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Welfare states across Europe have been reformed. Much of the extant literature argues that pressures of globalization “tie the hands” of national policymakers and thus force national policymakers to make adjustments to their welfare programs. In this sense, conventional welfare reform scholarship focuses on the “need” to reform and thus examine how reform follows from global trends. This paper considers the case study of the British welfare reform movement initiated by the Blair government. The analysis utilizes a social-constructivist theoretical framework to examine to what extent globalization actually “loosens the hands” of national policymakers and thus allows for state agency in defining what globalization demands. This paper argues that in the British case the direction of causation is reversed; national policymakers actually have enjoyed more latitude in shaping the scope and sphere of the British welfare state as a result of global pressures. Responses to globalization are thus found to be socially constructed, and the nature of efforts to reform the welfare state depends more on the endogenous motives of political elites, and less on the exogenous pressures of globalization.

Globalization is often spoken of, yet rarely fully understood. Many scholars have offered definitions; however, the conventional definitions remain rooted in the rationality embedded in realist and neo-liberal assumptions. In this article, I will explicate various interpretations of globalization, its most significant consequences, and fundamentally new facets. In so doing, I will offer my own interpretation and critical analysis of globalization as a phenomenon by conducting a case study analysis of the Blair government’s response to globalization in Britain. Ultimately, I will argue that globalization is an idea that is socially constructed and as such is capable of being acted upon and thus reconstituted by state agency.

This raises three fundamental questions I will address in this paper: (1) if globalization is indeed socially constructed by political elites, then what are their motives? (2) To what extent does globalization loosen or tie the hands of national policymakers? (3) What then are the effects of globalization on state agency in the realm of national policymaking? In other words, do states determine their interests endogenously or exogenously in an increasingly globalized world?

The research strategy employed is a case study of the relationship between pressures of globalization and the Blair government’s labor market and welfare reform initiatives in Britain. More specifically, this case study examines the extent to which conventional interpretations of global demands figured into the crafting of the Labour Party’s New Deal for the Unemployed. The method of research combines two qualitative approaches: (1) interviews with political elites and (2) elements of content analysis concerning recent speeches, debates, and legislation. The interviews were conducted with political elites in the Labour Party that were in a position to craft the message, and articulate its meaning, intent and motives. Content analysis, in this sense, means a method by which specified characteristics of discourse are studied (Berelson, 1952; Holsti, 1969; Lasswell, 1948). Specifically, content analysis is an open analysis consisting of examining and identifying the dominant messages and subject matter of discourse (McKeone, 1995). Furthermore, the content analysis employed was qualitative in nature by focusing on intentionality and implications.

A survey of the extant literature reveals that both neoliberals and neorealists assume rationalism. Furthermore, not dissimilar from all social theories, rational choice directs us to ask some questions and not others, treating interests of agents as exogenously given, and focusing on how the behavior of agents generates outcomes (Wendt, 1992). Neorealism further assumes that all states have the same \textit{a priori} interests. Social constructivism, on the other hand, makes interests a central variable; it explores why particular
interests come to be and why many interests do not (Hopf, 1998).

INTERPRETATIONS OF GLOBALIZATION

Vivien Schmidt (1995) argues that the class compromises in small European states that have corporatist policy strategies no longer works in the age of globalization where capital is more mobile and there is financial integration. The argument here is essentially that labor and government “rightly” see business as less bound to the historic compromises that have eased tensions and allowed for the overall functioning of the system. This produces a fear of capital flight resulting in the government’s movement away from the corporatist model towards a more business-friendly model such as the Anglo-American one. Moreover, business itself sees less need to make concessions, which has led to the rise of corporatism.

However, there exists no strong definitive evidence to suggest that businesses would indeed relocate to areas where they could garner lower wage labor. Indeed, Robert Gilpin (2000) argues that despite talk of corporate globalization, foreign direct investment (FDI) is highly concentrated in the world’s two largest markets at present, the United States and Europe. Thus, if there is no significant danger that firms are going to relocate to less developed countries (LDCs), states must be socially constructing the idea of globalization. Moreover, given the differences in political culture, social norms, and economic structure, it is no wonder we see such divergent paths along the road to globalization.

It is argued that the most significant consequences of globalization are the “strengthening of business, with the transnational corporations less tied to nations and national interests, and a weakening of the nation-state overall, in particular of the voice of the people through legislatures and nonbusiness, societal interests” (Schmidt, 1995, p. 75). In this sense, it is democracy itself that is most in danger. In this view, democratic access to national decision-making is increasingly threatened as state autonomy is usurped by supranational entities that increasingly shape the global economic order. Moreover, as Marc Plattner (1999) rightly points out, if states themselves come to resemble business firms, it is indeed questionable whether or not they will command the same levels of nationalistic allegiance.

Another view argues essentially that globalization is the “overarching international system shaping the domestic politics and foreign relations of virtually every country” (Friedman, 1999, p.7). In this view, three primary features characterize globalization: the universal spread of capitalism, the proliferation of advanced communications technologies, and the Americanization of global culture – what Benjamin Barber (1996) has called “McWorld.” In contrast to Schmidt’s view, this argument denies that the nation-state is in decline. Conversely, this view holds that not only is the significance of the state not in decline, it is actually of more importance as a result of the forces of globalization (Friedman, 1999). Instead, this view postulates that the consequences of globalization include environmental degradation, destruction of indigenous cultures, and the exacerbation of unequal wealth distribution.

Many theorists have argued that the effect of globalization on democracy is the loss of control over the political agenda by national policymakers. In this scenario, it is argued that the upward shift of decision-making authority from national political elites to transnational or supranational elites breaks the link between government and the governed. On the other hand, Mitchell P. Smith (1997, p. 161) argues, “that as decision-making increasingly becomes a matter for negotiation between national and supranational policymakers, national elites sitting at the crossroads of national supranational policymaking gain opportunities to control the domestic political agenda and shape the preferences of citizens.”

Tina Rosenberg (2002, p. 28) has pointed out that globalization is often said to be a “force of nature, as unstoppable and difficult to contain as a storm.” I, like Rosenberg, see this view as flawed; however, whereas Rosenberg criticized the latter portion of the above statement, I question the former. Globalization is a movement – economic, political, and social. As such, it does not exist or occur naturally. Instead, it is an idea that requires the shaping of reality for its potential supporters and adherents.

The puzzle is that if realist and neo-liberal assumptions about the rationality of agents are true, why has the Blair government and Labour Party behaved so divergently? Put another way, if globalization is a force that acts upon states producing forces exogenous to the state that effectively constrain state choices, then how can there be multiple divergent, yet rational outcomes? More specifically, if globalization forces national policymakers to cut back their social spending and trim the size of their public sectors, then why has Britain significantly raised the minimum wage, expanded social services, and increased the civil service? It is my argument here that the direction of causation does not work entirely in one direction. Instead, states interpret the global state of economic anarchy at present as requiring different types of state action. As states act differently, they constitute and reconstitute the appearance and nature of the international economic system.

Most of the extant literature on globalization admits that the current trend of globalization is not wholly
that dates back a few hundred years. What most of globalization is but one in a longer historical process “interdependence”. Still others argue that the recent era of globalization is but one in a longer historical process that dates back a few hundred years. What most scholars agree upon is that the current era is fundamentally different because of advanced communications technologies, the relative mobility of business and capital, and the lack of a world economic hegemon to chart the world order with strong leadership. Though I am in agreement with these features, I contend that another more fundamental feature is what distinguishes this era from past eras. It is true that the pre-World War I period mirrored many of the features of the contemporary global economic order. However, the earlier period did not witness the massive surrender of local culture and of national and state identities that we are now experiencing. As governments interpret the rules of globalization and construct the need to reform their policies in order to conform to the perceived dictates of the global economic order, they do so at the peril of their citizens’ local cultures and, ultimately, their senses of identity.

SOCIAL CONSTRUCTIVISM AND WELFARE STATES

According to Robert H. Cox (2001, p. 473), “Social constructivism is ontologically and epistemologically different from conventional explanations of social phenomena and by extension of conventional explanations of welfare reform.” Ontologically speaking, constructivists posit that the beliefs and preferences of individuals cannot be discerned from preconceptions concerning their human nature; rather, they are constructed within a social environment whereby the beliefs, norms and values held by the community serve as the basis for what is socially acceptable (Cox, 2001). In other words, existing facts are given meaning by way of the cognitive capacity to attach value to them (Wallace & Wolf, 1999). These special meanings in turn influence human and state agency.

The welfare state is comprised of policies and programs that have meaning only in relation to their interconnections with culturally-specific embedded values, norms, and goals. Indeed, the history of welfare states is littered with examples of policy-makers articulating lofty principles such as equality and justice in terms that serve the purpose to legitimate welfare state expansion (Ashford, 1986).

Social constructivists argue that if the welfare state is a socially constructed idea, then so too is the need for reform. Many scholars have argued that exogenous pressures brought on by globalization have been the main cause for policymakers to reform their respective welfare states. Indeed, many policymakers argue that in order to save the welfare state, they must reform it. Furthermore, convergence theorists argue that factor-price equalization brought on by increased mobility of productive capacities leads to wages and taxes being adjusted in order to prevent firms from relocating to lower-wage states (Thurow, 1992). Moreover, convergence theorists postulate that demographic shifts produce increasing strain on pensions and health care budgets, and advances in technology increase the cost of delivering education (Cox, 2001). Conventional welfare state reform studies treat global trends as the key independent variable that alone causes reform and tailor their analysis to study how global trends shape the policy outcomes of welfare reform.

Social constructivists, by contrast, leave the question of whether a state needs to reform welfare open-ended (Cox, 2001). Many dysfunctional institutions persist for long periods of time regardless of whether or not a welfare state is equipped to deal with global pressures (Krasner, 1988). Thus, the process of reform is political, transpiring within a political environment. This requires that policymakers skillfully craft a discourse that effectively overcomes skepticism and persuades others of the importance of reform. In short, through the articulation of new ideas, the collective understanding of the welfare state is changed and thus, "shapes the path" for the necessity of reform (Cox, 2001).

BLAIR AND LABOUR'S IDEAS ABOUT THE DEMANDS OF GLOBALIZATION

For Labour, globalization has existed for a long time. The Blair government conceived of globalization as a force that fosters insecurity that leads people to seek an identity. Thus, the message from Labour is that all Britons are in the same boat and this realization necessitates a strong sense of community and social inclusion. In this sense, globalization creates the desire to be part of a more cohesive community environment. Put another way, globalization fosters the need for more social connections at the community level because the nation-state becomes an abstract and vague idea. Thus, an additional impetus to create cohesive communities is created. In this environment, social units such as family, region, and neighborhood become more important than Westminster. Indeed, many theorists have argued the importance of strong communities in fostering the people to people connections necessary for building strong individuals capable of lifting
themselves out of poverty and dependency (Putnam, 2000).

Another dimension to Labour’s understanding of globalization is that nation-states have similar economic policies and infrastructure. Thus, globalization demands that a nation-state distinguish itself in the global economy. For Labour, this has meant that a nation-state must have a workforce that is highly educated, highly-trained, motivated, confident, and self-assured. Put another way, globalization forces nation-states to invest in human and social capital. States that do not invest in these ways do so at their own peril. Moreover, in order to accomplish these investments in Britain, Blair and Labour have argued that they needed to increase spending to provide education and to get people feeling good about themselves and their communities through the New Deal for the Unemployed and Jobcentre Plus.

Furthermore, globalization means that financial institutions, corporations, and companies are working globally; by playing the global game, they can go wherever they want whenever they want. The nation-state, on the other hand, is a fixed entity (The Honorable Henry McLeish, personal communication, 2002). Blair has been most concerned about the dynamics within the territorial boundary of Britain and less with corporations. That is to say, Blair argued that Britain has jobs within its territory that have traditionally been worked by low-wage workers and low-wage participants who are also often on benefits, in poverty, and excluded. These jobs are precarious and vulnerable in the globalized economy. Indeed, the Blair government did not expect these jobs to survive in Britain. Some of the menial jobs will still be around but most will leave the country for lower-wage zones. Accordingly, the Home Office announced that the successful pilot scheme, the Innovators Scheme, is to be extended indefinitely. After a two-year pilot period, the scheme brought 112 of the most talented high-tech business people to Britain (Successful Innovators, 2002). Under the scheme, these business entrepreneurs have set up high-tech businesses in areas such as e-commerce, electronic share dealing, and music industry technology. The scheme is designed to create an economic entry route for people with business ideas that will foster an economic benefit for Britain by allowing them to enter the country for an initial eighteen months. Creative business ideas particularly in science and technology are strongly sought under the scheme. Entrepreneurs wanting to enter Britain must provide a business plan with other supporting materials and have to demonstrate that their venture will create additional jobs in Britain. According to Home Office Minister, Beverley Hughes:

We are an open, trading nation and migrants contribute a great deal to our society and our economy. In a modern, global economy it is essential that we can attract the people and skills we need to create successful businesses and generate jobs and economic growth (Successful Innovators, 2002).

Moreover, the Blair government did not intend to compete for menial jobs. In this sense, the Blair government focused its attention on issues of education, training, community, and inclusion. Increasingly, many of Britain’s poorest citizens are being characterized as possessing a lack of ability to read and fill out basic forms for employment and/or benefits. Furthermore, the Blair government believed this situation would be a burden or liability to the state in the future, rather than a resource of potential workers to be exploited by globalization. Accordingly, Chancellor Gordon Brown4 (New Measures, 2002) announced the following plans to address the problem:

- Taking job advisors onto estates;
- Helping more people access the support available through the New Deal; and
- Providing training in literacy and other basic skills.

According to Brown:

Because we must break the destructive culture that “no-one around here works” which damages both the areas themselves and people’s chances of jobs, we will provide more help than in the past in these areas, using the sanctions and opportunities available in the New Deal and where necessary taking job advisors onto estates, and extending access to the help available through the New Deal and equip the unemployed with the skills they need to get into work, including providing training in literacy, numeracy, and other basic skills. But in return we will expect the unemployed to take up the jobs available. (New Measures, 2002)

In essence, the Blair government was committed to the idea that it would be far more economically efficient to invest in the education and training of its labor market, and employ this comparatively higher educated and trained labor market as a resource in marketing Britain to global investors and corporations. In this sense, this policy represents a shift away from a low-wage/low-skill equilibrium to a high-wage/high skill equilibrium. Moreover, the Blair government believed that both the state and society will incur an economic cost either way. Therefore, it is a far more attractive proposition to pay up front in the form of education, training, benefits, child care, and overhauling and expanding the services provided in welfare offices, than it is to incur the cost in the backend in the form of increased benefits, social costs of exclusion, health costs, crime, drugs, and falling behind in the global game (The Honorable Henry
the Blair government was committed to the production of human and social capital in Britain.

Much (Gray, 1998; Greider, 1997; Mann, 2001) has been written about how globalization forces states and political elites to “tighten their belts,” decrease the size of their public sectors, make their welfare states and labor markets “leaner and meaner,” and ultimately how it fosters a “race to the bottom” among states in the global economy in order to attract foreign capital and foreign direct investment (FDI). However, in the British case study, the direction of causation is reversed, thus causing a situation where globalization does not force the nation-state to curb benefits and social protection in an attempt to lure and/or keep menial jobs within national boundaries. Instead, the evidence indicates the opposite is true in Britain. That is, British political elites in the Labour Party have perceived globalization to be a phenomenon that forces states to let those corporations seeking the lowest wage zone go elsewhere, thus giving state policymakers an imperative to fund the education of the poor so that they can work in higher wage jobs, and thus be lifted out of dependency on the state for social protection.

In addition, the number of civil servants increased by 7,840 or 1.6 percent between January and April 2002 (Civil Service, 2002). Some of the departmental changes that have influenced these figures include: (1) the fact that the Department for Work and Pensions and the Benefits Agency merged with the Employment Service to form Jobcentre Plus; and (2) the fact that approximately 1,200 staff have been recruited by the Inland Revenue in preparation for the new Tax Credits Inland Revenue.

In a social welfare sense, the global economy is perceived to demand education not only for part of Britain’s workforce, but also for its entire workforce. In the low-wage service industries that did remain in Britain, Blair was concerned with income levels. As discussed earlier, these jobs are typically filled by those in poverty, chronically dependent on the state for benefits, and most at risk of social exclusion. To address this situation, the Blair government offered an increased minimum wage, coupled with benefits and access to education. On October 1, 2002, the National Minimum Wage main rate for workers aged 22 and over was increased again representing a 50 pence, or 13.5 percent, increase from September 2001 to October 2002 (One Million, 2002). Providing adequate access to education has meant the tearing down of barriers such as the lack of childcare, lack of social capital, and social exclusion. Accordingly, the New Deal for the unemployed should not be conceptualized in the same fashion as US-style workfare programs personified by the Clinton Administration’s Welfare Reform Act of 1996. These types of welfare-to-work schemes are indicative of the many reform agendas currently underway in many of the industrialized countries which set short term as well as long term and life maximums on these benefits. The New Deal for the unemployed, although it includes such limits on these benefits, nonetheless represents a different holistic sort of spirit due to the socially inclusive elements of education and self-esteem, and in a sense also represents an empowerment ethos as opposed to a punishment pathology.

At the time this article was written, Britain’s economy enjoyed one of the lowest levels of unemployment (approximately 4 percent) in the European Union (EU), as well as globally among the most industrialized countries of the Organisation for Economic Co-operation and Development (OECD). The Blair government believed that globalization threatened this prosperity; therefore, it initiated a large push on the entrepreneurial side. In other words, the Blair government was committed to the idea of creating industrial programs designed to produce jobs endogenously in regions of the UK where people were unemployed or had historically suffered from relatively higher levels of unemployment. Indeed, on November 1, 2002, Chancellor Gordon Brown outlined new measures to tackle unemployment, which included the continuance of “Step Up” schemes, intensive area-based initiatives in difficult areas that have to date helped approximately 70,000 citizens into jobs (New Measures, 2002). At that time “Step Up” schemes were already functioning in fourteen areas of the country with six more slated to start in December 2002. Furthermore, the Chancellor announced plans to designate 2000 new enterprise areas that would encourage homegrown economic activity in the poorest areas of Britain. Specific measures (New Measures, 2002) included the following:

- Full stamp duty exemption for all business property purchases;
- Giving planning authorities powers to create business planning zones;
- Support through the community investment credit;
- An extra 50 million pounds to support businesses, with special encouragement for female entrepreneurs and entrepreneurs from ethnic minorities; and
- More help from the Small Business Service.

Simultaneously, Blair pushed for programs which would normalize disadvantaged children by exposing them to an entrepreneurial culture beginning at the age of five and continuing through the end of the college experience. More specifically, Brown announced that by 2006 every school pupil would have the opportunity to participate in five days worth of enterprise education, with extra help for schools and colleges in high unemployment areas (New Measures, 2002). In this
way, the New Deal for the unemployed is quite different from the European Social Model and the welfare reform strategies being employed on the European continent. Not unlike the New Deal, the European Social Model is primarily concerned with issues of solidarity, social support, and the workplace. From the Labour perspective, however, the European Social Model treats the poor, unemployed, and excluded paternalistically, merely providing more benefits and better housing. In contrast, the Blair government wanted to treat the poor like grown-ups. Accordingly, the Blair government wanted the poor to be able to wake up in the morning and know that they have a job with a decent income. Furthermore, they would know that their children have a decent income so that they could do things like the middle classes. In other words, unlike the paternalistic welfare states of the past that served to keep the poor in a box, the New Deal is designed to lift the poor out of their dependency through the cultivation of a culture of aspiration.

In essence, the New Deal is designed to say to the unemployed (e.g., lone mothers, youth) that the state is not their future. Moreover, the New Deal is designed to develop an appreciation among the poor for an entrepreneurial culture. In this way, the state will help, but the unemployed should not be dependent. For Blair, the socialism of the past was paternalistic and contributed to dependency by passively providing benefits. The Blair government, in contrast, believed that the welfare state should be about giving the unemployed self-esteem and self-respect through paid labor, education, and a sense of belonging to a cohesive community. Put another way, the New Deal is designed to foster a certain inclusive sense of identity that people seek in order to overcome the aforementioned insecurity produced by globalization.

CONCLUSION

What is critical here is the notion that global forces do not tie national leaders’ hands. The so-called “Washington Consensus,” the dictates and tenets of the World Trade Organization, and the conventional wisdom which supports the spread of globalization do not have to be constricting or constraining phenomena. Instead, depending on how the political elites of a given nation-state perceive the demands and nature of globalization, the prescriptions and policies developed to co-exist with globalization can and will be different across states. Put another way, states can define globalization in a way that actually leads to the freeing of their hands, affording them the opportunity to be creative, distinctive, and innovative in their policymaking.

Of course it can be argued that Britain’s executive-driven institutional structure afforded the Blair government a luxury few other governments enjoy. However, as Smith (1997) points out, there is a shift between national institutions in favor of political elites who sit at the interface of national and supranational agenda setting. Thus, the opportunity to shape the agenda and construct preferences and meanings is available for other governments if they interpret the global game in a similar fashion. Moreover, despite the executive-driven institutional structure of Britain, the Blair government could just as easily have interpreted and defined the perceived demands of globalization in an entirely different light. Indeed, the Blair government could have interpreted globalization in much the same way as did its predecessors, the Major and Thatcher governments. In other words, the Blair government could have equated global forces with the imperative to trim its public sector and social protection services.

Ultimately, it could be argued that the degree to which the Blair government understood and framed the meaning of globalization is itself a rather moot point. In this sense, what is really important is not how political elites frame issues, but rather the nature of their motives. However, this line of argument misses the point of how political elites construct meaning and preferences for their constituencies. Political elites do not shape preferences in a vacuum; rather the preferences they shape are themselves products of core values held by certain parts of a society to which the elites belong. In the end, capitalism under the Conservatives was designed to make Britons more competitive in each and every aspect of the economy. Indeed, the incentives, the institutional reforms, and the discourse were all designed to confer this sentiment. From Blair’s point of view, however, the project was self-destructive. According to Andrew Graham (2000), competition was emphasized only at the cost of cooperation and self-interest at the cost of concern for others; when this occurs, more regulation – not less – is needed.

Accordingly, Blair’s socialism and sense of equality were about communitarian values of respect, dignity, family, community, and social justice. It is within this framework of values that Blair and the Labour Party constructed the meaning of globalization for Britain, and from which the Blair government embarked upon its policy framework for addressing the issues arising out of globalization.

NOTES

1 Or the business community. In the former West Germany, for example, businesses have been threatening to relocate to the lower-wage zone of the former East Germany for well over a decade.

2 The first argument has been put forth by Keynes (1920) and Ferguson (2005). The second set of
arguments can be found in Keohane and Nye (1977). Arguments related to contemporary or Neo-Marxist scholarship come from Wallerstein (1974, 1983). The idea that the global capitalist economy has experienced distinct stages in history can be traced to Marxist-Leninist theory (Marx, 1947; Lenin, 1939).

3 These were a series of interviews conducted at the University of Oklahoma throughout the 2002 academic year. Mr. McLeish is the former First Minister of Scotland, and a Labour Party Member of Parliament in Westminster. He was serving, at the time, as a distinguished visitor-in-residence at the University of Oklahoma's European Union Center where I was serving as a Graduate Research Fellow.

4 Gordon Brown served as the Chancellor of the Exchequer from 1997 to 2007. He is now the Prime Minister of the United Kingdom.

REFERENCES


