

# EUROPEANIZATION AND DECENTRALIZATION OF 'SAFETY NETS' SCHEMES

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## Summary

*The process of Europeanization implies a certain confluence of resources and outputs among the diverse regimes of social security. This is mainly due to structural constraints (social dumping and relocation of industries) and institutional inputs (sentences by European Court of Justice). The paper reflects on two processes under way, which are apparently antagonistic: (a) the adjustment of national systems of social protection to operate on rather similar European bases; and (b) the decentralization of 'safety net' policies at meso-level in order to favour territorial subsidiarity and the development of welfare cultures, traditions and values in the EU.*

## **Table of contents**

1. Concepts and premises
2. Unity and diversity in EU social protection
3. Mesogovernments and the weaving of welfare 'nets'
4. Conclusion: subsidiarity and accountability

### References

Charts: Features of European Welfare Regimes  
Territorial distribution of public expenditure in Spain

## 1. Concepts and premises

'Safety nets' of social protection are composed by those resources providing the minimum means of sustenance and civic integration to those citizens and families who lack of them. The institutionalized expressions that such 'nets' adopt in each country vary in degrees and manners. The complex task for the social scientist is to determine the constituent materials by which 'nets' are interwoven. Public programmes of social assistance provided on a means-tested basis are basic constituent elements. In many cases these programmes are not a social security responsibility, although they may be somewhat linked to contributory social services and subsidies.

The aggregate of policies and interventions associated to 'safety nets' are often fragmented. Benefits and services are generally targeted on different collectives with no correlation between them (Eardley *et al*, 1996). Other intervening factors, such as intra-familial transfers, community help, or altruistic help provided by NGOs (Non-Governmental Organizations) and 'third sector' associations, play also a crucial role.

An excessive focus on centrally-run governmental output in the area of welfare provision has tended to neglect the impact of those latter factors, which are not easy to be measured and assessed in quantitative terms. Public expenditure control has come to the fore within the political priorities of most Western governments. Likewise, studies on welfare development have often neglected the importance of the interrelation between state, civil society, family and the individual in establishing 'safety nets', as well as in providing social cohesion and political legitimization. Despite the fact that the subject of study has many facets, welfare state research has often concentrated on analysing social spending rather than institutions and organizational relations (Esping-Andersen, 1993).

Furthermore, welfare 'safety nets' have found in sub-national tiers of government important institutional actors of policy innovation often disregarded by social policy researchers (Alber, 1995). The concept of welfare 'residualism' is correlated to the decline of the centralizing 'command-and-control' planning model. However, a growth of institutional 'stateness' (Flora, 1986/87), or state penetration of the welfare sphere, has been noticeable in decentralized countries. This apparent misinterpretation is the result of making synonymous both central government and state institutions, according to traditional Jacobin tenets. Obviously, the concept of 'stateness' includes all activities of state layers of government (central, regional and local).

In general terms, Europeanization can be referred to as a process of economic, political and social convergence in the Old Continent. It relates to all three economic, political and social domains, and comprises countries sharing a somewhat common historical development and embracing values of democracy and human rights of an egalitarian nature. However, the concept is far from being precise and clear-cut. It is multi-semantic and subject to various degrees of understandings and interpretations. Europeanization is not a static concept, but a rather dynamic idea to found expression in the gradual development of common institutions in Europe (e.g. Agreement of Schengen, Court of Justice, Euro currency,).

At the beginning of the 21st Century, the unfolding of structures of governance at a supranational European level is taking place by means of formalising interactions between the fifteen members of the European Union. These interactions affect mainly to actors and policy networks traditionally confined to operate in nation-state arenas. An emerging new layer of supra-national government and an all-round political concurrence are processes well under way. European institutions are being internalized, albeit loosely and gradually, by large numbers of EU peoples.

Europeanization does not necessarily imply the constitution of the United States of Europe, along the lines of neo-functionalist prescriptions. Functional diffusionism, in particular, has persistently conveyed the idea that internal territorial differences within polities would disappear with the extension of liberal democracy, industrial capitalism, and modernity. As communication of political, economic and cultural matters increased, the peoples of different sub-national --or, by extension, sub-EU level-- would develop a new common identity, which would transcend their differences.<sup>1</sup> History has repeatedly falsified such analyses in the case of Europe. Social scientists of the functional school of

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<sup>1</sup> For William Safran (1987: 13), one of the prominent characteristics of North-American social science in general, and the behaviorist-functionalist school of political science in particular, is its ahistoricist bias. History is rejected on two grounds: "First...as a succession of events that...do not lend themselves to comparison and generalization...Second...because it is associated with pre-modern (primitive) societies...". Marxists have traditionally taken a functional approach to the analysis of political integration and modernization (Connor, 1984).

thought have adopted the view that universal progress requires a kind of integration, which is made equal to cultural assimilation, along the lines of the 'melting-pot' experience. An alternative view of non-homogenizing integration puts the emphasis on the historical, physiological, and social premises of plural Europe. According to such a pluralist approach, non-homogenizing integration is to be based upon the idea of decentralization, or devolution of powers according to the principle of democratic accountability.<sup>2</sup> Pluralists envisage that European rules can only be achieved and successfully accommodated by taking into account both history and cultural diversity within the mosaic of peoples in the Old Continent. Neo-functionalists criticized such a panorama as being 'Euro-pessimistic', as it is not centralized and vertically hierarchical.

Decentralization can be regarded as a premise inherent to the process of European convergence. The principle of subsidiarity was enshrined in the Treaty of European Union of 1992, known as the Treaty of Maastricht. It provides for decisions to be taken supranationally only if local, regional or national levels cannot perform better. In other words, the preferred locus for decision-making is that closer to the citizen, and as local as possible. State political elites, reluctant to further the process of European institutionalization, interpreted the subsidiarity principle as a safeguard for the preservation of traditional national sovereignty and, consequently, the powers to intervene centrally. They placed the bottom-line of subsidiarity at the level of the nation-state. The case of the United Kingdom illustrates this particular interpretation.

During the 1980s and most of the 1990s, British nationalists (mostly English)<sup>3</sup> argued that the legislative supremacy of Westminster should be preserved from supranational intervention and regulation originated at the 'federal' institutions of the European Union.<sup>4</sup> However, they refused to the devolution of power from the centre of the British state to the constituent nations of the UK, and to amalgamated local authorities like the former Greater Council of London. They stated that the House of Commons had unlimited sovereignty, a doctrine originating in the Glorious Revolution of the 17th Century. This argument reflected a hyper centralist mentality, at the level of the nation-state, which paradoxically turned frantically de-centralist when discussing on decision-making at the European level.<sup>5</sup>

The rationale implicit in the principle of subsidiarity favours the participation of sub-state layers of government in the running of public affairs. At the same time, it encourages intergovernmental co-operation on the assumption that national states will be less 'sovereign' than they have been up until now. Territorial identities are to be intertwined in a manner that would express the degrees of citizens' loyalties towards the various sources of political legitimization: municipalities, regions, nations, member states and European Union.

Functional theories, such as those associated to the public choice approach, have frequently been limited to the discussion of the efficiency or inefficiency of state institutions in the provision of public services. Such partial treatment has minimized the comprehensive study of: (a) The development of modern states (state formation, nation-building, mass democratization); (b) The intergovernmental relations within the boundaries of the polity; (c) The crisis in the legitimacy of the political institutions of the nation-state; and (d) The impact of the globalization in postindustrial<sup>6</sup> societies. On making prognoses of the process of Europeanization, all those four elements are to be

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<sup>2</sup> Applicable to those citizens who elect the government responsible for the 'devolved' matters. Decentralization is, therefore, closely linked to the concept of 'self-government', which also accepts equivalent terms such as 'political autonomy' and 'home rule', and can be differentiated from administrative 'de-concentration'.

<sup>3</sup> The Tory MP, Nicholas Fairbairn, graphically expressed a cliché view that England and Britain were equal entities: "Our country is Great Britain. We have one Queen, one Parliament and one people" (*The Scotsman*, February 27, 1984).

<sup>4</sup> A view defended by Margaret Thatcher, who fiercely bargained with the European Commission a rebate of the British 'cheque' as contribution to the budget of the European Community.

<sup>5</sup> Since 1997, Tony Blair and his 'New Labour' Governments have implemented policies of devolution of power to democratically elected assemblies in Scotland and Wales, as well as Greater London. The 1998 'Good Friday Agreement' was achieved under the auspices of the British Cabinet, which also sought the devolution of powers to Northern Ireland.

<sup>6</sup> This coined term has been popularized although it refers, *strictu sensu*, to postfordism. During the Golden Age of capitalist growth (1960-1975), there was a predominance of massive industrial production, which still persists in some economic sectors in somewhat modified fashions.

taken into account. Analyses of democratic institutionalization of the European Union need to acknowledge, in the first place, the diverse processes of state formation and nation-building of the constituent member-states. On displaying his 'macro-model of European political development', Stein Rokkan already pointed out that the accommodation of cleavage structures forged in centuries of history appeared to be a pre-requisite to any political attempt to dismantle internal boundaries in a supra-national Europe (Flora *et al*, 1999).

The development of a European supra-national welfare state and social policy is regarded as unlikely in the foreseeable future, neo-functionalist views included. On consolidating welfare 'safety nets', national and local cultures play a crucial role in peoples' expectations, perceptions and values. This area of social policy-making will continue to be highly shaped by local identities and life styles, and less likely to be dealt with in a homogenous and centralized manner from a supra-national entity.

As we have witnessed in recent times, territorial identities are responsible for the political integration or disintegration of compound countries. Nevertheless, national and local identities are not incompatible *per se* with national and supra-national ones. The discontinuity and dislocation of social arrangements enable diverse territorial identities to relate to each other in quite an unpredictable manner (Melucci, 1989). Identities are shared in various degrees by individuals and are subject to constant internalization by group members (Smith, 1991). In Europe, a strengthening of meso-level identities goes hand in hand with a growing attachment to supranational levels of civic membership and institutional development. The process of Europeanization seems to conciliate adequately supranational, state and local identities in apparent conflict among themselves.

The processes of bottom-up transnationalization and top-down devolution of powers have allowed a considerable extension of a type of European *cosmopolitan localism*. This is reflected in both societal interests, which are aimed at developing a sense of local community and at participating simultaneously in the global context. There is, thus, a growing adjustment between the particular and the general in the European Union (Moreno, 1999).

## 2. Unity and diversity in EU social protection

After World War II, West European systems of social protection were based upon the assumption of full employment and on the complementary role developed by the family, and, in particular, of women's unpaid work within households (Lewis, 1993). This scenario has dramatically changed in the last years. On the one hand, processes of globalization of the economy and industrial transformations have had wide-range effects on the national labour markets. On the other, there have been deep structural modifications as a consequence of the ageing of population, the increasing participation of women' in the formal labour market, and the re-arrangements occurred within households as main producers and distributors of welfare. Besides, fiscal crises and the erosion of the ideological consensus regarding social policies have also conditioned the re-casting of welfare states in Europe. They have also experienced further mixing in institutional terms with and increasing participation of the 'Third Sector', and a further segmentation in social provision, more in line with the 'contributory principle' of social insurance.

In Western Europe, recent transformations have brought about higher degrees of uncertainty for wide social collectives who were covered in the past by social protection schemes and now face increasing economic and social vulnerability. Given this context, 'safety nets' have become focal points of attention. There is a perception that social policies are to be re-orientated so that poverty and social exclusion can be tackled more effectively. In most cases new policies are carried out according to targeting criteria at national and sub-national levels. There is also a European concern expressed in those EU programmes set to combat poverty.

The EU Commission 'Strategic Objectives' for the period 2000-2005 claim for a reform of social protection based on solidarity that can remain fair, caring and inclusive in a climate of "...cautious public spending" (Commission, 2000). However, the new forms of European governance are not considered the responsibility of European Union institutions. Neither national governments nor national parliaments are regarded as being the sole institutions of European governance. Local authorities and the regions are envisaged as main emerging actors.

Indeed, the systems of social protection within the European Union are far from being identical and uniform. Any future scenario for a unified EU involvement in the area of policies regarding social protection must take into account the present situation of differentials and peculiarities. A succinct review of the diverse welfare arrangements and institutional configurations within the European Union should therefore be clarifying in this respect. The 'regime approach' has established itself as a useful methodological tool for analysing the diversity of welfare in the European Union (Esping-Andersen, 1990, 1999).

According to the 'regime approach', welfare systems are characterized by a particular constellation of economic, political and social arrangements. Undoubtedly, the 'regime approach' has proved to be very persuasive in linking together a wide range of elements that are considered to influence welfare outcomes. However, on establishing patterns of fixed interaction a certain assumption of continuity tends to prevail over that of change. As a consequence, it is implicitly assumed that a particular welfare state will tend to sustain interests and arrangements identified within the three main categories. These are briefly described as follows:

(a) The Continental, or corporatist. Characterized by a concerted action between employers and trade unions, and financed by contributions made by them. Welfare policies by state institutions uphold this arrangement which is organized through social insurance. There is a sharp distinction between labour-market 'insiders' and 'outsiders'.

(b) The Anglo-Saxon, or liberal. Patterned by its commitment to universality, financed by taxes and incorporating residual means-tested services and flat-rate benefits. It has pursued a shift toward market principles, involving deregulation of the labour market, wage flexibility and containment in social expenditure.

(c) The Nordic, or social-democratic. Premised on the harmonization of egalitarian ideas with growth and full employment, and the minimization of family dependence. Financed by taxes, characterized by the principle of universality, and favouring the public provision of services rather than cash transfers.

This three-fold categorization of welfare regimes has not exhausted further taxonomical work. As a matter of fact, a fourth South-European or Mediterranean category can be delimited (Ferrera, 1996; Rhodes, 1996; Moreno 2000). The discussion revolves around the contention whether the Mediterranean type of welfare is constituted by a 'family of nations' (Castles 1993) lagging behind those of the 'continental' model of social insurance to which they belong (Katrougalos 1996). Or else, whether it is a mere 'Latin rim' characterized by a rudimentary level of social provision and institutional development (Leibfried 1992; Gough 1996).

Beyond the discussion on which variables to combine for purposes of parsimony and variance reduction in the classification of welfare regimes, a confluence in the level of public expenditure and organizational morals among EU countries is noticeable. Mainly both processes of Europeanization and the adaptation of labour markets to global competition have undoubtedly induced such a convergence. For instance, the idea of 'encompassing' welfare arrangements, whereby universal coverage and basic security form the base upon which income related benefits are to be erected have been proposed for the Nordic countries (Korpi and Palme, 1994). This approach is in line with the Bismarckian contributory principle of social insurance and aims at providing income-related benefits to all individuals gainfully employed, a criteria already introduced in some Scandinavian welfare programmes (Eitheim and Kuhnle, 1999).

If a reduction in the protecting intensity of welfare benefits, together with a hardening of the criteria of access and eligibility to welfare entitlements is observable in Central and Northern Europe, the trends in Southern Europe have run in a somewhat opposite direction. >From a Continental-like contributory system of social security, recent reforms implemented in Mediterranean countries have pointed towards universalization of benefits and services (education, health, non-contributory pensions). In the case of Britain's, welfare reforms have put an emphasis in workfare in trying to avoid universal 'dependent' welfare. Such a course of action has implicitly adopted the philosophy of the 'contributory principle', although a transfer of responsibilities from the state public to the profit-making private sector is the underlying trend.

Among the various factors affecting this higher degree of 'unity' in the social policy developed by the European member states, macro-structural constraints such as social dumping, industrial relocation, financial regionalization, and globalization are to be accounted for. But the European institutional inputs are also of the foremost importance, particularly those related to European law and European's Court of Justice's jurisprudence.

The impact of European law on social security matters is growing in importance and has a potential of far-reaching consequences. Let us remind that art. 2 of the EC Treaty provided the EC legislator with the competence to harmonize provisions of the national systems of social security in order to secure the freedom of movement of workers. In recent times, social policy matters have been brought to the forefront of EU interests. The Social Charter on the right of workers, as well as the agreement on social policy of the Maastricht Treaty to its inclusion in the Amsterdam Treaty as a

separate chapter on social policy have meant significant steps in the direction to develop the so-called 'Social Europe'.<sup>7</sup>

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<sup>7</sup> Let us remind that, as happens with other matters of 'national interests', EU's action on social security requires unanimity, something which is not easy to achieve as was illustrated by the fierce refusal of the British Government to endorse the Social Charter until 1997.

## FEATURES OF EUROPEAN WELFARE REGIMES

	<b>ANGLO-SAXON</b>	<b>CONTINENTAL</b>	<b>NORDIC</b>	<b>MEDITERRANEAN</b>
<b>IDEOLOGY</b>	Citizenship	Neo-corporatism	Egalitarianism	Social justice
<b>GOALS</b>	Individual choice	Income maintenance	Network public services	Resource mixing
<b>FINANCING</b>	Taxes	Payroll contributions	Taxes	Mixed
<b>BENEFITS</b>	Flat rate (low intensity)	Cash (high intensity)	Flat rate (high intensity)	Cash (low intensity)
<b>SERVICES</b>	Residual public	Social partners	Comprehensive public	Family support
<b>PROVISION</b>	Public/quasi markets	NGOs	Public / Centrally fixed	Mixed / Decentralized
<b>LABOUR MARKET</b>	De-regulation	Insiders/outsideers	High public employment	Big informal economy
<b>GENDER</b>	Female polarization	Part-time feminization	Occupational specific	Ambivalent familialism
<b>POVERTY</b>	Dependency culture	Insertion culture	Statist culture	Assistance culture



Jurisprudence of the European Court of Justice can be regarded as a decisive institutional input shaping the future of social security in the European Union. The decision of 1998 on the Kohll and the Decker<sup>8</sup> cases constituted a turning point in the juridical concept of the relation between EU law and national health insurance laws. The Court ruled that, in the absence of harmonization at the EU level, each member state could determine the conditions concerning the right and duty to be insured with a social security scheme, as well as for the establishment of the conditions for entitlement to benefits. Nevertheless, and this was the crucial aspect of the Court's decision, national member states should comply with European law when exercising their powers to organize their social security systems (Kötter, 1999).

It remains to be seen whether the Kohll and Decker rulings by the Court of Justice will have a 'visible' impact on an area of national 'exclusive' competence.<sup>9</sup> However, it is reasonable to believe that the weight of the institutional inputs produced by the Court's jurisprudence will have the highest levels of legitimacy in the process of building up the 'Social Europe'. Up until now, decisions and rulings by the Court have enjoyed of an uncontested degree of legitimacy *vis-à-vis* national interests defended by the governments of the member states. At the root of such attitude lies the acceptance not only that political life in Europe depends on the rule of law, but the conviction that human rights and values of an egalitarian nature are embraced by EU countries without exception.

### 3. Mesogovernments and the weaving of the net

The role played by medium-size polities is acquiring relevance in most aspects of contemporary life, especially in those more community-centred and attached to day-to-day citizens' concerns. In Europe, the renewal of community life<sup>10</sup> at the meso-level derives mainly from the combination of two main factors: a growing rejection of centralization in plural states coupled with a strengthening of supranational politics, and a reinforcement of local identities and societal cultures with an territorial underpinning.

In policy making, mesogovernments are no longer dependent on the state building programs of rationalization carried out during the XIX and XX centuries. Their own entrepreneurs, social leaders and local *intelligentsia* have adopted many of the initiatives and roles once reserved for 'enlightened' elites, who in the past held the reins of power at the centre of their nation states. Positions of influence are now more evenly distributed in central, meso-level and local institutions. The co-option of regional elites to the central institutions of government are no longer the exclusive routes available to 'successful' political careers.

What is acquiring major relevance within the supranational framework provided by Europeanization is re-assertion of sub-state identities. Manifestations of such developments in Western Europe do not circumscribe to electoral deviations (CiU-Catalonia, CSU-Baviera, Lega-Northern Italy, SNP-Scotland). Social movements and local entrepreneurs have found a more flexible context for action. Central state apparatuses are often clumsy and inefficient in dealing with bottom-up initiatives. Medium-size nation states (Denmark or Finland), stateless nations (Catalonia or Scotland), regions (Brussels or Veneto) and metropolitan areas (London or Berlin) are well equipped for carrying out innovation policies in a more flexible European context. In particular, the quest of medium-size

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<sup>8</sup> Mr. Kohll, a Luxembourg citizen, had requested the authorization for dental treatment of his daughter in Germany (Trier). Mr. Decker, also a Luxembourg citizen, had solicited the reimbursement of spectacles with corrective lenses he had purchased in Belgium. In both case, national social security administrations rejected both claims. Kohll and Decker appealed subsequently to the European Court of Justice.

<sup>9</sup> On the allegation that the financial implications of this ruling could undermine the balance of the national systems of social security, the Court held the view that the reimbursement of costs at a flat-rate, or in accordance with the tariff of the established in the country of origin, would have no effect on the financial equilibrium of the national social security system.

<sup>10</sup> In quite a distinct fashion from that prescribed in North America for local communities (Etzioni, 1993). In the case of the USA, many of the communitarian experiences may be regarded as reactions to specific social cleavages and pressing social fractures (the criminalization of social life), as instrumental means of socialization in response to urban constriction (suburban isolationism), or as alternative lifestyles to dominant values (possessive individualism). Thus, North-American communitarianism can be seen mainly as socially defensive.

sub-national communities to run their own affairs and to develop their potentialities outside the *dirigiste* control of the central state institutions is to be underlined.

In the EU, sub-national identities are mainly pro-active. They are not mere mechanisms of response for controlling the informational avalanche generated by the telecommunications revolution. The reinforcement of sub-state territorial identities is deeply associated with powerful material and symbolic referents of the past (culture, history, territories). They seem to have engaged in a process of innovation departing from a common ground, and which seeks to overcome the de-naturalizing effects of global hypermodernity. However, their manifestations do not take refuge in a reactive parochialism.

Demands for decentralization and a greater regional say in areas of policy-making closer to citizens' perceptions, as social policy and welfare development, are based upon not only on cultural or identity considerations. There is also a case for the better management of welfare programmes associated to the weaving of 'safety nets'. Not surprisingly, de-concentration and decentralization of social services have had a much larger impact than privatization in Southern European. The case of the implementation of the programmes of 'minimum income guaranteed' in Spain offers a good example of such a process.

In 1988, the Basque Government announced the implementation of a regional *Plan de Lucha contra la Pobreza* (Programme against Poverty). This innovative policy sparked off a regional mimesis, or 'demonstration effect', on the part of the other 16 Spanish *Comunidades Autónomas*. By the end of 1990s, all Spanish mesogovernments had implemented regional programmes of minimum income, which combine means-tested cash benefits with policies of social insertion (employment promotion and vocation training schemes, primarily).

In parallel, Spanish mesogovernments also passed legislation in their regional parliaments to develop integrated networks of social services based upon the constitutional principle of requesting 'devolved powers' (*principio dispositivo*). According to the criteria for the implementation of the new regional networks of social policy and welfare services, local governments are to carry out the bulk of service provision, but the powers of legislation, planning, and co-ordination with the private and altruistic sectors would rest upon regional executives and legislatures.

The Spanish regional laws considered the networks of social services as integrated public systems, with unrestricted access to all citizens. Traditional public beneficence was 'updated' in order to avoiding stigmatization of the beneficiaries. The aim shared by the mesogovernments was one of modernization of the social services by means of taken into account in a more efficient manner the needs expressed by users, as well as their complaints and 'feedback'. With the purpose of rationalizing and adapting the provision of new social services, the idea of the 'welfare mix' was also embraced enthusiastically. Such a combination of efforts with private and altruistic organizations has proved to be very effective in the implementation of programmes to combat poverty and in the gradual weaving of 'safety nets'. Non-profit and voluntary organizations, in particular, were incorporated in the general provision of social services, and many of them were subsidized by the regional public systems of social services (Moreno and Arriba, 1999).

Social policy-making by the Spanish meso-governments has followed EU recommendations. Declarations of principles attached to the implementation of 'safety net' schemes made constant reference to the proposals of the European Commission. These have insisted in encouraging social and labour insertion to poor and excluded citizens. Such a philosophy was assumed in France, the centralized European country *par excellence*. Since December 1988, the French RMI (*Revenu Minimum d'Insertion*) has aimed at establishing a linkage between the receipt of the benefits and the objective of insertion for beneficiaries in their communities of residence. De-concentration of the management of the programme at the regional and local level was implemented in order to adapt the general objective of social insertion with the characteristics and structural constraints of the neighbourhoods and communities involved.

In France, as in the case of the Spanish mesogovernments, 'minimum income guaranteed' programmes have been conceptualized as public instruments to 'fill in the gaps' of the contributory systems of the social security. Let us remember that with the growth of unemployment in the 1980s and 1990s, increasing numbers of 'new poor' who had had former gainfully jobs in 'lame-duck' or non-competitive industries, had to face situations in which contributory unemployment benefits run out. The new social assistance benefits were granted to them not so much as former gainfully employees confronting permanent unemployment, but as citizens entitled to minimum income for purposes of social integration.

In financial terms, the expansion of social assistance programmes has meant an increasing economic burden for local authorities and regions, which runs somewhat contrary to some general aspirations of cost containment at national level. Let us remind that in European countries, central treasuries finance regional budgets with transfer from general taxation. But the key element to be

considered here is whether the final destination of such funds is 'earmarked' or non-categorical. The case of Spain illustrates, once again, the potentialities for policy innovation and minimization of costs when policies of welfare 'safety nets' are a regional responsibility within a general framework of non-discrimination. Spanish mesogovernments have the final budgetary say in the running of *ab novo* programmes, which have been the product of their own political initiative. This usually implies the setting of budgetary priorities within the aggregate of policies and services to be complied statutorily. Certainly, the Basque Country and Navarre with a system of fiscal quasi-independence<sup>11</sup> have been able to fund more generously their programmes of minimum income. Nevertheless, the setting of political priorities in policy funding appears to be the most compelling explanatory element. Mesogovernments have found new arenas for political legitimization with the autonomous implementation of welfare programmes.

It remains to be seen whether these welfare programmes will continue to be a priority for the Spanish mesogovernments. Up until now the expansion regional public expenditure has allowed the financing of new 'safety net' policies. The following table shows the territorial re-allocation of public spending in the last twenty years. The expansion of regional expenditure has been impressive.

#### Territorial distribution of public expenditure in Spain (%)

	1981 <sup>1</sup>	1984	1987	1990	1992	1997	1999 <sup>2</sup>
CENTRAL	87.3	75.6	72.6	66.2	63.0	59.5	54
REGIONAL	3.0	12.2	14.6	20.5	23.2	26.9	33
LOCAL	9.7	12.1	12.8	13.3	13.8	13.6	13

<sup>1</sup> Beginning of the process of devolution

<sup>2</sup> Government's estimates

Source: Spanish Ministry of Public Administrations

The potential role to be played by the European mesogovernments in the redefinition of the 'safety net' implies, nevertheless, scenarios of future uncertainty. If it is true that they are well-placed at an intermediate level to integrate social services and social assistance policies into a common network, the ever-latent risk of exacerbating inter-regional inequalities in welfare provision is to be underlined.

In explaining the differences in policy outcomes, the variable financial manoeuvrability of the mesogovernments involved is a main explanatory factor to be accounted for. The degree of financial autonomy for the design and implementation of welfare policies is a variable which highly conditions the capacity of policy innovation. As we have commented on the case of Spain, the fact that the Basque Government had sufficient resources was a key factor for the development of the 'minimum income guaranteed' programme since 1989. This has provoked a 'domino effect' in the rest of the Spanish regions. These did not have the same financial manoeuvrability as in the case of the Basque Country. However, they were not left behind and were able to finance their programmes, although some of them are not as 'generous' as the in the Basque and Navarran ones.

This issue re-edits the discussion on the 'welfare tourism', which was initially analysed in the USA. The main related to the fact that poor and excluded would change their residence in order to obtain more generous welfare benefits. This, in turn, would set a 'vicious circle' by penalizing financially those states and communities making an extra budgetary effort to have more comprehensive and generous welfare programmes. However the argument does not seem to hold the same degree of plausibility in the case of Europe, where the degree of geographical mobility is much lesser than in the USA, and where the social bonds, kin and networks of friends have a much greater influence in people's attachment to their territorial milieus. Besides, the cultural factor is also a crucial factor deterring 'welfare tourism'. Not only linguistic barriers and differences in customs and habits, but

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<sup>11</sup> By which they collect their own taxes not only for personal in companies, companies and VAT but , sin 1997, those corresponding to 'special taxes' (petrol, tobacco and spirits. Practically all taxes are collected by Basque and Navarran institutions. A previously agreed quota is transferred by the Basque and Basque mesogovernments to the Spanish central treasury. These transfers represent a compensation for Spanish common expenditure, and to cover the costs of running those state administrative bodies located in the Basque Country and Navarre.

also the more accessible path towards social integration is underlined. In fact, territorial identities at regional and local level can provide better means for insertion for the excluded and marginal.

Further arguments supporting local and regional involvement in the 'weaving' of welfare 'safety nets' concern the maximization of available information for policy-makers, and the better 'tailoring' of insertion programmes according to the needs of local employment. Opposite views bring the attention to the fact that an excessive autonomy of the richer regions would be in detriment of the poorer ones. This in turn could widen the gap between more developed and less developed regions, and the fuelling of regional comparative grievances. However, a better access of civil society to political decision-making at the meso-level can be regarded as the means for fortifying democratic accountability in a global order which put at risk the democratic quality of industrially advanced societies.

#### **4. Conclusion: subsidiarity and accountability**

The rationale for the provision of social policies according to the principle of decentralization opens up new opportunities for policy innovation at the regional level. Mesogovernments, and medium-size states, are no longer dependent on the state-centred welfare programmes or supra-national intervention from one European focal point.

The implementation of regional systems of social protection and welfare 'safety nets' is in line with the assumption that a more efficient welfare provision is plausible by means of a more effective development of community care services. It appears more suitable for purposes of monitoring means-tested programmes, and for a maximization of economies of scale. Besides, it provides for institutional means to facilitate democratic accountability at the meso and local levels.

The rationale implicit in the principle of subsidiarity favours the participation of sub-state layers of government in the running of public affairs, among which social provision appears to be an obvious priority. The rationale implicit in the principle of subsidiarity favours the participation of sub-state layer of governments in the running of public affairs, although global ones are also to be taken into account. At the same time, it encourages intergovernmental co-operation on the assumption that the role of the national states would be less hierarchical than it has been up until now.<sup>12</sup> Territorial identities, are sources of legitimization, are intertwined in a manner that express the degrees of citizens' at the various institutional levels: municipalities, regions, nations, states, and European Union. Accountability and territorially-based democratic are to reflect the political expression of people's identities and democratic participation.

Democratic accountability and full involvement of citizens were set as a priority for Prodi's Commission in a fully-fledged statement at the beginning of the millennium (Commission, 2000). However, the ways and means to put those two guiding principles into practice were understood to be on the basis of the delegation and decentralization of day-to-day executive tasks in any future form of European governance. The difficulties to implement transnational policies from Brussels, particularly in the area of social policy and welfare development, were implicitly acknowledged in such a statement. Efforts of Europeanization in order to build up a macro community of trusts are expected to be reoriented with the transfer of more towards the intermediate layer of government. Europeanization would thus aim at developing a system of meanings by incorporating given cultural systems and collective identities of both national and sub-national levels, and which interact in a differential and contingent manner. Europeanization would avoid to be seen as an exogenous process, which is superimposed on the internal interaction of communities with long-standing culture and history.

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<sup>12</sup> And taken full advantage of a period of peace and relatively stable economic growth characterized by the absence of wars between once powerful nation-states. The veer-latent possibility of rivalries between nation-states are nevertheless potentially explosive (Chomsky, 1994).

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