? Even if we decided Ireland was a fully fledged competition state, without further, deeper study, we cannot really appraise the degree to which this competition stateness has begun to undermine the nation state as Evans and Cerny suggest it does (Cerny and Evans, 2003:25). If Ireland has succumbed to the rise of the competition state while maintaining the ability to perform generic state functions, does this provide a more optimistic lens through which to view the competition state?

As the competition state thesis outlines a dynamic, irresistible process, it may be that such questions cannot be satisfactorily answered until we have observed if, and how, a country’s competition ‘stateness’ has altered over time. Indeed, a longitudinal approach may help us to ascertain whether the ‘Nordic’ competition state is not only distinct, but robust and here to stay.

## **Chapter 5: There and back again? Or: From competition states to competition state?**

### **5.1: Introduction**

In chapter four the competition state thesis was explored in terms of its viability for operationalisation. A methodology was developed to allow for an indexing of nations with regards to how they behaved on five dimensions of the competition state thesis. It was suggested that anticipated behaviour amongst competition states would include low expenditure on welfare, higher expenditure on active market labour programmes (ALMPs) signalling a shift towards a post welfare contacting state (PWCS), low levels of generosity in the arenas of unemployment and old age expenditure, low levels of government regulation of industry, and low levels of taxation. By measuring twenty five OECD nations against such expectations, the following league table of overall competition state behaviour was developed for the year 2002<sup>27</sup>.

Table 5.1 shows that Ireland and Poland lie at the two extremes of this league table, indicating that Ireland was in 2002, relative to the other countries in this study, the nation exhibiting the strongest competition state behaviour, while Poland was exhibiting the weakest competition state behaviour. Moreover, seemingly ‘natural’ divides appeared within the data suggesting that we were witnessing three distinct groups or clusters within the data and, consequently raised the question of whether three distinct approaches to, or manifestations of the competition state were being witnessed. Further study of the separate constituent elements of the index provided evidence of at least two distinct competition state forms, one exhibiting a fidelity to Cerny and Evans’ traditional, low spend-low tax competition state model, and one driven by an active approach to labour market policy. The third group was ambiguous, indicating either a rejection of either competition state model or perhaps a competition state so infant that it was imperceptible.

While the findings of this chapter were illuminating, there was one key weakness to the approach; the study focused on only one year. As such, we cannot

---

<sup>27</sup> Though the data for the government regulation of industry dimension was drawn from 2003

definitively state whether the two or possibly three types of competition state represent stable differentiated models, or rather whether the three groupings are merely separated by how far they have moved towards the orthodox competition state model.

**Table 5.1: Competition state index scores for 2002 as taken from chapter four**

Country	Total score
Ireland	9.41976
Korea	6.985116
United Kingdom	4.9285
Slovak Republic	3.967053
Switzerland	3.671178
Australia	3.0764
New Zealand	2.446866
Canada	1.593323
United States	1.190949
Sweden	-0.02936
Finland	-0.42792
Czech Republic	-0.89738
Portugal	-1.07913
Japan	-1.20484
Denmark	-1.32199
Norway	-1.36375
Netherlands	-1.42289
Spain	-1.51449
Italy	-2.61077
France	-3.00941
Greece	-3.09766
Belgium	-4.41298
Germany	-4.44019
Austria	-4.55481
Poland	-5.89155

This ‘snapshot’ problem (See Bowen and Wiersema, 1999:626) is especially pertinent when discussing the competition state thesis as the key driver of the thesis is identified as globalisation, a process that is ongoing. Globalisation is clearly too complex to consider in terms of before and after, rather it represents a continuum of interconnected process that are enforced and mitigated both nationally and globally. Ultimately, things change. The year 2002 may be atypical; it may represent a moment of unique prosperity or conversely a moment of crisis. Given that 2002 saw countries dealing with the aftermath of 9/11 and in some countries, the additional financial commitment to military responsibilities, it may indeed represent an unusual year.

With regards the competition state thesis, the possibility that 2002 may be an atypical year is not really the key problem. Rather, the fact that a snapshot cannot illuminate trends is the major limitation. Cerny for example accepts that globalisation and the competition state do allow for variant state forms, however insists that such variant forms can only exist while the state remains economically successful (Cerny, 2010a:18; Cerny and Evans, 1999:8). Ultimately however, the classical competition state model, that is to say the neo-liberal model, is likely to be the only viable state form in a global financial market (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60). It is therefore imperative that we seek to answer that question: do the two or possibly three types of competition state represent stable differentiated models, or rather are these three groupings merely separated by how far they have moved towards the orthodox competition state model? If we accept that one group of nations, including the ideal-types Ireland and Korea as well as the Antipodes, the UK and the US, do indeed exhibit the behaviour expected of orthodox competition states, we would expect in accordance with Cerny’s views, to witness two trends develop over time: the first trend being that those established orthodox competition states will continue to exhibit high scores on the index. This reflects the fact that as Cerny and Evans posit, turning back the tide of globalisation and the competition state is extremely difficult, becoming perhaps impossible as the features, goals, and policy actions of the competition state become further embedded (Cerny, 1997:269; Cerny, 2008:34). Secondly, we would expect, or at least Cerny and Evans would predict, that over time, the behaviour of those nations that occupied the remaining

two ‘types’ of competition state would begin to exhibit behaviour more akin to the orthodox competition state model (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60; Cerny et al, 2005:21-22).

This chapter seeks to build upon the snapshot of the competition state presented in chapter four by creating indexes for two more years (1997 and 2007) and charting any apparent changes. This is not straightforward however; as will be discussed, there are methodological issues that have to be addressed when comparing indexes over time. Furthermore, it is important to realise that even by analysing the most recent data available, the transitions towards competition states across the world may still be in progress and such investigations should be revisited in the future.

Building on the approach adopted in chapter four, the obvious procedure for addressing the two hypotheses mentioned above would seem to involve simply replicating the investigation carried out in chapter four, at two other points in time. There would be some value in this; such an approach would show how countries’ performance relative to one another has changed over time. It would allow us to chart whether Ireland, the ideal-type orthodox competition state in 2002, held that position in 1997 and whether it retains that position in 2007. This is interesting because we can seek to explain the relative changes in success over time in terms of policy approaches, global conditions, and domestic environments. Indeed this method has proven popular in both business and academia and as such, has impacted on government debate. While the comparison of two indexes at two different points in time can confirm how a country’s performance has changed relative to the group of countries being measured, it cannot illuminate a discussion around how its performance has changed relative to its own previous results.

The primary problem with comparing z-scores over time is directly related to what makes a z-score based index so useful when analysing just one point in time. The z-score is a measure of how far a country’s behaviour, be it expenditure or a score that has been generated within a specific domain, falls from the mean score for all the countries measured on that domain. It allows the researcher to build an index

that “compares apples and oranges” by standardising the data. However, the z-scores, by being dependent on the mean and standard deviation of the sample or population, become meaningless when compared to the z-scores derived from another sample and by extension, a different mean and standard deviation. To address this issue one can continuously refer to raw data to supplement the indexes, thus providing some illumination with regards real changes over time. This is perhaps rather inelegant however and can be avoided through the use of a reference year within the analysis. This can be achieved through slightly different means. One approach is to set first years values as representing 100% and recording subsequent years as percentages relative to the first year (See Land et al, 2007:112). In this chapter however the approach of Scruggs and Allan (2003:33) is adopted. This allows for the comparison of indexes in a way that can reflect a country’s change relative to itself as well as its standing relative to other countries. This is achieved by altering the equation used to calculate z-scores in years two and three so that:

$$Z = \frac{X - \bar{X}}{s}$$

(Adapted from Field, 2006)

becomes:

$$Z = \frac{X - \bar{X}_{\text{yr1}}}{s_{\text{yr1}}}$$

(Adapted from Field, 2006)

In the second equation,  $z$  is calculated by ascertaining how far a country’s behaviour falls above or below the year one mean. This will not only allow us to rank countries in order of their behaviour, but will also allow some comparison to previous behaviour. In this instance we can suggest that an increase in averaged z-score is due to an increase in raw data, which means that the country has exhibited a score that moves further away from the average established in year one. As such, a higher score for a country in years two and three does, within this investigation, indicate more competitive behaviour than exhibited by the same country in year one.

While it was necessary to affect the minor alteration detailed above to the method of indexing, the core of the approach to operationalising the competition state has been maintained from chapter four. The same sample of countries is utilised here

for example, as are the same dimensions of the competition state and the same variables used to construct these dimensions. Table 5.2 summarises the how the indexes are constructed for all three years.

**Table 5.2: Summary of the competition state index**

Dimension	Variables	Expectation	Source
Overall Welfare Effort	Social Expenditure as %GDP	Low amongst competition states	OECD SOCX 2010
The Post-Welfare Contracting State	Active Labour Market Expenditure as %GDP	High amongst competition states	OECD SOCX 2010
	Active Labour Market Expenditure as % Total Expenditure		
Government regulation of industry	Product Market Regulation	Low amongst competition states	OECD SOCX 2010
	Strictness of Employment Protection Legislation		
Traditional Welfare Responsibilities	Unemployment Generosity	Low amongst competition states	OECD 2010; OECD Labour Force Statistics
	Old Age Generosity		
Taxation	Tax Burden of Average Worker	Low amongst competition states	OECD Wages And Taxation 1998; 2006; 2010 OECD in Figures 2005; 2006; 2009
	Top-Rate of Income Tax		
	Top-Rate of Corporate Tax		

## **5.2: Findings**

### **5.2.1: The observation of change**

Perhaps the simplest and most obvious finding is that change is indeed witnessed over time. This is illustrated in charts 5.1 and 5.2, which show that not only do countries shift in ranks over time, but that their scores are also shifting over time. Chart 5.1 shows that Ireland retains its position at the top of the index and as such cements its reputation as the leading competition state, which was established in chapter four. Similarly, Korea, the UK, the Antipodes are all established within the ‘top ten’ during 1997 and all retain those positions throughout all three years of the study. The United States, much lauded as the archetypal competition state falls from sixth position in 1997 to ninth in 2002 and tenth in 2007. At the other end of the scale, the bottom 6 nations remain relatively stable also. But for a brief incursion by Poland in 2002, this relatively corporatist block of Germany, France, Austria, Belgium, Italy and Greece, while shifting between one another, occupy the bottom spaces throughout.

Chart 5.1: Line chart showing changes in ranks within the competition state index over time

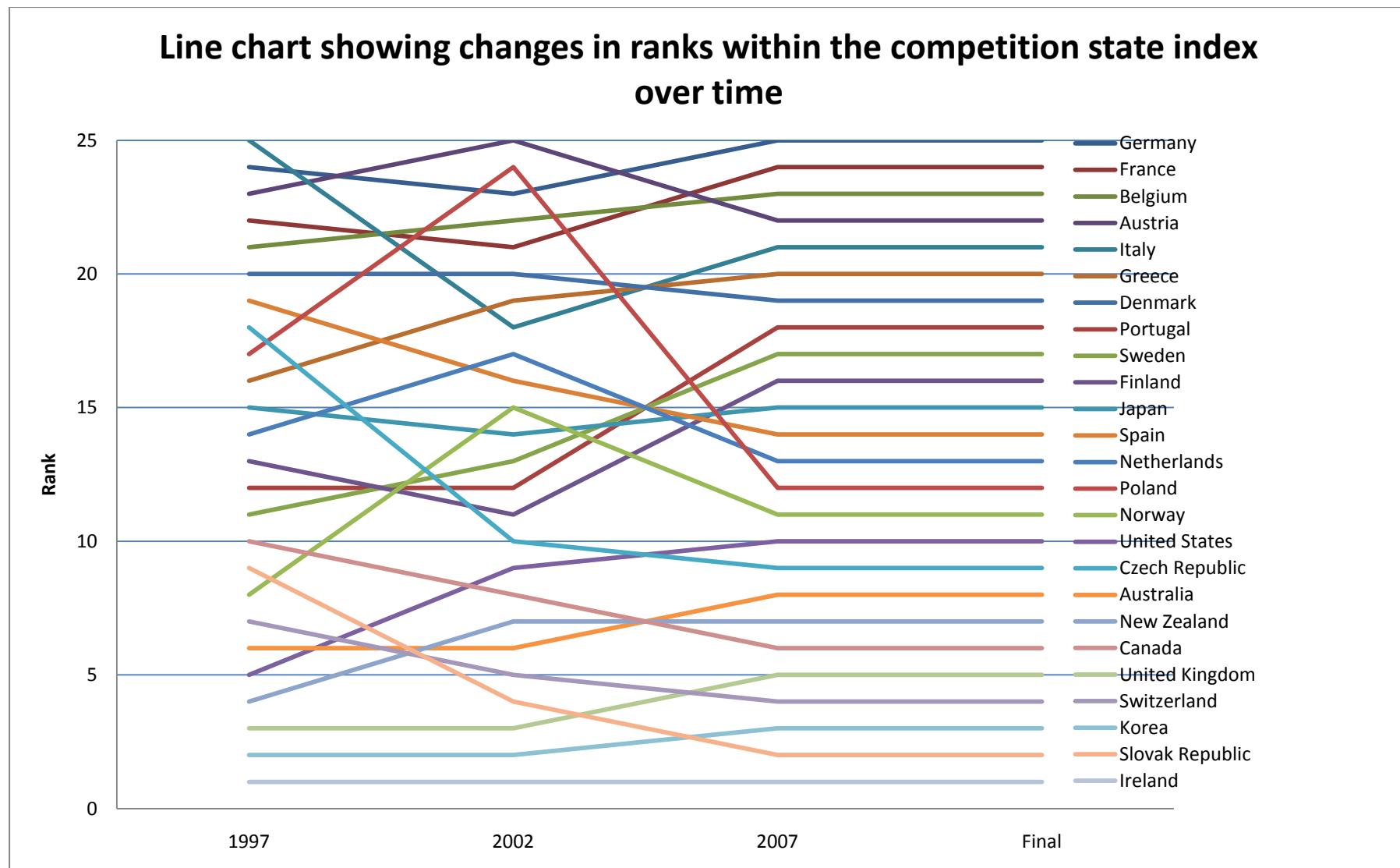
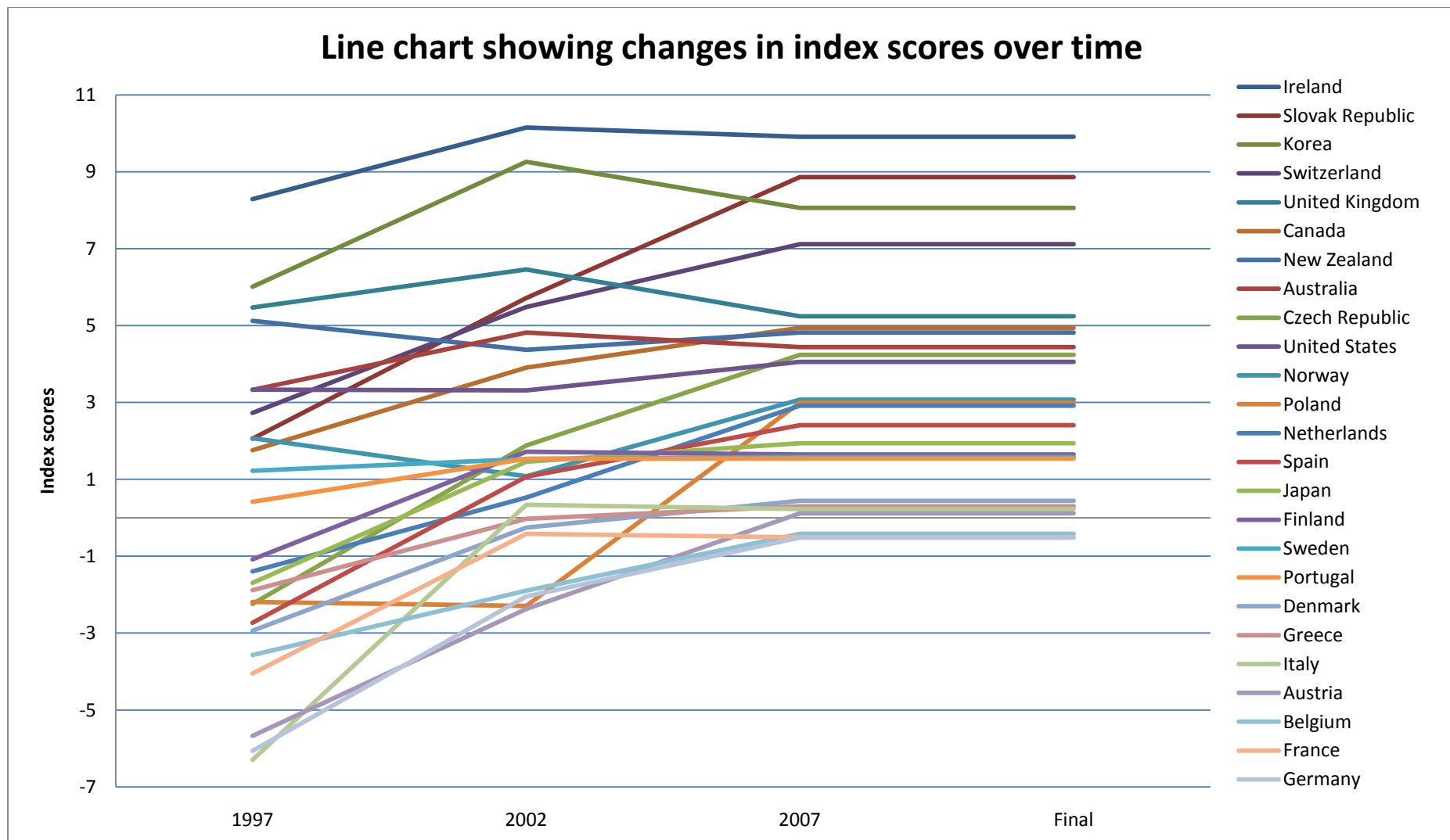


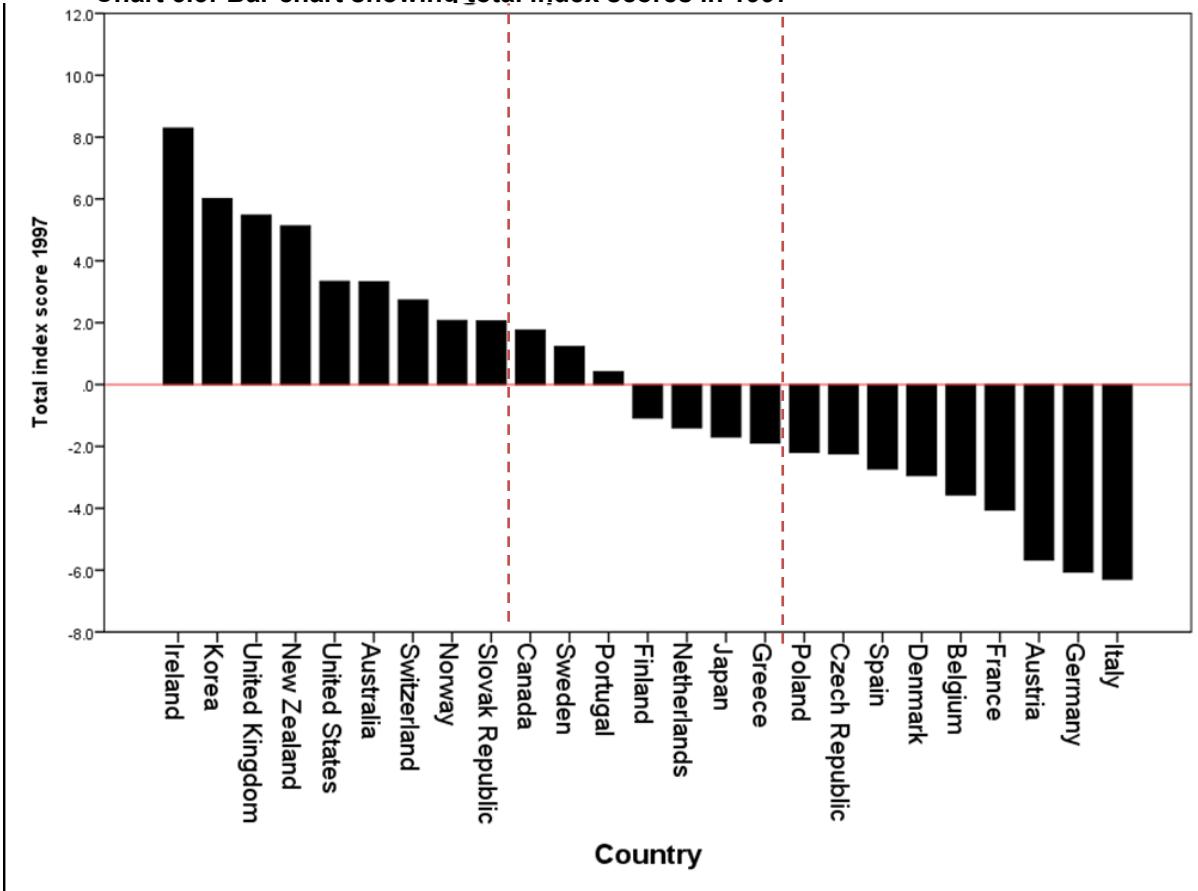
Chart 5.2: Line chart showing changes in index scores over time<sup>28</sup>



<sup>28</sup> This chart along with charts 5.8, 5.13, and 5.14 have been broken into more ‘manageable’ smaller charts and can be found in the appendix as items A.6.1-A.6.4.

The Nordic countries, those that appeared to make up a second type of competition state in chapter four, are again to be found lying between these two poles, that which seemed to conform to the traditional competition state approach and that which seemed to reject it. As mentioned however, the change in ranks over time only reveals so much. We can say that with the exception of a few countries (which will be discussed later), the overall picture is relatively static, or at least movement is generally contained within the three categories identified in chapter four. This apparent inertia however, is masking quite profound change. Even at the aggregate level, focusing on changes in ranks and therefore the relative competitiveness of countries within this sample masks the fact that scores are changing across time in a less uniform manner. Germany, which inhabits 24<sup>th</sup>, 23<sup>rd</sup>, and 25<sup>th</sup> place in 1997, 2002, and 2007 respectively, exhibits a score of -0.517 in 2007, which in chapter four would have placed it amongst the second group of countries, ensconced between the Czech Republic and Finland, much closer to the neo-liberal competition states than its corporatist neighbours. Indeed, even here, Germany's 2007 score of -0.517 would have seen it rank 14<sup>th</sup> in 1997.

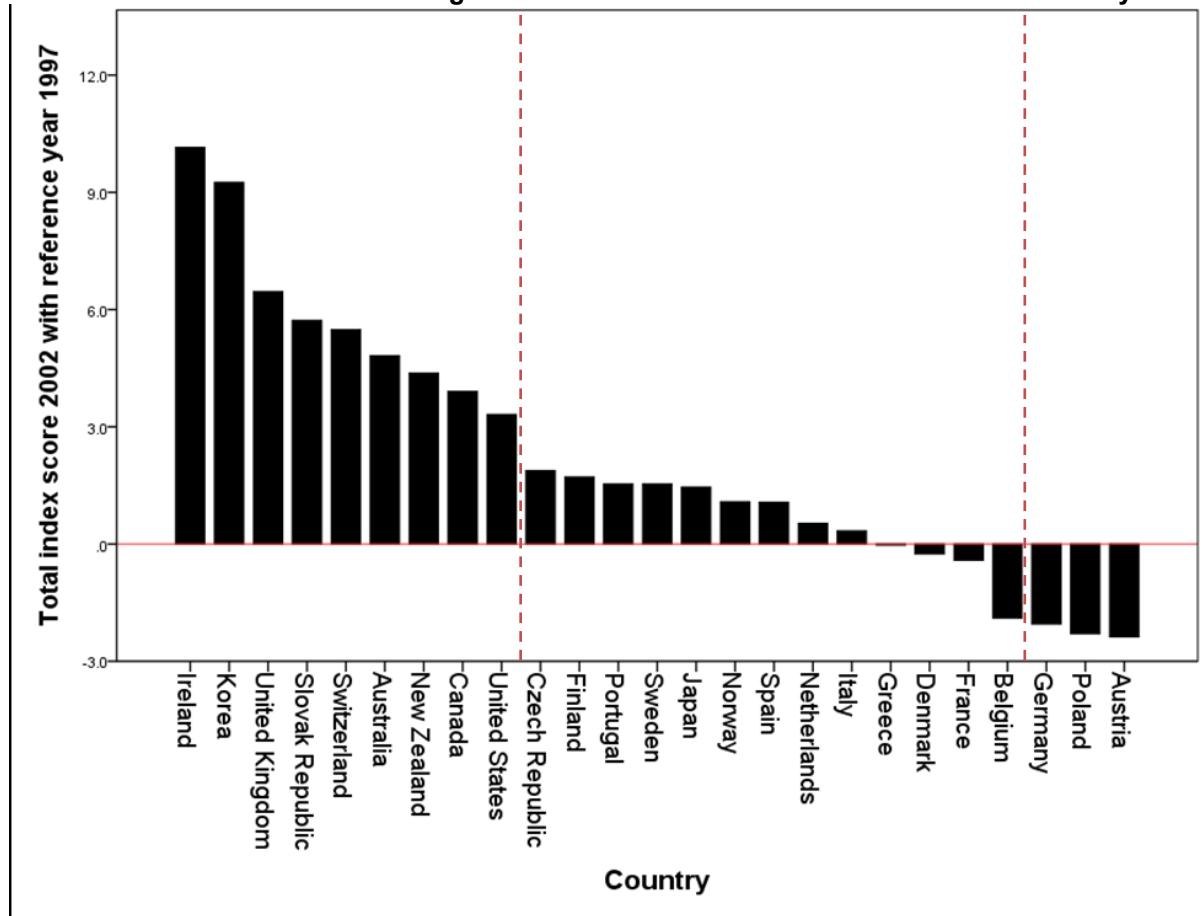
**Chart 5.3: Bar chart showing total index scores in 1997**



### 5.2.2: Towards the competition state?

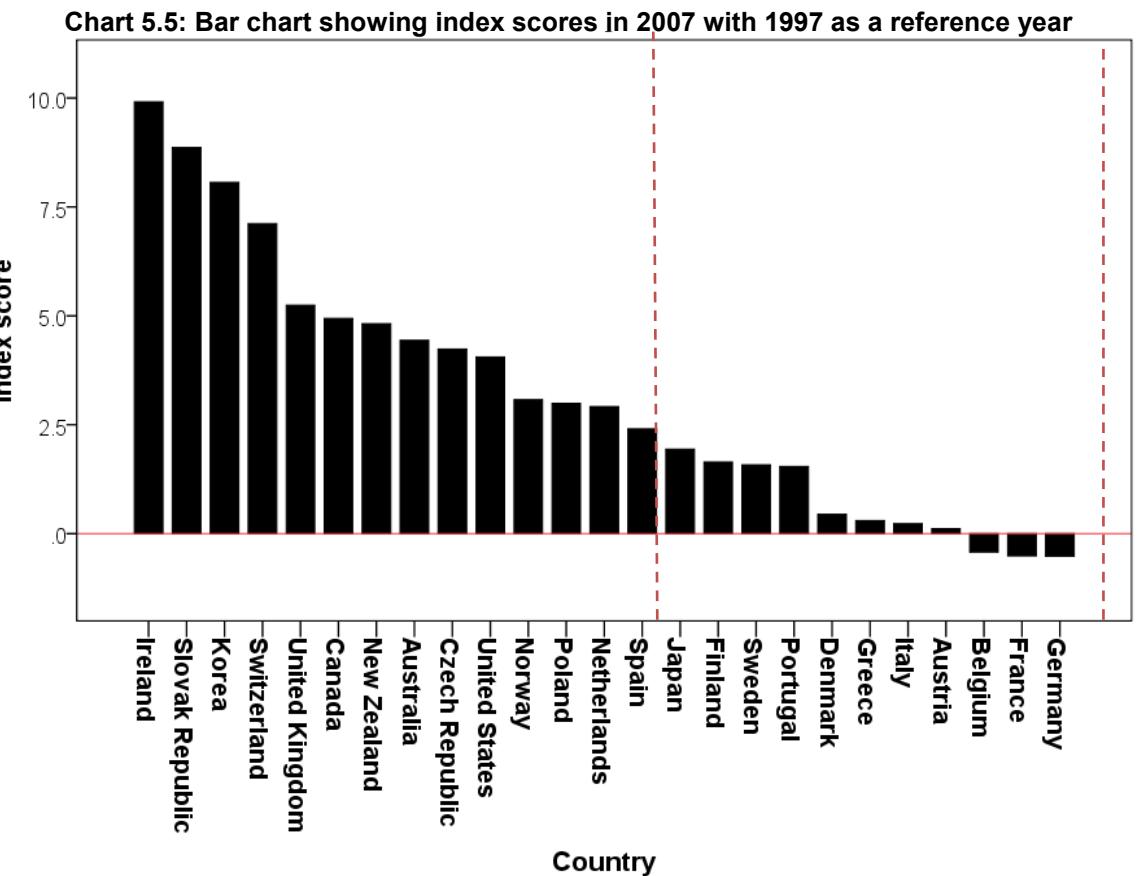
This shift in overall scores towards levels that were considered symptomatic of the competition state in chapter four are perhaps best illustrated by a visual comparison of the bar charts for 1997, 2002, and 2007. Chart 5.3 shows the characteristic  shape produced when one creates a bar chart by plotting z-scores. Charts six and seven however, appear different. This is because countries' scores are calculated using the year one means and standard deviations and as such the characteristic shape will only hold if the data remains relatively close to those original means and standard deviations. As we can see from charts 5.4 and 5.5, only a few countries lie below the zero line.

Chart 5.4: Bar chart showing total index scores in 2002 with 1997 as a reference year



As with chapter four, chart 5.3 has been divided into three by two, red, broken lines. These lines have been placed between so as to divide the countries into blocks, one that exhibits scores over +2, one that exhibits scores below -2, and

one block between +2 and -2. These lines have been replicated in charts 5.4 and 5.5. While the high scoring states still consist of nine countries (almost the same nine, with Canada taking the place of Norway) in 2002, only three countries have scores below -2.



The transition is even more marked by 2007, with chart 5.5 showing that only three countries exhibit overall scores below zero. Moreover, not one country has a score that would have seen it included in the third category of nations, those that seemed to be displaying behaviour contrary to the expectations of the competition state in 1997 here or, in chapter four. Quite simply, by 1997 standards, all countries can be categorised as competition states. Furthermore, both charts 5.4 and 5.5 reveal that the no country categorised as either an ALMP driven competition state or a neo-liberal competition state in 1997 shifts towards the third category in 2002 or 2007. Indeed, while the US moves towards the periphery of the neo-liberal group in 2002, none of the states labelled in chapter four as relatively high scoring and therefore neo-liberal competition states, fall out of that category at any time. The second type of competition state, the ALMP driven

competition state also retains a degree of stability. Here we see Sweden, Norway, the Netherlands and Denmark maintain relatively similar scores and ranks across the three years (Sweden and the Netherlands actually swap positions), though the Netherlands is, by 2007, demonstrating scores that would have seen it classified as a competition state in 1997. It is also worth noting that by 2007, the second category of countries consists largely of those identified by Esping-Andersen as social democratic or corporatist; the bulk of the additions to the neo-liberal competition state group comes from those countries that were not part of Esping-Andersen's study, such as the Slovak Republic, the Czech Republic, Poland, and Spain.

To focus on ranks, the relative position of countries within this sample obscures two important trends. The first is that, if we look at chart 5.2, we can see that the ceiling is relatively stable, with Ireland scoring 8.29, 10.15, and 9.91 in 1997, 2002, and 2007 respectively. This stands in contrast to the base, where the lowest scores have increased from -6.30 in 1997, to -2.37 in 2002, and -0.52 in 2007. It could be argued that 2002 saw the limits of competition state behaviour reached, while also seeing overall behaviour across the countries becoming more akin to a competition state. In essence, while there has been no runaway in terms of competition state behaviour, there has been no collapse amongst the most competitive in a neo-liberal sense, and there has been an abandonment of the third category, the category that did not appear to exhibit competition state behaviour. If we look at the shape of the graph, the trend is generally upward, though the gradient is steeper for those countries that exhibited extremely low scores in 1997 than those that had relatively high scores. It appears as if a threshold has been established and while countries are not racing to catch up with Ireland necessarily, they are all shifting towards a minimum level of competition state behaviour.

Perhaps the most interesting cases are Poland, which seems to display erratic behaviour though by 2007 inhabits the previously defined neo-liberal group; the Czech Republic, which transitions through all three categories, coming to rest in the neo-liberal group by 2007; and the Slovak Republic, which consolidates its place in the neo-liberal group over time with astonishing rise in both its league table position and overall points score. All of these cases, along with others,

deserve attention and will receive it in due course. At this stage however, if one were to address Cerny's assertion that nations would move towards the competition state model, specifically the neo-liberal model, they would have to, *prima facie*, concur. Indeed we can say conclusively that by the levels established in 1997, all countries in 2007 would be classified as competition states based on their overall scores. More importantly perhaps for Cerny is that the major transitions have been a wholesale desertion of the third, possibly un-competition state category on one hand, and a majority of countries moving into the neo-liberal competition state category. Even here however, it is worth noting that two ALMP driven nations, Sweden and Denmark, remain relatively static within this competition state type, resisting the move towards the neo-liberal model.

### **5.2.3: Unpacking the index**

The problem with focusing on the overall scores is that due to the nature of indexes, the increased score could be due to small increases in competition state behaviour on all dimensions, which would result in a large overall increase. Conversely, the overall increase may be driven by increasing competition state behaviour in just one or two categories. In chapter four we saw that the second category was driven by high ALMP expenditure and the first driven by low welfare expenditure and generosity, low taxation, and low levels of government regulation. It is necessary therefore to look beyond the overall scores and ask whether the neat distinction between neo-liberal and active competition states is still present and meaningful.

The first step in this process is to ask whether all countries exhibiting scores in 2007 that would have seen them classified in 1997 as neo-liberal competition states are in fact conforming to expected behaviour in all dimensions of the index. That is to ask, are all these states low tax, ungenerous, low spend, nations free of onerous industrial regulation? Table 5.3 shows that those countries identified in chapter four as neo-liberal competition states (in black) demonstrate a relative stability over time and as such, fidelity to the low spend, ungenerous model synonymous with the neo-liberal competition state. Those countries that were not originally identified as neo-liberal competition states in the first instance are far less uniform. The Czech Republic seems to conform to the neo-liberal model on

both dimensions presented in table one over time. However, this conformation is relatively weak, especially in terms of generosity levels. The Netherlands and Norway are particularly interesting, playing it seems contrary games. Norway for example seems to conform to the neo-liberal position of ungenerous expenditure, while demonstrating overall welfare expenditure levels atypical of the neo-liberal competition state model.

**Table 5.3: RHSS and their welfare scores over time\***

Country	Welfare Effort 1997	Welfare Effort 2002	Welfare Effort 2007	Welfare Generosity 1997	Welfare Generosity 2002	Welfare Generosity 2007
Ireland	1.120526	0.861173	0.721326	2.138505	1.329701	1.025516
Slovak Republic	0.457058	0.449938	0.827102	0.406549	0.531797	1.261501
Korea	2.841917	2.575614	2.210656	3.28996	3.23712	2.829575
Switzerland	0.321618	0.193637	0.346706	-0.72902	-0.06066	0.595455
United Kingdom	0.260594	0.072605	0.004292	1.623785	1.618891	1.740213
Canada	0.530117	0.552154	0.628942	1.376023	1.627621	1.917653
New Zealand	0.125154	0.362979	0.368573	-0.10259	0.60582	1.800717
Australia	0.700985	0.524354	0.771332	1.283314	1.549664	1.616077
Czech Republic	0.295344	-0.07589	0.300768	0.129662	0.048203	0.512422
United States	0.965932	0.773197	0.74082	1.326012	0.927978	1.161331
Norway	-0.24201	-0.68155	-0.03944	0.467895	0.368673	1.027731
Poland	-0.28405	-0.41932	0.094981	-0.57855	-1.92616	-0.05052
Netherlands	-0.2154	0.110067	0.082776	-1.4572	-1.67442	-0.57608
Spain	-0.02707	0.054807	-0.17166	0.115814	-0.15316	-0.02231

\*Countries in red were not classified as traditional neo-liberal competition states in chapter four.

The Netherlands by contrast appears to conform to the neo-liberal competition state principle of low overall spending while spending more generously on individuals, contrary to the expectations of a neo-liberal competition state. It should also be noted that on the dimension of overall welfare effort, no country other than Korea scores over 1; even those countries such as Ireland, the UK and the Antipodes, which exhibit positive scores, are much more pronounced in the welfare generosity dimension. Here again, trends are not uniform. Korea, Ireland, and the USA have maintained a competition state stance in terms of generosity relative to other nations, but have all become slightly more generous than they

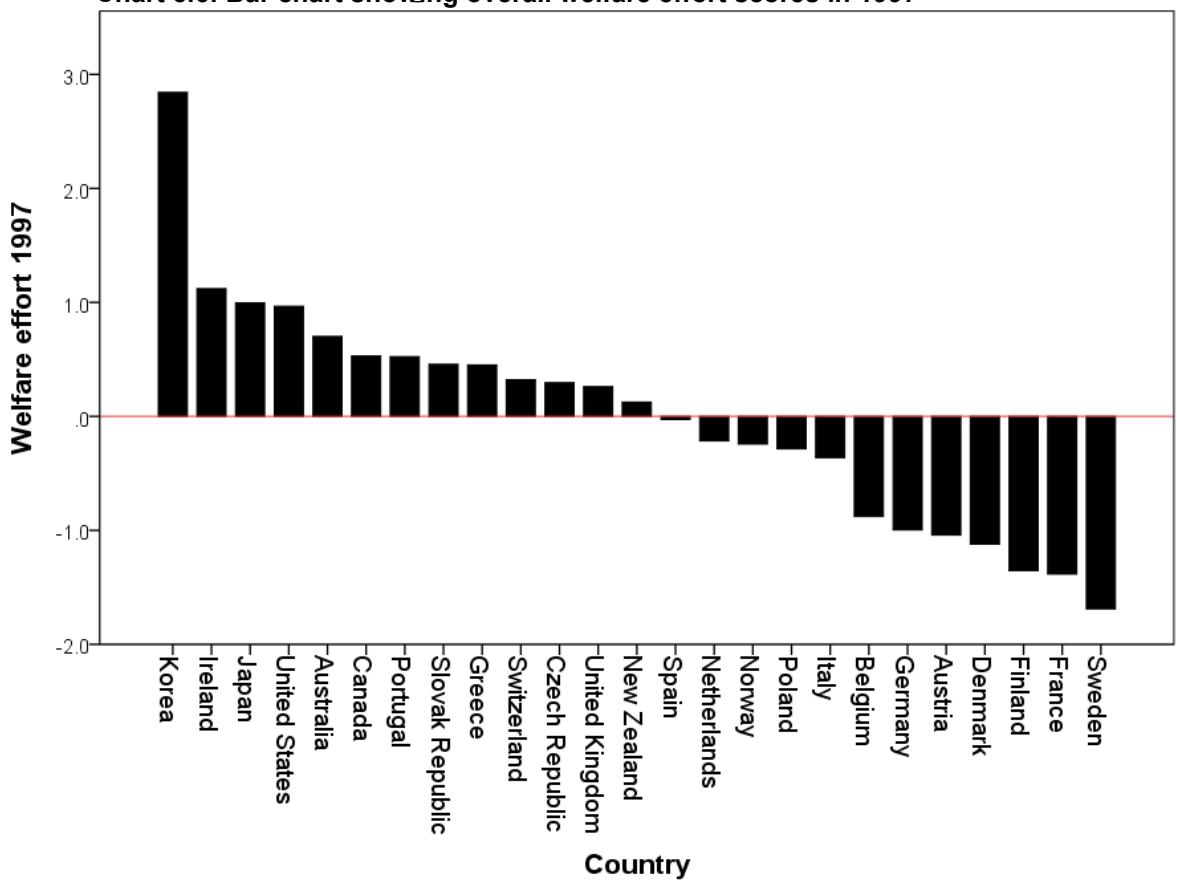
were in 1997. The Slovak Republic, UK, Switzerland, Canada, New Zealand, and Australia on the other hand, have all become less generous over time.

It is difficult then to identify any key trends by studying those countries classified in 2007 as being neo-liberal competition states and their welfare scores. Indeed it may not be appropriate to continue classifying all countries in this group as neo-liberal competition states. Instead, category one states, for now, may be a more useful moniker. Within the category one nations there appears to be four crude groups: those that are behaving in typical neo-liberal competition state ways, with relatively low overall expenditure and ungenerous benefit levels. Interestingly, all nations classified in chapter four as being neo-liberal competition states (all the countries found in black in the above table) can still be considered as low spend, ungenerous nations. The only addition to the group highlighted in chapter four is perhaps the Czech Republic, which exhibits scores similar to Switzerland and as such deserves inclusion at the periphery of this group. The second group within category one consists of those countries such as Poland and the Netherlands, which exhibit low overall welfare expenditure and thus can be considered aligned with the expectations of the competition state in this respect, but do not conform to the ungenerous expectations of the competition state. In the third group we simply have Norway, which does not demonstrate competition state behaviour in terms of overall welfare expenditure, but do appear to be less generous with regards benefit expenditure per recipient and in this respect, can be considered to be demonstrating competition state behaviour. Finally we have Spain, which is included because it exhibited a high overall index score, but which does not seem to conform to the neo-liberal competition state approach to either welfare expenditure or generosity.

Conceptually, it is interesting to consider whether the Norwegian hybrid model – higher overall welfare expenditure but lower levels of generosity- is more closely attuned to the principles of the competition state than the Dutch/Polish model, which sees higher levels of generosity within a lower overall welfare spend. It could be argued that while both models are equal in their overall economic compatibility with the neo-liberal competition state model, the Norwegian approach is perhaps closer to the ideological and rhetorical positions of the competition state thesis. After all, while overall expenditure is a key concern for competition states, it

is possible that such levels can be dictated by high levels of unemployment, an ageing population, and the sheer size of the administrative burden begat by the state. Generosity however reflects the policy approach of governments, decisions taken regarding how much each recipient should receive, and perhaps reflects ideological positions held by policy makers. Reducing overall expenditure may be a goal common to all nations and reflect the rise of the competition state; however this can theoretically be achieved in ways that do not necessarily imply the shift towards a competition state. The provision of ungenerous benefits and the decreasing generosity of such benefits over time does however suggest that decisions are being taken that are concordant with competition state thinking. Without a more detailed investigation into Norwegian benefit policy it is of course impossible to tell whether the decreasing generosity of welfare expenditure reflects rhetorical shifts towards the language of the competition state.

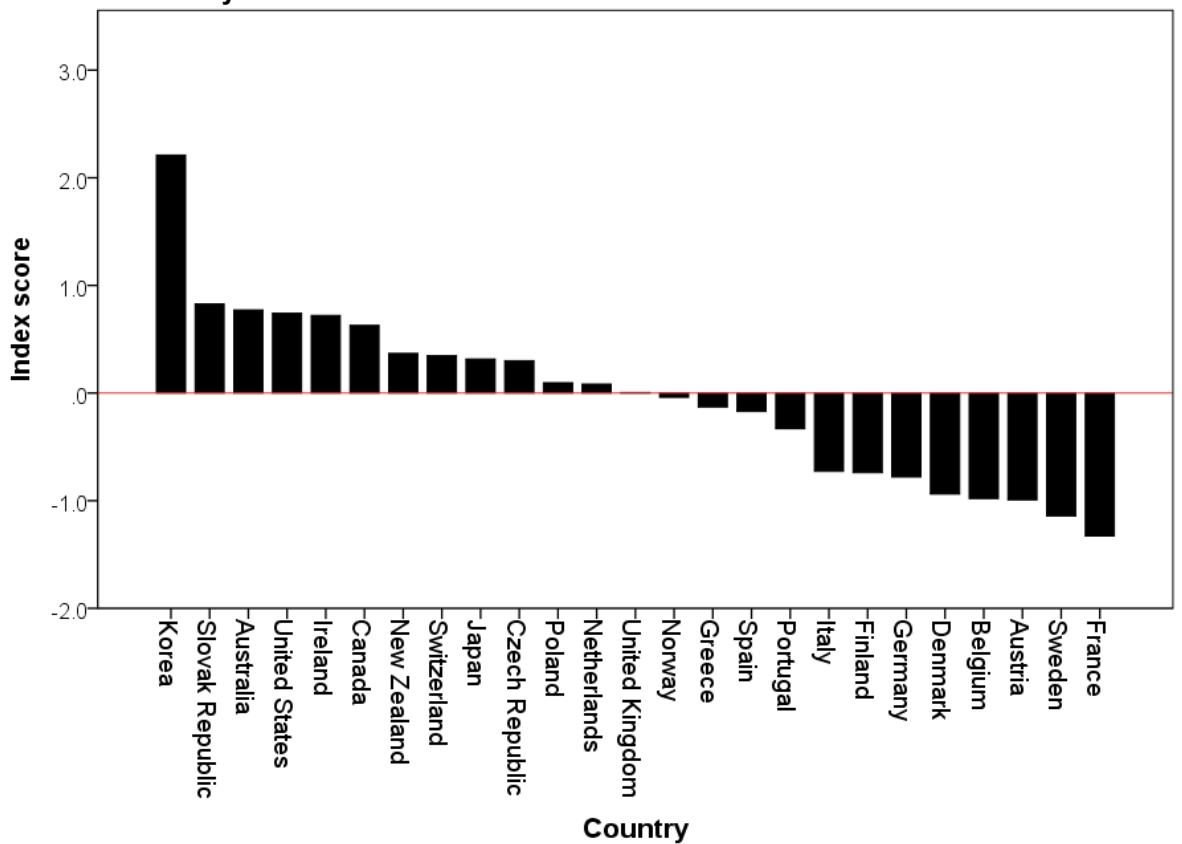
**Chart 5.6: Bar chart showing overall welfare effort scores in 1997**



We can however say with certainty that even in the high scoring states identified in chapter four and reaffirmed here as neo-liberal competition states, overall welfare

effort does not seem to be as important a factor in determining overall competition state behaviour. Quite the contrary, with the exception of Korea, competition state behaviour seems more profound in terms of welfare generosity than overall welfare effort. Indeed, overall welfare effort scores were closer to the mean (in the full sample of countries in all three years of the study) than on any other dimension and as charts show<sup>29</sup>, did not alter much over time.

**Chart 5.7: Bar chart showing overall welfare effort scores in 2007 with 1997 as a reference year**



As we can see, the basic shape of both charts 5.6 and 5.9 is similar, with Korea appearing as the only major peak or trough. The rest of both charts are relatively flat, which is indicative of a lower standard deviation within the data.

A thorough analysis of overall welfare effort and welfare generosity through table 5.3 and charts 5.6 and 5.7 reveals a few interesting points: first, the countries identified in chapter four as neo-liberal competition states still appear to conform to

<sup>29</sup> Charts for 1997 and 2007 are shown, 2002 is omitted in the interests of brevity but can be found as appendix item A.1

this label in the realms of welfare effort and welfare generosity. Second, we can tentatively add the Czech Republic to this category. Third, with the exception of Spain, all countries whose overall index scores placed them in the first category, presumed to still be the neo-liberal competition state category, conform to neo-liberal competition expectations on at least one of the ‘welfare’ dimensions. Fourth, despite the conformation on one dimension, all additions to this first category<sup>30</sup>, with the exception of the Czech Republic, exhibit behaviour on at least one welfare dimension that is contrary to the expectations of the competition state. Fifth, while overall index scores are uniformly higher across all nations in 2007 than they were in 1997, this trend is not witnessed in the dimension of overall welfare effort, within which scores and as such behaviour, remains relatively static over time. Sixth, the data lies considerably closer to zero (the mean) in chart 5.7 than it does for any other dimension in 2007<sup>31</sup>. From these six observations we can conclude that welfare effort and generosity are still determinants of neo-liberal competition state behaviour amongst traditional neo-liberal countries. We can also posit that while welfare effort and generosity are important aspects of the neo-liberal approach to the competition state, they are not the sole determinants of the neo-liberal competition state, nor are they central to the overall index scores exhibited by all nations in the sample, not even those that find themselves in category one in 2007. Whereas the countries that scored high in the overall index in chapter four all exhibited neo-liberal competition state behaviour in the realms of welfare effort and generosity, the same cannot be said for all the countries that are located in category one in 2007 within this chapter. As such, we must consider the roles of other dimensions within the index and abandon the neat classification of category one as a neo-liberal competition state. For sure, this category does include such nations, however it also includes nations whose competition state status is driven by other dimensions of the index.

We have seen then that to achieve a high score on the index does not necessarily require a conformation to the neo-liberal competition state model of welfare effort and generosity. This begs the question, does the second category of competition states, those identified in chapter four as being driven by the PWCS, appear stable

---

<sup>30</sup> Additions since chapter four.

<sup>31</sup> Compare chart with all other charts for 2007. Those that are not included here are appended.

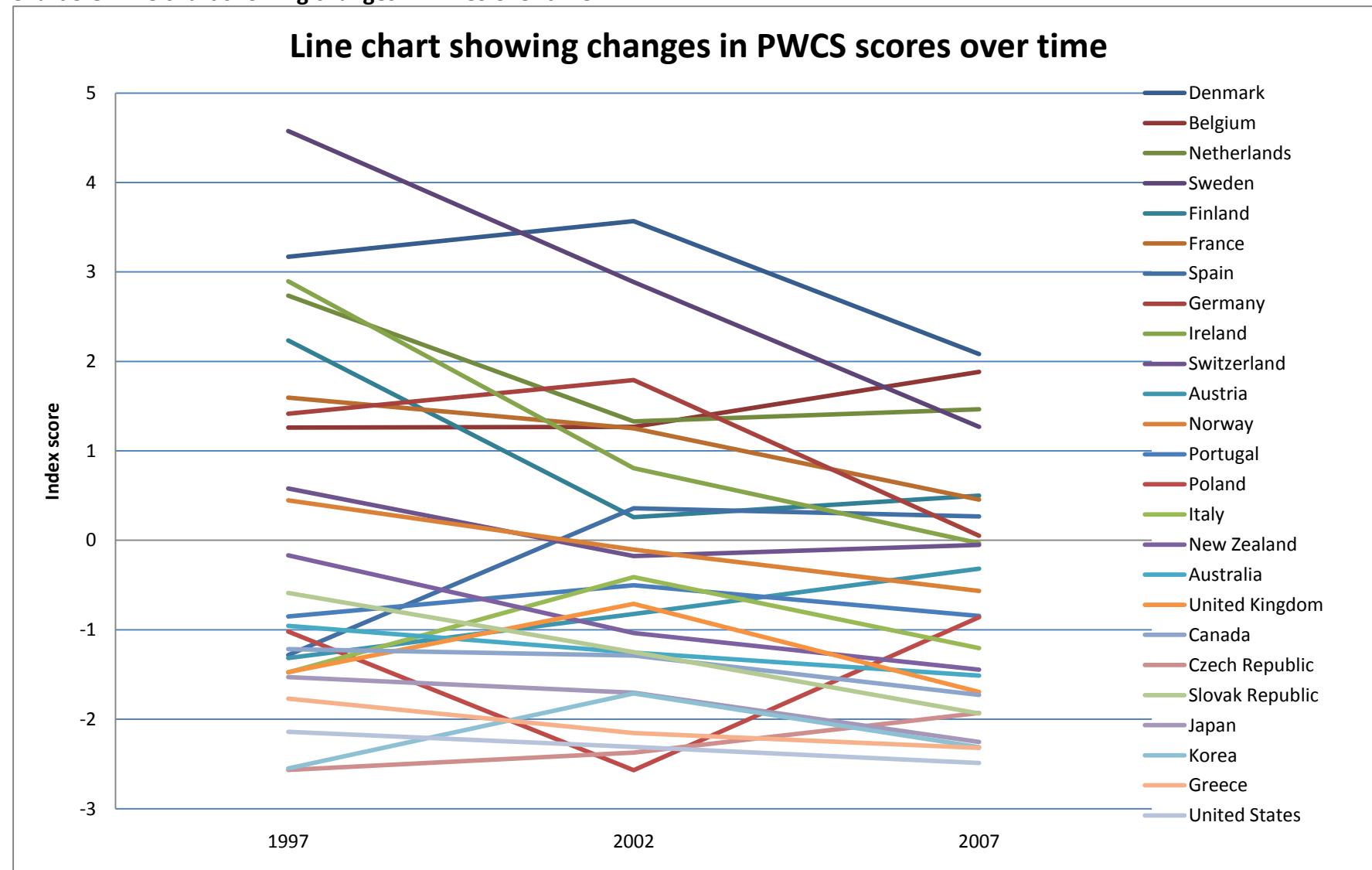
over time? If we look at Chart 5.8, which depicts the PWCS scores of countries over time, we can see that Denmark, Sweden, and the Netherlands – nations identified in chapter four as having an ALMP-driven competition state – all exhibit relatively high scores on the PWCS dimension across all three years of this study. Two other observations can easily be made however: these nations are not the only countries exhibiting high scores (especially in 1997); and secondly, all nations (except Belgium) see an overall reduction in their PWCS score over time. The overall trend and the trend for those countries that do exhibit high scores on the PWCS dimension are both interesting. If we focus on the overall trend, we can see from charts 5.9 and 5.10 that the ‘ceiling’ decreases in each year (from 4.577 in 1997 to 2.081 in 2007), while the basement remains at roughly the same level (-2.568 in 1997 to -2.489 in 2007). The charts display the characteristic  shape indicative of a distribution with a mean of zero and standard deviation of one, which implies a relative stability over the three time points<sup>32</sup>.

Gradually over time however, the charts show a ‘squashing of the data towards zero on the positive side of zero and a stretching away from zero on the negative side. Put simply, the overall picture is one of a shift towards low PWCS scores, though not beyond the levels demonstrated by the Czech Republic in 1997. What is particularly interesting is that the liberal regimes, the states that Cerny and Evans identify almost *a priori* as competition states, indeed the states around which the competition state thesis was constructed, do not seem to move towards a PWCS at any stage. In fact, as chart 5.10 shows, the United States, the home of the hand up not the hand out (Clarke, 2005:448; Deacon, 2000:13), exhibits consistently low PWCS scores, inhabiting the lowest rank in this dimension by 2007.

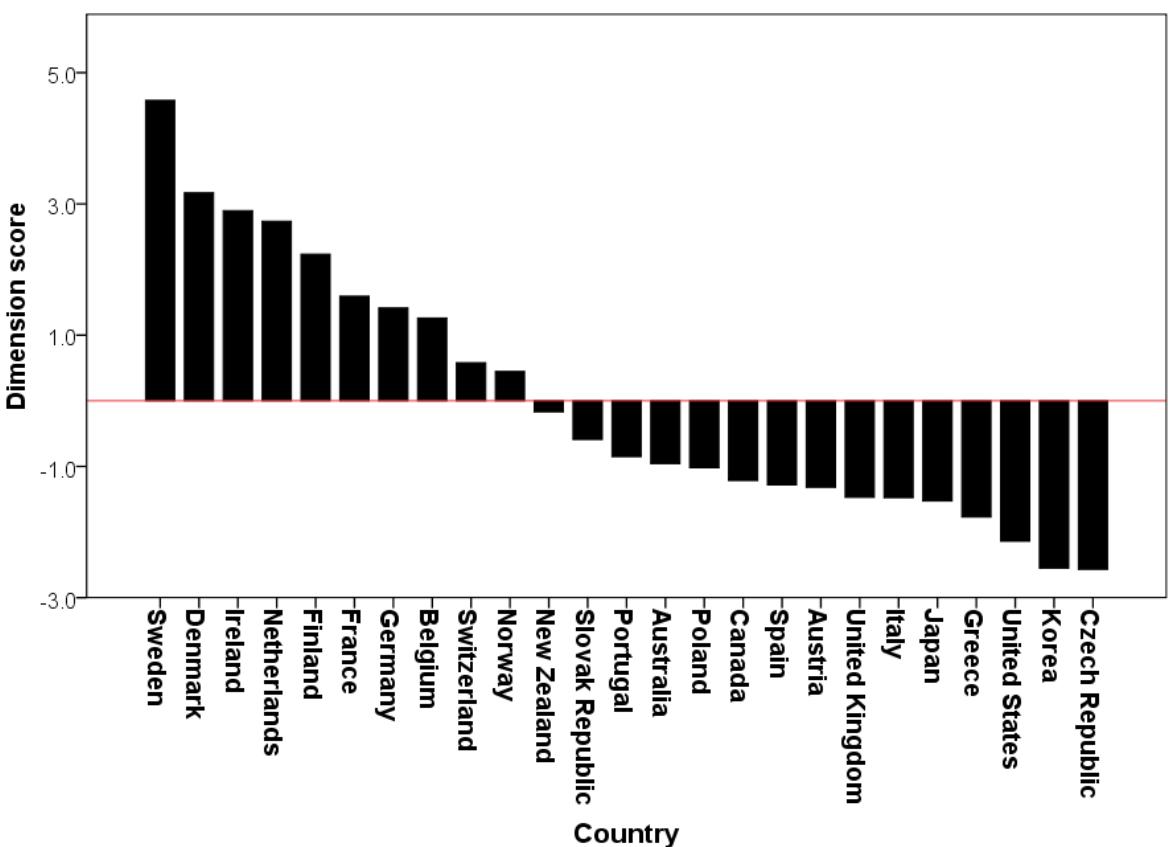
---

<sup>32</sup> As the mean and standard deviation are taken from 1997 as a reference point, the maintenance of the characteristic  z-score shape within the same scale over time denotes that the data remains within the same range throughout the time period. Put simply, the data remains relatively stable over time and is similarly dispersed around the mean.

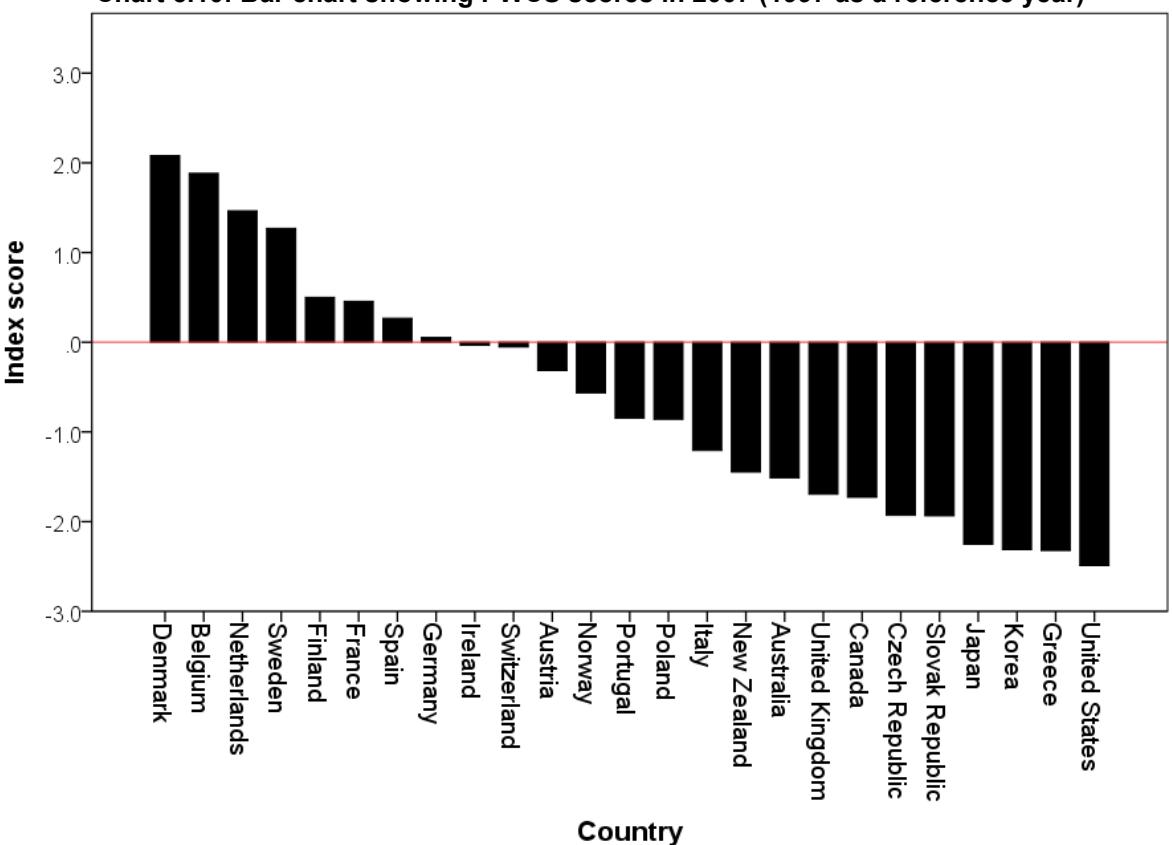
Chart 5.8: Line chart showing changes in PWCS over time



**Chart 5.9: Bar chart showing PWCS scores in 1997.**



**Chart 5.10: Bar chart showing PWCS scores in 2007 (1997 as a reference year)**



While the characteristic  shape is maintained over time, it is clear that it is becoming ‘bottom heavy’, which of course means that the direction of change is away from the PWCS. This is particularly intriguing owing to the fact that Cerny and Evans placed the PWCS at the heart of the competition state thesis (Cerny and Evans, 2003:30). Indeed, Evans identifies the PWCS as a key element of the competition state that can and should be compared (Evans, 2010:104) and argues, along with Cerny, that the rise of the competition state necessitates a more active approach to welfare provision (Deacon, 2003:133; Evans, 2010:104). What we actually witness is an almost uniform ‘inactive’ approach to labour market policies amongst the category one nations, which includes those identified as neo-liberal competition states in chapter four. As chart 5.11 reveals, only the Netherlands and perhaps Spain from category one can be considered as conforming to the expectations of a competition state in the arena of the PWCS by 2007.

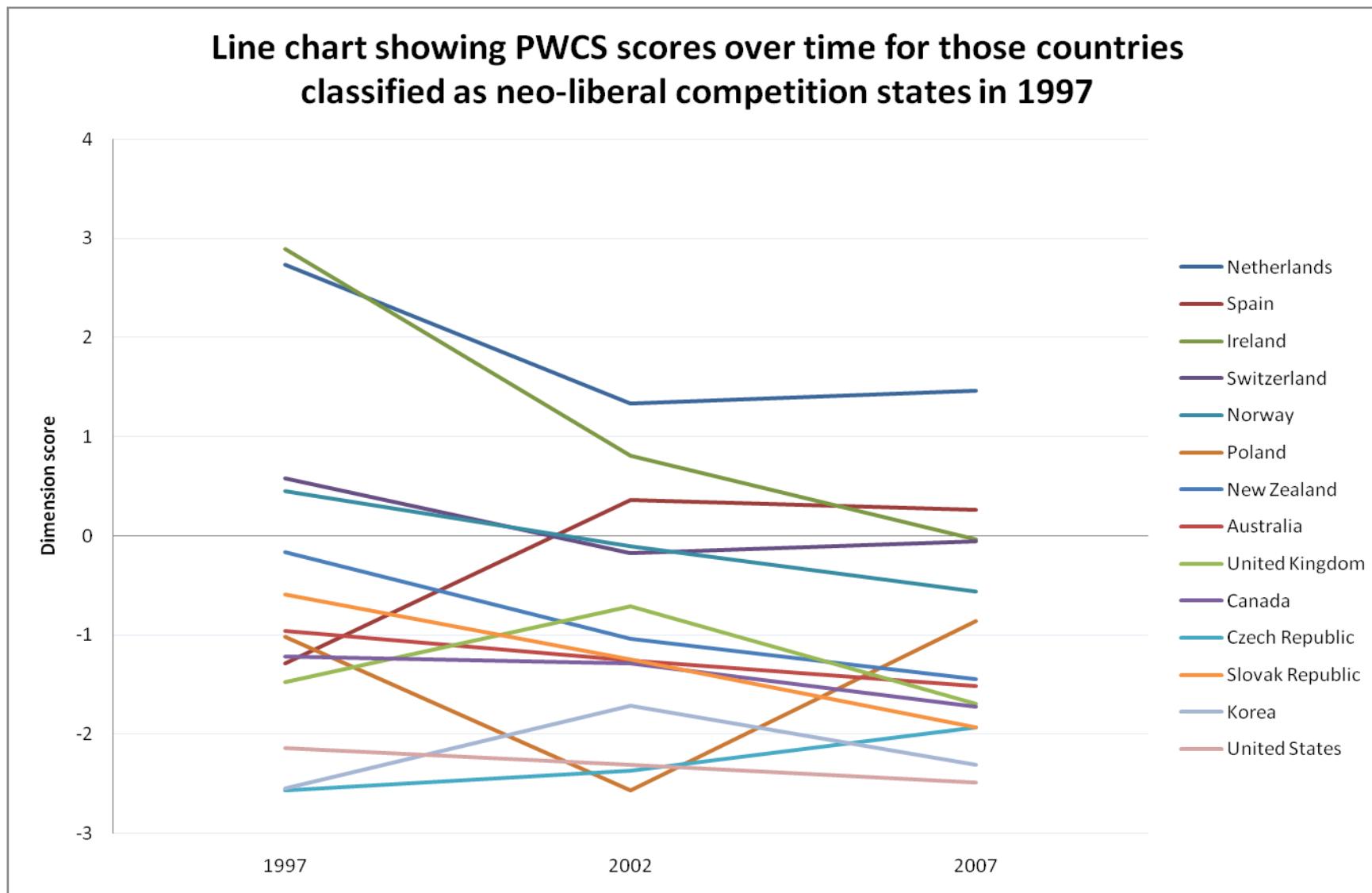
Ireland, perhaps the ideal type neo-liberal competition state and the only country to meet competition state expectations on all dimensions both in chapter four and in 1997 and 2002 here, demonstrates a rapid de-scaling of its ALMP expenditure and subsequent PWCS scores. It is true that Ireland saw a decrease in overall unemployment rates between 1997 and 2007, thus it can be argued, reducing the need for any labour market programmes. However, unemployment rates and PWCS scores show at best only a weak correlation and appear positively correlated at two points and negatively correlated at another<sup>33</sup>. We can accept then that the unemployment rate is not driving the conformation to a PWCS in either the neo-liberal competition states or the wider sample.

While Ireland was classified as a neo-liberal competition state in chapter four, it could perhaps have also been labelled as the ‘pure’ competition state, conforming as it did to the expectations of Cerny and Evans’ competition state thesis along all dimensions.

---

<sup>33</sup> In 1997 Pearson’s  $r = 0.183$  while Spearman’s  $\rho = 0.282$ ; In 2002 Pearson’s  $r = -0.281$  while Spearman’s  $\rho = -0.192$ ; in 2007 Pearson’s  $r = 0.015$  while Spearman’s  $\rho = 0.055$

Chart 5.11: Line chart showing PWCS scores over time for those countries classified as neo-liberal competition states in 1997



While its behaviour reflected many of the expectations of a neo-liberal competition state, Ireland also exhibited a PWCS score close to that of the Netherlands and greater than that of Norway. By 2007 however, Ireland's PWCS score, while not reaching the low levels demonstrated by other neo-liberal competition states, had abandoned the levels at which we can argue that the Irish competition state is driven by the PWCS.

The PWCS in the form of ALMPs has not then become central to the neo-liberal competition state model during the past fifteen years. Moreover, if we look back to charts 5.6 and 5.7 as well as table 5.3, the ambivalence towards the PWCS has existed alongside relatively inertia in the realms of welfare expenditure and generosity. The last fifteen years have simply not seen a race to the bottom, an increasingly ungenerous approach to passive expenditure, or a more active approach to social security. That said, it is worth reminding ourselves that relatively low expenditure levels and ungenerous benefit expenditure had already been established within neo-liberal competition states as of 1997. What the data shows, is that these levels have not become lower or less generous, nor has a shift towards ALMPs been witnessed.

If we refer to chart 5.12 (p.168) and turn our attention to those nations identified in chapter four as inhabiting a second 'type' of competition state, one driven by ALMPs, we can make three key observations: first, the general direction of PWCS scores is negative; second, Norway appears to shift away from the active competition state model; and third, by 2007 it is not merely the 'Nordic' nations that place a heavy emphasis on the PWCS. With regards the first observation, Denmark, Sweden, and the Netherlands have indeed seen a reduction in their PWCS scores. However, even in 2007 these countries are exhibiting scores that are as pronounced as the scores demonstrated by the neo-liberal competition states in the dimensions of welfare effort and welfare generosity. We can say with some confidence, that the PWCS is still an integral feature of those nations. Furthermore, when coupled with charts 5.8 through 5.12, we can state that these nations still represent a model of the competition state that is distinct from the neo-

liberal model and driven by the PWCS<sup>34</sup>. Moreover, while there is, seemingly, a trend towards lower PWCS scores, there is no ‘collapse’; scores are lower in 2007 than they were in 1997, however they are still high relative to other nations and comparable to high scores demonstrated by ‘leading’ nations in other dimensions of the competition state index.

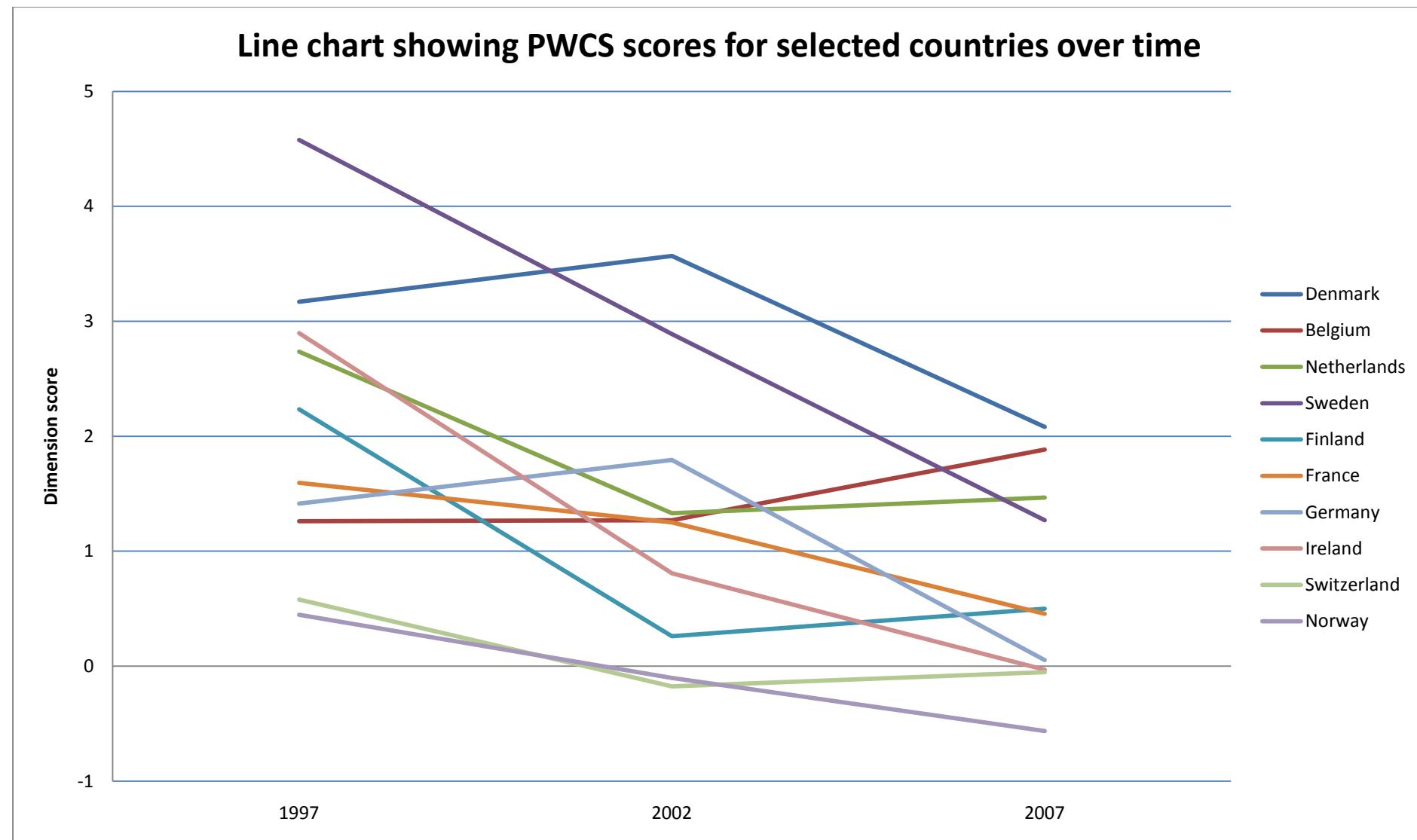
The second observation, that Norway has seen a reduction in its PWCS scores to such an extent that we cannot perhaps classify it as being a PWCS driven competition state is interesting for a couple of reasons. It should be acknowledged that while Norway was identified in chapter four as such a competition state, it was clearly on the periphery of this group. Norway registered a positive score, however at a level much less profound than the PWCS scores exhibited by Denmark, the Netherlands, and Sweden. It would appear that by 2007, Norway’s PWCS had dropped beyond the level that would have seen it merited inclusion when discussing the distinct ALMP driven competition state model. Norway’s case is not straightforward however; the reduction in PWCS score that we can witness in the Norwegian case is similar to the reductions observable amongst the other ‘Nordic’ states. In Norway’s case, this was sufficient to generate a score by 2007 that cannot really be considered as competition state-like in the arena of the PWCS. That is not to say that ALMP expenditure collapsed in Norway – it did not – merely that the behaviour moved from the periphery of this category of countries, to just beyond the periphery of this group.

It should be remembered however that this reduction in PWCS score occurred alongside an increase in competition state behaviour with regards welfare effort and welfare generosity. Furthermore, while Norway’s overall competition state index rank fell slightly, its score within category one, the group that includes the neo-liberal competition states, was consolidated over time. Furthermore, while Norway’s overall competition state index rank fell slightly, its score within category one, the group that includes the neo-liberal competition states, was consolidated over time.

---

<sup>34</sup> Though as we will see, also driven in part by competition state behaviour in the arena of industrial regulation.

Chart 5.12: Line chart showing PWCS scores for selected countries over time



This of course begs the question: has Norway become a neo-liberal competition state? Answering this is complex as Cerny and Evans hypothesise that the PWCS is a central tenet of the neo-liberal competition state (Cerny and Evans, 2003:30). In this sense, Norway is simply behaving less like a competition state in the PWCS arena. However, if we look at the bigger picture, we can first see that overall, Norway is acting more like a competition state in 2007 than it was in 1997 and second, it would appear that the neo-liberal competition states do not make use of ALMPs to the extent that Cerny and Evans would expect. On the basis of the analysis that has been conducted thus far<sup>35</sup>, it may be useful to consider Norway as neo-liberal competition state rather than an ALMP driven competition state<sup>36</sup>.

If we turn to the third observation, chart 5.12 clearly demonstrates that it is not simply the ‘Nordic’ nations that exhibited high PWCS scores. In chapter four the focus was correctly placed on these ‘Nordic’ nations and not others as it was largely the dimension of the PWCS that drove overall index scores higher in those nations. In countries such as France, Germany, and Belgium, ALMP expenditure was relatively high, however not at levels sufficient to distract from the extremely low scores being demonstrated overall. As such, it was not necessarily clear whether we could talk about these corporatist nations as competition states in any sense. Conversely, while a high PWCS was exhibited by Ireland, the hugely positive overall score achieved by Ireland blunted the impact of the PWCS. Moreover, the fact that Ireland conformed to competition state expectations on all dimensions, meant that it was not reasonable to classify its competition state as largely ALMP driven.

If we look at the data for 2007, the decision not to classify Ireland as an ALMP driven competition state still holds, indeed is perhaps added credence. The same cannot necessarily be said for Belgium, France, and Germany. If we look at chart seven we can see that despite occupying the three lowest ranks, Belgium, France, and Germany all exhibit scores that would have seen them included in the second category of nations in 1997. The demonstration of overall behaviour that while still not a staggering conversion to the competition state, is closer to the levels demonstrated by countries such as Denmark and Sweden, opens up the

---

<sup>35</sup> i.e. before government regulation of industry scores and tax scores have been discussed.

<sup>36</sup> Though obviously a much ‘weaker’ neo-liberal competition state than the UK, Ireland, and Korea.

possibility that it may now be pertinent to talk of the transition from Corporatist/Conservative regime to competition state. There are caveats of course and these will be addressed in due course. On a basic level however, these three nations, along with Spain and Finland are not only demonstrating competition state behaviour in terms of the PWCS, they are also no longer demonstrating overall behaviour that contradicts the competition state thesis. It is of course important to consider other explanations - and again, these will be considered in time – however, whereas in 1997 or in chapter four, there was almost insurmountable evidence that Belgium, France, and Germany were not competition states of any sort and as such other explanations of high ALMP expenditure had to be sought, by 2007 the competition state thesis seems more legitimate as an explanatory tool.

The full picture will not become clear until the index is unpacked in full – perhaps not even then – but it is clear that the neat divisions made in chapter four have been complicated by taking a more longitudinal look at the competition state index. In chapter four we could argue with conviction, that the first group represented a neo-liberal competition state, the second group represented a model that could be considered as a competition state owing to the high scores within the PWCS dimension, and a third group that appeared to act contrary to the expectations of the competition state. It may be possible to divide the data into three arbitrary groups to again support such assertions. However, if we adhere to the levels outlined in chapter four, by 2007 we are left with only two categories. These are not however homogenous categories. Even before we turn to the government regulation and tax dimensions we can see that there is a variable approach to competition state behaviour within category one and two and thus it is important to talk of category one and two rather than neo-liberal and ALMP driven competition states. It is clear that these terms are still relevant, however they do not necessarily best describe all nations in the category they are applied to as perhaps they did in chapter four where we looked at only one year. It is clear that in category one we have neo-liberal competition states but also competition states that do not adhere to neo-liberal behaviour in the dimensions of welfare effort and generosity. Some nations in this category do exhibit high PWCS scores, which while we would expect this amongst neo-liberal competition states, is seemingly

not the case. Furthermore, while Sweden and Denmark have remained relatively static in terms of overall score and rank respectively, over time they have been joined in category two by high PWCS scoring countries such as Belgium, France, and Germany, but also by low PWCS scoring countries such as Greece, Italy, and Japan.

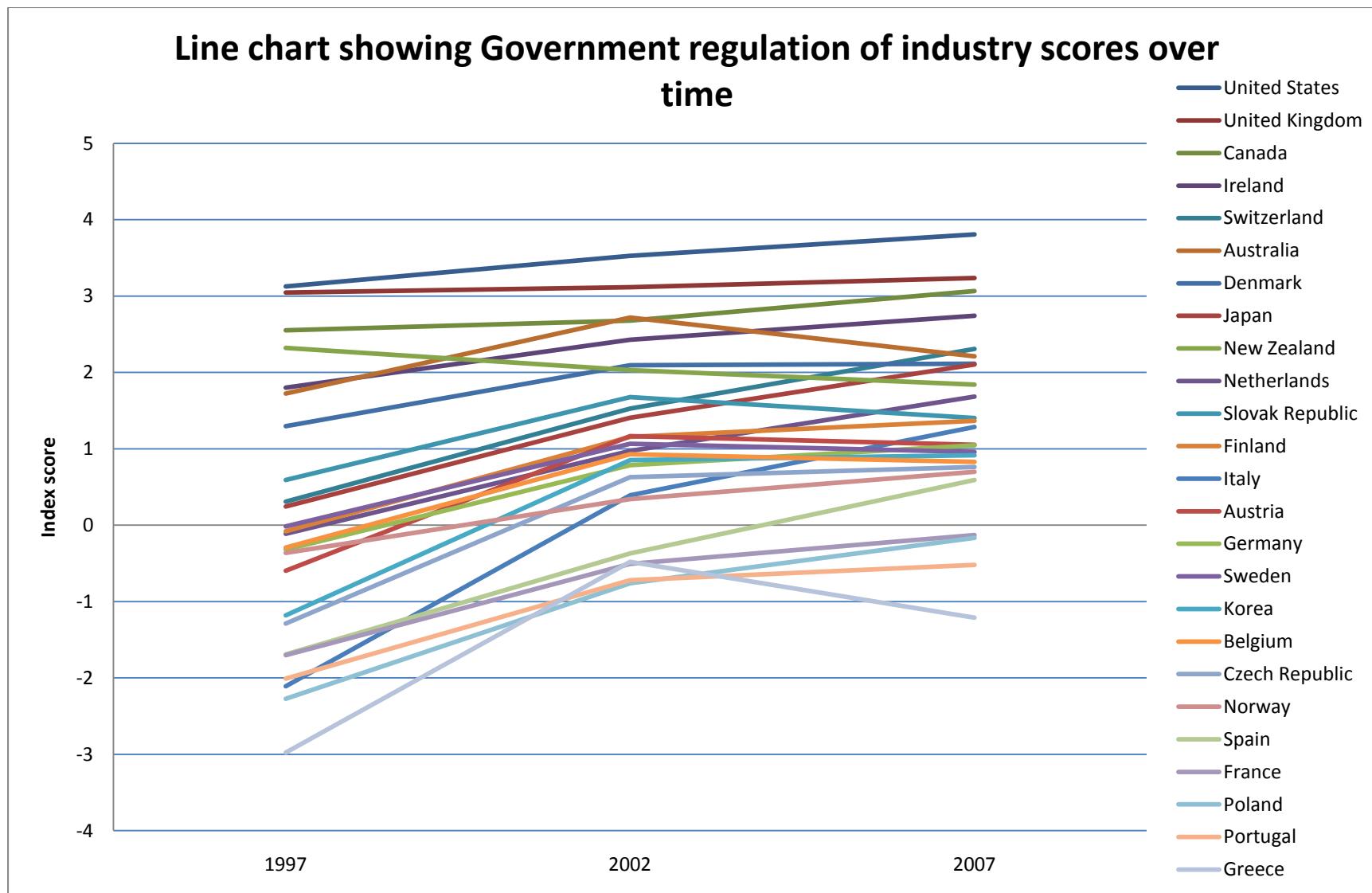
At this stage we turn then to the government regulation of industry dimension. Here chart 5.13 (overleaf) clearly shows that the trend across all nations (except New Zealand) is towards higher government regulation of industry scores and thus, lower levels of government regulation of industry. If we recall from chapter four, this dimension consists of Product Market Regulation (PMR) and Employment Protection Legislation (EPL). Higher scores on this dimension denote lower levels of EPL and PMR and as such mean that it is easier to terminate employee contracts and that there are fewer regulatory burdens placed on industry<sup>37</sup>. What we can unambiguously observe is a move by all nations towards the levels demonstrated by neo-liberal nations in 1997. Indeed, by 2007 only France, Greece, Poland, and Portugal exhibit negative scores and even here all nations have increased their scores since 1997. As with overall index scores however, while the ‘basement’ has risen since 1997 (from -2.977 in 1997 to -1.211 in 2007), the ceiling has remained relatively stable (from 3.127 in 1997 to 3.809 in 2007). It would appear that government regulation levels are converging, or at least there is evidence to support that assertion, but that they are not undergoing further relaxation beyond the levels demonstrated by neo-liberal countries in 1997.

What is particularly interesting is that on this dimension, all neo-liberal competition states with the exception of Korea demonstrate higher scores than in either the welfare or welfare generosity dimensions. It is also here that the US behaves most like a competition state, scoring highest at all three time points. Given that the US and the UK, which also scores highly, are the nations upon which much of the competition state thesis is built we would perhaps expect to see them leading the field on more dimensions, however this is not the case.

---

<sup>37</sup> Cerny discusses at length the importance of pro-competitive regulation to the competition state. PMR is however a measure of anti-competitive, regulatory burden.

Chart 5.13: Line chart showing Government regulation of industry scores over time



Even in New Zealand, where regulation of industry scores decline over the time period, the score of 1.842 is not only relatively high with regards to other nations, it is also the second highest score achieved by New Zealand on any dimension. The regulation of industry can be considered then a core driver of the neo-liberal competition state model. More than that in fact, the regulation of industry seems to be a driver of the rise in index scores across the board, even in countries that still exhibit negative scores in 2007. Interestingly, we can see from chart 5.13 that much of the shift in regulation scores had occurred by 2002. In fact, we can cite three examples of countries demonstrating a higher score in both 2002 and 2007 compared to 1997, but lower in 2007 than in 2002<sup>38</sup>.

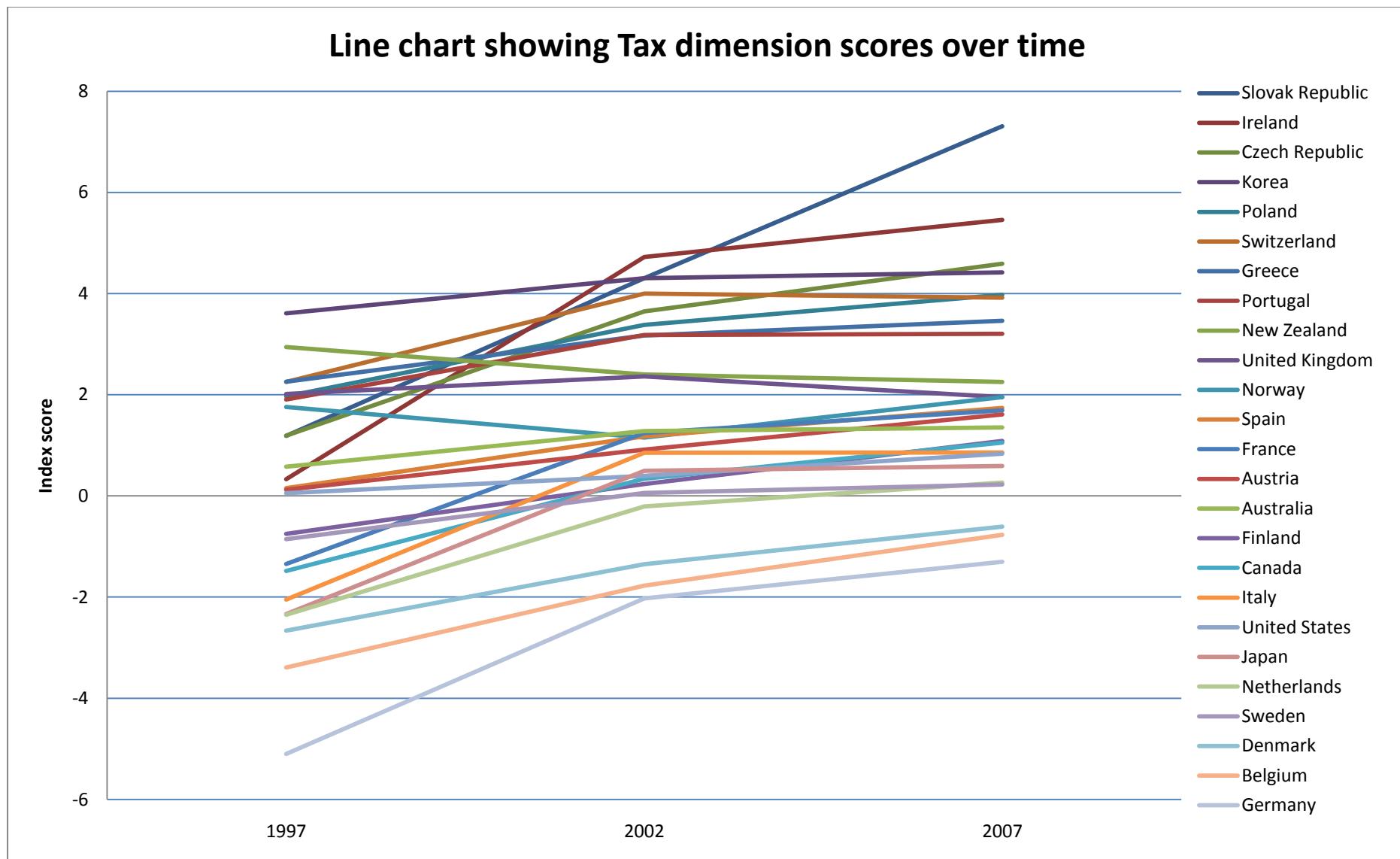
If we look at Germany, by 2007 its government regulation of industry score is closer to that of Ireland in 1997 than itself in 1997. The same can be said for Austria, Italy, and Denmark. Indeed, by 2007 Denmark not only scores higher than Ireland did in 1997, it exhibits a score similar to those of Australia and Switzerland in 2007 and higher than the 2007 scores of the Slovak Republic, Korea, and New Zealand. Denmark cannot then be described as solely an ALMP driven competition state as it clearly conforms to the expectations of a competition state in terms of its approach to the regulation of industry. The same can be said of the Netherlands, which if we recall also demonstrated competition state behaviour in the dimension of welfare effort (albeit weak competition state behaviour), Sweden, Belgium, and Germany. In 1997 we could only say this of Denmark from within the ALMP driven competition states, whereas by 2007 the only ALMP driven competition state to not demonstrate competition state behaviour on the government regulation dimension is France.

If we turn to the dimension of taxation however, we see that France appears to conform to competition state expectations by 2007, so we are left with no countries that can be classified as solely ALMP driven competition states. Chart 5.14 (overleaf) shows that as with government regulation of industry scores, the overall trend within taxation is towards competition state behaviour.

---

<sup>38</sup> This is the case for Greece, Belgium, Sweden, Austria, the Slovak Republic, and Australia.

Chart 5.14: Line chart showing tax dimension scores over time



Once again, as with government regulation of industry, a bigger shift is witnessed between 1997 and 2002 than between 2002 and 2007 and as with government regulation of industry scores, nearly every country sees an increase from 1997 to 2007.

For those countries that see a reduction in score it is minimal, with New Zealand shrinking from 2.945 in 1997 to 2.254 in 2007 and the UK seeing a reduction from 2.010 in 1997 to 1.955 in 2007. Both of these reductions are small and both nations' scores can still be considered as symptomatic of competition state approaches to taxation. Unlike government regulation of industry, which saw the 'basement' rise in terms of dimension scores while the 'ceiling' remained stable, taxation scores see an increase in both the 'basement' and the 'ceiling'.

What is particularly interesting about the tax dimension is that it is an arena of the competition state that is synonymous with neo-liberalism (Hay, 2001:209). It holds that in a competition state, for both ideological and economic reasons, we would expect to witness lower levels of taxation. Low personal taxation is expected because disposable income is spent on the high street, stimulating business (Cerny and Evans, 1999:22). Low top rates of taxation are expected because those who are subject to such taxation are the risk takers and entrepreneurs who drive successful economies by establishing small and medium enterprises (Cerny and Evans 1999:22). And finally, low levels of corporate taxation are expected because they attract foreign investment (Hay, 2001:209). Or so the theory goes. However, it is worth looking at the UK and the US, both nations upon which the competition state thesis was constructed (Cerny and Evans, 2004:52) and both nations that can be considered as neo-liberal at least in terms of the rhetoric used. Taxation is a key issue in both of these countries (Hay, 2006:203), yet neither display particularly high scores on the tax dimension of the competition state index. The score exhibited by the US is particularly surprising given how much attention is paid to the issue in the media, the fact that it was at the heart of George W. Bush's 2000 election campaign (Blair, 2010:393; Bush, 2010:442-446), and that the US is frequently cited as a low-tax nation (Blair, 2010:393; Bush, 2010:442-446; Cerny, 1997:272; Deacon, 2000:7)

Chart 5.14 shows that all nations classed as neo-liberal competition states score relatively high on the taxation dimension. Furthermore, for the Slovak Republic, it could be suggested that low levels of taxation represent the key driver of their overall index score. Ireland similarly demonstrates extremely high scores in both 2002 and 2007, which is undoubtedly a product of the huge cuts to corporate tax, which resulted in Ireland having the lowest rate within this sample by a considerable distance. However, for most neo-liberal competition states, tax dimension scores are relatively high within the sample but generally less profound than those demonstrated by Korea, Ireland, and the Slovak Republic, and also relatively stable over time. The UK, New Zealand, Australia, Canada, Norway, and the US, along with countries such as Austria, Italy, Finland, Japan, Spain, and France, none of which were classified as neo-liberal competition states in chapter four, all demonstrate positive scores between 0.5 and 2.5. The first group have held steady at these levels over time while the second group shifted from much lower levels between 1997 and 2002. The really big scoring group is equally diverse, consisting of Ireland, Korea, the Slovak Republic, and the Czech Republic, but also nations such as Poland, Portugal, Switzerland, and Greece.

Low taxation scores, a key expectation of the competition state, are not neatly tied to previous groupings of nations based on competition state behaviour. Furthermore, where the core neo-liberal countries seemed to have established a 'ceiling' by 1997 in all other dimensions of the index, in the arena of taxation, this has been shattered, sometimes by nations that appear to conform no more than weakly to competition state expectations within any other dimension. Indeed in Greece, overall welfare expenditure is high, use of ALMPS is low, generosity is reasonable low, employee rights are strong, industry is heavily regulated, but taxation is extremely low. This seems inconsistent with either a competition state or welfare state approach and perhaps goes someway to explaining the collapse of the Greek economy (See IMF, 2010a; IMF, 2010b; Roberts, 2010).

The lack of uniformity within the taxation scores and the seeming disparity between the reality of taxation within neo-liberal competition states such as the US and UK and the expectations is both interesting and confusing. Taxation levels do not seem to converge even to type, with neo-liberal, corporatist, and social democratic countries all demonstrating variance within their typologies. Taxation is

low in neo-liberal nations, but also lower in some neo-liberal nations than other. Moreover, it is lower in some nations not previously considered as neo-liberal than it is in some neo-liberal competition states. As mentioned, taxation is even lower in some nations that would appear to demonstrate hardly any other evidence of competition state behaviour than it is in core neo-liberal nations such as the US. Is it possible then to suggest that there is a tax driven competition state?

It could be argued that if we discount the countries that score high on all dimensions, discount the neo-liberal nations and we discount also those countries that exhibit high scores within the PWCS dimension we are left with two categories of countries. The first group, consisting of Austria and Japan, do not exhibit particularly high tax scores. In Austria's case, this perhaps reflects the fact that it scores relatively low on the competition state index overall. The progress it makes over time being largely driven by small increases in each dimension score and moderate conformation to the expectations of a competition state in the dimensions of taxation and regulation of industry. Japan acts as a neo-liberal competition state in many regards, though as a much weaker version than most other neo-liberal nations and as such finds itself on the periphery of that group. No one dimension seems to drive its overall score, which sees Japan occupy ground near the middle of the table in all three years. Neither Austria nor Japan can be said to be particularly strong competition states on any dimension, and certainly not on the tax dimension.

The second category of countries consists of Poland, Greece, and Portugal, none of which demonstrate strong competition state behaviour on any dimension other than taxation<sup>39</sup>. We could then argue that as low levels of taxation is a core expectation of the competition state thesis and that as these countries actually register higher scores than neo-liberal countries such as the UK and US, we should classify these nations as low-tax competition states. It may also be that the Czech Republic, which conforms to competition state expectations on all dimensions except the PWCS, though in a weak rather than strong manner, may also be better described as a low-tax competition state. Alternatively we could suggest that the Czech Republic exists on the boundary of the neo-liberal/low tax

---

<sup>39</sup> Though by 2007 all three exhibit positive, albeit weak positive scores on one other dimension.

competition state models. Or, we could simply suggest that as low levels of taxation is an expectation of the neo-liberal competition state and as the Czech Republic does conform to other elements of the competition state thesis, it should be considered as a neo-liberal competition state, not a peripheral or weak neo-liberal competition state.

### **5.3: Discussion**

Classifying nations into ‘types’ of competition state is not as straightforward as it appeared in chapter four. What we have seen throughout this chapter is however, that the overall picture seems to suggest a movement towards competition state behaviours amongst the nations studied. This movement is not uniform, it is not unambiguous, and it is certainly open to challenge. While unpacking the findings along the different dimensions of the competition state is important, it is necessary at this point to step back and attempt to view the complete picture. It is also necessary to ask: what have we discovered about the competition state? Are the models elucidated in chapter four stable over time? Have other models emerged?

If we look at the competition state index as a whole, it is clear that there is a general movement towards more competition state behaviours. However, the overall growth of index scores masks a diversity of trends. For some nations the increase in scores is a result of an increase primarily in one dimension. For others we see a big increase in one dimension and small increases in other dimensions. Some countries simply demonstrate small increases across the board, which given the nature of additive indexes, results in a pronounced increase overall. Furthermore, those nations that were defined in chapter four as being neo-liberal competition state maintain that label over time, but do not seem to be becoming more neo-liberal. Equally, the nations that were seen as being ALMP driven, while maintaining high PWCS scores, are now also demonstrating competition state behaviour in at least one other dimension. But again, there is a lack of uniformity; some of these ALMP driven competition states can be classified as ALMP and tax driven, whereas seem to be ALMP and low regulation driven competition states. Even within the neo-liberal group, we have the nations with an almost even approach, achieving relatively high scores across the index, as well as those

nations that exhibit spikes of extremely high scores on one dimension. Whereas in chapter four we could neatly categories countries as they either seemed to not conform to the competition state thesis, conform to only one feature of the thesis (the PWCS), or conform to all but the PWCS, dividing nations here is much more complex. What appears to emerge are core competition state types such as the neo-liberal model, but also hybrid types, which combine different features of the competition state.

The role of the PWCS within the competition state, especially the role of ALMPs is worthy of discussion. Cerny and Evans place such an approach, as part of a wider shift from welfare to workfare, at the heart of the competition state (Cerny and Evans, 1999:30). The consistently low levels of ALMP expenditure amongst the core neo-liberal competition states might be taken to imply that active approaches are less central to such a model than the core goals of reducing overall spending and providing ungenerous benefits. We must question whether this is true though, as low levels of ALMP expenditure are maintained within a stable or in some cases burgeoning arena of welfare expenditure and generosity. Moreover, when the ALMP driven competition states appeared to reject other dimensions of the competition state thesis, it could be argued that perhaps the assumptions underlying the inclusion of ALMPs within the index was erroneous. However, as those states conform to at least one other expectation of the competition state thesis by 2007, it becomes harder to argue that ALMPs are not a core dimension of the competition state thesis or that ALMP expenditure is perhaps contrary to competition state expectations. A rational explanation, one which allows for the inclusion of ALMPs within the index but perhaps can be used to explain low ALMP expenditure amongst the neo-liberal competition states is not forthcoming as a product of the data analysis in this chapter. It could be posited that the nature of ALMPs is different in neo-liberal countries to those programmes utilised in the 'Nordic' nations. As we asked in chapter four: is it possible that ALMPs in neo-liberal countries are more focused on the enforcement of job seeking, while ALMPs in 'Nordic' nations take a more expensive, human capital intensive approach to ALMPs? Again, a depth is required that is not offered in the OECD data.

The real purpose of a longitudinal investigation of the competition state thesis was to first and foremost, avoid the problem of the ‘snapshot’ and reflect the fact that the competition state thesis seeks to explain a process that is still in motion. In chapter four we identified two possible competition state types; by including additional data points it is possible to determine whether these competition state forms are stable over time, or whether others emerge alongside them, or even to replace them. And finally, charting the growth, decline, or inertia of competition states, it is possible to address Cerny’s assertion that nations would not only see the rise of the competition state and death of the welfare state, but that we would witness a movement towards the neo liberal competition state model (Cerny, 1997:251:264; 2008:16; Cerny and Evans, 1999:3:7; 2004:60; Cerny et al, 2005:21-22). In the first instance we can say that the neo-liberal model has survived, though it is possible that there may be two tiers of neo-liberal nations emerging. As for the more active competition state it is clear that ALMPs are still central to the competition states of a burgeoning group of social democratic and corporatist nations, but as discussed, it is also clear that is no longer the sole driver of the competition state in those nations. What emerges over time are different mixes of the competition state, with all nations conforming on one dimension, but none conforming on all. The complexity of such competition state forms is hard to decipher using the additive index that was adopted in this chapter and as such it may be useful to adopt a more nuanced method to categorise nations into competition state ‘types’.

Cerny made two central and linked hypotheses: that nations will undergo a transformation from welfare states to competition states over time, and that competition states once established will eventually metamorphose into neo-liberal competition states. These can be addressed in part, though perhaps not conclusively, through the analysis of the findings within this chapter, which *prima facie*, would seem to support at least Cerny’s first hypothesis. It is clear that by the standards of 1997, all countries are much more compliant with the expectations of the competition state in 2007, than they were in 1997. It is clear also that much of the increase in overall scores has been driven by tax and regulation policies in differing combinations. These are key policy tool of the competition state and over a ten-year period they were universally adopted across the OECD nations

sampled in this study. Where there is significant levels of conformation to competition state expectations in the domain of taxation, it can be argued that the competition state form that is emerging has neo-liberal characteristics. So to that end, there are nations beyond those identified in chapter four, which it can be claimed, have shifted towards a neo-liberal competition state. Active policy that can be considered concordant with a competition state is being pursued and implemented across the sample of countries and again, to that end, it can be suggested that Cerny's first hypothesis is correct. Where the competition state policies relate to taxation, we can even argue that his second hypothesis is correct.

However, as noted throughout, the big picture, which is extremely important, masks other interesting trends. To address Cerny's second hypothesis, while there has been conformation to the expectation of the competition state thesis in the domain of taxation, there has not been wholesale adoption of neo liberal principles in the arenas of welfare effort and welfare generosity. The diversity that was apparent within both these dimensions in both chapter four and here in 1997, is stable over time; some countries are relatively generous, some relatively ungenerous. Similarly, some nations spend relatively large sums on social programmes, whereas others do not. This expenditure remains reasonably stable, suggesting that it is determined separate from decisions made about pro-competitive policies such as taxation and regulation.

There are two central policy dimensions to the competition state: the establishment of competition state behaviours or policies, and the rolling back, reshaping, or abandonment of key welfare state behaviours, principles, and policies. The decreases in taxation levels and regulatory burdens suggest that the first dimension of competition state policy has been adopted and implemented almost universally. The stability of welfare effort and generosity – perhaps even the stability of ALMPs - suggest that the second dimension of competition state policy, the reversal of welfare policy, has not occurred. Even in the relatively high scoring nations such as Korea, Ireland, and the UK, we can point to evidence of not only stability, but also small shifts away from competition state expectations in at least one of either overall welfare effort or welfare generosity. Why this may be is not clear, though a range of possible explanations logically present themselves.

The first is that Cerny and Evans were simply wrong in their convictions; the competition state does not signal the end of the welfare state. Far from replacing the welfare state, it could be argued that competition state has emerged as its partner. This perhaps supports the second conclusion, that nations are developing a more competitive approach, encouraging risk taking and entrepreneurship in order to support the welfare state. Third, we could hypothesise that for some nations it has been the experience that sufficient competitive advantage has been achievable without retrenchment. While there may be an ideological commitment in such nations to the competition state model, a successful economic environment - manageable debt alongside reasonable growth – may have allowed nations to ‘have their cake and eat it’. Perhaps this alludes to a fourth conclusion, that the process is not yet completed. Cerny and Evans both accept that path dependency, ‘sticky’ institutions, and other domestic factors will mitigate, slow down, and in some instances, stymie the transition towards a competition state and these forces will undoubtedly be stronger where there is general economic success. Conversely, it may be that the pursuit of low taxation without the rolling back of welfare expenditure represents failed implementation of the competition state model, which may in turn explain economic failure in countries such as Greece and Ireland. Indeed, while these cases are the most pronounced, they are by no means the only countries responding to severe economic crises as this thesis is written (Balakrishnan and Berger, 2009; IMF, 2009:83; IMF, 2010c). From Cerny and Evans’ point of view it could be argued that such examples of failure not only relate to the incomplete adoption of the neo-liberal competition state but perhaps also underscores the power and inevitability of the competition state. Finally, we could conclude, as Hacker and Pierson opine (Hacker and Pierson, 2010:290:291-292), that the welfare state has simply become less relevant in the broad debate around economic success. The core function of the competition state - to pursue economic success – endows success on certain groups and elites. It may very well be that such ends can be achieved through measures that bypass the welfare state and in reality, welfare is an irrelevant or at least marginal dimension of the competition state programme. Rationally, if the entrepreneurial elite are reaping the rewards of the competition state without incurring the distaste and policy confrontation of the welfare state’s advocates and constituents, there may be little motivation to engage with welfare retrenchment.

There is however another issue that we must not lose sight of and should temper any conclusions that are being drawn about the nature of the competition state. It is extremely important to remember that we are only referring to nations that appear, relative to past behaviours and/or the behaviours of other nations, to be acting like a competition state. We cannot definitively say that any nation is in fact a competition state, rather that these countries can be identified as 'relatively high scoring nations'. This means that they are acting most like a competition state relative to other nations on the relevant dimension (or the index overall). It does not necessarily mean that the nations are exhibiting competition state behaviour. At no stage are thresholds that mark the levels at which we should consider behaviour to be that of a competition state set. Indeed it is rare for such thresholds to be set in comparative studies of welfare states; their existence is simply accepted<sup>40</sup>. Likewise, in this investigation the initial decision was taken to accept Cerny and Evan's competition state thesis and it is within that context that Ireland is classified as the most prominent competition state. It may very well be that while Ireland is the most competitive nation, the most like a competition state, it is still a welfare state. Indeed outside the community of scholars who have engaged with the competition state thesis, Ireland is often referred to as a welfare state (Arts and Gelissen, 2002:148; Bonoli, 1997:361; Daly, 2005:152; Hudson and Kühner, 2010:172; Korpi and Palme, 1998:670:684; see also NESC, 2005:36).

The issue of uncertainty surrounding the levels at which we can argue a competition state has emerged cannot really be addressed through the utilisation of an additive index. This, coupled with the sheer complexity of the findings - the apparent emergence of different competition states, which mix competition state and non-competition state expectations on different dimensions - suggest that to truly address the basic question of whether a country has a competition state and if so, what type of competition state it has, requires a different approach. What we can say by studying additive competition state indexes over time is that there is much to support Cerny and Evans' competition state thesis. Indeed if we look at table 5.4 we can see that performance on the competition state index shows some correlation to economic success.

---

<sup>40</sup> Therborn does advance one principle that can be used to set a threshold. He argues that a welfare state is one where over 50% of total government expenditure is directed to social programmes (Therborn, cited in Castles, 2006:234,)

We can see that the weakest correlation recorded is -0.408, which is the Spearman's rho figure for the correlation between index rank position and the rank position of nations' debt levels in 1997. This tells us that the nations that are acting more like competition states have relatively lower levels of government debt<sup>41</sup>. Similarly, we witness even stronger relationships between performance on the competition state index and annual growth rates. Here we see, especially in 2002, a strong, positive relationship, which tells us that the nations that exhibit the highest competition state index scores also enjoy the highest level of growth.

**Table 5.4: Correlations between index scores and both government debt and growth levels**

	Year	Test	Total index score		
			1997	2002	2007
Debt	1997	Pearson's correlation	-0.413*		
		Spearman's rho	-0.408*		
	2002	Pearson's correlation		-0.447*	
		Spearman's rho		-0.645*	
	2007	Pearson's correlation			-0.472*
		Spearman's rho			-0.679**
Growth	1997	Pearson's correlation	0.501*		
		Spearman's rho	0.462*		
	2002	Pearson's correlation		0.732**	
		Spearman's rho		0.593**	
	2007	Pearson's correlation			0.541**
		Spearman's rho			0.410*

\* Correlation is significant at the 0.05 level \*\* correlation is significant at the 0.01 level

So, while there are key questions left to be resolved, there is much then to support Cerny and Evans' competition state thesis; the index does not contradict the competition state thesis, rather offers evidence that there is an overall shift towards more competition state behaviours over time. Moreover, such behaviours have links to reduced levels of debt and higher levels of growth, both key concerns of the competition state thesis.

<sup>41</sup> Debt measured as a percentage of GDP, ranging, in 2007, from 5.179% in Australia to 164.184% in Japan.

## **5.4: Conclusion**

The previous chapter provided much of interest, but called for further exploration, particularly through the analysis of other time points. Here in chapter five a similar message can be communicated. A workable, appropriate methodology for charting the competition state index over time was developed and utilised to do just that. This showed that there has been a shift in the ranks inhabited by countries over time, but that within those shifts, there is some stability. Ireland, the league table leader in chapter four remains in pole position across three time points spanning ten years. While most countries experience small shifts, these are relatively small, so while Germany moves upwards and downwards across the three time points, it stays relatively low overall. Similarly, Sweden and Denmark – nations that switch places in the league table – both remain within the ‘middle’ block of countries.

The methodology that was adopted however, sought and successfully managed to offer greater depth than simply an analysis of which countries remained or became more or less competition state-like relative to other nations over time. We saw that the overall picture was one of transition towards competition state expectations. We saw also that such transition was correlated to economic growth and lower levels of debt; in essence we saw the rise and success of the competition state. However, these observations, while valid, mask a complexity that is not easily unpicked. Alongside a transition towards overall scores in 2007, which by 1997 standards would have defined all nations as competition states, we witnessed stasis in the realms of welfare expenditure and behaviours. While the rise of the competition state appears to have occurred at pace, the decline of the welfare state does not seem to have followed.

Whilst the competition state models that seemed to crystallise in chapter four appear stable, it is clear that they no longer provide the only model of competition state, nor do the assumptions about these models fully explain the models over time. The neo-liberal group for example is not a uniform group of countries, instead consisting of those with extreme competition state behaviours as well as those with consistent, yet comparatively more muted competition state behaviours. Relative to the wider sample, all such countries appear as neo-liberal competition

states, however within the cluster, it is clear that there are two groups, one marked by extremely low social expenditure and low taxation and one group that appears moderately low on these dimensions<sup>42</sup>. Interestingly, those ‘extreme’ countries such as Korea or the Slovak Republic represent much ‘younger’ nations in terms of open democracies. Perhaps what we can see is how the competition state would develop free of an established welfare state, free of the burdensome institutions, which along with the path dependent nature of the policy process, filter the effects of economic globalisation (Hudson and Lowe, 2009:176:290; Pierson, 2001:411; Wood, 2001:407).

While the neo-liberal model holds fast, albeit with almost two divisions appearing within the cluster, the more ALMP driven competition state burgeons as a group. Even here though, the simplicity of the explanation offered in chapter four is replaced by a more complex situation. Where all nations that in chapter four appeared in this group owed their inclusion to their PWCS scores alone, by 2007 this was no longer the case. All nations in this group conformed to competition state expectations on one other dimension of the index as well as the PWCS. And it is here that things are particularly interesting. While a snapshot of one year seemed to depict a world where nations were split into three groups, the traditional competition states, the active competition states, and the non-competition states, a longitudinal analysis illustrates a much more nuanced landscape. All nations have become more like competition states and this has largely been driven by pro-competitive policy in the arenas of taxation and regulation of industry. However it has not been uniform and it possible to find evidence for almost as many competition state types as there are potential combinations of the competition state index<sup>43</sup>. It may very well be however that we can consider competition state behaviours exhibited by nations on different dimensions as still being part of the same general approach to the competition state. It could be argued that a relatively high score overall, with conformation on all but the welfare effort dimension, represents a situation that is qualitatively similar enough to one whereby the overall effort score is high, but the welfare generosity score is low, to such an extent that we can categorise both of these approaches as belonging to

---

<sup>42</sup> Though still relatively low compared to the full range of countries sampled.

<sup>43</sup> There are 32 possible combinations ( $2^5$ ).

the same ‘type’ of competition state. Conversely, we could argue that conforming to the expectations of the competition state in the dimensions of welfare effort and generosity but not on the PWCS and regulation is qualitatively different from conforming on the dimensions of regulation and the PWCS, but not with regards to welfare effort and generosity. As such these would be categorised as separate incarnations of the competition state.

What this study has highlighted is that there is not only a range of different competition state forms that can be theorised, but also that different mixes are, in practice, emerging. It is clear that we cannot find evidence for all the possible combinations of the index as they outnumber the number of countries in the sample, and it is unlikely that all possible combinations are qualitatively distinct. However it is clear that this convergence towards a competition state masks much divergence to type. Cerny argues that ultimately there will be only one type of competition state – the neo-liberal competition state – and it is true that a study of three time points spanning ten years may not have captured what is possibly a never-ending process. However, what this investigation suggests is that this is not the case, diversity is actually increasing over time. This, considered alongside the fact that the elements of the competition state that pertain to the breakdown of the welfare state do not seem to have flourished as freely as those that are not directly related to social provision, raises yet more questions for the competition state thesis.

After two methodologically separate yet linked investigations we can see much evidence of a shift towards the competition state. We are however left asking still, are there different forms of the competition state that are stable over time? Moreover, are we perhaps too presumptuous in accepting so readily that what we have found is truly evidence of the transition to the competition state? There can be no argument that Ireland acts more like a competition state than Germany does, but if we move beyond relative behaviours, is Ireland – the nation most like a competition state – truly a competition state? The use of additive indexes and their analysis over time has told us much. Indeed they tell us all some researches wish to know<sup>44</sup>, which country is best? Did they get better? In what ways did they get

---

<sup>44</sup> See UNICEF 2007

better? But they do not tell us everything. They do not help us set thresholds and allow us to say that country X is definitely a competition state whereas country Y is not. Further analysis needs to learn from what has been uncovered, reflect on the literature and finally address whether nations have moved to the point whereby the term welfare state is obsolete.

The following chapter is built around a methodology that is perhaps more nuanced than what has been utilised to now. Importantly, the approach taken in the next chapter better captures the multi-dimensional nature of the competition state thesis. That said, for all the methodological differences between this chapter and the next, the fuzzy-set approach reinforces many of the core messages that have emerged from chapters four and five.

## **Chapter 6: A fuzzy set approach to operationalising the competition state, or the stable diversity of competition state forms**

### **6.1: Fuzzy set ideal-type analysis**

#### **6.1.1: Introduction**

The previous two empirical chapters have offered much for discussion, implying with not inconsiderable strength, that a shift towards some form of the competition state has occurred during the last fifteen years. As noted though, we can only say with confidence that nations are acting more like competition states than once they were; we cannot on the basis of what has thus far been presented, assert that any country has reached or moved beyond the tipping point at which the welfare state has been replaced by a competition state. While chapters four and five offer much illumination and hint at various competition state forms and trends, we are still left without a conclusive answer to the most basic questions: are there any countries that have become competition states? If so, is there more than one type of competition state? And finally, if different competition state forms exist, do they remain stable over time?

As was noted, additive indexes are a useful and interesting approach for operationalising a concept such as the competition state and are commonplace in the arena of international and comparative research. However, there are three main limitations to such approaches, all of which are consequences of the reliance on means and standard deviations in their construction. The first problem being that as Hudson and Kühner highlight, the reliance on means and standard deviations has the propensity to “mask important elements of cross-national diversity<sup>45</sup>” (Hudson and Kühner, 2009:36; 2010:169:170). For example, with regards to the type of additive index presented in chapters four and five, it is possible that two countries with almost opposing approaches to the competition state may present similar overall scores. The US and Norway may for example, both exhibit a similar overall score, however this fails to reflect the fact that Norway

---

<sup>45</sup> It should be noted that while the exact wording of this quotation is indeed taken from Hudson and Kühner’s work, they draw on the work of Kvist (2007), Ragin (2000), and Vis (2007) in making that statement.

scores much higher than the US in the more active arena, while the US significantly outscores Norway in terms of (lower) expenditure levels. Furthermore a high score on only one dimension may be sufficient to drive the overall score to a level that doesn't reflect that scores were extremely low in all the other dimensions. Herein lies the second key problem; additive indexes that rely on deviations from a mean such as Esping-Andersen's decommodification index, z-scores indexes such as those presented in chapters four and five, and typologies created using cluster analysis or factor analysis, are all at risk of outlier effects (Ragin, 2000:167). Where outliers are extreme there is potential for results to be skewed to the extent that they become unreliable. Finally, as chapter five concluded, the z-score index - as with any method that relies on means and standard deviations - can be used to merely paint a picture of the relative behaviour of nations (Ragin, 2000:169). In chapters four and five we saw that from our sample of nations, Ireland and Korea exhibited the most competition state-like behaviour. Taken alongside the assumption or at least acceptance that the competition state thesis is correct, we are then moved to suggest that Ireland is the ideal type competition state. In reality, it may have fallen well short of competition state behaviour, despite appearing more like a competition state than any other nation.

### **6.1.2: A fuzzy set approach**

In order to answer these pivotal questions it is obvious that a more nuanced methodology is required; one that can capture the multidimensional nature of the competition state and is not subject to outlier effects. Following the lead of Hudson and Kühner (2009), Kvist (2006; 2007), and Vis (2007), this study will turn to fuzzy set-deal type analysis, which can, Hudson and Kühner insist, "overcome these issues" (Hudson and Kühner 2010:169). Briefly, fuzzy set ideal type is able to avoid many of the issues faced by methods such as additive indexes and cluster analyses in two key ways. Firstly, fuzzy-set ideal type analysis requires the researcher to engage with the literature, be it based on empirical studies – quantitative or qualitative – or not and identify the key dimensions that make up the phenomenon, process, or concept that is to be the focus (Berg-Schlosser et al, 2009:9; Caramani, 2009:87; Ragin, 2000:122:161; 2009:92; Yamasaki and Rihoux, 2009:134). This in itself is not a departure from an index-based approach.

However, unlike such approaches behaviour in each dimension is analysed separately rather than simply feeding into an overall score. Whereas behaviour on individual dimensions determines the overall score of additive indexes, with fuzzy set ideal type analysis behaviour on an individual dimension impacts only on the score for that dimension (Ragin, 2000:39). This score, which will lie between 0 and 1 can then be analysed alongside scores from other dimensions to build a more complete picture of how a case (in this study cases are nations) acts on the various, often contradictory dimensions of the concept or phenomenon<sup>46</sup> (Berg-Schlosser et al, 2009:8:13; Ragin, 2000:71). Within the fuzzy method, these dimensions are referred to as sets and it is through membership (or lack of membership) of these sets, that we can construct a picture of how countries may in reality differ even when they appear similar to one another in additive indexes (Ragin, 2000:167).

Consequently, the construction of sets is perhaps the most important stage in fuzzy-set ideal analysis. Not only is it important that the researcher thinks carefully about what dimensions are important and where relevant, what variable represents the best proxy for that dimension, the researcher must also, from a position of embedded knowledge, also set the parameters within which countries can gain membership of a set (Berg-Schlosser and De Meur, 2009:25-26; Cronqvist and Berg-Schlosser, 2009:77; Ragin, 2000:150:318; 2009:93:118; Yamasaki and Rihoux, 2009:132).

The role of the researcher in establishing what behaviour constitutes membership of a set and what constitutes a lack of membership owes its import to the very nature of fuzzy-set ideal type analysis and consequently its strength in negating the outlier problem. This is because fuzzy-set ideal type analysis fuses the principles of quantitative and qualitative analysis by merging quantitative values with qualitative descriptors (Ragin, 2000:154). For example, a set score lies between 0 and 1, with one representing fully in a set and zero representing fully out (Ragin, 2009:89). Vis, along with Hudson and Kühner cite the example outlined by Kvist whereby welfare states can be classed as generous or otherwise (See Kvist, 2007). In his study Kvist assigned countries to worlds of welfare

---

<sup>46</sup> How this is achieved will be discussed later

dependent upon whether they were generous in terms of benefit levels, whether these benefits were readily accessible, and whether such benefits mandated certain obligations on the recipients' part (Kvist, 2007:478). To ascertain whether a country's unemployment benefit is generous, he suggests we look at replacement rates. Here he argues that while we could without doubt suggest that a nation that replaces 100% of an unemployed person's previous wage could be considered as fully generous and thus attain a fuzzy score of one, in reality not only does that not happen anywhere, but lower levels (Kvist uses 90%) should still be considered fully generous. Similarly, while a replacement rate of 0% is most definitely fully not generous and merits the score of zero, so would a rate of 20%, which Kvist and Vis both cite as the level at which an individual is unable to maintain their standard of living (Kvist, 2007:478; Vis, 2007:112). What is important is that the researcher thinks critically about what constitutes fully in and fully out (Ragin, 2000:123; 2009:118). This not only has the advantage of ensuring that the scores of one and zero are meaningful and relate to the concept one is studying, it also has the ability to negate outlier effects. This is because the scores of zero and one represent levels of sufficiency and once a country demonstrates behaviour that is sufficient to score one or zero, further variation is ignored (Hudson and Kühner, 2009:36; Ragin, 2000:314; 2009:94). This way, all that is important and all that counts is whether a country reaches the threshold and no amount of extreme behaviour – high or low- can affect the overall composition of the set.

Setting the breakpoints of one and zero in such a way as to avoid the outlier effects of extreme behaviour is extremely useful and for many, the generation of binary data represents a useful tool for analysis (See Caramani 2009 and Ragin 2000 for a discussion of studies that have utilised Crisp-Set comparative analysis). However, these crisp distinctions between in and out not only hide much useless variation, they also hide the interesting variation that lies between zero and one. As first Ragin, then Kvist, Vis, and Hudson and Kühner note, the social world is much more complex than a series of binary conditions (Hudson and Kühner, 2009:36; Kvist, 2007:476; Ragin, 2000:149; Vis, 2007:108). Indeed, the world is undoubtedly marked by nations that are not simply in or out, but also nearly out, nearly in, and somewhere in between, or to use Ragin's phrase, fuzzy rather than crisp. As such Fuzzy-set analysis offers a much more nuanced, arithmetic

approach to scoring countries' behaviour whilst maintaining the researcher's requirement to engage with the theoretical underpinnings of the concept (Ragin, 2000:6). This is managed by not only including the scores of zero and one, but also scores that reflect what Hudson and Kühner call "graded, partial memberships of sets" (Hudson and Kühner, 2009:37). This is achieved by recoding all raw data that lies above and below the theoretically derived breakpoints as one and zero respectively, then subtracting from each recoded score the lower breakpoint and dividing this result by the difference between the two breakpoints<sup>47</sup> (Vis, 2007:111). This produces a continuous range of data between zero and one and includes the score of 0.5, which is the point at which a country exists at the crossover point between being more in and more out of a set. For many, the five descriptors outlined in table 6.1 are sufficiently descriptive for their needs (see). However, Ragin does offer a nine-point package of descriptors (see table 6.2) that can be utilised to add extra information as to the strength of membership. While this study does not make use of this application, it should be noted that the use of such descriptors can be reversed so that these qualitative descriptors can be used to generate scores<sup>48</sup> (Ragin, 2000:170:265; Walton and Ragin, 1990:882; Zadeh, 1972:4). This is particularly useful where the researcher is interested in comparing both qualitative and quantitative data (Again see both Caramani, 2009 and Ragin, 2000 for a discussion of various studies that have made use of the Fuzzy-Set Qualitative Comparative Approach).

**Table 6.1: Fuzzy-set scores and descriptors**

Score	Descriptor
1	Fully in
$0.5 < x < 1$	More in than out
0.5	Crossover: neither in nor out
$0 < x < 0.5$	More out than in
0	Fully out

**Table 6.2: Fuzzy-set scores and descriptors**

Score	Descriptor
1	Fully in
$0.83 < x < 1$	Almost fully in
$0.67 < x < 0.83$	Fairly in
$0.5 < x < 0.67$	More or less in
0.5	Crossover: neither in nor out
$0.33 < x < 0.5$	More or less out
$0.17 < x < 0.33$	Fairly out
$0 < x < 0.17$	Almost fully out
0	Fully out

Sources: Tables 6.1 and 6.2 were adapted from Ragin (2000:156), Hudson and Kühner (2009:37), and Kvist (2007:477).

<sup>47</sup> Fuzzy score ( $f$ ) = ((( $x$ -lower breakpoint)/(upper breakpoint-lower breakpoint)))

<sup>48</sup> Indeed such an approach is extremely common in uses of csQCA

To put the process of set construction and threshold setting in less abstract terms, it is useful to analyse in detail how others have constructed sets in their use of fuzzy-set ideal type analysis. If we explore the approach of Hudson and Kühner in their 2009 paper, '*Towards Productive Welfare? A comparative study of 23 OECD countries*', we can see how their Education Investment set was constructed in a way that was both tied to theoretical knowledge and avoided the impact of outliers. From a Beveridgean perspective, they suggested that a welfare state faced with five key policy goals (defeating the five ills of society) should, regardless of overall commitment to welfare, spend roughly equal shares of their budget on each of the five core policy areas (Hudson and Kühner, 2009:40-41). This gave them a breakpoint of 20%, which of course represents one fifth of a budget. For Hudson and Kühner this represented what they saw as the mid-point (0.5) of their Education Training set and combined this with an historical analysis of data to set their floor at 15% and ceiling at 25% (Hudson and Kühner, 2009:41). In this way, their breakpoints are theoretically derived. Moreover, if we look at their raw data, which they rather usefully make freely available, we can see that by setting their breakpoints thus, they avoid the potential outlier effects of Korean education training expenditure as a proportion of total government outlays, which stood in 1994 at 42.72% (Hudson and Kühner, 2009b). By scoring above 25% Korea is rightly considered to belong to their productive Education and Training set, however owing to the fuzzy-set method, Korea's 'extreme' behaviour on this dimension does not affect the membership scores of other countries. The raw data also shows that with regards to productive and protective welfare, in the arena of education expenditure, the OECD does indeed represent a fuzzy rather than crisp world with countries exhibiting scores across the full range of Ragin's nine-point descriptors (Hudson and Kühner, 2009b).

### **6.1.3: From sets to combinations of sets**

The construction of sets is then, pivotal. However, as Hudson and Kühner note, taken in isolation these set membership scores do not reveal much (Hudson and Kühner, 2009:37; see also Ragin, 2000:33:122). Indeed what makes fuzzy-set ideal type analysis so powerful is the use of fuzzy logic – an extension of Boolean algebra - to combine membership of different sets in order to produce an overall picture of how a country behaves with regards the concept as a whole (Berg-

Schlosser et al, 2009:8:13; Ragin, 2000:39:71). As each case has a membership score for each set, which is derived from its behaviour in that dimension, it is clear that nations may differ in the configurations of their set memberships. One nation for example may belong fully to all sets, while another country may belong fully to one set, partially to another and not at all to the remaining sets. To determine the configuration of these sets, fuzzy-set ideal type analysis draws on two key operators of Boolean logic; the principles of AND (which is represented by the symbol ●) and NOT (Which is represented by the symbol ~) (Caramani, 2009:79; Ragin, 2000:174). By using these operators it is possible to outline all possible combinations of sets within a study. For example, table 5.3 - which is often referred to in fuzzy studies as a truth table (Ragin, 2009:87-89) - shows all possible combinations or property space (Ragin, 2000:77) for a study that includes two sets.

**Table 6.3: Truth table showing the property space for a two-set study**

Generous	Accessible
In	In
In	Out
Out	In
Out	Out

**Table constructed through the adaptation and simplification of the property space produced by Kvist's (2007) study of welfare states**

To ascertain how many possible combinations of sets exist, one simply needs to know how many sets there are. This is because the total number of combinations is  $2^k$ , where  $k$  is the number of sets that have been operationalised as part of the study (Berg-Schlosser and De Meur, 2009:27; Ragin, 2000:183). Where the total number of combinations in table nine is four as this is equal to  $2^2$ , in more complex studies where four (16 combinations) or five (32 combinations) sets are being operationalised, the number of possible combinations can become rather unwieldy. Moreover, many of these combinations, while logically different, may be qualitatively similar. As such it is common for fuzzy-set ideal type analysis to make use of only a small number of sets (Caramani, 2009:27; Ragin, 2000:79). This is useful as it not only produces a more parsimonious model in terms of combinations, it also requires the researcher to think carefully about what

information is absolutely necessary and in turn, which dimensions are the most important to the concept (Berg-Schlosser and De Meur, 2009:27).

Once the property space has been defined, each case will fall into one of the possible combinations of sets. This requires assigning cases their membership scores for each set as well as scores for their lack of membership. The method for generating membership scores was covered earlier and it is through a simple operation that these scores are used to generate scores of non-membership. Using the negation principle one subtracts a set score from 1 to provide the score for membership of the NOT (~) set (Ragin, 2009:94; Vis, 2007:113). This is perhaps best demonstrated through an example. If we look at Vis' study of welfare and workfare states, her Conservative welfare type is marked by not being a member of the activation set, whilst being a member of both the generosity and protection sets<sup>49</sup> (Vis, 2007:110). Whilst each case has a score for activation, they lack a score for belonging to the opposite set, the NOT activation set. This is generated by subtracting the activation score from 1, so where a case has an activation score of 0.2 for example, its score for NOT activation becomes 0.8. This negation principle, along with what is referred to as the minimum principle is used to generate overall 'type' scores (Caramani, 2009:79; Ragin, 2000:173:189; Vis, 2007:110). In the case of Vis' Conservative welfare type, a country has to demonstrate membership (in this case it must be more in than out and exhibit a score above 0.5) of the following sets: NOT activation AND generosity AND protection (Vis, 2007:113). Here the case will have differing scores for each set, so to determine the overall score for this model or type, one simply takes the lowest score. Therefore, if a country exhibits the following scores:  $\sim A = 0.8$ ;  $G = 0.55$ ; and  $P = 0.9$ , the country's overall score for the Conservative welfare set will be 0.55.

#### **6.1.4: Linking possibilities to theory**

The final task facing the researcher before they actually collect or at least 'fuzzify' their data is to make sense of the possible combinations produced by the fuzzy analysis (Ragin, 2000:123). Again, here we see another example of the fuzzy-set approach necessitating the researcher to engage with the literature and existing empirical evidence, to construct what they believe to be the ideal types they would

---

<sup>49</sup> The model being  $\sim A \bullet G \bullet P$

expect to exist (Berg-Schlosser and De Meur, 2009:25-26; Cronqvist and Berg-Schlosser, 2009:77; Ragin, 2000:150:318; 2009:93:118; Yamasaki and Rihoux, 2009:132). Furthermore, the researcher must then consider what model (combination of sets) or in some cases combinations of models best describes that ideal type. In this respect, Vis labelled the model that saw membership of the activation set, membership of the generosity set, but not membership of the protection sets as describing a generous welfare approach to social security (Vis, 2007:110). Similarly Hudson and Kühner suggested that four of their possible models represented pure ideal-types, which demonstrated the productive-protective mixes they expected to witness amongst various nations (Hudson and Kühner, 2009:39). Of course with four sets, Hudson and Kühner's study generated sixteen possible models. Here they again drew on theoretical knowledge to identify the four important and distinctly 'pure' types as well as describing the other types in terms of hybrids, which combine elements of their pure types but do not fully conform to the 'pure' behaviours (Hudson and Kühner, 2009:39). At this juncture they also made qualitative decisions about the differences between models and where they felt that such difference was small or qualitatively insignificant. As such they labelled these differing models as belonging to the same ideal type. So for example, to belong to their 'hybrid' ideal type, protective plus, a country could be best described by either model E•T•~L•B or E•T•L•~B (Hudson and Kühner, 2009:39). Again, the decision to classify models as being demonstrative of specific ideal-types is one for the researcher, requiring engagement with the existing scholarship around the subject. Moreover, to improve the credibility of this process, proponents of fuzzy-set approaches strongly advise researchers to be transparent in their decision making (Ragin, 2009:93; Rihoux and De Meur, 2009:43; Rihoux et al, 2009:167). Best practice, Caramani and Ragin both insist, involves the researcher involving the audience in, or at least informing them of, the debates about the rationale used for the Breakpoints they set, the types they construct, and the models they fit to ideal types (Caramani, 2009:87; Ragin, 2000:125:162:190). Consequently, discussion of how fuzzy-sets are operationalised becomes as important as the findings they reveal, because as Kvist implies, the findings are only as good as the sets and models that begat them (Kvist, 2007:477).

## **6.2: Operationalising the fuzzy-set ideal type competition state**

### **6.2.1: Selecting Cases**

A small matter that Ragin insists is central to fuzzy-set analysis best practice (Ragin, 2000:122), but has not yet been covered in this chapter relates to the selection of cases. Ragin and others insist that the researcher think carefully about whether the cases in their study are truly comparable, offering similarity as well as diversity (Berg-Schlosser and De Meur, 2009:20; Ragin, 2000:54-55). Evidence from the previous two chapters has perhaps hinted at the notion that the age of a democracy – how old a country is in terms of being a democracy - may have some role in determining what form a nation's competition state may take. It might be that younger democracies represent a considerably different group of countries to those with deeper democratic roots. However, every country sampled in chapters four and five have demonstrated sufficient significance and like-mindedness to be granted membership of the OECD (See Noboru, 2004:16; OECD, 2010d). As such we can say that regardless of a country's age, what unites those countries sampled in the first two chapters is more significant in terms of economic, social, and competition state policy than that which divides them and consequently, this same sample is used here.

Maintaining the same sample here as in the previous approaches is useful as it facilitates more meaningful comparison of findings and allows for a more controlled appraisal of the roles played by the different methodologies in producing these findings. To this end it is desirable to provide as much continuation as possible between the two methodologies. In terms of set construction this primarily manifests itself in the selection of variables used. Previously this investigation has operationalised five dimensions of the competition state thesis, some of which are aggregates of two or three variables. Here the commitment to continuity must be balanced with fidelity to the best practice principles of fuzzy-set ideal type analysis. To ensure that more types are not generated than there are cases in the study, it is useful to reduce what was five dimensions of the competition state index to four sets. This of course not only ensures that the number of combinations or types does not exceed the number of cases, which is best avoided (Berg-Schlosser and De Meur, 2009:27), it also prompts the researcher to consider how best to make

the output more parsimonious by reducing the available property space (Ragin, 2000:9).

### **6.2.2: Selecting dimensions as sets**

It should be acknowledged that this process of dimension removal does represent a loss of information, which is undoubtedly a weakness of the fuzzy set method. To mitigate the effect of this weakness and ensure that the greater resulting parsimony enriches the study, the decision about which dimension should be removed must not be taken arbitrarily and requires justification. Making this decision is of course difficult; all aspects of the index were deemed important enough to include and by the same logic, developing a rationale for removal is not straightforward. It was decided that while all dimensions are important, the welfare expenditure and welfare generosity dimensions were perhaps qualitatively similar enough to merit the removal of one in favour of the other. Indeed in his representation of the index, Evans actually groups these two dimensions together (Evans, 2010:104). It is not really that the two measures are particularly similar, rather that they are more similar than any other two dimensions of the index. Moreover, these dimensions make use of the same expenditure data and as such it perhaps easier to justify removal of one of these dimensions as opposed to a dimension that makes use of separate data.

Removal of one welfare-based dimension can then be justified for both theoretical and methodological reasons. However, the decision regarding which of the dimensions should be removed and which should survive is less clear. In reality, either could be included and it is difficult to justify the removal of one over the other. After much deliberation it was decided to operationalise welfare expenditure as a fuzzy set for two main reasons. As will be covered, the active set involves a slight adjustment to the formula used within the previous methodology and in this iteration is combined with unemployment data. As part of the rationale behind removing a welfare dimension rested on the fact that using both dimensions resulted in using the same core data twice, it seemed pertinent to extend this to the selection of which of the welfare dimensions should be removed. More pertinent however was the consideration of the core theoretical underpinnings of the competition state thesis. Here, as Ragin and others suggest, the importance of

establishing a constant dialogue between cases, sets, types, and theory is crucial (Berg-Schlosser and De Meur, 2009:14; Cronqvist and Berg-Schlosser, 2009:77; Ragin, 2000:150:318; 2009:93:118; Yamasaki and Rihoux, 2009:132).

The competition state, Cerny posits, is the successor to the welfare state because it is better placed to triumph in the global economy (Cerny and Evans, 2003:20; Evans, 2010:102). Ultimately this requires the qualitative reduction of the state alongside shrinkage in its overall cost (Cerny, 1997:259). In essence, while the competition state may have taken onboard the need to build legitimacy through providing opportunity (Lunt, 2010) and investment in human capital (Cerny, 1997:271), its core objective has remained the same; the pursuit of economic success (Cerny, 1997:251:263). Reducing the cost of the state is central to this (Cerny, 1997:259) and as such, whether a nation achieves this over-arching ideal is perhaps more important than whether it meets its ideological commitment reducing generosity levels and returning citizens to work. Of course in a perfectly functioning competition state one would expect both conditions to be met, however it is clear that reducing overall expenditure is a key priority, with reducing generosity a key step in achieving this. Given the difficult task of choosing between the two dimensions, the centrality of social expenditure and the overall size of the welfare state to the competition state thesis is therefore used as the rationale for selecting this dimension and not operationalising welfare generosity as a fuzzy set.

While it is not necessary to remove other dimensions, similar discussions must be had when operationalising each dimension as a set. That is because as part of the index approach, the PWCS, government regulation of industry, and the taxation dimensions were all composite measures. While the fuzzy set method is capable of utilising composite sets, such an approach weakens its ability to avoid compensation effects and would allow enable the masking of multidimensionality. As the real strength of this method is its ability to avoid such issues, building composite sets does not seem worthwhile. Moreover, one of the real benefits of fuzzy-set ideal type analysis is that the output means something in real terms. By setting a breakpoint for the membership of a set based upon the behaviour on one dimension, the researcher or any reader can understand exactly what that breakpoint means. For example, in Hudson and Kühner's (2009) study of

productive and protective welfare, a reader can tell that by achieving a score of one on the Education Training set, a country has an expenditure level in this arena at or above 25% as a proportion of GDP. When variables are aggregated such statements become more complex and their denotations become much more ambiguous. Take for example the arena of taxation. When constructing the competition state index, a composite of three variables was labelled as the tax dimension. Not only would it be possible for extreme behaviour on one of these variables to affect the overall dimension or set score, it would be difficult to set meaningful breakpoints. To continue with the example of taxation, a composite set would require breakpoints at both zero and one to be set qualitatively. Such breakpoints, as covered, would usually relate to a real situation, however with a composite set one would have to qualitatively set a breakpoint at which behaviour on the average of three variables is fully out or in the set. Not only is this the type of approach fuzzy-set ideal type analysis seeks to avoid, it is also incredibly messy. The averages of three measures are not meaningful to the researcher or reader as real numbers and it becomes extremely difficult to justify any qualitative breakpoint used in a composite fuzzy-set.

Once again the fuzzy set methodology requires the researcher to engage with existing scholarship and allow theories to crystallise around what lies at their core and in turn represents the most important features. With regards taxation, all three variables relate to expectations of the competition states. In terms of the average worker, we would expect competition states to levy a smaller tax than is required in a more redistributive welfare state because this increases the amount of disposable income that can be used for the procurement of goods and service. Also, with fewer services to fund, the state should require less. In terms of the top-rate of income tax, this levy impacts those in the category from which the entrepreneurial class is so often drawn (Cerny and Evans 1999:22). These are the small and medium enterprise (SME) executives and owners, whose innovation is crucial to the competition state (Cerny and Evans, 1999:22). And finally there is corporate taxation, seen as a tax on business, innovation, and trade (Cerny and Evans, 1999:22). All three variables represent important elements of the competition state thesis. However it is develop a rationale for the selection of one over the others. As Kvist (2007), Hudson and Kühner (2009), and Vis (2007) show,

such justifications need not be so definitive as to stifle debate or critique, simply that the researcher must have a rationale to support their given selection. In this study the decision was taken to operationalise corporation tax, not because of any deficiency with the other variables, rather because corporation tax strikes at the heart of the competition state's apparent success. If capital flight represents the risk Cerny and Evans opine it does (Cerny and Evans, 2003:25), corporations represent perhaps the key non-state players in nations' engagement with and success in the global economy. A successful economy and with it competition state relies on business and its willingness to host at least some of its processes within the national territory. In his invocation of Adam Smith, Hay notes that the proprietor of stock would, rationally, abandon any country that burdened him with taxation (Hay, 2001:209). Providing a favourable environment for business is then pivotal for avoiding capital flight and establishing a successful economy.

When operationalising the PWCS as a fuzzy set, the decision to choose between the two measures of the same variable<sup>50</sup> is made easier by the compelling case made by Vis (2007) for constructing a set that offers a little more detail. In her study of the shift from welfare to workfare, Vis operationalises an activation set that measures ALMP relative to GDP per unemployed person (Vis, 2007:111). To achieve this Vis multiplies each country's ALMP expenditure by one hundred and divides it by its standardised unemployment rate. This provides a measure that is not artificially driven by the unemployment rate as it generates a score that is equal to the percentage of GDP spent on ALMPs per 1% of the unemployed (Vis, 2007:111).

The final set to operationalise pertains to the government regulation of industry. If we recall, this was a composite dimension consisting of Product Market Regulation (PMR) and Employment Protection Legislation (EPL). The former is a measure compiled by the OECD, of the "relative friendliness of regulations to market mechanisms" (Nicoletti, et al, 2000:2) and for similar reasons to those mentioned in the discussion of corporation tax is crucial to establishing a country as a place industry wishes to do business. As for EPL, which is essentially a measure of how difficult or easy it is to fire an employee, it has been argued that strictness

---

<sup>50</sup> ALMP expenditure as a proportion of GDP and ALMP expenditure as a proportion of total expenditure.

presents a particular difficulty for new industries, especially those requiring the use of new technologies for which the market is uncertain (OECD Economic Outlook, 2004:20). Both seem like useful measures this dimension represents the hardest to reduce to just one measure. The decision to operationalise EPL rather than PMR owes more to the existence of similar studies that have operationalised EPL as a fuzzy set than it does to its superiority as an indicator. This approach can be justified on two grounds: first, as establishing the qualitative breakpoints represents perhaps the most profoundly subjective stage in fuzzy-set ideal type analysis (Ragin, 2009:93:118), it is the process that requires the keenest engagement with existing scholarship. Here the existing scholarship establishes a solid precedent for both the operationalisation of EPL and the setting of qualitative breakpoints in such a set (See Hudson and Kühner, 2009; Vis, 2007). Second, where EPL has been operationalised it has been done so in accordance with the same underlying principles and expectations as it is in this study, which means transfer of principles and breakpoints is relatively straightforward.

While a tentative rationale for selecting and operationalising EPL has been advanced, it is clear that this is a subjective decision that owes as much to the fact that there is precedent to follow as it does to its suitability or more precisely, its preferability for operationalisation. Again this could be viewed as a weakness of the fuzzy set method or this study's application of it. However, following the lead of Ragin and others who insist that even the calibration of sets and presentation of results and analysis represent work in progress (Ragin, 2000:125:318), the omission of PMR at this stage need not see it removed from all analysis and discussion. Indeed, for Ragin, all researchers should engage in a process of refinements and sensitivity analysis to ensure that their findings and conclusions are robust (Ragin, 2000:318). So while the fuzzy set will be presented with EPL operationalised rather than PMR, the whole process will be repeated with PMR operationalised. While this second approach will not be presented in full, data will be appended and a brief discussion of the differences and similarities between the two approaches will be presented alongside the main findings.

### **6.2.3: Calibrating competition state fuzzy sets**

Having established exactly which dimensions and variables are to be operationalised as fuzzy sets, the next stage is to decide how these will be calibrated. This involves establishing a rationale for setting the qualitative breakpoints of zero and one. Following the examples of Vis (2007) and Hudson and Kühner (2009), the crossover point will be set arithmetically and not subjectively as Ragin demonstrates is possible (Ragin, 2009:91-92).

The first set to be calibrated is the minimal welfare set, which uses data on social expenditure as a proportion of GDP. An important observation must first be made pertaining to the direction of the data. As Ragin suggest, best practice requires the score of zero to be consistently applied to cases that fall out of the set and the score of one to be applied to countries that are fully in the set. As a higher welfare expenditure runs contrary to the expectation of the competition state it is necessary to invert the scores that are generated so that the score of one does represent inclusion in the minimal welfare set of the competition state. As this set has not been operationalised before, at least not in this way<sup>51</sup>, there is no precedent to follow in terms of choosing the breakpoints. The method used to set these breakpoints does however follow the general approach of Hudson and Kühner in the calibration of their Education Training set. Here they utilised an historical analysis of behaviours and trends and in accordance with Ragin (2000:292) consulted the data itself and the standard deviation found within (Hudson and Kühner, 2009:39). This process was undertaken in dialogue with both the data and existing scholarship in order to establish meaningful breakpoints. Similarly, the calibration of the minimal welfare set in this study owes much to an historical analysis of data, which shows that those countries often referred to as generous or as having a big state have maintained spending levels as a proportion of GDP over 25% for the last thirty years, while average expenditure has held steady at close to 20% (OECD, 2010). This score of 25% is taken as the first qualitative breakpoint of zero or fully out of the minimal welfare set. It would be possible to set the second breakpoint at 15%, which represents a stable floor to the data, but this would simply replicate the problem of membership

---

<sup>51</sup> Welfare state generosity has been operationalised before (see).

of the set being relative rather than qualitatively driven. Instead, a tougher threshold is set at 10%, which ensures that there can be little ambiguity surrounding those countries that score one and are accordingly considered full members of the set. The point at which a country would be more in the set than out, the 0.5 level, would therefore be set at 17.5%. While setting the breakpoint at 10% may seem rather low, a country can still score higher than the historical data-floor<sup>52</sup>. Moreover, adhering to a ‘stringency principle’ and setting such a breakpoint helps avoid errors akin to type one errors in statistical analysis; accepting that a condition is happening when it is not (Bryman and Cramer, 2005:163). To reduce the possibility that this may happen a more stringent breakpoint is subsequently established. Of course this raises the likelihood that a type two error, rejecting the existence of a condition when it does exist (Bryman and Cramer, 2005:163), may occur. Neither of these errors are ideal and as such sensitivity analysis that sets the breakpoint at 15% is undertaken and discussed later. However, as the competition state thesis –while important within the literature- is not universally accepted (See Hay, 2001 for perhaps its most rigorous critique), it is prudent to apply tougher rather than more lenient expectations on cases and as such, the qualitative breakpoint for full inclusion is set at 10%.

The second set -that of activation- is more straightforward than the minimal welfare set. This is because here there is a precedent that is useful, meaningful, and transferable. In accordance with Vis, the first qualitative breakpoint of zero<sup>53</sup> is set at 5<sup>54</sup>. Vis sets this threshold as it represents expenditure of 0.05% of GDP per 1% of unemployment and is so low that any country exhibiting scores at such levels cannot have a realistic intention to activate its unemployed citizenry (Vis, 2007:111). Conversely, she argues, countries that spend more than 0.25% of GDP per 1% of unemployment can be considered as having a high level of dedication to activation (Vis, 2007:111). Consequently the breakpoint of 1 is set at 25.

Operationalising the EPL set is similarly straightforward as once again, this study follows a precedent. Here the qualitative breakpoints used by both Vis (2007) and

---

<sup>52</sup> Established as one standard deviation below the mean.

<sup>53</sup> Note that Fully out of this set does not require any inversion of the data as it is already ‘pointing’ in the right direction.

<sup>54</sup> Recall scores were generated by multiplying ALMP expenditure as a proportion of GDP by 100 and then dividing this score by the unemployment rate.

Hudson and Kühner (2009) are adopted once inverted. Here Vis breaks down the EPL variable into its 14 constituent elements and suggests that any country that achieves a high score on half of the protective dimensions should be considered as part of the fully protective set (Vis, 2007:112). This of course runs contrary to the expectations of the competition state and as such in this study, exhibiting such behaviour would see a case as fully out of the set. To demonstrate membership of Vis' set, a country would need to exhibit a score over 3, which could only be achieved if a country received a high score on at least half of the indicators that make up the EPL score and consequently it would prove difficult to terminate an employee's contract in that country (Vis, 2007:112). The score of three then represents the qualitative breakpoint of zero in the competition state operationalisation of EPL. The second breakpoint of one, which represents full membership, is achieved using a similar thought process on Vis' part. Here she demonstrates that a score of 0.5 can only be achieved if a country scores the maximum high score on only one of the fourteen indicators. Vis insists that where this is the case, a country has weak protective legislation and the termination of contracts is not difficult (Vis, 2007:112).

As mentioned, sensitivity analysis was undertaken replacing EPL with PMR. Here the same logical procedure is followed with the difference in breakpoints being accounted for by the increased number of constituent elements to the PMR dimension. Consequently the breakpoints of zero and one are set at 3.2 and 0.35 respectively<sup>55</sup>. These once again represent the levels at which a country would achieve a high score on at least half of all dimensions for full membership and exhibit a high score on no more than one indicator to be deemed as fully out.

Finally we turn to the operationalisation of the tax set, which as with the operationalisation of the minimal welfare set follows no precedent. Setting the qualitative breakpoints for this set involved a dialogue between historical data, the data that was to be used, and existing scholarship. With no concrete examples to follow, these breakpoints represent perhaps the most qualitative or subjective in this study. However, not only do they represent a process of theoretical engagement, in accordance with Ragin, they are not set as absolutes (Ragin,

---

<sup>55</sup> There are 17 constituent elements of the PMR measure, which is scored from 0-6.

2000:318), perceived by the author as in some way infallible. Indeed, as with the government regulation and minimal welfare sets, sensitivity analysis was conducted with alternative breakpoints. Nevertheless, the breakpoints make qualitative sense and furthermore bear relevance to both historic and contemporary data.

The first breakpoint, fully in the competition state set for corporate taxation was set at 20%. The rationale for setting this level was really a product of descriptive statistical analysis of contemporary data, an acknowledgement of recommendations made by the CBI, and the adoption of the ‘stringency principle’ utilised in setting the qualitative breakpoints for the minimal welfare set. With regards the data that is analysed, 20% represents a level just below one standard deviation below the 2007 mean. In qualitative terms, it is accepted that corporate tax rates have become much less burdensome since 2000 and the overall picture within the OECD has consequently become much more business friendly (CBI, 2008:29; Devereux et al, 2008:1211; OECD, 2008:3). It could be argued that using extreme relative behaviour in 2007 as a breakpoint for full inclusion in the tax set across all years would be acceptable. The rationale being that 2007 represents the year in which tax rate competition reaches its most competitive and therefore business friendly within this study, and that 20% represents a demanding threshold within that year’s data. This approach could be criticised for setting such a demanding threshold, however it should be noted that this level is not so low as to preclude countries from being fully included; even without setting the second breakpoint and subsequent crossover point, a threshold of 20% would see three countries gaining full membership in 2007. Moreover, so as not to overstate the existence of the competition state, setting a more demanding threshold for full membership is pertinent. The establishment of the first breakpoint of full membership at 20% is lent credence by recent reports by the CBI. This body, which represents the interests of business in Britain, insist that a tax rate that is significantly below the current OECD average is required to ensure that the British business is not only competitive in the short term, but also in the medium term (CBI, 2008:42). The target they advocate, of 18%, represents the rate at which they believe a country would have a significant advantage in attracting business in the first instance and then successfully sustaining and retaining that business

activity (CBI, 2008:15). The confluence of these three factors, descriptive data analysis, the recommendations of the CBI, and a generally stringent approach to setting the qualitative breakpoints, suggests that 20% represents a reasonable threshold to set.

Setting the second breakpoint involved a similar process, however recommendations from either the academy or the business world were not forthcoming. Consequently, the breakpoint was set through an analysis of historic trends, a descriptive analysis of the data that is used in this study, and ultimately relied on the strength of a qualitative statement.

Having failed to follow a precedent or locate any substantial evidence to support the setting of any breakpoint, the researcher is left to consider what, in qualitative terms, it means to be fully out of this set. At what tax rate can we say a country is definitely not acting like a competition state? It would of course be possible to follow previously cited examples and analyse the suitability of using standard deviations from the mean. Indeed, such an approach is useful for a researcher in becoming better acquainted with the concept (Hudson and Kühner, 2009:41; see also Ragin, 2000:292). To follow the logic used in setting the first breakpoint, which suggested that 2007 represented the most competitive year in terms of tax policy, it would make sense to look at data from 1997 to establish a point that is uncompetitive. Here we see that one standard deviation above the mean would be just above 45%. Historically, rates at and above this level were common until the end of the twentieth century, representing stability not just through the golden age of the welfare state, but also throughout the 1980s and early 1990s (Clausing, 2007:122; Devereux et al, 2008:1222). The rate of 45% would then seem like a reasonable candidate for the second qualitative breakpoint. However, to acknowledge that this rate was derived through what was undoubtedly the least robust process relative to the setting of all other breakpoints, it was felt that extra consideration and to a certain extent caution, was warranted. A stringency principle had been applied to the establishment of the first breakpoint to ensure that countries were not mistakenly labelled as full members of the set. It seems only right that a similar principle be applied at the opposite pole to ensure that no country is unfairly categorised as fully out of the set. As such, a slightly higher breakpoint was established at 50%. While this level still bears relevance to

historical trends and the data for 1997, it also has a neat clarity to it in qualitative terms. It may very well be that the breakpoint could have been set lower and to ensure best practice, sensitivity analysis was carried out to explore the impact of different breakpoints. However, it is with extreme confidence that we can say that where a country takes over half of a corporation's profits, it is most definitely not acting like a competition state.

**Table 6.4: Illustration of how sets have been constructed and calibrated**

Set	Variable	First qualitative breakpoint (1=fully in)	Second qualitative breakpoint (0=fully out)
Minimal welfare	Social expenditure as a proportion of GDP	10%	25%
Activation	ALMP expenditure as a proportion of GDP multiplied by 100 and divided by the unemployment rate	25	5
Regulation	EPL	3	0.5
Tax	Corporate tax rate	20%	50%

Table 6.4 summarises the variables used to construct sets and the breakpoints used to calibrate them. Having constructed and calibrated the sets, the next stage in the process of operationalising the competition state as a fuzzy concept, involves defining the property space. This involves establishing all possible models that can be created via the use of the Boolean operators AND ( $\bullet$ ) as well as NOT ( $\sim$ ) and explaining how these relate to the overall concept. In this study this involves identifying which models represent distinct theoretical types of competition state and applying appropriate labels. Table 15 (overleaf) shows all sixteen possible combinations derived as a result of the number of combinations being equal to  $2^k$ , alongside the models expressed in Boolean algebra. As table 15 shows, the sixteen possible combinations have in certain instances been combined and as such, twelve types are presented. While these twelve types are deemed qualitatively distinct enough to merit separate classification, it is possible

to loosely group some types in a way that reflects the underlying principles of the competition state.

#### **6.24: Labelling types**

Before the grouping of certain types is discussed, a brief discussion of each type, the label it has been accorded and how that label relates to the model(s) to which it is attached, is presented. In the studies of Hudson and Kühner (2009), Kvist (2007), and Vis (2009), the authors identify ideal-types and in the case of Hudson and Kühner, a range of ‘hybrid’ types (Hudson and Kühner, 2009:38-39). Essentially the same process is followed here, although the term hybrid is in some instances.

Before discussing how the types have been configured, it is useful to reflect on how the sets relate to the competition state thesis. Essentially these four sets can be divided into two or three domains depending on certain criteria pertaining to the competition state thesis. The first categorisation is to consider competition state approaches to be either forward or backwards facing. By this we refer to whether a competition state behaviour is one aimed at establishing a positive approach to the competition state and favour competition state policies through future actions. Or, conversely, whether the behaviour relates to another crucial dimension of the competition state thesis: dismantling or considerably restructuring and limiting the welfare state. These two approaches represent two different and for some countries, opposite domains of competition state action.

It can be argued that the manipulation of tax and employment protection policies represents an attempt to adopt a range of approaches that make competition more achievable. These do not necessarily impact the traditional structures and instruments of the welfare state, rather relate to the competition state’s pro-business agenda. The welfare and activation sets on the other hand deal directly with the embedded structures and economic consequences of the welfare state. Lower expenditure represents a rejection (of sorts) of the welfare state while increased activation can be seen as a restructuring of the ethos within the welfare state (Clarke, 2005:448; Deacon, 2003:133; Driver, 2008:53). Both the forward and backward facing domains are ultimately integral to the establishment of the competition state. However, one domain is more concerned with the exploitation of

the opportunities offered by the global economy, whereas the other is concerned with ensuring that existing features of the state (namely the welfare state) do not act as barriers to such opportunities.

**Table 6.5: Competition state ideal-types**

	Minimal Welfare expenditure (W)	ALMPs (A)	EPL (E)	Corporation Tax (T)	Model
Pure Weak 'pure'	IN	IN	IN	In	W•A•E•T
	In	In	In	Out	W•A•E•~T
	In	In	Out	In	W•A•~E•T
Strong Neo-liberal plus	In	Out	In	In	W•~A•E•T
	In	Out	In	Out	W•~A•E•~T
	In	Out	Out	In	W•~A•~E•T
Neo-liberal	In	Out	Out	Out	W•~A•~E•~T
	Out	In	In	In	~W•A•E•T
	Out	In	In	Out	~W•A•E•~T
Active plus	Out	In	Out	In	~W•A•~E•T
	Out	In	Out	Out	~W•A•~E•~T
Active	Out	In	Out	Out	~W•A•~E•~T
PWCS	In	In	Out	Out	W•A•~E•~T
Pro-competition state policy	Out	Out	In	In	~W•~A•E•T
	Out	Out	In	Out	~W•~A•E•~T
Weak Pro-competition state policy	Out	Out	Out	In	~W•~A•~E•T
Conservative welfare	Out	Out	Out	Out	~W•~A•~E•~T

A second way of categorising sets is to consider once again EPL and taxation as representing an engagement with the global economy, belonging to a domain that is separate from considerations about the welfare state. While these two sets remain linked, the welfare and activation sets are separated into separate domains in acknowledgement that membership of the welfare state owes much to a neo-liberal macro approach, whereas activation places much more emphasis on the human capital investment in the individual. Ultimately both sets relate to the embedded elements of the welfare state, however whether a country is a full member of one of these sets rather than the other (or is a member of both) may reflect extremely divergent approaches to the competition state. As such it is possible to state that while these two sets can be grouped as per the example above, they can also be categorised as representing separate domains of the competition state. Consequently we can consider the competition state types as

being configurations not just of sets, but also distinct domains that represent diverse processes within the competition state thesis.

The first competition state type illustrated in table 6.5 is that which has been labelled as pure. As will be demonstrated, it is useful to group this type with a similar, yet weaker type. As the model indicates, to be a member of this pure ideal type a country would have to demonstrate membership of each set. In this sense such a country can be said to conform to competition state expectations on every dimension that has been operationalised. Chapters four and five revealed that even in relative terms, only Ireland managed to demonstrate such uniform competition state behaviour across all dimensions at any stage in the study. Moreover, by 2007 not even Ireland acted like a competition state across all dimensions relative other countries, exhibiting a negative score in the dimension of activation. Using the results of chapters four and five, one would not expect many countries to demonstrate pure competition state membership, largely because the trend for conformation to the active expectations of the competition state seems to run contrary to that of welfare expenditure. A weaker 'hybrid' version of this type is also defined, qualitatively different from the pure type insofar as it does not require membership of all four sets. This weak pure set does however not only require membership of three sets, it requires membership of all three types of sets as outlined in the second example outlined earlier. In this way a country occupying this type must demonstrate membership of both of the backward looking sets, welfare and activation, and one of the forward looking sets. It does not matter which of the forward looking sets a country is a member of, which explains why there are two possible models to describe membership of the weak hybrid of the pure ideal type. What is important is that a country in this type conforms to all three domains of the competition state using the three domain example and both domains using the two domain example outlined earlier. A country that conforms to either the pure or weaker pure type are qualitatively similar in as much as they can be said to be pursuing a macro approach that is contrary to that which is typical of the welfare state, has taken steps to activate its unemployed, and has pursued policy in one area that is consonant with the expectations of the competition state. The only difference between countries in these types is simply whether they have pursued pro-competitive policies in both

the arenas of employment protection and corporate tax, or merely in one of these areas.

The next grouping of types includes those that have been labelled neo liberal, neo liberal plus, and strong neo-liberal plus. Two conditions bind all three of these types: their membership of the minimal welfare set and their lack of membership of the activation set. Conceptually it may seem rather strange to label any type that specifically does not include membership of a set as being neo liberal. After all, activation and the shift from welfare to a workfare or post welfare environment are central to the competition state thesis (Cerny and Evans, 2003:30-38). Moreover, the pure competition state is for Cerny, the neo liberal competition state (Cerny, 1997:266; 2008:16; Cerny and Evans, 1999:3:7; Cerny et al, 2005:21-22). Why then is a lack of activation central to the neo liberal types and by extension, why is the term neo liberal not applied to the pure and weak pure types discussed above? Quite simply, the activation of citizens, while undoubtedly a rhetorical aim of the competition state and those states that Cerny and Evans identify as competition states, has not translated into significant government action. The US for example, which is perhaps the birthplace of workfare (Deacon, 2000:11), simply does not spend much either in total or relative to the size its unemployed population. When Clinton referred to the carrot and the stick of the workfare/welfare mix (Clinton, 2005:271-272:720), he obviously favoured the stick, with low levels of expenditure and generosity clearly a more favoured tool in the process of discouraging unemployment. Ragin implores the researcher to not only consider their sets, models, and types in consultation with existing scholarship, but also with the data that is collected (Ragin, 2000:125). When the data is consulted, it is clear that activation is not a policy goal that is translated into policy action in any of the countries that have historically been labelled as neo liberal. In America, where neo liberalism is undoubtedly embedded in the macroeconomic approach activation may occur but it is not paid for, rather simply enforced through stringent, ungenerous benefits.

Expecting members of the neo liberal types to not be members of the activation set is combined with an expectation that such countries would be members of the minimal welfare set. Indeed, this basic dichotomy of activation non-membership and welfare membership is sufficient for inclusion in this grouping of countries. It is

enough to be considered as a neo liberal competition state by simply conforming to the principle of modest overall social expenditure. At the most basic level, even if this is the only set that a country demonstrates membership of, we can say that it has an environment where state activity does not “crowd out private enterprise” (Cerny, 1997:259). Where a country exhibits membership of only the minimal welfare set, it is consequently labelled as neo liberal. A stronger demonstration of a neo liberal approach would be to combine competition state behaviour on this set, with a competitive approach to the third domain of competition state activity, the forward looking, pro-competitive policies. Combining a competition state approach with regards to welfare expenditure with membership of one of the pro-competitive sets is duly considered as a stronger form of the neo liberal competition state and is labelled as neo liberal plus. Similarly, membership of the minimal welfare set and both sets in the third competition state domain is identified as the strongest demonstration of a neo liberal competition state and is awarded the title of strong neo liberal plus. As with the weak pure type discussed earlier, because the neo liberal plus type can include either membership of the tax set or membership of the EPL set alongside membership of the minimal welfare set, there are two possible models for membership of this type, as outlined in table fifteen.

The next grouping of competition state types includes those types that are built around an embracing of activation and rejection of the neo liberal approach to overall expenditure. To this end, membership of this group requires the opposite behaviour in terms of these two central domains that was necessary to be a member of the neo liberal group. Also, as will be outlined, the approach of countries to pro competitive policies plays a similar role in determining how deeply embedded in this group of competition state types a case is. As with the basic neo liberal type, a country is considered as a member of the active type through conformation to the two basic principles underlying the active group: membership of one set and non-membership of another. In this case, a country is labelled active if it exhibits membership of the activation set alone. We can say that any such country is making little effort to limit the size of the state in terms of expenditure and similarly making no effort in the third competition state domain through the pursuit of pro-competitive policies. Countries in this type are however

engaging with the rise of the competitive global economy through a process of activation, which may represent a restructuring of the basic welfare state approach to the provision of passive benefits. Of course an historical analysis may suggest somewhat contrarily that such an active approach is an embedded feature of a country's policy approach and pre-dates the rise of the competition state, rather than a consequence of the rise of the competition state. The ALMP history of any country that demonstrates membership of the active type should therefore be explored and form part of a discussion of countries that fall into this type.

Again, as with the neo liberal group of types, the active group is divided by behaviour within the third domain of the competition state. Where a country demonstrates membership of the active set, non membership of the minimal welfare set, and membership of one of either the EPL or tax set, it is labelled as belonging to the active plus type<sup>56</sup>. Where membership extends to both sets in the third competition state domain, while meeting the other requirements of the active grouping a country is considered as belonging to a strong active plus type. How well populated the active plus and strong active plus types prove to be is particularly interesting and has potentially important implications for the competition state thesis.

The findings in chapter four suggested that some countries were conforming to the expectations of a competition state in the PWCS dimension but no other. However, their behaviour in this category was sufficient to produce a high enough overall score to be considered as a competition state. While the findings of chapter five demonstrate that most countries that conform to the expectations of the competition state in the PWCS arena also demonstrate competition state behaviour in either the EPL or tax dimension, the picture that emerges from this chapter will be extremely important in shaping the discussion about whether these active countries can really be considered as competition states. That is because the active type detailed in this study is qualitatively close to the Conservative welfare type that will be outlined shortly. If the only feature of the competition state that a country demonstrates is the one feature that data analysis shows is not exhibited by the countries considered in the literature as core competition states, it

---

<sup>56</sup> As with the neo-liberal plus type, there are two possible models that result in membership of the active plus type.

could be argued that such countries are not competition states. This would be a particularly compelling argument if analysis of historic data shows that those members of the active type had an active approach that pre-dates the rise of the global economy and competition state as a coherent theory.

If this chapter finds that most active countries are members of either the active plus or strong active plus types rather than simply the active type, a stronger argument can be made for the emergence of a competition state. While membership of the active type may be considered as only a weak conformation to the competition state or even a rejection of it, the stronger active types would place the active approach in a more orthodox competition state context. Having set meaningful qualitative breakpoints rather than simply relying on relative patterns in additive indexes, it may be that we can finally discover whether countries are simply active in their approach to welfare, or active as part of a competition state approach. If countries are populating the active plus and strong active plus types, it would offer much in the way of support for the suggestion that activation represents an important element of the competition state, and that the conceptualisation of an active competition state form is robust.

The final group of types are derived from three possible models. The pro-competition state policy type and the weak pro-competition state policy type are formed when the only domain on within which a country demonstrates membership of a set is the forward looking competition state policy focused domain. Here a country can be considered as pursuing competition state behaviours, undoubtedly to exploit the global economy, without substantially altering the approach to welfare provision. As such, a necessity for inclusion in this group is non-membership of both the welfare and activation sets and membership of at least one of the tax or EPL sets. As with the neo liberal and active groups, the strength of membership is decided by whether a country is a member of both or just one of the pro-competition state policy sets. For membership of the weak pro-competition state policy set, a country simply has to exhibit membership of either the tax set or the EPL set, alongside non-membership of the welfare and active sets. This of course means that there are two possible models that can be categorised as demonstrative of this weak type. For inclusion in the pro-competition state policy ideal type, a country would have to belong to both the EPL

and tax sets and demonstrate non-membership of the active and minimal welfare sets.

Again, as with the discussion of the active grouping, how well populated the grouping of the pro-competition state policy will provide much to discuss about the very nature of the competition state thesis and facilitate a more critical analysis of some of its underlying principles. Countries that populate this group will of course stand as evidence that such a competition state type exists, which has three implications for the competition state thesis itself. First, it is yet more proof that countries are indeed conforming to competition state expectations. Second, it is another piece of evidence that there is heterogeneity within competition state approaches. And third, it casts doubt on the assertion that the competition state qualitatively disempowers the welfare state; if competition state approaches can be adopted in an environment that is marked by high levels of social expenditure and low levels of activation, can the competition state and welfare state exist side-by-side?

Finally we turn to two types that are not grouped with any others. The first, the PWCS is conceptualised as a situation where welfare expenditure is low and activation is high, but where there is no substantial pursuit of pro-competition state policies. The model as outlined in table fifteen represents a possible combination of sets that can be labelled in accordance with the competition state thesis and as such is included. However, a cursory glance at the findings of chapters four and five suggest that it is unlikely that any country will come to inhabit this type. The only country to exhibit competition state behaviours on both the welfare and active dimensions of the competition state index, also demonstrated extreme competition state behaviour in terms of taxation. Furthermore, those countries that did not seem to adopt pro-competition state policy also appeared to lack competition state behaviours in either or both the welfare and active dimensions. Consequently, even though those results were based on a rather different methodology, the data that underlies the results means that it is unlikely that we would witness any countries populating this type.

The only remaining model that has yet to be discussed is that which involves non-membership of each set in this study. This model can be considered as indicative

of a rejection of the competition state and acceptance of many of the features of Conservative welfare states and as such is accordingly labelled ‘Conservative welfare’. Of course, dense population of this type would have fairly self-explanatory implications for the competition state thesis. Not only that, it would highlight the difference between the methodology of chapter five and the methodology adopted here, prompting discussion about the role played by methodology in shaping results and conclusions.

## **6.3: Findings**

### **6.3.1: Fuzzy set ideal-type country memberships in 2007**

As figure 6.1 (overleaf) illustrates<sup>57</sup>, all but one country in 2007 demonstrate membership of a competition state type, with the weak pro-competition state policy (WPCSP) type being the most densely populated. Three of the four groups of types are populated and at this group level, most countries' memberships make qualitative sense, fitting with established welfare state and competition state literature, as well as the findings of chapters four and five. While there are obviously a few interesting cases just in the snapshot of 2007, on the whole, the findings presented here appear consonant with many of the observations made in chapter five. First, we should note that there does appear in 2007 to be separate competition state forms, falling loosely into three groups or worlds. Furthermore, within these worlds there is heterogeneity, with countries falling into different types within groups. Perhaps the most striking observation that can be made of figure one is that no country occupies the pure, hybrid pure, or PWCS types. Indeed, as we will see, only one country at one point in time manages to occupy any of these three types. The hybrid pure and PWCS type are throughout the time period studied, along with the pure type in 1997 and 2007, quite simply logical yet unpopulated competition state types. Ragin refers to such types as 'logical remainders' as they represent possible models or combinations of models, which without being aware of the findings, the researcher would expect to find populated (Ragin, 2000:107:198). The key message to be taken from this observation is that neo-liberal aspects of the competition state and active aspects, do not present together. These three types represent the only models whereby membership of the type required membership of both the welfare and activation sets. Quite simply no case presented this behaviour.

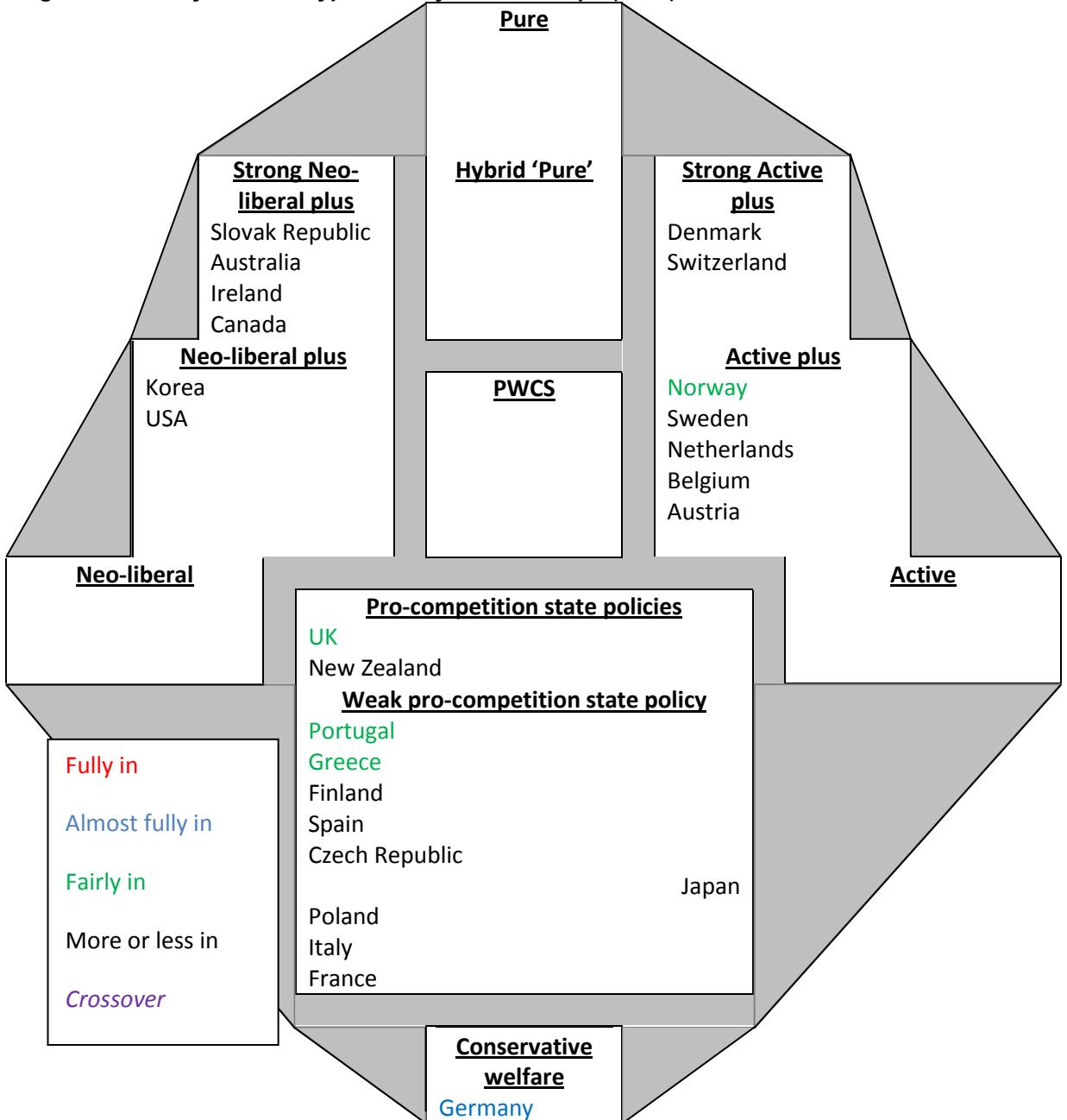
The implication of this finding, that active and neo liberal behaviours are not reconciled by any country, is particularly interesting. Two logical conclusions present themselves at this juncture. Either a), the activation is not an indicator of the competition state, or b), the active/neo liberal split represents two profoundly

---

<sup>57</sup> Only data for 2007 is presented in this manner, with simplified diagrams illustrating shifts over time presented at a later stage of the discussion. Similar diagrams to the above for the years 1997 and 2002 are appended.

divergent poles within the competition state. The fact that so many countries occupy the active group as a whole, while none populate the active type may be instructive.

**Figure 6.1: Fuzzy set ideal type country memberships (2007)**



Note: Countries are listed in rank order according to the strength of their membership within the relevant type. Types are grouped as outlined on pages 23-27.

As was discussed earlier, the active type could be considered by sceptics of the competition state thesis as being almost akin to a rejection of the competition state. However, while such a debate would prove difficult to settle, the fact that those countries that populate the active grouping of types also exhibit membership

of at least one other competition state feature adds credence to the notion that activation can play a role within the competition state. Indeed, as figure one shows, in 2007 the active type is a logical remainder in the same sense as the pure, hybrid pure, and PWCS types. Where chapter four suggested that some nations owed their relatively lofty position in the competition state index solely to the ALMP expenditure, both chapters five and six suggest that this is not the case. Indeed, the active type is, as we shall see, only populated by one country at one point in time and even then, the Netherlands actually occupies both the active and the active plus types at the crossover point. That aside, the active group as a whole is populated in much the way one would expect. As figure 6.1 outlines, this active grouping is entirely populated by those countries identified by Esping-Andersen as social democratic in terms of decommodification, along with Switzerland, which just misses out of this group in Esping-Andersen's study (Esping-Andersen, 1990:52). Indeed we will return to discuss the fact that Esping-Andersen's three worlds does seem to be paralleled rather neatly in figure 6.1.

If we turn to the neo liberal grouping, those countries that demonstrate membership of one of the neo liberal types come as no real surprise. The fact that the USA is labelled as a neo liberal plus nation and not a strong neo liberal plus nation may come as a surprise. Stripped of the necessity to demonstrate activation, one would perhaps expect the drag that was evident on the index score of the US to disappear. The fact the US occupies the neo liberal plus set rather than the stronger variant is a product of its high levels of corporate taxation. High levels of US corporate taxation is acknowledged by Desai and Hines (2004:5), and Devereux et al (2004:3; 2008:1222) and is seen as a barrier, along with structural problems within the corporate tax system, to competitiveness (Desai and Hines, 2004:27; JEC, 2005:16). Indeed, it is argued that the confluence of high corporation tax rates and the fact that corporations based in the US but trading elsewhere are in essence taxed twice or perhaps more accurately face a tax top-up, render the US' corporate tax policy extremely unfriendly to business (Desai and Hines, 2004: 5:22; JEC, 2005:10). The fact that the US corporate tax system and rate is not conducive to business is reflected in the extremely low score and

rank<sup>58</sup> received by the US in the WEF competitiveness indicator of macroeconomic environment (WEF, 2010:19). That said, while the US performs poorly on this indicator, its overall position of fourth suggests that other features of the US economy are more conducive to business.

It is true that had personal income taxation been operationalised rather than corporation tax, the US would have earned membership of the strong neo liberal plus type<sup>59</sup>. However, notwithstanding the fact that a powerful rationale for operationalising corporate tax rather than personal income tax was established earlier, it is clear from even a cursory engagement with the literature that corporate taxation represents an arena in which US policy has severe impacts on its competitiveness. Moreover, while the average tax burden of a single male at 100% of the average weekly wage of a production worker may be more in line with competition state expectations, the same cannot necessarily be said for other family types, or workers in other sectors. Indeed, had the top rate of personal income tax been operationalised<sup>60</sup> the US would have been extremely close to the 0.5 crossover point between membership and non membership of the set. Ultimately, the US' membership of the neo liberal plus type rather than the strong neo liberal plus type can be considered as an accurate reflection of its approach to welfare expenditure, activation, employment protection, and taxation.

While the neo liberal group of types offers little by the way of surprises in terms of those countries that are members, the omission of New Zealand and the UK from this grouping does run contrary to expectations. As the model would denote, these countries are included in the pro-competition state policy (PCSP) type owing to the fact that they achieved membership of the EPL and tax sets, while demonstrating non-membership of the activation and minimal welfare sets. By consulting the raw data we can see that both New Zealand is mostly in and the UK is firmly<sup>61</sup> in the sets of EPL and taxation, firmly and almost fully out – respectively- of the activation set, and mostly and fairly –again respectively- out of the minimal welfare set. Before discussing the implications of this, it should be acknowledged that with

<sup>58</sup> The USA ranks 87<sup>th</sup> out of 139 in terms of the competitiveness of its macroeconomic environment, which places it just below Vietnam and Nepal and one place in above the Dominican Republic.

<sup>59</sup> On the basis of either the same breakpoints being used, or the use of standard deviations from the mean in calibrating the set.

<sup>60</sup> Assuming breakpoints at levels equivalent to one standard deviation above and below the mean.

<sup>61</sup> Both qualitatively and through the use of Ragin's nine-point scale.

an alternative breakpoint set for the minimal welfare set, whereby 15% rather than 10% represents full membership, New Zealand would become a member of the minimal welfare set and ultimately, the strong neo-liberal plus type. The UK on the other hand would remain within the same type as outlined in figure one. While the rationale for establishing the breakpoint at 10% is justified and merits confidence, it is pertinent to reflect on how a small change in the decision process could affect the findings of such a study.

The UK and New Zealand memberships of the PCSP type is particularly interesting for two reasons. Firstly, as Lunt discusses, the British and Kiwi competition states have much qualitatively in common (Castles and Mitchell, 1992:11:14:18-21; Lunt, 2010:34). Both, he says, have worked to establish a national narrative within which to place the competition state project, fusing neo liberal elements with social investment and opportunity (Lunt, 2010:31-32). Interestingly however, one dimension in which the Kiwi and British cases are assumed to behave similarly is that of activation (Jenson and Saint-Martin, 2003:79; Lunt, 2010:31). Indeed analysis shows they do, though contrary to the suggestions of Lunt, demonstrating non-membership rather than membership of the activation set. It is true that a relatively small -though still significant alteration- to the breakpoints used to calibrate the minimal welfare set would produce a shift in New Zealand's type membership. However, it would take substantial alterations to the calibration of the activation set to alter the set membership of either New Zealand or the UK. In the case of the UK, non-membership of the minimal welfare set can be considered as fairly strong and in terms of activation, the UK is almost fully out. Coupled with the fact that the UK is fairly in the tax set and almost fully in the EPL set, all trends that remain stable over time, UK membership of the PCSP type can be considered relatively strong, stable, and consequently, robust.

The second reason that UK and New Zealand membership of the PCSP is interesting, lies in the fact that the competition state thesis is largely built around the US and UK cases, with occasional references to Australia and New Zealand (Cerny, 1997; 2000; 2008; 2010a; Cerny and Evans, 1999; 2003; 2004; Evans, 2010:105). The implications of UK and New Zealand membership of the PCSP type are not only a challenge to some of the assumptions made about the British and Kiwi competition states, but almost perversely, a vindication of the broad

thesis. While Cerny insists that the neo liberal model represents the orthodox and likely only long term competition state model, both he and Evans accept that at certain points in time variant forms may exist (Cerny, 1997:251:263; Evans, 2010:112). All variant forms would of course still conform to some core areas of the competition state thesis, just as the PCSP type does. Importantly, this researcher must acknowledge that while a longitudinal study of nations' behaviour does help to illuminate trends and while one key trend witnessed in chapter five and outlined later in this chapter, is one of stability, the rise of the competition state represents a process that may not yet be finished. Ultimately, revisiting the data in three or ten or twenty years may highlight a trend towards neo liberal or even pure types. In the here and now though, the PCSP represents a type quite distinct from either the active or neo liberal groups of types. Moreover, its members cannot be considered as 'new' democracies; these are established economies with traditional Beveridgean/keynesian welfare state histories (Castles and Mitchell, 1992:17-18; Lunt, 2008:409). Furthermore, as we shall see, these two old nations with long democratic roots and deeply embedded welfare states, around which many of the core arguments on which the competition state thesis were able to crystallise, exhibits stable membership of the PCSP over time. There is a degree to which the stable membership of two such nations adds credence to the suggestion that variant competition state forms exist.

What the PCSP type and its members tell us about the competition state thesis is unclear. On one hand it could quite simply be that the years selected for study were atypical. Perhaps both countries are at the point of transition and an extension of this study with data that is available in the future will point to this. Maybe both of these factors are genuine and are compounded by the calibration or choice of sets. None of these explanations can or should be ruled out. On the other hand, the PCSP may represent a type in which not only will New Zealand and the UK prove to be long-serving tenants far into the future, revisititations may reveal that other countries have joined, perhaps from the WPCSP type. The stability of the PCSP coupled with the steadiness of UK and New Zealand membership may be taken as evidence that a country can compete in the global economy without fundamentally altering its welfare provision, as long as it adopts pro-competitive policies in other domains. As discussed earlier, this would cast

doubt on Cerny and Evans' assertion that the competition state qualitatively disempowers the welfare state (Cerny and Evans, 1999:1-3). However, when this is considered in the overall context of what seems to be strong evidence for the existence of variant forms of the competition state and almost universal membership of OECD nations to a competition state type, such doubts would relate to that statement rather than the thesis as a whole.

Where the membership of the PCSP is particularly interesting largely because the countries that made up its membership are often considered as core neo liberal competition states, the WPCSP is interesting for a range of reasons. First, this type is populated in 2007 by an eclectic mix of countries. In this type we find countries labelled as corporatist by Esping-Andersen (1990), as well as countries belonging to amongst others: Fererra's 'Southern' model (1996); Liebfried's 'Latin Rim' model (1992); Siaroff's 'Late Female Mobilization' model (1994); Vis' 'Conservative Welfare' model (2007); and Hudson and Kühner's 'Weak productive-protective', 'Weak protective', and 'Productive-protective' models (all 2009). Second, the WPCSP type, despite being a manifestation of two models, is almost completely homogenous in its construction, with all cases except Japan owing their membership of this type to their membership of the tax set. Third, as we will see, many countries became members of this type after 2002 and as such, this represents a recent transition within the competition state. Fourth, again as we will see, this transition is far from homogenous, with a diverse range of trajectories travelled by the countries that came to rest in this type as of 2007. In particular, many countries demonstrated membership of this set and another at some point, exhibiting crossover scores of 0.5. Finally, this type is interesting as it represents the only one of three types in which membership of only one set was sufficient for membership of that type, which was actually populated in 2007. As mentioned, the neo liberal and active types, by being logically possible, but with no observed cases of membership, are referred to as logical remainders. Countries that demonstrated membership of the respective necessary set uniformly demonstrated membership of at least one other set, ensuring that the active and neo liberal types remained unpopulated. With the WPCSP type, this was not the case however.

The fact that the WPCSP type is the most populous in figure 6.1 suggests that while the findings of this chapter can be considered as tentative support for the broad thrust of the competition state thesis, many countries still only exhibit the minimum level of behaviour required to achieve the status of competition state. When one considers this alongside the fact that many of the countries in this type exhibit membership scores extremely close to the 0.5 crossover between the WPCSP and the Conservative welfare type<sup>62</sup>, it should rightly temper the urge to make bold statements. Many of the countries that are in 2007 members of the WPCSP were in fact members of the Conservative welfare type in 1997. Furthermore, the WPCSP type counts amongst its members many of the countries that were considered in chapters four and five as not presenting competition state behaviours in 1997. From this we can draw two conflicting conclusions. It could be argued that this set represents only scant acknowledgement of the competition state at best, with behaviour not conforming to competition state expectations outweighing behaviour that does conform. To be a member of this type after all requires a country to demonstrate non membership of three-out-of-four competition state sets. Conversely, we can perhaps consider membership of this type as representing the first step towards greater competition state behaviours. Indeed, as we shall see, some nations in this sample have moved from membership of this type towards types embedded within the neo liberal and active groups. It is also worth noting that even what can be considered as rather mild competition state membership represents a fundamental shift for countries such as France and Italy with their strong conservative/corporatist roots (Castles and Mitchell, 1992:9; Esping-Andersen, 1990:27; Keeler, 1985:246).

### **6.3.2: Fuzzy set ideal-type memberships over time**

What the WPCSP underscores is that the shifts over time are extremely important. The conclusions that can be drawn from a WPCSP membership that is stable over time is rather different from those that can be drawn from a membership that burgeons only towards 2007 and includes many nations with only weak membership. In the interests of brevity, the data for 1997 and 2002 will not be

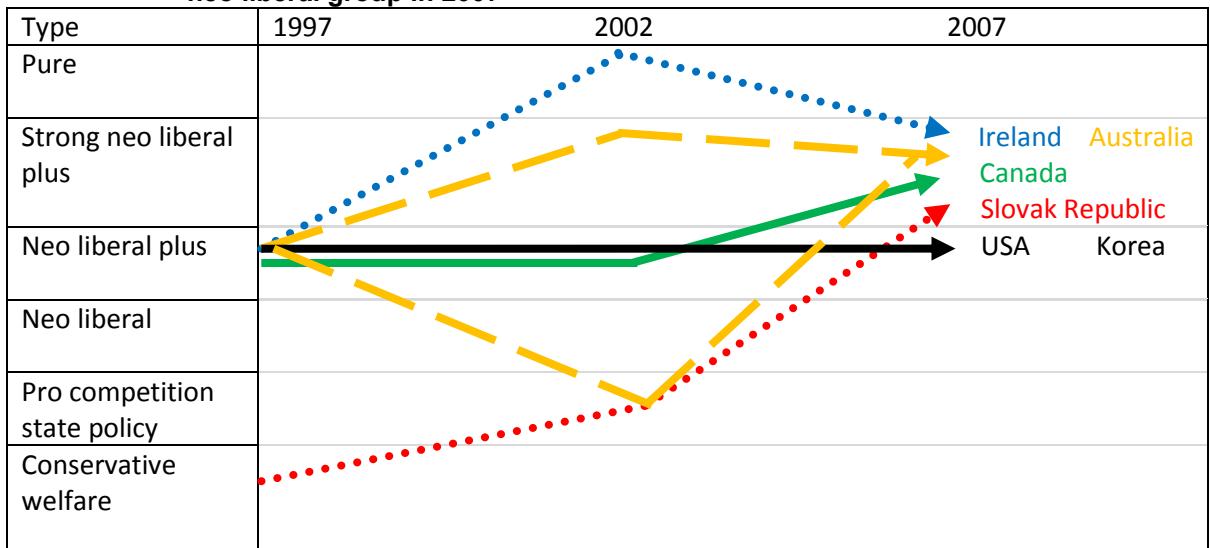
---

<sup>62</sup> A lengthy table outlining each country's membership score for each type is appended.

deconstructed in quite as much detail. Instead more parsimonious diagrams are utilised to illustrate the changes over time<sup>63</sup>.

Chart 6.1 shows the trajectories of countries that were classified in 2007 as belonging to a type within the neo liberal group. While only the US and Korea demonstrate stability across all three time points, Canada and Australia<sup>64</sup> also display stability of group membership. Similarly, while there is a departure from the neo liberal group in 2002, Ireland begins and ends within the group. The only country included in chart 6.1, which does not demonstrate membership of the neo liberal

**Chart 6.1: Fuzzy membership across time for those countries that were members of the neo liberal group in 2007**



Note: Colours relate to trajectories, where trajectories are shared the countries share the same colour. A line that is dashed denotes that the country followed two separate trajectories by virtue of demonstrating a crossover score of 0.5 at some stage. Solid lines are used when a country's trajectory is contained within one group of types. Dotted lines signify that a country's trajectory left the destination group at some stage<sup>65</sup>.

group in 1997 is the Slovak Republic. The Slovak Republic's surge from membership of the Conservative welfare type, to the PCSP type, and eventually the strong neo liberal plus type is concordant with the findings of chapter five and in some respects was expected. Such a shift is impressive, representing a journey from a position where there is no engagement with any domain of the competition state, to a situation where the Slovak Republic conforms to two of the three domains of the competition state, in a relatively short space of time.

<sup>63</sup> Though for completion diagrams similar to figure one for the years 1997 and 2002 are appended.

<sup>64</sup> Though Australia's second route involves a departure in 2002

<sup>65</sup> This note relates also to charts 6.2 and 6.3.

As we will see, only two other countries (Japan and Portugal) demonstrated membership of the neo liberal group at any time. These countries populated the neo liberal group only in 1997 and in Portugal's case, membership was shared at the crossover point with the Conservative welfare type. Chart 6.1 therefore depicts what can be considered as the stable, core membership of the liberal group. While the non-membership of both the UK and New Zealand comes as a surprise, as mentioned, those countries that are present are as expected. The fact that this group remains stable over time and includes the countries one would expect, offers much to suggest that as a broad model, the neo liberal competition state is robust. Moreover, as chart 6.1 shows, membership of this group is in fact membership of only the stronger neo liberal types.

The US, which has witnessed much policy debate that has identified corporation tax as a worrying barrier to competition in the global economy (JEC, 2005:16), is joined by Korea in the neo liberal plus type. While policy debate suggests that shifts in corporation tax would likely see future iterations of this method place the US in the strong neo liberal plus type (Desai and Hines, 2004:5; Devereux et al, 2004:3; 2008:1222; JEC, 2005:16), the prospects of Korean transition are less clear.

The barrier to Korean membership of the strong neo liberal plus type is consistently its failure to demonstrate membership of the EPL set. Park (1999) suggests that the prevalence of 'disguised' employment, which he insists represents an extremely large and burgeoning sector of employment, may hold the key to Korea's non membership of the EPL set (Park, 1999:12). While protection of recognised contracts may be relatively strict, many Koreans find themselves in employment that is not official and as such does not fall under the purview of existing laws, most notably the Labor Standards Act (Jones, 2005:5; Park, 1999:12:25). Chung and Jeong (2008) also highlight that stricter EPL is a policy option for those countries that cannot afford or are unwilling to exhibit high levels of unemployment benefit expenditure (Chung and Jeong, 2008:144). With regards to Korea, this, Chung and Jeong insist, dovetails with the propensity of 'fast-growing' countries to favour EPL of unemployment benefits (Chung and Jeong, 2008:144).

The confluence of strict EPL for regular workers and increasing reliance in the workforce on non-regular workers has according to Jones, “negative implications for both equity and efficiency” (Jones, 2005:5). This is due to the fact that non regular workers receive lower salaries and fewer benefits than regular workers, and their use in the workforce has resulted in a strengthened resolve of regular workers and Korean society to not weaken EPL (Jones, 2005:4). The OECD has recommended that the Korean government ease the strictness of its EPL in order to ensure a flexible and equitable labour market and should this happen, future studies will see Korea as a member of the strong neo liberal plus set. More importantly, if disguised employment accounts for the proportion of the Korean workforce that Park (1999), Chung and Jeong (2008), and Jones (2005) intimate, perhaps the experience of the majority of Koreans is already akin to the experiences of citizens in strong neo liberal plus competition states.

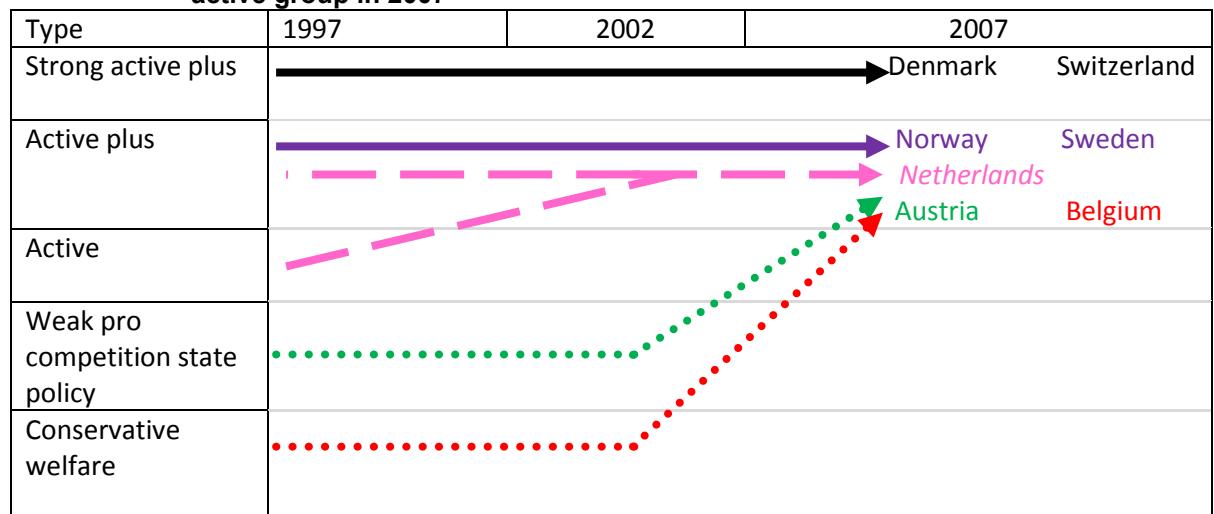
The speculation that future repeats of this study may find both the US and Korea in the strong neo liberal plus type may of course prove to be unfounded. However, the fact that Korean strictness of EPL and American corporate taxation are acknowledged as barriers to economic success within the academy of both nations is not insignificant. In the US case this acknowledgement has similarly been registered within the political sphere and direct policy intent seems forthcoming. Whether this occurs or not is of course important and as yet unclear, however what is clear in both the US and Korean cases, is that the rhetorical position is one that seems to back reform of these barriers to success. At least, one would expect the US and Korea to hold steady their trajectory within the neo liberal plus type, any deviations seem certain to be towards the strong neo liberal plus type rather than away from it.

However the US and Korea chart their future trajectories, Australia, Canada, Ireland, and the Slovak Republic are already ensconced within the strong neo liberal plus type. The fact that these nations shifted to this type between 2002 and 2007 is possibly indicative of a move towards stronger manifestations of the neo liberal competition state. Conversely, this may simply represent a temporary membership. In each case the time spent in the strong neo liberal plus type is

shorter than the time spent out of it<sup>66</sup>. The fact that each country converges on the stronger type at the same time may be pertinent, perhaps reflecting a response to homogenous global pressures, though evidencing such a claim would prove difficult of course. It should also be noted that each country, while demonstrating membership of the strong neo liberal plus type, were classed as only more or less in the type. No country demonstrated membership at a stronger level and in the case of Canada, its score was rather close to the crossover point of 0.5. What can be said of all countries in the neo liberal grouping is that the empirical evidence shows that their membership has proven stable over time. Furthermore, both qualitative and quantitative evidence, whilst inconclusive regarding possible transitions to, or stability within, the strong neo liberal plus type, support the notion that membership of the neo liberal group as a whole is likely to remain stable.

If we turn now to chart 6.2 we can see the trajectories of those nations that demonstrated membership of the active group in 2007.

**Chart 6.2: Fuzzy membership across time for those countries that were members of the active group in 2007**



We can see from chart 6.2 that the majority of countries that were located in the active group in 2007, had been members of the group throughout the study. Indeed, given that the Netherlands was never more out of the active plus type than in, we can also say that those countries that demonstrated stability within the group, were equally stable within their respective types. Where the stability of the neo liberal group existed alongside movement within, this does not appear to be

---

<sup>66</sup> If we take Australia's route through the Conservative welfare type.

the case here. Indeed the shifts within the neo liberal group prompted questions about the future direction of countries' trajectories and stimulated discussion of whether we would likely see a shift towards the stronger type. Here there is perhaps more to suggest that the active plus (A+) and strong active plus (SA+) represent stable differentiated types, with neither seeming to lead to the other.

Whether Austrian and Belgian membership of the active group and A+ type is likely to prove stable is less clear, however the fact that they have joined the A+ type rather than the active type is interesting. In the Austrian case this reflects the fact that pro competition state policy was already in evidence prior to joining the active group. The stability of the Austrian membership of the tax set ensured that any shift towards the active group would by-pass the active type. While it is unlikely that Austria would find itself in the active type owing to its membership of the tax set, its long term membership of the A+ type is far from certain. Such pessimism reflects the fact that Austria exhibits a membership score of only 0.51 for the A+, a consequence of an identical membership score within the activation set.

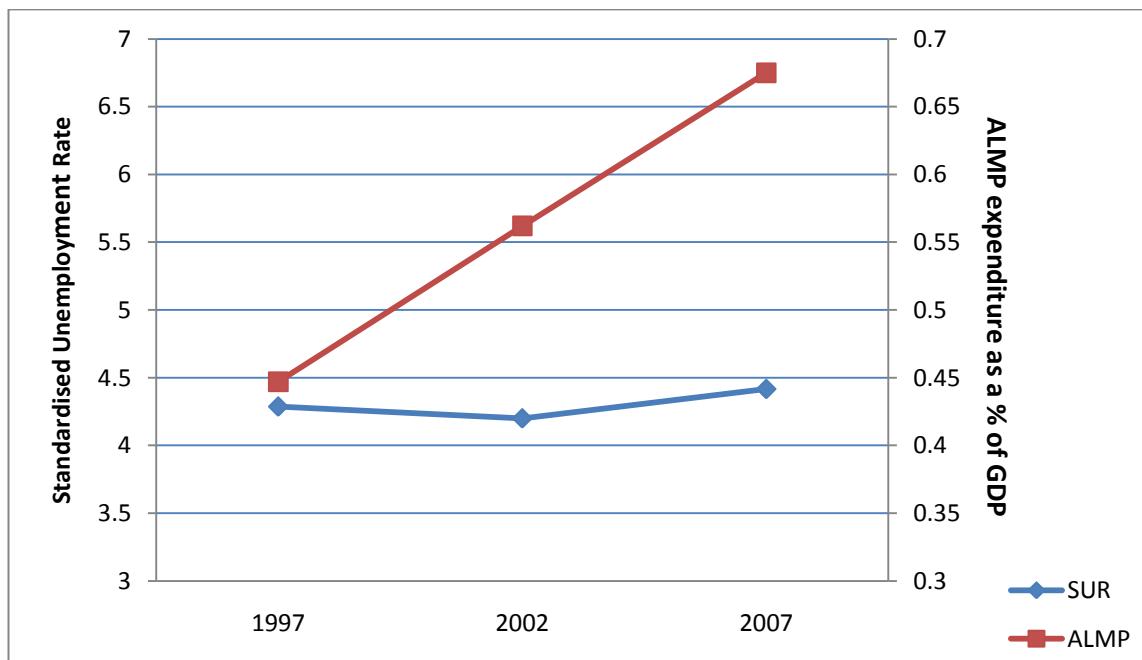
While the Austrian commitment to some form of competition state policy appears stable, it is possible that its membership of the active set is more transient. Such an unstable membership of activation could be explained if 2007 represented a year in which there was a substantial decline in unemployment. As the activation measure reflects both expenditure and the unemployment level either an increase in expenditure, a decline in unemployment, or a combination of both factors would explain a shift towards activation. In the scenario whereby unemployment declines but expenditure holds and as such the country appears more committed to activation may owe much to the nature of the policy process. If ALMP expenditure is a tool to combat unemployment, ALMP expenditure may simply experience a lag and possibly level out in the following years. It is then possible that 2007 represents such an atypical year. However, there is no clear consensus that ALMP expenditure is that closely tied to the unemployment rate. Moreover, if we look at the raw data for Austria, it is clear that Austrian membership of the activation set in 2007, however weak it may be, is driven by ALMP expenditure rather than the unemployment rate. Furthermore it represents the latest stage in what is an

upward trend across the time period, rather than simply a jump between two time points.

Chart 6.3 (overleaf) compares the Austrian SUR and ALMP expenditure trends over the three time points. As we can see, the SUR holds relatively stable while ALMP expenditure rises steadily across the time period. Moreover, the trend in SUR extends beyond 2007, holding steady at 4.5% to 4.6% throughout 2010, while ALMP expenditure in 2008 matches that of 2007<sup>67</sup> (OECD, 2010). Consequently we can be extremely confident in stating that the Austrian membership of the A+ type reflects a genuine strengthening of its commitment to activation.

While Austria owes its membership of the A+ type to its longer term membership of the taxation set and recent strengthening of its activation commitment, Belgium's membership is built on recent transitions in both the taxation and activation sets. Moreover, not only is the Belgian transition later, it is also weak with regards its membership of both the activation and taxation sets.

**Chart 6.3: Line graph showing the Standardised Unemployment Rate in Austria, along with Austrian expenditure on ALMPs over time**



Overall Belgian membership of the A+ type is stronger than Austria's, however where Austria's weakness lay in its activation, Belgium's weakness relates to its

<sup>67</sup> 2008 represents the latest data available for ALMP expenditure.

membership of the taxation set. In the Austrian case, while it must be acknowledged that the shift towards activation may prove to be only fleeting, evidence suggests it is part of an upward trend in ALMP expenditure. In the Belgian case, while it is obviously true that taxation lowered, hence the shift towards membership of the tax set, it did so only in the last time period and with little literature and no newer data, making predictions about the future pathway of taxation membership relies more on guesswork than conjecture.

The dividing line between the A+ countries and the SA+ countries is drawn as a consequence of differences in EPL set membership. All countries in the active group combine the necessary membership of the activation set with membership of the tax set. It is in the arena of EPL that the active countries demonstrate heterogeneity. Here only Austria and the Netherlands make in a progress towards membership of the EPL set by 2007. Even then, both countries are still more out of the set than in. Sweden and Belgium remain consistently ‘fairly’ out of this set, while Norway is consistently almost fully out of the EPL set. Denmark and Switzerland on the other hand demonstrate membership of the EPL set and consequently the SA+ type. The reasons that determine the membership or non-membership of the EPL set within the group of countries featured in figure three undoubtedly owes much to domestic factors such as the strength of unions alongside the path dependent nature of policy (Albaek et al, 2002:472-473). To this end, Norway representing the strictest arrangement can be reasonably considered a consequence of the fact that Norway was a front runner in establishing EPL as a priority as early as the 1930s (Sigeman, 2002:258).

While there are reasonable grounds then to suggest that NL+ countries may make the transition to the SNL+ type in the near future, it is more difficult to make a similar prediction regarding the transition from A+ to the SA+ type. Interestingly however, had PMR been operationalised in place of EPL, the picture may be rather different. In terms of the neo liberal group, only Korean membership would have changed, shifting from the NL+ type to the SNL+ type in 2002 and holding steady through 2007. Within the active group however, the shift is more dramatic. Of course only Korea and the US could move from within the neo liberal group towards the SNL+ type as all other neo liberal nations already inhabit that type. In the active group however, the majority of countries inhabit the A+ type on account

of their non-membership of the EPL set. Replacing EPL with PMR has no effect on type memberships within the active group in 1997. By 2002 however Sweden, Norway, and the Netherlands would all demonstrate membership of the SA+ type and in 2007 they would be joined by both Austria and Belgium. Austria and Belgium would still only join the group in 2007 as it is only at this point that they meet the necessary activation requirement, however rather than joining the A+ type, they would be members of the SA+ type. This once again serves to underscore the fact that the findings of fuzzy-set ideal type analysis are beholden to the decisions made by the researcher in the construction and calibration of sets (Kvist, 2007:477; Ragin, 2000:151).

Regardless of whether the replacement of EPL with PMR would change the types that countries joined, the overall group membership would not change even with the adoption of all the alternative breakpoints mentioned on pages 16 and 18. This suggests that the active approach is stable over time and, with equal stability, involves the conformation to one other domain of the competition state thesis. It can therefore be convincingly argued that the active approach to the competition state represents a stable and robust competition state form. Indeed such an argument is strengthened by the fact that activity within this group is confined to those types that fuse activation with the pursuit of pro-competition state policies. The stability of such a group while supporting many of the key assertions of the competition state thesis does challenge the suggestion that competing competition state forms represent only a short-term alternative to the orthodox model (Cerny, 1997:251:263). Cerny bases this assertion on the belief that the neo liberal model represents the most economically successful and ultimately, in the final reckoning, this is all that will matter (Cerny, 1997:259; 2008:10:25; 2010a:17; Cerny and Evans, 2003:25; 2004:51:61).

In chapter five we saw that a high score on the index and thus, behaviour more akin to the expectations of a competition state was positively correlated with economic growth and negatively correlated with debt. The measures used were central government debt as a proportion of GDP and the annual growth rate. These are in no way the only measures of economic success, but for the purposes, act as reasonable proxies. Revisiting data on growth and debt is interesting; whereas chapter five only facilitated a correlation between overall

index scores and these measures of success, it is now possible to compare the success of neo liberal and active competition states. A simple comparison of means shows that growth is higher and debt much lower in neo liberal countries than it is in the active group<sup>68</sup>. On the face of it, this lends much credence to Cerny's suggestion that the neo liberal model is more successful. Furthermore we could perhaps conclude that either countries can cope with or offset the lack of success brought about by not adopting the neo liberal model, or alternatively, that the future will vindicate Cerny's assertion that non-neo liberal competition state forms are only fleeting havens (Cerny, 1997:251:263). If we delve a little deeper however, there is possibly a slither of evidence to suggest that there is another explanation. If we remove the countries that have arrived late to the active group and as such may not have yet fully reaped the benefits of a more competitive state form, we see an altogether different picture. The neo liberal countries still exhibit slightly lower levels of debt and slightly higher levels of growth, however the two group means remain close in terms of growth and become extremely close in terms of debt once Austria and Belgium are removed.<sup>69</sup> Perhaps then, the active competition state represents not only a stable competition state form, but also a reasonably successful model.

If we turn now to our final group of competition state types, chart 6.4 illustrates the fuzzy memberships over time for those countries that populated the PCSP and WPCSP types in 2007.

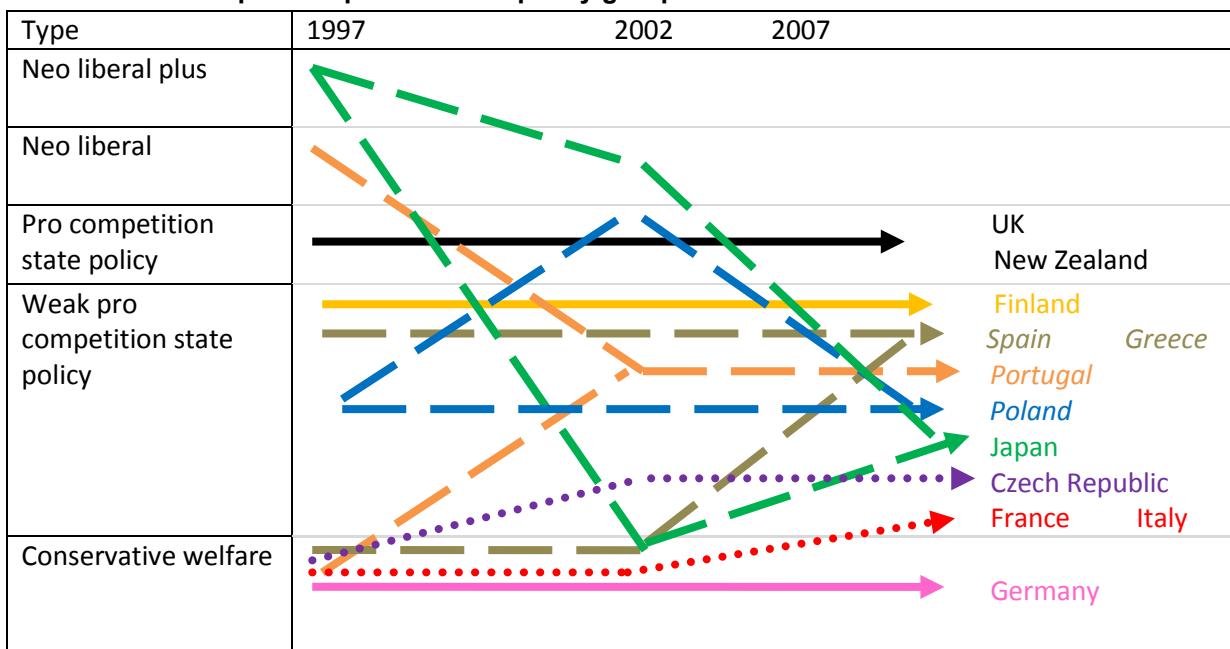
The stability of the UK and New Zealand membership serves to underscore much of the earlier debate, suggesting that the PCSP type represents an important and stable competition state form. Whether it represents a competition state type that is accessible to other nations, or whether it is simply a moniker for the British and Kiwi competition states can perhaps be illuminated by exploring the pathways taken by countries in the WPCSP type.

---

<sup>68</sup> Mean debt in the neo liberal group in 2007 equalled 25.81 as a proportion of GDP compared to 40.04% in the active group. The mean growth rate for 2007 stood at 4.34 in the neo liberal group compared to 3.12 in the active group.

<sup>69</sup> When Austria and Belgium are removed the mean debt level falls to 27.37% while growth decreases slightly to 3.04%

**Chart 6.4: Fuzzy membership scores across time for those countries that were members of the pro-competition state policy group in 2007**



What is most striking about chart 6.4 is how messy it is compared to previous comparable graphics. If we focus on those countries that populate the WPCSP type, we can see a multitude of various pathways taken to reach membership in 2007. As we can see, only Finland demonstrates a completely stable pathway within the WPCSP type over time. Furthermore, Finland's membership appears secure as well as stable, exhibiting scores of 0.64; 0.71; and 0.61 across the time period<sup>70</sup>. Despite this, Finland is not the country that demonstrates some degree of stability; Greece, Spain, and Poland all exhibit crossover memberships at some stage and thus have two pathways illustrated within chart 6.4. For each of these three countries one of these pathways represents stable membership of the WPCSP type and by 2007 all countries appear reasonably secure within the type, with Greece demonstrating a membership score of 0.7.

The remaining five members of the WPCSP type can be split into two categories for discussion. The first, which consists of Portugal and the Czech Republic is used to structure discussion simply because both countries demonstrate membership of the WPCSP type in both 2002 and 2007. Furthermore, the Czech Republic's pathway begins in the Conservative welfare type as does one of the

<sup>70</sup> The second highest score Finland exhibits is 0.39 in the PCSP type, all other scores are extremely low.

two possible Portuguese pathways. Despite similar pathways, the two countries have different membership strengths and their trajectories and membership scores suggest they may have different future memberships. If we look at the progression of Portuguese membership scores we can see that Portugal shifts from non-membership (score being 0.42), to weak membership (0.57), and finally reasonably strong membership (0.78). By 2007 the highest score Portugal exhibits in any other type is 0.22 in the Conservative welfare type. Moreover, Portugal is consistently fully out of the PCSP type, which precipitates the conclusion that the WPCSP type may house Portugal at least in the near future.

Where Portuguese non-membership of the EPL set and as such the PCSP type appears unlikely to shift, the future trajectory of the Czech Republic is less clear. When the Czech Republic shifted to the WPCSP type in 2002 it demonstrated a membership score (0.63) that while not strong enough to classify it as 'fairly in' using Ragin's scale, was reasonably distanced from the crossover point. This score had reduced slightly by 2007 (to 0.58), but taken on its does not suggest too much. What is particularly pertinent is the fact that unlike Portugal, the Czech Republic does not demonstrate particularly strong non-membership of the EPL set. As such its membership scores for the PCSP type, while insufficient for inclusion in the type are much closer to the 0.5 crossover point and as such, Czech Republic 'ascension' to the PCSP type would require a less extreme policy shift than would be necessary for Portuguese membership. That said, while the Czech Republic demonstrates EPL scores much closer to the 0.5 crossover point, there is no evidence of an upward trend. On the contrary, Czech Republic membership of the EPL reduces slightly between 2002 and 2007. Both countries then appear stable within the overall competition state policy group, whether they remain stable within the WPCSP type is perhaps less clear.

The second category includes three countries that made the transition to the WPCSP type after 2002. To this end Italy and France would appear to have more in common with each other than they do with Japan. However, it should be acknowledged that all three nations are often grouped together in comparative studies (Esping-Andersen, 1990:52; Korpi and Palme, 1998:670:675). This is largely as a consequence of their perceived corporatist, conservative, and on occasions pluralist tendencies (Esping-Andersen, 1990:52; Howard, 1998:216;

Keeler, 1985:244). What unites France and Italy within the data as well as separating them slightly from Japan is that both France and Italy are members of the Conservative welfare type in both 1997 and 2002 before making the shift towards membership of the WPCSP type in 2007. In addition, both countries exhibit membership scores that while more in than out are still reasonably low<sup>71</sup>. It could be argued then that it is too early to predict whether either country is likely to enjoy long-term membership of the WPCSP type.

What divides Italy and France relates to the probably trajectory any exit of the WPCSP in the near future would take. In the Italian case, the main ‘threat’ to continued residence membership of the WPCSP type comes from its membership of the PCSP type. While currently insufficient for membership, the score of 0.47 is reasonably close to the 0.5 crossover point and reflects a shift in Italian EPL behaviour. Here the raw data shows that Italy’s EPL membership rose from being fully out in 1997, to 0.42 in 2007 and 0.47 in 2007. Not only is the most likely challenger for Italy’s membership close in terms of overall membership scores, the PCSP type has the upward trend to its advantage; if Italy’s EPL scores were to continue on the same trajectory, it would soon gain membership of the EPL set and consequently, the PCSP type.

The possible Italian movement from the WPCSP to the PCSP in the near future stands in contrast to the prospects of any potential movement in French membership. Here the raw data illustrates the fact that France seems more likely to slip back into the Conservative welfare type than move into the PCSP type. Of course the French membership of the WCSP type may prove stable, but the fact that across the full time period France remains resolutely fully out of the EPL set suggests that any movement is unlikely to be in the direction of the PCSP type. France, home to a strong history and ethos of collective worker solidarity (Abraham et al, 1994:4; Howard, 1998:201; Shorter and Tilly, 1971:67), seems unlikely to radically alter its approach to EPL in the near future. Whether it will reverse the recent trend in relaxing corporation tax is also unclear and as such, the future membership of France is ambiguous.

---

<sup>71</sup> France scores 0.51 while Italy scores 0.53.

The Japanese case is unique insofar as it represents the only example of a country moving from one of the other competition state groups to the policy pro-competition state focused group. Japan has, contrary to the expectations of the competition state thesis, actually reversed competition state behaviours in one domain, that of neo liberalism. We can see that Japan's membership is split between the Conservative welfare and the neo liberal types in 2002 as it presented scores at the crossover point of 0.5 for both types. By 2007 membership was unquestionably no longer of the neo liberal group and instead Japan demonstrated membership of the WPCSP type. This rejection of neo liberalism seems strange given the insistence of Cerny that neo liberalism once established would lock itself in (Cerny, 1997:264-266; 2008:16). This has clearly not happened, though it is worth noting that even when Japan shifts to the WPCSP type, it still exhibits scores on all types within the neo liberal group, that are just below 0.5. Perhaps then, the near future will see a return to membership of the minimal welfare set and as such, Japan would rejoin the neo liberal group.

Another interesting feature of the Japanese case is that as opposed to all other nations that exhibit membership of either set in the third domain of the competition state, Japan's third domain membership is built around EPL rather than tax. In 2007 only three countries from the entire sample –Germany, the US, and Japan–demonstrate membership of the EPL set but not membership of the tax set. With regards taxation, the trend is towards membership of the set, but by 2007 Japan is still 'fairly out'.

The fact that Japan's WPCSP membership is built around EPL and not taxation means that even if PMR had been operationalised rather than EPL, Japan would not have demonstrated membership of the PCSP type. Here again Japan represents the exception within the WPCSP type. Had PMR replaced EPL in the analysis, the make-up of the group as a whole would be markedly different by 2007. While the findings of 1997 would be almost identical, by 2002 many of the WPCSP nations would demonstrate PCSP membership as a consequence of replacing EPL with PMR. In addition, Belgium, France, and even Germany would meet the necessary criteria to qualify for membership of the WPCSP. By 2007 the UK and New Zealand would be joined by Spain, Portugal, Italy, the Czech Republic, Finland, and even France, leaving only Poland, Greece, and Japan in

the WPCSP type. Once again we see the substitution of PMR for EPL as affecting the overall picture. Interestingly, in each instance that such sensitivity analysis has been explored, the impact of replacing EPL with PMR has only begun to show by 2002 and only seems profound by 2007. It would appear that approaches to PMR and EPL were similar in 1997, but that behaviour has shifted in terms of the former quicker than it has in terms of EPL. Whether trends in EPL will follow is less clear; although there is a decline in the strictness of EPL over time, it is rather gentle, especially compared to the decline in PMR scores.

The discussion of the WPCSP type opened by noting how messy it appeared graphically. Despite the fact that there appeared to be a considerable amount of heterogeneity within the type, this masked a substantial amount of similarity. Every country except Japan was a member of the tax set rather than the EPL set. Many countries appear to be securely ensconced within the type, displaying only moderate evidence that they may make the transition to either the PCSP or Conservative welfare type in the near future. Where there is diversity in terms of the strength of membership or the route taken to membership it may very well be explained by the fact that this represents the most basic and in many cases only engagement with the competition state. If this is indeed such a paradigm defining moment, the sort Cerny and Evans suggest occurred within the UK and US during the 1980s, it is understandable that it represents a time of instability and as such, the diversity of pathways towards competition state behaviour and relative ‘mess’ depicted in figure four makes qualitative sense.

#### **6.4: Reflection**

It is perhaps useful to begin a discussion about the bigger picture by mentioning Germany and Ireland. Throughout the entire time period Germany held resolutely to a rejection of the competition state thesis. For some, such an achievement surely represents a triumph of national identity, national priorities, and national sovereignty over the global economy. While economic growth has been relatively low and debt levels high in Germany<sup>72</sup> when compared to the averages amongst

---

<sup>72</sup> In 2007 the annual growth rate was a 2.66% increase on the previous year. Debt stood at 39.43 as a percentage of GDP

both the neo liberal<sup>73</sup> and active<sup>74</sup> groups, Germany fares better when compared to those countries in the pro-competition state policy group. Here we see that while Germany still has a lower growth rate, it has a much lower level of debt than the average for the pro-competition state policy group<sup>75</sup>. Indeed Germany's level of central government debt is comparable to that of the US and the UK and is lower than that of Austria, Belgium, France, and Italy.

German persistence in terms of its rejection of the competition state coupled with relative economic success in some respects, poses key questions for the competition state thesis. Does Germany stand as testament to the fact that nations are not forced into a competition state? Is the German case evidence that adoption of the competition state is not the only mechanism for survival in the global economy? Or finally, is it simply a matter of time. While Germany has remained consistently within the Conservative welfare type, on the activation, tax, and EPL sets, Germany has moved from strong non-membership to much closer to the crossover point. In terms of tax and EPL, Germany has moved from being fully out and fairly out of the sets respectively in 1997, to being only more out than in by 2007. While Germany clearly rejects the competition state in 2007, whether such a rejection will last is far from clear. Given that France, Italy, and Belgium - countries often grouped with Germany (Abraham et al, 1993:15; Bonoli, 1997:361; Esping-Andersen, 1990:74; Korpi and Palme, 1998:670:675; Scruggs, 2006:354)- all vacated the Conservative welfare type with similar slow downward trends in EPL and taxation, we might predict that Germany will follow suit in the near future.

While Germany came to represent a rejection of the competition state thesis, Ireland's performance as its standard bearer seems altogether more muted. Having demonstrated the most extreme scores in both chapters four and five, Ireland failed to stand out here in chapter six. This is undoubtedly in part due to the fact that the fuzzy-set methodology negated the impact of extreme behaviour on one dimension as a compensatory factor on others. The Irish case is still extremely interesting and perhaps still represents the best candidate for a future

---

<sup>73</sup> In 2007 the annual growth rate was an average increase on 4.34% on the previous year. The average debt level stood at 25.81 as a percentage of GDP.

<sup>74</sup> In 2007, with Belgium and Austria removed, the annual growth rate was an average increase on 3.04% on the previous year. Average debt stood at 27.37 as a percentage of GDP.

<sup>75</sup> In 2007 the annual growth rate for the WPCSP type was an average increase of 3.85 on the previous year. Average debt stood at 68.41 as a percentage of GDP.

inhabitation of the pure type. Ireland populated this type in 2002, but by 2007 found itself back in the SNL+ category, with a reasonably weak membership score of only 0.57. The fact that Ireland appears so weak is not a reflection of a low score in the welfare, tax, or EPL sets, rather a low score in the non-membership of activation set. ALMP expenditure remained in 2007 at the level that had given it membership of the activation set in 2002, however unemployment increased slightly. Even so, Ireland's activation score of 0.43 is by no means emblematic of a wholesale rejection of activation on the part of the Irish government. Indeed, there is always the possibility that future data will show an Irish readjustment to redress the impact of rising unemployment. Ultimately, while at the time of writing things may seem less clear, as of 2007 the Irish competition state is still alive. The fact that it seems less strong is a reflection of the model underpinning the SNL+ type rather than a shift away from competition state behaviours. In essence, Ireland is unevenly punished for not quite demonstrating membership of the active set.

The overall picture presented here does substantiate some of the observations made in chapter five. There is undoubtedly a general shift towards the competition state, with only Germany having resisted at this stage. For many of the recent converts to the competition state, this shift is largely driven by taxation policy, however in many cases trends suggest that this will not remain the case. Only a few of the more recent additions to the overall competition state project have cleaved to either the active or neo liberal models however, suggesting that while these countries recognise the need to harness the global economy, at this stage they are not prepared to fundamentally scale back their welfare state. Such an approach seems also to be favoured by the UK and New Zealand, two nations to which the neo liberal label is frequently applied (Beech, 2008:6; Bray and Walsh, 1998:368; Larner, 2000:15; Lunt, 2008:410). The two key conclusions that can be drawn from the fuzzy-set methodology adopted here are that the overall shift towards a competition state seems to have occurred, and that stable, differentiated competition state forms do survive the shift from an additive index to a more theoretically driven methodology.

## **6.5: Conclusion**

The previous chapter suggested that not only was there a general shift towards a broad competition state environment, but that nations could be categorised as belonging to different forms of the competition state. Where chapter four had suggested that two competing models existed in the forms of neo liberal models and active models, chapter five suggested that an extra model driven by taxation may exist. This investigation sought to address these findings through the use of a different methodology, one that avoided some of the limitations of a z-score based additive index approach.

The key weaknesses of an additive index approach are that it is subject to outlier effects and perhaps most importantly, such an approach only furnishes the reader with a illustration of the relative picture. As the previous chapter concluded, just because a nation acts the more like a competition state than any other, doesn't mean it is a competition state. The methodology adopted here avoids many of the limitations of additive indexes by requiring the researcher to set clear breakpoints to determine what is and what is not a competition state. Of course to achieve this the researcher must engage with existing scholarship to ensure that the decisions he or she makes truly reflect what constitutes a competition state. By comparing how countries fit the expectations laid out by the researcher within individual dimensions of the competition state and how such behaviours combine to give a complete picture, it is possible to categorise nations in a more nuanced way than is possible through additive indexing.

Having operationalised the competition state thesis as a fuzzy-set ideal type investigation, the findings were remarkably similar to those in chapter five. The key messages were still that a shift towards the competition state seemed to have occurred over time for some nations, while others appeared stable within the competition state. Furthermore, membership of a competition state did not imply homogeneity, rather a range of competition state types were seen to exist. This study outlined four basic approaches to the competition state, each of which could be further differentiated, as well as a rejection of the competition state. The four approaches reflected behaviour along three domains of the competition state thesis, two that can be considered as backward looking, one that can be

conceptualised as forward looking and one that combined both forward and backward looking elements. The first approach to the competition state was built around a smaller financial role for the state, which in many cases would require the rolling back of expenditure where high levels were the historical norm. The second approach centred again on the need to restructure the existing approach of the state, but through the use of activation as a tool for restructuring rather than simply the reduction of spending. The third approach focused less on the existing operations of the established welfare instruments of the state and more on harnessing the potential of the global economy. And finally, the fourth approach, which was labelled as the pure competition state form, represented a blend of each domain. Each broad approach could be broken down into stronger and weaker forms and in most cases more than one form of each broad approach was populated by countries at some stage.

The findings of this study suggest that not only are variant forms of the competition state theoretically conceivable, their existence is confirmed by the data that is available. While the pure form of the competition state was only fleetingly witnessed in terms of a case demonstrating membership, the other three approaches were healthily populated. Perhaps most importantly, each of the three broad approaches included much evidence of stability within their constituent types. On the whole the findings of this chapter hold few surprises; countries with a social democratic tradition cleaved towards the active model, those from Esping-Andersen's liberal regime were, in the main, found in the neo liberal group, and the conservative/corporatist countries occupied the grouping that was built around pro-competition state policies. To this end, only the UK and New Zealand confounded traditional groupings, finding themselves together as the only two nations in the pro-competition state type.

The competition state would appear then to take many forms, each with one key purpose in common, to chase the competitive advantage. How nations approach that objective and the zeal with which they pursue this ideal differs between nations. There is much in common between the approaches of each country, which is reflected in the fact that many nations cluster within types and groups, but there is also a diversity of approaches open to countries. While these approaches are ultimately geared towards economic success and are as such bound together

in that respect, there is substantial qualitative difference between the various types, sometimes to such extent that they represent opposite and mutually exclusive approaches.

What should be made of the core findings of this and the two preceding chapters is not entirely clear. On one hand the existence and stability of varying competition state forms represents a clear challenge to the competition state thesis. Conversely, the orientation of all competing models within a broad church of competition state rubric confirms that Cerny and Evans' competition state thesis holds much explanatory power. Equally, given that Cerny and Evans pin the blame on globalisation for the rise of the competition state we would expect such a rise to be nearing completion by 2007; while globalisation continues apace, surely those countries sampled in this study have been exposed for over twenty years now? However, perhaps the stickiness of institutions, the power of path dependency, and the incremental nature of the policy process has proven unexpectedly resilient in the face of globalisation and the big changes are yet to come. Even in the case of Germany we cannot say with certainty that the rise of the competition state has been resisted.

In the next chapter the findings of all three empirical chapters will be considered with regards to what they tell us about the competition state and the welfare state. Reflecting on the literature surrounding the competition state thesis it must be noted that while this thesis provides much for Cerny and Evans to consider, many of the findings can be neatly woven into the competition state tapestry.

## **Chapter 7: Discussions and Conclusion**

### **7.1: Reflection: what was done and why**

#### **7.1.1: Introduction**

This thesis opened with a discussion of how the welfare state had evolved in a time where the impact of policy and politics reached only as far as the water's edge. For many, the seas that divided nations are now continuously parted by the global economy. How this change has affected nations is a source of great debate, with the spectrum or argument ranging from those who insist that the impact has been slight at best, to those who believe that everything we once knew has fundamentally changed. Many social scientists, placed at various points on this spectrum, have sought to explain the changing world and draw conclusions that deal directly with the welfare structures that were established when the world seemed like such a smaller place (See Bonoli, 1997; Castles, 2004; Esping-Anderson, 1990; Hudson and Kühner, 2009; Korpi and Palme, 1998; Scruggs and Allan, 2006; and Vis, 2007, to name a few).

#### **7.1.2: The competition state thesis**

The purpose of this study was explore one of the many theories that sought to conceptualise and explain the shifts in political economy many feel we have witnessed during the last thirty years. The competition state thesis as articulated by Cerny and Evans (1999; 2003; 2004) holds that alongside and as a consequence of globalisation, the world has witnessed the rise of the competition state and the decline of welfare states around the world. This competition state is the product of a fundamentally different ethos to that which underpinned all forms of the welfare state, prioritising the needs of the economy over the needs of a country's citizenry. This is a profound and important notion, one that suggests however well-intentioned governments may be, they can no longer set important welfare targets unless they also produce economic success (Cerny, 1997:259; 2008:10:25; 2010a:17; Cerny and Evans, 2003:25; 2004:51:61). This has of course profound implications for social policy, suggesting that strategies to combat social exclusion, poverty, ill-health, unemployment, and poor education are prioritised only when there is an economic benefit to doing so. The competition

state thesis is a comprehensive analytical tool for understanding and studying the many changes wrought by globalisation and the establishment of a global economy. It is also a summary of how the authors believe the world is. Much of what Cerny and Evans say makes qualitative sense, tapping into a sense that the collective bonds of society have weakened as the means of production have become less central to the economy. With this weakening of collective bonds being replaced by the atomistic nature of a more consumer led society, they insist that much of the welfare state's legitimacy has been stripped away (Cerny, 1995:10; 1997:255; 2008:10; Cerny and Evans, 1999:3; 2003:25; MacGregor, 2003:62).

There is no real consensus as to whether Cerny and Evans are correct, with some taking particular exception to their thesis. For some the competition state is simply a stylised moniker attached to the existence of neo liberal policy goals in a couple of countries (Hay, 2004:43). For others it is almost a product of a right-wing dupe, aimed at justifying ideological decisions taken in the early 1980s (Castles, 2004:179). Other advance many of the same arguments as Cerny and Evans, whilst stopping a little short of some of the competition state thesis' more extreme assertions (Ellison 2006:33:45; Giddens, 2002:9; Held et al, 1999:7; Hudson and Lowe, 2009:35). What is important however is that it has captured the attention of many in the social policy and political science world.

### **7.1.3: An empirical investigation**

It is undoubtedly true that the competition state is a powerful thesis, one that sits easily with the changes we have witnessed over the last twenty to thirty years. In a parsimonious manner it offers explanations for those changes and prompts the social scientist to consider many important questions regarding the future of welfare provision. It is a testament to the strength of Cerny and Evans' convictions, their persuasive power, and the fact that their work has continued to ring true with people from academic, government, or lay backgrounds, that it remains pertinent. The thesis has however taken much for granted, seeking to explain how the world is, how almost all contemporary phenomena can be incorporated into the rubric of the competition state thesis, and how the future world will be. Other than persuasive arguments though, very little empirical evidence has been advanced to

support the thesis. Whether it has been an unwillingness to address the ambiguities that Evans himself acknowledges exist (Evans and Lunt, 2010:2), the endeavour to incorporate almost all events within the rubric of the competition state (Hay, 2004:42; Taylor, 2010:41), or the lack of systematic empirical research, the Competition state thesis is possibly at risk of slipping from its privileged position within the political economy literature. The main protagonists have worked tirelessly to ensure that the thesis remains contemporary and pertinent, however the lack of systematic empirical evidence to support what are particularly bold claims made within the competition state thesis represents a clear limitation.

The relative merits and weaknesses of the competition state thesis have been debated widely and as such the most important and useful impact this thesis could have had on the competition state debate was clearly to address this lack of empirical exploration. It is only by doing so that this thesis could offer something new to the debate and genuinely inform that debate. The broad aim of this thesis was simply to explore the competition state through empirical means. What would an empirical investigation tell us about the competition state thesis, the health of the welfare state in various nations, and the wider political economy debate? The first stage would naturally involve investigating whether an empirical investigation would be possible and how it would be best approached. As the competition state is advanced as a replacement for the welfare state, it seemed logical that the many principles behind empirical studies of the welfare state could be applied to the study of the competition state and indeed this proved to be the case.

Key questions that this thesis sought to address were: is there evidence to suggest that the competition state exists? Given that the competition state would replace welfare states that were comparatively diverse, would we uncover any evidence of differentiated models of the competition state? How would the competition state change over time? Does the competition state truly signal the death of the welfare state? Does an empirical approach tell us anything unexpected, perhaps not even addressed within the competition state thesis? And finally, are the implications of the competition state as outlined by Cerny and Evans evidenced in any way? For example, is the state qualitatively disempowered?

The empirical investigation utilised two main methodologies; an index based methodology and fuzzy-set ideal type analysis. In both cases the purpose was to identify competition state behaviours amongst OECD countries. This additive index utilised a methodology based on the Z-scores generated by measurements of different government actions within dimensions of the competition state. The Z-score based approach is, like Esping-Andersen's famous decommodification index, devised to place welfare states into different ideal types (Esping-Andersen, 1990), based upon deviations from the mean. This is a useful approach, which avoids many of the problems faced by Esping-Andersen's work (See Ditch, 1999:118; Pierson, 2006:174-176; Scruggs and Allen, 2006:1-5), producing a league table of scores that reveals "how far a country falls above or below the average for the group as a whole" (UNICEF, 2007:7). Owing to the limitations of the z-score methodology, a slight alteration was made to allow for the comparison of countries' scores over time, but essentially, the first and second empirical chapters followed the same broad methodology.

The fuzzy-set ideal type methodology represented a departure not only within this thesis, but also from the orthodoxy of comparative welfare studies. The method, which has some important strengths is still relatively unused within welfare studies, however key recent publications (Kvist, 2007; Hudson and Kühner, 2009; 2010; Ragin, 2000; Vis, 2007) have placed it very much at the forefront of comparative studies. This method was adopted in an attempt to not only address some of the questions raised in the second empirical chapter, but also to tie the quantitative analysis much tighter to the qualitative, theoretical approach of the authors and of the CST as well as the observations of other commentators. While the standardisation of data in the form of z-scores allowed the construction of an index that was able to capture the overall picture of a process that involved elements that were at times contradictory, it still faced some major limitations. In terms of the data, z-score indexes, along with factor analysis and cluster analysis is dependent on mean averages, which as Hudson and Kühner highlight, "mask important elements of cross-national diversity" (Hudson and Kühner, 2009:36; 2010:169:170). Fuzzy-set ideal type analysis avoids many of the limitations of additive indexes and as such allows the researcher and reader to reach firmer conclusions from the data.

The real strength of employing this methodology is that it allows the researcher to operationalise a concept that has distinct dimensions in a way that ensures that the behaviour in one dimension is quantified and analysed separately from the other dimensions, while still being considered in the ‘final reckoning’ when one address the concept as a whole (Hudson and Kühner, 2010:170). This is achieved through the method itself, which requires the researcher to set thresholds that relate to the behaviour they are measuring (Berg-Schlosser and De Meur, 2009:25-26; Cronqvist and Berg-Schlosser, 2009:77; Ragin, 2000:150:318; 2009:93:118; Yamasaki and Rihoux, 2009:132).

## **7.2: Synthesis of findings**

The three empirical chapters of this thesis have all been analysed and discussed individually and at length. Furthermore, with the three chapters reflecting the organic development of the investigation, the findings of chapter six represent the most important of this thesis. That said, it is useful to take a brief look at the complete picture, to explore the similarities and any differences within the results of three methodologically distinct approaches and therein lies the purpose of this small summary. In the interests of brevity and as an acknowledgement that the reader has already been subjected to many charts, tables, and much raw data, the focus here is on general trends and findings, and not a re-analysis of data.

Briefly, if we recall, the first empirical chapter set out to test whether the competition state thesis could be operationalised in a meaningful way. To that end, perhaps the key finding was that it could. While the argument advanced within this thesis is that additive indexes have shortcomings that are substantial enough to merit the utilisation of an alternative methodology, this clearly represents a good first step. Indeed the index method enabled a comparison with Esping-Andersen’s seminal work *The Three Worlds of Welfare Capitalism* (1990). The second empirical chapter built upon the first while redressing its key short-coming; the fact that the first chapter offered a snapshot of only one year. The third was shaped very much by the findings of the longitudinal study undertaken in the second chapter and can be viewed as complementing, refining, and concluding the task undertaken in the second empirical chapter. As the conclusion will note, the methodology adopted in third empirical chapter has limitations, but its key strength

is that allowed firm assertions about the competition state thesis to be aired and many of the questions raised in earlier chapters to be answered (for now).

Across all three empirical chapters the key finding has consistently been that competition state behaviours are in evidence globally. When time-series is introduced, it is clear that engagement with the competition state has occurred across the OECD over time. For some countries engagement was evident in 1997; the first point of study. For other nations the assimilation within the norms of the competition state came later. Importantly though, while there exists a general acceptance of the competition state, it is clear that there is much diversity with respect to how countries have engaged with the competition state and the extent to which they have engaged with it. In the first two empirical chapters this was demonstrated by the relative scores exhibited by countries. In the most basic terms, there appeared to exist leaders and laggards in terms of competition state behaviours. The diversity within the overall picture reflected the diversity within the constituent elements of the index and the subsequent league tables they begat. On each dimension there were leaders and laggards, as of course there must be when cases are ranked. An important finding of the first empirical chapter -one that ran contrary to the expectations of the competition state thesis- was that the leaders of some dimensions were not necessarily the leaders of other dimensions, or indeed leaders in the final overall reckoning. An important and extremely interesting finding of the first empirical chapter, a finding that was to emerge in the subsequent chapters, was that countries engaged with different elements of the competition state, with varying degrees of intensity.

Early evidence, that is to say the findings of that first empirical chapter, suggested that there existed two poles within the competition state, one built around low spending and a lack of generosity and another built around a more active model of the competition state. These two models stood both the test of time as well as changes in methodologies. Time-series suggests however that there is even more diversity within competition states and that just as countries may take a low-spend, ungenerous approach, or alternatively a high-spend, more generous yet active approach, there were other countries that simply seem concerned with attracting business. The output in the form of league tables from the additive index approach hinted at many issues and raised many questions; chiefly it suggested that

countries configured their competition states in different ways and asked whether there was a typology that could be built around such configurations. The third empirical chapter sought to address these suggestions and questions and concluded that that was exactly what has happened over the last decade-and-a-half.

Since 1997 the picture within the OECD has been one of engagement with the competition state. Given that most OECD nations could not be classified as neo liberal in 1997 and given that the orthodox neo liberal conception of the competition state is one marked by profound retrenchment and limitation of the state's welfare function, this would seem like a profound statement. Indeed in some senses it is. However the most important finding that has emerged throughout all three empirical chapters is that demonstration of competition state characteristics does not necessarily spell the end of the welfare state or even welfare provision. Had we insisted that for a country to be considered as a competition state it must adhere to competition state expectations on all dimensions that were operationalised, we would have been forced to reach two conclusions. The first conclusion would have been that given that most countries did not historically conform to the low-spend, ungenerous ideals of the competition state, displaying such behaviour here would signal that the competition state had been adopted by such countries at the expense of their welfare state. Through the analysis of data, the second conclusion would be that no country except perhaps Ireland could be classified as a competition state. Quite simply, countries do not conform to all expectations of the competition state thesis. In the first and second empirical chapters this was evident owing to the fact that all countries except Ireland exhibited negative scores on at least one dimension of the index. By 2007 even Ireland exhibited a negative score in one dimension. In the third empirical chapter the fact that the pure type remained almost completely unpopulated across the three time periods stands as testament to the fact that countries do not engage with all aspect of the competition state.

The fact that countries engage with only some of the competition state thesis, and that the areas that are engaged with vary country-to-country is interesting. What is perhaps even more thought provoking is that not only do approaches to the competition state differ, but some approaches appear to be mutually exclusive.

Indeed, with the exception of Ireland, an active approach seems to always exist in an environment of high expenditure and a low expenditure approach seems to always preclude an active approach. It would appear that these represent two largely incompatible competition state goals. This could prompt debate about whether the active approach is a true reflection of the competition state. However a finding consistent to both the second and third empirical chapters is that where countries demonstrate competition state behaviour with regards either welfare expenditure or activation, they also always exhibit such behaviours on another dimension.

That there are different types of competition state, both theoretical and in evidence is clear. It is clear also that these can be grouped into four broad categories based on how behaviours on three key domains of the competition state are combined by each country. In accordance with Cerny and Evans, the pure competition state would blend all three domains (Cerny and Evans, 1999:11), adhering to the expectations of the competition state in all respects. The remaining three groups are a result of impure blends of behaviours. The pro-business policy group involves spending levels that are discordant with the competition state as well as a lack of activation. The active group holds activation at its core, rejecting low levels of expenditure and blends those features with varying levels of engagement with the pro-business policy goals of the competition state. The neo liberal group by contrast rejects activation, and conforms to the low-spend ideals of the competition state thesis. Countries that follow such an approach are differentiated further by the degree to which they demonstrate pro-business competition state policies. Of course a fifth approach, one that is evidenced most consistently by Germany, is a complete disengagement from the competition state.

Cerny's belief that the neo liberal model reflects the orthodox competition state form (Cerny, 1997:259; 2008:10:25; 2010a:17; Cerny and Evans, 2003:25; 2004:51:61) is severely tested by the stability of the alternative competition state forms. Not only does the active approach seem to stand in contrast to the neo liberal approach, it showed no signs of abating over time and appeared as clearly and as robust across all three empirical chapters. To return to the earlier point, those nations that have demonstrated an historic commitment to a generously funded welfare state do appear to have accepted at least some competition state

norms. They haven't however borne witness to the demise of the welfare state. Furthermore, not even the existence of a neo liberal group of competition states stands as evidence that such a process has occurred at all. The countries that occupy this group fall into two broad categories: those that are long-established industrial economies that have at best been home to a lean welfare state; and newly industrialised or in some cases newly formed economies that have never developed a welfare state to speak of. It is reasonable to suggest that within this neo liberal group, social expenditure as a proportion of GDP is much lower than would be expected in a welfare state. However even in the 'golden age' of welfare states, none of the countries in this group ever demonstrated expenditure levels that one would expect of a welfare state, or that were comparable with other welfare states (Arjona et al, 2002:18; Castles, 1986:675). Ultimately, classification as a neo liberal competition state could have only been achieved by most of the countries sampled in this thesis if they had experienced substantial retrenchment at some stage. In the cases of those countries that are classified in this study as neo liberal countries, no retrenchment was necessary as their social expenditure levels were historically and consistently low.

The final key finding, which was alluded to in the second empirical chapter and crystallised in the third empirical chapter is that some countries simply adopted a competition state approach moving forward, without focusing attention on those elements of the welfare state that Cerny and Evans suggest are reshaped to fit a globalising world (Cerny and Evans 2003:24). Here countries did not exhibit social expenditure or ALMP expenditure levels expected within a competition state, rather their competition state approach was dominated by providing an environment that was friendly for business. Most countries achieved this through their tax policies. The stronger variant of this approach used tax policy alongside a more business friendly approach to employment protection. That is of course to say less protection for employees from dismissals. Interestingly, both New Zealand and the UK occupied this category and held their membership thereof throughout the entire study. While the memberships of most countries within the fuzzy-set ideal type approach of the third empirical chapter were to be expected, mirroring as they did the findings of the first two empirical chapters, the UK and New Zealand classifications came as a surprise. The suggestion is of course that

despite all the rhetoric and regardless of the fact that the UK represents one of the two ‘founding competition states’ around which Cerny and Evans built their thesis, the rise of the UK and New Zealand competition state has not signalled the end of their respective welfare states. Undoubtedly both countries have vigorously pursued the economic benefits that competition state policies are purported to bring, but this doesn’t appear to be at the expense of previous welfare arrangements.

Taking a step back, one finding is particularly striking and that is how very similar the groupings produced in the third empirical chapter are to Esping-Andersen’s three worlds of welfare. Of course there are extra countries in this study, but they fit round already established clusters of Esping-Andersen’s liberal, conservative, and social democratic nations. Indeed the only countries that really escape their three worlds’ groupings are the UK and New Zealand. That is not to say that the competition state typology is the same as Esping-Andersen’s. While many of the countries that were grouped together in Esping-Andersen’s study are grouped together here, many have shifted between competition state types over time, reflecting a transition in approaches, and many exhibit qualitative differences from one another. What the apparent explanatory power of Esping-Andersen’s groupings serves to underscore is that just as with the form a nation’s welfare state takes is a reflection of many domestic factors and active decisions, so is its competition state form.

To summarise then: the three empirical approaches adopted in this thesis confirm that the competition state thesis can be operationalised in a meaningful way. This first broad finding is central to all other that follow it; the index method and the fuzzy-set method draw on the established scholarship to ensure that any output is meaningful. The second key finding is that there appear to be variant forms of the competition state. The third important finding is that over time nearly all countries demonstrate competition state behaviours. The fourth finding is that the rise of the competition state has not been homogenous; there has been no wholesale adoption of the neo liberal model. The fifth finding is that stability over time exists in all forms of the competition state. A sixth finding is that competition state groups are in many ways analogous to Esping-Andersen’s three worlds of welfare. And finally, the seventh and perhaps most important finding is that the adoption of

competition state practices does not necessitate the stripping back of social expenditure.

### **7.3: Discussion: From welfare state to competition state? Or Welfare state to competition states? The rise of the differentiated competition state and the stability of welfare**

Both methodologies revealed much of interest and despite their differences in approach, most of the key findings were common to both. The main finding, consistently demonstrated across all three empirical chapters, was that countries do exhibit behaviours consistent with the competition state. This in itself is extremely important as it represents the first systematically reached empirical endorsement of the competition state thesis. When time series analysis was introduced, the evidence seemed even more compelling. Where a snapshot of one year had suggested that all nations demonstrated some engagement with the competition state, a longitudinal analysis illuminated trends towards stronger expressions of competition state behaviours over time. Of course, by arranging the nations in a league table based on their scores, competition state leaders and laggards emerged. However, as Esping-Andersen argues in terms of welfare states, the concept of leaders and laggards is misleading where nations are actually playing different games (Esping-Andersen, 1990:27-28:32). This was not an anticipated issue; the body of literature authored by Cerny and Evans both collectively and individually on the issue of the competition state points very clearly to only one approach. Both concede that alternative models may fleetingly exist, but that the orthodox neo liberal model represents the most successful and that as economic success is the engine room of the competition state, it is naturally the long-term competition state form (Cerny, 1997:263:266; 2008:16; Cerny and Evans, 1999:3:7; Cerny et al, 2005:21-22).

All three empirical chapters presented clear evidence that nations do indeed engage with different elements of the competition state. While the evidence was not conclusive in the first two empirical chapters, the fuzzy-set ideal type methodology clearly illustrated a differentiated approach to the competition state. Moreover, while a snapshot of only one year left open the possibility that these alternative competition state forms were indeed fleeting manifestations of early

engagement with the competition state, the longitudinal fuzzy-set results illuminated the stability of this diversity. More importantly, the data analysed hinted at an insurmountable divide between two of the key competition state models. Put simply, activation and low expenditure were incompatible.

#### **7.4: Reflection on the thesis as a whole: meeting the aims of the study and making an original contribution to knowledge**

##### **7.4.1: Meeting the aims of the study and contributing to knowledge**

As stated, the aim of this thesis was to shed new light on the competition state thesis. As it was put in the introduction, quite simply, this thesis asked what a systematic empirical approach to the competition state tells us. Does it answer questions? Does it pose new questions? It is clear that as with most investigations, this thesis poses as many questions as it answers.

The purpose of any thesis is of course to make an interesting, original contribution to knowledge; to further the understanding of a given subject. To this end the pursuit of an empirical investigation of the competition state, one conducted in a comparative setting clearly addresses a gap in scholarship. The publication of the findings of the first empirical chapter within this thesis stands as testament to the potential impact this investigation can have. The approach taken and the findings that have been uncovered add a depth to existing competition state literature as well as broadening the debate to cover countries that have to date only been referred to in passing. By demonstrating that the approaches taken through investigations of welfare states can be equally applied to the concept of the competition state and that such a project yields interesting and meaningful findings, perhaps goes some way to answering some of the accusations levelled by Hay at the competition state thesis.

In reality the key contributions to knowledge are that in the first instance, a rigorous empirical investigation of the competition state finds substance and not merely a stylised account of capitalism under Thatcher and Blair (see Hay, 2004 for such an argument). It is clear that over time nations have, at the aggregate level, embraced the competition state, or perhaps have been embraced by the competition state. The second key contribution is the evidence that supports the

notion of diversity within this overall embracing of the competition state. While cautiously acknowledging the limitations of the study and accepting that the transition towards a single competition state model over time is still possible, his thesis provides compelling evidence of diversity. This should not be used to refute the core messages of the competition state thesis, rather underscore the value attached to competing in the global economy irrespective of historical approaches to welfare.

#### **7.4.2: Limitations**

It is important however that a researcher acknowledges where a thesis can be strengthened or might be flawed. The limitations of any quantitative study are well aired (See Goldstein, 1986:608; Kaplan and Duchan, 1988:572; Ragin, 2000:106-107; Walle, 1997:525). As indeed are the limitations of qualitative research, inductive research and deductive research. At times this thesis blended all four approaches to the study of the competition state and while this was undertaken with the intention of capturing their strengths, undoubtedly some will point to the short comings of such an approach. That said, this thesis never intended to represent the only possible approach to operationalising the competition state, rather it sought to provide a meaningful empirical study and explore what such a study could tell us. To that end it succeeded and to hold as a limitation of the thesis the fact that it adopted one approach over another is to engage in a zero sum game. That is not however to say that this thesis was not replete with limitations, as any study of its nature is bound to be. There are genuine limitations that relate to decisions made within the methodologies adopted. It is such limitations that represent a constructive debate around what could have been done differently and on reflection, perhaps what should have been done differently.

The first obvious limitation of this thesis is that it operationalised only sections of the thesis. This was because either data didn't exist for some elements, or conceptually it seemed almost impossible to operationalise some elements. On reflection however, perhaps more could have been operationalised, though this would in turn have presented methodological issues. A prime example of this type of limitation can be seen in the decision not to operationalise the 'recasting of party ideology'. This represents a core dimension of the competition state thesis and is

one of the dimensions highlighted by Cerny and Evans as providing an empirical foundation for testing the competition state (Cerny and Evans, 1999:11). It was argued in the first empirical chapter that while it is possible to think of the ‘recasting of party ideology’ as a theoretically measurable indicator of the competition state, operationalisation would prove difficult. The objection to operationalising this feature was built around the fact that while there is general agreement that in the UK, New Labour has undergone profound ideological change, how one would measure the scope of this is unclear. It was posited that a simple dichotomy of ‘undergone ideological recasting’ on one hand and ‘not undergone recasting’ on the other hand tells us very little. Furthermore, the very notion that parties haven’t adjusted naturally over a fifteen to twenty year period is possibly naïve. The discussion concluded by insisting that attempting to differentiate the different degrees to which a party has recasted its ideology would prove a subjective and ultimately arbitrary task, and would again tell us very little. All of these are reasonable and valid points, however it is clear they gained more traction because the initial methodology that was adopted was the z-score based additive index. As this relied on quantification and was employed in a way that reflect previous scholarly uses of the index approach, the recasting of party ideology hardly seemed like a compatible concept.

In retrospect the recasting of party ideologies may have lent itself to operationalisation as a fuzzy set. This would have involved an innovative employment of the method and represented a truly mixed methods approach and may have enriched the findings. However, as the methodologies developed organically from that first empirical chapter, this approach was not considered. Indeed, the fact that no extra elements of the competition state thesis were added to the study once the fuzzy-set method was adopted represents a limitation in itself. In reality even the operationalisation of a recasting party ideology set within the fuzzy-set ideal type approach would have still been ambitious at best and potentially inappropriate. As this thesis frequently reiterated, constructing and calibrating sets requires a sound and deep understanding of and familiarity with the substantive knowledge needed to operationalise a concept. In the case of party ideologies across the OECD, not only would this require the collection of a staggering amount of primary resources from undefined sources, it would require

the researcher to understand such information. This would require proficiency in over a dozen languages, but also an appreciation of the subtle nuances that may have been context and culturally specific. Operationalising such a set within the confines of this thesis would no doubt have proven unfeasible and to undertake such a task without the aforementioned skills would produce meaningless sets.

The issue of ideological change was not the only example of a dimension that went un-operationalised; Evans points out that the paper published with the findings of the first empirical chapter failed to address the importance of policy transfer (Evans, 2010:104). Indeed this is correct and other examples can undoubtedly be highlighted. The subjective nature of the decisions behind what was operationalised was undoubtedly compounded by the methodologies used. To this end, while fuzzy-set ideal type analysis undoubtedly represented a useful approach that redressed many of the limitations of the index approach, it did necessitate a substantial loss of information. By only operationalising four of the five dimensions analysed in the first two empirical chapters as sets within the third chapter, a substantial amount of information was lost. Similarly, disaggregating the tax and regulation dimension also led to information loss. It is definitely true that the fuzzy-set approach enriched the information that was used, giving it more meaning within the debate, however this came at the expense of a substantial amount of raw information.

#### **7.4.3: Lessons to be drawn**

While it is important to acknowledge the limitations of any study, it is important to note that this thesis succeeded in operationalising the competition state as the subject of empirical study. Furthermore, the findings that were uncovered will and already have begun to impact on the competition state debate. In terms of a scholarly impact, this thesis necessitates a reappraisal of two key assertions of the competition state thesis. It is taken for granted in the works of Cerny and Evans (1999; 2002; 2004) that there is only one viable model of the competition state and that owing to this, the demise of the welfare state, if not already underway, is sealed and unavoidable. As with many theories, it is important that empirical evidence is blended with theoretical debates. In the case of the competition state, most of what Cerny and Evans posit makes sense and much of this is

subsequently supported when empirical evidence is explored. Some assertions are not supported however and in the face of empirical evidence, it is important that these are revisited. The empirical evidence should not be considered infallible of course; there are limits to what the methods adopted in this thesis can tell us. Perhaps an alternative approach to operationalising the competition state, the selection of different countries, variables, and time periods would have yielded different results and as such, different conclusions. The task now is to assimilate these findings into the competition state debate, perhaps even challenging them with different empirical approaches.

For now, the key message for those interested in social policy must be that there is clearly an alternative. Social policy is not wholly subsumed to the needs of the economy and even when a country's polity is dominated by the pursuit of the competitive advantage, this need not restrict core social policy options. Castles is convinced that the narrative of the new global economic order replete with new economic realities has been overstated by those who wish to see the narrowing of policy options (Castles, 2004:46:179). This predisposition to narrow policy options is often considered a reflection of the desires of a competition state elite consisting of the actors who stand to gain the most from economic success (Cerny, 2000:448; 2008:34; Cerny, 2010b:129; Cerny et al, 2005:19; Cerny and Evans, 1999:17; 2003:39; Hacker and Pierson, 2010:45-46). However, it is clear that the varying forms of the competition state offer similar patterns of economic success. There may then be a bigger role for the ideals and beliefs of decision makers than the competition state thesis suggests. Economic success cannot be the sole determinant of what form a country's competition state takes as evidence shows there is great variance in debt and growth levels within and between different competition state forms. This leaves other processes such as decision making within the policy process, implementation and feedback, path dependency, and institutions with key roles in determining the type of competition state a country develops.

#### **7.4.4: Where next?**

This thesis never aimed or purported to 'close the case' on the competition state thesis. Rather it represents one approach to operationalising and analysing it.

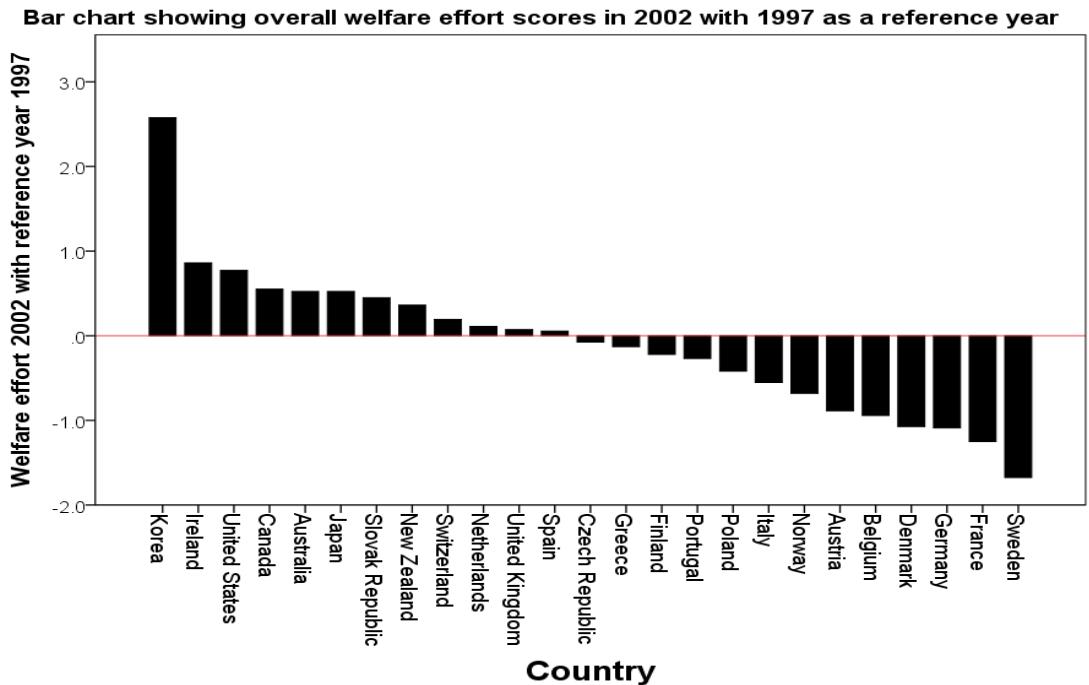
There are others and it may be that the exploration of these is worthwhile. Within the approach adopted here there is also still much to be done. Whether the typology advanced here proves useful as an explanatory tool for a range of welfare outcomes is particularly interesting. Is it reasonable to hypothesise that human capital is higher within the active competition states? Is unemployment lower in the active group or the neo liberal group? Are nations more equal if they have active competition states rather than neo liberal competition states? Which competition state form proves economically more successful over time? There is also the need to revisit the study with data as it is published in order to assess whether the models remain stable; whether the trends that seemed to be in their infancy take off or flatten out. What effect will or perhaps has the worldwide financial crisis have on competition state types?

Further avenues of study involve the newly emerging global players: India, China, Brazil, and Chile amongst others. Comparable data is unlikely to become available for past years, however as ascension to full member status within the OECD is achieved, it is hopeful future data may become available. Even where data is patchy, it may be possible to operationalise lone sets within the fuzzy set approach and while this does not represent a complete investigation, it is a start. Of particular interest will undoubtedly be the emergence of China as a major global player. Will China come to represent an ideal competition state type as Cerny suggests (Cerny, 2010a:17)? Or will the sheer size of the Chinese economy be, as Taylor predicts (Taylor, 2010:41), sufficient to guarantee success without needing to conform to the competition state approach?

Cerny and Evans are correct, how countries respond to the global economy in the 21<sup>st</sup> century is sure to be the main challenge of the foreseeable future. But comfort should be drawn from the knowledge that they have options.

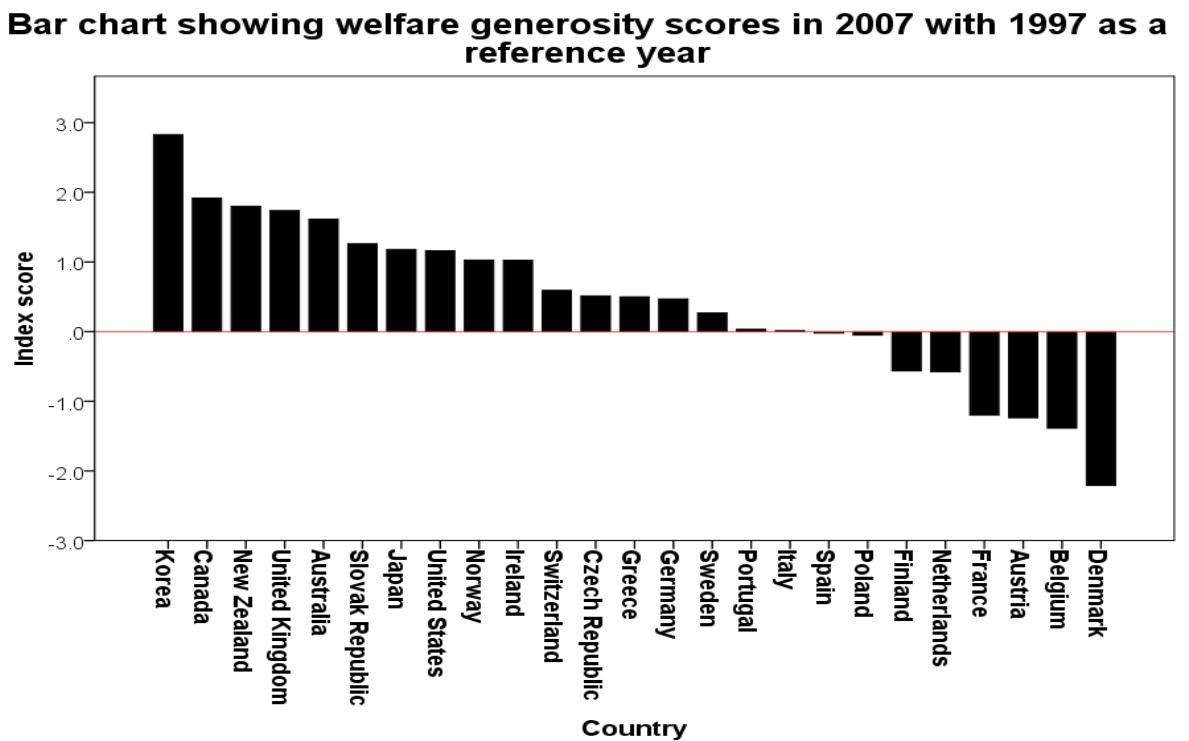
## Appendix

### A.1: Bar chart showing overall welfare scores in 2002 with 1997 as a reference year



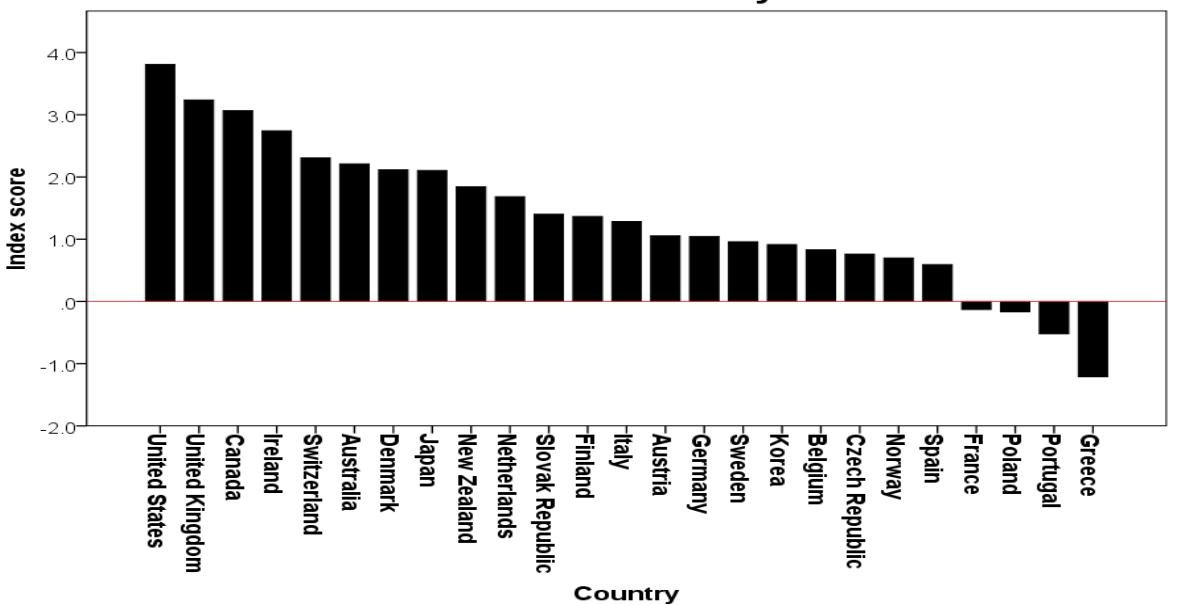
### A.2: Dimension bar charts for 2007 omitted from the main body of the thesis

#### A.2.1



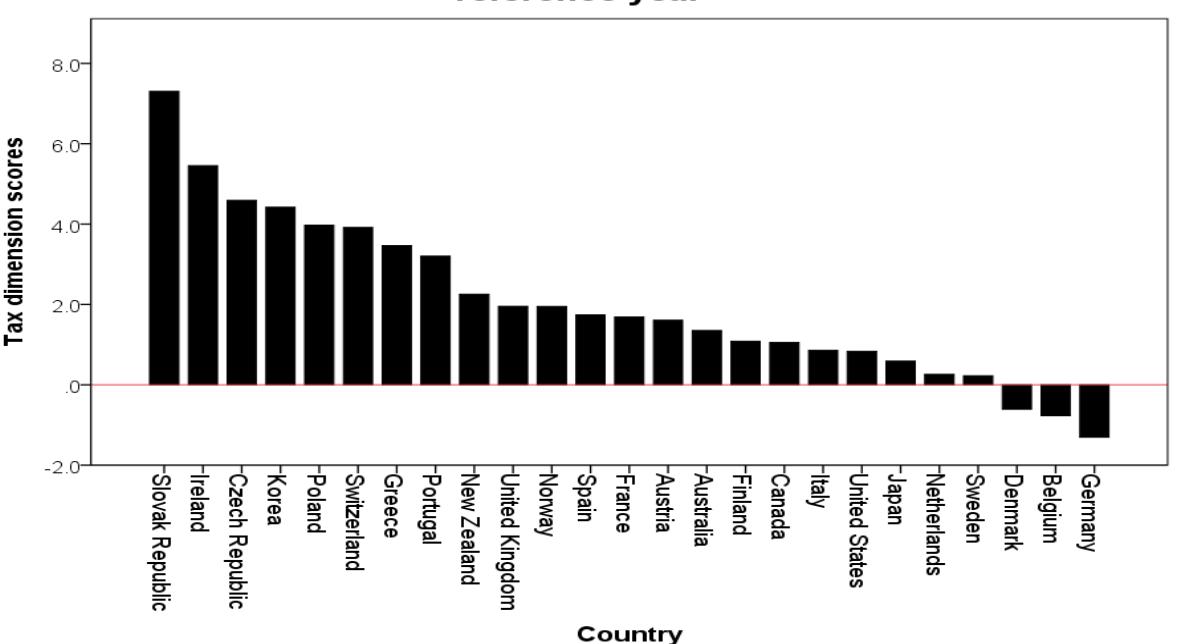
### A.2.2

**Bar chart showing government regulation of industry scores in 2007 with 1997 as a reference year**



### A.2.3

**Bar chart showing Tax dimension scores in 2007 with 1997 as a reference year**



### A.3 Tables showing results of sensitivity analysis when PMR is operationalised instead of EPL.

**A.3.1: Fuzzy set membership for 1997 where PMR is operationalised rather than EPL**

Country	Membership with PMR	Membership with EPL	Change
Australia	Neo-lib+	Neo-liberal+	No change
Austria	weak pro-cstat policy	Weak pro-cstat economic policy	No change
Belgium	Conservative welfare	Conservative welfare	No change
Canada	Neo-lib+	Neo-liberal+	No change
Czech Republic	Conservative welfare	Conservative welfare	No change
Denmark	Active+strong	Active+strong	No change
Finland	Weak pro-cstat policy	Weak pro-cstat economic policy	No change
France	Conservative welfare	Conservative welfare	No change
Germany	Conservative welfare	Conservative welfare	No change
Greece	Con welfare/Weak pro	Con welfare/Weak Pro-cstat economic policy	No change
Ireland	Neo-lib+	Hybrid Pure	Changed group
Italy	Conservative welfare	Conservative welfare	No change
Japan	Neo-liberal	Neo-liberal+	Membership less pronounced
Korea	Neo-lib+	Neo-liberal+	No change
Netherlands	Active/Active+	Active/Active+	No change
New Zealand	Pro-cstat policy	Pro-cstat economic policy	No change
Norway	Active+	Active+	No change
Poland	Conservative welfare	Weak pro-cstat economic policy	Membership less pronounced
Portugal	Neo-liberal	Neo-liberal	No change
Slovak Republic	Conservative welfare	Conservative welfare	No change
Spain	Conservative welfare/Weak pro	Conservative welfare /Weak Pro-cstat economic policy	No change
Sweden	Active+	Active+	No change
Switzerland	Active+	Active+strong	Membership less pronounced
United Kingdom	Pro-cstat policy	Pro-cstat economic Policy	No change
United States	Neo-lib+	Neo-liberal+	No change

**Notes:** 1). Less pronounced denotes that when EPL is replaced in the analysis by PMR, a country's membership of the overall group (i.e Neo-liberal, active, Conservative, or Pro-competitive policy) becomes weaker. An example would be Switzerland, which was a member of the Active group overall in both analyses but moved from the active+strong set to the active+ set when EPL was replaced by PMR.

2). Twenty one countries showed no change when EPL was replaced by PMR, three countries saw their membership of overall groups become less pronounced and one country moved changed group. In the case of Ireland, movement was towards the overall grouping it came to inhabit in 2002 using EPL.

**A.3.2: Fuzzy set memberships for 2002 where PMR is operationalised rather than EPL**

Country	Membership with PMR	Membership with EPL	Change
Australia	Strong Neo-lib+ Pro-cstat policy	Strong Neo-liberal+ Weak Pro cstat policy	No change Membership more pronounced
Austria	Weak pro-cstat policy	Conservative welfare	Changed group
Belgium	Neo-liberal+	Neo-liberal+	No change
Canada	Pro-cstat policy	Weak Pro cstat policy	Membership more pronounced
Czech Republic	Active+strong	Active+Strong	No change
Denmark	Pro-cstat policy	Weak Pro cstat policy	Membership more pronounced
Finland	Weak pro-cstat policy	Conservative welfare	Changed group
France	Weak pro-cstat policy	Conservative welfare	Changed group
Germany	Con welfare/weak pro-cstat	Con welfare/Weak pro cstat policy	No change
Greece	Pure	Pure	No change
Ireland	Conservative welfare	Conservative welfare	No change
Italy	Neo-lib+	Neo-liberal	No change
Japan	Strong Neo-lib+	Neo-liberal+	Membership more pronounced
Korea	Active+strong	Active+	Membership more pronounced
Netherlands	Pro-cstat policy	Pro-cstat policy	No change
New Zealand	Active+strong	Active+	Membership more pronounced
Norway	Weak pro-cstat policy	Pro cstat policy	Membership more pronounced
Poland	Pro-cstat policy	Weak Pro cstat policy	Membership more pronounced
Portugal	Pro-cstat policy	Con welfare/Weak pro cstat policy	Membership more pronounced
Slovak Republic	weak/pro	Con welfare/Weak pro cstat policy	Membership more pronounced
Spain	Active+strong	Active+	Membership more pronounced
Sweden	Active+strong	Active+strong	No change
Switzerland	Pro-cstat policy	Pro cstat policy	No change
United Kingdom	Neo-liberal+	Neo-liberal+	No change
United States			

**Note: Replacing EPL with PMR sees twelve countries develop stronger membership of their overall group. Three countries change with respect to overall group membership, one of which (France) displays with PMR the overall membership it goes on to display with EPL in 2007. Ten countries remain unchanged.**

**A.3.3: Fuzzy set memberships for 2007 where PMR is operationalised rather than EPL**

Country	Membership with PMR	Membership with EPL	Change
Australia	Strong Neo-lib+	Strong Neo-liberal+	No change
Austria	Active+strong	Active+	Membership more pronounced
Belgium	Active+strong	Active+	Membership more pronounced
Canada	Strong Neo-lib+	Strong Neo-liberal+	No change
Czech Republic	pro-cstat policy	Weak Pro-cstat policy	Membership more pronounced
Denmark	Active+strong	Active+strong	No change
Finland	pro-cstat policy	Weak Pro-cstat policy	Membership more pronounced
France	pro-cstat policy	Weak Pro-cstat policy	Membership more pronounced
Germany	weak pro-cstat policy	Conservative welfare	Changed group
Greece	weak pro-cstat policy	Weak Pro-cstat policy	No change
Ireland	Strong Neo-lib+	Strong Neo-liberal+	No change
Italy	pro-cstat policy	Weak Pro-cstat policy	Membership more pronounced
Japan	weak pro-cstat policy	Weak Pro-cstat policy	No change
Korea	Strong Neo-lib+	Neo-liberal+	Membership more pronounced
Netherlands	Active+strong	Active+	Membership more pronounced
New Zealand	pro-cstat policy	Pro-cstat policy	No change
Norway	Active+strong	Active+	Membership more pronounced
Poland	weak pro-cstat policy	Weak Pro-cstat policy	No change
Portugal	pro-cstat policy	Weak Pro-cstat policy	No change
Slovak Republic	Strong Neo-lib+	Strong Neo-liberal+	No change
Spain	pro-cstat policy	Weak Pro-cstat policy	Membership more pronounced
Sweden	Active+strong	Active+	Membership more pronounced
Switzerland	Active+strong	Active+strong	No change
United Kingdom	pro-cstat policy	Pro-cstat policy	No change
United States	neo-lib+	Neo-liberal+	No change

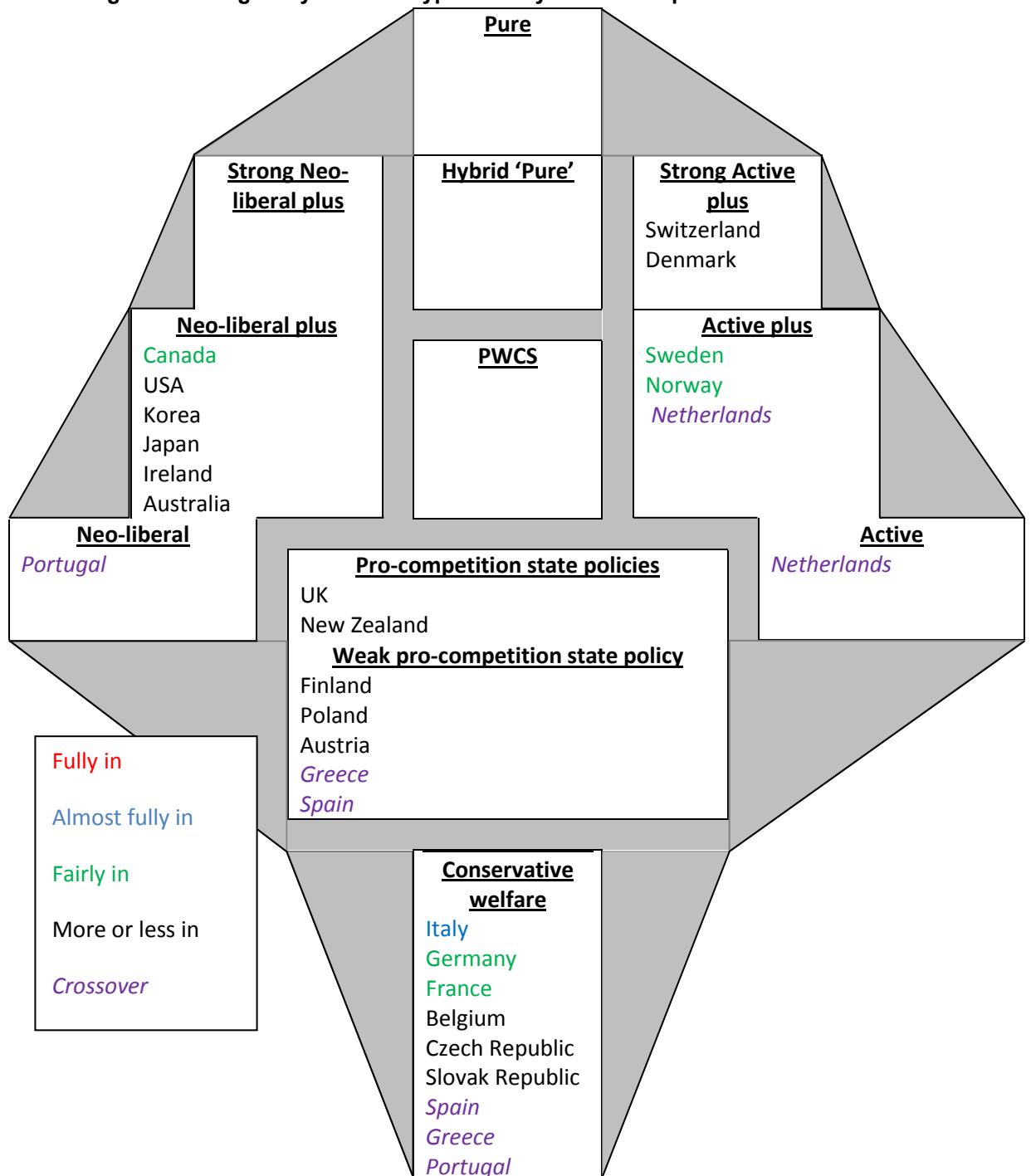
**Notes:** 1). More pronounced denotes that when EPL is replaced in the analysis by PMR, a country's membership of the overall group (i.e Neo-liberal, active, Conservative, or Pro-competitive policy) becomes stronger. An example would be Sweden, which was a member of the Active group overall in both analyses but moved from the active+ set to the active+strong set when EPL was replaced by PMR.

2). Changed membership of group denotes a country's membership has shifted between overall groupings as a consequence of replacing EPL with PMR. Germany is the only case where this occurs.

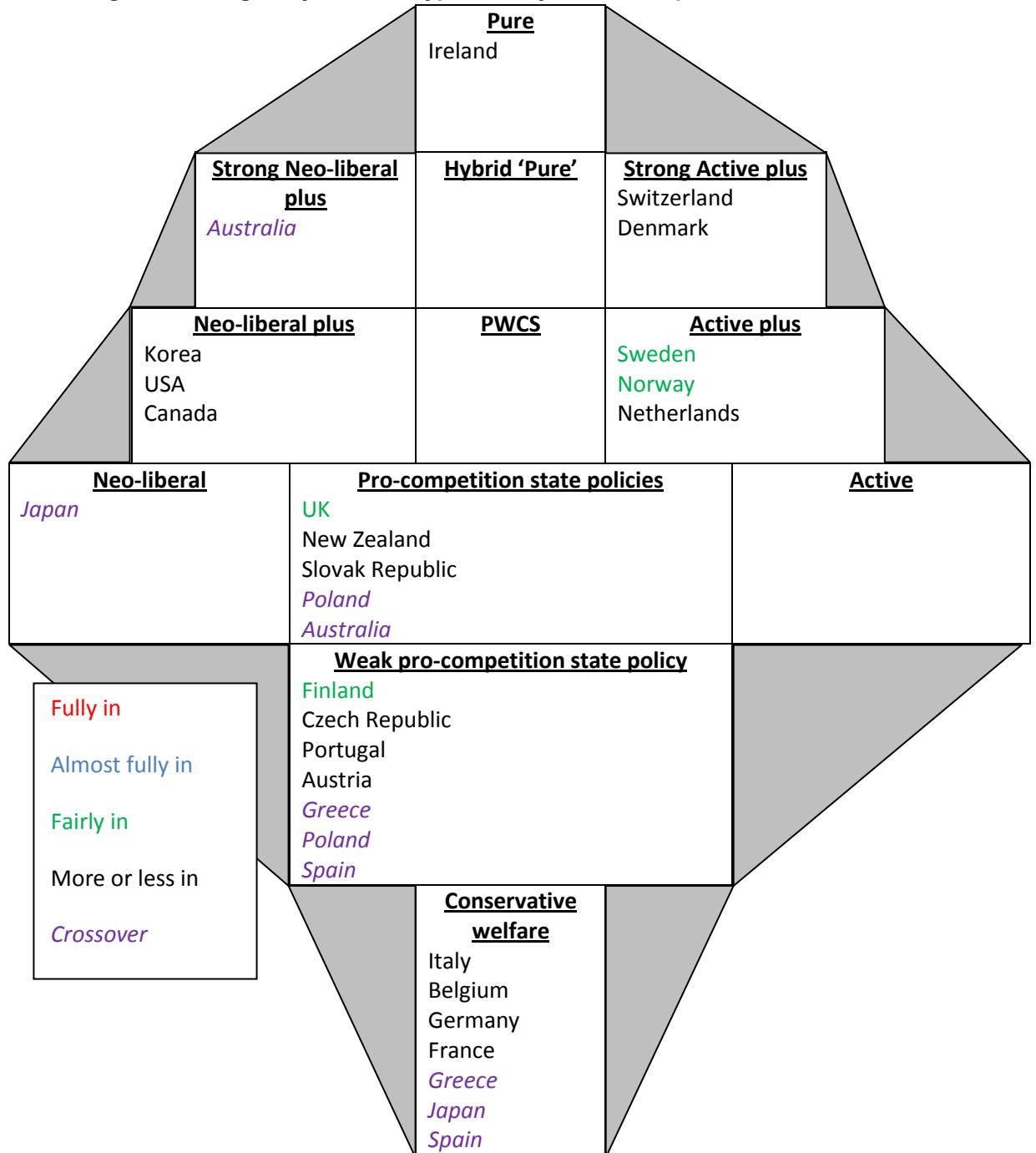
3). Replacing EPL with PMR sees eleven countries develop stronger membership of their overall group. One country changes with respect to overall group membership. Twelve countries remain unchanged.

## A.4: Figures showing fuzzy set memberships for 1997 and 2002

### A.4.1: Figure showing fuzzy set ideal-type country memberships for 1997



A.4.2: Figure showing fuzzy set ideal-type country memberships for 2002



**A.5: Table showing full breakdown of countries' memberships of each fuzzy set**

Country	Model	1997	2002	2007
Australia	Pure	0.01	0.04	0.10
	Strong Neo-liberal+	0.47	<b>0.50</b>	<b>0.60</b>
	Neo-liberal+	<b>0.53</b>	0.33	0.33
	Weak Neo-liberal	0.28	0.28	0.26
	Hybrid 'pure'	0.01	0.04	0.10
	PWCS	0.01	0.04	0.10
	Pro cstat policy	0.28	<b>0.50</b>	0.40
	Weak pro cstat policy	0.43	0.33	0.40
	Active + Strong	0.01	0.04	0.10
	Active +	0.01	0.04	0.10
	Active	0.01	0.04	0.10
	Reject	0.28	0.28	0.26
Austria	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.00	0.00	0.00
	Neo-liberal+	0.00	0.00	0.00
	Weak Neo-liberal	0.00	0.00	0.00
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.32	0.43	0.43
	Weak pro cstat policy	<b>0.53</b>	<b>0.53</b>	0.49
	Active + Strong	0.27	0.43	0.43
	Active +	0.27	0.42	<b>0.51</b>
	Active	0.27	0.42	0.17
	Reject	0.47	0.47	0.17
Belgium	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.00	0.00	0.00
	Neo-liberal+	0.00	0.00	0.00
	Weak Neo-liberal	0.00	0.00	0.00
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.33	0.33	0.33
	Weak pro cstat policy	0.34	0.33	0.43
	Active + Strong	0.19	0.33	0.33
	Active +	0.19	0.33	<b>0.53</b>
	Active	0.19	0.47	0.47
	Reject	<b>0.66</b>	<b>0.53</b>	0.43
Canada	Pure	0.00	0.01	0.00
	Strong Neo-liberal+	0.10	0.38	<b>0.53</b>
	Neo-liberal+	<b>0.77</b>	<b>0.51</b>	0.47
	Weak Neo-liberal	0.10	0.38	0.10
	Hybrid 'pure'	0.00	0.01	0.00
	PWCS	0.00	0.01	0.00
	Pro cstat policy	0.24	0.38	0.46
	Weak pro cstat policy	0.49	0.49	0.46
	Active + Strong	0.00	0.01	0.00
	Active +	0.00	0.01	0.00
	Active	0.00	0.01	0.00
	Reject	0.10	0.11	0.10
Czech Republic	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.37	0.27	0.41

	Neo-liberal+	0.37	0.27	0.41
	Weak Neo-liberal	0.41	0.27	0.13
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.37	0.44	0.42
	Weak pro cstat policy	0.44	<b>0.63</b>	<b>0.58</b>
	Active + Strong	0.00	0.00	0.00
	Active +	0.00	0.00	0.00
	Active	0.00	0.00	0.00
	Reject	<b>0.56</b>	0.37	0.13
Denmark	Pure	0.00	0.00	0.00
Denmark	Strong Neo-liberal+	0.00	0.00	0.00
Denmark	Neo-liberal+	0.00	0.00	0.00
Denmark	Weak Neo-liberal	0.00	0.00	0.00
Denmark	Hybrid 'pure'	0.00	0.00	0.00
Denmark	PWCS	0.00	0.00	0.00
Denmark	Pro cstat policy	0.00	0.00	0.00
Denmark	Weak pro cstat policy	0.00	0.00	0.00
Denmark	Active + Strong	<b>0.53</b>	<b>0.63</b>	<b>0.60</b>
Denmark	Active +	0.40	0.37	0.40
Denmark	Active	0.40	0.33	0.17
Denmark	Reject	0.00	0.00	0.00
Finland	Pure	0.00	0.21	0.00
Finland	Strong Neo-liberal+	0.00	0.21	0.00
Finland	Neo-liberal+	0.00	0.21	0.00
Finland	Weak Neo-liberal	0.00	0.21	0.00
Finland	Hybrid 'pure'	0.00	0.21	0.00
Finland	PWCS	0.00	0.21	0.00
Finland	Pro cstat policy	0.36	0.39	0.39
Finland	Weak pro cstat policy	<b>0.64</b>	<b>0.70</b>	<b>0.61</b>
Finland	Active + Strong	0.31	0.21	0.38
Finland	Active +	0.31	0.21	0.38
Finland	Active	0.31	0.21	0.20
Finland	Reject	0.27	0.30	0.20
France	Pure	0.00	0.00	0.00
France	Strong Neo-liberal+	0.00	0.00	0.00
France	Neo-liberal+	0.00	0.00	0.00
France	Weak Neo-liberal	0.00	0.00	0.00
France	Hybrid 'pure'	0.00	0.00	0.00
France	PWCS	0.00	0.00	0.00
France	Pro cstat policy	0.01	0.00	0.00
France	Weak pro cstat policy	0.28	0.49	<b>0.52</b>
France	Active + Strong	0.01	0.00	0.00
France	Active +	0.28	0.38	0.32
France	Active	0.31	0.38	0.32
France	Reject	<b>0.69</b>	<b>0.51</b>	0.48
Germany	Pure	0.00	0.00	0.00
Germany	Strong Neo-liberal+	0.00	0.00	0.00
Germany	Neo-liberal+	0.00	0.00	0.00
Germany	Weak Neo-liberal	0.00	0.00	0.00
Germany	Hybrid 'pure'	0.00	0.00	0.00
Germany	PWCS	0.00	0.00	0.00
Germany	Pro cstat policy	0.00	0.31	0.35
Germany	Weak pro cstat policy	0.26	0.37	0.37

	Active + Strong	0.00	0.31	0.17
	Active +	0.26	0.37	0.17
	Active	0.31	0.48	0.17
	Reject	<b>0.69</b>	<b>0.52</b>	<b>0.63</b>
Greece	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.00	0.07	0.11
	Neo-liberal+	0.47	0.25	0.24
	Weak Neo-liberal	0.47	0.25	0.17
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.00	0.07	0.11
	Weak pro cstat policy	<b>0.50</b>	<b>0.50</b>	<b>0.76</b>
	Active + Strong	0.00	0.00	0.00
	Active +	0.00	0.00	0.00
	Active	0.00	0.00	0.00
	Reject	<b>0.50</b>	<b>0.50</b>	0.17
Ireland	Pure	0.36	<b>0.60</b>	0.43
	Strong Neo-liberal+	0.47	0.40	<b>0.57</b>
	Neo-liberal+	<b>0.53</b>	0.25	0.24
	Weak Neo-liberal	0.26	0.00	0.00
	Hybrid 'pure'	0.36	0.25	0.24
	PWCS	0.36	0.00	0.24
	Pro cstat policy	0.26	0.37	0.42
	Weak pro cstat policy	0.26	0.25	0.24
	Active + Strong	0.17	0.37	0.42
	Active +	0.26	0.25	0.24
	Active	0.26	0.00	0.00
	Reject	0.17	0.00	0.00
Italy	Pure	0.00	0.08	0.01
	Strong Neo-liberal+	0.00	0.08	0.01
	Neo-liberal+	0.00	0.08	0.01
	Weak Neo-liberal	0.15	0.08	0.01
	Hybrid 'pure'	0.00	0.08	0.01
	PWCS	0.00	0.08	0.01
	Pro cstat policy	0.00	0.42	0.47
	Weak pro cstat policy	0.00	0.47	<b>0.53</b>
	Active + Strong	0.00	0.12	0.12
	Active +	0.00	0.12	0.12
	Active	0.00	0.12	0.12
	Reject	<b>0.85</b>	<b>0.53</b>	0.43
Japan	Pure	0.00	0.02	0.00
	Strong Neo-liberal+	0.00	0.30	0.37
	Neo-liberal+	<b>0.55</b>	0.46	0.42
	Weak Neo-liberal	0.45	<b>0.50</b>	0.37
	Hybrid 'pure'	0.23	0.02	0.00
	PWCS	0.23	0.02	0.00
	Pro cstat policy	0.00	0.30	0.35
	Weak pro cstat policy	0.31	0.46	<b>0.58</b>
	Active + Strong	0.00	0.02	0.00
	Active +	0.23	0.02	0.00
	Active	0.23	0.02	0.00
	Reject	0.31	<b>0.50</b>	0.37
Korea	Pure	0.00	0.08	0.00
	Strong Neo-liberal+	0.10	0.40	0.39

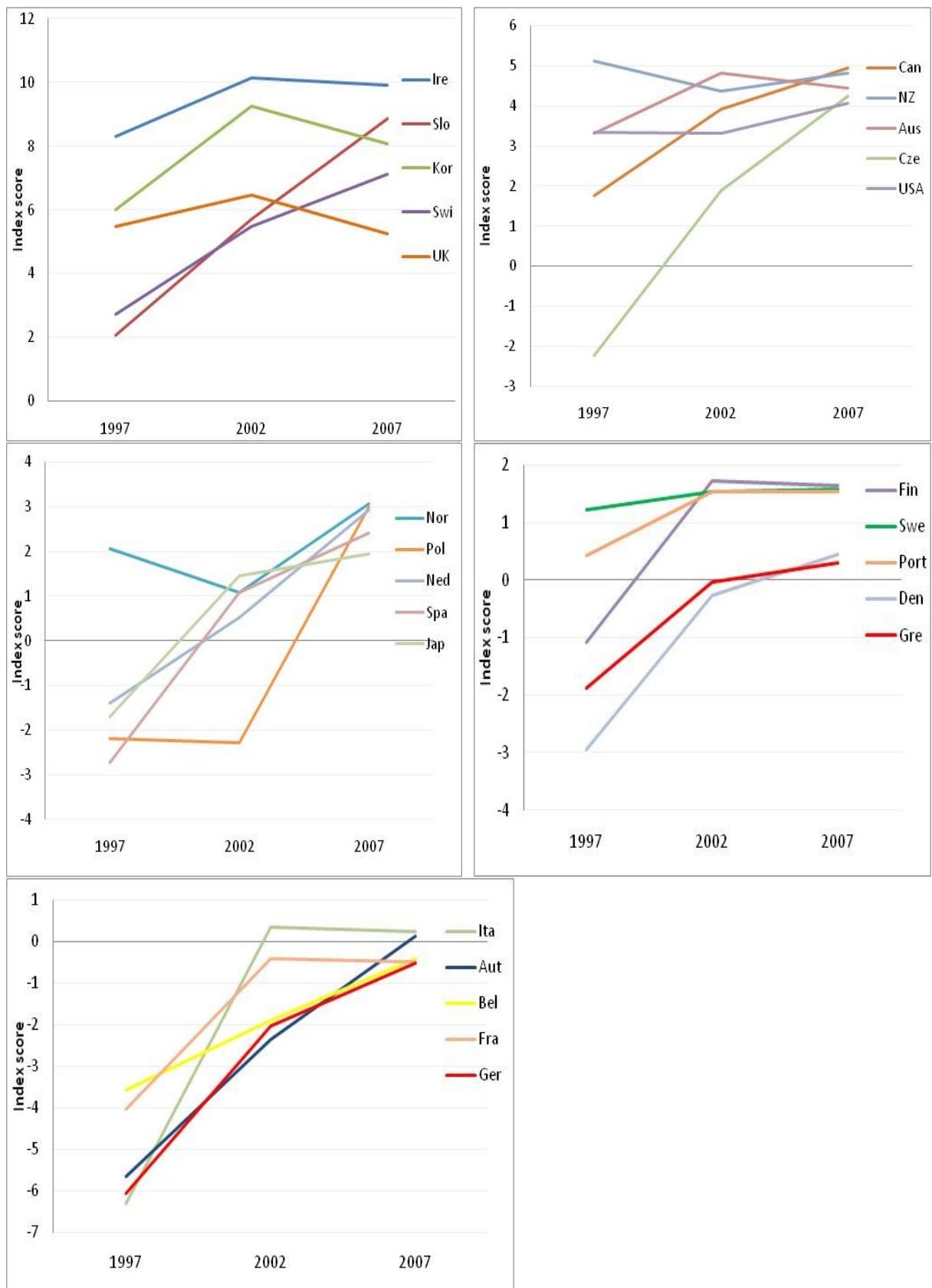
	Neo-liberal+	<b>0.64</b>	<b>0.61</b>	<b>0.61</b>
	Weak Neo-liberal	0.00	0.32	0.25
	Hybrid 'pure'	0.00	0.08	0.00
	PWCS	0.00	0.08	0.00
	Pro cstat policy	0.00	0.00	0.00
	Weak pro cstat policy	0.00	0.00	0.00
	Active + Strong	0.00	0.00	0.00
	Active +	0.00	0.00	0.00
	Active	0.00	0.00	0.00
	Reject	0.00	0.00	0.00
Netherlands	Pure	0.11	0.34	0.33
	Strong Neo-liberal+	0.00	0.34	0.33
	Neo-liberal+	0.00	0.34	0.33
	Weak Neo-liberal	0.00	0.34	0.18
	Hybrid 'pure'	0.11	0.34	0.33
	PWCS	0.21	0.34	0.33
	Pro cstat policy	0.11	0.00	0.00
	Weak pro cstat policy	0.00	0.00	0.00
	Active + Strong	0.11	0.35	0.38
	Active +	<b>0.50</b>	<b>0.51</b>	<b>0.62</b>
	Active	<b>0.50</b>	0.48	0.18
	Reject	0.00	0.00	0.00
New Zealand	Pure	0.22	0.16	0.23
	Strong Neo-liberal+	0.34	0.44	0.44
	Neo-liberal+	0.34	0.44	0.43
	Weak Neo-liberal	0.14	0.44	0.39
	Hybrid 'pure'	0.22	0.16	0.23
	PWCS	0.14	0.16	0.23
	Pro cstat policy	<b>0.57</b>	<b>0.56</b>	<b>0.56</b>
	Weak pro cstat policy	0.43	0.43	0.43
	Active + Strong	0.22	0.16	0.23
	Active +	0.22	0.16	0.23
	Active	0.14	0.16	0.23
	Reject	0.14	0.39	0.39
Norway	Pure	0.12	0.03	0.28
	Strong Neo-liberal+	0.12	0.03	0.12
	Neo-liberal+	0.21	0.03	0.14
	Weak Neo-liberal	0.12	0.03	0.12
	Hybrid 'pure'	0.21	0.03	0.28
	PWCS	0.12	0.03	0.28
	Pro cstat policy	0.21	0.18	0.12
	Weak pro cstat policy	0.21	0.33	0.14
	Active + Strong	0.12	0.18	0.12
	Active +	<b>0.73</b>	<b>0.67</b>	<b>0.72</b>
	Active	0.27	0.27	0.27
	Reject	0.21	0.27	0.14
Poland	Pure	0	0.00	0.01
	Strong Neo-liberal+	0.18	0.13	0.33
	Neo-liberal+	0.18	0.13	0.33
	Weak Neo-liberal	0.18	0.13	0.33
	Hybrid 'pure'	0.00	0.00	0.01
	PWCS	0.00	0.00	0.01
	Pro cstat policy	0.40	<b>0.50</b>	0.44
	Weak pro cstat policy	<b>0.60</b>	<b>0.50</b>	<b>0.56</b>

	Active + Strong	0.00	0.00	0.01
	Active +	0.00	0.00	0.01
	Active	0.00	0.00	0.00
	Reject	0.36	0.27	0.00
Portugal	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.00	0.00	0.00
	Neo-liberal+	0.42	0.19	0.17
	Weak Neo-liberal	<b>0.50</b>	0.19	0.17
	Hybrid 'pure'	0.00	0.19	0.07
	PWCS	0.13	0.19	0.07
	Pro cstat policy	0.00	0.00	0.00
	Weak pro cstat policy	0.42	<b>0.57</b>	<b>0.78</b>
	Active + Strong	0.00	0.00	0.00
	Active +	0.13	0.37	0.07
	Active	0.13	0.37	0.07
	Reject	<b>0.50</b>	0.43	0.22
Slovak Republic	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.33	0.47	<b>0.62</b>
	Neo-liberal+	0.48	0.37	0.34
	Weak Neo-liberal	0.48	0.17	0.00
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.33	<b>0.53</b>	0.34
	Weak pro cstat policy	0.48	0.37	0.34
	Active + Strong	0.00	0.00	0.00
	Active +	0.00	0.00	0.00
	Active	0.00	0.00	0.00
	Reject	<b>0.52</b>	0.17	0.00
Spain	Pure	0.00	0.00	0.01
	Strong Neo-liberal+	0.03	0.00	0.01
	Neo-liberal+	0.28	0.32	0.23
	Weak Neo-liberal	0.28	0.32	0.23
	Hybrid 'pure'	0.00	0.09	0.19
	PWCS	0.00	0.09	0.19
	Pro cstat policy	0.03	0.00	0.01
	Weak pro cstat policy	<b>0.50</b>	<b>0.50</b>	<b>0.58</b>
	Active + Strong	0.00	0.00	0.01
	Active +	0.00	0.09	0.19
	Active	0.00	0.09	0.19
	Reject	<b>0.50</b>	<b>0.50</b>	0.42
Sweden	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.00	0.00	0.00
	Neo-liberal+	0.00	0.00	0.00
	Weak Neo-liberal	0.00	0.00	0.00
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.21	0.00	0.30
	Weak pro cstat policy	0.21	0.00	0.36
	Active + Strong	0.30	0.30	0.30
	Active +	<b>0.70</b>	<b>0.70</b>	<b>0.64</b>
	Active	0.27	0.27	0.27
	Reject	0.21	0.00	0.27
Switzerland	Pure	0.42	0.37	0.43
	Strong Neo-liberal+	0.32	0.37	0.43

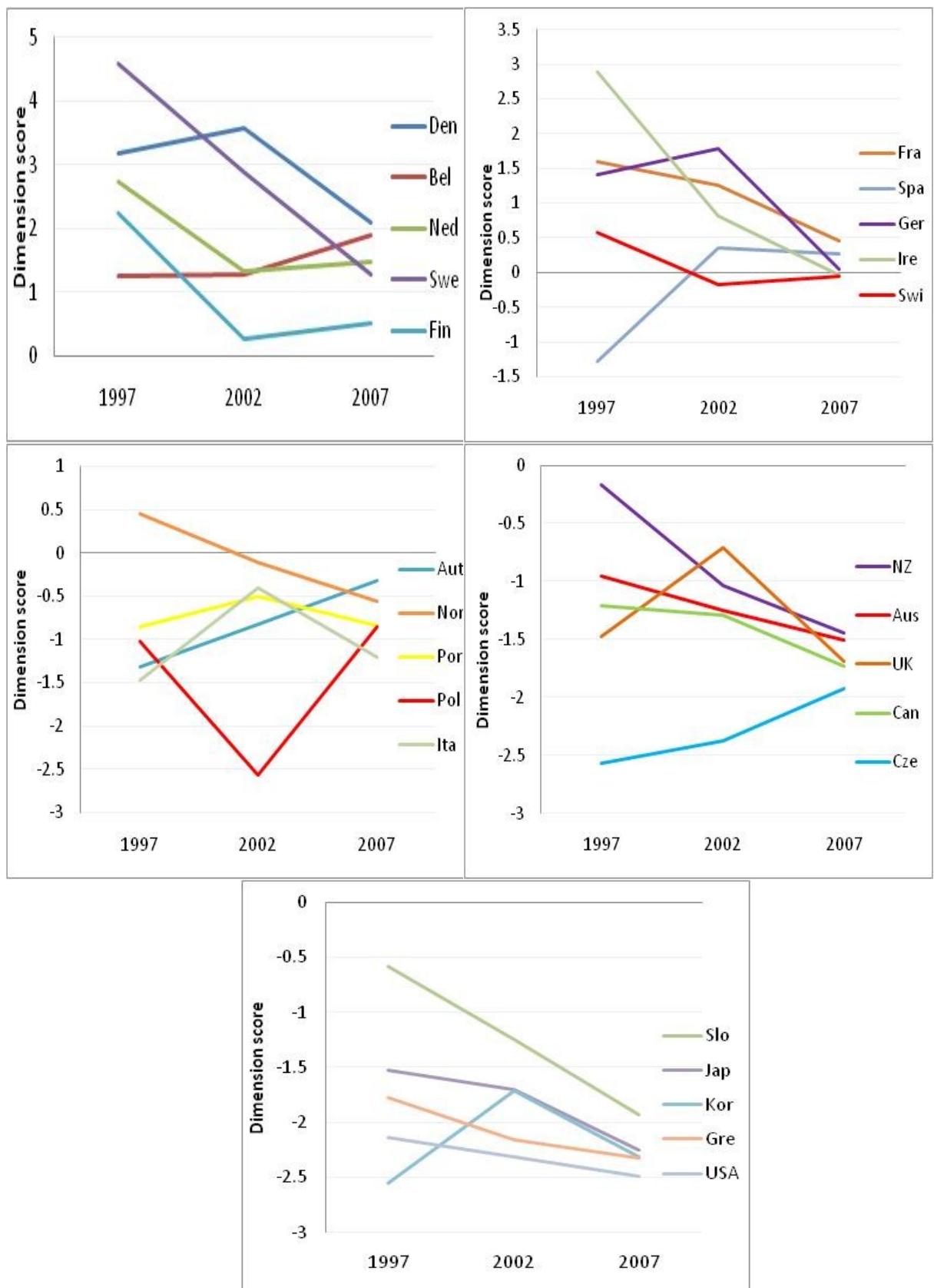
	Neo-liberal+	0.28	0.37	0.26
	Weak Neo-liberal	0.26	0.37	0.04
	Hybrid 'pure'	0.28	0.26	0.04
	PWCS	0.26	0.15	0.04
	Pro cstat policy	0.26	0.32	0.41
	Weak pro cstat policy	0.28	0.26	0.41
	Active + Strong	<b>0.58</b>	<b>0.63</b>	<b>0.57</b>
	Active +	0.28	0.26	0.26
	Active	0.26	0.15	0.04
	Reject	0.26	0.15	0.04
United Kingdom	Pure	0.00	0.27	0.05
	Strong Neo-liberal+	0.40	0.32	0.30
	Neo-liberal+	0.40	0.32	0.30
	Weak Neo-liberal	0.04	0.10	0.10
	Hybrid 'pure'	0.00	0.27	0.05
	PWCS	0.00	0.10	0.05
	Pro cstat policy	<b>0.60</b>	<b>0.67</b>	<b>0.67</b>
	Weak pro cstat policy	0.40	0.33	0.33
	Active + Strong	0.00	0.27	0.05
	Active +	0.00	0.27	0.05
	Active	0.00	0.10	0.05
	Reject	0.04	0.10	0.10
United States	Pure	0.00	0.00	0.00
	Strong Neo-liberal+	0.35	0.36	0.36
	Neo-liberal+	<b>0.65</b>	<b>0.60</b>	<b>0.59</b>
	Weak Neo-liberal	0.00	0.00	0.00
	Hybrid 'pure'	0.00	0.00	0.00
	PWCS	0.00	0.00	0.00
	Pro cstat policy	0.33	0.40	0.36
	Weak pro cstat policy	0.33	0.40	0.41
	Active + Strong	0.00	0.00	0.00
	Active +	0.00	0.00	0.00
	Active	0.00	0.00	0.00
	Reject	0.00	0.00	0.00

## A.6: Line graphs replicated with fewer countries in each graphic

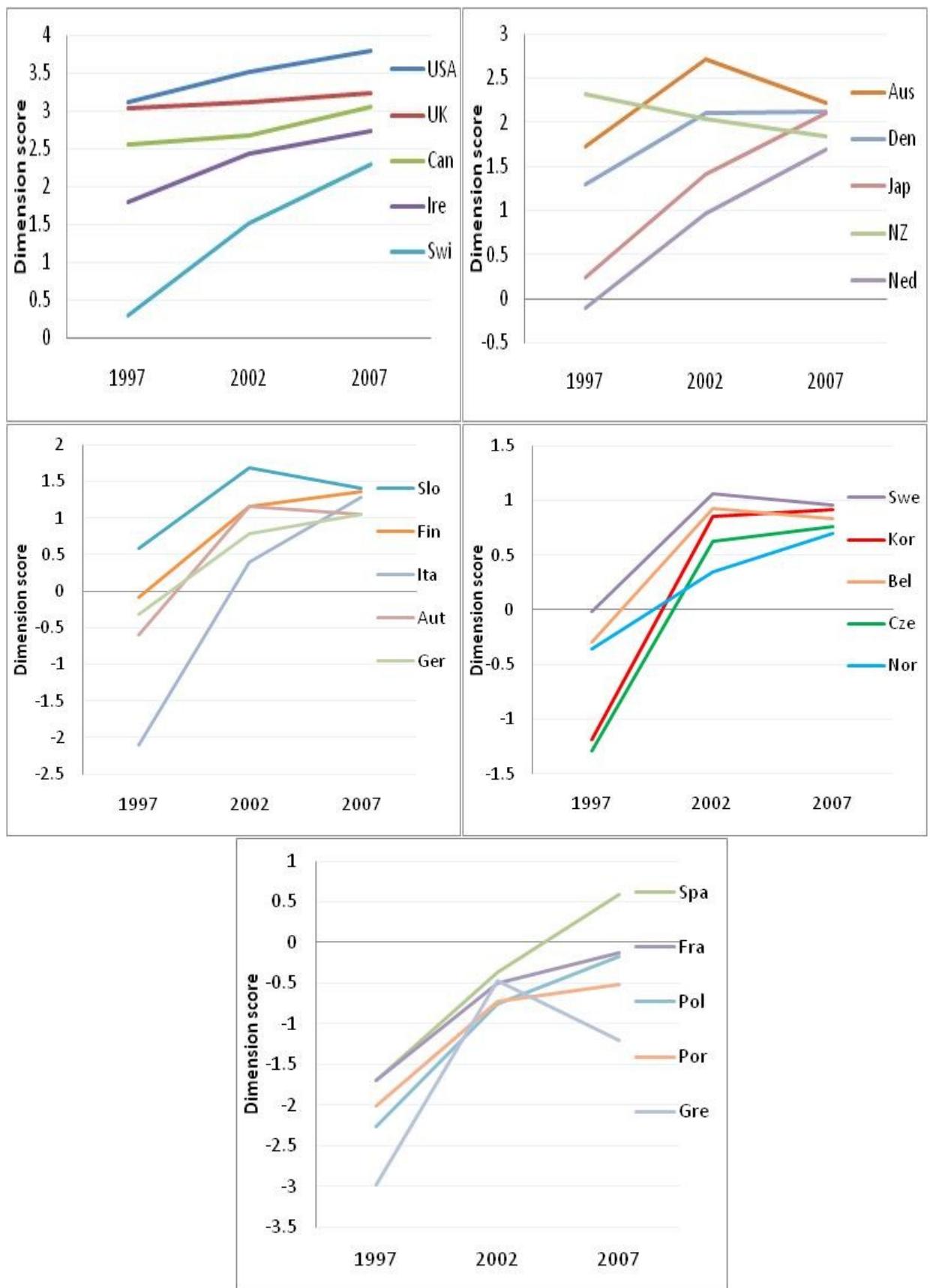
### A.6.1: Charts showing changes in total index scores over time



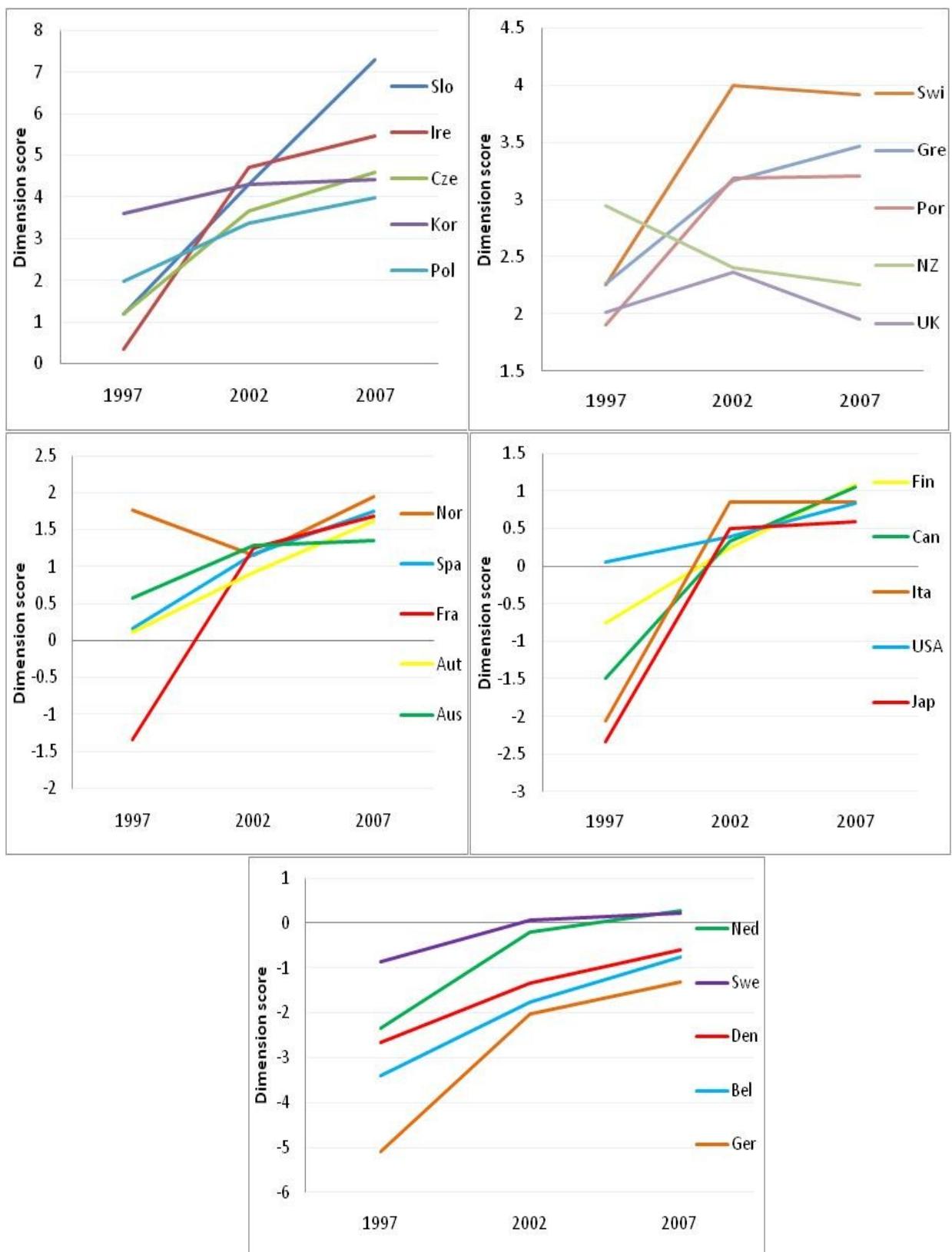
### A.6.2: Charts showing changes in PWCS scores over time



**A.6.3: Charts showing changes in government regulation of industry scores over time**



#### A.6.4: Charts showing changes in taxation scores over time



## **Bibliography**

- Abel-Smith, B. (1953). *The Reform of Social Security*, Fabian Social Research Series 161. London: Fabian Publications.
- Abel-Smith, B. (1994). *The Beveridge Report: Its Origins and Outcomes*. In Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.
- Abraham, K.G., Houseman, K.G. (1993). *Does Employment Protection Inhibit Labor Market Flexibility? Lessons from Germany, France and Belgium*. Upjohn Institute Working Paper No. 93-16. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.
- Albaek, K., Van Audenrode, M., Browning, M. (2002). Employment protection and the consequences for displaced workers: a comparison of Belgium and Denmark. In Kuhn, P. (ed). (2002). *Losing Work, Moving On: International Perspectives on Worker Displacement*. Kalamazoo, MI: W.E. Upjohn Institute.
- Alcock, P. (1998). Poverty and Social Security. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.
- Alcock, P. (1999). Development of Social Security. In Ditch, J. (1999). *Introduction to Social Security: Policies, benefits and poverty*. London: Routledge.
- Alcock, P, Craig, G. (2001). *International Social Policy*. Basingstoke: Palgrave.
- Alcock, P. (2005). From social security to social inclusion: the changing policy climate. In *Benefits*. (2005), No.43, Vol.13, Iss.2, pp.83-88.
- Andres, K., Jacobs, J. (1990). *Punishing the Poor: Poverty under Thatcher*. London: Macmillan.

Arjona, R., Ladaique, M., Pearson, M. (2002). Social Protection and Growth. In *OECD Economic Studies*, Vol.35, No.2, pp.7-45. Accessed at:  
[http://www.oecd.org/document/40/0\\_3746\\_en\\_2649\\_33733\\_2510440\\_1\\_1\\_1\\_1\\_1\\_1.html](http://www.oecd.org/document/40/0_3746_en_2649_33733_2510440_1_1_1_1_1_1.html)

Armstrong, D. (1998). Globalization and the social state. In *Review of International Studies*, 1998, Vol.24, pp.461-478.

Arts, W.I.L., Gelissen, J. (2002). Three Worlds of Welfare Capitalism or More? A state-of-the-art report. In *Journal of European Social Policy*, Vol.12, No.2, pp.137-158. SageOnline. DOI: 10.1177/0952872002012002114

Atkinson, A.B., Micklewright, J. (1989). Turning the Screw. In Atkinson, A.B. (1989). *Poverty and Social Security*. Hertfordshire: Harvester and Wheatsheaf.

Atkinson, A.B. (1989). *Poverty and Social Security*. Hertfordshire: Harvester and Wheatsheaf.

Atkins, J. (2010). Assessing the Impact of the Third Way. In Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.

Baldwin, P. (1994). Beveridge in the Longue Durée. In Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.

Bairoch, P., Kozul-Wright, R. (1996). Globalization Myths: Some Historical Reflections on Integration, Industrialization and Growth in the World Economy. In *UNCTAD Discussion Papers*, 1996, No.113. Geneva: UNCTAD. Accessed at [http://www.unctad.org/en/docs/dp\\_113.en.pdf](http://www.unctad.org/en/docs/dp_113.en.pdf) on 7/11/2009.

Balakrishnan, R., Berger, H. (2009). *Comparing Recessions in Germany, the UK, and Spain*. Released on 18/11/2009 at IMFonline. Accessed at <http://www.imf.org/external/pubs/ft/survey/so/2009/NUM111809A.htm> on 20/5/2010.

Bambra, C. (2007). Going beyond The Three Worlds of Welfare Capitalism: regime theory and public health research. In *Journal of Epidemiology and Community Health*, Vol.61, No.1, pp.1098-1102. BMJ Journals: doi:10.1136/jech.2007.064295.

Bartholomew, J. (2004). *The Welfare State We're In*. London: Politico's.

Becker, U., Schwartz, H. (eds). (2005). *Employment 'miracles': A critical comparison of the Dutch, Scandinavian, Swiss, Australian and Irish cases versus Germany and the US*. Amsterdam: Amsterdam University Press

Beech, M. (2006). *The Political Philosophy of New Labour*. London: Tauris Academic Studies.

Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Beech, M. (2008). New Labour and the Politics of Dominance. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Berg-Schlosser, D., De Meur, G., Rihoux, B., Ragin, C. (2009). Qualitative Comparative Analysis (QCA) as an Approach. In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Berg-Schlosser, D., De Meur, G. (2009). Comparative Research Design: Case and Variable Selection. In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Beveridge, W. (1942). *Social Insurance and Allied Services; Report by Sir William Beveridge*. London: HMSO

Beveridge, W. (1944). *Full Employment in a Free Society*. London: Allen and Unwin.

Blair, A. (1991). Article. In *Marxism today*. Published October 1991.

Blair, A. (1995). *The rights we enjoy reflect the duties we owe*. Speech delivered at the Spectator Lecture, 22<sup>nd</sup> March 1995.

Blair, A. (1996). *New Britain: My Vision of a Young Country*. London: Fourth Estate.

Blair, A. (1996). *Speech to the CPU Conference*, Cape Town.

Blair, A. (1998). *The Third Way: New Politics for the New Century*. London: The Fabian Society.

Blair, A., Schroder, G. (1999). *Europe: The Third Way/Die Neue Mitte*. London: The Labour Party.

Blair, A. (2005). *Speech to the Labour Party Conference*. Delivered on 27/9/2005. Accessed at [www.guardian.co.uk/uk/sep/27/labourconferencespeech](http://www.guardian.co.uk/uk/sep/27/labourconferencespeech) on 7/10/2009

Blair, A. (2007). *Speech at Blenheim Palace*. Delivered on 1/10/2007. Accessed at <http://tonyblairoffice.org/2007/10/tony-blair-speech-blenheim.html> on 7/10/2009.

Blair, A. (2008). *An Alliance of Values: visiting lecture at Yale University*. Delivered on 18/12/2008. Accessed at <http://yaleglobal.yale.edu/content/alliance-values> on 7/10/2009.

Blair, A. (2010). *A Journey*. London: Hutchinson.

Bochel, H., Defty, A. (2007). *Welfare Policy under New Labour: views from inside Westminster*. Bristol: The Policy Press.

Boeri, T., Burda, M.C. (1995). Active Labour Market Policies, Job Matching and the Czech Miracle. In *European Economic Review*, Vol.40, pp.805-817.  
DOI:10.1016/0014-2921(95)00091-7

Bonoli, G. (1997). Classifying Welfare States: A Two Dimension Approach. In *Journal of Social Policy*, Vol.26, No.3, pp.351-372.

Booth, C. (1892). *The Life and Labour of the People of London*. London: Williams & Northgate.

Bowen, H.P., Wiersema, M.F. (1999). Matching Method to Paradigm in Strategy Research: Limitations of Cross-Sectional Analysis and Some Methodological Alternatives. In *Strategic Management Journal*, Vol. 20, pp.625-636.

Bradshaw, J., Hoelscher, P., Richardson, D. (2007). An Index of Child Well-being in the European Union. In *Social Indicators Research*, Vol.80, pp.133–177. DOI: 10.1007/s11205-006-9024-z.

Bradshaw, J., Richardson, D. (2009). An Index of Child Well-being in Europe. In *Child Indicators Research*, Vol.2, No.3, pp.319-351. DOI: 10.1007/s12187-009-9037-7.

Bramley, G., Morgan, J. (1998). Low Cost Home Ownership Initiatives in the UK. In *Housing Studies*, Vol.13, No.4, pp.567-586.

Bray, M., Walsh, P. (1998). Different Paths to Neo-Liberalism? Comparing Australia and New Zealand. In *Industrial Relations: A Journal of Economy and Society*, Vol.37, No.3, pp.358-387. DOI: 10.1111/0019-8676.00092. Accessed at: <http://onlinelibrary.wiley.com/doi/10.1111/0019-8676.00092/abstract>

Brindle, D. (1996). The end of the welfare state. *Guardian* 8/5/96.

Brown, G. (2005). *Speech to the Labour Party Conference*. Delivered on 26/9/2005. Accessed at <http://www.guardian.co.uk/politics/2005/sep/26/speeches.labourconference> on 26/09/2009.

Brundage, A. (2002). *The English Poor Laws, 1700-1930*. Basingstoke: Palgrave.

Brunsdon, E., Dean, H., Woods, R. (eds). (1998). *Social Policy Review*, Vol. 10. London: Social Policy Association.

Bryman, A., Cramer, D. (2005). *Quantitative Data Analysis with SPSS 12 and 13: A Guide for Social Scientists*. London: Routledge.

Buller, J. (2008). New Labour and the European Union. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Burchardt, T., Hills, J. (1999). Public expenditure and the public/private mix. In Powell, M (ed). (1999). *New Labour, New Welfare State?* Bristol: Policy Press.

Burrows, R. Loader, B. (eds) (1994). *Towards a post-Fordist Welfare State?* London: Routledge.

Bush, G.W. (2010). *Decision Points*. London: Random House.

Cable, V. (1995). The Diminished Nation-State: A Study in the Loss of Economic Power. In *Deadalus*, 1995, Vol.124, No.2, pp.23-53.

Callaghan, J. (1976). *Speech to the Labour Party Annual Conference*, Blackpool, 28<sup>th</sup> September.

Calmfors, L., Forslund, A., Hemstrom, M. (2002) *Does Active Labour Market Policy Work? Lessons From The Swedish Experience*. CESifo Working Paper No.675. Munich: Center for Economic Studies & Ifo Institute for Economic

Research. Accessed at

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=305360](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=305360)

Caramani, D. (2009). *Introduction to the Comparative Method with Boolean Algebra*. Number 158 in the Quantitative Applications in the Social Sciences Series. California: Sage.

Carree, M., van Stel, A., Thurik, R., Wennekers, S. (2002). Economic Development and Business Ownership: An Analysis Using Data of 23 OECD Countries in the Period 1976–1996. In *Small Business Economics*, Vol.19, pp.271-290.

Castells, M. (1998). *The Information Age: Economy, Society, Culture. Volume III: End of Millennium (1<sup>st</sup> edition)*. Oxford: Blackwell Publishing.

Castles, F. (1986). Social Expenditure and the Right: A Methodological Note. In *European Journal of Political Research*, Vol.14, pp.669-679.

Castles, F. G., Mitchell, D. (1990). *Three Worlds of Welfare Capitalism or Four?* Canberra: Australian National University Public Policy Programme Discussion Paper no 21.

Castles, F. (2004). *The Future of the Welfare State*. Oxford: Oxford University Press.

Castles, F. (2004). A Race to the Bottom. In Pierson, C, Castles, F (eds), 2006. *The Welfare State Reader (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

CBI. (2008). *UK Business Tax: A Compelling Case for Change*. London: CBI.

Cerny, P. (1995). Globalization and the Changing Logic of Collective Action. In *International Organization*, Vol.49, No.4, pp.1-22.

- Cerny, P. (1997). Paradoxes of the Competition State: The Dynamics of Political Globalization. In *Government and Opposition*, Vol.32, No.2, pp.251-274.
- Cerny, P. (1999). Globalization, governance, and complexity? In Prakash, A., Hart, J. (eds). (1999). *Globalization and Governance*. London: Routledge.
- Cerny, P. (2000). Political Agency in a Globalizing World: Toward a Structuralist Approach. In *European Journal of International Relations*, Vol.6, pp.435-463.
- Cerny, P. (2008). Embedding Neoliberalism: The Evolution of a Hegemonic Paradigm. In *The Journal of International Trade and Diplomacy*, Vol.2, No.1, pp.1-46.
- Cerny, P. (2010). *Rethinking world politics: a theory of transnational neopluralism*. Oxford: Oxford University Press.
- Cerny, P. (2010). The competition state today: from raison d'Etat to raison du Monde. In *Policy Studies*, Vol.31, No.1, pp.5-22.
- Cerny, P., Evans, M. (1999). *New Labour, Globalization, and the Competition State*. CES Working Papers Series 70.
- Cerny, P., Evans, M. (2003). Globalization and Social Policy. In Ellison, N., Pierson, C. (eds). (2003). *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.
- Cerny, P., Evans, M. (2004). Globalisation and Public Policy Under New Labour. In *Policy Studies*, 2004, Vol.25, No.1, pp.51-65. London: Taylor and Francis Ltd.
- Cerny, P., Soderberg, S., Menz, G. (2005). Different Roads to Globalization: Neoliberalism, the Competition State, and Politics in a More Open World. In Soderberg, S., Menz, G., Cerny, P. (eds). (2005). *Internalizing Globalization. The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*. Basingstoke: Palgrave Macmillan.

Chadwick, A., Heffernan, R., (eds). (2003). *The New Labour Reader*. Cambridge: Polity Press.

Chauhan, R. (2005). *The Financial Times European Business Schools Ranking 2005: How The Table Was Compiled*. Accessed at [http://www.ft.com/cms/s/2/fd62015e-6324-11da-be11-0000779e2340,dwp\\_uuid=b29636b0-20ee-11d8-81c6-0820abe49a01.html](http://www.ft.com/cms/s/2/fd62015e-6324-11da-be11-0000779e2340,dwp_uuid=b29636b0-20ee-11d8-81c6-0820abe49a01.html) on 23/05/2007.

Christenson, J.A. (1984). Gemeinschaft and Gesellschaft: Testing the Spatial and Communal Hypotheses. In *Social Forces*, Vol.63, No.1, pp.160-168.

Chung, J., Jung, Y., Yang, D. (2006) Optimal monetary policy in a small open economy: the case of Korea. In *Journal of Asian Economics* Vol.18, pp.125-143.

Chung, Y-K., Jeong, J. (2008). Analysis of employment protection laws and unemployment benefits. In *Economics Letters*, Vol.99, No.1, pp.144-146. Accessed at: <http://dx.doi.org/10.1016/j.econlet.2007.06.015>

Clarke, J. (2005). New Labour's citizens: activated, empowered, responsibilized, abandoned? In *Critical Social Policy*, 2005, Vol. 25, No.4, pp.447-463.

Clausing, K. (2007). Corporate Tax Revenues in OECD Countries. In *International Tax and Public Finance*, Vol.14, No.2, pp.115-113.  
DOI: 10.1007/s10797-006-7983-2.

Clinton, W.J. (2005). *My Life*. London: Arrow Books

Cochrane, A., Clarke, J., Gewirtz, S. (eds). (2001). *Comparing Welfare States*. London: Sage Publications Ltd.

Conway, P., V. Janod., G. Nicoletti. (2005). Product Market Regulation in OECD Countries: 1998 to 2003. *OECD Economics Department Working Papers*, No.419. Paris: OECD Publishing. DOI: 10.1787/783417550348

Cotter, J. (2004) International equity market integration in a small open economy: Ireland, January 1990-December 2000. In *Social Science Research Network* — Available from: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=999567](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=999567)

Cressey, P. (1999). New Labour and employment, training and employment relations. In Powell, M (ed). (1999). *New Labour, New Welfare State?* Bristol: Policy Press.

Cronqvist, L., Berg-Schlosser, D., (2009). Multi-Value QCA (mvQCA). In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Croslan, A. (1956). *The Future of Socialism*. London: J. Cape.

Crowther, M. (1988). *Social Policy in Britain 1914-1939*. Oxford: Blackwell Publishing.

Cruddas, J. (2006). New Labour and the Withering Away of the Working Class. In *Political Quarterly*, (2006), Vol.77 No.1, pp.205-213.

Daguerre, A. (2004). Importing Welfare: Policy Transfer of Social and Labour Market policies from the USA to Britain under New Labour. In *Social Policy and Administration*, Vol. 38, No.1, pp.41-56.

Daguerre, A. (2007). *Active Labour Market Policies and Welfare Reform: Europe and the US in Comparative Perspective*. Basingstoke: Palgrave MacMillan.

Daily Mirror. (2/12/1942). *Beveridge tells how to BANISH WANT: Cradle to grave plan; All pay – all benefit*. Headline in the *Daily Mirror*.

Daley, M. (2001). Globalization and the Bismarckian Welfare States. In Sykes, R., Palier, B., Prior, J. (eds). (2001). *Globalization and European Welfare States, challenges and change*. Basingstoke: Palgrave.

Daly, M. (2005). Recasting the story of Ireland's miracle: policy, politics or profit? In Becker, U., Schwartz, H. (eds). (2005). *Employment 'miracles': A critical comparison of the Dutch, Scandinavian, Swiss, Australian and Irish cases versus Germany and the US*. Amsterdam: Amsterdam University Press. pp.133–57.

Davig, T., Leeper, E.M. (2010). Monetary–fiscal policy interactions and fiscal stimulus. In *European Economic Review*. Available online from 25/5/2010 at: <http://dx.doi.org/10.1016/j.euroecorev.2010.04.004>

Deacon, A. (2000). Learning from the US? The influence of American ideas upon 'new labour' thinking on welfare reform. In *Policy & Politics*, 2000, Vol.28, No.1, pp.5-18. Bristol: The Policy Press.

Deacon, A. (2002). *Perspectives on welfare*. London: Open University Press. London.

Deacon, A. (2003). Levelling the playing field, activating the players: New Labour and the cycle of disadvantage. In *Policy & Politics*. (2003), Vol.31, No.2, pp.123-137.

Department of Health and Social Security. (1985). *The Reform of Social Security*, Volume 1. Cmnd 9517. London: HMSO.

Department of Social Security. (1998). *New ambitions for Our Country: A new contract for welfare*. Cm3805. London: The Stationery Office.

Department of Social Security. (1998). *A new contract for welfare: Principles into practice*. Cm4101. London: The Stationery Office.

Department of Trade and Industry (Byers, S). (1999). *Our Competitive Future. UK Competitiveness Indicators 1999*. London: HMSO.

Desai, M.A., Hines, J.R. (2004). *Old Rules and New Realities: Corporate Tax Policy in a Global Setting*. Ross School of Business Paper No. 920.  
DOI:10.2139/ssrn.606222. Available at SSRN: <http://ssrn.com/abstract=606222>

Devereux, M., Griffith, R., Klemm, A. (2004). Why Has the UK Corporation Tax Raised So Much Revenue? In *Fiscal Studies*, Vol.25, No.4, pp.367-388.

Devereux, M., Lockwood, B., Redoano, M. (2008). Do Countries Compete Over Corporate Tax Rates? In *Journal of Public Economics*, Vol.92, pp.1210-1235.  
Accessed at: <http://dx.doi.org/10.1016/j.jpubeco.2007.09.005>

Ditch, J. (1999). *Introduction to Social Security: Policies, benefits and poverty*. London: Routledge.

Drezner, D.W. (2001). Globalization and Policy Convergence. In *International Studies Review*, 2001, Vol.3, No.1, pp.53-78.

Driver, S., Martell, L. (1998). *New Labour: Politics after Thatcherism*. Cambridge: Polity Press.

Driver, S., Martell, L. (2006). *New Labour*. Cambridge: Polity Press.

Driver, S. (2005). Welfare after Thatcherism: New Labour and social democratic politics. In Powell, M., Bauld, L., Clarke, K (eds). (2005). *Social Policy Review 17*, pp.255-272. Bristol: The Policy Press.

Driver, S. (2008). New Labour and Social Policy. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Dwyer, P., Ellison, N. (2009). We nicked stuff from all over the place: policy transfer or muddling through? In *Policy and Politics*, Vol. 37, No.3, pp.380-407.

Eatwell, J. (1998). The Liberalisation of International Capital Movements: The Impact on Europe, West and East. In *Understanding Globalisation: The Nation State, Democracy and Economic Policies in the New Epoch*. Stockholm: Almquist and Wiskell.

Eatwell, J., Jellin, E., McGrew, A., Rosenau, J. (1998). *Understanding Globalisation: The Nation State, Democracy and Economic Policies in the New Epoch*. Stockholm: Almquist and Wiskell.

Eicher, T.S., Garcia-Penalosa, C. (2006). *Institutions, Developments, and Economic Growth*. Massachusetts: Massachusetts Institute of Technology Books.

Ellison, N, Pierson, C. (eds). (2003). Introduction – Developments in British Social Policy. In *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.

Ellison, N, Pierson, C. (eds). (2003). *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.

Ellison, N. (2006). *The Transformation of the Welfare State?* Oxon: Routledge. Oxon.

Ellison, N., Ellison, S. (2006). Creating ‘Opportunity for All’? New Labour, New Localism and the Opportunity Society. *Social Policy and Society*. (2006) Vol.5, No.3, pp.337-348.

Esping-Anderson, G. (1990). Three Worlds of Welfare Capitalism. Cambridge: Polity.

Esping-Anderson, G. (1990). Three Worlds of Welfare Capitalism. In Pierson, C, Castles, F (eds), 2006. *The Welfare State Reader (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

Evans, E. (1997). *Thatcher and Thatcherism*. London: Routledge.

Evans, M. (2008). New Labour and the Rise of New Constitutionalism. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Evans, M. (2010). Cameron's competition state. In *Policy Studies*, Vol.31, No.1, pp.95-116.

Evans, M., Lunt, N. (2010). Editorial: Understanding competition states. In *Policy Studies*, Vol.31, No.1, pp.1-4.

Evans, P. (1997). The Eclipse of the state? Reflections on Stateness in an Era of Globalization. In *World Politics*, 1997, Vol.50, No.1, pp.62-87.

Fay, R.F. (1996). Enhancing the Effectiveness of Active Labour Market Policies: Evidence from Programme Evaluations in OECD Countries. In *OECD Labour Market and Social Policy Occasional Papers*, No.18. Paris: OECD, Directorate for Employment, Labour and Social Affairs

Ferge. Z., J. E. Kolberg, J.E. (ed) *Social Policy in a Changing Europe*. Frankfurt/Main: Campus Verlag.

Ferrera, M. (1996) The "Southern" Model of Welfare in Social Europe. In *Journal of European Social Policy*, Vol.6, No.1, pp.17–37.

Feldstein, M.S. (2009). Rethinking the Role of Fiscal Policy .In the *NBER Working Paper Series*, Vol. w14684. (January 2009). Available at SSRN: <http://ssrn.com/abstract=1335709>

Field, A. (2006). Discovering Statistics Using SPSS (Second Edition). London: Sage.

Fielding, S. (2003). *The Labour Party: continuity and change in the making of 'New Labour'*. Basingstoke: Palgrave Macmillan.

Finlayson, A. (2007). Making Labour safe: globalisation and the aftermath of the social democratic retreat. In Hassan, G (ed). (2007). *After Blair: Politics after the New Labour decade*. London: Lawrence & Wishart.

Finlayson, A. (2010). Opinion: Did Blair advance social democracy? In Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.

Finn, D. (2003). Employment Policy. In Ellison, N., Pierson, C (eds). (2003). *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.

Finn, D. (2005). Welfare to work: New Labour's 'employment first' welfare state. In *Benefits*. (2005), No.43, Vol.13, Iss.2, pp.93-97.

Fraser, D. (2003). *The Evolution of the British Welfare State*. Basingstoke: Palgrave Macmillan.

Freeden, M. (1999). The Ideology of New Labour. *In Political Quarterly*, 1999, Vol.70, No.1, pp.42-51. London: Blackwell Publishing Ltd.

Fuwa, M. (2004). Macro-level Gender Inequality and the Division of Household Labor in 22 Countries. In *American Sociological Review*, Vol.69 No.6 pp.751-767. Sage. DOI: 10.1177/000312240406900601.

Gamble, (2007). New Labour and old debates. In Hassan, G (ed). (2007). *After Blair: Politics after the New Labour decade*. London: Lawrence & Wishart.

Giddens, A. (1998). *The third way: the renewal of social democracy*. Cambridge: Polity Press.

Giddens, A. (2000). *The third way and its critics*. Cambridge: Polity Press.

Giddens, A. (ed). (2001). *The Global Third Way Debate*. Cambridge: Polity Press.

Giddens, A. (2002). *Runaway World*. London: Profile Books.

Giddens, A. (2006). Positive Welfare. In Pierson, C., Castles, F (eds). (2006). *The Welfare State Reader (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

Giddens, A. (2010). Response to Atkins and Legget. In Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.

Ginsburg, N. (1998). Housing. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Glennerster, H., Evans, M. (1994). Beveridge and his Assumptive Worlds: The incompatibilities of a flawed design. In Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.

Glynn, S. (1998). Employment, Unemployment and the Labour Market. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Glyn, A., Wood, S. (2001). Economic Policy under New Labour: How Social Democratic is the Blair Government? In *Political Quarterly*, 2001, Vol.72, No.1, pp.50-66. Oxford: Blackwell Publishers.

Goldstein, R.J. (1986). The Limitations of Using Quantitative Data in Studying Human Rights Abuses. In *Human Rights Quarterly*, Vol.8, No.4, pp.607-627. Accessed at <http://www.jstor.org/stable/762195?origin=JSTOR-pdf>

Gough, I. (1991). The United Kingdom. In Pfanner, A., Gough, I., Therborn, G (eds), (1991). *Can The Welfare State Compete?* Basingstoke: The Macmillan Press.

Gough, I. (1996). Social welfare and competitiveness. In *New Political Economy*, Vol.1, No.2, pp.209-232. Routledge online:  
DOI: 10.1080/13563469608406253

Gray, J. (1998). *False Dawn: The Delusions of Global Capitalism*. London: Granta Books.

Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.

Guehenno, J.M. (1995). *The End of the Nation State*. Minnesota: University of Minnesota Press.

Haas, R., Knox, O. (1991). *Policies of Thatcherism: Thoughts from a London Think Tank*. London: Centre for Policy Studies.

Hacker, J.S., Pierson, P. (2010). *Winner-Take-All Politics: How Washington Made the Rich Richer – and Turned Its Backs on the Middle Class*. New York: Simon & Schuster.

Hall, S, Jacques, M (eds). (1983). *The Politics of Thatcherism*. London: Lawrence and Wishart.

Hall, S. (1983). The Great Moving Right Show. In Hall, S, Jacques, M (eds). (1983). *The Politics of Thatcherism*. London: Lawrence and Wishart.

Hansard. (1991). *House of Commons Debates*. Vol. 191: 13-23/5/91. London: HMSO.

Harris, J. (1977). *William Beveridge: A Biography*. Oxford: Clarendon Press.

Harris, J. (1994). Beveridge's Social and Political Thought. In Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.

Hassan, G (ed). (2007). *After Blair: Politics after the New Labour decade*. London: Lawrence & Wishart.

Hattersley, R. (1999). Up and down the social ladder. In *New Statesman*. January 1999, pp.25-27.

Hattersley, R. (2001). It's no longer my party: Tony Blair's dream of a meritocratic Britain is not the dream of a true social democrat. In *The Observer*, 24<sup>th</sup> June, 2001.

Hay, C. (2001). Globalization, Economic Change, and the Welfare State: The Vexatious Inquisition of Taxation? In Pierson, C, Castles, F (eds), 2006. *The Welfare State Reader (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

Hay, C. (2002). *Political Analysis: A Critical Introduction*. Basingstoke: Palgrave MacMillan.

Hay, C. (2004). Re-Stating Politics, Re-Politicising the state: Neo-liberalism, Economic Imperatives and the Rise of the Competition State. In *The Political Quarterly*, Vol.75, No.1, pp.38-50

Hay, C., Rosamond, B. (2002). Globalisation, European Integration and the Discursive Construction of Economic Imperatives. In *Journal of European Public Policy*, 2002, Vol.9, No.2, pp.147-167. London: Taylor and Francis.

Hays, J.C. (2009). *Economic Globalization and the New Politics of Embedded Liberalism*. New York: Oxford Unity Press.

Heffernan, R. (2001). *New Labour and Thatcherism*. Basingstoke: Palgrave Macmillan.

Held, D. (2001). Regulating Globalization? The Reinvention of Politics. In Giddens, A. (ed). (2001). *The Global Third Way Debate*. Cambridge: Polity Press.

Held, D., McGrew, A., Goldblatt, D., Perraton, J. (1999). *Global Transformations: Politics, Economics and Culture*. Cambridge: Polity.

Held, D., McGrew, A. (eds). (2002). *Governing Globalization: Power, Authority and Global Governance*. Cambridge: Polity Press.

Held, D., McGrew, A. (eds). (2003). *The Global Transformations Reader: An Introduction to the Globalization Debate (2<sup>nd</sup> edition)*. Cambridge: Polity.

Held, D., McGrew, A. (2003). The Great Globalization Debate: An Introduction. In

Held, D., McGrew, A. (eds). (2003). *The Global Transformations Reader: An Introduction to the Globalization Debate (2<sup>nd</sup> edition)*. Cambridge: Polity.

Hewitt, M., Powell, M. A. (1998). A Different Back to Beveridge? In Brunsdon, E., Dean, H., Woods, R. (eds). *Social Policy Review*, Vol. 10. London: SPA.

Hewitt, M. (1999). New Labour and social security. In Powell, M (ed). (1999). *New Labour, New Welfare State?* Bristol: Policy Press.

Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.

Hinrichs, K. (2001). Elephants on the Move: Patterns of Public Pension Reform in OECD Countries. In Leibfried, S. (ed). (2001). *Welfare State Futures*. Cambridge: Cambridge University Press.

Hirst, P. (1997). The global economy – myths and realities. In *International Affairs (Royal Institute of International Affairs 1944 - )*, 1997, Vol.73, No.3, pp.409-425. London: Blackwell.

Hirst, P., Thompson, G. (1999). *Globalization in Question (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

HM Treasury. (1997). *The Modernisation of Britain's Tax and Benefit System: Employment opportunity in a changing labour market*. London: The stationary Office.

HM Treasury. (1998). *The Modernisation of Britain's Tax and Benefit System Number Three: The Working Families Tax Credit and Work Incentives*. London: The Stationary Office.

Hobson, J.M., Ramesh, M. (2002). Globalisation Makes of States What States Make of it: Between Agency and Structure in the state/Globalisation Debate. In *New Political Economy*, 2002, Vol.7, No.1, pp.5-22. London: Routledge.

Holton, R. (1998). *Globalization and the Nation-State*. Basingstoke: Palgrave.

Horsfall, D. (2010). From competition state to competition states? In *Policy Studies*, 2010, Vol.31, No.1. London: Taylor and Francis.

Howard, D. (1998). The French Strikes of 1995 and their Political Aftermath. In *Government and Opposition*, Vol.33, No.2, pp.199-220. Accessed at:  
<http://dx.doi.org/10.1111/j.1477-7053.1998.tb00790.x>

Hudson, J. (2003). E-galitarianism? The information society and New Labour's reposition of welfare. In *Critical Social Policy*, 2003, Vol.23, No.2, pp.268-290. London: Sage

Hudson, J. (2006). Inequality and the Knowledge Economy: Running to Stand Still. In *Social Policy and Society*, 2006, Vol.5, No.2, pp.1-16. Cambridge: Cambridge University Press

Hudson, J., Lowe, S. (2004). *Understanding the Policy Process*. Bristol: The Policy Press.

Hudson, J., Lowe, S. (2009). *Understanding the Policy Process (2<sup>nd</sup> edition)*. Bristol: The Policy Press.

Hudson, J., Kühner, S. (2009). Towards productive welfare? A comparative analysis of 23 OECD countries. In *Journal of European Social Policy*, Vol.19, No.1, pp.34-46.

Hudson, J., Kühner, S. (2010). Beyond the Dependent Variable Problem: The Methodological Challenges of Capturing Productive and Protective Dimensions of Social Policy. In *Social Policy and Society*, Vol. 9, No.2, pp.167-179. Doi: <http://dx.doi.org/10.1017/S1474746409990327>

IMF. (2009). *World Economic Financial Surveys: World Economic Outlook Crisis and Recovery*. April 09. Washington: IMF.

IMF. (2010). *Joint Statement on Ireland by EU Commissioner Olli Rehn and IMF Managing Director Dominique Strauss-Kahn*. Press release no.10/461, released on 28/11/10.

Accessed online at <http://www.imf.org/external/np/sec/pr/2010/pr10461.htm>.

IMF. (2010). *IMF Completes Second Review Under Stand-By Arrangement for Greece, Approves €2.5 Billion Disbursement*. Press release no.10/502, released on 17/12/10.

Accessed online at: <http://www.imf.org/external/np/sec/pr/2010/pr10502.htm>

IMF. (2010). *Greek Economy at a Crossroads*. IMF Survey Magazine: interview.

Accessed online at:

<http://www.imf.org/external/pubs/ft/survey/so/2010/int121710a.htm> on 17/12/2010

IMF. (2010). *Joint Statement on Ireland by EU Commissioner Olli Rehn and IMF Managing Director Dominique Strauss-Kahn*. Press release no.10/461, released on 28/11/10.

Accessed online at <http://www.imf.org/external/np/sec/pr/2010/pr10461.htm>.

Jenson, D., Saint-Martin, D. (2003). New Routes to Social Cohesion? Citizenship and the Social Investment state. In *Canadian Journal of Sociology*, Vol.28, No.1, pp.77-99.

Jessop, B. (1988). Regulation Theory, post-Fordism and the state: more than a reply to Werner Bonefield. In *Capital and Class*, Vol.12, No.1, pp.147-168.

Jessop, B. (1994). The Transition to post-Fordism and the Schumpeterian Workfare State. In Burrows, R. Loader, B. (eds) (1994). *Towards a post-Fordist Welfare State?* London: Routledge.

Jessop, B. (1999). The Changing Governance of Welfare: Recent Trends in its Primary Functions, Scale and Modes of Coordination. In *Social Policy and Administration*, 1999, Vol.33, No.4, pp.348-359.

Jessop, B. (2000). From the KWNS to the SWPR. In Lewis, G. Gewirtz, S. Clarke, J. (eds). (2000). *Rethinking Social Policy*.London: Sage.

Jessop, B. (2002). *The Future of the Capitalist State*. Cambridge: Polity Press.

Joint Economic Committee (US Congress). (2005). *Reforming the US Corporate Tax System to Increase Tax Competitiveness*. Report presented by Rep. Jim Saxton (New Jersey), Chairman of the Joint Economic Committee of the United States Congress. Presented May 2005.

Jones, H. (1998). Health. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Jones, R. S. (2005). The Labour Market in Korea: Enhancing Flexibility and Raising Participation. *OECD Economics Department Working Papers*, No. 469. Paris: OECD Publishing. DOI: 10.1787/548701741108

- Jonasson, E., Pettersson, L., Södersten, B. (ed) (2004). Employment and non-employment: a study of the Swedish labour market. *Globalization and welfare states* pp. 172-194. Basingstoke: Palgrave Macmillan.
- Kaplan, B., Duchon, D. (1988). Combining Qualitative and Quantitative Methods in Information Systems Research: A Case Study. In *MIS Quarterly*, Vol.12, No.4, pp.571-586. Accessed at <http://www.jstor.org/stable/249133>
- Kavanagh, D. (2010). Response. In Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.
- Keeler, J.T.S. (1985). Situating France on the Pluralism-Corporatism Continuum: A Critique of and Alternative to the Wilson Perspective. In *Comparative Politics*, Vol. 17, No. 2, pp. 229-249. Accessed at: <http://www.jstor.org/stable/421731>
- Kemp, P. A. (2005). Social security and welfare reform under New Labour. In Powell, M., Bauld, L., Clarke, K (eds). (2005). *Social Policy Review* 17, pp.5-32. Bristol: The Policy Press.
- Kennett, P. (2001). *Comparative Social Policy*. Buckingham: Oxford University Press.
- Kenworthy, L., Malami, M. (1998). Gender Inequality in Political Representation: A Worldwide Comparative Analysis. In *Social Forces*, Vol.78, No.1, pp.235-269. North Carolina: The University of North Carolina Press.
- King, D., Wickham-Jones, M. (1999). Bridging the Atlantic: the Democratic (Party) origins of Welfare to Work. In Powell, M (ed). (1999). *New Labour, New Welfare State?* Bristol: Policy Press.
- Klein, R., Rafferty, A. (1999). 'Rorschach' politics: Tony Blair and the Third Way. In *The American Prospect*. (1999), Vol.10, No.45, pp.373-382.

Kleinknecht, A., Wengel, J.T. (1998). The myth of economic globalisation. In *Cambridge Journal of Economics*, 1998, Vol.22, pp637-647.

Kluve, J., Lehman, H., Schmidt, C. (1998). *Active Labour Market Policies in Poland: Human Capital Enhancement or Benefit Churning? Working Paper No.215*. Michigan: The William Davidson Institute at the Michigan Business School.

Korpi, W., Palme, J. (1998). The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries. In *American Sociological Review*, Vol. 63, No. 5, pp. 661-687.  
Accessed at: <http://www.jstor.org/stable/2657333>.

Kosonen, P. (2001). Globalization and the Nordic Welfare States. In Sykes, R., Palier, B., Prior, J. (eds). (2001). *Globalization and European Welfare States, challenges and change*. Basingstoke: Palgrave.

Krugman, P. (1996). *Pop Internationalism*. Massachusetts: The MIT Press.

Kuhn, P. (ed). (2002). *Losing Work, Moving On: International Perspectives on Worker Displacement*. Kalamazoo, MI: W.E. Upjohn Institute.

Kühner, S. (2007). *Welfare State Change and its Determinants: A Critical Evaluation of Macro-Quantitative Approaches to Model Institutional Constraints on Welfare Reform in Advanced Industrialized Democracies (1980-2001)*, Unpublished PhD Thesis, University of York

Kvist, J. (2007). Fuzzy Set Ideal Type Analysis. In *Journal of Business Research*, Vol.60, pp.474-481. DOI: 10.1016/j.jbusres.2007.01.005.

Labour party. (1997). *New Labour because Britain deserves better* (Labour Party Manifesto: 1997). London: Labour Party.

Land, A., Lowe, R., Whiteside, N. (1992). *The Development of the Welfare State 1939 – 1951: A guide to documents in the Public Record Office*. London: HMSO.

Land, K.C., Lamb, V.L., Meadows, S.O., Taylor, A. (2007) .Measuring Trends in Child Well-being: An Evidence-Based Approach. In *Social Indicators Research*, Vol.80, pp.105–132. DOI: 10.1007/s11205-006-9023-0

Larner, W. (2000). Neo-Liberalism: Policy, Ideology, Governmentality. In *Studies in Political Economy*, Vol.63, pp.5-25. Accessed at:  
<http://spe.library.utoronto.ca/index.php/spe/article/view/6724>

Larsen, J.E. (1991). *The Welfare State and Unemployment Policies in Denmark and Other European Countries. SPRC Reports and Proceedings No.91*. New South Wales: Social Policy Research Centre, The University of New South Wales.

Lee, S. (2008). The British Model of Political Economy. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Leggett, W. (2010). What Makes Progressive Ideology? Lessons from the Third Way. In Griffiths, S., Hickson, K (eds). (2010). *British party politics and ideology after New Labour*. Basingstoke: Palgrave Macmillan.

Lehman, H. (1995), *Active Labor Market Policies in the OECD and in Selected Transition Economies*. Background paper for the World Development Report 1995. Policy Research Working Paper 1502. Washington: World Bank.

Leibfried, S. (1992). Towards a European welfare state? On Integrating Poverty Regimes into the European Community. In Ferge. Z., J. E. Kolberg, J.E. (ed) *Social Policy in a Changing Europe*. Frankfurt/Main: Campus Verlag.

Leibfried, S., Pierson, P. (eds). (1995). *European Social Policy: Between Fragmentation and Integration*. Washington D.C: Brookings Institution.

- Leibfried, S. (ed). (2001). *Welfare State Futures*. Cambridge: Cambridge University Press.
- Leisering, L. (2001). Germany: Reform from Within. In Alcock, P, Craig, G. (2001). (eds). *International Social Policy*. Basingstoke: Palgrave.
- Lewis, G. Gewirtz, S. Clarke, J. (eds). (2000). *Rethinking Social Policy*. London: Sage.
- Lindbeck, A. (2004). An Essay on Welfare State Dynamics. In Sødersten, B. (ed). (2004). *Globalization and the Welfare State*. Basingstoke: Palgrave Macmillan.
- Lister, R. (1998). Fighting social exclusion with one hand tied behind our back. In *New Economy*, Vol.5 No.1. London: Institute for Public Policy Research.
- Lindsay, C., Mailand, M. (2004). Different routes, common directions? Activation policies for young people in Denmark and the UK. In the *International Journal of Social Welfare*, Vol.13, pp.195-207.
- Lister, R. (2004). *Poverty*. Cambridge: Polity.
- Lister, R. (2007). The real egalitarianism? In Hassan, G (ed). (2007). *After Blair: Politics after the New Labour decade*. London: Lawrence & Wishart.
- Loader, B. Burrows, R. (1994). Towards a post-Fordist welfare state? The restructuring of Britain, Social Policy and the future of welfare. In Burrows, R. Loader, B. (eds) (1994). *Towards a post-Fordist Welfare State?* London: Routledge.
- Lowe, R. (1993). *The Welfare State in Britain since 1945*. Basingstoke: Macmillan Press Ltd.

Lowe, R. (1994). A Prophet, Dishonoured in his Own Country? The Rejection of Beveridge in Britain, 1945-1970. In Hills, J., Ditch, J., Glennerster, H. (1994). *Beveridge and Social Security*. Oxford: Clarendon Press.

Lowe, S (2004). *Housing Policy Analysis: British Housing in Cultural and Comparative Context*. Basingstoke: Palgrave Macmillan.

Lubyova, M., van Ours, J.C. (1998). *Effects of Active Labour Market Programs on the Transition Rate from Unemployment into Regular Jobs in the Slovak Republic. Working Paper No.213*. Michigan: The William Davidson Institute at the Michigan Business School.

Lunt, N. (2008). From Welfare State to Social Development: Winning the War of Words in New Zealand. In *Social Policy and Society*, Vol.7, No.4, pp.405-418. Accessed at: DOI: 10.1017/S1474746408004387

Lunt, N. (2010). Winning hearts and minds for the Competition State. In *Policy Studies*, Vol.31, No.1, pp.23-38.

Lunt, N., Evans, M. (2010). In conclusion: How the West was won? In *Policy Studies*, Vol.31, No.1, pp.129-131.

MacGregor, S. (2003). Social Exclusion. In Ellison, N, Pierson, C. (eds). (2003). *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.

Martin, J.P. (2000). What Works Among Active Labour Market Policies: Evidence From OECD Countries' Experiences. In *OECD Economic Studies*, No.30, pp.79-112. Available at <http://www.oecd.org/dataoecd/31/35/2732343.pdf>

McCafferty, T., Mooney, G. (2007) Working for welfare in the grip of the 'iron Chancellor. In Mooney, G., Law, A (eds). (2007). *New Labour/Hard Work? Restructuring and resistance inside the welfare industry*. Bristol: Policy Press.

McGee, R.W. (1996). *The Philosophy of Trade Protectionism, its costs and its implications*. The Dumont Institute for Public Policy Research. New Jersey.

McGrew, A. (1998). Globalization: Conceptualizing a moving target. In Eatwell, J., Jellin, E., McGrew, A., Rosenau, J. (1998). *Understanding Globalisation: The Nation State, Democracy and Economic Policies in the New Epoch*. Stockholm: Almquist and Wiskell.

Mishra, R. (1984). *The Welfare State in Crisis*. Brighton: Wheatsheaf.

Mooney, G., Law, A (eds). (2007). *New Labour/Hard Work? Restructuring and resistance inside the welfare industry*. Bristol: Policy Press.

Morgan, K. (1984). *Labour in Power, 1945-1951*. Oxford: Oxford University Press.

Mullard, M., Swaray, R. (2008). New Labour and Public Expenditure. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Munck, R. (2002). *Globalisation and labour: the new great transformation*. London: Zed Books.

National Economic Social Council (NESC). (2005). *The Developmental Welfare State: NESC Report 113*, May 2005. Dublin: NESC.

Newman, J. (2001). *Modernising Governance: New Labour, policy and society*. London: Sage.

Nicoletti, G., Scarpetta, S., Boylaud, O. (2000). *Summary Indicators of Product Market Regulation with an extension to Employment Protection Legislation*. OECD. Paris.

Nicoletti, G., Scarpetta, S. (2006). Regulation and Economic Performance: Product Market Reforms and Productivity in the OECD. In Eicher, T.S., Garcia-

- Penalosa, C. (2006). *Institutions, Developments, and Economic Growth*. Massachusetts: Massachusetts Institute of Technology Books.
- Noboru, S. (2004). *A Strategy for Enlargement and Outreach: Report by the Chair of the Heads of Delegation Working Group on the Enlargement Strategy and Outreach, Ambassador Seiichiro Noboru*. Paris: OECD. Accessed at: [www.oecd.org/dataoecd/24/15/37434513.pdf](http://www.oecd.org/dataoecd/24/15/37434513.pdf)
- OECD. (1998). *The tax/benefit position of employees 1997 (1998 edition)*. Paris: OECD.
- OECD. (2000). *OECD in Figures (2000 edition)*. Paris: OECD.
- OECD. (2004). *Economic Outlook*. Paris: OECD.
- OECD. (2005). *General Indicators*. Paris: OECD.
- OECD. (2005). *OECD in figures (2005 edition)*. Paris: OECD.
- OECD. (2005). *Labour Force Statistics*. Paris: OECD.
- OECD. (2006). *Taxing Wages*. Paris: OECD.
- OECD. (2008). *Reforming Corporate Income Tax (Policy Brief, July 2008)*. Paris: OECD.
- OECD. (2009). *OECD in Figures (2009 edition)*. Paris: OECD.
- OECD. (2010), *Social Expenditure: Aggregated data, OECD Social Expenditure Statistics (database)*.  
Doi: [10.1787/data-00166-en](https://doi.org/10.1787/data-00166-en) Accessed at  
<http://stats.oecd.org/index.aspx?r=951879>

OECD. (2010). *Country Statistical Profiles*. Paris: OECD. Accessed at  
<http://stats.oecd.org/index.aspx?r=951879>

OECD. (2010). *Taxing Wages: Comparative tables, OECD Tax Statistics (database)*. Paris: OECD. DOI: [10.1787/data-00265-en](https://doi.org/10.1787/data-00265-en). Accessed at  
<http://stats.oecd.org/index.aspx?r=951879>

OECD. (2010). *Convention on the OECD*. Accessed online at:  
[http://www.oecd.org/document/7/0,3746,en\\_2649\\_201185\\_1915847\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/7/0,3746,en_2649_201185_1915847_1_1_1_1,00.html) on 27/10/2010

Ohmae, K. (1990). *The Borderless World. Power and Strategy in the Interlinked Economy: Management Lessons in the New Logic of the Global Marketplace*. New York: HarperCollins Publishers.

Ohmae, K. (1995). *End of the Nation State*. London: HarperCollins Publishers.

Oppenheim, C., Lister, R. (1996). The Policies of Child Poverty 1979-1995. In, Pilcher, J., Wagg, S. (1996). *Thatcher's Children? Politics, Childhood and Society in the 1980s and 1990s*. London: Falmer Press.

O'Riain, S. (2004) State, competition and industrial change in Ireland 1991-1999. In *The economic and social review* Vol.35, No.1, pp.27-53.

Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press Ltd.

Park, J-H. (1999). *Employment Situations and Workers Protection in Korea*. Korea Labor Institute. Unpublished paper prepared for the ILO, November 1999.

Pascall, G., Lewis, J. (2004). Emerging Gender Regimes and Policies for Gender Equality in a Wider Europe. In *Journal of Social Policy*, Vol.33, No.3, pp.373-394. Cambridge University Press. DOI: 10.1017/S004727940400772X.

Patriquin, L. (2007). *Agrarian Capitalism and Poor Relief in England, 1500-1860: Rethinking the Origins of the Welfare State*. Basingstoke: Palgrave Macmillan.

Patton, C. (1999). New Labour's health policy: the new healthcare state. In Powell, M (ed). (1999). *New Labour, New Welfare State?: the Third Way in British social policy*. Bristol: Policy Press.

Peters. G. (2003). Governance and the Welfare State. In Ellison, N, Pierson, C (eds), (2003). *Developments in British Social policy 2*. Basingstoke: Palgrave Macmillan Press.

Peters, G., Pierre, J., King, D. The Politics of Path Dependency: Political Conflict in Historical Institutionalism. In the *Journal of Politics*, Vol.67, No.4, pp.1275-1300.

Pfaller, A., Gough, I., Therborn, G (eds), (1991). *Can The Welfare State Compete?* Basingstoke: The Macmillan Press.

Piachaud, D. (1998). The prospects for poverty. In *New Economy*, Vol.5, No.1, pp8-13.

Pierson, C. (1998). *Beyond the welfare state? The new political economy of welfare (2<sup>nd</sup> edition)*. Cambridge: Polity Press.

Pierson, C. (2006). *Beyond the welfare state? The new political economy of welfare (3<sup>rd</sup> edition)*. Cambridge: Polity Press.

Pierson, C, Castles, F (eds), 2006. *The Welfare State Reader (2<sup>nd</sup> Edition)*. Cambridge: Polity Press.

Pierson, P. (1994). *Dismantling the Welfare State? Reagan, Thatcher and the policies of retrenchment*. Cambridge: Cambridge University Press.

Pierson, P. (1995). Fragmented Welfare States: Federal Institutions and the Development of Social Policy. In *Governance*, 1995, Vol.8, pp.449-478.

Pierson, P. (1996). The New Politics of the Welfare State. In *World Politics*, 1996, Vol. 48, No. 2, pp.143-179.

Pierson, P. (2001). Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies. In Pierson, P. (ed). (2001). *The New Politics of the Welfare State*. Oxford: Oxford University Press.

Pierson, P. (ed). (2001). *The New Politics of the Welfare State*. Oxford: Oxford University Press.

Pilcher, J, Wagg, S. (1996). *Thatcher's Children? Politics, Childhood and Society in the 1980s and 1990s*. London: Falmer Press.

Pimlott, B. (1988). The Myth of Consensus. In Smith, L (ed.). (1988). *The making of Britain: echoes of greatness*. London: Macmillan.

Pinker, R. (1998). New Liberalism and the Middle Way. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Plant, R. (2008). Blair's Liberal Interventionism. In Beech, M., Lee, S (eds). (2008). *Ten years of New Labour*. Basingstoke: Palgrave Macmillan.

Powell, M., Hewitt, M. (1998). The End of the Welfare State? In *Social Policy and Administration*, Vol.32, No. 1, 1998, pp1-13. Oxford: Blackwell Publishers Ltd.

Powell, M (ed). (1999). *New Labour, New Welfare State?: the Third Way in British social policy*. Bristol: Policy Press.

Powell, M., Bauld, L., Clarke, K (eds). (2005). *Social Policy Review 17*.Bristol: The Policy Press.

Prakash, A., Hart, J. (eds). (1999). *Globalization and Governance*. London: Routledge.

Prior, P.M., Sykes, R. (2001). Globalization and the European Welfare States: Evaluating the Theories and Evidence. In Sykes, R., Palier, B., Prior, J. (eds). (2001). *Globalization and European Welfare States, challenges and change*. Basingstoke: Palgrave.

Radcliffe, S. (2010). Non-rational aspects of the competition state – the case of policy consultancy in Australia. In *Policy Studies*, Vol.31, No.1, pp.117-128.

Ragin, C. (2000). *Fuzzy-Set Social Science*. Chicago: The University of Chicago Press.

Ragin, C. (2008). *Redesigning Social Inquiry: Fuzzy sets and beyond*. Chicago. The University of Chicago Press.

Ragin, C. (2009). Qualitative Comparative Analysis using Fuzzy Sets (fsQCA). In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Ransome, A. (1912). *Oscar Wilde: A Critical Study*. New York: Mitchell Kennerley.

Reich, R. (1992). *The Work of Nations*. New York: Vintage Books.

Rentoul, J. (2001). *Tony Blair: Prime Minister*. London: Little, Brown and Company.

Rhodes, R.A.W. (1997). *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*. Buckingham: Open University Press.

Ridley. N, (1988). The Local Right: Enabling Not Providing. In Haas, R., Knox, O. (1991). *Policies of Thatcherism: Thoughts from a London Think Tank*. London: Centre for Policy Studies.

Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Rihoux, B., Ragin, C., Yamasaki, S., Bol, D. (2009). Conclusions – The Way(s) Ahead. In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.

Roberts, D. (2010). Greek debt crisis: how did the Greek economy get into such a mess? In the *Guardian* 6/5/2010. Accessed online at <http://www.guardian.co.uk/world/2010/may/06/greek-debt-crisis-economy> on 20/5/2010.

Robinson, P. (2000). Active Labour Market Policies: A Case of Evidence-Based-Policy-Making? In *Oxford Review of Economic Policy*, Vol.16, No.1, pp.13-26. Oxford: Oxford University Press.

Rosenau, J.N. (2002). Governance in a New Global Order. In Held, D., McGrew, A. (eds). (2002). *Governing Globalization: Power, Authority and Global Governance*. Cambridge: Polity Press.

Rowntree, B.S. (1901). *Poverty: A Study of Town Life*. London: Macmillan.

Rowntree, B.S. (1941). *Poverty and Progress*. London: Longmans, Green and Co.

Rugman, A., Moore, K. (2001). The Myths of Globalization. In *Ivey Business Journal*, September/October 2001, Vol.66, No.1, pp.64-68. Toronto: Ivey Management Services.

Rustin, M. (2008). New Labour and the theory of globalization. In *Critical Social Policy*, 2008, Vol.28, No.3, pp.273-281. London: Sage

Sainsbury, D. (ed). *Gendering Welfare States*. London: Sage.

Salonen, T. (2001). Sweden: Between Model and Reality. In Alcock, P, Craig, G. (eds). (2001). *International Social Policy*. Basingstoke: Palgrave.

Sanderson, M. (1998). *Education*. In Page, R, Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Sanger, M.B. (2003). *The Welfare Marketplace: Privatization and Welfare Reform*. Washington D.C: The Brookings Institute.

Sassen, S. (2009). The State and Globalization: Denationalized Participation and More Executive Powers. In Schinkel, W. (ed). (2009). *Globalization and the state: Sociological Perspectives on the state of the state*. Basingstoke: Palgrave Macmillan.

Schama, S. (2000). *A History of Britain 1, 3000 BC – AD 1603: At the Edge of the World?* London: BBC Worldwide.

Schama, S. (2001). *A History of Britain 2, 1603 – 1776: The British Wars*. London: BBC Worldwide.

Schama, S. (2002). *A History of Britain 3, 1776 – 2000: The Fate of the Empire*. London: BBC Worldwide.

Schiantarenelli, F. (2008). Product Market Regulation and Macroeconomic Performance: A Review of Cross-Country Evidence. In *Boston College Working Papers in Economics*, No.623, Boston: Boston College Department of Economics.

Schinkel, W. (ed). (2009). *Globalization and the state: Sociological Perspectives on the state of the state*. Basingstoke: Palgrave Macmillan.

Scruggs, L., Allan, J. (2003). *Trends in Welfare State Decommodification in Eighteen Advanced Industrial Democracies, 1972-2000*. Paper prepared for delivery at the annual meeting of the American Political Science Association. Philadelphia: American Political Science Association.

Scruggs, L., Allen, J. (2006). Welfare state decommodification in 18 OECD countries: a replication and revision. In *Journal of European Social Policy*, Vol. 16, No.55, pp.1-19.

Scrugs, L. (2006). The Generosity of Social Insurance, 1971–2002. In *Oxford Review of Economic Policy*, Vol.22, No.3, pp.349-364. DOI:10.1093/oxrep/grj021

Sefton, T. (2005). Inequality and redistribution under New Labour. In *Benefits*. (2005), No.43, Vol.13, Iss.2, pp.

Shorter, E., Tilly, C. (1971). The Shape of Strikes in France, 1830-1960. In *Comparative Studies in Society and History*, Vol. 13, No. 1, pp.60-86. Accessed at: <http://www.jstor.org/stable/pdfplus/178198.pdf>

Sianesi, B. (2008). An Evaluation of the Swedish System of Active Labour Market Programs in the 1990s. In *Review of Economics & Statistics* Vol. 86, No.1, pp.133-155. Accessed at  
<http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=2&hid=15&sid=70e94a97-8c03-4787-afff-6a00d005f915%40sessionmgr4>

Siaroff, A. (1994) 'Work, Welfare and Gender Equality: a New Typology', in Sainsbury, D. (ed). *Gendering Welfare States*, pp. 82–100. London: Sage.

Sigeman, T. (2002). Employment Protection in Scandinavian Law. In *Scandinavian Studies in Law*, Vol. 43, pp.257-275. Accessed at:  
<http://www.scandinavianlaw.se/index.php/display>

Silburn, R. (1998). Introduction. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Slack, P. (1988). *Poverty & Policy in Tudor & Stewart England*. New York: Longman.

Smith, L (ed.). (1988). *The making of Britain: echoes of greatness*. London: Macmillan.

Smith, JG. (1997). *Full Employment: A Pledge Betrayed*. Basingstoke: Macmillan Press.

Soderberg, S., Menz, G., Cerny, P. (eds). (2005). *Internalizing Globalization. The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*. Basingstoke: Palgrave Macmillan.

Sødersten, B. (ed). (2004). *Globalization and the Welfare State*. Basingstoke: Palgrave Macmillan.

Stewart, J. (1998). The Twentieth Century: an Overview. In Page, R., Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press.

Stewart, K., Hills, J. (2005). *A More Equal Society? New Labour, Poverty, Inequality and Exclusion*. Bristol: The Policy Press.

Sullivan, M. (1996). *The Development of the British Welfare State*. Hertfordshire: Prentice Hall/Harvester Wheatsheaf.

Sunley, P., Martin, R. Nativel, C. (2006). *Putting workfare in place. Local labour markets and the new deal*. Oxford: Blackwell Publishing.

Sykes, R., Palier, B., Prior, J. (eds). (2001). *Globalization and European Welfare States, challenges and change*. Basingstoke: Palgrave.

- Taylor, M. (2010). Evolutions of the competition state in Latin America: power, contestation and neo-liberal populism. In *Policy Studies*, Vol.31, No.1, pp.39-56.
- Thane, P. (1996). *Foundations of the Welfare State*. New York: Addison Wesley Longman Limited.
- Thatcher, M. (1993). *The Downing Street Years*. London: Harper Collins.
- Timmins, N. (2001). *The Five Giants: A Biography of the Welfare State (2<sup>nd</sup> edition)*. London: HaperCollinsPublishers.
- Titmuss, R. (1958). *Essays on the Welfare State*. London: George Allen and Unwin.
- Tomlinson, J. (1998). Paying for Welfare in the Twentieth Century. In Page, R, Silburn, R. (1998). *British Social Welfare in the Twentieth Century*. Basingstoke: Macmillan Press Ltd.
- Tonnies, F. (1887)[1957]. *Community and Society*. New York: Harper & Row
- Torgersen, U. (1987). Housing: the wobbly pillar under the welfare state. In Turner, B., Kemeny, J., Lundqvist, L. (eds). *Between State and Market: housing in the post-industrial era*. Stockholm: Almqvist and Wicksell International.
- UNICEF. (2007). *Child poverty in perspective: An overview of child well-being in rich countries, A comprehensive assessment of the lives and well-being of children and adolescents in the economically advanced nations. Innocenti Report Card Seven*. Florence: UNICEF, Innocenti Research Centre.
- Vis, B. (2007). States of welfare or states of workfare? Welfare state restructuring in 16 capitalist democracies, 1985-2002. In *Policy and Politics*, Vol.35, No.1, pp. 105-122. DOI: 10.1332/030557307779657720.

Accessed at <http://dx.doi.org/10.1332/030557307779657720> on 20/5/2010

Walker, R., Wiseman, M. (2003). Making Welfare Work: UK Activation Policies Under New Labour. In *International Social Security Review*. (2003), Vol.56, pp.3-29.

Walle, A.H. (1997). Quantitative Versus Qualitative Tourism Research. In *Annals of Tourism Research*, Vol.24, No.3, pp524-536. Accessed at: [doi:10.1016/S0160-7383\(96\)00055-2](https://doi.org/10.1016/S0160-7383(96)00055-2)

Walton, T., Ragin, C. (1990). Global and National Sources of Political Protest: Third World Responses to the Debt Crisis. In *American Sociological Review*, Vol.55, No.6, pp.876-890. Accessed at: <http://www.jstor.org/stable/2095752>

Warhurst, C. (2008). The Knowledge economy, skills and government labour intervention. In *Policy Studies*, 2008, Vol.29, No.1, pp.71-86.

Watt, A., Nikolova, M. (2009). *A quantum of Solace? An assessment of fiscal stimulus packages by EU Member States in response to the economic crisis*. Working paper 2009.5. European Trade Union Institute. Brussels: ETUI.

Webster, C. (1990). Conflict and consensus: explaining the British health service. In *Twentieth Century British History*, Vol. 1:2. Oxford University Press: Oxford.

Weiss, L. (1999). Globalization and national governance: antinomy or interdependence. In *Review of International studies*, 1999, Vol.25, No.5, pp.59-88. Cambridge University Press.

Winter, K, Connolly, P., (1996). Thatcherism and the Children Act 1989. In Pilcher, J, Wagg, S. (1996) *Thatcher's Children? Politics, Childhood and Society in the 1980s and 1990s*. London: Falmer Press.

Wood, S. (2001). Labour Market Regimes under Threat? Sources of Continuity in Germany, Britain, and Sweden. In Pierson, P. (ed). (2001). *The New Politics of the Welfare State*. Oxford: Oxford University Press.

- Woods, N. (2002) Global Governance and the Role of Institutions. In Held, D., McGrew, A. (eds). (2002). *Governing Globalization: Power, Authority and Global Governance*. Cambridge: Polity Press.
- World Economic Forum (WEF). (2010). *The Global Competitiveness Report 2010-2011*. Geneva: WEF.
- Wriston, W. (1993). The twilight of sovereignty. In *Fletcher Forum of World Affairs*, 1993, Vol.17, No. 2, pp.117-130.
- Yamasaki, S., Rihoux, B. (2009). A Commented Review of Applications. In Rihoux, B., Ragin, C. (eds). (2009). *Configurational Comparative Analysis: Qualitative Comparative Analysis (QCA) and Related Techniques*. Number 51 in the Applied Social Research Methods Series. California: Sage.
- Zadeh, L.A. (1972). *Outline of a New Approach to the Analysis of Complex Systems and Decision Processes*. California: Electronics Research Laboratory, University of California.