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The Future of the Welfare State and Democracy: the Effects of Globalization from a European Perspective

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Introduction: the welfare state under global pressures

The post-war Keynesian welfare state in Europe was sustainable as long as post-war European economies were growing and were relatively closed; however, over the years, as entitlements grew ever bigger and coverage became ever more universal, the proportion of GDP spent on public services rose considerably. With economies becoming more open, the stagnation which started in the second half of the seventies in Europe, following the oil crisis, was perhaps the first symptom that the welfare system in the form designed for one period (the post-war reconstruction of Europe) might be not be working in a different period.¹ In 1960, the average expenditure on social payments was 7.5 percent of gross domestic product in the affluent countries of Western Europe, as compared to 6 percent being spent in the United States. Already by 1980, though, the average expenditure on social payments in Europe had doubled and reached a level of 14 percent of GDP, while the United States was spending only 9.75 percent. The differential between the USA and European countries was growing (Myles and Quadagno 2002: 34). As a result the social agenda of the eighties and nineties changed radically: after the policies of the golden age of expansion, European welfare states have been shaped by the (Paul Pierson's) "politics of austerity". Consequently, the rhetoric of a "crisis" in the welfare state has been with us since the 1970s. From the 1970s, various theorists have claimed a fiscal crisis, a crisis of government overload, a crisis of liberal democracy or, as Jürgen Habermas called it, a "crisis of legitimacy".²

Social scientists have divergent views about the causes of the current pressures on the welfare state; they agree on a single point though; we are facing the end of the welfare state as we know it. Let me quote here three diagnoses leading in a similar direction:

¹ As Gøsta Esping-Andersen, a leading world authority on the welfare state, put it recently, "most European social protection systems were constructed in an era with *a very different distribution and intensity of risks and needs* than exist today. ... The problem behind the new risk configuration is that it stems primarily from weakened families and poorly functioning labor markets. As a consequence, the welfare state is burdened with responsibilities for which it was not designed" (Esping-Andersen 2001, emphasis mine).

² For a wider picture of the nexus of globalization and the welfare state, see my book *The University and the State. A Study into Global Transformations* (Frankfurt a/Main and New York: Peter Lang, 2006).

The welfare state now faces a context of essentially permanent austerity. Changes in the global economy, the sharp slowdown in economic growth, the maturation of governmental commitments, and population aging all generate considerable fiscal stress. There is little reason to expect these pressures to diminish over the next few decades. If anything, they are likely to intensify (Pierson 2001: 411).

Throughout Europe, the dominant theme in contemporary social policy is the retreat of the welfare state. ... There is now general agreement that the bulk of the social legislation introduced in recent years is intended to reduce the role of the state in welfare. Policies that lead in the opposite direction play a subordinate role (Bonoli et al. 2000: 1).

For two reasons, the continued viability of the existing welfare state edifice is being questioned across all of Europe. The first is simply that the status quo will be difficult to sustain given adverse demographic or financial conditions. The second is that the same status quo appears increasingly out-of-date and ill suited to meet the great challenges ahead (Esping-Andersen et al. 2002: 4).

There is no major disagreement, broadly speaking, about the future of the welfare state in its current European postwar form: its foundations, for a variety of internal and external reasons and due to a variety of international and domestic pressures, are under siege today. Major differences are based on different explanations about what has been happening to the European welfare state since the mid-1970s until now, about different variations of restructuring in different European countries, and different degrees of emphasis concerning the scope of welfare state downsizing in particular countries in the future. The question debated today is not whether welfare retrenchment has come to be seen as necessary by the governments of most affluent Western democracies, international organizations (such as the OECD), global organizations and development agencies (such as the World Bank) and the European Commission; it is rather why.³ As Giuliano Bonoli and his colleagues argue, there are four main factors involved in the current pressures for the retrenchment of the welfare state. They are the following: globalization, an anti-taxation bias, a neo-liberal approach to political economy and the dilemma of “squaring the welfare circle”:

The four factors are, first globalization which imposes an international competitive logic which different nation-states cannot escape and which constrains national policies, particularly in relation to taxation and the labour market; secondly, the assumption of politicians and others that the public will not tolerate increases in taxes and social contributions to finance improvements in welfare; thirdly, the neo-liberal approach to political economy, now dominant in the assumptive worlds of policy-makers, which argues the priority of market freedom over welfare intervention; and fourthly, the dilemma of “squaring the welfare circle”, which confronts all welfare states. This refers to the way governments now *experience simultaneous and contradictory pressures from opposite directions*. Increases in the numbers of older people, rising demand for education and training, rising unemployment and the expectations of citizens that social progress will involve higher standards of service press for higher spending. At the same time, concern about the impact of globalization, the logic of liberalism and fears of tax revolt demand the contraction of provision (Bonoli et al. 2000: 2, emphasis mine).

European welfare states are confronting differing mixes of the above factors in different countries. Bonoli and his colleagues argue that in deciding how these conflicts are played out in different countries and how they are resolved, a crucial position is held by their respective

³ Although it has to be remembered that, as Martin Carnoy put it, “objective data in the economic, demographic and social spheres have greater or lesser impact as focus for welfare retrenchment according to the way they are politically interpreted and accepted in the country’s policy-making process” (Carnoy 1999: 153, emphasis mine).

institutional frameworks to a very large extent (including political institutions, the labor movement, business, finance and the voluntary sectors etc). As retrenchment is difficult to measure, the best way to gain insight into the transformations of the welfare state in recent years is to have a look at the legislative changes adopted in different countries and assess their likely implications for the coverage, level and quality of welfare provision. We need to bear in mind that social expenditure as a proportion of GDP did not decrease but continued to increase during the last decade, even though its rate of growth was considerably slower than in the previous two decades.

Bonoli's more general claims are parallel to those pronounced among the supporters of the idea of the "risk society", especially Ulrich Beck and his British colleagues. The most interesting feature of the new world as described by Bonoli is what he terms shifting the burden of uncertainty to the individual. The expansion of private provision means that individuals will be much more exposed to risks (Bonoli's example: the market performance of pension funds⁴). The level of security is lower, and the risk-protection is lower (Bonoli et al. 2000: 47–8). People's dependence on the market is increasing and the burden of social security is being taken off the shoulders of the state. Consequently, the trend is clearly towards the recommodification of society, meaning increasing people's dependence on market forces (and, let us add the complementary picture, towards the desocialization of the economy).⁵ The balance between state and market in meeting people's needs (so far met by public sector healthcare and pensions, and possibly including education) is shifting towards the market. This is, in Bonoli's terms, "the reversal of the tendency that dominated social policy-making during most of the post-war period" (Bonoli et al. 2000: 49).

In this context, I want to discuss the nexus of our understanding of globalization, the future of the welfare-state and the future of democracy as analyzed by Jürgen Habermas, perhaps the most famous living German philosopher, as the author of *The Postnational Constellation*; and Ulrich Beck, perhaps the most famous living German sociologist, as the author of several important recent books including *What Is Globalization?*, *The Brave New World of Work* and *The World Risk Society*.

The postwar welfare state, transnational economy, and changing historical constellations

⁴ See in this context the whole idea of multi-pillar pension schemes (consisting of 3 parts: a mandatory publicly-managed tax-financed pillar for redistribution, a mandatory privately-managed fully funded pillar for saving, and a voluntary pillar for people who want more protection for old age) as opposed to traditional "pay-as-you-go" systems. Pure multi-pillar systems only exist in a few countries (and Chile is the flagship example), while the number of countries with blended systems (PAYG and multi-pillar) is growing. Poland is an example of the successful implementation of a blended system. For an overall view see Louise Fox and Edward Palmer's paper on "New Approaches to Multi-Pillar Pension Systems: What in the World Is Going On?" (1999).

⁵ In the classic formulation of Esping-Andersen's *Three Worlds of Welfare Capitalism*, decommodification was the crucial phenomenon referred to in the Keynesian welfare state: "The outstanding criterion of social rights must be the degree to which they permit people to make their living standards *independent of pure market forces*. It is in this sense that social rights diminish citizens' status as commodities". And in a section on "rights and de-commodification" he claims that "in pre-capitalist societies, few workers were properly commodities in the sense that their survival was contingent upon the sale of their labor power. It is as markets become universal and hegemonic that the welfare of individuals comes to depend entirely on the cash nexus. Stripping society of the institutional layers that guaranteed social reproduction outside the labor contract meant that people were commodified. In turn, the introduction of modern social rights implies a loosening of the pure commodity status. *De-commodification 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: 3, 21–22, emphasis mine).

In Jürgen Habermas' view, globalization heralds the end of the dominance of the nation-state as a model of political organization. It fundamentally challenges the relevance of the nation-state – but at the same time, there seems to be no guarantee that the nation-state will be replaced by anything *better*, as Max Pensky comments in his introduction to *The Postnational Constellation. Political Essays*. The problem we will all face in the 21st century is the following: “can democracies based on social welfare survive beyond national borders?”. The answer is a federalist, socially and economically effective European Union (Habermas 2001b: xix). In these essays, Habermas also refers to the “end” and the “revocation” of the welfare-state compromise of the postwar period in Europe as a defining feature of the new situation in affluent Western European democracies. He summarizes past options open to the welfare state in the following way:

In the mixed economies of the West, states had a considerable portion of the domestic product at their disposal, and could therefore use transfer payments, subsidies, and effective policies in the areas of infrastructure, employment and social security. They were able to exert a definite influence on the overall conditions of production and distribution with the goal of maintaining growth, stable prices, and full employment. In other words, by applying growth-stimulating measures on the one side, and social policies on the other, *the regulatory state could simultaneously stimulate the economy and guarantee social integration* (Habermas 2001b: 50, emphasis mine).

The golden era of the Western European Keynesian welfare state is certainly over though, and nation-states have fewer and fewer policy options open to them, Habermas claims; there can be no discussion with the data and its interpretation. Habermas, with respect to the future of the current welfare state, is in agreement with Anthony Giddens and Ulrich Beck, Scott Lash and Zygmunt Bauman as well as many other contemporary social thinkers. He has no hesitations when he makes the point that “the welfare state mass democracies on the Western model now face the end of a 200-year developmental process that began with the revolutionary birth of modern nation-states” (Habermas 2001b: 60). The idea of the welfare state has so far been realized only in the framework of the nation-state, but the nation-state is reaching “the limits of its capacities” in the changed context defined by global society and the global economy, as he argues in a paper “Crossing Globalization’s Valley of Tears” (Habermas 2000: 51).

Traditionally, and especially in the postwar period, the state, society and the economy were co-extensive within *national* boundaries. He dubs the new reality and the radically new historical configuration the *postnational constellation* which justifies the development of a new “postnational” political project accompanied by a transition to a new cosmopolitan law.⁶ Generally, Habermas’ political project presented in *The Postnational Constellation* encompasses the idea that globalization can only be mastered by delegating state prerogatives to a regional supranational organization, in the case of Europe – to the EU (see Giesen 2004: 8ff). His diagnosis is the following: “the phenomena of the territorial state, the nation, and a popular economy constituted within national borders formed a historical constellation in which the democratic process assumed a more or less convincing institutional form”. What is happening today is that developments summarized under the

⁶ For a strong criticism of Habermas’ stance towards globalization, see Klaus-Gerd Giesen’s “The Post-National Constellation: Habermas and the ‘Second Modernity’” (Giesen 2004). His conception of the cosmopolitan law is “fundamentally anti-democratic”. Commenting on recent works by Habermas, Giddens, and Beck, he argues that “the political transition towards cosmopolitan law proposed by Habermas corresponds exactly to the move into a second modernity, a ‘postnational age’ of world governance. If the new Habermas finds enough allies, we should perhaps resign ourselves to living in an age when intellectuals of all persuasions back down one after another in the face of the demands of the strong. After the Age of Reason, it would seem ... we are now well into the Age of Abdication” (Giesen 2004: 6, 13). Strong words indeed.

rubric “globalization” *have put this entire constellation into question* (Habermas 2001b: 60). The postnational constellation is bringing to an end a situation in which politics and the legal system intermeshed with economic cycles and national traditions within the boundaries of nation-states (Habermas 2000: 52). The dilemma national governments face today derives from the zero-sum game into which they have been forced and it is described by Habermas in the following manner: necessary *economic* objectives can be reached only at the expense of *social* and *political* objectives. The dilemma is elaborated in the form of two theses:

First, the economic problems besetting affluent societies can be explained by a structural transformation of the world economic system, a transformation characterized by the term “globalization”. Second, this transformation so *radically reduces nation-states’* capacity for action that the options remaining open to them are *not sufficient to shield their populations from the undesired social and political consequences of a transnational economy* (Habermas 2001b: 51, emphases mine).

Habermas fully acknowledges the significance of the impact of current global transformations on the traditional European welfare state models and on the growing incapacity of national governments to conduct national policies, traditionally ascribed to nation-states. His conclusions are clear-cut and reflect a deeply historical perspective from observing the last half a century in Europe:

no matter how one looks at it, the globalization of the economy destroys a historical constellation that made the welfare state compromise *temporarily* possible. Even if this compromise was never the ideal solution for a problem inherent within capitalism itself, it nevertheless *held capitalism’s social costs within tolerable limits* (Habermas 2001b: 52, emphases mine).

What must be especially hard to acknowledge for such a universalistically-minded social philosopher as Habermas is the *contingency* of post-war European social developments (which, incidentally, brings him very close to the general philosophical principles of Richard Rorty among which the notion of contingency plays a crucial role, see Kwiek 2004a, 2003b). It was Gøsta Esping-Andersen who made the excellent point that *the contemporary welfare state addresses a past social order* (Esping Andersen 1996: 9). There was no historical necessity for the appearance and evolution of the European welfare state in the way it actually appeared and evolved; it merely *happened* due to unexpected historical circumstances and most Europeans have already forgotten that these circumstance were related to a particular place and time: the social, political and economic circumstances following the second world war.⁷ Habermas thus presents in his essays a historical and political narrative with a beginning (the emergence of the postwar “national constellation” which gave rise to the development of the Keynesian welfare state in Europe) and an end (the emergence of the current,

⁷ These unusual circumstances in the decades following the second world war – in Fritz Scharpf’s formulation in “Globalization and the Welfare State. Constraints, Challenges and Vulnerabilities” – included the conditions “in which *the nation state was able to exercise a historically exceptional degree of control over its own economic boundaries*. As governments were able to regulate capital movements, to determine exchange rates, and to adjust tariffs to imports, external economic factors had little or no influence on domestic policy choices” (Scharpf 2000b: 1, emphasis mine). Currently, even under the liberal regimes of the WTO, governments have not abdicated their capacity for border control and the freedom of world trade is still constrained. It is different in the European Union where legal and administrative restrictions against the free movement of goods and capital have been completely removed. As Scharpf comments, “as a consequence, the capacity of national governments to protect domestic firms against competitors producing under different regulatory regimes abroad has been eliminated, and their capacity to tax and to regulate domestic capital and business firms is now limited by the fear of capital flight and the relocation of production” (Scharpf 1996: 6).

globalization-related “postnational constellation” in which the traditional form of the welfare state is being questioned). Let me quote him here *in extenso*:

In some *privileged regions of the world*, and under *the favorable conditions of the postwar period*, the nation-state ... succeeded in transforming itself into a social welfare state by regulating the national economy without interfering with its self-correcting mechanisms. But this successful combination is menaced by a global economy that now increasingly escapes the control of a regulatory state. Obviously, welfare-state functions can be maintained at their previous level only if they are transferred from the nation-state to larger political entities which could manage to keep pace with a transnational economy (Habermas 2001b: 52, emphasis mine).

Globalization as denationalization – and Europe as a historical project

The possible solution to social problems, both for Habermas and for Ulrich Beck, lies in the integrated Europe of the future – that is, at the level of the supranational authorities of a federal European state (“the European Union as the initial form for a postnational democracy” in the case of Habermas, or as Beck formulates his argument, “without Europe there can be no response to globalization ... There is no national way out of the global trap”⁸). The application of corrective measures to markets and the setting up of redistributive regulatory mechanisms under globalization pressures is possible, Habermas argues, only if the European Union evolves beyond its current form of an interstate alliance towards a “true federation”, (Habermas 2000: 55). It is also interesting to refer Habermas’ “privileged regions of the world” and “favorable conditions” to the postcommunist transition countries of Central and Eastern Europe today. From a historical perspective, the issue is quite clear: neither the so called “European social model” nor any of the European “welfare state regimes” (Esping-Andersen) available today are valid in most transition countries in question, at least in the full forms discussed or enacted in the West in the postwar period.⁹ From a global perspective, the emergence of fully-fledged Continental welfare states there looks merely out of the question. Most new Central and East European EU entrants do not fit any of the three Esping-Andersen welfare state regimes – neither the liberal, nor the social democratic, nor the continental; the closest in the future is probably the liberal regime as it appears in Australia, Canada, New Zealand, the USA and the UK).¹⁰ Habermas is very well aware that the economic expectations of the European population towards the newly enlarged European Union, especially of new EU members, cannot suffice;

⁸ In the context of Robert B. Reich’s *The Work of Nations* (1992), the idea of trust and solidarity between different segments of the population of the nation-state as expressed in the metaphor of being in the same common national boat called the national economy seems endangered too. The emergent transnational capitalist class [TCC] as analyzed recently by Leslie Sklair seems to have different loyalties and follow values other than national; as Sklair argues, TCC “is domiciled in and identified with no particular country but, on the contrary, is identified with the global capitalist system” (Sklair 2001: 10). EU bureaucrats might be another interesting research topic in this context.

⁹ I am in full agreement with Zsuzsa Ferge that in the transition countries there is no unique label for emergent welfare systems (except perhaps in terms of their neo-liberal nature) but they share one feature: “the *absence* of a project for a welfare system which would significantly mitigate the costs of the transition in the short run, and would promote the emancipatory dimension of social policy as well as the formation of an integrated society in the long run” (Ferge 2001: 131). Poland, with its unemployment rate reaching 18 percent in recent years, is a good example. The argument of social Darwinists would perhaps be that this is exactly the (necessary) cost for an otherwise mostly quite successful transition away from a command-driven economy.

¹⁰ Guy Standing in analyzing welfare transitions in CEE countries notes that underlying the debates has been the most basic dilemma: “how to provide greater social protection for the growing number of people in need, while cutting back on total social expenditure because of actual or perceived resource constraints” (Standing 1996: 225).

what is required is the “legitimation of shared values”, as he explains in a paper “Why Europe Needs a Constitution”. During the third quarter of the last century, citizens of Western Europe were fortunate to develop a “distinctive form of life” based on “a glittering material infrastructure”. Today, under globalization, they are prepared to defend the core of a welfare state in a society oriented towards social, political and cultural inclusion (Habermas 2001a: 8–9). The general thesis of “The Postnational Constellation and the Future of Democracy” is reformulated in the paper on the European Constitution:

The question therefore is: can any of our small or medium, *entangled and accommodating* nation-states preserve a separate capacity to escape enforced assimilation to the social model now imposed by the predominant global economic regime? (Habermas 2001a: 11).

The answer to the last question is certainly in the negative, and hence the growing significance of the European project for Habermas. For Habermas, the most significant dimension of globalization is *economic* (Habermas 2001b: 66). The main questions he asks are which aspects of globalization could degrade the capacity for democratic self-steering within a national society and are there any “functional equivalents” at the supranational level for deficits that emerge at the nation-state level. The conventional model of the state is less and less appropriate to the current situation.

The global age introduces a new quality; to quote two memorable phrases Habermas used, “power can be democratized; money cannot” and “money replaces power” (Habermas 2001b: 78). Under the pressure of globalizing markets national governments lose their capacity to influence economic cycles, so there remains little room for the effective exercise of legitimized domestic policy.

As markets become increasingly more important than politics, the nation state increasingly loses its capacity to raise taxes and stimulate growth, and with it the ability “to secure the essential foundations of its own legitimacy” (Habermas 2001b: 79). “Denationalization” forces societies constituted as nation states to “open” themselves up to an economically-driven world society. Nation-states seem to be losing both their capacity for action and the stability of their collective identities, and hence fears about the disempowering effects of globalization are far from unjustified. The fading away of the “national constellation” brings to the life far-reaching consequences for the Keynesian model of the welfare state – the “compromise” reached after the second world war is over, and so may be the taming of capitalism brought about by the historical circumstances of that period. European states no longer have the necessary resources for the continuation of the traditional European welfare state model, and with globalization forces in operation, the old problem of how to combine the self-regulating nature of markets with the social dimension, especially the changing patterns in the distribution of the gross national product, has reappeared. And in a European context, whenever we mention the welfare state, we also have to mean public higher education and its traditional postwar modes of functioning. The possible reformulation of the welfare state – possibly different in different European economies, or according to some common European guidelines currently being tentatively worked out by the European Commission – are bound to lead to new conceptualizations of how our universities are going to be functioning in changing social and economic realities.

Globalization and the second, postnational modernity

In the most general terms, in thinking of radical transformations of contemporary society, a number of key sociological and philosophical concepts have been evoked over the last two decades and even from slightly earlier: the “postindustrial society” as developed for the first time by Daniel Bell; “postmodernity” as developed by Jean-François Lyotard, “postmodernity” and “liquid modernity” as elaborated by Zygmunt Bauman; “late modernity” as presented by Anthony Giddens; the “postnational constellation” as elaborated in Jürgen Habermas’ political

essays; “cosmopolitan democracy” as viewed by David Held; the “network society” from the Manuel Castells’ famous trilogy on *The Information Age*; as well as “post-Fordism”, “post-Taylorism”, “post work” society etc. Also the emergent “knowledge society” and “knowledge economy” are accompanying concepts from the international and transnational discourses on the current economic and political changes in the developed world, especially as conceptualized by the reports from the OECD and the European Commission. They usually emphasize different aspects of the rapidly changing social reality; all of them testify, though, to a sense of *substantial* social transformations, in some cases also a sense of a *radical* rupture with the past. In the case of Ulrich Beck, the key concepts relating to the present are the “risk society” and the “second, postnational modernity”.

For Beck, it is the processes of globalization that define our current social reality. In the paradigm of the second modernity, Beck argues, “globalization is no longer understood as external and additive, but replaces the ‘container image’ of society and the state. It designates a transnational, despatialized power game whose rules and boundaries, paradoxes and dilemmas, first have to be deciphered” (Beck 2000b: 28–29). There is a far-reaching parallelism between the social diagnoses with respect to globalization presented by Ulrich Beck and Jürgen Habermas, even though it will be useful to see the differences between them too. The key themes from Beck’s recent writings of major interest to us here are the following: the passage from the first, *national*, to the second, *postnational*, modernity; the passage from the work society to the risk society (*Risikogesellschaft*); general uncertainty, insecurity, and unclarity of individual and collective futures¹¹; the first, industrial modernization and the second, reflexive modernization; the end of a historical bond between capitalism, the welfare state and democracy; the future of political freedom and democracy in a post-work European society; democracy as work-democracy – the material security of citizens vs. their political freedom; the interplay of transnational and national dimensions of the social; the future of social justice in an age of globality; and certainly the future of European welfare states. All of them are very closely interrelated and together form a coherent sociological and political account of current realities.

Beck in his analyses moves back and forth between the results of empirically-based studies combined with international data and high-level theoretical sociological conclusions (calling his genre of writing “visionary non-fiction”, Beck 2000a: 8). It is very interesting to see how the two planes reinforce each other and make his claims intellectually convincing. Generally speaking, what is crucial for us here is his emphasis on the *radicalism* of current social transformations in his analyses: in brief, and simplifying his views to the extreme, the picture of society is changing dramatically right before our eyes; the globalization processes are irreversible; the welfare state cannot be revived on a national level (although it might be revived on a regional, European level); the work society based on the territorial nation-states in which we are used to living is right now breaking apart; the social contract between capitalism, the welfare state and democracy is broken¹²; we are living in a world of *endemic*

¹¹ John Gray in his *False Dawn. The Delusions of Global Capitalism* argues that not only individuals but also nation-states must now act “in a world in which all options are uncertain. ... National governments find themselves in environments *not merely of risks but of radical uncertainty*. In economic theory, risk means a situation in which the costs of various actions can be known with reasonable probability, while uncertainty is a situation in which such probabilities cannot be known. ... Governments are in a situation in which even the span of options that is available to them is uncertain. This continuing radical uncertainty is the most disabling constraint on the power of sovereign states” (Gray 1998: 75, emphasis mine).

¹² Assar Lindbeck rightly claims in “The End of the Middle Way? The Large Welfare States in Europe. Hazardous Welfare-State Dynamics” that reforming the welfare state is bound to create serious problems for the population, “as welfare-state entitlements may be regarded as long-term contracts between the government and the citizens. A 60-year-old who is told that the government cannot live up to its earlier promises of sick payments, unemployment benefits, or pensions will find it

insecurity; and finally there is no way to avoid the emergent *risk society* (whose defining feature is not so much the increased amount of risk but rather the changed nature of uncertainty). All the above processes go hand in hand with, and are direct consequences of, the process of industrial modernization (Esping-Andersen in his report on “Towards a Welfare State for the XXI Century” describes the Gordian Knot we are facing in the following way: “how to sustain Europe’s normative commitments to social justice while aspiring to be a truly competitive force in the evolving knowledge economy”, Esping-Andersen 2002: 1). The major force at work is globalization. Consequently, the picture of the current social reality is very radical indeed and this reality requires a new conceptual framework to be analyzed; in a strong formulation it is the following:

A new kind of capitalism, a new kind of economy, a new kind of global order, a new kind of society and a new kind of personal life are coming into being, all of which differ from earlier phases of social development. Thus, sociologically and politically, *we need a paradigm-shift, a new frame of reference*. This is not “postmodernity” but a second modernity, and the task that faces us is to reform sociology so that it can provide a new framework of for the reinvention of society and politics (Beck 1999a: 2, emphasis mine).

Nothing in the social sphere remains intact at the turn of the 21st century, the world is radically and substantially different. Nothing will be the same, Beck claims. The “second modernity” is a “magical password” that will “open the door to new conceptual landscapes”:

At the same time, the whole conceptual world of national sovereignty is fading away – a world that includes the taming of capitalism in Europe by the postwar welfare state (Beck 2000b: 17).

Beck never uses catastrophic overtones with reference to the interrelated processes of globalization which he sees as unintended but irreversible, harsh but inherent in the development of the world of the first modernity which is now breaking apart. As he puts it dramatically, in the transition from the first to the second modernity, we are dealing with a “fundamental transformation, a paradigm shift, a departure into the unknown world of globality, but not with a ‘catastrophe’ or ‘crisis’, if the concept of crisis means that we could return to the status quo ante by taking the ‘right’ (= usual) measures” (Beck 2000a: 123). (It is important to note that Beck is never a pessimistic visionary who presents a gloomy picture of the new, hostile and hard to understand reality. The theoretical underpinning of his recent books was developed almost two decades ago and presented for the first time in *Risikogesellschaft. Auf dem Weg in eine andere Moderne* in 1986; at that time, in a significant part of his social criticism, the clue to understanding the changing world was provided by the vague concept of “postmodernity”, with globalization slowly emerging as the major theoretical concept of the 1990s). Beck in his attempts to revitalize sociological thinking traditionally embedded in the ideas of the nation-state calls for the renegotiation of the basis of the first modernity.

The passage from the work society to the risk society?

Globalization in Beck’s account calls into question a basic premise of the first modernity according to which the “contours of society largely coincide with those of the national state”. It is not only new connections and interconnections which come into being: “much more far-reaching is the breakdown of the basic assumptions whereby societies and states have been conceived, organized, and experienced as *territorial units separated from one another*” (Beck

difficult to relive his life for the purpose of saving and buying annuities for himself! Thus, welfare-state policies not only mitigate market risks, but may also create new types of risks in the form of unpredictable changes in politically determined rules...” (Lindbeck 1995: 13–14).

2000a: 21). What is the common denominator for the various dimensions of globalization and what does the changing sense of borders mean for social players today:

One constant feature is the overturning of the central premise of the first modernity: namely, the idea that *we live and act in the self-enclosed spaces of national states and their respective national societies*. Globalization means that borders become markedly less relevant to everyday behaviour in the various dimensions of economics, information, ecology, technology, cross-cultural conflict and civil society (Beck 2000a: 20).

Beck's concept of "reflexive modernization" developed for the first time in his *Risikogesellschaft* book of 1986, puts an emphasis on the self-transformation and opening-up of the first, national modernity. What these largely unintended and unforeseen processes signal is a change to the whole of society, a change affecting the "foundations of whole modern societies" (Beck 2000b: 19). "Reflexive modernization" means the possibility of a creative (self-) destruction for an entire epoch: for the epoch of the industrial society. "The 'subject' of this creative destruction is not the revolution, not the crisis, but the victory of Western modernization" (Beck 1994: 2; see also Giddens' magisterial *Consequences of Modernity*, 1990). It is a radicalization of modernity which breaks up the premises and contours of industrial society and opens paths to "another modernity" (Beck 1994: 3). Modernization annihilates the contours of the industrial society and gives birth to a new historical being (Beck 2002: 17). The end of the cold war brought about the political renaissance of Europe but it has not contributed to the revival of Europe's ideas, leading rather to "a general paralysis" (Beck 1999a: 24). In answer to the general agreement of pessimism and optimism that there is only one shape to modernity, that of industrial society (consumer society accompanied by democracy), the theory of reflexive modernization answers: "many modernities are possible" (Beck 1994: 24).

In the paradigm of the first modernity, globalization is interpreted through the lenses of the "territorial" state, politics, society and culture; in the paradigm of the second modernity, though, globalization changes the relationship between and beyond the nation-states as well as the inner "quality" of the social itself. The very principle of territoriality becomes questionable in an age of globality. From this perspective, the core of globalization is the "deterritorialization of the social". Consequently, in the second modernity:

A territorially fixed image of the social, which for two centuries has captivated and inspired the political, cultural and scientific imagination, is in the course of breaking up. Corresponding to global capitalism is a process of cultural and political globalization which transcends territoriality, as the ordering principle of society (Beck 2000b: 26–27).

The meaning of this deterritorialization (or despatialization) of the social and the political, Beck argues, can be best illustrated by the example of the future of work. Our work society is becoming a risk society, and accompanying concepts in the academic and public debates are e.g. "post-industrialism", "post-Fordism", "post-Taylorism" or "neo-Fordism". In the second modernity, the risk regime prevails in every field: "economy, society, polity. Here the appropriate distinction is therefore not between an industrial and post-industrial or Fordist and post-Fordist economy, but between the *securities, certainties and clearly defined boundaries* of the first modernity, and the *insecurities, uncertainties and loss of boundaries* in the second modernity" (Beck 2000b: 70). The possible consequence of the free-market utopia is what he calls in *The Brave New World of Work* the "Brazilianization of the West" (Beck 2000b) or the "Brazilianization of Europe" in *What Is Globalization?* (Beck 2000a: 161). The general description of similarities highlights the diversity and insecurity in people's work and life.¹³

¹³ "Insecurity" becomes one of the defining features of both living and working in a post-welfare environment; as Geoffrey Garrett claims, "perhaps the most important effect of globalization is the

Beck draws parallels between the changing European work environment and the current realities in Brazil where

Those who depend upon a wage or salary in full-time work represent only a minority of the economically active population; the majority earn their living in more precarious conditions. People are travelling vendors, small retailers or craftworkers, offer all kinds of personal service, or shuttle back and forth between different fields of activity, forms of employment and training (Beck 2000b: 1–2).

What Beck calls “nomadic ‘multi-activity’” is a rapidly spreading variant in late work-societies where attractive and well-paid full-time employment is on its way out (Beck 2000b: 2). Consequently, insecurity prevails in almost all positions within society in the West today.¹⁴ Global capitalism in Beck’s description is doing away with work and unemployment is no longer a *marginal* fate: it affects everyone as well as our very “democratic way of life” (Beck 2000a: 58).¹⁵ Consequently, Beck’s question is how democracy will be possible when the full-employment society is over, or is there a chance for political freedom and democracy *without* material security: in short, “how democracy will be possible without the securities of the work society” (Beck 2000a: 63).

An exclusively profit-driven capitalism that excludes from consideration employees rights, the welfare state and democracy, is a capitalism that undermines its own legitimacy, Beck argues: “the neoliberal utopia is a kind of democratic illiteracy. For the market is not its own justification; it is an economic form viable only in interplay with material security, social rights and democracy, and hence with the democratic state. To gamble everything on the free market is to destroy, along with democracy, that whole economic mode” (Beck 2000b: 4).

Beck proposes a workable antithesis to the work society of the past: a society of *active citizens* – which is “no longer fixed within the container of the national state” and whose activities are organized both locally and across frontiers – can develop answers to the new challenges of individualization, globalization, falling employment and ecological crisis (Beck 2000b: 5). The antithesis to the work society is going to be a multi-active society; the self-active, self-aware, political civil society.

A broken historical bond between capitalism, the welfare state, and democracy?

What is especially interesting is Beck’s strongly formulated thesis about the *broken historical bond* today between capitalism, the welfare state, and democracy (that parallels the end of John Gerard Ruggie’s postwar “embedded liberalism compromise”).¹⁶ As Beck formulates

increase of social dislocations of economic insecurity, as distribution of incomes and jobs across firms and industries becomes increasingly unstable. The result is that *increasing numbers of people have to spend ever more time and money trying to make their future more secure*” (quoted in Iversen 2001, emphasis mine).

¹⁴ What may emerge is what Will Hutton called “the 30/30/40 society” in his “High-Risk Strategy” paper where he describes the emergence of a new stratification of British society, “there is a bottom 30 percent of unemployed and economically inactive who are marginalized; another 30 percent who, while in work, are in forms of employment that are structurally insecure; and there are only 40 percent who can count themselves as holding tenured jobs which allow them to regard their income prospects with certainty” (Hutton 2000: 337).

¹⁵ Esping-Andersen summarizes the difference: “The standard production worker and the low-skilled could by and large count on a decently paid and secured job in the welfare capitalist era. This is unlikely to be the case in the twenty-first century” (Esping-Andersen et al. 2002: 3).

¹⁶ To recall briefly Ruggie’s idea: “the extraordinary success of postwar international economic liberalization hinged on a compact between state and society to mediate its deleterious domestic effects” (Ruggie 1997: 1), which is what he earlier called the “embedded liberalism compromises” in 1982 (see Ruggie 1982).

the point, if global capitalism dissolves the core values of the work society, a historical link between capitalism, the welfare state and democracy will break apart. As he argues, democracy in Europe and North America came into the world as *labor democracy*: it rested upon paid employment. Employment breathed life into political rights and freedoms:

paid labour has always underpinned not only private but also political existence. What is at issue today, then, is not “only” the millions of unemployed, nor only the future of the welfare state, the struggle against poverty, or the possibility of greater social justice. *Everything we have is at stake. Political freedom and democracy in Europe are at stake* (Beck 2000a: 62, emphasis mine).

The association of capitalism with basic political, social and economic rights, in Beck’s view, is not “‘some favour’ to be dispensed with when money gets tight”. Rather, such a socially-buffered capitalism was an answer to the experiences of fascism and the challenges of communism, as Karl Polanyi argued for the first time in *The Great Transformation*. Therefore, without material security there is no political freedom and no democracy (Beck 2000a: 62–63).¹⁷

Though in Ancient Greece and Rome, freedom was (among other things) freedom from work, in modern times the citizen was conceived as *a working citizen* (apart from the fact that he was also a citizen of the nation-state). The idea of democracy came into the world as a “work-democracy”; consequently, the issue now is not only chronic unemployment, nor the fate of the welfare state, but also “the future of political freedom and democracy in Europe” (Beck 2000b: 13).

Beck acknowledges the significance of the collapse of communism in Eastern Europe in 1989. This historical phenomenon as seen by those political scientists and sociologists who are dealing with the advent of globalization and the collapse of the welfare state requires separate attention; suffice it to say here, though, that Beck (like e.g. Zygmunt Bauman or Ramesh Mishra) draws a significant connection between 1989, capitalism, democracy and the welfare state. After 1989, Beck argues, basic aspects of the capitalist mode that were covered up in postwar Western welfare capitalism have emerged in a “sharper form” (Beck 2000a: 96).

Most our social institutions are being currently reinvented, beginning with the institution of the state (from “managerial” to “minimalist” to “effective”) but the idea of new social contracts is still open. Somehow the plane of thinking about social contracts became altered – from national, confined to single nation-states, to regional if not global (and the EU is a good example here). Consequently, the social sciences may need to substantially revise their fundamental premises and reorient their thinking; sociology, for instance, has traditionally – in today’s, retrospective view – been merely a sociology of the first modernity focused mostly, if not exclusively, on the nation-state. As Beck comments, “beyond all their differences, such theorists as Emile Durkheim, Max Weber and even Karl Marx shared a territorial definition of modern society, and thus a model of society centred on the national state, which has today been shaken by globality and globalization” (Beck 2000a: 24).

Beck’s political economy of insecurity or his “political economy of world risk society” can be outlined in five points. First, the new power game is acted out between “territorially fixed” political players and “non-territorially fixed” economic players (i.e. between governments, parliaments, trade unions – and capital, finance markets and commerce). Second, the room for maneuver of individual states is limited to the dilemma of either paying

¹⁷ As Anthony McGrew formulated the point: “For if state sovereignty is no longer conceived as indivisible but shared with international agencies; if states no longer have control over their national territories; and if territorial and political boundaries are increasingly permeable, *the core principles of democratic liberty* – that is self-governance, the demos, consent, representation, and popular sovereignty – *are made distinctly problematic*” (McGrew 1997: 12, emphasis mine).

with higher unemployment for decreasing poverty rates (as in most European countries) or accepting more poverty in exchange for less unemployment (as in the United States). Three, the work society is coming to an end. Consequently, there are no more “jobs for life” and rising unemployment is due to the success of technologically advanced capitalism. Four, we are currently experiencing what he terms a “domino effect”, and finally, five, “labor market flexibility” has become a political mantra. What is especially important for us here is the more general conclusion that “flexibility also means a redistribution of risks *away from the state and the economy towards the individual*”. What is evident is one future trend: “endemic insecurity” for a majority of people (Beck 2000b: 2–3, emphasis mine).

Beck argues that the social consequences of globalization touch on the very *substance of freedom and democracy*. Between political freedom and the new political economy of risk and uncertainty there is “a basic contradiction” (Beck 1999a: 12). Globalization will make possible things which remained hidden during the stage of the welfare-democratic “taming” of capitalism. Global corporations are playing a key role “in shaping not only the economy but society as a whole” (Beck 2000a: 2). Transnational corporations have launched an attack upon the *material* lifelines of modern national societies (Beck 2000a: 3). Transnational corporations are bidding farewell to the nation-state and refusing further loyalty to it: “As the national framework loses its binding force, the winners and the losers of globalization cease to sit at the same table. The new rich no longer ‘need’ the new poor” (Beck 2000a: 7).

While transnational corporations are growing in number and diversity, what is decisive about them is that, in the course of globalization, they are able to play off nation-states against one another. Beck argues that looked at from outside, everything has remained as it was: companies produce, hire and fire, pay taxes. The crucial point, however, is that they “*no longer do this under rules of the game defined by national states*, but continue to play the old game while nullifying and redefining those rules. It thus only *appears* to be a question of the old game of labour and capital, state and unions. For while one player continues to play the game within the framework of the national state, the other is already playing within the framework of world society” (Beck 2000a: 64–65, emphasis mine). The social consequences are stark. What has been re-emerging and growing sharper is the “conflictual logic of the capitalist zero-sum game” (Beck 2000a: 7).

Globalization, the desocialization of the economic and the recommodification of the social

Habermas and Beck agree on one point about the future of the welfare state in Europe: the transformations we are currently witnessing are irreversible, we are passing into a new age with respect to the balance between the economic and the social. With respect to welfare futures, the emergence of Habermas’ “postnational constellation” carries roughly the same message as the emergence of Beck’s “second, postnational modernity” (and, by the way, Zygmunt Bauman’s “liquid modernity”): the traditional postwar Keynesian welfare state, with its powerful “nation-state” component, is doomed, and for them the culprit behind the end of this social project in Europe is globalization, in its theories and its practices. They do not focus on the internal developments of the European welfare state (like changing demographics, including the aging of Western societies; shifts in familial structures; the burden of past entitlements within the inter-generational contract between the old and the young, the working and the unemployed etc), clearly linking the new geography of social risks and uncertainties with the advent of – mainly economic – globalization. They emphasize the role of high levels of taxation and social democratic redistributive policies. The emergence of the “individualized society” (as Bauman called it, Bauman 2001) is accompanied by the overwhelming power of consumer ideologies, still reinforced by the general neoliberal tendency to desocialize the economic and to recommodify the social. While understandable in a European, including Central European, context, their belief in a future

federalist European solution for welfare issues (or for a global scheme of basic income understood as a human right, as Bauman suggests) seems – from a global perspective – very hard to realize under global pressures. They have observed the passage from social solidarity to enhanced individualism, and from the ideals of social cohesion to those of economic competitiveness (even on a regional basis in the enlarged EU) and are not able to accept them on philosophical, social and finally moral grounds.

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