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**“CHALLENGES TO THE WELFARE STATE:
FROM THE ECONOMIC CRISIS TO WELFARE CHAUVINISM”**

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Introduction.....	3
1 Welfare States in Europe	
1.1 What is the Welfare State?.....	6
1.2 Welfare state classifications.....	7
1.3 Bismarckian vs Beveridgean welfare states.....	11
1.4 Newborn welfare states’ development: path-dependency or policy diffusion?.....	12
2 Welfare States in times of economic crisis	
2.1 From prosperity to crisis.....	16
2.2 The impact of the crisis on Welfare States.....	17
2.3 Welfare state development.....	18
2.4 The impact of austerity on European National Welfare States.....	21
2.5 Which future for Social Democratic Welfare Capitalism?.....	26
3 Welfare Chauvinism	
3.1 A way to define welfare chauvinism.....	29
3.2 Postwar European migration.....	29
3.3 Welfare chauvinism as a political discourse.....	30
3.4 Welfare chauvinism’s institutional framework.....	33
3.5 Welfare chauvinism and globalization.....	35
3.6 The “New Liberal Dilemma”.....	37
Conclusion.....	41
Bibliography.....	43

Introduction

The welfare state is a distinctive hallmark of European and more broadly of Western countries which has developed in the last decades also in other regions of the world such as Eastern Europe and South-East Asia.

Starting from the beginning of the 19th century, international phenomena, such as industrialization and consequently mass proletarianization, have led to an increasing demand of the population for social security and protection just as it is currently happening in some of the new emerging economies. Especially in Europe, the adoption of new social reforms in favor of the working-class was promoted by social-democracy who acted as a catalyst of the lower classes' interests and demands.

Even though it begun its development in the first half of the 19th century, the welfare state as it is known now came into maturity after the second World War thanks to the economic boom which lasted until the end of the 1960s. Economic growth, full employment and an adequate fiscal capacity of the state endowed the welfare state with high stability and sustainability.

When the Western boom ran out of steam in the 1970s after the oil crises, the emergence of the neo-liberalism ideology seemed to shift the welfare state into a new anti-state direction. Nevertheless, despite some privatization and deregulation of capital and labor markets in the 1980s, the redistributionist model continued to be supported and the state's centrality in the political economy was not significantly downsized. However, the new regulatory system introduced in the 1980s and further developed in the following decade, will cause severe consequences due to its failure in the recent financial crisis of 2008.

The welfare state has always been subject to an interesting debate in the scientific world, especially among politicians, economists and sociologists who have underlined its great topical interest. Especially over the last twenty years, the welfare state has been continuously confronted to various challenges such as globalization, the financial crisis and immigration.

The aim of this work is to provide an overall analysis of these challenges together with the causes which triggered them, the impact which they had on welfare states and, last but not

least, the different ways in which the latter reacted to these challenges. In addition, a few possible future outcomes and developments of the welfare state will be prospected.

In order to do so, chapter one, after briefly discussing what is the welfare state, addresses the issue of the classification of welfare states. Various attempts have been made in order to classify the different welfare types yet the most renowned and influential classification is the one made by Esping-Andersen in 1990 which will be thoroughly illustrated in this chapter. In the end, the theoretical perspectives on the welfare state's development will be discussed in order to understand whether, with the rise of new welfare states outside the Western heartland, social policy convergence or divergence could take place between welfare states.

In chapter two, the impact of the economic crisis on welfare states will be reviewed. Because of the variety of different responses given by each country, generalizations will be hard to make.

Moreover, the main destabilizing developments of the welfare state since the 1990s will be highlighted, such as the financialization process and the declining fiscal capacity of Western states. Subsequently, a more direct focus on European welfare states will be made, in particular how and to what degree they were affected by fiscal austerity pursued in the EU and the Eurozone as responses to the sovereign debt crisis since 2010.

Finally, the future of Social Democratic Welfare Capitalism will be addressed. The question is whether or not a reinvigoration of social-democracy and thus of the welfare state remains a concrete possibility in spite of the reduction of the centrality of the state and the exacerbation of inequalities.

In the last chapter, the new political attitude that wants to exclude "strangers" from social welfare provisions, concept which is referred to as "welfare chauvinism", will be the main issue of our discussion.

After having introduced welfare chauvinism as a political discourse and having set its institutional framework, the question will be if and how the other main challenges to the welfare state, namely globalization and immigration, affect the political preference to exclude immigrants from welfare provisions, that is, welfare chauvinism.

The chapter will end introducing the so-called “New Liberal Dilemma”, which calls upon new politicians to reconcile the integration of immigrants with finding popular support for welfare state programs that came into effect in times of cultural homogeneity.

In our final remarks we will point out that a more inclusive and universalistic model of welfare is needed to properly deal with the increasing cultural identity of our society. After all, the welfare state is by far too deep-rooted and well-established in European politics and culture that dismantling it would mean undermining its very essence.

Chapter One

1.Welfare States in Europe

1.1 What is the Welfare State?

Between the 19th and the 20th century, in the context of industrialization, the night watchman state gradually evolved into a state which showed sign of what we presently call a welfare state. The real origins of collective welfare provision lay in Germany, just before the first World War. At that time, Otto von Bismarck introduced insurance schemes which shared risks of illness and accidents. Overtime each state has developed its own type of welfare state.

Ever since the introduction of the welfare state the concept has been subject to a never ending debate. Nowadays, the discussion mainly revolves around the classification of welfare states.

Concerning the concept of welfare state, scholars do not agree on the proper definition. According to Esping-Andersen (1990), welfare state studies have been motivated by theoretical concerns with other phenomena, such as power and industrialization, rather than by a genuine interest in the welfare state as such. A common but very narrow textbook definition of welfare state involves state responsibility for securing some basic modicum of welfare for its citizens. However, Esping-Andersen argues that this definition is unsatisfactory as it tends to skirt the issue of whether social policies are emancipatory or not, whether they help system legitimation or not and whether they contradict or aid the market process. Furthermore, the term “basic” is far too vague. In the author’s opinion, this was the conceptualization of the welfare state which the first generation of comparative studies adopted. They assumed that the level of social expenditure adequately reflected the state’s commitment to welfare. Actually, the theoretical intent was not really to arrive to an understanding of the welfare state but to test the validity of contending theoretical models of political economy.

Esping-Andersen (1990) defines therefore the concept of welfare state as “*the institutional arrangements, rules and understandings that guide and shape current social policy decisions, expenditure developments, problems definitions, and even the respond-and-demand structure of citizens and welfare consumers. The existence of policy regimes reflects the circumstance that short term policies, reforms, debate and decision making take place*

within frameworks of historical institutionalization that differ qualitatively between countries”.

1.2 Welfare state classifications

As previously pointed out, current discussion is mainly based on the question how to classify different types of welfare states. Many attempts have been made in order to create a classification scheme which can be applied to most welfare states.

Esping-Andersen (1990) introduced a widely accepted classification scheme in his book *The Three Worlds of Welfare Capitalism*. However, he was not the first to create a typology for welfare states. The earliest attempt was made by Wilensky in 1958. He talked about residual and institutional welfare states stating that the latter is more developed in terms of industrialization. He thus measures the type of welfare state by the total social expenditure relative to GDP (Abrahamson 2000). This kind of studies claim to explain the welfare state yet their focus on spending may be misleading. Expenditures are epiphenomenal to the theoretical substance of welfare states (Esping- Andersen 1990). By scoring welfare states on spending, we assume that all spending counts equally when some welfare states spend a large share of benefits to privileged civil servants. This is normally not what we consider a commitment to social citizenship and solidarity. High social expenditure may be exclusively a function of very high unemployment whereas low social expenditure on some programs may signify a welfare state more seriously committed to full employment (ibidem).

In his book *Social Policy* (1974), Richard Titmuss created a highly influential classification scheme. This approach has fertilized a variety of new developments in comparative welfare state research including Esping-Andersen’s in 1990. Titmuss’s classification was partly based on Wilensky as it included the classical distinction between residual and institutional welfare states. In the former, the state assumes responsibility only when the family or the market fails while the latter is universalistic and addresses the entire population embodying an institutionalized commitment to welfare.

According to Esping Andersen (1990), this approach forces researchers to move from the black box of expenditures to the content of welfare states: targeted versus universalistic programs, the conditions of eligibility, the quality of benefits and services and finally the extent to which employment and working life are encompassed in the state’s extension of citizen rights.

Esping-Andersen created a welfare state typology which was based on two main characteristics, namely the degree of decommodification and the kind of stratification they produce in society. Decommodification is defined by Esping-Andersen as a concept which “occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market” (Esping-Andersen 1990: pp.21-22). In pre-capitalist societies only a few workers were properly commodities in the extent that their survival hinged upon the sale of their labor-power. It is with the development and affirmation of the market that the welfare of individuals come to depend entirely on the cash nexus. In turn, the introduction of modern social rights implies a loosening of the pure commodity status (Esping-Andersen 1990).

According to Esping-Andersen, there is no doubt that decommodification has been a hugely contested issue in welfare state development. For the labor force, in fact, it has always been a priority. It is difficult to mobilize workers for solidaristic action when they are completely market dependant. Market inequalities fuel divisions and make labor-movement formation difficult. Shortly, decommodification strengthens the worker and weakens the absolute authority of the employer.

The second characteristic on which this classification is based, is the kind of stratification welfare states produce in a society. This concept refers to the intensity of redistribution and the level of universality of solidarity which is imposed by the welfare state. In other words, which stratification system is promoted by social policy and whether social policy narrows or broads solidarity (Arts and Gelissen 2002).

Esping-Andersen states that historically one can easily identify alternative systems of social stratification which are embedded in different welfare states. The poor-relief tradition for example, and the more modern means-tested social assistance offshoot, was designed for purposes of stratification. The social-insurance model was also explicitly a form of class politics. Its aim was to achieve a twofold result in terms of stratification.

The first was to consolidate divisions among wage-earners by legislating distinct programs for different class and status groups, each with its own set of rights and privileges. The second objective was to tie the loyalties of the individual directly to the monarchy of the central state authority.

As an alternative to means-tested assistance and corporatist social insurance, Esping-Andersen argues that the universalistic system promotes equality of status. Since all citizens are endowed with the same rights, the system is meant to foster cross-class solidarity.

Nonetheless, this presumes a historically peculiar class structure, one in which the vast majority of the population are from the lower classes for whom a modest benefit may be considered adequate. Where this no longer exists, flat rate universalism promotes dualism because the better off turn to private insurance and to fringe benefits. The result of this process is that the wonderfully egalitarian spirit of universalism turns into a dualism similar to that of the social assistance state. In short, *“the poor rely on the state, and the remainder on the market”*.

Based on these two dimensions, decommodification and social stratification, Esping-Andersen’s classification distinguishes three types of welfare state: the liberal, conservative and social democratic (Esping-Andersen 1990, pp. 25-28).

The liberal welfare state can be observed in most Anglo-Saxon countries like the United States, Canada and Australia. These welfare states are mainly characterized by individuality and the primacy of markets. The state encourages the market and subsidizes private welfare schemes such as private pension plans. This type of welfare is based on means-tested assistance, modest universal transfers and modest social insurance plans. Benefits cater mainly to a clientele of low income, usually working class, state dependents. Moreover, social reforms are severely circumscribed by traditional, liberal work-ethic norms. Esping-Andersen describes it as follows : *“It is one where the limits of welfare equal the marginal propensity to opt for welfare instead of work”*. In other words, in a liberal welfare regime the benefits of social welfare are little attractive. The cause for this welfare state lies in the overall mindset in these countries: little welfare subsidizes people to work hard and to look for jobs.

The conservative-corporatist welfare regime clusters nations such as Austria, France, Germany and Italy. The model is characterized by a lower level of commodification compared to the liberal welfare state. The tradition of granting social rights is considered to be self-evident and it was hardly ever a seriously contested issue. The preservation of status differentials was important so rights were attached to class and status. If on one hand the state is ready to crowd out the market as a provider of welfare, on the other hand due to status upholding, the redistributive impact is negligible. Furthermore, the corporatist regimes are mostly shaped by the Catholic church and so they are strongly committed to the preservation of familyhood. For example, social insurance excludes non-working wives and family

benefits encourage motherhood. At the same time, family services as day care are undeveloped. The state will only interfere when the family's capacity to help its members is exhausted.

The third type of welfare state is known as the social democratic type since social democracy was the main force behind social reforms. It is mostly found in Scandinavian countries and is characterized by a high level of decommodification and universalism. Social reforms are based on equality of the highest standards and not on equality of minimal needs as it was pursued elsewhere. Workers are guaranteed full participation in the quality of rights by the better off. Hence, manual workers enjoyed the same rights as white collar workers or civil servants so that all social strata are incorporated under the same universal insurance system. In contrast with the liberal regime, this model crowds out the market and constructs an essentially universal solidarity in favor of the welfare state. *“All benefit: all are dependant; and will presumably feel obliged to pay”*.

The social democratic regime's policy of emancipation addresses both the market and the traditional family. Policies' goal is not to maximize dependence on the family but the capacities for individual independence. In this welfare regime married women are encouraged to work. Consequently, family services, like childcare and caring of the aged and helpless are well developed. The costs of maintaining such a welfare are enormous. Funding this kind of welfare state is hence feasible by giving workers a full employment guarantee so that high employability and few people living off of social transfers ensure an adequate power source to the welfare system.

Although this classification is embraced by most of the scientific world, it triggered at the same time a wide variety of reactions.

The typology of Esping-Andersen was much criticized by, among others, Ferrera (1996) and Bonoli (1997) who argue in favor of a fourth welfare type: the Mediterranean or the Southern welfare state, thus the Greek, Spanish and Italian welfare states. According to Esping-Andersen these welfare states have to be considered immature conservative-corporatist welfare states.

Other authors (Arts and Glissen 2002) have stated that the Antipodean countries like Australia and New Zealand do not fit in the liberal regime as these countries have a more inclusive approach in which income redistribution is based on means-testing. They do not

concentrate on benefits which only the very poor are eligible for like the liberal welfare regimes do (Hill 1996).

Finally, many scholars (Daly and Lewis 2000 in Arts and Gelissen 2002) believe that different dimensions, such as social care and tax revenues, should be taken into account in order to be able to create a universal classification scheme.

Nevertheless, Esping-Andersen rejects the idea of a new welfare state type affirming that eventually all welfare states, after a period of transition, will fit into one of the distinguished types of welfare states.

1.3 Bismarckian vs Beveridgean welfare states

French literature is used to make a distinction between welfare state models which is based both on a universal and an occupational model. The difference between the two models, which are defined as the Bismarckian and the Beveridgean model, is well explained by French authors Chassard and Quentin who affirm *“There is a contrast between the Bismarckian tradition, which relates proportionally each wage-earner’s rights to the contribution that he or she has paid or that the employer has made on his or her behalf, and the Beveridgean concepts of a general insurance plan for the hole population of the country”* (Chassard and Quentin 1992, p.94).

Aspects and social policies of the welfare state are considered to be either Beveridgean or Bismarckian. The former are characterized by universal provision, entitlement is based on residence and need, benefits are typically flat rate and are financed through taxation. The latter are on the contrary based on social insurance, they provide earnings related benefits for employees, entitlement is conditional upon satisfactory contribution record and financing is based on employer/employee contributions (Bonoli 1997).

In addition, both welfare systems can be distinguished according to their main goals. While Beveridgean social policy is concerned with the prevention of poverty, Bismarckian social policy is concerned with income maintenance for employees. In a Bismarckian welfare system there is no concern for poverty and for people who do not participate on the labor market. This system allows workers to enhance their position in a market oriented society. This setting of the welfare system can be explained historically as Bismark was concerned with the rising power of the labor movement in 1880. By giving advantages to workers he was able to obtain cooperation and allegiance of the labor movement improving his political

stability. The Beveridgean welfare system can be considered to be the opposite. In order to prevent or reduce poverty, the system includes the entire population rather than excluding certain groups in society (Bonoli 1997).

1.4 Newborn welfare states' development: path-dependency or policy diffusion?

As previously said, Esping-Andersen's classification of welfare states has been criticized often and according to some authors it should be reconsidered given the present circumstances. Because of the enlargement of the European Union, the emerge of the Central Eastern European countries but also the rising importance of new welfare states in South-East Asia, the question how certain newborn welfare states can be classified is valid and relevant. Although some scholars have argued that Central-Eastern European countries need to be addressed as a new welfare model, Esping-Andersen believes that eventually all welfare states will fit into one of the distinguished types of welfare state of his classification.

These two opposite stances can be effectively described by two opposite perspectives on the development of welfare states.

The first perspective, the path dependence perspective, is often used to describe political and economic processes. In a broad way, path dependence refers to the causal relevance of preceding stages in a temporal sequence (Pierson 2004). The definition is very broad and it comes down to what happened in the past matters for the present. In a more narrow extent, path dependency means "*that once a country or region has started down a track the cost of reversal are very high. There will be other choice points, but the retrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice*" (Levi 1996, p.28). In short, preceding steps in a particular direction induce further movement in the same direction.

Pierson links path dependence to the so-called increasing returns process. Relative benefits of the current activity compared with other possible options increase over time. Thus, each step in a certain direction increases the costs of exit making that path more attractive for the next round (Pierson 2004).

Besides having an effect on individuals and organizations, path dependent processes will often be even more powerful at a macro level which involves complementary configurations of organizations and institutions (Pierson 2004). Welfare states, which can be considered to be institutions at a macro-level, are according to scholars more influenced by

path-dependence. Consequently, the organization of welfare states is highly influenced by history.

However, arguments in favor of the path-dependence perspective are not free from defects. In fact, testing hypotheses formulated under this perspective is not easy. The so called “few cases, many variables” is worsened by the fact that path dependence arguments require to evaluate sequences of many variables overtime. Moreover, inherent to this perspective, is the danger that the increasing return concept suggests an overly static view of society which is in contrast with the evident dynamism of social life (Pierson 2004).

Now, when looking at the development of new welfare states such as the Central and Eastern European (CEE) welfare states through a path dependence perspective, one would expect welfare states regimes that would not fit into Esping-Andersen’s classification. This argument can be supported by the fact that most countries have a history which differs enormously from the history of Western European countries. The communist era has had a significant influence on today’s welfare regimes in the CEE countries (Deacon 1993). Therefore, communist legacies may be strong enough to impost a different path of development on at least some of the post-communist countries (Pierson 2004).

The second perspective is known as the policy diffusion perspective. It is defined as “*a process where choices are interdependent by others, and, conversely, the choice of a government is influenced by the choices made by others*” (Braun & Gilardi 2006, p.299). In this line of thought, policy choices, including the organization of welfare regimes in general, are interdependent and influenced by choices made by others.

According to this literature policy diffusion is driven by certain mechanisms, of which *learning* and *competitive and cooperative interdependence* are considered to be the most important.

Learning means that the behavior of a certain government has an impact on the behavior of another government because it conveys relevant information about policy choices that leads to the change of beliefs about the effects of a new policy. Therefore, in learning processes new information about the effectiveness of policies will lead to change as soon as the evidence points to a greater effectiveness of the alternative policy. As far as welfare states are concerned, if a certain country receives information about an increase in effectiveness of certain welfare policies, this country will change its welfare policy and convergence of policies will take place.

Competitive and cooperative interdependence means that the policy choice of a government creates policy externalities that another government should take into account to change and adapt its future policies. For example, if a country lowers corporate taxes to attract investment, other countries are stimulated to do the same (Braun and Gilardi 2006). Compared to competitive interdependence, cooperative interdependence can be considered more positive since benefits derive from having compatible choices. Commercial laws is just an example of this kind of interdependence.

Whereas in the case of learning a government only changes its policies when information about an increase in effectiveness is received, in the case of competitive and cooperative interdependence, the most important incentive of policy change are the externalities created by others.

Another policy diffusion mechanism which adds to *learning* and *competitive and cooperative interdependence* is *coercion*. It is described as the imposition of policies on national policies by powerful organizations of powerful countries. International organizations such as the European Union as well as donor organizations, such as the International Monetary Fund (IMF) and the World Bank, are likely to reinforce the development of new welfare states, CEE's above all, in the direction of one of the well-known welfare types (Fenger 2007). These organizations have the power to promote policy change, by making certain reforms as a condition for loans. The IMF for instance, has included privatizations as a standard condition of its structural adjustment lending. Therefore, one can argue that the CEE welfare states which apply for an IMF loan will develop towards a welfare state that fits into Esping-Andersen's classification scheme, for example the liberal welfare state.

Concluding, the policy diffusion perspective can be used in order to review the development of new welfare states in terms of Esping-Andersen's welfare state classification. Due to policy diffusion mechanisms developing welfare states will, after a period of transition and thanks to the transfer of ideas, knowledge and information, evolve in the direction of one of Esping-Andersen's welfare regimes.

However, if on one hand policy diffusion mechanisms such as international and EU's obligations might lead to social policy convergence, on the other hand evidence from the current economic and financial crisis which broke out in 2008 suggests a variety of different reactions, ranging from austerity to social investment, even between countries who are

considered to have the same welfare system. The impact of the crisis on European welfare states will be the main issue tackled in the next chapter.

2.Welfare States in times of economic crises

2.1 From prosperity to crisis

From the early 1990s until 2007 the general public enjoyed the biggest rise in disposable income and private consumption since 1945. Industrial economies experienced a long period of economic prosperity with a fast output growth, increased productivity boosted by international trade and living standards generally rising.

Nevertheless, the boom was built on weak foundations. The oversized financial sector and huge macroeconomics imbalances posed a serious threat to stability. Cheap credit from East Asia, especially China, fuelled private and public debt, resulting in a bubble economy that would burst in 2008 triggering the worst economic recession since the Great Depression of the 1930s.

The financial crisis quickly developed a major economic crisis as output and employment contracted. The rise of unemployment peaked at 8.3 per cent in 2010 (OECD 2012) in those countries members of the *Organisation for Economic Co-operation and Development* (OECD).

However, national experiences vary. In Northern Europe the unemployment rates have varied between 5 and 10 per cent, while countries from Southern Europe including Ireland had rates well above 10 per cent (OECD 2009-2012, IMF 2009-2012). The United States as well have seen unemployment rising fast from early 2008 which peaked at 9.6 per cent in 2010 (ibidem).

In countries like the US where there is no government-funded health insurance, losing one's job can mean losing health care as many workers have to rely on employers' provision for access to health. Although growth resumed in many countries in 2010, others have fallen back into recession. The bank fuelled financial crisis soon turned into a sovereign debt crisis as many states attempted to save their banking sectors and the economy.

The events of 2008 were much more than an economic crisis. The failure of the financial system created a deep distrust of political institutions as well, producing a major political turmoil in which fundamental issues about legitimacy and responsibility in the political system were called into question.

Since national experience vary greatly, it is difficult to generalize about the economic, social and political impact of the crisis. Some countries especially those with a well-regulated financial system like Norway, Canada and Australia, suffered less than the liberal market economies of the United Kingdom and the United States which had a much more expanded financial sector and therefore they were more exposed to the vagaries of international economy. Even the four Eurozone nations of Southern Europe, Portugal, Italy, Greece and Spain were hard hit by the crisis as a result of low growth and huge national debt.

Governments were forced to intervene in the financial and economic system on an exceptional scale between 2008 and 2010 bearing a large part of the costs through various measures such as capital injection, purchase of assets guarantees, and central bank support . Shrinking public revenue and rising social costs as a result of increasing unemployment and economic hardship have put a further squeeze on the public sector, leading to huge fiscal imbalances and accumulation of public debt (Farnsworth & Irving 2011).

2.2 The impact of the crisis on Welfare States

The economic crisis has posed a serious challenge to welfare states, shaking their financial, social and political foundations. The issue is to analyze the response of Welfare States to the economic crisis in terms of social policy. Has the crisis heralded the age of austerity with deep cuts in social spending or are there signs of renewal in which the opportunities opened up by the crisis have been seized to reform social policy? (Hemerijck 2013, Farnsworth & Irving, 2011).

In light of the variety of ways in which each country has responded to the crisis overall generalizations are hard to make. Anyways, we can easily affirm that the neoliberal version of market economy has been discredited. In fact, there was a strong tendency both in social theory and in public debates to claim the inevitability of neoliberal globalization by arguing that its logic would move nations to converge on laissez-faire capitalism.

However, the course of events suggests that such propositions are wrong. In many countries we witnessed the return of political economy through which governments have played a more active role in the society. Besides providing massive guarantees for banks' debts they have expanded their role as regulators of the financial sector, coordinators of institutions and actors on the market, favoring a shift to a more "coordinated capitalism" (Stiglitz 2010, Wade 2009, Magnus 2011).

To face fiscal deficits and huge public debt, the real "stress test" of welfare states' financial capability (Atkinson 2009), many countries have implemented measures to tighten

public finances by a combination of tax increases and savings. One path is thus fiscal prudence or fiscal austerity, cutting state expenditures and retrenching the welfare state in order to balance budgets and reduce public debts. Britain and Ireland for instance opted for this kind of measures. The other path is the social investment strategy which applies countercyclical measures to boost the economy and to shift the burden from those who have been hurt economically by the crisis onto the more affluent. In the United States various stimulus packages have been implemented for these purposes. One of these is The American Recovery and Reinvestment Act, a wide-ranging economic stimulus package which included measures that eased the eligibility requirements for food stamps and unemployment benefits.

In spite of the cuts in various field of social expenditure especially concerning comprehensive welfare systems, social expenditure ratio has risen across the OECD countries from 19 to 22 per cent between 2007 and 2009 and has remained high since (OECD 2012). This is due to the declining GDP of many countries as well as to the increase in real social spending. This increase is largely a result of the social safety net acting as an automatic stabilizer by reducing the impact of the economic downturn through social benefits and social assistance. A part from few exceptions coming from the Nordic countries which showed resilience in reducing the impact of the crisis on social expenditure, many governments under the pressure of sovereign debt and low economic growth have increasingly resorted to social retrenchment.

2.3 Welfare state development

One of the major consequences of the crisis has been the severe loss of fiscal capacity and the consequent reassertion of austerity. Because of this loss, the contradiction of the attempted maintenance of the advanced welfare state while privatization, marketization and financialization grew apace, has become unbearable in many countries. Thus, the contradiction between market and state lies at the heart of the crisis. A private and speculative crisis turned into a state debt crisis as many states attempted to save their banking sectors and their economies through bailouts using public debt to be repaid by tax payers.

In addition, to the loss of fiscal capacity the rapid growth and development of the newly emergent economies from Asia and Latin America despite the Western crisis, point to both the seeming exhaustion of the Western model and the switch of the centre of the world developmental dynamism to Asia and its commodity satellites in Australasia, Latin America and Africa which have consolidated primary export sectors.

In order to grasp the nature of the crisis of the Western model of Welfare State and its prospects of survival, it is necessary to identify its main features and above all how it got to be in such a crisis state.

The social democratic welfare capitalism (SDWC) started its development in the post-World War II and came into maturity from the mid-1940s. Its roots date as far as the nineteenth century when the processes of industrialization and proletarianization favored the advent of social democratic ideological and political movements. By the early 1970s the SDWC was already the hegemonic regime throughout the Western world. The system was based both on welfare states and on competitive national capitalism. By the late 1970s when the Western boom started to slow down, the Western system seemed to shift to a new anti-state direction under the pressure of the new neoliberal ideology.

Nevertheless, the Western state model was not overthrown by the new ideology. Even though it was not transformed, it was subject to some reform. From early 1980s to early 1990s the welfare system partially lost its centrality and the so-called “deregulation” did “wind back the state” in the balance between market and state. Moreover, from the early 1990s the so-called “regulatory capitalism” (Levi-Faur 2005, Braithwaite 2008) made the distinctions between state, market and capital more blurred as states privatized some of their productive capacity. The capital and the labour market were “freed” to varying degrees from direct state controls but not deregulated as neoliberal ideologists wished. Thus, in spite of the reforms which came into force since the early 1980s the state’s place in the overall political economy was not significantly changed in the macroeconomic sense by neo-liberalism. The revenue continued to be spent on state welfare, public health, public transport, public education, public broadcasting and so on, despite some privatizations. The redistributionist model continued to be supported alongside the new “regulocracy” (Braithwaite 2008) which entailed that the capital market had been freed to a large extent and the labour market was freer than before in some countries. The real change was in the end limited to the regulatory system which will cause later consequences because of its failure.

Since the early 1990s the process of globalization developed consistently thanks to the collapse of communism and the efflorescence of capitalism outside the Western heartland.

The efflorescence of this model in the East has highlighted the contradictions the success of this model has engendered by the twenty-first century. In recent decades a few destabilizing developments compromised the capacity of the model to respond to the crisis.

First of all, a significant shift took place since the early 1990s. The accumulation structure in the West which was once based on industrial capital is by now based on financial capital (Lloyd 2013). By the early 1980s the developmental state industrial and employment strategy began to be redundant. The transformation highlighted the original connection of social democratic states with industrialization. It is clear that the SDWC was politically based on the organized industrial working class. If the figure of the entrepreneurial industrialist was emblematic until the 1980s, the financial wizard of the merchant bank and hedge fund took over since the 1990s.

Furthermore, the so-called organizational management, which developed with the post-Fordist de-industrialization, is no longer based on labour as such. Knowledge and information production require a quite different, more individualized mode of organization of work and social life. The growing individuation and precariousness of work has now reached more than 30 per cent in some countries (Standing 2011).

Capital requirements and speculative opportunities stimulated the Western financialization which lacked effective state regulation once the globalization era began. This looks like a permanent trend which has not been undermined at all by the shock of 2008.

Secondly, within this financialization context, the crisis was responsible as well for the declining fiscal capacity of some Western states to support their high levels of social welfare and public infrastructures with the corresponding decline of stability and consensus. In addition, the fiscal strength of the West has been partially eroded by the economic competitiveness of the East.

A third destabilizing development which adds to the fiscal crisis is the aging of the population. This demographic transition is presenting a great financial challenge of upward rather than downward intergenerational transfers.

Furthermore, the increasing failure of the system to deliver desired social, political and cultural outcomes has led to a further erosion of legitimacy and support of the Western state model among significant sections of the population, especially in the most disadvantaged and marginal social groups. The trend towards ultramodernist individual subjectivity leaves the political process open to populist politics of right and left. Thanks to an increasingly pervasive mediascape, populist politics are able to grow where there is little authoritative corrective to mass expressions and transmission of fear and prejudice.

Finally, one last pressure to the Western model of welfare is represented by ethnic diversity that has directly resulted from Western capitalism's need for cheaper labour supplies in earlier decades, as well as from the failure of post-colonial development. Many leaders have done little to oppose xenophobic nationalist attacks on the ethnic diversity. The hollowing out of the political institutions and the rise of extremist scapegoating leaves a political vacuum (Lloyd 2013).

Have we come to the point where social democracy's attempt to reform capitalism in such a way that it is at once economically dynamic, socially stable and politically legitimated has run its course? Forms of capitalism are always more or less unstable with inherent contradictions and it is remarkable that SDWC lasted so long.

2.4 The impact of austerity on European National Welfare States

The financial crisis of 2008 and the recession it triggered laid bare the shortcomings and asymmetries in the architecture and economic governance of the European Union (EU). Several member states, owing to the threat of a sovereign default, were forced to seek financial support from other member states and the *International Monetary Fund* (IMF), which was granted in exchange of strict conditionality programs, dictating austerity measures and structural reforms in order to favor fiscal adjustment and to regain competitiveness.

What kind of changes European national welfare states have been undergoing under the pressure of fiscal austerity pursued in the EU and the Eurozone as responses to the sovereign debt crisis since 2010?

The effects of "permanent austerity" on the postwar European Welfare states have been examined before in the debate on whether they have demonstrated resilience or retrenchment (Huber and Stephens 2001; Pierson 2001; Allan and Scruggs 2004). These analyses have focused mainly on domestic factors such as, but not limited to, domestic democratic political institutions, welfare state institutions and partisan politics.

Nevertheless, there are some important differences between "permanent austerity" and the current circumstances of "pervasive austerity". First of all, concerning the origins of austerity pressures, "permanent austerity" has been mostly the consequence of economic progress and of the function of welfare state itself. In fact, it has been the outcome of developments such as the productivity slowdown and the shift of employment creation from the industry to the service sectors, the maturation of welfare states and the increased government financial commitments it implied in financial economies. Last but not least, the

ageing of European populations and the changing structures and roles within the households (Pierson 2001).

On the other hand, the current pervasive austerity is not the result of the development of welfare state but rather the outcome of political choices made at the EU level regarding the construction of the European Monetary Union (EMU) and the response to the aftermath of the crisis. The macroeconomic pressures that pervasive austerity creates are much bigger and last longer, with deep and prolonged recessions and unemployment, creating even further endogenous fiscal pressures on European welfare states.

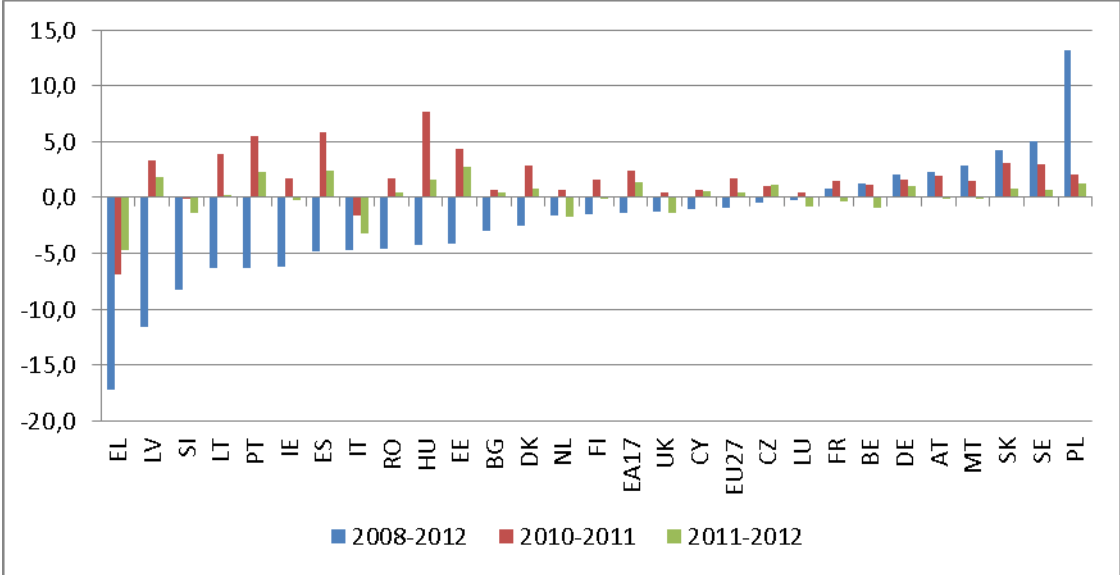
Although European welfare state diversity has persisted, the effects of the EU's political choices on national welfare state reforms have been taken into consideration by the literature on Europeanization (Leibfried and Pierson 1995; Scharpf 2002). According to them, welfare states have become "semi-sovereign" under the influence of the EU because of the important legal, institutional and economic constraints they face. Moreover, as a result of negative integration, it was also argued that the EMU has led to the elimination of traditional Keynesian policy tools like public spending, monetary and exchange rate policy which shape the general economic context in which social policies are implemented. In turn, this has created massive increases in unemployment which on one hand, increases the demand for welfare state policies and on the other hand, intensifies the pressures for fiscal austerity as they fuel macroeconomic imbalances both in the public and in the private sector. These limitations become particularly acute as recession deepens, unemployment rises and fiscal targets are missed.

The fiscal austerity policies pursued within the Eurozone have been both the choice and the outcome of policy decisions and economic governance reforms made at the EU level in response to the sovereign debt crisis that broke out in 2010. In other words, they did not follow from the established institutional and governance framework whose influence on national welfare states has so far been studied by the Europeanization literature.

In order to put European trends into perspective, it is necessary to provide some picture of macroeconomic variables in Europe. According to the European Commission's forecasts of 2012 (figure1) the output decrease concerning the EU economies since 2008 would have hardly been recovered by 2012 in most member states. The graph clearly shows that in all cases apart from few exceptions, austerity and its effects on the EU economy bear

on output growth as the forecasts for 2011-2012 are lower and often negative if compared to those for 2010-2011, namely the austerity years.

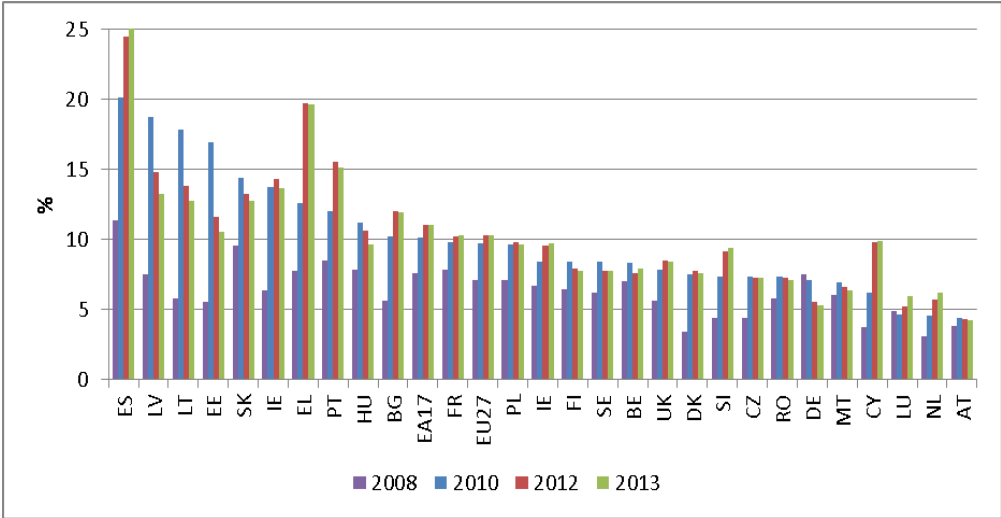
Figure 1. Real output change in EU 27, 2008-2012



Source: Sotiria Theodoropoulou 2012, AMECO database

Fiscal austerity bears also on the evolution of unemployment rates between 2008 and 2012 (figure 2). No wonder then if the largest adverse changes have occurred in the member states that pursued EU strict conditionality programs, in particular Greece, Latvia, Portugal and Spain.

Figure 2. Unemployment rates EU27, 2008-2012



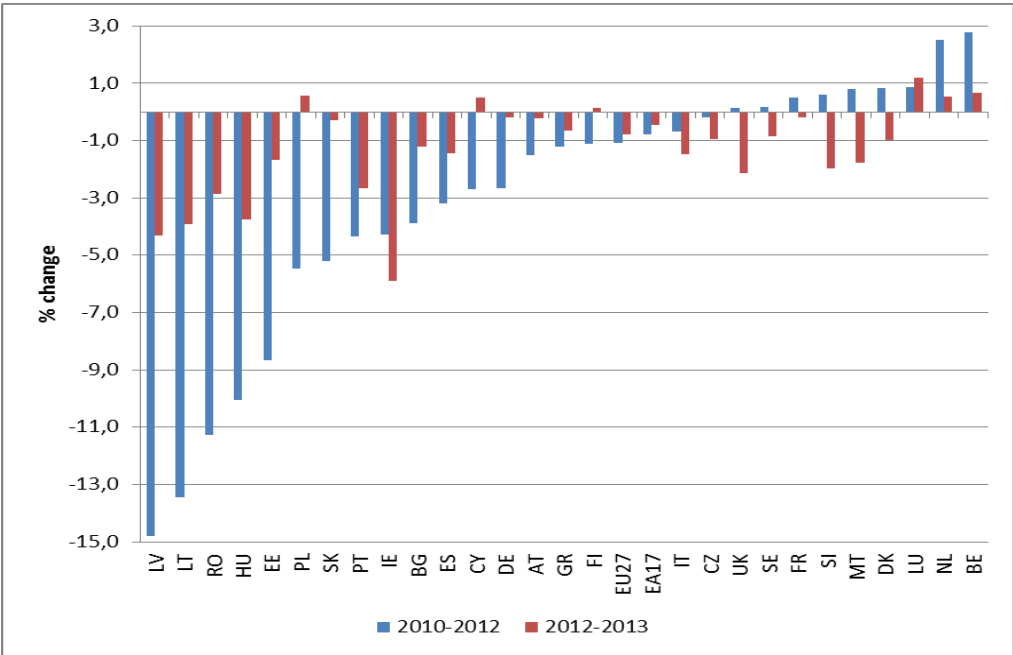
Source: AMECO database

Concerning the European welfare states' response to the crises it is interesting to get an idea of the cuts in social spending as a share of the *Gross Domestic Product* (GDP). With reference to the European Commission's forecasts, the graph below (figure 3) shows the percentage change of public social spending as a share of GDP in the EU27(Croatia is not included) between 2010-2012 and 2012-2013.

Public social expenditure, which includes the public expenditure in social transfers in kind, social benefits other than transfers in kind and social transfers in kind via market producers (see Eurostat for further details), is subject to cuts between 2010 and 2012 in 18 member states and between 2012 and 2013 in 21 member states. The average of the Euro area is -0.8% between 2010 and 2012 and -0.5% in 2012-2013. At the bottom of the distribution with the largest cuts, we find the new member states from central and eastern Europe such as Latvia, Lithuania, Romania, Hungary, Estonia, Poland and Slovakia. Following this group of new member states, the Eurozone members that have been facing sovereign debt crises come next.

Finally, at the end of the distribution, according to the EU Commission's forecasts, public social expenditure has risen between 2.5 and 2.8% in the Netherlands and Belgium in 2010-2012. Although the largest cuts in 2012-2013 take place in those member states that have cut the most in 2010-2012, reduction in public social expenditure are smaller and take place in fewer member states.

Figure 3. Change in Public Social Expenditure as % of GDP in the EU, 2010-2013



Source: Sotiria Theodoropoulou 2012, AMECO database

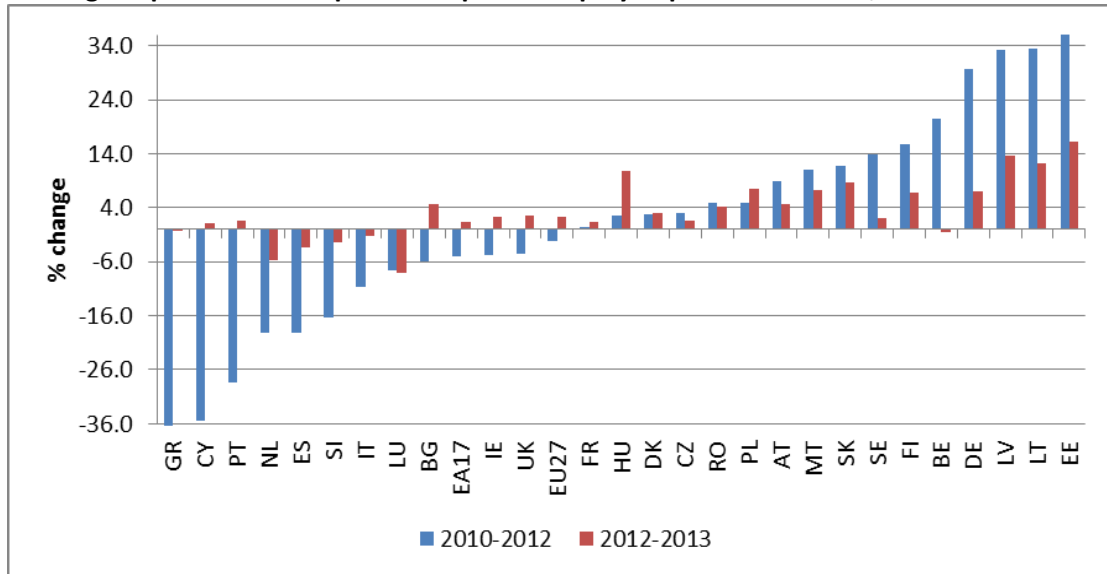
Moreover, it is remarkable that if we look into the composition of public social expenditure, we see that cuts in public expenditure on transfers in kind (essentially public services) at -1.9%, are on average more than double the average total cuts in the Eurozone for 2010-2012, while for the EU the respective figure is -1.1%. The largest cuts in 2010-2013 take place in those member states that have received financial support to face their sovereign debt and banking system crisis and in exchange adopted conditionality programs. At the other end of the distribution we find the AAA credit rating members of the Eurozone, experiencing either increases in their public spending for transfers in kind or cuts well below the average of the EU and the Eurozone.

Regardless of these results, the use of public social spending as a share of GDP as an indicator of welfare state retrenchment is debatable. First of all, it does not tell much about the substance of the welfare state, since it assumes that all spending counts the same. Moreover, public social spending as a share of GDP does not take into account the demand for welfare state policies such as the number of people in need of support (Clayton and Pontusson 1998; Allan and Scruggs 2004) and, above all, it does not allow to easily distinguish between changes in public social spending and changes in GDP. Thus, especially in the context of the current crises, if societal needs have increased, public social spending figures that look even stable might conceal a retrenchment. At the same time, a shrinking GDP may make welfare state effort look increasing but for the wrong reasons (Pierson 1994).

A way in which these factors could be taken into consideration is by calculating the public spending figures per unemployed person (Clayton and Pontusson 1998). The graph below (figure 4) shows the percentage change of public social spending per unemployed person during 2010-2012 and 2012-2013.

When this measure is taken into account, the changes in both the Eurozone and the EU seem on average much bigger compared to public spending as a share of the GDP. Also the distribution of member states changes significantly. The biggest cuts take place mostly in southern member states that have faced a sovereign debt crisis and received bail-outs and conditionality programs with Greece at the very bottom. At the other end of the distribution, we find the Baltics, Germany, Belgium and Finland, all of which, differently from what showed the rates concerning the change in public social expenditure as a share of the GDP, had increases in their public social expenditure per unemployed person.

Figure 4. Change in public social expenditure per unemployed person in the EU, 2010-2013



Source: Sotiria Theodoropoulou 2012, AMECO database

In short, the picture that emerges from this data is that the public resources available to the welfare state have been reduced since 2010 when fiscal austerity technically started. In general, the cuts have been greater for the Eurozone than for the EU and have been the highest in most of the member states that have faced sovereign debt and banking crises and received financial support and conditionality programs by the EU and the IMF.

Finally, the cuts have been less consistent for public expenditures in social benefits than in transfers in kind.

2.5 Which future for Social Democratic Welfare Capitalism?

The economic crisis has prompted three visions of the SDWC future, all of which see it being transformed into a different mode of capitalism with the reduction of the centrality of the state and an exacerbation of inequalities.

According to the first view the centrality of the state in the production/market nexus will be further eroded owing to economic stagnation and the loss of fiscal capacity of the state. This will lead to a further privatization and individualization resulting in worsening inequality and social segmentation. Consequently, the state's role shifts from being a central economic actor to being the ultimate regulator of private activity. In this vision of a more fully marketized society, social relations are mediated by rationally regulated market relations and one's individual financial power will determine one's life course and standard of living (Lloyd 2013).

The second vision's main feature is the continuing de-legitimation of the central institutions of the Western model and the development of local agency with issue-specific coalitions and groups acting more or less spontaneously. The "non-state trajectory" (Hardt & Negri 2000 and 2004), expression which can effectively describe this phenomenon, leads to a semi-disorganized and multitudinous society without overarching institutions of regulation, control and authority. In the end, strong local agency and cooperative communities would gradually replace the state.

Regardless of these pessimistic visions, is a reinvigoration of social democracy a contingent possibility?

In fact, upon further considerations, the state has remained significant in the Western world and, despite the rise of the "regulocracy" and of the non-state actors, the structure of social provision and welfare via the state has remained more or less the same and in some areas even been strengthened. Moreover, regulatory capitalism as a coherent system which was supposed to make markets more efficient and produce optimal outcomes in investment, production and consumption, clearly failed to prevent financial speculation from severely damaging the quality of life of millions of people. After all, capitalism is essentially constructed on the rewards to greed (Streek 2009).

In conclusion, despite the rise of regulocracy, the state and its public services have not yet been completely incorporated in the private market system. Large-scale, non-profit and non marketized public services still persist throughout the developed Western world requiring in some countries a taxation level of half of GDP (Sen 2009). Therefore, the contradiction between, on one hand, the surviving elements of the social democratic state and the public support for public services and the shift to regulocracy and privatization on the other, lies at the heart of the crisis.

In light of the above, the crisis has prompted also a positive vision about the social democratic welfare future. The foundation for this vision consists of two different aspects. On one hand, an understanding of the deeper causes of social democracy's emergence and strength in the late nineteenth and early twentieth century which perhaps can be replicated elsewhere. On the other hand, it is connected to the sociobiological nature of humanity and its impulses towards expressions of equality, fairness, social empathy and social justice.

Concerning the first aspect, the main point is that industrial maturation produces social democratic demands. All forms of capitalism in the phase of industrial maturity give rise to demands not just for work place reforms but for social fairness and security as well.

The main assumption is that these demands are an inherent evolving tendency of all capitalisms. Although this has not always happened in the past, in recent decades we have witnessed the development in the direction of social democratic welfare capitalism in some emerging East Asian countries, such as Singapore, South Korea, and Taiwan, where massive dislocations and rising standards of living are occurring again. Moreover, even though various forms of authoritarian state capitalism like China still exist, pressures from below are growing and democratic uprisings are common in many countries in recent times. The Arab Spring is an example.

In short, most of the emerging economies, especially in South East Asia, are no different in their social and political expectations than those of Europe in earlier times.

The second aspect concerns the motivations behind social interactions of humans as sociobiological beings. There is a growing evidence from sociobiological research that impulses for equality and fairness are deeply inherent in human behavior.

A desire for fairness and reciprocity seems to be the most powerful impulse in human interaction and social agency in all societies at whatever level of economic development (Gintis, Bowles, Boyd & Fehr 2003; Henrich & Henrich 2007; Fong, Bowles & Gintis 2004; Rifkin 2010; Singer 1999; de Waal 2009; Corning 2011).

The process of industrialization which heralded the rise of undemocratic and powerful elites, has produced greater inequality. Consequently, pressures from popular movements for reforms in the direction of greater democracy, equality of power and wealth, and accountability of governments have so far had many success and there is every reason to think they will continue to be powerful forces.

However, will the deep impulses for equality and democracy lead to the maintenance of the social democratic structures in the postindustrial, more individualized and multi-ethnic society? Will the supporters and beneficiaries of the state welfare system be willing to extend their entitlements to newly arrived ethnic groups?

Within the topic of welfare chauvinism, the following chapter will try to further develop the debate revolving around these issues.

3. Welfare Chauvinism

3.1 A way to define welfare chauvinism

“Welfare Chauvinism” can be conceived as native citizens’ unwillingness to grant welfare social provisions to foreigners. In other words, welfare chauvinism refers to an understanding of the welfare state as “a system of social protection for those who belong to the ethnically defined community and who have contributed to it” (Kitschelt, 1997). As an attitudinal stance it opposes inclusionary welfare policies (Andersen and Bjørklund, 1990; Banting and Kymlicka, 2006).

Originally, the concept was used by political scientists Jorgen Andersen and Tor Bjørklund in their article on Progress Parties in Norway and Denmark (1990). The authors used the concept to describe the attitudinal political preference that welfare services should be restricted to “our own”. In order to explain the rise of these new rightist political parties in postindustrial societies, structural societal transitions had to be incorporated in the analytical framework. The Progress Parties developed a political discourse in which immigration was approached from the economic perspective of the redistribution of resources between “us and “them”. The rise of these parties should therefore not be understood as a flash and contingent protest, but instead as a more thorough reaction on the increasingly heterogeneous character of postindustrial societies, due to postwar mass migration.

3.2 Postwar European migration

Postwar European history of migration evolved in three phases, from temporary labor migration to family reunification and eventually permanent settlement.

Initially, as a result of postwar economic growth and the development of welfare state as such, industrial societies in Western Europe had to face consistent labor shortages and started recruiting temporary labor forces from Southern and Eastern European countries.

In particular, with the development of the welfare state, national workers started to refuse certain jobs and increasingly demanded high-quality labor conditions. The welfare state’s benefits contribute to the ability of workers to engineer the labour market shortages that are the immediate conditions that both favor and justify migration (Freeman 1998). The “guest worker-system” that arose had a temporary character and was meant to be a net

contribution to the welfare state. As workers, migrants contributed to the construction of welfare state by paying taxes but, as non-citizens, some expensive welfare provisions were not accessible for them. Since the system was expected to be temporary, unemployment was not regarded as a problem and work was the only legitimate reason for migrants to reside in a host country. If less jobs were available or when their ability to work was hindered by age or sickness, work permits would not be renewed and migrants would return to their home countries (Castles 1986).

In the wake of the 1973 oil crisis and the global recession that followed, stagnating economies caused unemployment rates to increase and most national welfare states decided to put an end to labor migration. Nevertheless, the prospect of “going home” was no longer feasible. First of all, most migrants had not achieved their economic goals of earning and saving money to return to their countries. Moreover, the economic situation worsened not only in the host country, but also in the migrants’ home countries.

Secondly, even though devoid of citizenship and therefore complete access to welfare provisions, at least their wage allowed them to have access to a set of social benefits and protections based on their rights and contributions as workers. So most migrants decided to stay in their host country since when needed, employment benefits were granted.

Gradually the temporariness of the migrant’s labor conditions developed in a more permanent perspective, in which the reunification of family members became a relevant issue. As the socio-demographic structure of the immigrant population changed, so did their access and demand of welfare provisions. Education and health care were gradually extended on a large scale to family members of migrants workers.

Finally, as migrant families resided in the host country, their communities became a more permanent part of the state population giving birth to the so-called ethnic minorities (Castles 1986).

3.3 Welfare chauvinism as a political discourse

The linkage between questions of migration and welfare has turned out to be highly appealing to social and political scientists. Since 1990 welfare chauvinism has made its entry in research concerned with public welfare support and public attitudes towards immigrants. How can public support for national welfare provisions be linked to assumptions about stricter boundaries of the welfare community?

Essentially, welfare chauvinism is concerned with the mechanism of boundary-drawing of the welfare community and the political discourse is focused on the tension

between inclusion and exclusion in the welfare state. The paradox consists of the combination of egalitarian views on the one hand and restrictive view pertaining to the deservingness of immigrants on the other (W. de Koster, P. Achterberg & J. van der Waal 2012).

Welfare chauvinism as a discourse concerns welfare state support as expressed in public attitudes towards policies of redistribution. Public support for welfare redistribution consists of different elements, in particular assumptions of solidarity and trust, national identity and criteria of deservingness. Welfare chauvinism is based on a specific interpretation of these assumptions.

First of all, in order to function the welfare state system demands some agreement about solidarity among members of the community. Solidarity is essential to found a welfare community because it provides mutual values upon which redistributive conditions can be founded (Parijs 2004). Briefly, a consensus on what is socially just is needed.

Another fundamental part of this agreement about redistribution is mutual trust, that is, contributors want to be sure when supporting welfare redistribution, that no-one can take advantage of the benefits without contributing to the system. In this line of reasoning, trust has to do with mutual expectations. When we live with others on terms of justice, we regulate our behavior by principles that require us to forgo advantages that we would have been able to grab in a free-for-all, in expectation that those others will practice similar restraint (Parijs 2004). It is the mutuality that conditions both solidarity and trust that has given rise to the assumption that homogeneity is very helpful in establishing welfare state support. On the contrary, heterogeneity is understood to threaten mutual identification since cultural and social diversity and hence immigration might challenge trust relations and consensus on social justice.

However, it is not diversity *per se* that leads to reduced welfare support, but trust may be reduced as a result of diversity and the reduced trust may be responsible for lower welfare state public support. Trust subtly slips between diversity as cause and welfare state as an effect (Crepaz 2008).

From the perspective of welfare chauvinism, support for the welfare state that is based on solidarity and trust might decline when non-members enter the community. The interesting question is whether both trust and solidarity require the sharing of a national identity in the normal sense, or whether a common loyalty to a set of political institutions may give a sufficiently strong sense of shared identity (Parijs 2004).

Furthermore, the question of shared national identity is implied in the discourse of welfare chauvinism. Western European states' sovereignty developed and consolidated in the nineteenth century by culturally excluding "outsiders". At the end of the century, the relation between states and their citizens intensified even more throughout social policies which bounded citizens to their state. Migration has been one of the first remarkable challenges to traditional state sovereignty and to the capacity of nation states to exclude. National welfare states have lost their nationality since membership of the nation state is no longer a prerequisite for membership of the redistributive system of welfare (Joppke 1999). This development is a clear background incentive to welfare chauvinism and to its political discourse.

Finally, from the argument of shared identity, usually stems the perception about deservingness. This perception is highly relevant when studying welfare chauvinistic attitudes. What do people regard as just rules of criteria for welfare redistribution? (van Oorschot 2000). Van Oorschot in his article on deservingness and the conditionality of solidarity has distinguished five criteria of deservingness.

First, is whether or not there is control over neediness, namely if a person can be held responsible for his or her economic situation. According to the perspective of welfare chauvinism, if an outsider that is able to work joins an existing national community but remains unemployed, he does not lack control over his neediness and therefore should not be supported by the welfare system.

Second, the intensity and the urgency of the need is perceived relevant. The question is whether, in a specific case, welfare state should be understood to be the humanitarian thing to do. It is the case of vulnerable social groups such as elderly, children and war refugees.

The question of identity is the third deservingness criterion. It is the feeling of distance between contributors and recipients which matters the most and that can affect attitudes for granting social rights to immigrants. If the feeling of belonging or of a shared identity is missing, this might result in an unwillingness to support needy people from ethnic minorities or foreign residents in general.

Fourth, the attitude of the recipients is relevant. Welfare chauvinists are worried that migrants misuse and exploit the national welfare system and their attitude is perceived as ungrateful and opportunistic. This argument is still strong and present in the welfare chauvinist discourse.

Last but not least, deservingness is above all a matter of reciprocity. Recipients of welfare provisions are judged by their past and future contribution and support to the welfare system. The arrears regarding the contributions of outsiders can therefore be easily used as an argument of exclusion by welfare chauvinists.

To conclude, it is clear that welfare state support at a discursive level is concerned with the motives of consensus upon solidarity, trust, a shared identity and several deservingness criteria. The discourse of welfare chauvinism as a welfare community's boundary-drawing approach, can hence be explained and criticized as a particular interpretation of these motives.

3.4 Welfare chauvinism's institutional framework

Welfare chauvinism is more than a current discourse or a short-living political attitude. The concept is not exclusively culturally rooted but it touches upon a socioeconomic argument about the future preservation of welfare provisions and institutions (Banting and Kymlicka 1995). Therefore, the discourse of welfare chauvinism concerns also the redistributive mechanisms of the welfare state as well as several political institutions that represent the welfare state. Its socioeconomic and political background refers to the development of these mechanisms and institutions as well as the dilemmas that accompanied them. Thus, welfare chauvinism as a discourse cannot be fully understood without analyzing this complex institutional background.

Three important institutional features have stimulated a welfare chauvinist discourse. First of all, is the system of redistribution and the question of universality. On what principle this redistribution is based? Conditionality on one hand, and universality on the other might provide an answer.

Conditional welfare provisions are mainly labor-related insurances. Benefits are based on the amount of contributions that has been paid as well as the former level of income. Social solidarity plays an indirect role in the extent that contributions can be used for the payment of benefits as long as the contributor himself is not in need of benefits. Conditional welfare provisions are often designed to appeal to the self interest of taxpayers and to notion of reciprocity by linking benefits to prior contributions.

This conditionality does not apply to universal welfare provisions, in which all citizens pay contributions according to their means, but benefits are the same for every citizen. This system of redistribution is supposed to function as a vertical redistributive mechanism (from

the rich to the poor). In this system social solidarity plays a direct and fundamental role because identification between the contributor and the beneficiary is a prerequisite since cultural diversity might undermine shared identities and the support and legitimacy of the universal welfare state (Banting and Kymlicka 1995).

Applied to welfare chauvinism, this implies that access for strangers to conditional welfare provisions should be far less problematic compared to their access to universal welfare provisions and that the welfare chauvinist attitude should be stronger in the political debates regarding universal welfare provision.

A second feature belonging to the institutional framework, is the tension between national welfare states and international economic communities. Nowadays national economies' boundaries are blurred and they are implied in a more global economic system of redistribution. In our globalized world people, goods and capitals can be freely transferred anywhere while welfare states remain close systems with clear boundaries. The openness of national economies enabled migrants to enter national welfare states which were in need for additional labor-force. However, this is the paradox, the exclusion of non-members is crucial for the legitimacy and basic functioning of a closed system like the welfare state (van der Zwaard 2014). In contrast with the European legislation which grants the free transfer of all EU citizens in all national labor markets in the EU, restrictive migration policies of certain national parties have therefore become controversial.

Ultimately, the institutional embedment of the national welfare state in the European community limits the discourse of welfare chauvinism in its actual latitude (Kremer 2013).

Finally, the welfare chauvinist discourse is closely related to the rise of a new political voice. The rise of the new rightist parties can be explained through the politicization of an anti-immigrant attitude combined with strong pro-welfare positions. New right voters fear the future of their social safety net due to the channeling of funds to immigrants who have not contributed to the system and so developed a welfare chauvinism (Kitschelt 1995). The rise of radical right and populist parties takes place in parallel with the decline of the social formation of the working class as the driving force behind social policies and the welfare state. It were the social democratic labor parties who took the lead in the construction of an extensive and inclusive system of redistribution. However, it was difficult for them to maintain both their inclusive attitude and their traditional popular electorate who started to feel threatened by the inclusion of immigrants as the new deserving poor.

The shift of the traditional social democratic electorate in the political party spectrum accounted for the rise and institutionalization of a new political voice, in which the welfare chauvinist discourse could get its public and political audience (van der Zwaard 2014).

In conclusion, welfare chauvinism is related to three institutional frameworks. First, it criticizes the universality of certain welfare benefits while it considers conditional welfare provisions less problematic. Second, it is clearly affected by international social and economic legislation. Last but not least, it has found its public in the form of new political parties.

3.5 Welfare chauvinism and globalization

The impact of globalization on national societies is dominated by two opposing narratives, the “civilizing/integrative globalization thesis” and the “destructive globalization/globalization as a threat thesis” (Kaya and Karakoç 2012).

The former understands globalization as a unifying and connecting force which links people across borders and fosters a sense of commonness. According to the *intergroup contact theory* (Allport, 1954; Pettigrew, 1998), increasing contact between members of different groups promotes mutual understanding and decreases biases against given out-groups. This would mean that increasing social globalization eventually weakens welfare chauvinism as cross-border contact and connectivity increases willingness to grant equal rights to newcomers. A few studies indicate a positive link between cross-border contact and attitudes towards ethnically and culturally different groups. For example, different forms of transnational cooperation between individuals are associated with greater openness and tolerance towards strangers (Mau 2008). According to others, higher levels of globalization at the macro-level are accompanied by higher average levels of individual trust in “outsiders” (Norris and Inglehart 2009). Finally, social globalization may positively affect public views toward solidarity and people’s readiness to help immigrants (Koster 2007).

The second narrative considers globalization as a destructive force due to higher levels of uncertainty, competition and instability introduced by the internationalization of national economies (Blossfeld 2010). The *Group conflict theory* (Meuleman et al., 2009; Olzak, 1992; Pichler, 2010; Quillian, 1995; Scheepers et al., 2002; Stephan and Stephan, 2000), suggests that prejudice and hostility towards foreigners and immigrants develop through group competition for scarce and valued social resources. Based on this theory, it can therefore be

assumed that factors generally associated with economic globalization such as increasing competition and higher levels of immigration, may cause higher levels of welfare chauvinism.

Furthermore, the effects of globalization can vary depending on the social strata. In fact, the process of globalization is deeply fragmented and tends to generate new disparities with certain segments of the population gaining and others bearing the social costs. Therefore, those who are negatively affected by globalization may be more welfare chauvinist. Empirical findings establish a solid class bias against foreigners amongst the working classes, leading to unwillingness to include new arrivals into the welfare benefit system than the higher classes (Mewes and Mau, 2012; Van Oorschot and Uunk, 2007). On the other hand, those with higher socio-economic statuses are less prone to negative experiences with intergroup contact than those with lower statuses. Moreover, while increasing economic openness might promote welfare chauvinism, low status groups in particular may feel that their economic standing is endangered by higher levels of international competition whereas more privileged socio-economic groups may feel more able to compete in the global market.

In short, welfare chauvinism may change according to the capacities of socio-economic groups to deal with the contingencies of global market. Economic globalization fosters welfare chauvinism particularly among lower socio-economic strata and less among higher status groups.

Having said that, recent studies on the relation between globalization and people's willingness to grant equal social rights to foreigners, seem to disconfirm that social or economic globalization affects exclusionary preferences towards immigrants (Mewes and Mau 2013). This would distinguish welfare chauvinism from anti-immigrant prejudice, since as previously debated, previous research establishes that economic globalization increases the latter.

However, these studies as well recognize that globalization may have a moderating role concerning the relation between the socio-economic status and support for welfare chauvinism, confirming that social globalization seems to be "civilizing" (Guillen 2001) particularly for those with high socio-economic status (Mewes and Mau 2013).

3.6 The “New Liberal Dilemma”

For some time now, public policy as well as social scientists are puzzled by the “New Liberal Dilemma” (Newton 2007). That is, in the present “Age of Migration” (Castles and Miller 2003), it is difficult to reconcile the integration of immigrants with finding popular support for welfare state programs that came into effect in times of cultural homogeneity.

In particular, in the aftermath of the worldwide financial and economic crisis, public opinion further polarized on the issue of migration, with rising success right-wing populist parties that fuelled debates on restricted welfare access to immigrants.

Despite the fact that citizens of foreign descent are more in need, nonetheless they are deemed by public opinion to be less deserving of benefits than the native born. Europeans perceive immigrants in a far less deserving light than other needy groups like the elderly, disabled persons and unemployed (Van Oorschot 2006). Concerning the relationship between immigration and welfare state, according to some authors, immigrants as a group have become the “new undeserving poor” of Western societies (Bommes and Geddes 2000). In general, people are more willing to provide support to people they can identify with, to people who helped them in the past, and to people who cannot be blamed for their neediness or have no personal control on their economic situation (Coughlin, 1980; De Swaan, 1988; Raijman et al., 2003; van Oorschot, 2006). Low perceived deservingness for immigrants is further compounded by concerns regarding: identity, as there is a cultural distance between native and immigrants; reciprocity, as immigrants are new residents of the host country and have not contributed much yet and finally control, as immigrants’ choice to emigrate from their origin country is often well-considered. For example, tolerance is higher towards political or humanitarian refugees, who fled their country to prevent prosecution or life threatening conditions, than towards economic immigrants (O’Rourke and Sinnott 2006). Therefore, refugees are accepted more easily as they have less control over their choice to emigrate than economic migrants.

Having said that, immigrants’ low level of perceived deservingness does not necessarily mean that the general public is against granting any welfare benefits to immigrants. We can distinguish between welfare chauvinism in the *soft sense*, which refers to a lower deservingness of immigrants compared to natives and welfare chauvinism in the *strict sense*, which refers to a desire to exclude immigrants from any welfare provision (Koning 2011). Studies of European opinions on social rights for immigrants show that a majority of people would agree to giving immigrants equal access to welfare provisions only after they

have acquired formal citizenship or have worked and paid taxes (Gorodzeisky and Semyonov, 2009; Mewes and Mau, 2012).

Further studies on welfare chauvinism analyze whether the conditioning criteria that people might apply to immigrants access to social welfare provisions originate from a broader perspective on social and redistributive justice. There is a continuing debate on the extent and meaning of social justice principles. In matters of welfare redistribution, three principles are seen as central: merit, need and equality (Konow 2003; Miller 2009).

The principle of merit says that making significant contributions to the welfare state by working and paying taxes should be rewarded in higher benefits in case of an occurring social risk. This principle is practically applied by organizing social protection through social insurances (Clasen and Van Oorschot, 2002) and it is the central redistributive principle in conservative welfare states (Arts and Gelissen, 2001; Esping-Andersen, 1990). Applied to social rights for immigrants, this principle requires that access to welfare provisions be earned by way of contribution to the welfare state. Therefore, a preference for the merit principle can positively be associated with granting immigrants access to social rights after they have worked and paid taxes for a certain period (Reeskens and van Oorschot 2012)

According to the principle of equality, regardless of how much one has contributed or how needy one is, all members of a group should be entitled to the same level and quality of welfare. Applied to social rights for immigrants, this principle is realized by providing citizenship-based flat-rate benefits as it happens in the universalistic Nordic social-democratic welfare states, which guarantee a high and equal standard of living to all citizens (Arts and Gelissen, 2001; Esping-Andersen, 1990). Although socially defined boundaries do not always overlap with legally defined boundaries (citizenship), the acquisition of citizenship status by migrants may signal a turning point leading to accepting them as new members of the perceived in-group. Consequently, a preference for the principle of equality is usually associated with granting immigrants access to social rights after they acquire citizenship (Reeskens and van Oorschot 2012).

The need principle states that only those who are in real need should be entitled to higher social benefits to prevent an accumulation of social risks, while others who are better off should provide for themselves. Means-tested benefits are used for the practical application of this principle which is central to the liberal type of welfare state (Arts and Gelissen, 2001; Esping-Andersen, 1990).

Nevertheless, there may be two contradictory perspectives for welfare distribution based on need. The first one is the perspective of enlightenment, altruism and civic responsibility which could prevail among all classes (d'Anjou et al., 1995; Tyran and Sausgruber, 2006). This perspective on need suggests that immigrant's social rights be granted immediately upon arrival, as immigrant groups are among the neediest social groups. The second perspective is based on self-interest by the have-nots who are the main target group for needs-based welfare provision. In fact, the have-nots, who are often in competition with immigrants, are prone to embrace the need criterion resulting more chauvinist when it comes to immigrants' access to social rights. Therefore, depending on the socio-economic status, the preference for the principle of need can be positively associated with a preference for high or insurmountable barriers for welfare provision to immigrants (Reeskens and van Oorschot 2012).

Furthermore, general ideas about welfare redistribution and immigrants are inevitably affected by country context. Realistic group conflict theory argue that intergroup hostility is the result of the salience of resource stress in the presence of a potentially competitive out-group (Esses 2001). In the context of welfare chauvinism this would mean that people are less willing to grant immigrants access to welfare provisions in contexts with a sizeable immigrant population, as this implies a larger potentially competitive group. Cultural diversity may thus moderate with a stronger or weaker influence the association between preferences for principles of welfare redistribution and welfare chauvinism (Reeskens and van Oorschot 2012). The relation between the principle of merit and opinions about immigrants' access to welfare are quite resistant to the influence of cultural diversity since merit's importance of economic duties towards welfare makes no appeal to group conflict. However, the association between preference for the equality principle and the preference for citizenship based social rights for immigrants is stronger.

Concerning the effect of cultural diversity on the relationship between the need principle and granting social rights for immigrants, the situation is again contradictory. In the case of the enlightened perspective, diversity strengthens the association between need and granting immigrants unconditional access to welfare benefits. On the contrary, if the preference for the need principle reflects self-interested of the have-nots and correlates with an exclusionary stance, diversity may positively affect the relation between the preference for the need principle and the one for high barriers to social rights for immigrants.

Recalling the results of the research conducted by T. Reeskens and W. van Oorschot in 2012 on the relation between general welfare redistribution preferences and welfare

chauvinism, most Europeans prefer a conditional access of immigrants to welfare provisions. About 40 percent of Europeans feel that immigrants should have access to social rights on the basis of reciprocity or merit (after having worked and paid taxes), while about 35 percent would give them access to welfare on the basis of achieving citizenship. Moreover, a minority of around 15 percent is in favor of an unconditional access (the enlightened perspective of the need principle) and a smaller minority of 7 percent is against access of immigrants to social rights under any condition.

The study shows that only a small fraction of Europeans wants to exclude immigrants for social welfare altogether, whereas the share of respondents who favor an unconditional access of immigrants to social welfare is rather small as well. In short, what emerges the most is that residents are willing to share their welfare but mostly on a *quid pro quo* basis. Reciprocity above altruism drives positive orientations towards immigrants' social rights.

The policy implications of these results are even more interesting. Basically, public policy should better appreciate the reciprocal nature of preferences towards welfare access of immigrants. First of all, policy makers could work to remove the barriers that immigrants are still confronted with when they want to enter the labor market, including their lack of language proficiency and adequate training from the supply side, and discrimination from the demand side of the market. In addition, they could introduce more elements of social insurance, with its logic of equivalence between contribution and benefit, so that immigrants would be able to visibly earn their entitlements. A strong reciprocity element seems to be an essential prerequisite for future social policies.

The “New Liberal Dilemma” heralds the following challenge for politicians: finding support for altruism and solidarity based on reciprocity in harmony with the new diverse face of advanced and industrialized societies (Reeskens and van Oorschot 2012).

“An egalitarian society can be built on the basis of policies consistent with strong reciprocity, along with a guarantee of an acceptable minimal living standard consistent with the widely documented motives of basic needs generosity” (Bowles S. and Gintis H. 2000; “Reciprocity, self-interest, and the welfare state”. *Nordic Journal of Political Economy* Vol.26, page. 33–53.)

Conclusion

One of the most politically debated issue, which is often wrongly perceived by the general public, is the access of immigrants to social welfare provisions.

In fact, according to a more universalistic and egalitarian approach, this is one of the domains where foreign citizens' rights are in danger, since they are likely to be discriminated and excluded from the access to welfare; on the contrary, according to a more conservative and stricter approach, which considers welfare as an exclusive right of native citizens and that we have been referring to as *welfare chauvinism*, access to welfare should be limited and reserved to natives especially during a period of economic hardship.

Nevertheless, as Robert Rowthorn (2008) from the University of Oxford pointed out, immigrants' fiscal impact (cost-benefit ratio on public expenditure) in the United States and Europe is negligible since it is always included in the range +/- 1% of national GDPs. The public expenditure that immigrants are responsible for at a local level on health, school and housing services is offset by national tax revenue.

Since immigration hardly accounts for more than 1% on public expenditure, it is hard to blame it either for the increase or the decrease of public expenditure in the past years in European countries. On the contrary, the only demographic process which continues to heavily affect the trend of public expenditure is the ageing of the population. It's not by chance that the health and the social security sector are the ones in which public expenditure increased the most with people over 65 years old, mostly native citizens, accounting in many countries for the 80% of health care costs.

Furthermore, we should bear in mind that the crisis has worsened above all the economic and working conditions of immigrants, which in most cases increased even more the gap with native families' social and economic conditions . Having said that, it is just not an option to send foreign workers who lost their job to the country of origin where future opportunities would be even less. At the same time, expecting from immigrants a regular job is not enough when a country's economic condition does not safeguard any citizen and more people find themselves dealing with an increasing precariousness. Instead, the long lasting economic crisis should lead to a reinforcement and extension of social security to all people, regardless of their citizenship or nationality, especially when people have to face long periods of exclusion from the labor market.

The austerity policies which have been implemented in the past years have significantly downsized the welfare state and had severe consequences on the retrenchment of social policy. It is therefore very clear that a break in current trends is vital, to put it mildly.

The solution is not to further limit the access of immigrants in favor of national citizens but to extend welfare provisions to all. In the perspective of the equality of opportunities, it becomes increasingly urgent to overcome a restrictive interpretation of the welfare state in favor of a new model of welfare based on the extensive cultural change occurred in the last decade. An innovative model of welfare state which we may call the “multiethnic welfare state”.

In conclusion, if Europeans are not willing to lose their welfare state to which they seem wholeheartedly attached, they must be willing to share it with new members in our new multiethnic and heterogeneous society.

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