Changing Welfare States: Lessons from the Great Recession (for a post-Covid Social Contract)

Research Seminar Autumn 2020

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Seminar Room 2 (Badia Fiesolana) (unless otherwise indicated)

Welfare lessons from the Great Recession

Ten years after the first economic crisis of 21st century capitalism, Europe passed the nadir of the Great Recession by 2019. No time, however, to count our blessings: Yes, a rerun of the Great Depression has been avoided and recovery, however timid, was under way. But then by early 2020, the Covid-19 pandemic, once again, turned the tables. Moreover, the political aftershocks of the Great Recession, ranging from the likelihood of Brexit, the rise of populism in Western Europe, the spread of illiberal nationalism in Eastern Europe, and escalating trade tensions between China and the United States (US), confront the EU—anchored in the commitments to peace, prosperity, and democracy—with an existential solidarity predicament.

Many books and articles have been written that draw policy lessons from the Great Recession. But most focus on financial market regulation, global imbalances, fiscal and monetary policy, and the trials and tribulations of the Eurozone crisis. Not a single volume has given systematic attention to the welfare policy ramifications of the Great Recession. This is surprising, given the fact that the Great Recession, like the Great Depression, was triggered by a financial crisis, and that the overriding the difference between the two momentous economic shocks, is that the Great Recession in Europe took shape in a context of relatively mature welfare states. The Great Depression inspired policy makers all over the OECD world to follow the advice of Keynes and Beveridge of introducing compulsory social insurance to stabilize the economy, jobs and household income in times of need. Eighty year later, the Great Recession effectively conjured up a 'stress test' of the modern welfare state. What *Welfare Lessons from the Great Recession* can we draw from this experience for the new context of the Covid-19 pandemic and its turbulent ramifications?

Most of the literature analyzing welfare reform in the wake of the crisis have done so with a background understanding that fiscal austerity and retrenchment have been the dominants shows in town. In the early years of the Great Recession, Paul Pierson (2011), one of the leading experts in comparative welfare state research, made the apodictic conjecture that the welfare state would not survive the blow, simply because the defensive politics that turned the post-war welfare state into an immovable object during the 1980s and 1990s would be overcome by exhaustion. The pressures unleashed by the financial crisis, he maintained, exceeded welfare states' inept reform capabilities. As such, the age of 'real austerity' had commenced.

Today, with the benefit of more empirical hindsight, does the overall assessment still remain one of austerity retrenchment? Quite a few European welfare states buffered the crisis reasonably well. Particularly, Europe's more mature—that is, high spending—welfare states, which pursued more proactive recalibration strategies already before the onslaught of the crash and the Eurocrisis. The overall working hypothesis for the seminar is that the (recalibrated) European welfare state is experiencing something of a come-back! Up for discussion, for sure.

The global financial crisis of 2008 marked a critical 'stress test' for European welfare states with dramatic repercussions, including a massive surge in youth unemployment, peaking in Spain at 40 per cent, widening wage differentials and income disparities and rising poverty. Overnight hikes in fiscal deficits and public debt, required to pre-empt economic meltdown, subsequently forced policymakers to make painful cuts in welfare services in order to shore up public financial solvency, thereby hurting vulnerable groups dependent on welfare support. Social investments in early childhood development, training, education, and lifelong learning, crucial for future productivity and employment participation in Europe's knowledge economies and ageing societies, did not escape the austerity reflex.

Deep economic crises are moments of political truth. They both expose the strengths and weaknesses of extant policy repertoires and their underlying causal beliefs and normative mind-sets. In a Popperian fashion, deep crises inspire new thinking and practices, which also includes reconsidering older policy recipes in new lights. In the aftermath of both the Great Depression of the 1930s and the Great Stagflation of the 1970s, policy paradigms were transformed in fundamental ways, giving rise, respectively, to the Keynesian-

Beveridgean welfare state after 1945 and, a quarter century later, to the neoliberal critique of the 1970s and 1980s of welfare state intervention.

With social protection spending—not including spending on health and education—hovering around 20 to 30 per cent of GDP, it is indeed fair to say that European political economies faced the Great Recession as fully-fledged welfare states. At the same time, the crisis management menu was restricted. Protectionism was off limits and fiscal and monetary policy constrained by currency-pegs, fiscal pacts, and membership to the Economic and Monetary Union (EMU). The experience of the Great Recession brought European welfare states to a new crossroads. Immediately after the 2007-8 crash, surprisingly, many governments showed little inhibition in pursuing bold strategies of crisis management, on a scale unthinkable a decade earlier. At first, crisis management focused on financial sector bailouts. Next, central banks took on new functions, including liquidity and credit-enhancing interventions. With some delay, the European Central Bank (ECB), helmed by Mario Draghi, stepped out of the void to save the euro. His willingness to do "whatever it takes" went far beyond the remit of the mere inflation targeting of the Maastricht Treaty. Nevertheless, not all was new. While the "efficient-markets hypothesis"—the inference that deviations from equilibrium values cannot last for long—was cast aside, the neoliberal critique of welfare state intervention, revolving around moral hazard and unemployment hysteresis, experienced a strong comeback, especially with the onslaught of the Eurozone crisis.

For the seminar, we will be tracing country-specific responses to the Great Recession in a semi-structured fashion, by giving explicit attention to how individual households and social risk groups, at varying income levels and different demographic profiles, fared across countries, covering the depth and persistence of the Great Recession; substantive policy responses by governments and relevant socioeconomic stakeholders; and welfare regime characteristics, including public finance conditions, in terms of social protection coverage and generosity, in order to gain a more dynamic over-time understanding of the country-specific tortuous politics of Great Recession crisis management. A seperate session addresses the critical role of EU and Eurozone membership in the politics of welfare crisis management. Finally, in the concluding session we hopefully will be able to draw a number of fundamental policy lessons, including normative ones, for 21st century welfare provision.

Aims

The course offers a comparative analysis of modern welfare state development and social reform against the background of changing nature of economics, politics and society. The aim is to introduce researchers to the state of the art in comparative welfare state research literature, with a special emphasis on structural change, including the feminization of the labour market, demographic aging, economic internationalization and, as inimated above, the lasting impact of the global financial crisis, on variegated national welfare states. The course thus aims to provide researchers with advanced knowledge in the basic institutions underlying modern welfare states and explaining their variation over time. Furthermore, the course provides skills in comparative cross-national and European welfare policy analysis, with special attention given to competing theories on welfare state change and continuity in terms of methodological strengths and weaknesses.

Content

The welfare state, in the shape and form in which it developed in Western Europe in the second half of the twentieth century, represents a key institution in Europe's advanced political economies. Since the turn to the 21st century, five sets of challenges confront policy makers with the imperative to redirect the welfare effort, to redesign institutions and to elaborate on new principles of social justice, and all this, against the background of intensified European regional integration. *From without*, in the first place, international competition is challenging the re-distributive scope and de-commodifying power of the national welfare state, its capacity to shield people in need against the hard laws of the marketplace. Many academic observers believed that the increase in cross-border competition in the markets for money, goods and services has substantially reduced the room for manoeuvre of national welfare states. In addition, there is the danger that tax competition results in an under-provision of public goods.

Second, *from within*, ageing populations, as a result of rising life expectancy and rapidly falling birth rates, changing family structures, the feminisation of the labour market, changes in work organization, and skill-biased technological change tend to challenge the institutions of work and welfare inherited from the industrial age. Low or falling employment levels of many social groups, new and rising inequalities, skill-biased patterns of social exclusion, and new sources of immigration and segregation, also in the housing market in metropolitan areas, pose a threat to social cohesion.

Third, while policy makers must find new ways to manage the adverse consequences of economic internationalisation and post-industrial differentiation, their attempts to recast the welfare state are constrained by long-standing social policy commitments in the areas of unemployment and pensions, which have ushered in a period of *permanent austerity*. The maturation of post-war welfare commitments seems to crowd-out effective policy responses favouring a successful transition towards the post-industrial and knowledge-based economy of the 21st century.

Then there is the challenge of *Europeanisation*. Issues of work and welfare have since the mid-1980s become intertwined with the Single Market and the European Monetary

Union (EMU). In the European Union (EU) we have entered an era of *semi-sovereign welfare states*. National welfare states can no longer behave as if they were autonomous and in control. European (economic) integration has fundamentally recast the boundaries of national systems of social protection, constraining the autonomy for domestic policy options but also opening opportunities for EU-led multi-level policy coordination.

Last but not least, there are the social, economic and political aftershocks of the global financial crisis, mentioned before, and their importance for Covid-19 crisis management and EU-level coordination. In the process of mounting pressures and crisis-related contingencies, recently there has been considerable re-appreciation of the welfare state, particularly in high social-spending countries that have seemingly 'buffered' the crisis well, under the heading of social investment, exemplified in terms of three core welfare policy functions, relating to: raising and maintaining human capital "stock" throughout the life course; easing the "flow" of contemporary labour market transitions; and upkeeping strong minimum-income universal safety nets as social protection and economic stabilization "buffers". Slowly but surely, the neoliberal imperative of 'making work pay' by social retrenchment and market deregulation is replaced by a 'capacitating' approach, whereby activating poverty relief, family and gender policy, education, training and employment services, and public health, are understood to 'crowd in', rather than 'crowd out', private economic initiative, productivity, employment, and growth, while containing inequality.

As a result of instrusive structural change, the academic debate about 21st century welfare provision is very different in comparison to two decades ago. Attempts to explain welfare state diversity and political stalemates in retrenchment endeavours, strongly influenced by the work of Gøsta Esping-Andersen on 'the three worlds of welfare capitalism and Paul Pierson's conjecture of the 'new politics' of the welfare state' of the 1990s, are giving to new understandings of transformative welfare policy change over the past decade. Ongoing social investment reforms in Denmark, Germany, Ireland, the Netherlands, and Spain in the 1990s and 2000s, before the onset of the Great Depression thus required a fuller and more nuanced understanding of the interaction between domains that are often treated separately in comparative welfare analysis, like macro-economic, fiscal, industrial relations, labour market policy and regulation, and work-life balance policies, beyond the traditional confines of decommodifying social security, against the dynamic background of globalisation, European integration, demographic shifts, changing family patterns and gendered labour market behaviour. The comprehensive — political economy — view of the politics of the 'new welfare state' encouraged scholars to transcend narrowly conceived preoccupations with decommodifying social security and to engage in comparative research that also integrates 'capacitating' social service provision at decentralized levels of governance and EU-level single market, fiscal and monetary policy coordination.

Objectives

Researchers who have successfully completed this course should be able to:

- Produce well-structured academic response papers, employing the analytical tools of comparative political economic and welfare regime studies in conjunction with important theoretical understanding of EU social and economic policy coordination, drawing on a broad range of sources;
- Make clear and concise oral presentations based on the basis of serious reading exercises, collection of relevant data on the changing nature of social risks and associated political conflict and compromise national over reform, including at the level of EU socioeconomic policy-making;
- Design and write brief synopses on the multidimensional politics of welfare – particularly on social investment – reform in selected countries (of their own choosing) in the wake of the global financial crisis and the shadow of intensified European (economic) policy coordination.

The course will provide researchers with the conceptual and empirical background information to enable them to write focused Phd-theses, and to answer questions like:

- How variegated welfare regimes across Europe have been seeking to reconcile the alleged trade-off equity and efficiency in economically hard times?
- What drives reform, which institutions, ideas and power resources help their enactment, and – vice versa – which institutional conditions stall transformative policy change?
- What motivates political actors to pursue structural reform or, vice versa, decline to ponder intrusive policy change?
- How the political boundaries of EU and domestic social and economic policy are being challenged on the backdrop of what new conflict lines, especially across the post-crisis Eurozone?
- Whether social investment (still) is the more appropriate answer to the exigencies of the 21st century competitive knowledge-based economy? And, more politically, the burning question remains whether the inter-temporal politics of social investment can remain feasible in the new hard times of economic stagnation and rising populist discontent?
- Will the EU be given the time and energy to develop a European social (investment) union, or will the aftermath of the economic crisis, and its associated nationalist backlashes, entrap the EU and its member welfare states in secular stagnation, unleashing domestic political spillovers which may break Europe and national welfare states apart?

- What are the consequences of Covid-19 for the welfare state and European (economic) integration.

Structure

The ten sessions of the workshop are designed to provide the analytical foundations and methodological tools for the comparative study of welfare state change in the aftermath of the global financial crisis. The purpose of the sessions is to discuss the long-term evolution and more recent topical developments from a perspective that allows for discussion of theories of institutional change and adaptation with appropriate methods for empirical analysis. There will (usually) be a few short presentations by researchers on the literature, based on a limited number questions raised in preparation by the instructor. Their purpose is to unpack topics by clarifying policy pressures and political controversy over them. A hand-out (maximum 2 pages) by students taking turns on jump-starting discussions on selected readings, should be made available to all participants 24 hours in advance.

Participation and examination

Attendance at seminars is compulsory for those who register for this course. EVERY member of the seminar is liable to be called upon to discuss ANY of the core readings in any week, as active participation in the discussion is vital to the success of the course. Other members of the EUI may be welcome to attend but should consult the course provider in advance of the first meeting of the class. All researchers registering for the course will be expected to produce at least two response papers (of roughly 2000 words). The first essay should focus on thematic issues in comparative welfare state research from a theoretical angle, such as the question of explaining welfare reform, but also about social investment and the impact of fiscal austerity for (social investment) welfare provision. The second response paper should be more straightforwardly empirical, based on recent post-crisis developments in particular countries, adopted by researchers for more intense study. Researchers are asked to circulate these discussion papers 24 hours in advance of the seminar, and to present the paper for 10-12 minutes during the seminar. For researcher wishing to write a term paper for this seminar/workshop, please send a copy by email to the seminar's professor, with a cc. to Maureen Lechleitner.

Literature

The monograph *Changing Welfare States* by Anton Hemerijck (Oxford University Press 2013) and the edited volume *The Uses of Social Investment* by Anton Hemerijck (Oxford

University Press, 2017) have been selected as background reference. Researchers can read chapters from: F. Castles, S. Leibfried, J. Lewis, H. Obinger, and C. Pierson (2012) (eds.), *The Oxford Handbook of the Welfare State.* Oxford: Oxford University Press. An additional OUP monograph is in the making, co-authored by Anton Hemerijck and Manos Matsaganis, with the working title *Stress Testing the Welfare State. Lesson from the Great Recession for Europe (in times of the Covid-19 Pandemic)*, from which draft chapters will become available over the course of the seminar.

Session 1: 1st October

The Core (pre-crisis) Contention: between welfare state inertia and (gradual) transformative change

The first session confronts the core theoretical issue at stake, concerning the adjustment or (non-)reform capacity of contemporary welfare states to endogenous and external challenges. Two positions can be found in the literature. On the one hand, there is the conjecture that welfare state change is close to impossible. On the other hand, there is the alternative observation that welfare reform is difficult, but that it happens notwithstanding.

Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Princeton: Princeton University Press, chaps. 9.

Pierson, P. (2011). 'The Welfare State over the Very Long Run', *ZeSArbeitspapier*, No. 02/2011, http://hdl.handle.net/10419/46215.

Pierson, P. (1996), 'The New Politics of the Welfare State', *World Politics*, 48(2): 143-179. http://www.jstor.org/stable/pdfplus/25053959.pdf?acceptTC=true.

Hemerijck, A. (2011). '21st Century Welfare Provision is more that the Social Insurance State – a Reply to Paul Pierson', *ZeSArbeitspapier*, No. 03/2011;

Changing Welfare States (2013), chapter 1, 3 and 4.

***Assignment 1*: Discuss the main differences in recent research on welfare state reform, retrenchment and social policy redirection and the roles they attach to political actor-motivations in pursuing (non-)reform in the established welfare states under siege by external and endogenous economic and social pressures.**

Session 2: 8 October

The Onslaught of the Great Recession – a *snap-shot* overview

Although the literature on the impact of the Great Recession on the welfare state is in its infancy, a number of articles and collections have delved into how the 2008 global credit crunch has affected national welfare state and EU social policy change. Most contributions emphasize fiscal consolidation and increased EU surveillance. Very few writings have addressed the great important of automatic stabization and fiscal discretion to buffer the blow. At face value, the more inclusive, high-spending, wide-coverage welfare states of north and western Europe, with deep fiscal pockets, including Norway, Sweden, Denmark and Finland, cushioned people during the economic downturn admirably, both at the levels of risks groups and demographic cohorts and in terms of macro-economic stabilization in the aggregate. The more segmented welfare states of southern Europe, especially Greece, were less proficient, not only in fairly distributing the crisis burden across risk groups and age cohorts, but also because of their limited stabilization capacity.

Armingeon, K., and L. Baccaro (2012), 'Political economy of the sovereign debt crisis: The Limits of Internal Devaluation', in: *Industrial Law Review*, 41(3), pp. 254-75.

Armingeon, K., K. Gutman, and D. Weisstanner (2016), 'Choosing the Path of Austerity: How parties and policy coalitions influence welfare state retrenchment in periods of fiscal consolidation', in: *West European Politics* 39 (4): 628-647. *First published online: December 23 2015 DOI: 10.1080/01402382.2015.1111072*.

Olafson, S. and K. Stefansson (2019), 'Welfare Consequences of the Crisis in Europe', in: Olafson, S., M. Daly, O. Kangas, and J. Palme (eds.), *Welfare and the Great Recession. A Comparative Study*, Oxford: Oxford University Press (2019), pp. 15- 42.

Helgason, A. F., 'Government Reponses to the Great Recession. A Comparative Perspective', in: Olafson, S., M. Daly, O. Kangas, and J. Palme (eds.), *Welfare and the Great Recession. A Comparative Study*, Oxford: Oxford University Press (2019), pp. 59-79.

***Assignment 2*: Discuss the commonalities and differences in theoretical orientation, especially with respect to better understand crisis responses, policy reform and institutional continuity in the recent crisis-prone decade, including their methodological implications for future research on the topic.**

Session 3: 15 October

Varieties of (country-specific) Crisis Responses

Over the past decades European welfare states have made considerable efforts to redirect labour market policy, employment regulation, social security benefits, pensions, family services and education and training programs, contingent on internal and external pressures, political mobilization and support, existing policy legacies and the institutional make-up of different welfare regimes. The result has been a highly *dynamic* era of reform, marked by considerable retrenchments, on the one hand, but also profound processes of ‘welfare recalibration’, conjuring up to a fundamental recasting of the functional, normative, distributive, and institutional underpinnings upon which European welfare states were historically based. It has been accepted that, however defined, ‘institutions matter’ for political behaviour, social interaction, and welfare performance. Although institutions cannot be changed at will, the ‘lock in’ effects of policy and strategy continuity should also not be exaggerated. In order for institutions to survive under conditions of structural social and economic change, decision-makers invoke strategies of institutional adaptation which are often accompanied by processes of social learning, characterized by a dialectic intermediating between the ‘contest of power’, the ‘the play of ideas’ and prevailing ‘policy legacies’ and the ‘rules of the game’ of politics and administration. Is this still true of deep crisis times?

M. Matsaganis (2019), ‘Greece: The Crisis, Austerity, and the Transformation of Welfare’, in: Olafson, S., M. Daly, O. Kangas, and J. Palme (eds.), *Welfare and the Great Recession. A Comparative Study*, Oxford: Oxford University Press (2019), pp. 83-96.

J. Palme (2019), ‘Sweden: In Times of Two Crises’, in: Olafson, S., M. Daly, O. Kangas, and J. Palme (eds.), *Welfare and the Great Recession. A Comparative Study*, Oxford: Oxford University Press (2019), pp. 228-45.

S. Sacchi (2016), ‘Conditionality by Other Means: European Union Involvement in Italy’s Structural Reforms in the Sovereign Debt Crisis’, in: C. de la Porte and E. Heins (eds.), *The Sovereign Debt Crisis, the EU and Welfare State Reform*, London; Palgrave MacMillan (2016), pp. 159-79.

Seeleib-Kaiser M. (2016), The End of the Conservative German Welfare State Model, Social Policy Administration, Vol. 50, No. 2, March, pp. 219–40.

Hemerijck, A., J. Karremans, and M. van der Meer (2019), ‘Minority Government Constructive Opposition, and Social Concertation in the Netherlands (2012 – 2019)’, EUI (unpublished manuscript)

Assignment 3**: Researchers are required to ‘adopt’ a country for sessions 4 through to 6 by undertaking independent library research beyond the assigned literature, on more recent (crisis) reform developments in countries of their own choice. The presentation and paper should include an argument of how socioeconomic performance of the country under study is affected by the type of welfare regime, political institutions, and organized interest mobilization and intermediation. We will also continue our readings. We make a schedule for the presentions in class.**

Session 4: 22 October

Social Investment Paradigm Change?

Session 4 is about taking social investment seriously. Before the crisis struck, social investment recalibration had become the *fil rouge* in welfare reform among Europe's mature welfare states. Policymakers in these countries recognized that in the face of intensified demographic ageing and disruptive technological change, future economic growth will rely heavily on high levels of employment and improvements in productivity. Today, there is ample proof that social investments in child-care, long-term care, education and training, active labor market policy, lifelong learning and active ageing, paid parental leave, family services and benefits, in a complementary fashion, significantly contribute to employment, productivity, demographic balance, improved fertility, increased tax revenue, reduced long-term reliance on compensatory social protection policies, and lower levels of poverty. On the other hand, social investment policies are generally more 'discretionary' as compared to for instance pensions, and therefore a more easy target for retrenchment. Has the social investment reform momentum kept up with the crisis, or has it been put of the back-burner? Unsurprisingly, the Nordic countries, which have independent currencies, inclusive safety nets, and strong social service traditions, have done the most to protect social investment progress. By contrast, Eurozone countries, under the Fiscal Compact, have, by and large, taken a back seat on social investment. Nordic welfare states today outperform the liberal and continental welfare states, like Germany, France, Austria and Belgium, on employment, productivity, dual earner families, gender equality, (child-)poverty, and fiscal balance. Although the Great Recession caused many of the core Eurozone economies to pull back on social investment, it is reasonable to expect that family policy, expansion of parental leave, childcare provision and long-term care, alongside activation and training, will experience a strong comeback over the recovery. Although the situation in the new Member States is particularly heterogeneous, in many countries policy-makers today recognize that reconciling paid work and family care is the key to achieving higher levels of employment. The exceptions may be the new female homemaker social reforms popular in the illiberal democracies of Hungary and Poland.

The session is built around a discussion of a foundational text that G. Esping-Andersen wrote for the *Why We Need a New Welfare State* volume for OUP and more recent endorsement of the social investment perspective on the score of its promise of high levels of employment at subdued levels of inequality. In addition, specific attention will be given to some of the more recent critiques of the social investment paradigm in comparative social policy analysis. A fair number of political scientists are therefore quite sceptical about an effective social investment reform in the aftermath of the Great Recession. Any kind of politics of investment suggests an explicit political exchange on the part of reformers to deliberately sacrifice or forego short-term consumption in order to reap long-term gains that make everybody better off in the future. In times of austerity, as we know, for Paul Pierson social investments provide rather few short-term electoral rewards for politicians facing negatively biased electorates.

Esping-Andersen, G., D. Gallie, A. Hemerijck and J. Myles (2002), *Why We Need a New Welfare State*, Oxford: Oxford University Press, chapter 1.

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 1 to 13 and 18.

Jacobs, A.M. (2011). 'Theorizing Intertemporal Policy Choice', in: *Governing for the Long Term. Democracy and the Politics of Investment*, Cambridge: Cambridge University Press, chap. 2, pp. 28-71.

Assignment 4. **As social the investment precept gained progressive leverage policy circles, in academia more critical studies on social investment gained credibility. For there presentation researchers are asked to reflect on the main pros and cons of the social investment policy paradigm, as prophesized by its acolytes and their critics, in times of crisis when the available political space for policy innovation is both economic and politically constrained, for the countries that they adopted for deeper analysis.**

Session 5. 29 October
Crisis Responses in Motion (I)
Researchers are asked to assess country-specific welfare reforms or lack thereof by bringing in empirical (micro or macro quantitative and/or institutional qualitative) evidence from their 'adopted' countries, with special attention given to social protection (non-) change and social investment (work-life balance family policy) (non-) change and innovation, under the predicament of governing for the long-term in times accelerated change. All this, while we also continue reading.

Häusermann, S. (2012), The politics of old and new social policies, in: G. Bonoli and D. Natali (eds.), *The Politics of the New Welfare State*, Oxford: Oxford University Press (chapter 6)

Bonoli, G. (2007), Time Matters Postindustrialization, New Social Risks, and Welfare State Adaptation in Advanced Industrial Democracies, *CPS*, Vol. 40, No. 5, pp. 495-520

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 14 to 26, except 18.

Garritzmann, J. et al. (2018), Public demand for social investment: new supporting coalitions for welfare state refom in Western Europe? *JEPP*, 25:6, pp. 844-61

Session 6: 5 November
Crisis Responses in Motion (II)

Assigment 6. Researchers' presentations continued

Session 7: 12 November

The E(M)U and the Welfare State: friends *or* foes?

The European Union (EU), a path-breaking post-war institutional innovation, just like the modern welfare state, has over-developed as a critical intervening variable in domestic processes of welfare state change. It is fair to say that in the EU we have entered an era of semi-sovereign welfare states. Important works have been written on how European integration has contributed to the loss of boundary control of national political economies, 'globalization' breaking down the borders of economic competition while contributing little to new welfare institution building. The establishment of the internal market and the introduction of the EMU and the Stability and Growth Pact have added a new economic supranational layer to domestic social and economic policy repertoires of individual Member States. In the wake of the sovereign debt crisis of 2010, however, European integration has come to a political crossroads, having reached a suboptimal halfway house, making it ever more tempting for national political leaders to let Euroscepticism triumph over a effective E(M)U solutions. Until the financial markets crashed in 2008, Spain and Ireland were hailed as economic miracles, with lower public-debt burdens and healthier budgets than Germany and France. Given the impossibility of currency devaluation in a monetary union, all the troubled eurozone economies had to resort to engineering 'internal devaluations' to try to regain competitiveness. At the same time, a weak euro, inspired a 'job miracle' in Germany. And whereas the United Kingdom could freely *choose* fiscal austerity, for Ireland, a member of the Eurozone, there was no alternative. Can the economic and institutional fault lines of the European construction still be corrected in times of mass unemployment, high inequality, economic stagnation and populist polarization?

Hemerijck, A. (2016) *New EMU Governance: Not (yet) ready for social investment?*, Working Paper No. 01/2016, Institute for European Integration Research, Vienna (I have a PDF).

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 27-30.

Hall, P.A. (2014) Varieties of Capitalism and the Euro Crisis, *West European Politics*, 37(6): 1223-1243.
DOI: http://dx.doi.org/10.1080/01402382.2014.929352

Ronchi, S. (2018), Which Roads (if any) to Social Investment? The Recalibration of EU Welfare States at the Crisis Crossroads (2000–2014), Jnl Soc. Pol., 47, 3, pp. 459–478

Scharpf, F.W. (2009) 'Legitimacy in a multilevel European polity', *European Political Science Review,* 1(2): 173-204.

C. de la Porte and E. Heins (2016), 'A New Era of European Integration? Governance of Labour Market and Social Policy since the Sovereign Debt Crisis', in: C. de la Porte and E. Heins (eds.), *The Sovereign Debt Crisis, the EU and Welfare State Reform*, London; Palgrave MacMillan (2016), pp. 15-41.

***Assignment 7*. The authors under review for this session pursue different arguments about the impact of EU economic integration on the functioning and survival of national welfare states. On the one hand, there are authors who underscore the corrosive impact of European integration on member welfare states. Some argue that EMU in effect has deepened the new austerity crisis of the welfare state. Others are less sanguine. Next to presenting the main differences in argumentation it is equally important to critically review whether contrasting positions in the debate are sufficiently supported by empirical evidence? To what extent does Eurozone crisis-management has come to pre-empt social investment policy innovation in the near future**.

Session 8: 19 November

The Politics of 21st Century Welfare Reform – *the Electoral Turn*: a competing explanation?

Jean-Claude Juncker, ex-President of the European Commission, conjectures that politicians 'know exactly what to do, but that they do not know how to get re-elected'. Perhaps the politics of deep crisis management is simply unthankful business, and that re-election is the exception to the rule. Astute crisis management by the Labor government under Gordon Brown could not sway voters. In France, the Gaullist Nicolas Sarkozy was replaced the socialist François Hollande whose *Parti Socialiste* was defeated by the liberal Emmanuel Macron, leaving the French welfare state in a state of limbo. Angela

Merkel survived but under different coalitions, as did Mark Rutte in the Netherlands. Spain moved from center-left to center-right back to center-left again. Alexis Tsipras in Greece came up as a far-left challenger to the Eurozone austerity reflex but ultimately chose to agree to painful retrenchment and keep the euro, only to be voted out of power again in 2019 by the New Democracy conservatives on the promise of privatization and cutting bureaucratic red tape bringing higher growth. The hard truth is perhaps that (hopefully) once-in-a-lifetime crises unleash unexpected economic, social, and political aftershocks with long-drawn out ripple-effects, which are impossible to manage over a single electoral cycle.

An important shift in the recent literature on the welfare state has been the so-called 'electoral turn' in explaining (non-)reform. Scholars advocating an 'electoral turn' have shifted attention to bottom-up electoral behaviour and partisanship mobilization, steeped in quantitative public opinion survey research (and experiments) on welfare-and-work related issues, to the input side of the political process. There is a distinct departure from the core institutional insight that 'policy shapes social politics', as scholars under the 'electoral turn' assume parties respond in a synchronic short-term fashion, congruent to electoral preferences, harking back to the pre-institutional presumption that 'politics creates policy'. In a parsimonious political world where policies are considered epiphenomenal, engagement with policy makers is surely a waste of precious academic time. On the other hand, to the extent that policies are important levers and signifiers of change, shying away from policy detail impoverishes our understanding of the dynamics of welfare reform, which have intensified since the Great Recession.

Assignment 8. **For this assignment researchers are asked to list the main theoretically derived obstacles and opportunities to effective reform in the new era of fiscal austerity. In particular, discussion should focus on how rising populism may undermine social (investment) reform. Researchers are also asked to reflect, based on the empirical evidence, why welfare reform may not come to a halt in the aftermath of the crisis. What political forces, based on theoretical insight from the so-called *electoral turn* in political science, attest to on-going (affordable) welfare reform and social investment innovation?**

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Session 9: 26 November

The Long Goodbye to Neoliberalism?

Unsurprisingly, rich European welfare states have entered a period of transition in the aftermath of the global financial crisis. On the one hand, policy attention is progressively shifting to accumulating evidence, brought forth most notably by recent OECD studies that well-calibrated social investment policies "crowd in" inclusive growth and social progress in tandem. At the same time, the fallout of the Great Recession has created a new fiscal austerity context that effectively seemingly conspires against reform breakthroughs. Reorienting welfare provision towards social investment constitutes a complex and multidimensional challenge of policy recalibration, raising daunting political-institutional dilemmas, even in the purview of Pareto superior outcomes. In penultimate session, I would like the participants at the seminar to reflect on the resilience of the globalized neoliberal paradigm that predominated over past decades. Many academic experts argue that the neoliberal paradigm remains intact. There are pundits who argue for the opposite, namely that the Keynesian mixed-economy welfare-capitalism is experiencing a veritable comeback, perhaps in a novel social investment guise. Today social investment is endorsed by Christian Democracy, paradoxically, the political family historically most wedded to the passive male-breadwinner social insurance provision. Nowhere, except for the United Kingdom under the Cameron coalition government, was social retrenchment predicated on an unreconstructed neoliberal normative, cognitive, institutional, distributive and referential narrative of stifling welfare dependency.

Readings will be selected on the basis of input from the researchers.

Session 10: 3 December

Lessons from the Great Recession for Covid-19 Welfare Crisis Management

Final roundtable discussion based on draft chapters from *Stress Testing the Welfare State. Lesson from the Great Recession for Europe (in times of the Covid-19 Pandemic)* by Anton Hemerijck and Manos Matsaganis.