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PAUL DE BEER
FERRY KOSTER

Solidarity and Identity



Sticking Together or Falling Apart?

Solidarity in an Era of Individualization
and Globalization

AMSTERDAM UNIVERSITY PRESS

Sticking Together or Falling Apart?

SOLIDARITY AND IDENTITY

In the past decades several large-scale social, cultural and economic developments have occurred. Processes of economic restructuring (de-industrialization) have brought into existence new categories of unemployed people; the process of individualization is manifested in increased individual independence, a growing sense of personal rights, and – possibly – in a growing opposition between self-interest and civil virtues; the increased world-wide mobility of people, commodities, services, money and information – globalization – has far-reaching consequences for the way individual citizens are living and experiencing their lives. Contemporary society is characterized by cultural and ethnic diversity. People's social and cultural identities have become more varied. What are the consequences of these developments for the way people form social bonds and experience mutual solidarity in our society? Is there any empirical support for the widespread idea that social solidarity is declining? Which social domains – care, volunteer work, living together in old city quarters, relations between family members, neighbors, friends, etcetera – are the most vulnerable for a potential decay of solidarity? What is the role of familism and within-group solidarity among immigrant communities? Which new challenges are brought about by the multicultural society in terms of new forms of cultural expression, new (group) identities, new alliances, new institutions, new forms of formal and informal support? These and similar questions are the theme of the series *Solidarity and Identity*.

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STICKING TOGETHER OR FALLING APART?

Solidarity in an Era of
Individualization and Globalization

Paul de Beer and Ferry Koster

AMSTERDAM UNIVERSITY PRESS

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I Individualization, globalization and solidarity

We are inclined to compare the present with the past. Due to impressive technological progression we have means of transport and communication that we could not have imagined in the past and that have changed our world dramatically. Looking at societal developments we usually emphasize the differences with the past and forget about the common threads between the now and the then. But is the now really that different from the past or are we simply labelling it “renewed”, in the same way as we do with washing powders? Concentrating on the three central themes of this book, it is tempting to characterize present-day society with labels such as individualization, globalization and decreasing solidarity. After all, is it not true that modern humans are extremely individualized, making their own choices, and solely concerned about their own lives? Is the impact of globalization not visible through the variety of foreign products, the increasing number of migrants, and the ever-increasing power of international organizations? And in earlier times, were we not more willing to assist each other? In that case, individualization and globalization have led to the demise of solidarity, right? Clearly, individualization and globalization belong to the now, and solidarity is part of the past.

The very core of society is affected by individualization, globalization, and solidarity. Such developments touch each of us, and therefore everyone has an opinion about them. Through our own experiences and the media we form an image of how well our society is doing. That kind of information tells us that we live in times of individualization, with a growing number of people living singly and fewer people being part of traditional institutions, and of globalization, visible through multinational corporations, migration, and international organizations. Furthermore, it tells us that we live in a society in which people are less prepared to help each other and in which cuts in public expenditures are the rule rather than the exception. These developments affect us all, and we discuss them with friends, family, and colleagues. Being

that closely involved in the subject can also be a hindrance if we try to look at these developments from more of a distance, in order to judge whether they really are related.

Statements about individualization, globalization, and solidarity are linked to how we think that the now relates to the past. Solidarity seems to refer to way back when people stood up for each other. The interesting thing about this view is that it is as old as the literature on solidarity. For a large part, research into solidarity has aimed at answering the question of whether solidarity is threatened, which is also an indication that we regard solidarity as an important part of society. A society without solidarity is a society without cohesion, in which each person has to take care of himself. The fear of losing solidarity is often accompanied by a plea to save it. In such instances, the term solidarity means something positive to strive for. This implicit value of solidarity is evidenced by the fact that a number of political parties explicitly state that they want to sustain or strengthen solidarity, while there are no parties trying to get votes by aiming at decreasing solidarity. Somehow, a political party working against solidarity is not likely to enter the political arena. At the same time, solidarity conjures up less positive images of a past that we would rather not return to. In that case, we think of solidarity located within small and close-knit communities. To some extent, people may find such communities nice and warm, but they also find them a bit boring and old-fashioned and maybe even suffocating. Nowadays, as most people live in large cities, it may seem that we do not prefer this lifestyle. In that regard, political parties putting solidarity on the agenda can resemble organizations for monument preservation and nature conservation, trying to protect the last bit of solidarity from a variety of threats. Individualization and globalization provoke the same kinds of mixed feelings. On the one hand, they are regarded as modern achievements. Individualization means that we have more freedom in making our own choices and that we can give a direction to our lives without being restricted by old traditions and other circumstances standing in our way. Globalization gave us welfare and a feeling of freedom because we can travel around the world if and when we want to. On the other hand, many people fear that individualization and globalization threaten society because they negatively affect social cohesion and decrease the level of solidarity.

In this book we investigate to what extent solidarity is related to individualization and globalization. Coining one of these terms is likely to lead to wide discussions about the current state of society. Although such discussions are interesting in themselves, they are usually characterized by a very general use of the different terms, and most of all lack an empirical test of the statements. In the present book we choose a different approach that is both broad and limited. The book is broad because we pay attention to the different aspects of individualization, globalization, and solidarity. Otherwise we would run the risk of describing the developments too narrowly and one-sidedly. If a certain element of individualization or globalization has an impact on a certain kind of solidarity, this does not necessarily mean that this also holds for other aspects. Therefore, we have tried to include many different indicators of individualization, globalization, and solidarity to provide an image that is as complete as possible. Nevertheless, this book is also limited because the conclusions we draw about the developments of individualization, globalization, and solidarity and the relationship between them are solely based on quantitative empirical data. The aspects for which there are no data available are not included in this book. One might think, for instance, of the balance between civility and rudeness in everyday behavior, the strength of personal ties within families, the amount of tax evasion, etc.

We direct a lot of attention towards the measurement of the different entities, to what extent they differ between countries, and how they develop over time. To answer these questions, we use a number of sources. A common feature of these datasets is that they include information about several countries, allowing for international comparisons. We include empirical data at two different levels of analysis, namely the individual and the national level. Most of the individual level data are available through the European Values Study and World Values Study (EVS/WVS). These surveys aim at measuring people's opinions on various issues and have been gathered at different points in time from the 1980s onwards. Ever since the first wave, the EVS/WVS has focused on generating data to answer questions that are relevant for social scientific research combined with methodological strictness to guarantee the quality and cross-country comparability of the data. At the national level, we use information from datasets such as the KOF Index of Globalization, the OECD and the IMF, pro-

viding measures of solidarity, of the welfare state and of the extent to which a country is open to international developments. Some of the chapters examine the relationship between national level variables and variables at the individual level, implying that the usual analysis techniques, such as ordinary least squares regression, cannot be applied. In these instances, multilevel analysis is used, providing the possibility to examine the variables at the two levels simultaneously.

Each of the themes of this book is analyzed in a separate chapter. Solidarity refers to a situation in which the well-being of one person or group is positively related to that of others. People need each other in different situations, indicating their mutual interdependence. Here we can make a distinction between two kinds of situations in which people need others. They may depend on others because they cannot provide for themselves or because they need each other to reach common goals. The first kind of interdependence is illustrated by a person that is unemployed and needs assistance from others to get sufficient resources. The second kind of interdependence means that people try to achieve something together that they are not capable of reaching individually, as is the case, for instance, with public goods that benefit everyone in society. We distinguish between different types of solidarity. First we differentiate between one-sided and two-sided solidarity. One-sided solidarity means assisting someone else without expecting anything in return, whereas there is such an expectation in the case of two-sided solidarity. Furthermore, solidarity can be organized in different ways. If people help others on their own initiative, we speak of voluntary solidarity as opposed to compulsory solidarity organized through the state. With regard to this latter kind of solidarity, a distinction can be made between the actual level of compulsory solidarity and the level of public support it receives and people's willingness to pay for it through taxes. In Chapter 2 we discuss these kinds of solidarity and investigate to what extent they differ between 29 developed countries and how they evolved between the 1980s and 2000s. The welfare state comprises one of the main forms of organized solidarity in modern society. Chapter 3 deals with the question of whether the willingness of people to assist others is related to the size and the content of the welfare state.

In the next chapters we focus on the relationship between individualization, globalization, and compulsory and voluntary soli-

solidarity. Individualization and globalization share a number of features. Both of them are regarded as among the most important characteristics of modern societies, and it has been argued that they have developed only recently. Also, they are both used in very general terms when they are debated. People often speak of individualization and globalization without specifying exactly what they mean by it. The main problem with this is that it is unclear what is being discussed and how these developments relate to solidarity. To start with, it is necessary to distinguish individualization from globalization since the mechanisms through which they have an impact on solidarity differ. Processes of individualization work from the inside out, whereas globalization refers to processes that work from the outside in. We discuss individualization and globalization by giving a short overview of the current literature on these two subjects, identifying their main characteristics, showing how they differ across countries and through time, and finally explaining how they are related to different kinds of solidarity. In Chapter 4, we show that three dimensions capture the process of individualization, which we term detraditionalization, heterogeneity, and emancipation. We examine the effects of individualization in Chapter 5 by investigating whether the three dimensions of individualization influence solidarity. Chapter 6 deals with globalization. We define globalization as increasing cross-border interactions and again distinguish three dimensions, namely the economic, social, and political openness of countries. Chapters 7 and 8 analyse the relationship between globalization and solidarity. Most of the studies carried out in that field of inquiry have focused on one dimension of globalization, economic openness, and one kind of solidarity, compulsory solidarity provided through the welfare state. We extend these studies by including the social and political openness of countries in our analyses and by examining both compulsory and voluntary solidarity.

We integrate the results of our research in Chapter 9 to see if people are still sticking together or whether societies are falling apart. Based on our analyses we try to show how the time that we live in at the moment is related to the past. Have individualization and globalization taken over, as some people argue? Has solidarity eroded? And if so, can this be explained by the influence and effects of individualization and globalization? In the final chapter we take a look at the future by exploring some alternative direc-

tions in which the welfare state may develop, based on the outcomes of our empirical investigations.

2 Taking care of each other

Trends in social solidarity

It is not uncommon these days to claim that social solidarity is declining. Modern citizens are often said to be less willing to act unselfishly and support each other or to contribute to their community than they were in the past. A common complaint is that our fellow citizens aim for their self-interest at the expense of collective well-being. To many, this claim seems self-evident, making it unnecessary to provide any further evidence for it. However, there are many interpretations of solidarity, and it is often unclear to which of the many kinds they are referring. Not all interpretations of solidarity undergo the same development. Therefore, this chapter starts with a discussion of the various meanings and interpretations of solidarity. Next, it describes the state of social solidarity in a number of western countries. Finally, the evolution of social solidarity in past decades is described, to establish whether or not solidarity is really declining.

To this end, this chapter is primarily descriptive. In the following chapters we will analyze the factors that might contribute to an erosion of solidarity.

2.1 What is social solidarity?

In everyday language, the word solidarity refers to the willingness to help others or to support the group one belongs to, without immediately getting something in return. In sociology, social solidarity has a broader meaning, although there is certainly no general agreement on the exact meaning of the word. In this book we will define solidarity, very generally, as the positive bond between the fates of different people. The adjective “positive” is meant to distinguish solidarity from the negative relation between people who are fighting each other. Solidarity means that the well-being of one person or of one group is positively related to the well-being of another person or group (cf. Van Oorschot 1991).

To clarify the concept of solidarity, we first discuss the differences between social solidarity and similar concepts, such as social cohesion and social capital. Next, we make the important distinction between solidarity as an attitude and solidarity as an act. After that, we argue that there are many sorts of solidarity that can be categorized along various dimensions.

2.1.1 *Social solidarity, social cohesion and social capital*

The term social solidarity is similar, but not identical, to the sociological concepts of social cohesion and social capital. In fact, one of the founding fathers of the social sciences, the nineteenth-century Frenchman, Émile Durkheim, used solidarity in a way that we often now term “social cohesion”, i.e. the coherence or unity of a society. In this sense, social cohesion has a broader meaning than solidarity. If the members of a community act out of solidarity, that is proof of social cohesion, but social cohesion need not be the result of an attitude of solidarity or deliberately solidaristic behavior. For example, a football club may have a high level of social cohesion – because the members meet and interact frequently and share a common culture – yet they do not show much solidarity in their support of one another.

While social cohesion and social capital are primarily “objective” concepts, in the sense that they refer to an actual situation, solidarity often refers to a feeling or an attitude and can also have a normative interpretation, i.e. a goal or a desirable situation. While solidarity is embodied in individual persons, social cohesion and social capital are characteristics of a group, a community. That is why individuals can be solidary and show solidarity, but they cannot be “socially cohesive” or “social capitalists” (although Putnam, 2000, does use this latter term).

Durkheim (1893/1997) considered the social division of labour to be the main source of social cohesion (for which he used the term solidarity). The fact that every individual performs a specific task in society, making people mutually dependent on each other, in his view produces the mortar that sticks society together. Performing specialized tasks, as Adam Smith already explained more than a century earlier in *The Wealth of Nations* (1776), can however be a purely selfish act, lacking any feeling of benevolence or solidarity towards those who benefit from the fruits of your labour. As

we will discuss in Chapter 5, this mutual dependency can nevertheless be a source of solidaristic attitudes or solidaristic behavior.

The concept of social capital is closely related to social cohesion. The term social capital has been introduced a number of times, by the sociologists James Coleman and Pierre Bourdieu, among others, as a counterpart to the economic concepts of physical capital and human capital. Whereas physical capital refers to the physical resources that sustain one's productivity, such as machines and computers, and human capital refers to the cognitive skills and competences that enhance one's productivity, such as knowledge and experience, social capital refers to the social relations that improve one's productivity or, in a broader sense, one's fate in society. In the words of Putnam (2000: 19): "Just as a screwdriver (physical capital) or a college education (human capital) can increase productivity (both individual and collective), so too social contacts affect the productivity of individuals and groups."

Whereas social cohesion points to the coherence or unity of a group or a system as a whole, social capital refers to the concrete social relations between individual persons. Social capital is, however, not a purely individual characteristic. Apart from its individual members, a group or a community as a whole can also have a stock of social capital. Since social capital can render (often unintended) positive external effects for others, the stock of social capital of a group is larger than the sum of the social capital of its members. This can be due, for example, to network externalities. If a member of a group maintains a relation with a member of another group (Putnam calls this bridging social capital), this might also benefit the other members of their group, for example by allowing them to acquire information from the other group.

Social capital differs from social solidarity in that it is not aimed at supporting or helping others. As Putnam (2000: 117) puts it: "Doing good *for* people, however laudable, is not part of the *definition* of social capital" (italics in original). Usually, people maintain a relationship because it is mutually beneficial. Obvious examples are activities for which one needs others, such as playing football, acting or campaigning, or activities which are more pleasant to do in company, such as going to the movies or hiking. However, this does not exclude the possibility that social capital breeds solidarity. Putnam (2000: 28) gives the example of a member of a bowling club who donated his kidney to another member when he found

out that the latter had been on a waiting list for a transplant for years.

2.1.2 Attitudes and acts of solidarity

The term solidarity is associated both with feelings and attitudes and with action. An act of solidarity makes a solidaristic attitude tangible in a sense. “A shows solidarity towards B” might mean both that A morally and verbally supports the interest of B, and that A actually does something to further B’s interest. However, feelings of solidarity and acts of solidarity need not coincide. It is possible to have a solidaristic attitude without really acting in a solidaristic manner. It may also happen that someone engages in an act of solidarity without possessing any feelings of solidarity towards the one they support. The next section elaborates on the concept of solidarity as an act, the following section analyzes solidaristic attitudes.

2.1.3 Acts of solidarity

The defining characteristic of a solidaristic act is that there is no equivalence between what one contributes to others or to the group as a whole and what one gets in return. Those who are best off will generally contribute the most, those who are worst off will benefit from the others. Acts of solidarity thus reduce the gap between the fortunate and the unfortunate.

This definition restricts acts of solidarity to relations between people. The term is also used to describe the contribution of individuals to a public good or an ideal. For instance, a financial contribution (by means of taxes) to the construction of roads, or taking part in the activities of a political party or an environmental organization can also be called acts of solidarity. We will, however, leave these kinds of actions aside and will focus on solidarity between people (although in our empirical analysis it is not always possible to make a rigorous distinction between them). Many kinds of solidaristic acts exist, some of which might not even be recognized as such at a glance. At least five relevant dimensions of solidaristic acts can be determined:

1. The extent of reciprocity
2. The organization
3. The (in)voluntariness
4. The scope
5. The form

Reciprocity: one-sided vs. two-sided solidarity

One-sided solidarity, occasionally called unilateral or vertical solidarity, means that an act of solidarity operates in one direction; two-sided solidarity (also bilateral or horizontal solidarity) operates in two directions.

In the case of two-sided solidarity, someone who acts on the principles of solidarity expects, on balance, to benefit just as much from others as they themselves are contributing. It should be stressed that this refers only to the expected, *ex ante*, balance between contribution and receipt. The actual, *ex post*, contribution and receipt will, in general, not be equal. Indeed, this is the distinguishing feature of solidarity. Two-sided solidarity implies that one does not know beforehand whether one will end up being a net contributor or a net receiver. For example, on entering into a health insurance policy, most people expect that the benefits will outweigh the costs. However, if you hardly ever get sick and incur no health cost, you will ultimately have contributed much more to the insurance scheme than you have received. If, on the contrary, you need a lot of medical treatment, you will benefit much more from the insurance than you contribute. All the same, in both cases the health insurance is a matter of two-sided solidarity since you do not know the outcome beforehand.

The uncertain outcome distinguishes two-sided solidarity from an “ordinary” market transaction, in which there is an immediate, balanced exchange between what you contribute (e.g. money) and what you receive (e.g. a service or a product). With a market transaction, both *ex ante* and *ex post* contribution and receipt balance each other. A market transaction and two-sided solidarity are similar in that they are both based on the principle of *quid pro quo*. Someone is prepared to act in the interests of someone else only because they expect to get something of equal value in return. A (voluntary) insurance policy is perhaps the best-known example of two-sided solidarity.

In the case of one-sided solidarity, a person expects beforehand, *ex ante*, that their contribution and what they receive will not be

equal; for example, they expect nothing in return for their contribution. In giving alms to a beggar or in donating money for the victims of an earthquake in a faraway country, you cannot reasonably expect to get anything in return. In this sense, one-sided solidarity is always unselfish, although you may of course feel a sense of satisfaction or get a “warm glow” from showing solidarity. The taxes levied on rich persons for financing social assistance, from which they most likely will never benefit themselves, are also a form of one-sided solidarity.

In real life, purely one-sided solidarity, in which it is clear from the start that some persons will only contribute and others will only benefit, occurs rarely. More often, it is quite likely that some groups will contribute more than they receive, while others will receive more than they contribute, although this is not certain. Someone who expected to be a net contributor might turn out to be a net receiver – or the other way around. For instance, if the premium of a health insurance policy depends on your income, then the higher income groups will, on average, contribute more to the insurance scheme than they receive. Nevertheless, a rich person who catches a serious disease might ultimately receive a larger compensation for their medical treatment than the premiums they paid, while a poor individual who never gets ill will have contributed more than they ever receive.

In summary, the fundamental difference between one-sided and two-sided solidarity is that with two-sided solidarity, only the actual, *ex post*, contributions and receipts differ, while with one-sided solidarity both the expected, *ex ante*, and the actual, *ex post*, contributions and receipts differ. As a contrast, market exchange is characterized by equality of both *ex ante* and *ex post* contributions and receipts.

Organization: formal vs. informal solidarity

In this second dimension we distinguish the extent to which solidarity is organized or is a spontaneous act, i.e. whether solidarity is formal or informal. Informal solidarity, which one might also call “warm” solidarity, springs from a direct involvement and sympathy with other persons, for whom one has “warm feelings”. The most intense forms of informal solidarity are usually found within the family: between husband and wife, and between parents and children. This solidarity can be so strong that one is prepared to sacrifice one’s life to save another, e.g. a mother risks her life in

trying to save her drowning child. Less intense forms of informal solidarity are often found between good friends, neighbors or colleagues. The compassion expressed by giving alms to a beggar is also an example of informal solidarity.

Formal or “cold” solidarity originates from commitment to anonymous others, whom you do not know personally, but to whom you are nevertheless connected through a formal bond. An example is solidarity with fellow citizens living in poverty, who are supported by a social benefit system to which everybody contributes. Another example is solidarity with the unfortunate person whose house burns down and who is compensated by the insurance company to which you regularly pay an insurance premium. A third example is the solidarity with less fortunate people in developing countries to which your government pays development aid, which is financed from your taxes.

Whereas informal solidarity is expressed by the direct relationship between people, the formal solidarity between people who do not know each other is always mediated by an institution, such as the state or an insurance company.

Voluntary vs. compulsory solidarity

The third dimension along which we distinguish different forms of solidaristic acts is voluntary versus compulsory solidarity. Showing solidarity voluntarily is a choice; compulsory acts of solidarity are enforced, usually by the state. Compulsory solidarity does not rule out that one is actually prepared to act willingly and with feelings of solidarity, but this is not a prerequisite, in contrast to voluntary solidarity.

There is often a close relationship between the (in)voluntariness of solidarity and the organization of solidarity. However, not all informal acts of solidarity are voluntary and not all formal acts of solidarity are compulsory. A fire and theft insurance policy is an example of formal voluntary solidarity, and the solidarity of parents with their children is informal but compulsory, since they are legally obliged to take care of their children.

The scope: local, national or global solidarity

The fourth dimension of solidarity is its scope. How far does solidarity reach? How large is the circle of people with whom one shows solidarity? One can think of the scope of solidarity as a series of concentric circles: family – relatives – neighborhood – town

– country – league of nations (e.g. the EU, NATO, OECD) – the world. However, this list is not exhaustive. The scope of solidarity is not always geographically marked, but can also include a circle of friends, the co-workers of a company, the members of a church, etc.

There need not be a close relationship between the – geographical or social – distance to the people to whom the solidarity applies and the strength or size of the solidarity. Even though solidarity within the family is usually very strong, the solidarity with fellow citizens whom you do not know in person – through taxation and social contributions – might be much stronger than the solidarity with your neighbours and friends. Generally, the larger the scope of solidarity, the more likely it is that it is formally organized through official bodies. Nevertheless, even “global” solidarity can be informal and spontaneous, for example when individuals start their own small-scale development project in a village in a developing country.

An often neglected consequence of solidarity is that the inclusion of those people who belong to the circle of solidarity inevitably means the exclusion of others who fall outside this circle. Inclusion and exclusion are inextricably linked to each other. The only exception would be solidarity that encompasses the whole world population – but one might argue that solidarity with all world citizens effectively means no solidarity at all. Thus, in practice, showing solidarity always means dividing people and treating them differently.

The form: time, money or in kind

The last dimension along which we distinguish different kinds of solidarity is the form in which it is shown. Time and money are the best-known forms of solidaristic action. Although giving money is probably the first association people have with acts of solidarity, the most common form is actually the time spent supporting others. Consider, for instance, the many hours that parents spend in caring for their children, or doing voluntary work. Time is perhaps the best way to express informal solidarity. Formal solidarity is usually expressed by giving money: income transfers between persons through a formal organization, such as the government or an insurance company. Sometimes informal solidarity is also expressed financially, for example when parents sup-

port their children financially or when you give money to a homeless person.

A third form through which an act of solidarity might be performed is the offering of a gift in kind. The pocket money children receive is usually dwarfed by what their parents give them in kind: food, clothes, shelter, etc. For the donor, giving in kind has the advantage of affording them control over the allocation of the gift. This can be an attractive option, if you consider the recipient to be incapable of making a responsible decision. Moreover, a gift in kind makes it less attractive for the beneficiary to claim undeserved or unnecessary support. For example, a wheelchair is of little use if one is not really physically handicapped, but a monetary gift is useful.

A special form of solidarity in kind is the donation of an organ. Usually, this occurs after one's death, but some people donate a kidney *in vivo*. A much more widespread form of solidarity in kind is, of course, blood donation.

2.1.4 Attitudes of solidarity

The fact that someone shows solidarity does not inform us directly about his or her motives. Behavior can, of course, spring from a feeling of solidarity or sympathy with the person being supported. The person who gives a charitable donation to a beggar probably does it out of pity. However, such a feeling of sympathy or pity is not self-evident in all cases of solidaristic action. There are probably not many people who enter into fire insurance policies out of pity for the unlucky souls whose house burns down. Likewise, the motive for giving money to a beggar on the street might be to avoid being pestered.

In general, two kinds of attitudes can be motivated by solidarity and might (but need not necessarily) form the basis for the various kinds of solidaristic action discussed above. These two kinds of attitudes resemble the distinction between one-sided and two-sided solidarity. In order to prevent confusion we will, however, refer to them as “affective” and “calculating” solidarity, respectively.

Affective solidarity is founded on a *feeling* of affection, responsibility or duty towards another person. The affective solidarity of *ego* with respect to *alter* does not presuppose that *alter* feels the same with respect to *ego*. *Ego* does not expect anything in return

for its solidarity. Affective solidarity is, therefore, closely related to values like altruism, charity, benevolence and community spirit. The basic assumption is that solidarity is not inspired by self-interest, but by moral duty, sympathy or commitment.

Calculating solidarity, on the contrary, is based on an awareness of mutual dependence. *Ego* realizes that its fortune is partly dependent on that of *alter*, and *alter* realizes the same with respect to *ego*. If both expect their solidarity to be returned by the other, calculating solidarity perfectly agrees with self-interest, and even with selfishness. However, it is incompatible with opportunism, which would mean that *alter* benefits from the solidarity of *ego*, but is not prepared to reciprocate that solidarity.

2.2 The actual state of social solidarity

It is well known that countries differ largely in the extent to which they offer social protection to their citizens. This has been an important theme of the comparative welfare state literature, strongly influenced by Esping-Andersen's seminal 1990 book, *The Three Worlds of Welfare Capitalism*. However, it is far from clear to what extent the variation in welfare states reflects differences in the level of social solidarity between countries. Roughly speaking, there are two opposing views in the literature regarding the relationship between the social protection offered by the welfare state and the extent of social solidarity. In one view, the welfare state embodies the most important and extensive form of social solidarity and, thus, differences in formal social protection reflect differences in social solidarity between countries. For example, Esping-Andersen (1990) introduced the concept of de-commodification to measure the extent to which welfare states protect their citizens against the vagaries of the free market. According to his analysis, the social-democratic Nordic countries offer the most social protection, and are therefore most solidaristic, while the liberal Anglo-Saxon countries offer the least protection. Recently, Alesina and Glaezer (2004) argued that the absence of a well-developed welfare state in the United States reflects a fundamental difference in attitudes between Americans and Europeans. While most Europeans believe that the government should protect its citizens against social risks, most Americans regard this as a personal responsibility in

which the state should interfere as little as possible (see also Chapter 3).

There is, however, an alternative view, which is sometimes named the crowding-out thesis (e.g. Van Oorschot & Arts 2005). According to this view, the variation in social protection provided by the welfare state does not reflect real differences in social solidarity between societies, but only the extent to which social solidarity is organized and formalized by the state. In extensive welfare states, like those of the Nordic countries, the state has simply taken over much of the informal solidarity of individual citizens or civil society, which still plays an important role in other countries. As an example, the extensive provision of childcare facilities by the state in the Scandinavian countries has replaced much of the informal, unpaid childcare by mothers in the conservative welfare states or the paid childcare provided through the market in the liberal welfare states. Thus, the total amount of childcare and, thence, the solidarity of parents towards their children may not differ much between these countries, but the actual form it takes does.

To get a better insight in the variation in social solidarity between countries, we will present figures on various forms of solidarity for a number of developed countries. Since there is not one comprehensive database that covers the diversity of acts of solidarity, we have collected figures from a number of sources. As a consequence, we will not be able to give a full description of solidarity for all countries of concern. Since the data originate from various sources, they may not be mutually consistent and compatible in all respects.

Ideally, we would give figures on all combinations of the dimensions of solidaristic acts that were discussed in Section 1.3. Evidently, this is impossible. Therefore, we will focus on two dimensions, *viz.* compulsory versus voluntary solidarity and, within the second category, formal versus informal solidarity. Additionally, we will vary the scope of solidarity, especially by distinguishing between national and supranational solidarity. Unfortunately, it is not possible to distinguish consistently between one-sided and two-sided solidarity, since both kinds of solidarity are often mixed in the actual arrangements.

Table 2.1 shows the level of various forms of compulsory solidarity in the year 2003 (or the year closest to this year for which data are available) in 29 industrialized countries. We distinguish

Table 2.1 Compulsory solidarity, c. 2003

	National			Supranational		
	gross public social expenditure % of GDP	net public social expenditure % of GDP	benefit generosity ^a % of GDP per capita	ODA ^b % of GDP	inflow of asylum- seekers ^c per 100,000 of population	recognition of asylum- seekers ^{c,d} per 100,000 of population
Australia	17.9	17.2	12.9	0.22	35.3	8,1
Austria	26.1	20.6	33.1	0.21	316.7	33,5
Belgium	26.5	22.9	24.8	0.61	208.7	16,7
Canada	17.3	17.2	19.0	0.27	99.3	44,1
Czech Republic	21.1	19.5	20.4	0.10	85.9	1,7
Denmark	27.6	20.3	30.2	0.89	113.9	13,6
Finland	22.5	17.7	20.3	0.34	58.2	0,3
France	28.7	25.5	29.1	0.51	92.4	15,8
Germany	27.3	25.8	28.5	0.33	66.5	7,2
Greece	21.3	.	24.2	0.19	62.3	0,7
Hungary	22.7	.	17.3	0.03	44.3	1,4
Iceland	18.7	16.6	17.4	0.16	23.4	0,4
Ireland	15.9	14.0	11.7	0.32	207.4	12,3
Italy	24.2	20.6	26.0	0.18	20.9	2,1
Japan	17.7	17.6	23.4	0.31	0.4	0,0
Korea	5.7	5.9	4.7	0.07	0.3	0,1
Luxembourg	22.2	.	16.3	0.67	232.7	1,9
Netherlands	20.7	17.9	19.7	0.78	128.7	127,0
New Zealand	18.0	15.1	14.4	0.20	23.2	1,4
Norway	25.1	20.2	23.1	0.91	259.5	10,1
Poland	22.9	.	23.4	0.01	15.7	5,9
Portugal	23.5	20.8	28.3	0.21	1.6	0,0
Slovak Republic	17.3	16.1	15.0	0.07	126.3	0,3
Spain	20.3	17.6	20.3	0.25	15.6	0,6
Sweden	31.3	24.3	30.8	0.77	269.6	4,0
Switzerland	20.5	.	24.9	0.40	247.5	27,3
Turkey	13.2	.	14.7	0.03	6.4	3,2
United Kingdom	20.6	19.3	15.4	0.35	113.2	16,4
United States	16.2	17.3	18.3	0.17	14.6	5,5
unweighted average	21.1	18.3	21.0	0.33	99.7	12,5

^a Share of gross income replacement benefits (old age, survivors, unemployment, incapacity) in GDP divided by the share of non-working persons in the total population.

^b Official development aid.

^c Average of the years 2000-2006.

^d Recognition of asylum-seekers under the 1951 Convention at the first instance.

Source: OECD, UNHCR (calculations by the authors)

three indicators that refer to national solidarity and three that refer to supranational solidarity. The best-known indicator of social protection by the welfare state is the amount of (gross) public social expenditures as a percentage of gross domestic product (GDP), for which data are collected by the OECD in its social expenditures database (SOCX, OECD 2007). The second column of Table 2.1 shows that the share of GDP spent on public social protection ranges between 5.7 and 31.3 percent. Social expenditures are the highest in the welfare states of northwest Europe, especially Sweden, France, Denmark, Germany and Belgium, and the lowest in the Anglo-Saxon countries (USA, Canada, and Ireland) and in the non-western developed world (Japan, Korea, and Turkey).

However, for various reasons this indicator has been criticized in the literature, and alternative indicators have been proposed. One reason is that the tax treatment of social benefits and other income transfers varies between countries. A country that levies taxes and/or social contributions on social benefits must spend a larger share of its GDP on social security in order to realize the same level of income protection as a country that does not tax benefits. For this reason, the OECD has calculated the net (after tax) social protection expenditure in a number of member states (Adema & Ladaique 2005). The third column of Table 2.1 displays these figures. Now the range of social expenditure is considerably smaller, since the expenditure ratio of some of the big spenders, especially Austria, Belgium, Denmark and Sweden, drops by four to seven percentage points, while the expenditure ratios of some of the smaller spenders hardly change at all.

Another point of criticism is that high social expenditures may not point to effective social protection, but rather to a lack of employment opportunities, as a result of which a large share of the population claims social benefits. A better indicator might, thus, be the protection offered by the social security system to those who are out of work. The smaller the number of people out of work, the less a country has to spend on social benefits in order to provide the same amount of social protection. Various indicators for the social protection offered to people out of work have been suggested in the literature, most of which are some aggregate of income replacement rates (e.g. Scruggs & Allan 2006b). In Table 2.1 we present an alternative indicator, which also takes account of the share of the non-working population that is entitled to benefits. Our benefit generosity indicator is a combination of the repla-

cement rate (relative benefit level) and the eligibility conditions of the social security system. It is calculated as the share of social security expenditure in GDP divided by the share of the non-working population in the total population and can be interpreted as the average income protection offered to all non-working citizens as a percentage of average GDP per capita. The fourth column of Table 2.1 shows that the ranking of countries with respect to this generosity indicator does not differ strongly from their ranking according to total public social expenditure, although there are some notable exceptions. Austria turns out to have the most generous social security system, although it spends considerably less on social protection than Sweden. Social protection in Japan is also much more generous than one would expect on the basis of its social expenditures.

The measures of solidarity discussed above strictly focus on national citizens and therefore reflect compulsory solidarity at the national level. They embody a mixture of one-sided and two-sided solidarity, since part of the benefits of public social protection is spread more or less equally across the population (e.g. old age benefits or family benefits), while another part is concentrated among particular groups (e.g. social assistance and disability benefits). The next three measures refer to supranational solidarity. These have an unambiguously one-sided character, since native citizens cannot expect to benefit from them. The first is official development aid (ODA) as a share of GDP. This kind of solidarity does not amount to more than one percent of GDP in any of the countries. On average, ODA expenditure is only 0.33 percent of GDP. If we compare this to an average of 21 percent of public social expenditure, it is evident that in all countries, not surprisingly, national solidarity is much stronger than supranational solidarity. Nevertheless, there are large differences in ODA expenditures between the countries considered. The Scandinavian countries and the Netherlands spend the most on development aid (more than 0.75 percent of GDP), while the East and Central European countries, Turkey, and Korea spend the least.

Another indicator for supranational solidarity is the willingness to receive asylum-seekers who have fled their country to seek refuge against persecution for racial, religious or political reasons. Although the numbers of asylum-seekers applying for refuge in various countries is only partly determined by the hospitality of the host countries, the asylum policies of national governments

are nevertheless likely to influence the number of asylum-seekers. This is especially likely for the developed countries, most of which are not close to the countries from which the refugees come. This means that refugees have to choose explicitly in which country they will seek asylum. However, to prevent random fluctuations from having a large effect on the indicator for hospitality, Table 2.1 displays average figures for a period of seven years (2000-2006). We computed the average number of asylum-seekers that arrived annually per 100,000 inhabitants of the host country. Since many asylum-seekers are not allowed to stay for an extended period of time in the host country, we also give figures for the relative number of refugees that are granted official status according to the 1951 Convention relating to the status of refugees. On average, the countries in Table 2.1 received one asylum-seeker for every thousand inhabitants, annually. This number is at least twice as large for Austria, Belgium, Ireland, Luxembourg, Norway, Sweden and Switzerland, but negligible in countries like Japan, Korea and Portugal. The numbers of asylum-seekers that get formal refugee status is much smaller. This share also varies enormously, from over one per thousand inhabitants in the Netherlands to virtually nil in Japan, Korea and Portugal.

Table 2.2 gives information on various forms of non-state, voluntary solidarity. The first three columns refer to formal forms of voluntary solidarity. First, we present gross and net private social expenditures as a percentage of GDP. Private social expenditure includes benefits from privately operated programmes, such as occupational pensions, childcare support, and, in the US, employment-related health plans. It also includes mandatory social support stipulated by legislation but operated through the private sector, e.g. direct sickness payments by employers to their absent employees (OECD 2007: 10). As with public social expenditure, net private expenditure is the better indicator for social protection, but these figures are available only for a limited number of years and not for all countries. Private social expenditure is quite large in some countries that spend relatively little on public social expenditure, such as the USA, Australia, Canada and Iceland, but also in Finland, the Netherlands and Switzerland, which are just about average with respect to public social expenditure.

Whereas private social expenditure primarily refers to collective and sometimes mandatory, non-state forms of solidarity, insurance premiums refer to actions taken by individuals to protect

Table 2.2 Voluntary solidarity, c. 2003

	Formal			Informal				
	gross private social expenditure % of GDP	net private social expenditure % of GDP	private insurance % of GDP	volun- teering % of adult population	volun- teering hours per week	volun- teering % of GDP	giving % of GDP	child- care hours per week
Australia	4.5	3.7	6.4	.	.	1.5	0.5	.
Austria	2.1	1.5	5.7	28.3	.	0.6	0.2	.
Belgium	3.9	3.1	9.2	31.4	0.6	1.6	0.5	1.9
Canada	5.4	4.3	7.6	46.8	2.1	1.3	1.2	2.8
Czech Republic	0.4	0.3	4.1	29.8	.	0.4	0.3	.
Denmark	2.5	1.2	8.0	33.2	.	.	.	.
Finland	4.6	2.9	3.8	36.5	0.6	2.2	0.4	2.3
France	2.7	2.5	8.8	21.9	0.1	3.1	0.3	2.1
Germany	3.0	2.2	7.1	19.5	0.9	2.6	0.1	2.0
Greece	2.4	.	2.1	38.0	.	.	.	.
Hungary	0.0	.	3.0	14.3	.	0.1	0.6	.
Iceland	5.1	3.3	3.3	31.9	.	.	.	.
Ireland	0.5	0.5	15.5	28.2	.	1.2	0.9	.
Italy	2.3	1.9	7.3	25.1	0.2	0.8	0.1	2.2
Japan	3.3	3.0	7.2	15.6	0.6	0.6	0.2	1.6
Korea	2.4	2.1	9.8	47.1	.	0.8	0.2	.
Luxembourg	2.7	.	25.9	30.0	.	.	.	.
Netherlands	7.7	5.6	9.5	47.3	0.8	4.9	0.5	3.8
New Zealand	0.5	0.5	2.2	.	.	.	.	.
Norway	2.6	1.5	5.6	33.3	0.2	3.3	0.4	3.0
Poland	0.0	.	2.9	12.1	0.1	0.1	0.3	3.3
Portugal	1.5	1.3	6.7	11.6	.	0.5	0.5	.
Slovak Republic	1.3	1.1	3.6	48.6	.	0.0	0.4	.
Spain	0.3	0.3	5.3	16.0	0.1	1.3	0.9	2.5
Sweden	3.0	1.8	7.8	53.9	0.5	4.2	0.4	2.6
Switzerland	8.3	.	12.4	.	.	.	.	.
Turkey	.	.	1.4	1.5	.	.	.	.
United Kingdom	6.8	5.4	15.3	43.1	0.4	3.1	0.8	2.7
United States	10.0	9.2	11.4	64.7	0.9	2.2	1.9	2.9
unweighted average	3.2	2.3	7.5	31.1	0.6	1.7	0.5	2.5

Source: OECD (private social expenditure and insurance), Johns Hopkins Comparative Nonprofit Sector Project (volunteering and giving in % GDP), EVS/WVS (volunteering in % pop.), Harmonised European Time Use Survey (informal help and childcare in hours per week) (calculations by the authors)

themselves against various risks. The third column of Table 2.2 gives the total sum of insurance premiums paid as a percentage of GDP. This includes both life insurances and indemnity insurances. Since these figures are based on information from each country's insurance industry, they refer to all premiums collected by insurance companies in the respective countries, including premiums from abroad. These figures may, thus, not be an accurate indicator of the payment of insurance premiums by the citizens of each country. For Ireland, Luxembourg and Switzerland, in particular, this probably results in an overestimation of insurance spending. Apart from these countries, the American and British people spend relatively more on private insurance, while the Turks, Greeks and Poles spend little.

The last five columns of Table 2.2 collect the available information on informal solidarity. These data are much more scattered, since informal solidarity is not officially registered, and information has thus to be derived from various representative surveys. Since not all countries conduct these surveys, there are a number of blank cells in the table where no information is available.

Acts of solidarity in the form of unpaid, voluntary work can be measured in various ways. The easiest way is to ask respondents in a survey whether they take part in such activities. This question has been posed in each of the four waves of the European Values Survey (EVS) and the World Values Survey (WVS). Column four shows that participation rates in volunteering ranges from eleven to 65 percent of the adult population, if we exclude Turkey, where only 1.5 percent of the population does voluntary work. The highest number of volunteers by far is to be found in the USA, followed by Sweden, Slovakia, Korea, the Netherlands and Canada. These data inform us about the share of the population participating in voluntary work, but not about the actual amount of volunteering. This can be measured in so-called time-use surveys, which request the respondents to fill in a diary in which they record all activities they perform in the duration of a week. Basically, this gives a reliable estimate of the time spent on voluntary work. However, since filling in such a diary is very laborious (and time consuming!), the number of respondents is usually quite small, and the response may be selective, affecting the representativeness of the survey negatively. The fifth column of Table 2.2 shows that, for the countries for which figures are available, the average number of hours per week spent by adults on voluntary work

Table 2.3 Pearson correlation coefficients between various forms of solidarity, c. 2003

	Compulsory solidarity					Voluntary solidarity								
	National		Supranational			Formal			Informal					
	Gross public social expend.	Net public social expend.	Generosity public protection	ODA	Inflow of asylum-seekers	Recognition of asylum-seekers	Private social expenditure	Net private social exp.	Insurance premiums	Volunteering (% adults)	Volunteering (% GDP)	Giving Child care		
Gross pub.soc.	1	0.94**	0.86**	0.55**	0.45*	0.06	-0.13	-0.18	-0.01	-0.13	-0.42	0.35	-0.30	-0.24
Net pub.soc.	0.94	1	0.86**	0.45*	0.35	0.05	0.02	-0.02	-0.06	-0.31	-0.28	0.37	-0.18	-0.40
Generosity	0.86**	0.86**	1	0.39	0.34#	0.09	-0.03	-0.14	-0.14	-0.19	-0.28	0.19	-0.30	-0.43
ODA	0.55**	0.45*	0.39	1	0.60**	0.39*	0.24	0.03	0.42*	0.27	-0.08	0.84**	-0.08	0.19
Asylum-seekers	0.45*	0.35	0.34#	0.60**	1	0.28	0.09	-0.18	0.43*	0.29	-0.01	0.37#	-0.13	0.16
Recognition	0.06	0.05	0.09	0.39*	0.28	1	0.45*	0.36#	0.16	0.28	0.36	0.53*	0.08	0.64*
Priv.soc.	-0.13	0.02	-0.03	0.24	0.09	0.45*	1	0.98**	0.33#	0.67**	0.50#	0.59**	0.54**	0.31
Net priv.soc.	-0.18	-0.02	-0.14	0.03	-0.18	0.36#	0.98**	1	0.42*	0.60**	0.42	0.41#	0.64**	0.42
Insurance	-0.01	-0.06	-0.14	0.42*	0.43*	0.16	0.33#	0.42*	1	0.27	0.15	0.40#	0.41#	0.03
Volunt. (% adults)	-0.13	-0.31	-0.19	0.27	0.29	0.28	0.67**	0.60**	0.27	1	0.46#	0.45*	0.46*	0.42
Volunt. (hours)	-0.42	-0.28	-0.28	-0.08	-0.01	0.36	0.50#	0.42	0.15	0.46#	1	0.00	0.45	0.10
Volunt. (%GDP)	0.35	0.37	0.19	0.84**	0.37#	0.53*	0.59**	0.41#	0.40#	0.45*	0.00	1	0.11	0.40
Giving	-0.30	-0.18	-0.30	-0.08	-0.13	0.08	0.54**	0.64**	0.41#	0.46*	0.45	0.11	1	0.30
Childcare	-0.24	-0.40	-0.43	0.19	0.16	0.64*	0.31	0.42	0.03	0.42	0.10	0.40	0.30	1

significant at the 0.1 level (2-tailed).

* significant at the 0.05 level (2-tailed).

** significant at the 0.01 level (2-tailed).

Source: see Table 2.1 and 2.2

varies between 0.1 and 2.1. Canadians spent by far the most hours on volunteering, but this may be due to a different definition of voluntary work in the Canadian survey, which includes “civic work”. Next, Americans and Germans devote relatively more time to volunteering, while Frenchmen, Poles and Spaniards spend very little.

The sixth column shows the estimates of the Johns’ Hopkins Comparative Nonprofit Sector Project of the value of voluntary work expressed as a percentage of GDP. This estimate is based on national surveys on volunteering and the assumption that one hour of voluntary work is valued at the average wage in the respective country in the fields in which volunteering takes place (Salomon, Sokolowski & List 2003: 55, note 25). Now the Netherlands and Sweden turn out to have the largest share of voluntary work in GDP and three Eastern European countries, Hungary, Poland and Slovakia, the smallest. The Johns’ Hopkins Comparative Nonprofit Sector Project has also gathered information on voluntary giving to charitable organizations. The estimates vary between 0.1 and 1.9 percent of GDP. The Americans appear to be by far the most generous people, followed by Canadians, while the Germans and French give the least.

Finally, the last column of Table 2.2 includes figures on the average number of hours spent per week on unpaid childcare. These figures are also drawn from time-use surveys and include childcare as the primary activity only. The time spent on childcare ranges from 1.6 hours per week in Japan to 3.3 hours in Poland.

To what extent are the various forms of solidarity correlated? Are they substitutes or complements? Table 2.3 displays the Pearson correlation coefficients between all pairs of solidarity presented in Tables 2.1 and 2.2. The shaded triangle in the table’s upper left quadrant shows the correlations between the various forms of compulsory solidarity. All correlations are positive, showing that a country that scores highly on one of the indicators for compulsory solidarity tends to score highly on other indicators, too. Not surprisingly, gross public social expenditure, net public social expenditure and the generosity of public income protection are strongly correlated. But there is also a significant positive correlation, albeit weaker, between public social expenditure and spending on development aid and the inflow of asylum-seekers. National and supranational forms of solidarity thus do not appear to be substitutes, but to some extent complements: countries that

Table 2.4 Trends in solidarity^a, 1980s-2000s

	Compulsory					Voluntary		
	gross public social expend.	benefit generosity	ODA	inflow of asylum seekers	recognition of asylum- seekers	gross private social expend.	private insurance	volun- teering
Australia	0.33	0.21	-0.009	-1.44	0.31	0.24	0.14	.
Austria	0.14	-0.63 ^b	0.002	6.19	0.94	0.06	0.04	0.44 ^b
Belgium	0.05	-0.06	-0.003	6.26	0.45	0.11	0.27	0.59
Canada	0.09	0.07	-0.009	-2.34	0.97	0.19	0.12	0.76
Czech Rep. ^b	0.36	-0.10	0.012	5.13	-0.03	0.04	0.18	0.49
Denmark	0.13	-0.17	0.009	-1.11	-0.83	0.06	0.22	0.88
Finland	0.15	-0.37	0.000	1.86	0.01	0.23	-0.08	-0.68 ^b
France	0.32	0.14	-0.006	1.60	-0.22	0.10	0.27	0.35
Germany	0.20	0.11	-0.006	-13.45	-0.51	0.01	0.10	-0.08
Greece	0.32	0.18	0.003 ^b	1.39 ^b	-0.09	0.02 ^b	0.07 ^b	.
Hungary ^b	.	1.97	.	-1.79	-0.04	.	0.09	-0.21
Iceland	0.21 ^b	-0.12 ^b	.	2.72 ^b	.	0.13 ^b	0.02	0.14
Ireland	-0.21	-0.35	0.008	15.75	1.19 ^b	-0.03	0.46	0.32
Italy	0.19	0.13	-0.003	0.71	0.09	0.09	0.28	0.41
Japan	0.30	0.41	0.000	0.03	0.00	0.13	0.01	0.34 ^b
Korea	0.26 ^b	0.29	0.004	0.06 ^b	0.02	0.16 ^b	-0.11 ^b	-4.28 ^b
Luxembourg	-0.13	-0.52	0.027	3.58 ^b	0.20 ^b	0.09	1.65	.
Netherlands	-0.27	-0.24	-0.008	-0.08	-32.66	0.17	0.08 ^b	1.28
New Zealand	0.05	-0.83	-0.002	-0.04 ^b	0.06 ^b	0.02	-0.14	.
Norway	0.28	0.79	-0.002	9.75 ^b	0.41	0.08	0.06	1.11
Poland ^b	0.11	-1.28	0.009	1.16	0.74	.	0.10	-1.39
Portugal	0.57	0.71	0.012	-0.24	0.00	0.04	0.29	-0.66 ^b
Slovak Rep. ^b	-0.16	0.31	.	13.98	-0.15	0.06	0.10	2.86
Spain	0.22	0.17	0.010	-0.15	-0.06	0.00	0.16	-0.38
Sweden	0.07	-0.11	0.000	-6.63	-1.55	0.10	0.18	1.66
Switzerland	0.27	-0.19 ^b	0.006	-5.14	1.22	0.35	0.29	.
Turkey	0.41	0.63	0.014 ^b	-0.32 ^b	-0.04 ^b	.	0.05 ^b	.
United Kingdom	0.09	-0.22	0.000	4.24	0.90	0.16	0.39 ^b	1.35
United States	0.12	0.00	-0.005	-2.36	0.19	0.22	0.17	1.92
Unweighted average	0.16	0.03	0.002	1.36	-1.02	0.11	0.19	0.31
# increase	24	15	15	16	16	25	26	16
# decline	4	14	11	13	12	1	3	7

^a Based on a linear regression of the indicator on the calendar year.

^b 1990s-2000s.

Source: see Table 2.1 and 2.2

display a strong solidarity with their own population tend to show solidarity with people in need from abroad, too.

The shaded triangle in the bottom right quadrant shows that there is also a positive correlation between the various forms of voluntary solidarity. Private social expenditure is positively correlated with private insurance, volunteering and giving to charities, and there is also a positive correlation, albeit insignificant, with childcare.

Finally, the shaded bottom left quadrant shows the correlations between various forms of compulsory and various forms of voluntary solidarity. Now, a fair number of correlations is negative, although none of them is statistically significant. Thus, there seems to be a weak negative correlation between public social expenditure and social protection generosity on the one hand, and private social expenditure, private insurance, volunteering, giving to charities and childcare on the other. However, the few correlation coefficients in this quadrant that are significant are all positive: development aid and the inflow of asylum-seekers are positively correlated with private insurance and volunteering (as a percentage of GDP), while there is also a positive correlation between the recognition of asylum-seekers on the one hand and private insurance and childcare on the other.

These figures suggest that compulsory national solidarity and voluntary solidarity might be weak substitutes, while compulsory supranational solidarity and voluntary solidarity appear to be complementary.

2.3 Trends in social solidarity

As we mentioned at the beginning of this chapter, many people seem to believe that social solidarity is declining. To examine whether this worry is justified, we give an overview of trends in social solidarity in past decades. Because the levels of specific kinds of solidarity may fluctuate from year to year, we do not simply calculate the change between the first year and the last year for which we have figures, but we estimate the annual trend for all years for which data are available. These estimated trends are shown in Table 2.4. Unfortunately, we are not able to estimate these trends for all kinds of acts of solidarity that were reported in Table 2.1 and Table 2.2. We do not have a sufficiently long time

series for net social expenditure and for most forms of informal solidarity to estimate robust trends. With respect to informal solidarity, we only have multiple observations for the share of the adult population doing voluntary work from three waves of the EVS/WVS. It should be noted, however, that the numbers of adults who volunteer are not strongly correlated with the average hours of voluntary work and the share of voluntary work in GDP (see Table 2.3). It is, thus, uncertain how robust the figures for volunteering in Table 2.4 are. Whenever possible, the trends in Table 2.4 refer to a time series that starts in the 1980s and ends in the 2000s. In a number of cases, however, the earliest data available are from the 1990s (these instances are indicated in Table 2.4).

If we first take a look at the bottom three lines of Table 2.4, a remarkable finding is that on average, with the exception of the recognition of asylum-seekers, all forms of solidarity show a positive trend. This means that almost all kinds of solidarity have been on the rise since the 1980s and that there is no general tendency of declining solidarity. Although there is quite a degree of variation in the trends between the countries, the bottom two lines show that for all kinds of solidarity, the number of countries that experienced a rise is larger than the number of countries that witnessed a decline. In the case of gross public social expenditure and the three forms of voluntary solidarity, there is even an overwhelming majority of countries that experienced a rise in solidarity. The only kind of solidarity that, on average, has declined is the recognition of asylum-seekers. This is, however, entirely due to the large decline in the Netherlands, which recognized an extremely large number of asylum-seekers in the beginning of the 1990s and, although the number fell strongly in recent years, was still by far the most generous country in awarding asylum-seekers refugee status in 2006. If we exclude the Netherlands, the average trend with respect to this kind of solidarity also becomes positive (+0.15).

It is quite remarkable that, despite the widespread worries of a race to the bottom and social dumping, in a large majority of countries public social expenditures as a share of GDP has risen over the past two decades. On average, this share has risen by 1.6 percentage points over ten years (note that the trends in Table 2.4 refer to annual changes). Expenditures on development aid have also risen, albeit very slightly (on average only 0.02 percentage

points over ten years). At the same time, private spending on social security and on insurances increased, too, on average by 1.1 and 1.9 percentage points, respectively, over a ten-year period. This means that total spending on compulsory and voluntary solidarity as a share of GDP has, on average, risen by almost five percentage points over ten years. Furthermore, the share of adults that perform voluntary work has also increased.

Table 2.5 Correlations between trends in solidarity

	gross public social expenditure	benefit generosity	ODA	inflow of asylum- seekers	recognition of asylum- seekers	gross private social expenditure	private insurance	volun- teering
Pearson Correlation								
gross public social expenditure	1	0.51**	0.06	-0.35#	0.43*	0.07	-0.31	-0.41#
benefit generosity	0.51**	1	-0.12	-0.09	0.07	-0.02	-0.16	0.00
ODA	0.06	-0.12	1	0.24	0.25	-0.32	0.58**	-0.37
inflow of asylum-seekers	-0.35#	-0.09	0.24	1	0.09	-0.30	0.15	0.21
recognition of asylum-seekers	0.43*	0.07	0.25	0.09	1	-0.12	0.08	-0.16
gross private social expenditure	0.07	-0.02	-0.32	-0.30	-0.12	1	-0.07	-0.02
private insurance	-0.31	-0.16	0.58**	0.15	0.08	-0.07	1	0.38#
volunteering	-0.41#	0.00	-0.37	0.21	-0.16	-0.02	0.38#	1
Kendall's tau_b								
gross public social expenditure	1	0.45**	0.15	-0.15	-0.11	0.02	-0.10	-0.34*
benefit generosity	0.45**	1	-0.07	-0.13	-0.17	-0.04	-0.15	-0.06
ODA	0.15	-0.07	1	0.13	-0.01	-0.31*	0.14	-0.28#
inflow of asylum-seekers	-0.15	-0.13	0.13	1	0.21	-0.21	0.00	0.07
recognition of asylum-seekers	-0.11	-0.17	-0.01	0.21	1	0.19	0.11	-0.10
gross private social expenditure	0.02	-0.04	-0.31*	-0.21	0.19	1	-0.06	0.13
private insurance	-0.10	-0.15	0.14	0.00	0.11	-0.06	1	0.17
volunteering	-0.34*	-0.06	-0.28#	0.07	-0.10	0.13	0.17	1

significant at the 0.1 level (2-tailed).

* significant at the 0.05 level (2-tailed).

** significant at the 0.01 level (2-tailed).

Source: see Table 2.4

Table 2.5 shows the correlations between trends in the various kinds of solidarity. The figures in the upper panel (Pearson correlation) refer to the correlations between the original figures. Because some series include outliers, which may distort the calculation of the correlation coefficient, the lower panel gives rank order correlations (Kendall's tau_b) which are not sensitive to outliers. Most correlation coefficients are small and not significant, which means that there is no clear relationship between the trends of various kinds of solidarity. Thus, with a few exceptions, there is no indication of either a complementary relationship or a substitution between changes in solidarity. The main exception is the strong correlation between the trend in public social expenditure and in benefit generosity, which was to be expected, since both are indicators of the same kind of solidarity. There is also a significant positive correlation between the trend in development aid and private insurance, but this is probably spurious, since the rank order correlation between these two indicators is insignificant. The same probably applies to the correlation between the trends of public social expenditures and both the inflow and the recognition of asylum-seekers.

The change in volunteering appears to be weakly negatively correlated with public social expenditure and positively with private insurance. When we look at rank orders, only the first correlation is still significant, but now there is also a marginally significant negative correlation with development aid. These correlations are hard to interpret, but there is some hint of a substitution between changes in compulsory solidarity and changes in informal voluntary solidarity. For example, some of the countries that expanded their public social expenditure the most, such as Portugal and Korea, witnessed a fall in volunteering, while volunteering increased in three countries that curtailed their public expenditures (Ireland, the Netherlands and Slovakia).

Additionally, there is a significant negative rank correlation between development aid and private insurances. This is hard to explain, unless one assumes internal, national solidarity and external, global solidarity are substitutes.

2.4 Conclusion

The data presented in this chapter show that most of the fears of an erosion of solidarity are unwarranted. We found that, on average, in 29 industrialized countries, the various kinds of solidarity for which we were able to collect data have risen since the 1980s. This result applies both to compulsory, state-organized solidarity and voluntary solidarity – either formal or informal. Around the year 2000, most countries spent a larger share of their gross domestic product on social protection and development aid and accepted more asylum-seekers than twenty years earlier, while their citizens spent more on private social expenditure and insurance premiums, and a larger share of their population was doing voluntary work.

We also showed that, contrary to what is often suggested, there is not much evidence of a substitution between compulsory, state-organized solidarity and voluntary solidarity, although there appears to be a weak and insignificant negative correlation between public social protection and some measures of voluntary solidarity. Supranational solidarity, in the form of development aid and hospitality to refugees, seems to be positively correlated with various forms of voluntary solidarity, in particular private insurance and volunteering.

3 Altruism or self-interest?

Solidarity and the welfare state

The basic assumption of this book is that social solidarity constitutes the foundation of the welfare state. If individualization or globalization erodes solidarity, this will inevitably undermine the welfare state. At face value, this might seem self-evident, since the welfare state embodies the greater part of organized solidarity. However, on closer inspection, the relationship between social solidarity and the welfare state is more complex. This chapter examines this relationship. First, we define what we consider to be the core of the welfare state. Next, we argue that the income transfers via the welfare state can rightly be called acts of social solidarity. The extent to which these income transfers are motivated by attitudes of affective or calculating solidarity is the subject of the next two sections. The motives of the elite and the ruling class and the motives of the public at large are considered separately. We conclude the chapter with a brief discussion of the welfare state as a source of solidarity itself.

3.1 What is the welfare state?

In the academic literature there are numerous definitions and characterizations of the welfare state. We do not want to dive into the intricacies of the boundaries of the welfare state here but will instead focus on the common denominator of all definitions, *viz.* a system of income transfers – possibly in-kind – between individual citizens or households organized by the state or a public body. The distinguishing feature of these transfers is that the individual's contribution is not directly related to what they receive. Some citizens contribute more than they receive in return, while others receive far more than they contribute.

Two kinds of transfers can be identified. First, social benefits and subsidies are intended to replace or supplement incomes that have dwindled or are insufficient to cover indispensable expenses.

Second, social services, such as healthcare and education, are provided free of charge or at a lower price than they cost. However, in practice, it is often difficult to draw a sharp line between these two kinds of transfers. Housing subsidies, for instance, are a way of providing affordable housing, but also supplement the disposable income of the household.

Another distinguishing feature of the income transfers by the welfare state is the central role of the state. This means that the state either administers the transfer itself or delegates the administration to another public body. The state also compels the citizens to contribute to the transfers by levying taxes and social security contributions. Moreover, the state determines the entitlement and eligibility conditions for receiving a benefit, subsidy or social service.

Other sources might also provide income transfers between citizens. Some examples are occupational pension schemes, employee benefits and private insurance plans. There is no consensus on whether these transfers should be considered part of the welfare state or not. Other areas of social policy, such as labor market regulation (on statutory minimum wage, employment protection legislation, working hours), are sometimes also included in the definition of the welfare state. However, in this book we will leave these kinds of non-state transfers and other areas of social policy aside.

3.2 The solidarity of the welfare state

From the definition of the welfare state in the previous section, two consequences for the relationship between solidarity and the welfare state arise immediately. First, the income transfers between citizens that run via the welfare state are, by definition, acts of solidarity, since the contributions and the receipts of individual citizens are, in general, not equal. A fully developed welfare state, like those in Northern and Western Europe, is by far the most extensive form of organized solidarity in a country. Second, since these transfers are organized by the state and the contributions are mandatory, the actual solidarity embodied by the welfare state need not correspond with people's attitudes of solidarity in general. Individuals who do not feel any solidarity towards their fellow citizens are nevertheless forced to contribute to this solidarity by

paying taxes and social contributions. This section focuses on the actual solidarity embodied in the welfare state. The next two sections discuss the solidarity attitudes that lay the foundation for the welfare state.

We can identify two typical kinds of income transfers, *viz.* social insurance and welfare provisions, that embody two kinds of solidarity. The key principle of social insurance – and of any other insurance, for that matter – is that people cover themselves against the hardship of a calamity by pooling their risks. In exchange for a relatively small premium, one obtains a guaranteed compensation in the event of a calamity. Regarding social insurance, the most important calamities are loss of income due to sickness, disability and unemployment, and unforeseeable and indispensable large costs, e.g. for medical treatment. Such an insurance is based on the principle of two-sided or bilateral solidarity: beforehand, *ex ante*, the contribution (the insurance premium) and the expected receipt (a social benefit in case of income loss) are equivalent. *Ex post*, the actual receipts and the contributions paid usually diverge. Those who experience sickness, disability or unemployment will probably receive more than they contribute to the insurance scheme, while those fortunate enough to never get sick or to experience disability or unemployment will contribute more than they receive.

Typical of welfare provisions is that contributions and receipts are unrelated, both *ex ante* and *ex post*. The income transfer only depends on the needs of the beneficiary. Quite often, it is already known beforehand that particular groups will benefit more than they will contribute, while other groups will contribute more than they are expected to receive. *Ex ante*, there is no equivalence between contributions and receipts. Consequently, this is a form of one-sided (unilateral) solidarity.

Possibly, one could distinguish a third category of transfers, based on savings. The best-known example would be savings for a pension scheme. In a typically defined contribution pension scheme both *ex ante* and *ex post* contributions and receipts are equivalent. Consequently, such a system does not include transfers between citizens, but only intra-personal transfers over a lifetime. Thence, a defined contribution pension scheme does not embody solidarity between citizens. A defined benefit pension scheme, which guarantees a particular pension benefit irrespective of the return on the invested pension premiums, usually does

include some inter-personal income transfers, caused by variations in the returns on invested capital. However, since the main purpose of a fully funded pension scheme is to save for your own future income, we will leave these pension schemes aside.

In practice, the dividing line between social insurances and welfare provisions, based on two-sided and one-sided solidarity, respectively, is often unclear. Many social insurances include elements of one-sided solidarity, for example, because the contributions are independent of the specific risk one runs. Thus, the insurance incorporates one-sided solidarity between the 'good' risks and the 'bad' risks. Some social insurances also include an element of income solidarity, for example, if there is a flat-rate benefit while the contribution is a fixed percentage (up to some limit) of one's income. Welfare provisions, too, are often a mix of one-sided and two-sided solidarity, because those who are expected to be net contributors, *ex ante*, might nevertheless benefit to some extent from the particular scheme. An example of this might be health provisions, which are tax-financed but provide support to all persons who need medical treatment, independent of their income.

3.3 What motivates the welfare state?

The mix of one-sided and two-sided solidarity embodied in the income transfers of the welfare state does not necessarily reflect the motives behind it. Income transfers from the rich to the poor (one-sided solidarity) need not be proof of altruistic feelings or affective attitudes of solidarity – the term we used in Chapter 2 – among the rich. On the contrary, the dominant thesis in sociology and political science is that the genesis and evolution of the welfare state are primarily explained by the well-considered self-interest of the well-to-do and, thus, basically stem from calculating attitudes of solidarity.

A well-known representative of this school of thought is Abram de Swaan, who emphasizes enlightened self-interest as the foundation of the welfare state, in his book *In Care of the State* (1988). During the nineteenth century middle-class and upper-class people increasingly experienced the nuisance of the stench, infectious diseases, beggary, crime and riots caused by the poor. This nuisance power was an important motivation for the privileged

classes to improve the lot of the poor and the destitute. Improving the conditions of the poor, accompanied by measures to discipline them, could reduce these troubles and was thus also beneficial to the well-to-do. “The main impetus for collectivization came from struggles between elites which sought to ward off the threats arising from the presence of the poor among them, and, to exploit the opportunities which the poor also presented” (De Swaan 1988: 218).

Peter Lindert (2004) emphasizes the importance of labor market considerations. Farm workers that lost employment in winter-time tended to migrate to the cities, thus causing a shortage of workers in the countryside in springtime, as the demand for labor increased again. It was therefore in the interest of the landowners to support the unemployed laborers by giving them a modest income during the off-season.

However, when improving the lot of the poor is a private endeavor, as it has been for ages, it is vulnerable to free-riding behavior. Traditionally, the willingness of private charities, such as local parishes, to contribute to poor relief depended on the willingness of others to make their contribution. Municipalities which provided generous support to their poor ran the risk of being flooded by poor people from neighboring towns and cities that were less generous, rendering that generous support unsustainable. In the end, the only way out of this prisoner’s dilemma was to make the national state responsible – at least financially – for poor relief. Consequently, poor relief was funded from tax receipts, ensuring that all citizens paid their due. This resulted in public services, such as general health care, compulsory education, council housing and social assistance (De Swaan 1988).

A second source of the welfare state is often sought in the self-interest of the working class. In the past, to cover the risks of wage laborers in a capitalist economy, collective insurances were needed. First, associations of workers – the first trade unions – organized mutual funds or ‘friendly societies’ to insure their members to cover the costs of sickness and burial, and, later on, widowhood and unemployment (cf. De Swaan 1988). However, these mutual funds met many problems. Due to their small scale and homogeneous membership (often workers with the same occupation) they were exposed to occupation-specific risks (the problem of interdependent risks). To prevent the enrolment of many bad risks, which would cause the insurance premium to rise,

weak groups were excluded, resulting in adverse selection. Hence, the most vulnerable groups were not covered by these insurances and had to fall back on poor relief. In some countries, e.g. the Netherlands, municipalities or the national government stepped in to support the unemployment funds of the trade unions, on the condition that they did not exclude the underprivileged groups. Eventually, in most countries the government took over the risk of unemployment insurances, although the trade unions maintained an important role in the administration of unemployment insurance in countries such as Belgium, Sweden and Denmark.

There is little room for altruism or affective solidarity in the analysis of De Swaan, Lindert and other scholars. Even though many welfare provisions include income transfers from the better-off to the worse-off, in a dynamic perspective the better-off also benefit from them. This line of reasoning seems plausible to explain the creation of the first welfare schemes at the end of the nineteenth and the start of the twentieth century. This argument is, however, less convincing in explaining the rapid expansion of the welfare state in many developed countries after the Second World War. Once the whole population was guaranteed a subsistence level, it became much harder to convince the wealthy that a further improvement of the lot of the poor would be in the former group's interest. When the most appalling poverty was eradicated, vagrancy and beggary had become rare, most slums were replaced by council houses with running water and sewerage systems, contagious diseases, such as tuberculosis, had largely disappeared, and all children went to school until the age of fifteen, the threat and nuisance of the poor had dwindled. Nevertheless, most countries introduced new social services or improved existing ones in the decades after World War II, which most benefited the least wealthy.

It is unlikely that this expansion of the welfare state was primarily motivated by the self-interest of the well-off. Initially, the widespread fear of the appeal of communism to the workers might have played a role with the elite, as De Swaan (1988: 224) suggests. But communism soon lost its attraction to the masses when the state terror under Stalin was revealed and the uprising of the Hungarian people in 1956 was brutally suppressed. Moreover, many welfare services were targeted at groups that were

neither particularly likely to revolt nor an indispensable labor reserve, such as pensioners and widows.

That the expansion of the welfare state was not mainly motivated by the enlightened self-interest of the elite but by a dominant attitude of social solidarity can be illustrated by the arguments from the famous British Beveridge report, *Social Insurance and Allied Services* (Beveridge 1942), which served as an inspiration for social security policies in many other countries. In his report Beveridge clearly stated that “The Plan for Social Security takes abolition of want (...) as its aim” (idem: 8). Although social security should be based on the contributory principle and therefore “includes as its main method compulsory social insurance” (ibidem), it should also include national assistance. Besides, the premiums paid by employees should preferably not be adjusted to differences in risk, thus introducing an element of one-sided solidarity between the good risks and the bad risks.

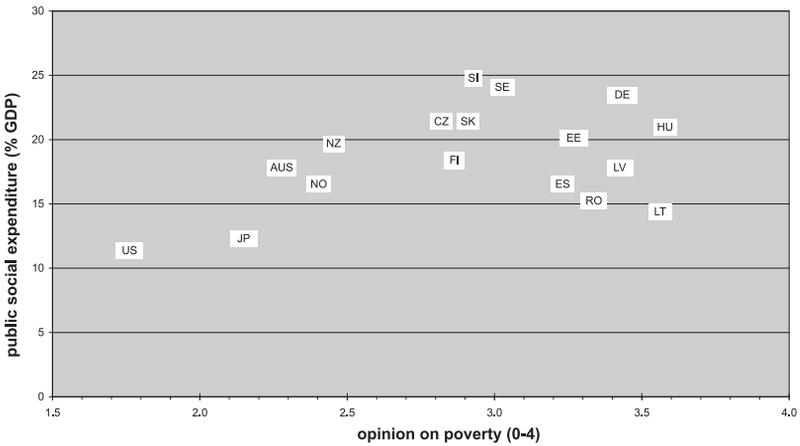
3.4 Public support for the welfare state

In a democratic society one would expect the motives of politicians for setting up and shaping the welfare state to reflect the opinion of the population. To find out whether there is indeed a positive relationship between public opinion and the welfare state, one can study this relationship from either an international comparative or an historical perspective. Unfortunately, for most of the post-war period we know hardly anything about public opinion on social services. Only in recent history have systematic surveys of public opinion on issues related to the welfare state become common, but by that point most welfare states had already reached maturity. Hence, these surveys do not inform us about the motives for the expansion of the welfare state after the World War II.

Since there are still large differences between current welfare states, a second option is to analyze the relationship between public opinion and the welfare state by cross-country comparisons. Recently, a number of studies have examined whether differences between welfare state regimes reflect variations in public opinion with respect to solidarity. Alesina and Glaeser (2004) find a relatively strong correlation between the prevailing opinions in a country and social expenditures as a percentage of GDP. The opinion that income disparities are strongly determined by luck

and that poverty is not caused by laziness go together with higher social expenditures. Alesina and Glaeser argue that the large differences between most European welfare states on the one hand and the American welfare state on the other reflect a fundamental difference of attitudes between Americans and Europeans towards poverty and social inequality. Americans attribute social differences primarily to individual effort and Europeans to luck. This would mean that, in fact, both Europeans and Americans got the welfare state they “deserve”.

Figure 3.1 Social expenditure (% GDP) by opinion on poverty (1995-1998)



Source: WVS (1995/1998); IMF

Figure 3.1 shows the relationship between opinions on the causes of poverty and social protection expenditures for a somewhat larger sample of (democratic) countries than Alesina and Glaeser used to reach their conclusion. The scale for poverty (ranging from 0 to 4) is constructed from the opinion that there are people who live in need because society treats them unfairly (rather than because of laziness and lack of willpower), that poor people have very little chance of escaping from poverty, and that the government is doing too little for people in poverty. Figure 3.1 confirms the positive relationship between opinions on poverty and social expenditures for a number of “older” democracies (US, JP, AUS, NO, NZ, FI, SE, DE). However, there is no positive correlation for the “new” Central and Eastern European democracies (CZ, SK, SI,

EE, ES, RO, LV, LT and HU). This suggests that, in the latter countries, the welfare state does not reflect the opinion of the population because the democratization process is not yet fully matured.

Svallfors (1997) compared popular attitudes to redistribution in eight countries and concluded that people in countries with a comprehensive welfare state are more often in favor of the government reducing income differences and providing everyone with a job than people in countries with a liberal welfare state. More recently, Jæger (2006) analyzed the attitudes of the population in thirteen Western European countries with respect to income redistribution. He found that the share of the population that agreed with the statement “the government should take measures to reduce differences in income levels” correlated positively with the share of public social expenditure in GDP (although this support leveled off for very high levels of social expenditure).

We can thus conclude that there is sufficient empirical evidence that the preferences of the population are positively correlated with the size of the welfare state and that the welfare state, at least partly, reflects the people’s attitude of solidarity. However, there is also an alternative interpretation of this finding, which is discussed in the next section.

3.5 The welfare state as a source of solidarity

Although it seems obvious that, in democratic countries, the prevailing opinion of the population and the degree of solidarity affect the welfare state, it is also conceivable that the opposite relationship holds. The institutions of the welfare state may also influence public opinion (cf. Rothstein 1998). Instead of being the result of solidaristic attitudes, the welfare state might also foster solidaristic attitudes. This idea is similar to the Marxist thought of a substructure (economic) that determines the superstructure (ideological). Although this way of thinking may have lost most of its popularity, it is plausible all the same that the existing societal institutions have some impact on the dominant opinions. As Jæger (2006) formulates it: “welfare regimes tend to reproduce their legitimacy in both quantitative (i.e. overall level of support) as well as qualitative terms (i.e. some aspects of social policy are more accepted than others).”

How can the welfare state affect attitudes of solidarity and the willingness to support others? Perhaps a good starting point is Émile Durkheim's theory of organic solidarity (see Chapter 2). According to Durkheim, the interdependence between (anonymous) citizens in a society that is based on a division of labor is an important source of social cohesion and social solidarity. Arguably, the creation and expansion of the welfare state have intensified this mutual interdependence. Knowing that, in case of sickness, unemployment and old age, one is dependent on the support of so many anonymous fellow citizens can create a feeling of solidarity towards them. Since the income transfers of the welfare state are mainly organized at the national level, the welfare state might also have contributed to creating a feeling of national identity. Before a national system of social security came into being, there was little that connected a farmer to a wage laborer in a factory or to a civil servant. The welfare state, however, made them mutually dependent.

How important the welfare state was and still is in nourishing attitudes of solidarity among the population is very hard to establish. The fact that there is a positive correlation between public opinion and the size of the welfare state does not inform us about the causal direction. Most likely, public opinion and the welfare state affect each other mutually. Although, for the sake of convenience, we will stick to the assumption that solidarity affects the welfare state in the rest of the book, the reader should keep in mind that the causal relationship might also run in the opposite direction.

3.6 Conclusion

Although social solidarity and the welfare state are closely related concepts, their mutual relationship is more complex than one might think at first sight. In this chapter we showed that the income transfers and social services that are provided by the welfare state are a mix of one-sided and two-sided solidarity. They are an expression of solidarity because there is no direct relationship between individual contribution and receipt. This solidarity is partly two-sided, because, *ex ante*, it can be expected that contributions and (expected) receipts will roughly balance, as is the case, for example, with most social insurances. Partly, the solidarity of the

welfare state is one-sided, because it is known in advance that particular groups will be net contributors and other groups will be net beneficiaries, as is the case, for example, with social assistance.

Although it is plausible that the enlightened self-interest of the elite played an important role in the initial phases of the welfare state, the expansion of the welfare state in the post-World War II period was probably motivated mainly by moral attitudes of affective solidarity towards the least well-off. Thence, the present welfare state is the product of both affective and calculating solidarity.

It is not completely clear how these motives of policy-makers relate to the dominant opinions among the population. Although international comparative research shows that there is a positive correlation between public opinion on income equality and the causes of poverty on the one hand and welfare state expenditure on the other hand, the causal relationship might run in both directions. Broad public support for income transfers and social services is a necessary condition for sustaining a generous welfare state in the long run, but a welfare state that is generally considered as fair might also foster feelings of social solidarity among the population.

4 Falling apart?

The many meanings of individualization

The process of individualization is regarded by many as one of the most important social-cultural developments of the postwar period. For the most part, however, the growing literature on individualization lacks firm empirical underpinning. Most authors on individualization, among whom are renowned sociologists such as Beck, Giddens and Bauman, confine themselves to describing some broad, general trends that, in their opinion, should suffice to show that a process of individualization is taking place. This approach makes it rather difficult to judge the importance of the individualization process, and indeed, whether there really is a process of individualization taking place. In this chapter we will present the available evidence for a trend of individualization in a number of industrialized countries.

In order to test the phenomenon of individualization empirically, one must, of course, first define individualization. Because of the widely diverging interpretations of individualization, this is more than a cursory exercise. Hence, the first part of this chapter discusses different interpretations of individualization. We argue that individualization can be characterized by a combination of three trends, namely detraditionalization, emancipation and heterogenization. In the second part of this chapter we examine whether these three trends can be traced in reality. We find that, contrary to expectations, in the 25 developed countries that we analyze, there was no trend of individualization during the 1990s. Only in a quarter of these countries could we trace a trend of detraditionalization, in no country did we find evidence for heterogenization, and only in a third of the countries does a process of emancipation seem to have occurred.¹

4.1 What is individualization?

Far from being a recent development, as is sometimes suggested, individualization was in fact one of the main issues with which the founding fathers of social science were concerned. Émile Durkheim, Georg Simmel and Max Weber all studied the influence of the industrialization process on social cohesion and solidarity and the changes in the bond between individuals and community that took place in their era, i.e. around the turn of the twentieth century. For example, the gradual transformation from mechanic solidarity to organic solidarity, which Durkheim described in *The Division of Labour in Society* (1893), was in fact a process of individualization.

Recently, however, some authors claim that the present process of individualization differs in important aspects from the modernization process that took place a century ago. Authors like Ulrich Beck, Anthony Giddens and Scott Lash contend that modernity itself is undergoing profound changes. We are entering a new phase, which they call late modernity, reflexive modernity or second modernity (Giddens 1991; Beck, Giddens & Lash 1994; Beck & Beck-Gernsheim 2002). They claim that individualization is one of the defining characteristics of this new phase of modernity. According to Beck and Beck-Gernsheim (2002: xxii, emphasis in original), “individualization is becoming *the social structure of second modernity itself*”.

Although these authors stress the overriding importance of individualization for the present phase of modernity, it is not easy to derive a clear definition of individualization from their writings. For example, Beck and Beck-Gernsheim (2002: xxii) write: “So – to give a simple definition – ‘individualization’ means disembedding without re-embedding.” Bauman (2002: xv) states: “‘individualization’ consists in transforming human ‘identity’ from a ‘given’ into a ‘task’ – and charging the actors with the responsibility for performing that task and for the consequences (also the side-effects) of their performance.” These “definitions” are not easily converted into a formalization of individualization that lends itself to empirical testing. Hence, we will try to infer some concrete elements from the discussion of individualization by the authors mentioned.

For a start, individualization should clearly be distinguished from individualism. While individualism is commonly under-

stood as a personal attitude or preference, individualization refers to a macro-social phenomenon, which may – but just as well may not – reflect changes in the attitudes of individual persons. Beck, Bauman and Giddens emphasize that individualization is not a process that originates from a conscious choice or even a preference of the individual. To the contrary, Beck and Beck-Gernsheim point out: “individualization is a social condition which is not arrived at by a free decision of individuals. [...] people are condemned to individualization” (Beck & Beck-Gernsheim 2002: 4). Zygmunt Bauman states concisely: “individualization is a fate, not a choice” (Bauman 2002: xvi), and Giddens (1991: 81) says: “we have no choice but to choose.”

These remarks underline the fact that individualization is not closely connected to individual attitudes or preferences with respect to freedom of choice. According to these authors, individualization is in fact imposed on individual citizens by modern institutions. The welfare state, in particular, has replaced many traditional institutions, like the family, the local community, church and class, as the defining collectivity of people’s identity. Hence, a *first* interpretation of individualization is that it refers to a process of “detraditionalization”: the gradual loss of adherence of individuals to traditional institutions. Beck and Beck-Gernsheim argue that “the post-war development of the welfare state brought with it a social impetus toward individualization of unprecedented scale and dynamism. [...] a break in historical continuity released people from traditional class ties and family supports and increasingly threw them onto their own resources and their individual fate” (Beck & Beck-Gernsheim 2002: 30). This does not mean that the traditional institutions vanish into thin air, but they lose their strong hold on the individual. They still live on, but more or less like “zombie categories” (Beck & Beck-Gernsheim 2002: 27). About the nuclear family, Beck contends: “To be sure, families are still to be found, but the nuclear family has become an ever more rare institution” (Beck, Giddens & Lash 1994: 8).

A second implication of individualization that can be derived from the writings of these authors is *emancipation*, i.e. a declining influence of social groups and institutions on individual attitudes and behavior, resulting in a greater *freedom of choice*. Beck and Beck-Gernsheim state this quite clearly: “traditional guidelines often contained severe restrictions or even prohibitions on action

[...]. By contrast, the institutional pressures in modern Western society tend rather to be offers of services or incentives to action” (Beck & Beck-Gernsheim 2002: 2, 3). Further on they say: “Individualization liberates people from traditional roles and constraints” (Beck & Beck-Gernsheim 2002: 203). Giddens argues: “The self is not a passive entity, determined by external influences; in forging their self-identities [...] individuals contribute to and directly promote social influences that are global in their consequences and implications” (Giddens 1991: 2).

A third implication of individualization is *heterogenization*, i.e. increasing heterogeneity. If people no longer appeal to traditional institutions for guidelines for their conduct and increasingly make their own choices, they will most likely make *different* choices. In Beck’s words, “standard biographies become elective biographies, ‘do-it-yourself biographies’, risk biographies, broken or broken-down biographies” (Beck & Beck-Gernsheim 2002: 24). This means “the end of fixed, predefined images of man. The human being becomes [...] a choice among possibilities, *homo optio-nis*” (Beck & Beck-Gernsheim 2002: 5). If the standard biography is replaced by an elective biography, as Beck puts it, then one would hardly expect these biographies to become more alike.

The account of individualization by Beck, Giddens and Bauman is certainly not the only conceivable one. There are, for instance, interesting similarities and contrasts between the approach of these authors and the discussion of the succession of social characters by David Riesman in his 1950 book, *The Lonely Crowd*. The individualized person of Beck and Giddens shares some characteristics with Riesman’s “other-directed” person, who is free to make his own decisions, independent of his family or social background. As Riesman stated: “The family is no longer a closely knit unit to which he belongs but merely a part of a wider social environment to which he early becomes attentive” (Riesman 1950: 26). However, the other-directed person is acutely aware of the need of consent by others. They conform strictly to the expectations and preferences of their peer-group. So, although Riesman would probably agree with the first interpretation of individualization, namely detraditionalization, he would have more doubts about emancipation and heterogenization. Freedom of choice will not necessarily result in people making different choices. It is therefore not self-evident that people’s behavior will become more heterogeneous and less predictable.

4.2 Methodology: how to test for individualization?

In order to determine whether there is a process of individualization going on, we have to look for empirical evidence for the three implications of individualization discussed in the preceding section. In this section, we present the indicators that we constructed to perform this empirical test.

Since detraditionalization means that people's ties with traditional institutions are loosening or even disappearing, an obvious indicator is the membership of traditional institutions. Naturally, we have to confine ourselves to the membership of institutions for which data are available. Consequently, we focus on the membership of the nuclear family, of churches, of trade unions and of political parties. Although these institutions only constitute part of the numerous traditional institutions that might be subject to a process of detraditionalization, they are perhaps the most typical examples of these institutions and are often mentioned in discussions of individualization.

It is harder to find a suitable indicator for emancipation. Although it may seem clear what increasing freedom of choice means, it is far from evident how it should be measured. Simply counting the number of options available to people does not seem to be a feasible option, so we follow a different course. We do not look at the input of freedom of choice but at the outcome, by measuring to what extent the attitudes of individual people are determined by their objective characteristics. To be more precise, increasing freedom of choice or emancipation is supposed to mean that people's attitudes will be progressively *less* predictable by objective personal characteristics like gender, age, and educational attainment. Hence, as our measure of freedom of choice we use the proportion of explained variance (R^2 for short) of regression analyses of various attitudes. The smaller the explained variance in a particular country is, i.e. the less predictable the attitudes of the population are, the more its people are emancipated. If the proportion of explained variance shows a downward trend, this indicates that freedom of choice is growing and people are becoming more emancipated over time.

In constructing an indicator for heterogeneity of attitudes, we start from the logical assumption that maximum homogeneity – or minimum heterogeneity – would mean that all members of a population share the same opinion. An obvious indicator for het-

erogeneity then is the dispersal of opinions, as measured by a conventional statistic. We will use the coefficient of variation – i.e. the standard deviation divided by the mean – as an indicator for the heterogeneity of opinions among the population.

We use the second and fourth wave of the European Values Study (EVS) and the World Values Study (WVS) to assess the extent of individualization in a number of countries at two points in time. The fourth wave is the most recent one and covers the years 1999-2004. The second wave covers the years 1989-1993. Thus, on average, we can trace the evolution of individualization over a period of ten years. Unfortunately, this is rather short to find clear signs of a long-term trend of individualization, which may take decades to evolve fully. However, the first wave of the EVS and WVS, which dates from 1981-1984, includes too few variables that are identical to those in the consecutive waves to make a useful comparison.

To measure detraditionalization we use the questions in EVS/WVS regarding the marital status of the respondent and whether they have children, and whether they belong to a religious organization, a labor union or a professional organization, and a political party. Being married and having children or being a child that is living with its parent(s) is interpreted as belonging to a traditional nuclear family. If one is married but has no children, this is only counted as “half” a membership. The total number of memberships is subtracted from four to get an overall indicator for detraditionalization, which thus ranges from zero (minimum detraditionalization) to four (maximum detraditionalization). The detraditionalization score for a particular country is calculated as the average of this indicator for all respondents in that country.

To construct an indicator for heterogenization, the standard deviation of fourteen attitudes is calculated. These attitudes refer to:

- Self positioning on a political scale from left to right.²
- Preferences with respect to income equality, private versus state ownership of business, government versus individual responsibility, the obligation to accept a job for the unemployed, whether competition is good or harmful, and whether firms should have more or less freedom.³
- The rating one gives to the political system for governing the country and the rating for the political system as it was before.⁴
- The justifiability of cheating the government (by evading taxes or claiming benefits unjustly), of individual liberty rights (for

homosexuals, free abortion, divorce, and suicide) and of improper road behavior (joyriding, using alcohol while driving, throwing litter on the street, exceeding the maximum speed).⁵

Emancipation is measured as one minus the average explained variance (R^2) of a number of linear regression analyses with the above-mentioned questions as dependent variables and sex, age, marital status, family situation, educational level, income category, social class, labor market position and town size as independent variables. This indicator thus measures the average proportion of the variance of opinions of individuals that cannot be explained by their objective personal characteristics.

4.3 Is there a process of individualization going on?

Before analyzing the trends in individualization, we first describe the state of individualization in 25 industrialized countries around the year 2000. Table 4.1 shows the scores of these countries on the three indicators of individualization (see the Appendix for more detailed information). The higher the scores, the more individualized the people of a country are. The correlation coefficients at the bottom of the table show that the three dimensions of individualization are positively correlated, though the correlations are rather small. This confirms that the three interpretations of individualization are indeed separate dimensions, which are not simply interchangeable.

Although it is rather arbitrary to fix a threshold above which a country may be called individualized, the figures in Table 4.1 seem to point to quite a high degree of individualization. An average score of almost three on the indicator for detraditionalization means that on average a citizen of these countries is a member of only one of the four traditional institutions (family, religious organization, labor or professional union, and political party) that constitute this measure. Only Icelanders and Swedes belong, on average, to two institutions. The Britons, French and Portuguese have, on average, the smallest number of memberships.

An average score of two on heterogenization means that the average coefficient of variation of the set of opinions used is rather large, pointing to a lot of disagreement among the population. The Polish, Turkish and Slovakian people disagree most with

Table 4.1 Scores on three interpretations of individualization, c. 2000

	Scores			Ranking			
	detraditionalization	heterogeneity	emancipation	detraditionalization	heterogeneity	emancipation	average
Austria	2.64	1.88	0.928	22	24	20	22.0
Belgium	2.94	2.02	0.935	12	12	16	13.3
Canada	2.82	1.96	0.948	16	15	8	13.0
Czech Republic	3.01	2.26	0.927	9	4	21	11.3
Denmark	2.67	1.94	0.941	19	19	13	17.0
Finland	2.65	1.95	0.922	21	17	25	21.0
France	3.25	2.09	0.953	2	5	3	3.3
Germany	3.15	2.04	0.935	4	11	17	10.7
Greece	2.91	2.09	0.952	13	6	4	7.7
Hungary	3.02	2.08	0.949	8	7	7	7.3
Iceland	1.83	1.90	0.934	25	21	18	21.3
Ireland	2.90	1.95	0.933	14	18	19	17.0
Italy	2.75	2.07	0.939	18	8	14	13.3
Japan	2.94	1.88	0.948	11	22	9	14.0
Republic of Korea	2.90	2.06	0.952	15	9	5	9.7
Luxembourg	3.00	1.96	0.954	10	16	2	9.3
Netherlands	2.66	1.65	0.927	20	25	23	22.7
Poland	3.08	2.37	0.927	7	1	22	10.0
Portugal	3.17	2.06	0.968	3	10	1	4.7
Slovakia	2.76	2.31	0.944	17	3	11	10.3
Spain	3.10	1.99	0.943	6	14	12	10.7
Sweden	2.02	1.91	0.944	24	20	10	18.0
Turkey	3.10	2.35	0.938	5	2	15	7.3
United Kingdom	3.30	1.88	0.926	1	23	24	16.0
United States of America	2.31	2.02	0.950	23	13	6	14.0
average	2.83	2.03	0.941				
Correlation coefficients:							
detraditionalization	1	0.35	0.13				
heterogeneity		1	0.11				

Source: EVS/WVS (1999-2004); calculations by the authors

each other. The Dutch, Austrians and Britons share the same views relatively often. However, the differences between the countries with respect to heterogeneity are rather small.

Finally, an average score of 0.94 on emancipation means that, on average, 94 percent of the variance of the opinions of individuals cannot be explained by their objective characteristics. This

points to a large freedom of choice with respect to one's opinion, independent of the social group one belongs to. The opinions of the people of Portugal, Luxembourg and France are the least predictable; the Finnish, British and Dutch people are somewhat more predictable.

If one looks at the ranking of the various countries on the three indicators of individualization in the right-hand panel of Table 4.1, there are only a few countries that score consistently high or low on all indicators. Somewhat unexpectedly, the French and the Portuguese turn out to be, on average, the most individualized, closely followed by the Greeks and the Turks. The Dutch, Austrians, Icelanders and Finns appear to be the least individualized.

Actually, the term individualization does not refer to a situation, but to a process. To determine whether there really is a process of individualization going on, one has to analyze the evolution of the scores on detraditionalization, heterogeneity and emancipation. If there is indeed a trend of individualization, the average scores should rise over time.

Table 4.2 shows the changes in the average scores between the second and the fourth wave of the EVS/WVS. Roughly, these changes represent the individualization trend during the 1990s. At the bottom of the table, the average of the changes of detraditionalization, heterogeneity and emancipation is shown. Contrary to expectations, both detraditionalization and heterogeneity have, on average, *decreased* during the 1990s. In only a quarter of the countries did the average number of memberships drop (i.e. the detraditionalization score rose), the most pronounced drop being in the United Kingdom. The strongest increase in membership rates occurred in Sweden, the United States and Finland. This was mainly due to an increase in the membership of religious organizations. Remarkably, in all 25 countries considered, the heterogeneity of opinions decreased, meaning that around the year 2000, people more often agreed on a number of opinions than around the year 1990. The strongest decrease in heterogeneity (or increase in homogeneity) occurred in Korea and Turkey.

The trend with respect to emancipation is less clear. Although the average unpredictability (i.e. unexplained variance) of people's opinions grew slightly, in only one in three countries was there an increasing trend of emancipation, most notably in Korea and Finland. In fact, in more than half of the countries, people's opinions became more predictable during the 1990s.

Table 4.2 Change of scores on individualization between c. 1990 and c. 2000

	detraditionalization	heterogeneity	emancipation
Austria	-0.07	-0.13	-0.008
Belgium	0.00	-0.21	-0.004
Canada	0.07	-0.08	0.008
Czech Republic	-0.02	-0.06	0.021
Denmark	-0.07	-0.21	0.002
Finland	-0.31	-0.14	0.030
France	0.07	-0.09	0.011
Germany	0.12	-0.15	-0.001
Greece	0.00	-0.15	0.000
Hungary	-0.11	-0.15	0.002
Iceland	-0.23	-0.18	-0.001
Ireland	0.04	-0.24	-0.009
Italy	-0.19	-0.23	-0.006
Japan	-0.07	-0.08	-0.002
Republic of Korea	-0.23	-0.43	0.035
Luxembourg	0.00	-0.06	-0.008
Netherlands	-0.01	-0.17	-0.009
Poland	-0.08	-0.11	-0.007
Portugal	0.10	-0.19	-0.005
Slovakia	-0.16	-0.05	-0.003
Spain	0.04	-0.26	0.000
Sweden	-0.64	-0.19	0.015
Turkey	0.00	-0.37	-0.005
United Kingdom	0.20	-0.21	-0.013
United States of America	-0.33	-0.06	0.004
Average	-0.08	-0.17	0.002
% of increases	28	0	36
correlation coefficients:			
detraditionalization	1	0.03	-0.47
heterogeneity		1	-0.13

Source: EVS/WVS (1989-1993) and EVS/WVS (1999-2004); calculations by the authors

In short, there is hardly any evidence for a trend of individualization during the 1990s. Contrary to expectations, in most countries membership rates of traditional organizations went up, and the people became more united with respect to a number of opinions. There was, thus, no general trend of detraditionalization and heterogenization. Moreover, in over half of the countries, individual opinions became more predictable, contradicting the expectation

of an emancipation process, although on average, all countries considered, unpredictability increased slightly.

4.4 Conclusion

The empirical analysis of this chapter leaves us somewhat puzzled. Although, both in the popular media and in the scientific literature, individualization is often mentioned as one of the main social trends of the past decades, we did not succeed in establishing this claim empirically. First, we observed that the existing scholarly literature on individualization is rather vague and provides little basis for examining this phenomenon empirically. Second, after we constructed three indicators for individualization which, in our opinion, come as close as possible to the tenor of the theoretical literature, we did not find any proof of an individualization trend in 25 developed countries.

There are four possible explanations for this unexpected result. The first is that the indicators we constructed are not adequate to measure individualization. The obvious question is then, of course, what would be better indicators. Since the best-known authors on individualization did not provide us with a clue of how to measure it, we do not know what would be better measures of individualization.

Second, the time period we examined, *viz.* the 1990s, might be too short to be able to detect the individualization process. Although we agree that a period of ten years is rather short to measure a gradual process such as individualization, we nevertheless found considerable evidence for the opposite trend of individualization, which we might perhaps call collectivization. Elsewhere, we carried out a more detailed analysis for one particular country, the Netherlands, covering a much longer period of time (ranging from 20 to 50 years) and also found little evidence for an individualization trend, with the exception of detraditionalization (De Beer 2007).

Third, the data we analyzed might be unreliable.⁶ The fact that we, rather unexpectedly, found the highest levels of individualization for countries such as Turkey and Portugal might be caused by the unreliability of the data for these countries. If the data contain a lot of random noise, e.g. due to measurement error, this may inflate the heterogeneity of responses and reduce the explained

variance. The overall fall of heterogeneity during the 1990s might then be due to the fact that the fourth wave of the EVS and the WVS was conducted more accurately and meticulously than the second wave. Since we do not have independent information on the accuracy of the various country surveys, we are not able to judge the plausibility of this explanation.

Finally, our results might, of course, also be caused by the fact that there simply is no unambiguous trend of individualization. As mentioned in the beginning of this chapter, this conclusion would not rule out the possibility that most people consider themselves to be individualized or believe that they have more freedom of choice and are less influenced by social conditions than before. But as is well-known, people's perceptions of their own motives and behavior might substantially deviate from what scientists find if they examine their behavior more closely.

To conclude, the fact that we did not find evidence for a trend of individualization during the 1990s in our sample of 25 countries does not necessarily imply that the whole idea of an individualization trend is a concoction. Perhaps there would be clearer signs of individualization if we could survey a much longer time period, for example the whole twentieth century. Perhaps we are just at the beginning of a process of individualization which will manifest itself fully in the decades to come. And perhaps individualization reveals itself in other phenomena than those we were able to test empirically. So, our conclusion is not that individualization is a chimera, but we do want to stress that it is a much less understood and much more ambiguous phenomenon than is generally thought.

Notes

1. Sections 1 and 2 of this chapter are based on De Beer (2007).
2. The question runs as follows:
In political matters people talk of "the left" and "the right". How would you place your views on this scale, generally speaking? (1) Left ... (10) Right.
3. The following questions were used:
How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between.
 - (1) Incomes should be made more equal ... (10) We need larger income differences as incentives for individual effort

- (1) Private ownership of business and industry should be increased ...
 - (10) Government ownership of business and industry should be increased
 - (1) The state should give more freedom to firms ... (10) The state should control firms more effectively
 - (1) The government should take more responsibility to ensure that everyone is provided for ... (10) People should take more responsibility to provide for themselves
 - (1) People who are unemployed should have to take any job available or lose their unemployment benefits ... (10) People who are unemployed should have the right to refuse a job they do not want
 - (1) Competition is good. It stimulates people to work hard and develop new ideas ... (10) Competition is harmful. It brings out the worst in people
4. The next two questions were used:
 People have different views about the system for governing this country. Here is a scale for rating how well things are going: 1 means very bad; 10 means very good.
 Where on this scale would you put the political system as it was [some specific moment in the past].
5. The following questions were used:
 Please tell me for each of the following statements whether you think it can always be justified (10), never be justified (1), or something in between:
- Claiming government benefits to which you are not entitled
 - Cheating on taxes if you have a chance
 - Someone accepting a bribe in the course of their duties
 - Homosexuality
 - Abortion
 - Divorce
 - Euthanasia - ending the life of the incurably sick
 - Suicide
 - Throwing away litter in a public place
 - Driving under the influence of alcohol
 - Taking away and driving a car belonging to someone else (joyriding)
 - Speeding over the limit in built-up areas
6. We would like to thank Mark Elchardus for drawing our attention to this explanation.

Appendix to Chapter 4

Table A1 Data for detraditionalization and emancipation

	Detraditionalization					score
	membership of					
	traditional family	religious organization	labor union	professional organization	political party	
Austria	0.75	0.25	0.19	0.08	0.12	2.64
Belgium	0.65	0.12	0.16	0.08	0.07	2.94
Canada	0.56	0.30	0.13	0.16	0.06	2.82
Czech Republic	0.72	0.07	0.10	0.06	0.04	3.01
Denmark	0.57	0.12	0.54	0.11	0.07	2.67
Finland	0.47	0.46	0.34	0.06	0.06	2.65
France	0.62	0.05	0.04	0.03	0.02	3.25
Germany	0.59	0.13	0.07	0.04	0.03	3.15
Greece	0.75	0.07	0.08	0.14	0.08	2.91
Hungary	0.73	0.13	0.07	0.04	0.02	3.02
Iceland	0.60	0.71	0.60	0.19	0.19	1.83
Ireland	0.72	0.19	0.10	0.08	0.04	2.90
Italy	0.79	0.10	0.06	0.07	0.04	2.94
Japan	0.86	0.11	0.06	0.05	0.03	2.90
Rep. of Korea	0.67	0.42	0.06	0.09	0.03	2.75
Luxembourg	0.71	0.09	0.12	0.06	0.05	3.00
Netherlands	0.55	0.34	0.24	0.17	0.09	2.66
Poland	0.74	0.05	0.10	0.04	0.01	3.08
Portugal	0.71	0.06	0.02	0.02	0.02	3.17
Slovakia	0.81	0.17	0.16	0.05	0.07	2.76
Spain	0.76	0.07	0.04	0.02	0.02	3.10
Sweden	0.51	0.71	0.62	0.15	0.10	2.02
Turkey	0.88	0.01	0.02	0.01	0.03	3.10
United Kingdom	0.55	0.05	0.07	0.02	0.03	3.30
United States	0.58	0.58	0.13	0.27	0.19	2.31

Source: EVS/WVS (1999-2004); calculations by the authors

Table A1 Data for detraditionalization and emancipation (continued)

	Emancipation							
	average R ² of regression analyses with as dependent variable:							
	Self positioning in political scale	Income equality	Private vs state ownership of business	Government responsibility	Job taking of the unemployed	Competition good or harmful	Firms and freedom	Rate political system for governing country
Austria	0.024	0.113	0.025	0.026	0.094	0.012	0.056	0.036
Belgium	0.047	0.031		0.060	0.064	0.036	0.049	0.065
Canada	0.038	0.028	0.041	0.036		0.036		
Czech Republic	0.063	0.109	0.093	0.077	0.043	0.028	0.074	0.020
Denmark	0.079			0.029	0.047	0.060	0.079	0.008
Finland	0.056	0.080	0.046	0.048	0.062	0.010	0.041	0.047
France	0.021	0.021	0.026	0.023	0.072	0.018	0.032	0.054
Germany	0.056		0.072	0.053	0.084	0.040	0.038	0.026
Greece	0.026			0.035	0.008	0.042	0.015	0.040
Hungary	0.015			0.040	0.072	0.013	0.048	0.040
Iceland	0.053	0.043	0.048	0.023	0.016	0.039	0.036	0.048
Ireland	0.027	0.053	0.051	0.080	0.112	0.032	0.007	0.035
Italy	0.027	0.050	0.038	0.045	0.053	0.020	0.046	0.020
Japan	0.035	0.061	0.043	0.050		0.022		
Rep. of Korea	0.064	0.022	0.040	0.010		0.002		
Luxembourg	0.020	0.020	0.000	0.021	0.034	0.040	0.022	0.021
Netherlands	0.080	0.059	0.062	0.023	0.061	0.028	0.033	0.045
Poland	0.008	0.127	0.097	0.039	0.042	0.013	0.057	0.067
Portugal	0.042		0.036	0.009	0.053	0.039	0.003	0.023
Slovakia	0.029		0.000	0.047	0.076	0.029	0.083	0.017
Spain	0.071	0.010	0.031	0.034	0.074	0.011	0.033	0.032
Sweden	0.089			0.023	0.047	0.035	0.057	0.039
Turkey	0.068	0.031	0.046	0.052		0.056	0.011	0.027
United Kingdom	0.054	0.041	0.040	0.057	0.074	0.031	0.014	0.065
United States	0.013	0.027	0.046	0.043		0.060		

Source: EVS/WVS (1999-2004); calculations by the authors

Table A1 Data for detraditionalization and emancipation
(continued)

	Emancipation			
	average R ² of regression analyses with as dependent variable:			
	justifiability of cheating government (taxes, benefits)	justifiability of individual liberties (homo, abortion, divorce, suicide)	justifiability of road behavior (joyriding, alcohol, litter, speed)	average
Austria	0.087	0.229	0.094	0.072
Belgium	0.083	0.136	0.090	0.065
Canada	0.055	0.147		0.052
Czech Republic	0.062	0.129	0.100	0.073
Denmark	0.030	0.149	0.063	0.059
Finland	0.097	0.189	0.184	0.078
France	0.087	0.093	0.070	0.047
Germany	0.078	0.166	0.051	0.065
Greece	0.043	0.156	0.059	0.048
Hungary	0.086	0.080	0.065	0.051
Iceland	0.073	0.150	0.196	0.066
Ireland	0.062	0.239	0.041	0.067
Italy	0.089	0.185	0.104	0.061
Japan	0.012	0.125		0.052
Rep. of Korea		0.121		0.048
Luxembourg	0.060	0.113	0.107	0.046
Netherlands	0.102	0.206	0.107	0.073
Poland	0.075	0.206	0.068	0.073
Portugal	0.032	0.035	0.033	0.032
Slovakia	0.054	0.119	0.063	0.056
Spain	0.055	0.218	0.057	0.057
Sweden	0.035	0.117	0.076	0.056
Turkey	0.021	0.285	0.023	0.062
United Kingdom	0.158	0.176	0.102	0.074
United States	0.072	0.066		0.050

Source: EVS/WVS (1999-2004); calculations by the authors

Table A2 Data for heterogenization

	standard deviation of opinions with respect to							
	Left-right	Socio-economic issues						
	Self positioning in political scale	Income equality	Private vs state ownership of business	Government responsibility	Job taking of the unemployed	Competition good or harmful	Firms and freedom	sub-average
Austria	1.65	2.57	2.10	2.57	2.62	2.01	2.56	2.41
Belgium	1.87	2.92		2.73	2.83	2.60	2.82	2.70
Canada	1.78	2.66	2.21	2.56		2.36		2.50
Czech Republic	2.34	2.78	2.54	2.57	2.68	2.20	2.69	2.58
Denmark	2.01			2.15	2.74	2.24	2.41	2.43
Finland	2.09	2.58	2.09	2.46	2.65	2.23	2.29	2.38
France	2.17	2.98	2.22	2.51	2.93	2.70	2.88	2.70
Germany	1.83		2.28	2.70	2.74	2.18	2.76	2.56
Greece	2.12			2.58	2.69	2.53	2.62	2.57
Hungary	1.74			2.84	2.90	2.55	2.81	2.69
Iceland	2.18	2.85	2.12	2.64	2.81	1.85	2.12	2.40
Ireland	1.67	2.75	2.28	2.54	2.67	2.29	2.48	2.50
Italy	2.20	2.73	2.21	2.67	2.43	2.49	2.78	2.55
Japan	1.89	2.20	1.85	2.59		2.07		2.32
Rep. of Korea	2.22	2.75	2.39	2.27		2.24		2.48
Luxembourg	1.76	2.61		2.47	2.63	2.48	2.49	2.54
Netherlands	1.74	2.03	1.86	2.11	2.25	2.04	2.04	2.06
Poland	2.29	3.18	2.83	2.62	2.94	2.76	3.01	2.89
Portugal	2.19		2.36	2.73	2.61	2.66	2.67	2.62
Slovakia	2.03			2.61	2.75	2.23	2.58	2.53
Spain	1.94	2.86	2.49	2.50	2.43	2.35	2.38	2.50
Sweden	2.09			2.22	2.38	1.92	2.11	2.28
Turkey	2.55	3.25	3.30	3.27		3.09	3.19	3.22
United Kingdom	1.65	2.55	2.19	2.39	2.62	2.15	2.21	2.35
United States	1.96	2.57	2.24	2.70		2.40		2.52

Source: EVS/WVS (1999-2004); calculations by the authors

Table A2 Data for heterogenization (continued)

	standard deviation of opinions with respect to							
	Political system			Justification of transgressions				total score
	Rate political system for governing country	Rate political system as it was before	sub-average	cheating government (taxes, benefits)	individual liberties (homo, abortion, divorce, suicide)	road behavior (joyriding, alcohol, litter, speed)	sub-average	average of sub averages
Austria	1.89	1.92	1.90	1.34	2.40	0.92	1.55	1.88
Belgium	1.94	1.94	1.94	1.64	2.16	0.92	1.57	2.02
Canada		2.05	1.96	1.49	2.20		1.60	1.96
Czech Republic	1.80	2.41	2.11	1.67	2.93	1.49	2.03	2.26
Denmark	2.02	2.10	2.06	0.86	2.24	0.72	1.27	1.94
Finland	1.79	1.89	1.84	1.36	2.09	1.03	1.49	1.95
France	1.82	1.75	1.79	1.79	2.10	1.17	1.69	2.09
Germany	2.05	2.38	2.22	1.44	2.21	0.98	1.54	2.04
Greece	2.00	2.01	2.00	1.61	2.05	1.27	1.64	2.09
Hungary	1.88	2.32	2.10	1.93	2.39	1.10	1.80	2.08
Iceland	1.72	1.63	1.68	1.08	1.81	1.11	1.33	1.90
Ireland	2.10	2.29	2.19	1.27	2.07	0.91	1.42	1.95
Italy	1.89	2.26	2.07	1.29	2.09	1.00	1.46	2.07
Japan		1.89	1.88	1.27	1.93		1.44	1.88
Rep. of Korea		1.94	1.91	1.26	2.56		1.65	2.06
Luxembourg	1.79	1.77	1.78	1.65	2.32	1.33	1.77	1.96
Netherlands	1.41	1.40	1.41	1.17	2.20	0.82	1.40	1.65
Poland	1.91	2.68	2.30	1.80	2.84	1.30	1.98	2.37
Portugal	1.75	1.87	1.81	1.54	1.90	1.43	1.62	2.06
Slovakia	1.85	2.53	2.19	2.18	3.00	2.25	2.48	2.31
Spain	1.90	1.85	1.88	1.41	2.46	1.05	1.64	1.99
Sweden	1.95	1.84	1.90	1.27	1.90	1.02	1.40	1.91
Turkey	2.03	2.82	2.43	0.82	2.17	0.60	1.20	2.35
United Kingdom	1.77	2.07	1.92	1.45	2.17	1.16	1.59	1.88
United States		2.12	2.00	1.50	2.13		1.59	2.02

Source: EVS/WVS (1999-2004); calculations by the authors

5 Independent yet solidary

The impact of individualization on solidarity

Complaints about the erosion of social solidarity often go hand in hand with a simple explanation. Declining solidarity is allegedly caused by the process of individualization and, thus, progresses with each new generation. At face value, it is obvious that individualization is related to the erosion of solidarity. As social solidarity refers to mutual bonds and commitment, individualization points to the loosening of the ties between the individual and society. Thus considered, individualization and erosion of solidarity are two sides of the same coin: individualization undermines solidarity, and restoring solidarity is only possible by turning the individualization process back. If one thinks of individualization as an autonomous trend, one cannot but be pessimistic about the future of solidarity. Since the younger generations are more strongly individualized than older generations, the replacement of the older by the younger generations will inevitably erode solidarity even more. If it is true that social solidarity is the foundation of the welfare state, it will be increasingly difficult to sustain the welfare state in the long run.

As much as this way of reasoning might seem intuitively appealing, it is based on a number of tacit but rather dubious assumptions. We should examine this reasoning thoroughly – both theoretically and empirically – before drawing any definite conclusions on the impact of individualization on social solidarity and the sustainability of the welfare state. Moreover, in the former chapter we concluded that there is no unambiguous trend of individualization. Indeed, the trends of detraditionalization, emancipation and heterogenization during the 1990s in a sample of 25 wealthy countries point to a process of collectivization rather than individualization. Thus, even *if* individualization hurts solidarity, this does not mean that solidarity will inevitably crumble in the future.

One might even wonder whether there is much sense in scrutinizing the effects of individualization on solidarity if there is no clear trend of individualization to start with. Nevertheless, we believe that it is important to analyze the relationship between individualization and solidarity more closely. First of all, we have some reservations about our conclusions in Chapter 4. Since our analysis covered a period of only one decade and since the comparability of the data from the second and fourth wave of the EVS and WVS is not beyond doubt, our findings might not be very robust. Secondly, it is possible that our results for the 1990s cannot be extrapolated to the future. Even if there was no process of individualization going on during the 1990s, this does not exclude the possibility that there will be such a process in the future. Thirdly, we are not only interested in trends of individualization, but also in differences in the extent of individualization between countries. In Chapter 4 we found considerable variation in the extent of detraditionalization, emancipation and heterogenization among the 25 countries we studied. Thus, an important question is whether differences in solidarity between countries, as analyzed in Chapter 2, are related to – and perhaps caused by – differences in the extent of individualization. If this turns out to be true, it would offer us valuable insight into the factors that explain the variety in solidarity and the support for the welfare state among wealthy countries, irrespective of any trend of individualization. Finally, it is also of interest to look at the relationship between individualization and solidarity at the individual level, as we will do in this chapter. If those persons that are most strongly individualized turn out to be the least willing to show solidarity, this would inform us about the kind of persons one would have to address in trying to strengthen support for solidarity and the welfare state. So, overall we think it is important to study the relationship between individualization and solidarity as such, irrespective of the actual trends of individualization and solidarity.

This chapter first surveys the theoretical sociological literature on the relationship between individualization and social solidarity (Section 5.1). Next, we explain how we intend to examine this relationship empirically (Section 5.2). Section 5.3 presents the results of an empirical analysis of the relationship between individualization and solidarity at the country level in 25 industrialized countries. In Section 5.4 we analyze individual-level data on individualization simultaneously with country-level data in a multilevel

analysis. In Section 5.5 we conclude that there is no straightforward relationship between individualization and solidarity. The most robust result is that detraditionalization and volunteering are negatively correlated.

5.1 Sociological theory and the relationship between individualization and solidarity

In Chapters 2 and 4 we explained that the terms solidarity and individualization have various meanings. With respect to solidarity, for example, one-sided solidarity should be distinguished from two-sided solidarity and voluntary solidarity from compulsory solidarity. Individualization can be interpreted as either detraditionalization, emancipation or heterogenization. From the start, it is not very likely that there is one simple causal relationship between each pair of possible combinations of individualization and solidarity. This section examines which kinds of relationships can be expected from a theoretical perspective. We start with a short overview of the sociological literature on the foundations of solidarity.

5.1.1 *Mechanisms of solidarity*

The distinguishing feature of solidarity is that someone is willing to help someone else without getting something immediately in return. This does not rule out the possibility that one expects a return in the long term, but one cannot be sure of that. Solidarity thus presupposes a bond with the other person or with society at large. This does not need to be a personal bond between the persons involved. A person can show solidarity with completely unknown persons, provided that they consider them to be in some sense equal, i.e. as a member of the same community with whom one shares, to some extent, the same fate. An important question is, then, which conditions foster the rise of solidarity. In the sociological literature roughly two opposing explanations can be found for the existence of solidarity, *viz.* a normative and an individualistic explanation.

A normative explanation of solidarity: community spirit

The normative explanation of solidarity starts from the assumption that people act in accordance with the prevailing norms in their community. This presupposes a strong community spirit which does not primarily emanate from a common interest, but from emotional ties. These ties can have two sources – using the terms of Sen (1977/1982) – sympathy and commitment. Sympathy means that one feels better or happier if someone else is doing well. The solidarity which sympathy gives rise to, can be considered as self-interest to a certain extent. Commitment, however, means that one feels the moral duty to support someone else, irrespective of whether this makes oneself happier.

According to Durkheim (1893/1997) commitment – or mechanical solidarity, as he names it – is a characteristic feature of traditional communities, in which people have a fixed position, determined by birth, tradition and coercive group norms. Solidarity is then a natural moral duty, which has been taken in, so to say, with the mother's milk. Durkheim argued that this kind of solidarity dwindled because of the modernization of society and the advancement of the division of labor. However, a hundred years later there are still many instances of communities in which the members share a strong mutual bond. Some, widely diverging, examples are the nuclear family, the residents of a neighborhood, the supporters of a football club, the fellow workers of a company, the members of an ethnic or a religious group, and the citizens of a nation. A common characteristic of these communities is the sharing of a common goal. There is no reason to believe that these communities are disappearing in modern society, although they may be less dominant than in the past.

Generally speaking, three factors underlie this community spirit, namely affection, tradition and identification. Affection is usually the main source of informal solidarity between those who have an intimate relationship: spouses, parents and children, and other relatives. Tradition is an important source of solidarity if the sense of belonging to a particular community and the obligation of solidarity are passed on from one generation to the next. However, traditional communities, whether a village, a religious communion or a social class, are gradually losing their naturalness and strength. What might be called “heavy communities” increasingly give way to “light communities”, the membership of which

is not given by tradition but is a matter of personal choice (Duyvendak & Hurenkamp 2004).

The third factor, identification, is probably the most important source of contemporary forms of formal, one-sided solidarity. It is not obvious, however, under which conditions people identify sufficiently strongly with someone else to be willing to act one-sidedly. Experience shows that people sometimes identify with the victims of a natural disaster in a faraway country, after watching a television coverage, but at the same time do not identify with a beggar in the street or with a long-term unemployed person from a minority group in their own country. These examples suggest that the possibility for identification is not innate, but is strongly influenced by the media and by opinion makers. Thus, the conditions for sustaining one-sided solidarity can, to some extent, be deliberately created, but can also be undermined.

An individualistic explanation of solidarity: enlightened self-interest

The individualistic explanation of solidarity assumes that people are rational actors that further their self-interest. This perspective explains solidarity from the fact that showing solidarity not only involves costs, but may also yield a positive return. This is the case with two-sided solidarity, which is based on the expectation that one's own contribution is balanced by an equivalent future contribution of someone else. Two examples are mutual help among friends and insurance schemes.

Two-sided solidarity based on enlightened self-interest requires that three conditions are met: mutual dependence, limited information and trust. First, two-sided solidarity presupposes the awareness of a certain extent of mutual dependence. According to Durkheim, this mutual dependence is the result of the division of labor in modern society. This causes a strong sense of dependence between the members of society, comparable to the interdependence between the organs of a body – thence the term ‘organic solidarity’. Moreover, the division of labor makes it more likely that people are hurt by different risks at different moments in time, which increases the opportunities for sharing those risks. For instance, small farmers in a traditional agrarian society cannot spread the risk of a bad harvest, since everyone is hit by bad weather at the same time. Due to the strong differentiation of economic activities in modern society, the odds are much smaller that a large share of the population will be hit by the same calamity

simultaneously. This makes it possible to pool risks: the fortunate support the unfortunate.

A second precondition for two-sided solidarity is that one has sufficient, but not complete information about the risks one runs and the extent to which others run the same risks. Since two-sided solidarity is based on a rational calculation of the costs and benefits of pooling risks, one first has to be aware of the existence of these risks. If one has no knowledge at all about a particular risk – imagine, for example, a yet-unknown disease or an unpredictable natural disaster, such as the impact of a comet – there is no point in pooling this risk with others. On the other hand, if one has almost perfect knowledge about who will be struck by a particular calamity, those who know that they won't be hurt will have no interest in sharing that risk with others. For example, if genetic screening makes it possible to predict serious diseases with (almost) complete certainty, a voluntary insurance of the costs of medical treatment of such diseases will be untenable, since only those bearing the particular genetic endowment will insure themselves. Two-sided solidarity is only sustainable if there is a “veil of ignorance” about the risks of individual people.

A third condition for two-sided solidarity is that there is sufficient confidence between people that the others will fulfill their commitment and help them when they are hit by a calamity. Thus, two-sided solidarity requires a minimum level of interpersonal trust. Moreover, one also needs to be confident that others will not abuse the solidarity and only make an appeal on the solidarity of others if they are really in need and have first tried to cope with their adversity themselves.

The embeddedness perspective

The normative and the individualistic explanations of solidarity are two opposite approaches to the relationship between individuals and society. Whereas the normative approach reflects what may be named the oversocialized conception of the individual, the individualistic perspective can be considered an undersocialized conception (Wrong 1961). The undersocialized conception views people as social atoms that are not part of a social context and can therefore not be influenced by it. In contrast, the oversocialized conception holds that individuals do not have the freedom to make their own choices since they behave according to their social role and the social norms associated with it. Both concep-

tions have been subject to criticism. Social scientists in favor of the individualistic conception of solidarity have accused those in the normative camp of being blind to individual freedom of choice, whereas their opponents have criticized the individualistic theorists for ignoring the normative and cultural aspects of social life. Recently, the embeddedness perspective has been put forward as an alternative to both the undersocialized and the oversocialized conception by regarding individual behavior as being both supported and constrained by the social context in which it takes place (Granovetter 1985). The embeddedness perspective is not simply a combination of the individualistic and the normative approach. It differs from both in that it uses features of the social context to explain individual behavior. In accordance with the individualistic approach, the embeddedness perspective argues that people balance costs and benefits in decision-making. However, it does not follow that these costs and benefits are given or fixed, the assumption is that they differ depending on the social context in which the decision is being made. As such, people's behavior may vary across different social structures. At the same time, the embeddedness perspective differs from the normative approach in that norms for social behavior are assumed not to be given but influenced by the social context in which individuals interact with each other. This also implies a shift from social norms as the starting point for the analysis of solidarity to studying social norms as the result of social interactions.

Several levels of embeddedness can be distinguished. At the lowest level are the personal relationships between individual people. At higher levels these relationships are embedded in networks and institutional settings. These different kinds of embeddedness provide opportunities for learning and control, which can help to develop and sustain solidarity (Raub 1997). Learning means that individuals receive information about the intentions and behaviors of others. Control refers to the possibility of using both positive and negative sanctions to influence the acts of others. Learning and control affect solidarity, since positive information increases people's trust that others will contribute to the solidarity as well and control mechanisms decrease the likelihood that others are able to get away without doing their share. The extent to which embeddedness influences solidarity is conditional on the duration and the quality of the relationship between individuals,

the networks that these relationships are part of, and the institutions in which these networks are embedded.

Temporal embeddedness

Temporal embeddedness refers to the duration of the relationship between two persons. The length of the relationship is relevant for understanding solidarity, since people's behavior in one-off meetings tends to differ from cases in which there have been earlier encounters and where future interactions between the individuals are likely to occur. If people have interacted in the past, they have information about the reliability of one another. The expectation that the relationship will continue in the future enables sanctioning, both positive and negative, of current behavior. Thus, a longer duration of the relationship does not influence the level of solidarity directly, but offers the conditions for learning and control that can enhance solidarity.

Homans (1961) focuses on learning through past interactions in social relations. Within such relationships, behavior is conditioned by rewarding desired behavior and punishing undesirable behavior. As time passes, people learn to distinguish between successful and unsuccessful acts as well as between those they can and cannot trust. Experiments by Axelrod (1984) showed that future encounters enable conditional cooperation, i.e. someone is willing to show solidarity on the condition that the other person cooperates. However, if the other person does not comply, the first one reciprocates by withdrawing their solidarity in the next move. As experiments show, such a "tit-for-tat" strategy generates positive results in the longer run.

Network embeddedness

Network embeddedness refers to the fact that people's relationships are part of a larger system of social relations. Again, these networks offer opportunities for learning and control. If a relationship is embedded in a network, the intentions and behavior of another person can be known not only through direct observation, but also through the experiences of other members of the network with the same person. People may thus receive information about each other even before they meet in person. Control through network relations takes the form of gossip, the effects of reputation, and the development of and compliance with social norms.

Institutional embeddedness

Institutions comprise formal rules and laws as well as informal rules, social norms, traditions and regularities that constrain individual behavior (North 1990). Formal and informal rules can reduce the risks associated with acting out of solidarity, such as opportunistic behavior. Although formal and informal rules may have the same effects, their combined effect might either strengthen solidarity or adversely affect solidarity by crowding each other out. The welfare state, including social insurances and other welfare provisions, is an important example of the institutional settings in which persons interact. Because the provisions are funded through taxes and mandatory contributions, every citizen of a country is in principle entitled to them. To maintain the legitimacy of such a system requires mechanisms for monitoring individual contributions and claims, to make sure that everyone contributes their fair share and to keep track of persons who wrongfully claim benefits or provisions.

5.1.2 How does individualization affect solidarity?

In this sub-section we will use the theoretical perspectives on the foundation of solidarity, set out in the previous sub-section, to formulate a number of hypotheses on the consequences of individualization for solidarity. We take the embeddedness perspective as a starting point, but assume that, depending on the kind of solidarity at stake, elements of the normative and of the individualistic perspective are also relevant in explaining the relationship between individualization and solidarity. Generally speaking, with one-sided solidarity the emphasis lies more on the normative perspective, which presupposes community spirit, whereas with two-sided solidarity the individualistic perspective, which assumes that people are self-interested, is the most relevant. In the embeddedness perspective the level of embedding of the individual largely determines the kind of mechanism that brings about solidarity. At the lower levels, at which one-to-one relationships and networks prevail, the emphasis lies on informal, voluntary solidarity, while obligatory solidarity predominates at the highest, formal level. It is therefore important to keep the distinction between various levels of embeddedness in mind when analyzing the consequences of individualization.

In the previous chapter we distinguished between three interpretations of individualization, detraditionalization, emancipation and heterogenization. For each of these forms of individualization we examine which effects on solidarity can be expected. If individualization is interpreted as the loosening of ties between individuals and traditional institutions, such as the family, the neighborhood and the church (*detraditionalization*), the solidarity with people in someone's vicinity can be expected to dwindle. Probably, people will be less willing to devote time and pay attention to their families, their neighbors, their parish, etc., especially if it does not bring them any benefit but is prescribed by social norms (voluntary, one-sided solidarity). Instead of this, people might be increasingly concerned about friends or colleagues or join an association voluntarily. However, as the interactions between the members of these voluntary networks are probably more occasional and less enduring than in traditional institutions, this might hinder the creation of mutual trust. Because the future return of solidaristic behavior will be less predictable, the willingness to act out of (two-sided) solidarity might diminish. From a theoretical perspective, the impact of detraditionalization on two-sided solidarity is thus ambiguous.

Less enduring ties with traditional, local communities, in tandem with increasing participation in larger networks could also enhance commitment at a higher level, for instance the national or even the global community. Examples are the concern with development assistance, human rights, the problem of climate change, and so on. Thus, public support for collective solidarity, both one-sided and two-sided, at the national or supranational level might increase.

Individualization in the sense of *emancipation* means that people's opinions and attitudes are decreasingly determined by the collectivity to which they belong and become more a choice of their own. As a consequence, people's attitudes and behavior will be less predictable. If one gets in touch with a stranger, it will be harder to predict their behavior from their social characteristics, such as age, sex, religion and education. This hinders the development of mutual trust. This will primarily harm two-sided solidarity, since one can be less confident that the other will reciprocate one's solidarity. However, the willingness to act out of one-sided solidarity might also decline, because it becomes less clear

whether the other really needs one's support and does not simply shun their own responsibility.

Probably, this decline of solidarity will not be limited to voluntary solidarity, but will also manifest itself with respect to compulsory solidarity. If anonymous persons claim support from the welfare state, these claims might increasingly be attributed to lack of willpower and to individual choices rather than to bad luck. One might also be less confident that others will contribute equally to the provisions of the welfare state. This negative relationship between emancipation and solidarity stems from changing expectations with respect to the behavior of others and thus refers to emancipation as a macro-phenomenon. Might the emancipation of the individual also negatively affect their willingness to act out of solidarity? This is not clear. If people increasingly choose their own opinions instead of adopting the dominant opinions of their social group, this might result in either more or less solidaristic behaviour. If one belongs to a group with traditionally strong solidaristic norms, then the odds are that emancipation will make that person less solidaristic. But if that group did not have particularly strong solidaristic norms in the first place, then emancipation might even make a person act in a more solidaristic manner. Thus, we have no particular expectation with respect to the effect of the individual's emancipation on their willingness to show solidarity.

Finally, individualization can mean that society becomes more *heterogeneous*. If the differences between people grow, this can make it harder for them to identify with each other, and thus the willingness to consider others as belonging to the same community decreases. This might be especially harmful for one-sided solidarity, which rests on a community spirit. In local communities in which people know each other personally, in particular, solidarity might be damaged. It is easy to imagine how, in a small village with a homogeneous population, the influx of residents from a big city increases the heterogeneity of the population and undermines the local solidarity. However, this might also occur on a larger scale as the heterogeneity of the population increases and people no longer recognize their fellow citizens as members of their own community. Thus, the support for public goods might erode. However, there is no reason to expect that two-sided solidarity will be hurt by heterogenization. On the contrary, increasing heterogeneity makes it easier to spread risks, because it is less probable

that many people will be affected by the same calamity at the same time. It thus becomes more attractive to pool risks through insurances.

The four elements of individualization, combined with four kinds of solidarity (one-sided voluntary, two-sided voluntary, one-sided compulsory, and two-sided compulsory solidarity) leave us with sixteen hypotheses concerning the causal relationship between individualization and solidarity. Table 5.1 summarizes these hypotheses. A “+” means that individualization is expected to foster solidarity, a “-“ sign that individualization harms solidarity and a “o” that there is no effect or an indeterminate effect.

Table 5.1 Hypotheses concerning the effect of four kinds of individualization on four forms of solidarity

solidarity: individualization:	one-sided, voluntary	two-sided, voluntary	one-sided, compulsory	two-sided, compulsory
detraditionalization	-	o / +	+	+
emancipation – macro level	-	-	-	-
emancipation – individual level	o	o	o	o
heterogenization	-	+	-	+

This summary clearly illustrates that the theoretical expectations of the impact of individualization on solidarity are ambiguous. In seven out of the sixteen possible cases, the expected impact is negative (individualization erodes solidarity), in four cases it is positive (individualization boosts solidarity), and in five cases it is absent or indeterminate. Only emancipation as a macro-phenomenon – i.e. decreasing predictability of other people’s attitudes and behavior – is unambiguously expected to affect all kinds of solidarity negatively. One-sided voluntary solidarity, such as volunteering and giving, is most vulnerable to individualization, since all kinds of individualization – except emancipation at the individual level – are expected to reduce this kind of solidarity. In the remaining sections of this chapter, we test whether these hypotheses are confirmed by the differences and trends in individualization and solidarity in practice.

5.2 Method and data

Basically, there are three ways to analyze the relationship between individualization and solidarity empirically. First, one can analyze a time series of aggregate data (e.g. for one particular country) to find out whether the evolution of individualization and the evolution of solidarity coincide. To perform such a time series analysis, one needs high-quality data for quite a long period of time, preferably some decades. Even then it is pretty difficult to establish a (causal) relationship. If both phenomena, individualization and solidarity, display a trend, then they will tend to be strongly correlated, but this might be caused by a third, unknown factor which also displays a time trend. The correlation between individualization and solidarity might then be spurious.

Second, one can make a cross-country comparison of individualization and solidarity. For this, one needs aggregate (country-level) data on both phenomena for a sufficient number of countries. Since we already presented such data in Chapters 2 and 4, we analyze these data further in this chapter. We will compute both the correlation between individualization and solidarity at one particular moment in time and the correlation between the changes of both phenomena between c. 1990 and c. 2000. As with a time-series analysis, the correlations found from such a cross-country comparison might be spurious because they are caused by a third factor. To control for this, we will calculate partial correlations, controlling for the level of gross domestic product per capita.

Third, one can analyze the relationship between individualization and solidarity using micro-data at the individual level. Two important advantages of such an approach are that one can use much larger data-sets and that it is possible to control for a number of other (individual) characteristics that might influence someone's solidarity. Such an analysis assumes that the impact of individualization manifests itself at the individual level, i.e. it is assumed that people who are more strongly individualized behave differently or have other preferences with respect to solidarity than people who are less individualized. However, one particular interpretation of individualization, heterogenization, can only be measured at the aggregate level, since it refers to the spread of attitudes among the population. Moreover, as we noted above, emancipation might have a different impact at the aggregate level than at the individual level. In order to include these aggregate-

level effects we have to analyze the impact of individualization both at the micro-level and at the macro-level, simultaneously. The best way to do this is by performing a multilevel regression analysis, which includes individual-level variables and country-level variables for individualization.

The basic multilevel model consists of observations at one level that are nested in a higher level (in this case citizens within different countries), with a dependent variable at the lowest level and explanatory variables at all levels. The behavior or attitudes of subjects that are nested within the same group (e.g. fellow-countrymen) may be correlated and thus violate the condition of independent measures. This is for instance the case when the attitudes of fellow citizens are closer to each other than to those living in different countries, due to cultural influences and prevailing norms. The problem presents itself even more clearly when explanatory variables at the higher level (i.e. the country level) are added to the analyses. These variables have the same value for each of the citizens in a country (also referred to as the fixed part of the model). Multilevel analysis is developed to deal with such nested data structures. The basis of multilevel modeling is that a regression model is broken down in separate regression intercepts and regression coefficients, which are allowed to vary between units (the random part of the model) and that variations between lower and the higher levels of analysis are distinguished (Snijders & Bosker 1999; Hox 2000).

For this multilevel analysis we use data from the fourth wave (1999-2004) of the European Values Survey and the World Values Survey. We already used this data set for estimating individualization in 25 industrialized countries in the previous chapter. Unfortunately, these surveys do not include many variables that allow us to construct indicators for the various dimensions of solidarity discussed in Chapter 2. We thus have to confine our analysis to three indicators, only one of which refers to solidaristic behavior. The three indicators are:

1. willingness to help others;
2. voluntary work;
3. preference for state-organized solidarity.

Ad 1. This indicator is based on the following question:

“Would you be prepared to actually do something to improve the conditions of:

- a. people in your neighborhood/community;
- b. elderly people in your country;
- c. immigrants in your country;
- d. sick and disabled people in your country?"

The possible answers are (1) absolutely no; (2) no; (3) maybe yes, maybe no; (4) yes; (5) absolutely yes. The scores on each of the four items are added and then recoded so that the resulting variable ranges from 0 to 10.

Ad 2. The respondents were asked: "Which, if any, of the following voluntary organizations are you currently doing unpaid voluntary work for?" The number of organizations for which they answered in the affirmative is used as a scale for voluntary work. This variable ranges from 0 to 15.

Ad 3. The indicator for being prepared to help others (re 1) was combined with the question: "How would you place your views on this scale?: (1) Individuals should take more responsibility for providing for themselves... (10) The state should take more responsibility to ensure that everyone is provided for." The result is a variable "preference for state-organized solidarity" which has the value 1 (no solidarity) if the score on being prepared to help is lower than or equal to 6 and the score on responsibility lower than or equal to 5, the value 2 (voluntary solidarity) if the score on help is higher than 6 and the score on responsibility lower than or equal to 5, and the value 3 (compulsory solidarity) if the score on help is higher than 6 and the score on responsibility higher than 5.

It should be stressed that neither the cross-country comparison nor the multilevel regressions inform us about the causal relationship between individualization and solidarity. Although, on theoretical grounds, we expect that individualization affects solidarity, it cannot be excluded *a priori* that a (positive or negative) correlation points to a causal effect from solidarity to individualization. The only way to disentangle these causal effects would be to analyze time series data and establish the timing of changes in order to find out whether a change in solidarity follows or precedes a change in individualization. Unfortunately, such data are not available, yet.

5.3 The relationship between individualization and solidarity at the country level

The simplest way to analyze the relationship between individualization and solidarity is to compute the correlation coefficients between the three interpretations of individualization, discussed in Chapter 4, and the various kinds of solidarity, described in Chapter 2. The left panel of Table 5.2 gives these correlation coefficients for a sample of 25 industrialized countries.¹ Most of the correlations are negative, suggesting that individualization adversely affects solidarity. However, only a minority of these correlations is significant, even at the ten percent level, so it is unclear whether these negative correlations are real effects or mainly coincidental results. The only significant negative correlation between detraditionalization and solidarity relates to the share of volunteers in the adult population, confirming our theoretical expectation. There are five significant negative correlations between heterogeneity and solidarity, concerning development aid (ODA), the recognition of asylum-seekers, gross private social expenditure, private insurances and the contribution of volunteering to GDP. This suggests that a greater heterogeneity of attitudes among the population has an adverse effect on external (supranational), one-sided solidarity (development aid and asylum-seekers), on voluntary, two-sided, formal solidarity (private social expenditure and insurance) and on one kind of voluntary, one-sided, informal solidarity (volunteering). To phrase it differently, the size and generosity of the welfare state are not (significantly) affected by heterogeneity, but most other kinds of solidarity are. Finally, there is no significant correlation between emancipation and any kind of solidarity.

As mentioned above, the correlations between individualization and solidarity could be caused by a third factor that influences both individualization and solidarity. Although there are numerous factors that might cause such a spurious correlation, the most likely candidate is the wealth of a country. It is plausible that in richer countries both individualization and solidarity differ from those in poorer countries. For example, wealthy countries might have more resources to enable people to choose their own way of living and to organize formal solidarity through the welfare state instead of relying primarily on informal solidarity. To allow for this possible mediating influence of wealth, the right-hand panel of Table 5.2 shows partial correlation coefficients between indi-

vidualization and solidarity which are controlled by the average gross domestic product per capita (in purchasing power parities). Although most correlation coefficients show no major changes, the significance changes in a number of cases. Detraditionalization now turns out to be positively correlated with private insurance. This suggests that the less people are attached to traditional institutions, the more they rely on private insurance schemes to protect themselves against risks. The significance of the negative correlations of heterogeneity with various kinds of solidarity decreases. The correlation with private social expenditure and private insurance, in particular, is no longer significant. With respect to emancipation, nothing really changes.

Table 5.2 Correlations between individualization and solidarity, c. 2000

	Pearson bivariate correlation			Partial correlation controlled for by GDP per capita in PPS		
	detradition- alization	hetero- geneity	emanci- pation	detradition- alization	hetero- geneity	emanci- pation
gross public social expenditure	-0.05	-0.17	-0.11	0.01	-0.03	-0.13
net public social expenditure	0.10	0.00	-0.06	0.17	0.18	-0.07
generosity public social security	-0.08	-0.14	0.01	-0.06	-0.11	0.00
development aid (ODA)	-0.18	-0.62**	-0.03	-0.04	-0.37*	-0.08
inflow of asylum-seekers	-0.20	-0.35	-0.24	-0.09	-0.03	-0.31
recognition of asylum-seekers	-0.07	-0.55**	-0.30	-0.03	-0.57**	-0.32
gross private social expenditure	-0.39	-0.56**	-0.11	-0.33	-0.41	-0.15
net private social expenditure	-0.25	-0.40	-0.01	-0.14	-0.07	-0.06
private insurance	0.12	-0.42**	0.15	0.57**	0.25	0.17
volunteering (% pop.)	-0.54**	-0.37	-0.04	-0.50**	-0.19	-0.06
volunteering (hrs per week)	-0.23	-0.30	0.21	-0.12	0.03	0.20
volunteering (% GDP)	-0.32	-0.65**	-0.21	-0.22	-0.43*	-0.30
giving	-0.22	-0.17	0.22	-0.13	0.15	0.21
child care	-0.25	-0.17	-0.36	-0.28	-0.29	-0.36

* significant, $p < .1$

** significant, $p < .05$

Source: see Chapter 2 and Chapter 4; calculations by the authors.

The correlations in Table 5.2 are based on the level of individualization and the level of solidarity in about 25 countries at one particular moment. Since the level and composition of solidarity are probably dependent on a range of other factors besides the level of

individualization, it is not surprising that we do not find many significant correlations. If we assume that the differences between the countries with respect to these other factors do not change substantially over time, we might be better able to trace the relation between individualization and solidarity by looking at the evolution of both phenomena. Since we only have sufficient information on individualization for two moments in time (c. 1990 and c. 2000), we use data on solidarity for these two years. This restricts our analysis to eight kinds of solidarity. Table 5.3 shows the correlations between the change of individualization and the change of solidarity during the 1990s.

Table 5.3 Correlations between change of individualization and change of solidarity, c. 1990-c. 2000

	Pearson correlation			Partial correlation (controlled for by annual real GDP growth)		
	detradition- nalization	hetero- geneity	emanci- pation	detradition- alization	hetero- geneity	emanci- pation
gross public social expenditure	0.10	-0.20	0.28	0.05	-0.11	0.46*
benefit generosity	0.04	-0.18	0.11	0.13	-0.31	0.18
ODA	0.12	-0.14	-0.14	0.12	-0.16	-0.03
inflow of asylum-seekers	0.16	0.08	-0.21	0.35	0.23	-0.42*
recognition of asylum-seekers	-0.02	0.02	0.16	-0.02	0.05	0.18
gross private social expenditure	-0.36*	0.08	0.34	-0.38	0.10	0.40
private insurance	0.23	0.23	-0.35*	0.39	0.13	-0.67**
volunteering	-0.05	0.62**	-0.46**	-0.07	0.59**	-0.50**

* significant $p < .1$

** significant $p < .05$

Source: see Chapter 2 and Chapter 4; calculations by the authors

Less than half of the correlations are now negative, and again, most of them are not significant. Somewhat unexpected is that the change of detraditionalization is significantly negatively correlated with the change of private social expenditure. Since this correlation is no longer significant if we control for changes in GDP per capita (right-hand panel), this correlation is probably spurious. Remarkably, there is a large and significant positive correlation between the change in heterogeneity and volunteering, even if we control for changes in GDP per capita. Thus, in those countries where the heterogeneity of attitudes increased the most, the share

of the population that is active in volunteer work also increased the most. We do not know how to explain this unexpected result.

An increase of emancipation is significantly negatively correlated with both private insurance and volunteering. This confirms our theoretical expectation that emancipation reduces the extent to which people recognize and trust others. As the partial correlations show, increasing emancipation is also associated with a lower inflow of asylum-seekers and with higher expenditure on social protection. The last result suggests that people resort to the (welfare) state if they no longer trust each other sufficiently.

5.4 The relationship between individualization and solidarity at the individual and the country levels

The empirical analysis in the preceding section only sheds light on the relationship between individualization and solidarity at the country level. It does not give insight into differences in solidarity between people that are more or less individualized within countries. As explained in Section 5.2 we try to test the impact of individualization at the individual level by means of a multilevel analysis in which we simultaneously estimate the effect of individual characteristics, including individualization, and the effect of individualization at the country level. At the individual level both detraditionalization (decreasing membership of traditional institutions) and emancipation (deviance from the average attitudes of the social group) can influence the solidarity of the individual. In our analysis we incorporate the possibility that the effects of these individual characteristics differ between countries, by including so-called random effects. At the country level, emancipation (average predictability of attitudes) and heterogeneity (diversity of attitudes) can influence the solidarity of the population. Table 5.4 shows the estimated effects of these dimensions of individualization for a sample of 25 industrialized countries (the full results of the regression analyses are presented in the Appendix). As indicators for solidarity, we use the willingness to help others, participation in volunteering and the support for solidarity organized by the state.

As expected, detraditionalization has a significant negative effect on all three kinds of solidarity: the smaller the number of traditional institutions an individual belongs to, the less prepared

they are to help others, take part in volunteering, and be in favor of state-organized solidarity. Emancipation, on the contrary, has a positive effect on solidarity. We did not derive an unambiguous effect of emancipation at the individual level from theory. Apparently, deviating from the dominant attitudes of your social group stimulates solidarity.

With one exception, the indicators for individualization at the country level do not have a significant impact on the solidarity of individuals. The predictability of individuals' attitudes (emancipation) does not influence solidarity, which confirms our earlier result from the cross-country comparison. The heterogeneity of attitudes has a significant positive effect on the support for state-organized solidarity, although we did not find any correlation with public social expenditure in our cross-country analysis. However, this result is in accordance with our theoretical expectations as far as two-sided compulsory solidarity is concerned. Heterogenization might lead people to increasingly rely on state-organized solidarity instead of on informal, voluntary solidarity.

Table 5.4 Multilevel analysis of the impact of individualization on three kinds of solidarity^a

individualization:	solidarity:		
	help (being prepared to help others)	volunteering (number of unpaid activities)	state solidarity (prepared to help * responsibility)
<i>individual-level variables</i>			
detraditionalization	-0.24** (0.02)	-0.40** (0.03)	-0.88** (0.28)
emancipation	0.13* (0.07)	0.08** (0.04)	5.71** (0.75)
<i>country-level variables</i>			
emancipation	6.71 (4.86)	-2.26 (7.67)	55.97 (74.59)
heterogeneity	0.04 (0.60)	-0.42 (0.65)	17.52* (8.85)

^a Unstandardized regression coefficients, controlled for by sex, marital status, age group, educational attainment, town size, social class, labor market status and income category; standard errors between parentheses; for full details see the Appendix.

* significant $p < .1$

** significant $p < .05$

Source: EVS/WVS (1999-2004); calculations by the authors

5.5 Conclusions

Because of the many different interpretations of both individualization and solidarity, it does not come as a surprise that we do not find a straightforward relationship between individualization and solidarity in this chapter. For theoretical reasons we expected the strongest negative impact of individualization on one-sided voluntary solidarity and much less influence – or even a positive influence – on two-sided solidarity. Only the first part of these expectations is largely confirmed by our empirical analysis.

Table 5.5 Empirical test of the effect of four kinds of individualization on four forms of solidarity

solidarity: individualization:	one-sided, voluntary	two-sided, voluntary	one-sided, compulsory	two-sided, compulsory
detraditionalization	–	+	o	o / –
emancipation – macro level	o	o	o	o
emancipation – individual level	+			+
heterogeneity	–	– ^a	–	o / +

^a The negative sign becomes a zero after controlling for GDP per capita.

Source: Tables 5.2 and 5.4.

Table 5.5 summarizes the results of our empirical analyses. We do not include the somewhat puzzling results of the dynamic cross-country analysis in Table 5.3. Comparing Table 5.5 with Table 5.1 shows that only about one-third of the theoretical expectations are borne out by the empirical analysis. As expected, detradditionalization is harmful for one-sided, voluntary solidarity in the form of volunteering, and it is supportive for two-sided solidarity in the form of private insurance. However, we did not find the expected positive effects on compulsory, state-organized solidarity. Emancipation as a macro-phenomenon does not have the negative effect on individualization that we expected from theory, and emancipation as an individual characteristic fosters both one-sided, voluntary solidarity (willingness to help and volunteering) and two-sided, compulsory solidarity (state-organized solidarity). Finally, heterogeneity has the expected negative effect on one-sided solidarity, both voluntary and compulsory, and the expected positive effect on two-sided, compulsory solidarity, albeit only if measured

as support for state-organized solidarity. However, we did not find a positive effect on two-sided, voluntary solidarity.

To conclude, our analysis shows that the impact of individualization on solidarity is much less clear-cut than is often suggested. Although there are some indications of a negative effect of individualization on solidarity, this is only the case with some specific interpretations of individualization and some particular forms of solidarity. The most robust effect is the negative correlation between detraditionalization and volunteering: the smaller the number of traditional institutions people belong to, the less they tend to participate in volunteering. It should, however, be noted that it is not clear in what direction the causal relationship runs. Does membership of a traditional institution, such as a church, a trade union, or a political party, encourage people to do voluntary work? Or do people become a member of such an organization because they want to do voluntary work? Or, alternatively, do both membership of traditional institutions and volunteering spring from an unobserved third characteristic, such as social commitment or civic engagement?

The worries about the societal implications of the individualization process that are regularly expressed only seem to be well-founded with respect to the consequences of a deteriorating membership of traditional institutions. This conclusion is in accordance with the finding of Robert Putnam (2000) that the membership of clubs and associations is an essential ingredient of social capital and social cohesion. However, in the preceding chapter we found that there is no general trend of declining membership rates in the industrialized world. On the contrary, membership rates have gone up slightly, on average. Based on the experiences of the past one or two decades, there is, thus, no ground for worrying that individualization will erode social solidarity. Of course, this does not exclude the possibility that a marked process of individualization will manifest itself in the future, albeit perhaps only in particular countries. But, as we showed in this chapter, even then this will probably not have an unambiguous negative impact on either voluntary solidarity or the public support for state-organized, obligatory solidarity.

Note

- i. Some correlations are based on a smaller number of countries because for some countries the necessary data are not available.

Appendix to Chapter 5

Results of the multilevel regression analyses of solidarity

Table A5.1 Multilevel regression analysis of being prepared to help others

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.
<i>Estimates of fixed effects</i>												
intercept	6.33	0.08	75.02	0.00	6.20	0.11	57.05	0.00	6.71	4.86	1.38	0.19
<i>country-level variables</i>												
1-R ²									-0.01	5.08	0.00	1.00
heterogeneity									0.04	0.60	0.07	0.94
<i>individual-level variables</i>												
detraditionalization									-0.24	0.02	-10.92	0.00
emancipation									0.13	0.07	1.93	0.07
<i>age group</i>												
age 15-24					-0.29	0.05	-6.13	0.00	-0.24	0.05	-4.95	0.00
age 25-34					-0.18	0.03	-5.76	0.00	-0.16	0.03	-4.92	0.00
age 35-44 (ref.)												
age 45-54					0.12	0.03	3.95	0.00	0.12	0.03	3.85	0.00
age 55-64					0.19	0.03	5.96	0.00	0.19	0.03	5.73	0.00
<i>marital status</i>												
married man (ref.)												
married woman					0.16	0.03	5.43	0.00	0.17	0.03	5.59	0.00
cohabitating man					-0.12	0.13	-0.94	0.35	0.02	0.14	0.13	0.90
cohabitating woman					0.11	0.12	0.88	0.38	0.30	0.13	2.30	0.02
divorced man					-0.21	0.06	-3.48	0.00	0.05	0.06	0.81	0.42
divorced woman					0.09	0.05	1.76	0.08	0.34	0.05	6.41	0.00
widower					-0.21	0.08	-2.59	0.01	0.02	0.08	0.29	0.77
widow					0.00	0.05	0.06	0.95	0.25	0.05	4.89	0.00
single man					-0.22	0.05	-4.72	0.00	0.02	0.05	0.39	0.70
single woman					0.03	0.05	0.67	0.50	0.28	0.05	5.43	0.00
son					-0.23	0.05	-4.51	0.00	0.00	0.05	0.03	0.98
daughter					0.17	0.06	2.93	0.00	0.39	0.06	6.52	0.00

Table A5.1 Multilevel regression analysis of being prepared to help others (continued)

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
<i>educational level</i>												
low educated					-0.18	0.03	-7.29	0.00	-0.18	0.03	-7.04	0.00
middle educated (ref.)												
upper educated					0.17	0.03	5.72	0.00	0.16	0.03	5.19	0.00
<i>social class</i>												
upper class					0.11	0.49	0.22	0.82	0.10	0.49	0.21	0.83
upper middle class					-0.03	0.04	-0.77	0.44	-0.03	0.04	-0.68	0.50
lower middle class (ref.)												
working class					-0.08	0.03	-2.68	0.01	-0.08	0.03	-2.73	0.01
lower class					-0.30	0.04	-7.57	0.00	-0.28	0.04	-7.19	0.00
<i>town size</i>												
<5,000 residents					0.20	0.07	2.80	0.01	-0.02	0.09	-0.26	0.79
5,000-20,000 residents					0.25	0.07	3.53	0.00	0.01	0.09	0.16	0.87
20,000-100,000 residents					0.18	0.07	2.51	0.01	-0.06	0.09	-0.66	0.51
100,000-500,000 residents					0.14	0.07	1.96	0.05	-0.08	0.09	-0.87	0.38
>500,000 residents					0.08	0.07	1.05	0.30	-0.13	0.09	-1.42	0.16
size unknown (ref.)												
<i>labor market status</i>												
full-time employed (ref.)												
part-time employed					0.09	0.04	2.25	0.02	0.09	0.04	2.17	0.03
self-employed					-0.01	0.04	-0.33	0.74	-0.01	0.05	-0.12	0.91
retired					0.16	0.03	4.91	0.00	0.16	0.03	4.67	0.00
housewife					-0.02	0.04	-0.55	0.58	0.01	0.04	0.29	0.78
student					0.22	0.05	4.30	0.00	0.26	0.05	4.99	0.00
unemployed					-0.01	0.05	-0.12	0.90	0.01	0.05	0.30	0.76
other non-employed					0.15	0.07	2.03	0.04	0.16	0.07	2.21	0.03
<i>income class</i>												
lower income class					-0.01	0.03	-0.44	0.66	-0.01	0.03	-0.53	0.60
middle income class (ref.)												
upper income class					0.02	0.03	0.85	0.39	0.00	0.03	-0.03	0.98
<i>Estimates of random effects</i>												
intercept	0.15	0.05	3.11	0.00	0.14	0.04	3.10	0.00	0.12	0.05	2.40	0.02
detraditionalization									0.00	0.00	1.63	0.10
emancipation									0.05	0.03	2.02	0.04
residual	2.72	0.02	114.3	0.00	2.65	0.02	114.2	0.00	2.60	0.02	111.7	0.00
-2 Log likelihood	100,494				99,911				95,235			
deviance					583				4,676			
intraclass correlation	0.05				0.05				0.04			

Source: EVS/WVS (1999-2004); calculations by the authors

Table A5.2 Multilevel regression analysis of number of unpaid activities

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.
<i>Estimates of fixed effects</i>												
intercept	0.61	0.08	7.86	0.00	0.52	0.08	6.82	0.00	4.33	7.42	0.58	0.57
<i>country-level variables</i>												
1-R ²									-2.26	7.67	-0.29	0.77
heterogeneity									-0.42	0.65	-0.65	0.53
<i>individual-level variables</i>												
detraditionalization									-0.40	0.03	-15.39	0.00
emancipation									0.08	0.04	2.19	0.04
<i>age group</i>												
age 15-24					-0.12	0.02	-4.79	0.00	-0.03	0.02	-1.06	0.29
age 25-34					-0.11	0.02	-6.80	0.00	-0.06	0.02	-3.57	0.00
age 35-44 (ref.)												
age 45-54					0.03	0.02	1.87	0.06	0.02	0.02	1.24	0.22
age 55-64					0.08	0.02	4.40	0.00	0.05	0.02	2.54	0.01
<i>marital status</i>												
married man (ref.)												
married woman					-0.05	0.02	-2.96	0.00	-0.05	0.02	-3.34	0.00
cohabitating man					-0.11	0.06	-1.88	0.06	0.31	0.06	5.03	0.00
cohabitating woman					-0.16	0.06	-2.84	0.00	0.31	0.06	5.26	0.00
divorced man					-0.15	0.03	-4.43	0.00	0.27	0.04	7.31	0.00
divorced woman					-0.09	0.03	-3.33	0.00	0.31	0.03	10.37	0.00
widower					-0.10	0.05	-2.24	0.03	0.27	0.05	5.80	0.00
widow					-0.09	0.03	-3.54	0.00	0.26	0.03	9.40	0.00
single man					-0.08	0.03	-3.04	0.00	0.32	0.03	11.54	0.00
single woman					-0.09	0.03	-3.49	0.00	0.31	0.03	10.91	0.00
son					-0.03	0.03	-1.21	0.23	0.33	0.03	11.38	0.00
daughter					-0.03	0.03	-0.86	0.39	0.34	0.03	10.63	0.00
<i>educational level</i>												
low educated					-0.13	0.01	-9.43	0.00	-0.12	0.01	-8.57	0.00
middle educated (ref.)												
upper educated					0.24	0.02	15.19	0.00	0.21	0.02	13.15	0.00
<i>social class</i>												
upper class					0.10	0.09	1.07	0.29	0.10	0.09	1.13	0.26
upper middle class					0.07	0.02	3.44	0.00	0.06	0.02	2.95	0.00
lower middle class (ref.)												
working class					-0.06	0.02	-3.92	0.00	-0.06	0.02	-3.55	0.00

Table A5.2 Multilevel regression analysis of number of unpaid activities (continued)

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
lower class					-0.11	0.02	-5.37	0.00	-0.10	0.02	-4.86	0.00
<i>town size</i>												
<5,000 residents					0.21	0.03	6.98	0.00	0.15	0.03	4.68	0.00
5,000-20,000 residents					0.22	0.03	7.06	0.00	0.16	0.03	4.91	0.00
20,000-100,000 residents					0.12	0.03	3.89	0.00	0.06	0.03	1.88	0.06
100,000-500,000 residents					0.13	0.03	4.03	0.00	0.07	0.03	2.24	0.02
>500,000 residents					0.06	0.03	1.89	0.06	0.03	0.03	1.07	0.28
town size unknown (ref.)												
<i>labor market status</i>												
full-time employed (ref.)												
part-time employed					0.10	0.02	4.48	0.00	0.12	0.02	5.35	0.00
self-employed					0.09	0.02	3.78	0.00	0.11	0.02	4.79	0.00
retired					0.02	0.02	1.24	0.21	0.05	0.02	2.54	0.01
housewife					0.01	0.02	0.54	0.59	0.06	0.02	2.64	0.01
student					0.14	0.03	4.97	0.00	0.18	0.03	6.46	0.00
unemployed					-0.03	0.02	-1.22	0.22	0.03	0.02	1.14	0.25
other non-employed					0.02	0.04	0.42	0.68	0.04	0.04	1.06	0.29
<i>income class</i>												
lower income class					-0.02	0.01	-1.69	0.09	-0.01	0.01	-0.70	0.48
middle income class (ref.)												
upper income class					0.07	0.01	4.83	0.00	0.05	0.01	3.82	0.00
Estimates of random effects												
intercept	0.15	0.04	3.52	0.00	0.13	0.04	3.51	0.00	0.35	0.11	3.21	0.00
detraditionalization									0.01	0.00	3.20	0.00
emancipation									0.02	0.01	2.23	0.03
residual	1.18	0.01	138.77	0.00	1.14	0.01	138.71	0.00	1.08	0.01	136.03	0.00
-2 Log likelihood	115,727				114,752				108,596			
deviance					976				6,155			
intraclass correlation	0.12				0.10				0.25			

Source: EVS/WVS (1999-2004); calculations by the authors

Table A5.3 Multilevel regression analysis of preference for state solidarity (prepared to help X responsibility)

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.	B	SE	t/Wald	Sig.
<i>Estimates of fixed effects</i>												
intercept	31.10	0.97	32.02	0.00	30.63	1.28	24.00	0.00	-62.01	71.30	-0.87	0.40
<i>country-level variables</i>												
1-R ²									55.97	74.59	0.75	0.46
heterogeneity									17.52	8.85	1.98	0.07
<i>individual-level variables</i>												
detraditionalization									-0.88	0.28	-3.17	0.00
emancipation									5.71	0.75	7.60	0.00
<i>age group</i>												
age 15-24					-1.21	0.55	-2.19	0.03	-1.05	0.57	-1.85	0.06
age 25-34					-1.25	0.37	-3.37	0.00	-1.20	0.38	-3.16	0.00
age 35-44 (ref.)												
age 45-54					1.37	0.36	3.82	0.00	1.36	0.37	3.73	0.00
age 55-64					0.57	0.37	1.51	0.13	0.53	0.38	1.38	0.17
<i>marital status</i>												
married man (ref.)												
married woman					1.62	0.34	4.77	0.00	1.84	0.35	5.31	0.00
cohabitating man					-0.06	1.50	-0.04	0.97	0.45	1.59	0.28	0.78
cohabitating woman					3.80	1.42	2.68	0.01	4.57	1.52	3.00	0.00
divorced man					-1.22	0.70	-1.74	0.08	-0.72	0.75	-0.96	0.34
divorced woman					1.52	0.58	2.61	0.01	2.38	0.63	3.79	0.00
widower					-2.62	0.92	-2.84	0.00	-1.92	0.97	-1.99	0.05
widow					0.31	0.56	0.56	0.58	1.20	0.60	2.00	0.05
single man					-1.24	0.55	-2.25	0.02	-0.50	0.60	-0.83	0.41
single woman					0.98	0.56	1.76	0.08	2.10	0.60	3.49	0.00
son					0.00	0.59	0.00	1.00	0.78	0.63	1.23	0.22
daughter					2.10	0.66	3.17	0.00	3.33	0.70	4.73	0.00
<i>educational level</i>												
low educated					0.36	0.29	1.25	0.21	0.33	0.30	1.10	0.27
middle educated (ref.)												
upper educated					1.01	0.35	2.91	0.00	1.09	0.36	3.07	0.00
<i>social class</i>												
upper class					-5.97	5.69	-1.05	0.29	-6.06	5.67	-1.07	0.29

Table A5.3 Multilevel regression analysis of preference for state solidarity (prepared to help X responsibility) (continued)

	Model 1 empty model				Model 2 individual control variables				Model 3 individual individualization variables (fixed & random effects) and national individualization variables (fixed effects)			
upper middle class					-1.95	0.46	-4.23	0.00	-2.00	0.46	-4.32	0.00
lower middle class (ref.)												
working class					1.60	0.36	4.49	0.00	1.44	0.36	4.02	0.00
lower class					0.80	0.46	1.75	0.08	0.72	0.46	1.57	0.12
<i>town size</i>												
<5,000 residents					-1.38	0.82	-1.69	0.09	-2.18	1.04	-2.09	0.04
5,000-20,000 residents					-1.06	0.83	-1.28	0.20	-1.93	1.05	-1.84	0.07
20,000-100,000 residents					-0.97	0.82	-1.18	0.24	-1.79	1.04	-1.73	0.08
100,000-500,000 residents					-0.75	0.84	-0.89	0.38	-1.43	1.05	-1.37	0.17
>500,000 residents					-0.62	0.84	-0.73	0.46	-1.31	1.03	-1.27	0.21
town size unknown (ref.)												
<i>labor market status</i>												
full-time employed (ref.)												
part-time employed					0.65	0.48	1.35	0.18	0.98	0.50	1.98	0.05
self-employed					-2.21	0.52	-4.26	0.00	-2.19	0.53	-4.13	0.00
retired					1.04	0.38	2.72	0.01	1.28	0.39	3.29	0.00
housewife					0.07	0.49	0.14	0.89	0.39	0.50	0.77	0.44
student					1.33	0.59	2.25	0.02	1.70	0.60	2.82	0.00
unemployed					3.63	0.54	6.72	0.00	3.40	0.56	6.08	0.00
other non-employed					0.77	0.84	0.91	0.36	0.83	0.85	0.99	0.32
<i>income class</i>												
lower income class					1.08	0.31	3.51	0.00	0.98	0.32	3.09	0.00
middle income class (ref.)												
upper income class					-1.61	0.30	-5.28	0.00	-1.65	0.31	-5.32	0.00
Estimates of random effects												
intercept	19.49	6.26	3.12	0.00	19.12	6.14	3.11	0.00	27.64	11.14	2.48	0.01
detraditionalization									0.71	0.37	1.92	0.06
emancipation									7.06	3.61	1.96	0.05
residual	355.43	3.14	113.11	0.00	350.37	3.10	113.03	0.00	348.55	3.15	110.53	0.00
-2 Log likelihood	223,170				222,752				213,400			
deviance					419				9,351			
intraclass correlation	0.05				0.05				0.07			

Source: EVS/WVS (1999-2004); calculations by the authors

6 A borderless world?

Developments in globalization, 1970-2005

To an outside observer we live in an era of globalization. When we wake up, we eat our breakfast, drink a cup of coffee or tea, perhaps a glass of orange juice, all made from ingredients from different parts of the world, while we are reading the world news in our morning papers. After we finish breakfast, it is time to get in our foreign-made car to get to the multinational company we work for, in the meantime listening to rock classics on the radio. As we arrive at work, we start up our computer and get in touch with the rest of the world by checking our emails from colleagues and customers residing in other countries. During our walk to the coffee machine, we have a conversation about the recent developments within the European Union, discuss matters like the importance of peace missions, as well as lighter subjects like our plans for the next vacation. Drawing a map of all the international flows of money, goods, information, and people would result in quite a messy picture with lines moving all over the globe. At the same time, one would notice that most of the activity is concentrated in specific regions such as America, Europe and Japan.

These examples illustrate that globalization, though taking place at the international level, has multiple consequences at the national and the individual levels. Besides, this process is far from complete and in fact still rather limited and to a large extent path-dependent. That globalization is limited is apparent from the fact that large parts of the world still do not participate in the process of globalization and that the spread of popular culture in Western countries is mainly a matter of the adoption of American practices. How the international relations that we know today have come about is an evolving historical process in which the influence of the colonial relations between countries is still visible. Whereas globalization refers to a worldwide process, countries differ in the extent to which they are involved in it. Therefore, if we want to investigate the impact of globalization on the welfare state and solidarity (as we will do in Chapter 7 and Chapter 8), we

need to know what the relevant dimensions of globalization are in which countries can differ.

This chapter provides an overview of the development of globalization over the last thirty years. The discussion is organized as follows. First, we provide a comprehensive definition of globalization, and compare it to earlier work in this field. Our main concern in the present chapter is how to measure globalization. We mention some available data sources and investigate to what extent they are suitable for the purposes of this book. Based on one of the most advanced measurement instruments, the KOF Index of Globalization, we describe the course that globalization has taken.

6.1 What is globalization?

Conventional wisdom has it that the term globalization was first used by Theodore Levitt in his 1983 *Harvard Business Review* article “Globalization of Markets”. Though there may be reasonable doubt whether this really is the source of the term, what cannot be denied is that in the beginning of the 1980s the term globalization caught on and soon became a catch-word widely used by countless academics, journalists, activists and politicians. Despite its enormous popularity, or perhaps due to this, there is no generally accepted definition of globalization, and most of the time it is used rather loosely for many different developments. As such, it is an umbrella term that can refer to many different things. As a consequence, it may happen that in the same discussion someone uses the term globalization only for foreign trade relations while another person may have a whole gamut of economic, political, social, and ecological developments in mind. Furthermore, a complicating factor in discussions about globalization is the normative connotation that is often attached to it.

Globalization is not just a factual development, it is something you can be in favor of or opposed to, and many people respond to globalization from an ideological point of view. Those in favor of globalization will argue that a fully integrated world market increases everyone’s welfare but asks for a complete removal of all disturbing factors, like government interventions. On the other hand, the people that are opposed to globalization point to its unfavorable effects and the fact that many people will lose as we

move towards a global market. In such discussions globalization is either something to strive for, for the benefit of all, or the root of all evil that has to be combated. Notwithstanding the value of this for political decision-making and international actions geared towards fighting poverty and inequality, starting from a normative point of view is a hindrance to scientific investigations. This is not to say that we cannot study the positive and negative consequences of globalization, but a serious investigation of these effects requires both a clear definition and an objective measurement.

Just as is the case with many other concepts in the social sciences, the lack of consensus on the definition of globalization results in a proliferation of terms and ideas. As a consequence, most publications in the field start with a list of definitions proposed by others. An example of this is the overview by Al-Rodhan and Stoudmann (2006), providing a table of no less than 114 definitions. This plethora of definitions warns us of the danger that two people talking about globalization may be referring to completely different things. In that sense, we regard the overviews of definitions as a signal, if not a warning sign, that we should make clear what we mean by the term globalization from the start. We thus begin with a brief discussion of some of the conceptualizations in the literature and the way we relate to them. In Table 6.1 we present a small selection from the available definitions that serve as examples of the different approaches to globalization. They can be put under three headings: economic, normative and comprehensive approaches. The economic aspect of globalization is part of almost all the definitions, but authors differ with respect to whether it is only one of the many different dimensions or in fact the only dimension of globalization. There may be a good reason for emphasizing the economic aspect, since a large part of the literature examines the impact of this kind of globalization (Brady, Beckfield & Zhao 2007). Besides, empirical research quickly developed in this field thanks to the great number of data sources including cross-national and longitudinal data.

Defining globalization exclusively in economic terms has some advantages, but it has the drawback of overlooking some other aspects that may also be important. In Table 6.1, we identify two alternatives to the strictly economic approach, that is, the normative and the comprehensive approaches to globalization. In the normative approach the definitions include the author's opinion

Table 6.1 Examples of different definitions of globalization

Economic approaches

"The integration of the world economy" (Gilpin 2001: p. 364).

"... development of global financial markets, growth of transnational corporations and their growing dominance over national economies" (Soros 2002: p. 13).

Normative approaches

"The harsh reality about globalization is that it is nothing but 'recolonisation' in a new garb" (Neeraj 2001: pp. 6-7).

"As experienced from below, the dominant form of globalization means a historical transformation: in the economy, of livelihoods and modes of existence; in politics, a loss in the degree of control exercised locally, and in culture, a devaluation of a collectivity's achievements" (Mittelman 2000: p. 6).

Comprehensive approaches

"Globalization can be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa" (Giddens 1990: p. 64).

"Globalization refers both to the compression of the world and the intensification of consciousness of the world as a whole" (Robertson 1992: p. 8).

on globalization. Most of the time, this is a negative opinion, and this approach thus includes many examples of anti-globalization. From an empirical point of view, these definitions are of little use because they do not make possible a clear distinction between cause and effect. In fact, a normative definition may imply that globalization takes place if certain parts of the world are being colonized (Neeraj 2001) or if collective achievements devalue (Mittelman 2000). There are several problems with this. For instance, globalization is only one of the many reasons why colonization and devaluation can occur. Therefore, such a definition does not provide us with an unequivocal indicator of globalization. What is more, starting from a normative definition obscures the really interesting question, namely whether it really has such negative impacts or not. To answer this question, one needs a clear measure of globalization. Comprehensive approaches differ from the other two approaches because they are not restricted to a single dimension, such as the economic approach, and try to define globalization without a normative judgment. A common feature of the two examples of broad definitions in Table 6.1 is that they refer to globalization as increasing interconnectedness. Central to this is that the world, so to speak, becomes smaller; worldwide events increasingly affect each other (Giddens 1990), and space is com-

pressed (Robertson 1992). A weak point of this approach is that the definitions of globalization are so general that no measures can be derived from them. It also raises questions about what is meant exactly by a term like compression, let alone how to measure it. Of value for the present discussion is that these approaches challenge the single-dimension approaches like the economic ones; international economic relations lead to a compression of the world and an integration of social relations, but other dimensions are not excluded from this comprehensive approach.

We combine the three approaches as follows. The economic approaches offer the best developed and most measurable definitions of globalization. However, the economic dimensions do not suffice for a satisfactory measurement of globalization, as the comprehensive approaches make clear. Therefore, they will be extended by other dimensions. Finally, with these extended measures of globalization, it is possible to turn the implicit assumptions of the normative approaches into research questions and hypotheses that can be tested empirically.

6.1.1 *A definition of globalization*

In this book we define globalization as *increasing cross-border interactions*. This definition fits into the class of comprehensive approaches and has to be specified to provide indicators that can be measured empirically. To make clear what is meant by our definition, each of its elements will be further developed in this section.

We start with the *interactions* part of the definition. An interaction takes place when actors are in contact with each other. Both the actors and the kind of interactions can vary. This can be illustrated by distinguishing between the players (the actors) and the game they play (the interactions), and as with a game, to understand globalization one needs to clarify who is involved in what kind of interaction. The players in the process of globalization are either individual actors or collective actors, such as companies and governments. Their interactions can be *economic, social* or *political*. For example, companies involved in international trade not only have economic interactions with other companies and customers, they also affect social interactions by employing people with different cultural backgrounds, and they may have political interactions with national and local governments of the host countries. Nevertheless, even though these interactions are interrelated in practice,

it is possible to measure their empirical occurrence independently. Moreover, on theoretical grounds one can argue that economic, social, and political interactions differ from each other, and by singling out their effects one can investigate the effects of globalization more closely.

We only include *cross-border* interactions in our definition of globalization. This means that globalization requires exchanges between two or more actors separated by national borders. There are three forms of international exchanges. First, there are cross-border interactions when goods and services are traded between companies located in different countries and when migrants move from one country to another. Secondly, the actors from different countries can be organized in a supranational body of exchanges, such as international political bodies like the United Nations and the European Union. And, thirdly, a company can be located in more than one country. The crucial point is that cross-border interactions are distinguished from within-the-border interactions, giving a central place to the nation-state in the definition of globalization. Therefore, this definition deviates from more general approaches to globalization that include all possible exchanges. Nevertheless, it is closely related to what has been regarded as one of the most important indicators of globalization, namely the trade between countries in terms of exports and imports. Moreover, it also includes the usual way of looking at the globalization aspect of migration; people moving from one place to another within a single country are generally not included in definitions of globalization. Furthermore, the central place of the nation-state in the definition of globalization, separating the inside from the outside, provides us with a theoretical starting point to argue whether globalization decreases the power of the state, and, more specifically, whether it threatens the solidarity within countries, as we will explore in the next two chapters.

The last element of our definition of globalization refers to *increasing* cross-border interactions. This part of the definition refers to an ongoing process instead of a certain state of affairs. It should be noted that whether or not economic, social, and political interactions are indeed increasing is an empirical question. Regarding the definition of globalization, this means that we only speak of globalization if there is an increase over the course of time. A decrease of the interactions should rightfully be termed de-globalization, referring to a decline in globalization. Moreover, some have

noticed that globalization does not rule out the possibility of local interactions becoming increasingly important (Keohane & Nye Jr. 2000).

There are two different levels at which one can analyze the increasing cross-border economic, social, and political interactions. These two approaches correspond with respect to their definition of globalization. Nevertheless, they differ in how they investigate cross-border interactions, with the first approach focusing on the structure of the international interactions and the second on the actors taking part in the process of globalization. There have been a number of studies investigating the global structure of cross-border interactions, such as an analysis of trade globalization from 1795 onward (Chase-Dunn, Kawano & Brewer 2000), the volume of international trade in 1959, 1975, and 1996 (Kim & Sin 2002), a comparison of international telephone traffic between 1978 and 1996 (Barnett 2001), and the structure of Internet traffic between 29 OECD countries (Barnett, Chon & Rosen 2001). These investigations aim to describe the structure of cross-border interactions, whether these structures have changed over time, and how to explain this. This structure of international relations is examined with indicators like the number of ties and the density of the network. Globalization occurs if the number of ties and the density have increased over a certain period. By looking at the network structure of international relations as a whole, one gets a big picture of global exchanges, but one is not informed about separate countries. At a lower level of aggregation, it is possible to examine the place of countries within these global structures and how this affects national policies and social structures within societies. Globalization, however, refers to the structure of worldwide relationships, and therefore we do not speak of a country having a certain level of globalization but of the *openness of countries* with respect to the extent to which they are engaged in cross-border interactions. Theoretically, the level of openness ranges from countries that are completely isolated from the outside world to those that are totally open. In reality, the level of openness varies between countries, but such extreme cases are not likely to be found. Even countries like Cuba and North Korea do have some connections with other countries, and even the most open countries still have borders separating them from other countries.

We distinguish between three dimensions of openness based on the three types of interactions. *Economic openness* refers to the

cross-border economic interactions of a country through ingoing and outgoing flows of goods, services, and capital. This kind of openness is indicated with trade openness, i.e. the sum of imports and exports, inflow and outflow of foreign direct investments, and financial liberalization. *Social openness* is the extent to which a country takes part in globalization through cross-border flows of information, ideas (culture), and people. Part of this kind of openness develops due to means of communication, available through inventions like the telephone, television, and the Internet, and the other part consists of the movement of people to different countries due to migration and traveling. The *political openness* of a country refers to its international political relations with other countries and includes both bilateral relations between countries as well as membership of larger organizational bodies like the United Nations, the European Union, and NATO.

6.1.2 *Explanations of globalization*

The literature on globalization tends to pay more attention to its supposed and actual impact than to the question of what causes it. Partly, this unevenness in the studies is caused by the fact that globalization does not have a starting point, whereas the effects of globalization on everyday life are visible for everyone. Even those who believe that globalization is a relatively new phenomenon have difficulty showing when the process began. Therefore, it is hard to argue what the ultimate causes of globalization are. Nevertheless, several causes are frequently mentioned in the literature, but without it being clear which is the most important force behind globalization. There are several reasons for this. Globalization is likely to have multiple causes, provided that the process itself is made up of different dimensions, each influenced by different international developments. What is more, even these underlying dimensions may not have a single cause and are explained by more than one factor. Besides, although in principle such causes can be distinguished from each other, in practice they are likely to be intertwined, affecting each other, and making it difficult to come up with the exact cause of the openness of countries. For example, a researcher interested in studying economic relations between countries will probably focus on this dimension in isolation, but when it comes to explaining the development of economic openness, references to social and political

processes enabling trade relations between countries have to be included.

A further complicating factor is that cause and effect may not be clearly distinguishable when it comes to globalization. On the one hand, the wealth of countries has increased due to international trade; on the other hand, this economic growth has given an impulse to these trade relations in turn. The same line of argument applies to the standardization of time, measures, and weights. When such forms of standardization took a hold, they had a positive impact on the cross border interactions between people, since traveling from one place to another and trading goods became easier. Arguing that the process of standardization is the cause of globalization, however, is one step too far. In fact, the causal relation could be in the opposite direction: globalization increased the need for standardization, compared to a time when people were only trading within their own communities and the local means of measurement sufficed. In other words, it is not possible to find the ultimate cause of globalization since the relationships between factors like a country's openness and its economic, technological, and political development are complex and ambiguous rather than simple cause and effect relations.

Nevertheless, let us discuss a few of the causes that are commonly regarded to be important causes of globalization, keeping in mind the critical remarks we just made. Technology is widely believed to be a main driving force behind globalization. Thanks to technology, the application of knowledge to solve practical problems, establishing connections between individuals and companies has become far easier than before. The means for such connections through communication and transport facilities have grown gigantically in recent times. In addition, the costs of communication and transport have decreased. Because of this, most of the literature considers technology to be the most important explanation of globalization, and economic openness in particular. Nevertheless, some authors are critical of such technological determinism. Their criticism originates from studies of the hypothesis that technology drives globalization. The basic assumption underlying this hypothesis is that technology has become more advanced, in the sense that it has progressed over the centuries, and that we have not experienced a period of technological regression. An implication of this is that there should be decreasing constraints for international trade relations, and gradually these rela-

tions should result in a world market, as the possibilities for communication and transport increase and their costs decrease. However, empirical data of international trade in goods and services show that this is not what is happening (Taylor 2002). Contrary to what may be expected, national borders are still a major factor in explaining why there is no integrated world market. This is illustrated by comparing the trade within and between countries. For example, comparing cities in the US and Canada, it turns out that there is twelve times more trade between cities in the same country than between cities in the neighboring countries that are located at an equal distance. Also in Europe, with its emphasis on the internal market, trade within countries is three to ten times higher than cross-border trade, even if the analysis allows for factors like size of the local economy and geographical distance.

An additional argument that the world market is not integrated holds that the prices for the same products should not differ between countries if there were such a full integration. Again, empirical research refutes this expectation; a number of studies show fluctuations of internationally traded goods like oil, computers, cars, and televisions within countries but not between countries. These examples lead to the conclusion that the technology argument is not capable of explaining developments in international trade and the internationalization of production (Garrett 2000). Against this, it can be argued that focusing on trade in goods does not suffice to show how technology has affected international trade. Goods like cars and flowers still need to be transferred from one place to another, and even if transportation costs have declined, they have certainly not disappeared (Keohane & Nye Jr 2000). Therefore, a considerable impact of technology has to be found in the trade sectors using information technology and data instead of moving physical goods from one country to another.

This should lead to the prediction that national borders should not matter in the case of financial transactions. Once again, empirical research counters this expectation (Taylor 2002). Investors have a strong tendency to invest in their home market. At the end of the 1990s, US investors held 90 percent in US stocks, Canadian investors held 88 percent of Canadian stocks, and Japanese investors held 94 percent of Japanese stocks. In Europe, investors in the UK and Germany held 80 percent of the stocks from their own countries. This shows that there is only a small amount of

market integration at the global scale when it comes to financial markets.

The examples indicate that the world is far from borderless and raise the question of why the world market is not more integrated, as might be expected. One possible explanation is that transport costs are a smaller fraction of the total costs of importing goods than is sometimes assumed – somewhere around 2.8 percent for different products (Hummels 2007). So, even though transport and communication costs have been decreasing (Crafts & Venables 2003; Hummels 2007), this has only a minor effect on the total costs of international trade. Furthermore, there are various explanations why national borders have a persistent influence on trade between countries, like preferences of consumers, different currencies and exchange rates, transaction costs associated with contracts, and the importance of trade networks within countries (Anderson & Marcouiller 2000; Parsley & Wei 2000; Rauch 2001; Frankel & Rose 2002). All of these factors provide additional costs and benefits influencing the choices made by companies and customers.

That national borders and distance still matter is the major reason to be skeptical about the technological explanation of globalization. Empirical research into the development of globalization over the course of time points in the same direction. If technology progresses over time, then it can be expected that globalization will increase as well. However, the actual development does not show such a pattern. Through the course of history, there have been periods of rising globalization but also times in which the level of openness of countries dropped considerably. In their study of waves of globalization since 1795, Chase-Dunn, Kawano & Brewer (2000) construct a measure of trade globalization that relates the worldwide exports of goods to the total GDP of all countries. Using this indicator the following pattern appears: until 1880 international trade increased, then it decreased until 1905, followed by an increase until 1929 (with a short break during World War I), after which it dropped again to reach the lowest historical point in 1945. Since World War II, international trade has grown steadily towards the point that we know now. To account for this pattern, the authors state that the first two waves of international trade were due to the rise and fall of hegemonic regimes that provided stability for the world markets and that the recent increase is caused by the growing number of countries

trading their goods on the international market (Chase-Dunn, Kawano & Brewer 2000).

With a different indicator of economic globalization, the level of market integration based on price convergence for similar goods, Findlay and O'Rourke (2001) identify somewhat different periods of increasing and decreasing globalization. Their research concludes that there was increasing globalization until the start of the First World War, at which point world trade decreased for a while, then at the end of the war it increased again. During the big recession of the 1930s, world trade declined, and after the Second World War it increased again.

These studies provide evidence for the disturbance created by the two world wars, putting world trade on hold. Robertson (2004) argues that there have been three distinct periods of globalization, differing qualitatively from each other. The first period was related to the spread of European trade to other parts of the world that started in the sixteenth century, the second one with industrialization and technological changes during the nineteenth century, and the third with the establishment of the US as a hegemonic power from the 1930s onwards. Although these studies lead to partly contrasting patterns of globalization, they show that technological developments and decreasing costs of international trade cannot fully account for changes in globalization. Other factors, such as world wars and the presence of powerful countries, have an equal and perhaps even stronger impact on the course of globalization.

Then there is a list of other possible explanations of globalization, like rationalization, capitalism, and regulations (Scholte 2000), that have attracted less research attention than technology but are nonetheless worth considering. Rationalization is a process of secularization in which humanity has a central place and that is associated with scientific and instrumental thinking. One of the consequences of rationalization is that people's thinking is less attached to their nationality, religion, and ethnicity, which used to constrain globalization, and this has thus enabled the opening up of countries. Capitalism is a specific type of economic organization aimed at profit-making. This may foster openness because companies have a permanent incentive to look for places where they can save on production costs and for new markets to sell their products. Regulation is the political and juridical framework governing international relations. A major difficulty with

these possible explanations is that it is very hard to tell whether they are the causes or, actually, the effects of increased openness. If cross-border interactions between actors from different countries increase, it may be expected that their relationships are rationalized to create stability and predictability, that capitalism arises to organize economic exchanges, and that they develop regulations to back up the system of exchanges and let them run smoothly.

To summarize, explaining the openness of countries is not an easy task. There is a great variety of factors influencing the process of globalization, and periods of increased openness are followed by times of decreasing integration at a global scale. In this process, factors like technology, rationalization, capitalism, and regulations are necessary but not sufficient conditions to bring about globalization. That is, they have made cross-border flows easier, but they did not cause them. Maintaining international exchanges would have been difficult if not impossible without technological breakthroughs such as steam engines, telegraphs, telephones, and the Internet, which provide the means to cross long distances. The same holds for rationalization, capitalism, and regulations, which support these international interactions. Along with these factors and others like trust relations between countries, national cultures, increased welfare, as well as the global inequality of incomes, worldwide interactions have developed. These developments have occurred not as a matter of one cause and one effect but through mutually affecting processes and feedback mechanisms that have influenced each other. In some cases they have strengthened each other, and in other instances opposing forces have been at work.

In the globalization process, the three dimensions of openness are interrelated. A large part of human history is made up of people living at different locations. Then, over time, there was migration, cultural exchanges, through which people learned from each other, innovations like technology and language diffused, goods were exchanged, and societies gradually developed and became more complex (Diamond 1997). As such, there is nothing new about globalization. However, if we move far back in time, we cannot speak of cross-border interactions because there were no nation-states yet. Modern states, based on sovereignty of the state, only came about in the sixteenth century, creating a distinction between national and international relations. Within the national

boundaries, one of the government's main tasks was the protection of security, rights, and the economic welfare of its citizens. At the same time, with the development of the modern state, the question of how to deal with the relations between states arose. At first, this question may have been a matter of political relationships and how to regulate them. With the growing interdependence among states through economic and social exchanges, the demand for regulation increased even further, leading to bilateral relations between countries as well as larger international organizations. As such, the political openness of countries was a response to increasing economic and social openness, as a means to regulate exchanges and prevent and solve conflicts between countries. If the dimensions of globalization are indeed as strongly interrelated as is suggested here and if all of them are affected by a multitude of factors, it should be clear that finding the ultimate cause of globalization is impossible.

6.2 Measuring the openness of countries

Investigating to what extent countries differ with regard to their openness and how this developed requires reliable and comparative data. Such data enable us to research whether globalization is indeed happening, that is, whether the openness of countries is increasing, or whether other patterns are found. Data for many countries over a longer period of time allow us to answer basic descriptive questions. For a long time, answering these relatively simple questions was difficult due to a lack of data. Quite recently, datasets have been compiled of the different kinds of openness. A common feature of these datasets is that they bring together data from existing sources instead of gathering new data. These data are organized in such a way that they can be interpreted as indicators of the openness of countries. We will take a look at a number of these datasets and discuss their strengths and weaknesses.

Researchers from AT Kearney developed the *Globalization Index* after a request from *Foreign Policy Magazine* and labeled it the first effort to measure globalization (Kearney 2002). This index aims at providing a broad image of globalization, that is, broader than the then existing indexes that exclusively focused on the economic dimension. An example of such an approach is the *G-Index* provided by the World Markets Research Centre (WMRC). Even

though this index measures fewer dimensions of globalization than the AT Kearney index, its major strength is that it includes data for no less than 185 countries for a period of 30 years. The data from AT Kearney were compiled for the first time in 2001, generating information for 62 countries, which include 85 per cent of the world population. As long as only these two datasets were available, the choice was between a narrow approach, measuring only the economic dimension of globalization, but for many countries and over a long period of time, or a more inclusive measure providing data for fewer countries and without the possibility of making analyses through time.

This situation has improved recently, since there are now two datasets available combining the strengths of the two approaches that include information about several dimensions for a large number of countries. Moreover, developments can be investigated both across countries and through time, as these data sources span a long period. The first of these sources is the *CSGR Globalisation Index* developed by the Centre for the Study of Globalisation and Regionalisation (CSGR) of Warwick University, containing information for the period 1982 to 2004 (Lockwood & Redoano 2005). The second one is the *KOF Index of Globalization* from the Konjunkturforschungsstelle in Zürich. The KOF Index is comparable to the CGSR Index in that both provide data about economic, social, and political openness. The main difference is that the first goes further back in time, namely to 1970 (Dreher, Gaston & Martens 2008). As the CGSR and the KOF Index are similar, we chose to use the KOF Index in the remainder of this chapter to investigate developments in economic, social, and political openness. In Chapters 7 and 8, we examine the effects of openness with information from this index.

The 2007 version of the *KOF Index of Globalization* is constructed as follows. *Economic openness* is measured with data on trade, foreign direct investment, both flows and stock, portfolio investment, income payments to foreign nationals (all in percentage of GDP), hidden import barriers, mean tariff rates, taxes on international trade (in percentage of current revenues), and capital account restrictions. *Social openness* includes data on outgoing telephone traffic, government and workers' transfers received and paid (in percentage of GDP), international tourism, foreign population, international letters, Internet users, cable television, trade in newspapers, radios, number of McDonald's restaurants, num-

ber of IKEA stores (all these indicators are per capita), and trade in books (percentage of GDP). *Political openness* combines information about embassies in a country, membership in international organizations, participation in UN Security Council missions. Each variable is transformed to an index with values between one and a hundred, with a hundred being the maximum value for a specific variable between 1970 and 2005. A higher value indicates a higher level of openness. The weights of the different indexes are calculated using principal components analysis for the whole sample. The variance of the variables in each sub-group are partitioned. Since the weights are determined in a way that maximizes the variation of the resulting principal component, the indices capture the variation as fully as possible (Dreher, Gaston & Martens 2008).

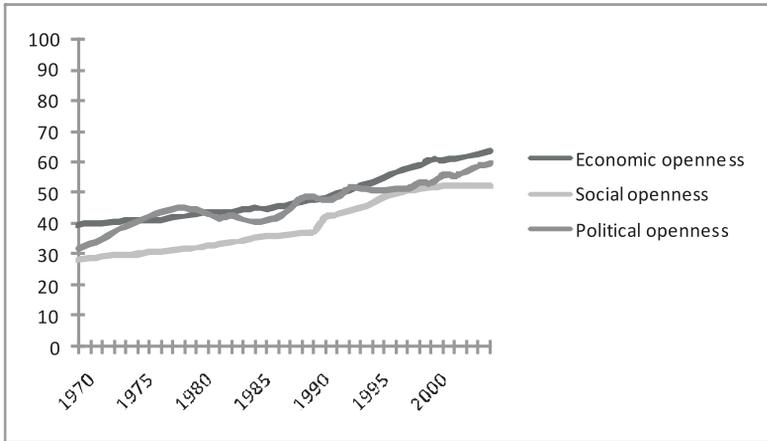
6.2.1 *Developments in globalization*

With the information from the *KOF Index of Globalization*, we show how the economic, social, and political openness of countries developed between 1970 and 2005. We start with a description of the average development of the openness of countries. This answers the question of whether globalization, an increasing openness of countries, has been taking place during that period of 35 years, and if the developments in the three dimensions of openness are similar or not. After this, we investigate which are the most open countries, for each of the dimensions and for different points in time.

Figure 6.1 represents the mean economic, social, and political openness between 1970 and 2005. Comparing the 2005 levels of openness with those in 1970, we see that the three kinds of openness increased on average, but that there are some differences between them. The level of economic openness increased steadily between 1970 and 1990 and accelerated in the 1990s. Around 2000, the growth in economic openness suddenly paused and started to increase again in recent years. Until the 1990s, social openness developed on a similar track to economic openness. A marked difference is the jump that the line shows in the beginning of the 1990s, and then at the end of the 1990s social openness stops growing and remains at the same level afterwards. Political openness developed in a completely different way to economic and social openness. Most notably, the pattern of politi-

cal openness fluctuates far more than the other two dimensions. After a steep increase between 1970 and 1980, political openness decreased and almost returned to its initial level. From the end of the 1980s there was again an increase in political openness, with a steeper growth at the end of the twentieth century.

Figure 6.1 Openness 1970-2005, 122 countries



Source: KOF Index of Globalization

These figures confirm that globalization has increased during the last 35 years. At the same time, it provides evidence that there is little support for the view that globalization is on the loose. The main reason to be skeptical about this is that most of the time the levels of openness are increasing gradually. And, although the world is experiencing higher levels of openness now than in the 1970s, it is conceivable that globalization will not increase a lot further in the near future. This expectation applies in particular to social openness, which has stayed at the same level since 2000. Clearly, the future cannot be predicted from the current situation, and social openness may catch up, but it may well stay at the same level for a longer period. Figure 6.1 further illustrates that future changes in political openness are hard to predict, given its whimsical evolution over the past 35 years, and although recently this kind of openness has increased, it may just as well decrease in the coming years.

Historical events can explain some of the patterns we just described. The gradual growth in economic openness can be related to the growing number of countries involved in international trade, as is argued by Chase-Dunn, Kawano and Brewer (2000), and other factors like technological developments and the increased liberalization of international trade. Possibly, the sudden deviation from that growth results from the 9/11 attacks and the economic crisis that followed. The growth in social openness during the 1990s is most likely caused by the start of the information age that is marked by the introduction of the Internet and its rapid spread in many countries. Why social openness did not increase in the last five years is unclear, but partly this may be due to the fact that in the rich countries most people already have Internet access, and less growth can be expected in that part of the world. As access to the Internet increases further in the rest of the world, this kind of openness should start to increase again. Developments in political openness during the 1970s and 1980s are clearly related to the Cold War. In the beginning of the 1970s, the relationship between the Soviet Union and the United States became less tense than before, which resulted in the SALT agreement of 1972. From 1981 on, their relationship was growing more tense again, and remained that way throughout the 1980s until they started negotiating once more. The fluctuations in political openness after this period are harder to connect to large-scale developments like these.

6.2.2 *The ten most open countries*

In the previous section, we examined the average openness of all countries in the sample. This indicates whether economic, social, and political globalization occurred during the period under study. Up to this point, we have not looked at the openness of individual countries. This section, therefore, will focus on identifying the most open countries, and will answer the following questions: Which are the most open countries? Is the rank order of countries stable or has it changed in the past 35 years? Are countries that are open in one dimension also open in the other dimensions? To answer these questions, we present a summary of information for the top ten most open countries with respect to the different dimensions, for the years 1970, 1980, 1990, 2000, and 2005 in Tables 6.2, 6.3 and 6.4.

The information in Table 6.2 shows that the top ten of economically most open countries is quite stable. Luxembourg, Singapore, and Belgium have a high position throughout the whole period. There have also been some changes. Compared to other countries, the economic openness of Canada decreased, and this country disappears from the top ten in 1990. At the same time, the Netherlands and Switzerland also lost the positions they used to have. On the other hand, the economic openness of countries like Sweden, Finland, and Austria has increased, and they have been among the most open countries for ten years now. Furthermore, the list shows that Malta, Estonia, and Hungary have experienced a large growth in economic openness and are currently among the leaders in that respect.

Table 6.2 Economic openness: 10 most open countries

1970	1980	1990	2000	2005
Luxembourg (92.65)	Luxembourg (93.41)	Luxembourg (94.59)	Luxembourg (96.88)	Singapore (95.90)
Singapore (86.75)	Singapore (92.46)	Singapore (94.41)	Ireland (96.53)	Luxembourg (95.14)
Ireland (77.25)	Ireland (84.04)	Belgium (89.88)	Netherlands (95.90)	Belgium (91.94)
Netherlands (73.82)	Netherlands (82.90)	Netherlands (87.82)	Belgium (95.77)	Malta (91.39)
Belgium (73.24)	Switzerland (77.27)	Ireland (87.00)	Singapore (93.51)	Estonia (90.76)
Switzerland (67.31)	Belgium (76.38)	Switzerland (83.23)	Switzerland (92.52)	Sweden (89.51)
Canada (66.98)	Bahrain (75.30)	Sweden (80.98)	Denmark (92.45)	Finland (88.85)
Oman (63.91)	Canada (73.01)	Norway (80.30)	Finland (92.34)	Hungary (88.83)
Namibia (62.90)	Botswana (71.08)	Bahrain (76.87)	Sweden (90.85)	Austria (88.48)
South Africa (61.93)	United Kingdom (71.02)	United Kingdom (74.70)	Austria (89.86)	Netherlands (88.04)

Source: KOF Index of Globalization

In Table 6.3 we present the top ten of most socially open countries. Some of the countries that are economically open turn out to have a high level of social openness as well. For instance, this is the case for Singapore and Belgium. For the whole period, it is clear that Switzerland is the most socially open country. Furthermore, Canada and the Netherlands have quite a stable position in this list, and Austria and the United Kingdom have increased in social openness since entering the list in 1980 and 1990, respectively.

We examine the results for political openness in Table 6.4. Here we see that over a period of 35 years, France is one of the most politically open countries. Some other countries, like Italy and the United Kingdom, also have a firm position in the top ten.

Table 6.3 Social openness: 10 most open countries

1970	1980	1990	2000	2005
Canada (68.72)	Switzerland (87.22)	Switzerland (89.64)	Switzerland (95.01)	Switzerland (95.38)
Switzerland (62.03)	Canada (83.91)	Canada (86.00)	Singapore (91.35)	Austria (92.49)
Denmark (61.33)	Netherlands (77.81)	Netherlands (85.16)	Belgium (91.03)	Singapore (92.26)
Norway (58.55)	Austria (77.56)	Belgium (84.54)	Austria (91.01)	Belgium (90.82)
Ireland (57.29)	Singapore (70.73)	Austria (83.00)	Canada (90.07)	Netherlands (89.41)
Singapore (56.43)	Belgium (68.35)	Sweden (82.38)	Denmark (89.34)	Denmark (88.64)
Belgium (55.89)	Sweden (68.29)	Denmark (80.48)	Netherlands (89.11)	United Kingdom (87.87)
Luxembourg (54.27)	Germany (67.43)	United Kingdom (77.26)	Sweden (87.47)	Sweden (87.43)
Sweden (53.95)	Denmark (62.73)	Germany (77.17)	United Kingdom (87.08)	Canada (86.85)
Netherlands (50.40)	Norway (60.93)	Norway (76.74)	Finland (85.02)	Czech Republic (84.91)

Source: KOF Index of Globalization

Table 6.4 Political openness: 10 most open countries

1970	1980	1990	2000	2005
Belgium (88.14)	France (90.95)	Sweden (92.93)	France (99.00)	France (98.64)
Italy (88.12)	Canada (89.99)	France (92.51)	United Kingdom (95.38)	USA (96.67)
France (85.81)	Belgium (89.50)	Belgium (91.77)	Sweden (95.09)	Russian Federation (96.04)
United Kingdom (85.45)	Italy (88.98)	Italy (91.59)	Italy (94.84)	Italy (95.62)
Netherlands (83.66)	Denmark (88.81)	Germany (90.21)	Belgium (94.58)	United Kingdom (95.52)
Denmark (82.77)	Sweden (88.80)	Canada (89.08)	Germany (94.46)	Germany (95.17)
USA (82.54)	Finland (87.91)	United Kingdom (88.40)	USA (93.77)	Sweden (94.69)
Sweden (81.67)	United Kingdom (86.12)	Austria (88.02)	Russian Federation (92.48)	Belgium (94.22)
Austria (81.18)	Netherlands (85.41)	India (86.58)	Egypt (92.12)	Austria (93.86)
Canada (80.17)	Austria (88.02)	Spain (86.13)	Canada (91.74)	China (92.39)

Source: KOF Index of Globalization

The USA and the Russian Federation are two countries showing an increase in political openness in recent years (although the USA was among the most politically open countries in 1970, it does not appear in the top ten during the 1980s and 1990s). USA was among the most politically open countries in 1970, it does not appear in the top ten during the 1980s and 1990s).

If we compare the three tables, we notice some differences. Only a few countries are among the most open countries for all

dimensions (with Belgium being the best example), some countries are open with respect to two dimensions and do not show up in the third list (Singapore has a high level of economic and social openness), and some have a high score on one dimension but not on the other two (Luxembourg is economically open, and France is politically open). This indicates that the three dimensions of openness are not closely related to each other. We investigated the relation between the dimensions of openness in more detail by calculating the correlation coefficients between economic, social, and political openness for each of the years. According to these analyses, economic and social openness are strongly related, most of the coefficients are around 0.75 and 0.85. Social and political openness are moderately related, and there is quite some variation in the correlations, the scores are somewhere between 0.30 and 0.55. Economic openness and political openness are only weakly related with correlations between 0.20 and 0.30. These results lead to the conclusion that countries that are economically open are also likely to be socially open. This finding can be interpreted in several ways: economic openness fosters social openness, social openness fosters economic openness, or they have a common cause. Whatever the exact interpretation is, that economic and social openness go together is a notable finding. What it shows is that being involved in international trade may also increase the openness of a country in terms of cultural exchanges, creating welfare enabling people to travel abroad and get in contact with others, or that such social relations make economic exchanges easier to bring about and sustain. Furthermore, that political openness is far less related to social openness and even less so with economic openness refutes the idea that political international relations have developed in response to regulating conflicts resulting from social and economic relations between countries.

6.3 Conclusions

Globalization is among the buzzwords of the 1990s. Now that we have entered the next century, the term has become less fashionable, and theoretical and empirical investigations have increased our knowledge about the actual developments of globalization. Now it is time to see what these efforts have taught us about globalization. A first conclusion we draw from the literature is that

there are at least two reasons not to talk about globalization in too general a way. On theoretical considerations, three dimensions of globalization can be identified and distinguished from each other, each of them referring to different kinds of cross-border interactions between individual and collective actors. Differentiating between economic, social, and political cross-border interactions is not just of theoretical interest, as is evidenced by the empirical part of this chapter. In that part we showed that economic and social openness are closely related to each other but far less so to political openness. Besides, referring to globalization in general terms overlooks the place that individual countries hold in the process. Much is gained by looking more directly at the extent to which a country is open to worldwide developments. The most valuable information in that respect are comparisons over time, to investigate the evolution of a country, as well as comparisons across countries to examine what place a country has within the worldwide process of globalization. The empirical overview in this chapter shows that some countries are among the most open countries for a long period of time, whereas the openness of other countries is far less stable, in terms of their relative position. Such developments raise questions about the factors that explain these patterns and the impact they have on the countries involved.

Related to this, we touched upon the development of an Index of Globalization. Here we would like to raise the point that this should not be a goal in itself. Our main argument for this is that the three dimensions of openness differ from each other and that an overall index of globalization cannot cover these differences. Although it may be tempting to come up with an instrument that tells us which country is the leader in globalization, we doubt whether such a measure really provides an accurate image. The top ten countries for the different dimensions of openness shows that there are only very few countries that are open in all three dimensions. Combining these dimensions of openness in one measure would only make sense if they are empirical manifestations of the same underlying phenomenon. This would mean that a trade-off between the dimensions is possible, in the sense that a low level of economic openness can be compensated for by a high level of social and political openness. To some extent this is a matter of statistical analyses to find out whether these assumptions hold. However, this issue also has a substantive side since the effects of economic, social, and political openness can differ and

should therefore be considered separately from each other. Therefore, from an empirical point of view, much is gained by the availability of a set of indicators measuring the various dimensions of the openness of countries. As we discussed in this chapter, the literature has put much emphasis on the economic dimension of globalization, partly because other data were not available for a large sample of countries and for a long time period. As a result, globalization research was biased towards the economic dimension. Datasets like the ones that have been compiled by AT Kearney, CSGR, and KOF more recently are of great value to complement the existing studies with analyses of the other dimensions of globalization.

From the empirical analysis in this chapter, we conclude that globalization is indeed taking place and that the average openness of countries has increased over the past 35 years. At the same time, we would like to qualify the image that we live in a 'flat' (Friedman 2005), borderless (Ohmae 1990) world. Even if applied to the most open countries that exist, the world is nowhere close to these metaphors. With respect to cross-border interactions between countries, distance still matters, and national borders have not disappeared. Our aim was to come up with a more realistic view of the world based on empirical data. According to our analyses, the openness of countries has increased, but the world today is far from completely integrated in terms of economic, social and political relations. What is more, the openness of countries does not always develop linearly. At certain points in time, openness increases overall, thereby nourishing speculation about an upcoming fully integrated world, but in most instances these periods are followed by a period in which openness decreases, at least in some respects. Since it is likely that such fluctuations will continue in the future, it is doubtful whether we will end up in a fully integrated world.

7. Threats and opportunities

The impact of globalization on the welfare state¹

Public opinion towards the welfare state has changed completely in the last 30 years. Whereas in earlier times people were very optimistic about the welfare state and the belief was widespread that social rights could be combined with full employment, attention has slowly shifted to the welfare state's inability to reach these goals. At the end of the 1970s and the beginning of the 1980s, confidence in the welfare state decreased because it was associated with less economic growth and even with financial crises. More and more attention was given to the idea that welfare states may not only solve societal problems but can also create them. Recently, the discussion has widened in scope, and concerns are being raised about the future of the welfare state and the way it is threatened by several societal developments (Korpi 2003). Globalization is one of the threats that has attracted the attention of politicians, researchers, and the general public (Castles 2002). Within public and political debates there seems to be a consensus that extensive and generous welfare state provisions cannot be sustained as globalization continues. Usually, expectations about the threat of globalization are based on the argument that the ongoing integration of the world market inevitably leads to tax cuts, thus decreasing the available resources needed to fund the welfare state. The main reason for this is that countries need to be attractive for companies, investors and highly qualified personnel to compete at a global scale. Moreover, high tax levels are believed to be an incentive for companies to save costs by outsourcing some of their activities or completely moving their production to low-wage countries. At the same time, welfare states may function as a magnet, attracting people from poorer parts of the world who are trying to get access to the provisions a country offers. Given these threats, there seems to be little reason for optimism about the future of the welfare state.

This chapter evaluates how severe these threats are by examining the impact of globalization on the welfare state. In line with the underlying dimensions of globalization distinguished in Chapter 6, we investigate the impact of economic, social and political openness on the welfare state. This chapter discusses these effects in two separate sections. Since there is a vast amount of academic literature on the effects of economic openness, it is possible to provide a review of these insights and compare the research results. A similar review of the literature cannot be offered with respect to social and political openness because to date there are only a few empirical studies in that field of welfare state research. Therefore, we present the results of our own empirical analysis of these effects.

7.1 Economic openness

The number of empirical studies investigating the relationship between economic openness and the welfare state has grown extensively over the last twenty years. The relationship between economic openness and the welfare state is studied from different theoretical points of view.

7.1.1 *Hypotheses*

The hypotheses that are derived from these theories and their prediction of the relationship between economic openness and the welfare state can be grouped into the following four statements (Bowles & Wagman 1997; Brady, Beckfield & Seeleib-Kaiser 2005): (1) economic openness is negatively related to the welfare state, (2) welfare states converge because of economic openness, (3) economic openness is positively related to the welfare state, and (4) there is no relationship between economic openness and the welfare state. With respect to the question of whether economic openness poses a threat to the welfare state, the statements provide different answers. The first two argue that economic openness does pose such a threat (hypothesis 1), but according to the latter two, economic openness does not threaten the welfare state (hypothesis 2).

Hypothesis 1: economic openness threatens the welfare state

There are several reasons why economic openness may negatively affect the welfare state (Mishra 1999). First, it is argued that countries with high tax rates that are necessary to finance the welfare state are less competitive than those with lower taxes. A second reason is that capital flight may result from high tax rates; it is expected that individuals and companies will move from countries with high taxes to countries where tax rates are lower. This threatens the financial base of the welfare state, especially because it is likely that the individuals and companies contributing the most to the welfare state will leave the country since they have the strongest incentive to move. It is argued that governments are likely to respond to problems of competitiveness and capital flight by lowering taxes, resulting in a race to the bottom (Bowles & Wagman 1997). The logic behind the race to the bottom is that countries will adjust their tax level in accordance with those in other countries. If one country lowers its tax in order to be more attractive to individuals and companies, others will follow, and in the end all countries will end up with low taxes and few financial resources to support the welfare state. In both instances it is assumed that there is a direct relationship between economic openness and the welfare state. A third argument holds that economic openness may also threaten the welfare state indirectly, namely through the increased influence of investors on the social policies of countries and the decreasing power of the nation-state due to globalization (Scharpf 2000). This argument is based on the assumption that governments have a weaker grip on the economic situation of their country than in the past and that they have to deal with the interests of investors. This may result in a negative influence, since the power of investors has increased, and they can threaten to move their production to other countries if they are not pleased with the outcome.

What these arguments have in common is that they suggest a negative relationship between economic openness and the welfare state regardless of the present situation. Others have argued that generous welfare states are negatively affected by economic openness, whereas the less developed welfare states may actually expand as the openness of their economies increases. This argument is based on the observation that countries that have experienced a growth of economic openness in the past also have

extensive welfare state arrangements. Nevertheless, it is argued that these countries have reached an upper limit that makes further growth difficult or even impossible and renders cuts in welfare states inevitable to keep the system working. On the other hand, the countries that are less economically open also have less developed welfare states. If their economic openness increases, their welfare state will also develop further, just like the ones that went through that stage before. As such, two different developments are hypothesized: for relatively open countries, more economic openness will mean a reduction of the welfare state, and the less open countries will experience a growth of their welfare state (Rodrik 1997; Huber & Stephens 2001). Ultimately, the expectation based on this theoretical position is that welfare states will converge as the economic openness of countries increases. Thus, the less developed welfare states may benefit from increasing economic openness, while the extensive welfare states are threatened if they become more integrated into the world market.

Hypothesis 2: economic openness does not threaten the welfare state

There are several arguments countering the hypothesis that welfare states are in crisis because of economic openness. First, the hypothesis does not match the available empirical data concerning the development of welfare states. Figures show that spending on social security has increased since the early 1980s (Castles 2002). Since this is also the period in which economic openness increased, a reduction of welfare states would be in line with the first hypothesis. However, an expansion has taken place instead. Second, empirical studies have shown a positive correlation between economic openness and public spending, and the countries with an extensive welfare state are the same ones that are economically open (Cameron 1978; Katzenstein 1985; Rodrik 1998). These findings have led researchers to focus on the positive effects that economic openness may have on welfare state spending. There are two theoretical arguments why welfare state expansion may occur because of economic openness. According to the first view, economic openness causes insecurity. The reason for this is that economically open countries are more affected by fluctuations on the world market. Due to the interdependence of countries, the economic situation in one country will affect the situation in other countries. The fluctuations in the world market may

increase the risk of unemployment, and it is therefore expected that the citizens of the more economically open countries will demand more protection through the welfare state (Brady, Beckfield & Seeleib-Kaiser 2005). According to the second view, economic openness requires investments in the welfare state to strengthen the competitiveness of a country. Social arrangements create social stability, increase human capital, and enable collective agreements between employers and employees that may counter the negative effects of economic openness (Barro 1991).

Whether the investments in the welfare state are made to deal with insecurity or to stay competitive, in both instances economic openness leads to an expansion of the welfare state. In the first case governments respond to effects that economic openness may have, and in the latter, governments actively develop policies to remain competitive in the world market.

The aforementioned arguments are based on the premise that welfare states are somehow related to economic openness. An alternative view holds that economic openness does not threaten the welfare state, simply because they are not related at all (Brady, Beckfield & Seeleib-Kaiser 2005). Supporters of this view argue that other factors are of more importance for the development of the welfare state, such as the institutional structure of a country (Gray 1998; Hall & Soskice 2001; Swank 2002), the equilibrium between constitutional structure, institutions, and support for social policies (Huber and Stephens, 2001; Pierson 1996; 2001), political developments (Korpi 2003; Allan & Scruggs 2004), or de-industrialization (Iversen & Crusack 2000). Even though these authors differ with respect to their explanation of the development of the welfare state, they do agree that such developments cannot be accounted for by economic openness.

This overview shows that there is disagreement about the consequences of economic openness for the welfare state. Each of the arguments is plausible, and it is therefore not possible to disregard one of them *a priori*. Summarizing the empirical material may help to decide which of the two hypotheses finds the most support. Therefore, we review the existing studies systematically. Four criteria are used to select the studies: (1) only empirical studies were selected, (2) the studies include an indicator of economic openness, (3) the studies include an indicator of the welfare state, and (4) the studies are based on cross-country comparisons. A search of electronic databases yielded 22 studies that match

these requirements (Appendix to Chapter 7). Some of the studies use more than one measure for economic openness and the welfare state. In a few cases these studies generate different outcomes. In total there are 27 outcomes that are taken into account in the overview.

There are various ways of conducting a research synthesis, ranging from a purely descriptive overview mapping a field of inquiry to a quantitative meta-analysis combining and reanalyzing the results from different studies (Glass 1976). Quantitative meta-analysis is the most rigorous but also the most restrictive method with respect to the kind of data it requires; the measurement of the variables and the statistical approach need to be similar in the different studies (Hedges & Olkin 1980). Since the measurement of welfare states and the statistical tests vary between the studies in this review, it is not possible to conduct such a meta-analysis. Therefore, the vote-counting method is applied instead.

The vote-counting method involves counting the number of studies that support one of the two hypotheses; economic openness threatens or does not threaten the welfare state. Each study that supports one of the hypotheses will be regarded as a confirmation. Hypothesis 1 is confirmed if a study reports a negative effect of economic openness or finds convergence of welfare states. Studies in which a positive effect of economic openness is found and those showing no relationship between economic openness and the welfare state support Hypothesis 2. Studies that report a negative relationship for one of the measures of economic openness but no effect for other measures are considered to support Hypothesis 1. Studies generating contrasting results supporting both hypotheses are reported twice.

In the vote-counting method, each study gets the same weight when evaluating the hypotheses. This is a weak point in this method since some studies may be considered more important than others, for instance because the data or the method of analysis is of higher quality. Therefore, the outcomes of a vote count may be affected by the lower quality studies (Cook, Cooper, Cordray, Hartmann, Light, Louis & Mosteller 1992). To take this into account, the quality of the studies is assessed using the impact factor of the journal in which the study was published, provided by Thomson Scientific, which has the advantage that it offers a measure to compare the different studies. The impact factor for the year 2005 is used. Five of the studies are not rated; four studies appeared in

journals without a rating, and one study is a book chapter. Other characteristics of the studies, besides their quality, may also influence the outcomes. To make sure that the outcomes are not unduly influenced by these particularities, a number of variables are investigated that may vary between the different studies. The first two variables focus on the breadth of the studies, namely the number of countries that are included in the studies and the time period that the studies cover. The other two variables concern the measurement of the variables and deal with how economic openness and the welfare state are operationalized. After presenting the results from the vote-counting, the influence of these variables on the outcomes are investigated in more detail.

7.1.2 *Results*

The 27 outcomes of the 22 studies are summarized in Table 7.1 and Table 7.2. Table 7.1 provides an overview of the studies supporting Hypothesis 1, stating that economic openness threatens the welfare state, and Table 7.2 summarizes the studies that support Hypothesis 2, arguing that economic openness does not threaten the welfare state. Furthermore, the tables include information on the different features of the studies.

The two tables show that eight of the outcomes support Hypothesis 1 and nineteen are in accordance with Hypothesis 2. A quick look at these figures leads to the conclusion that economic openness does not threaten the welfare state. Nevertheless, this conclusion is preliminary since it may well be that other factors affect the distribution of the outcomes. For instance, if the outcomes are related to the other variables summarized in the tables, there may be reason to adjust this conclusion. Therefore, we shall examine whether or not the characteristics of the studies matter for these outcomes.

Selection of countries

The tables show that there is some similarity among the studies concerning the countries that are analyzed. Most of the studies use data on developed welfare states. This is not very surprising since a large part of the literature deals with the question of whether these extensive welfare states are in crisis. Much less emphasis is placed on the effect of globalization on developing welfare states (Guan 2001). The focus on developed welfare states

Table 7.1 Studies supporting Hypothesis 1

Study	Number of countries	Time period	Impact factor	Economic openness	Welfare state	Findings
Bowles & Wagman (1997)	8	Beginning of the 1970s – end of the 1980s	Not indexed	Not measured ^(a)	Welfare state spending	Economic openness poses a challenge to the welfare state
Burgoon (2001)	18	1961-1994 and 1980-1994	2.060	Total trade, low-wage imports, FDI flows and portfolio flows	Total government spending, government consumption, social security transfers and social expenditures	Trade openness is negatively related to total government spending
Kaufman & Segura-Ubiero (2001) (Latin America)	14	1873-1997	1.305	Trade openness and capital account liberalization	Social spending	Trade openness is negatively related to social spending
Bretschinger & Hettich (2001)	14	1967-1996	Not indexed	Trade openness and capital account liberalization	Taxes on capital, labor, and consumption and social security spending	Economic openness is negatively related to taxes on capital
Montanari (2001)	18	1930-1990	1.490	Small versus large countries ^(b)	Coverage in pensions, sickness, work accident and unemployment insurance	Some evidence for convergence
Swank & Steinmo (2002)	14	1981-1995	1.845	Trade openness and capital account liberalization	Percentage of employers' financing shares of pensions, sickness and unemployment insurance	Economic openness is negatively related to taxes on capital
Brady, Beckfield & Seeleib-Kaiser (2005)	17	1975-2001	2.933	Net trade, FDI openness and net migration	Taxes on capital, labor, and consumption and social security spending	Some support for convergence
Rudra & Haggard (2005)	57 (less developed countries)	1975-1997	1.220	Trade openness and capital flows	Decommodification, social welfare expenditures and social security transfers	Trade openness is negatively related to education spending

^(a) "not measured" means that economic openness is not directly measured but that it is assumed to increase during a certain period.

^(b) The assumption is that there is a positive relation between country size and economic openness.

Table 7.2 Studies supporting Hypothesis 2

Study	Number of countries	Time period	Impact factor	Economic openness	Welfare state	Findings
Alesina & Wacziarg (1998)	133	1980-1984	1.096	Trade openness	Government consumption	Trade openness is positively related to government consumption
Rodrik (1998)	19-125 (different samples)	1960-1992 (different periods)	2.245	Trade openness	Government spending	Trade openness is positively related to government spending
Swank (1998)	17	1966-1993	0.575	Financial liberalization, market liberalization and total capital flows	Taxes on profits and social security and payroll taxes	Trade openness is positively related to taxes
Burgooon (2001)	18	1961-1994 and 1980-1994	2.060	Total trade, low-wage imports, FDI flows and portfolio flows	Total government spending, government consumption, social security transfers and social expenditures	Spending on education is positively related to low-wage imports, FDI flows and portfolio flows
Bretschger & Hettich (2001)	14	1967-1996	Not indexed	Trade openness and capital account liberalization	Taxes on capital, labor, and consumption and social security spending	Economic openness is positively related to taxes on labor and social security spending
Kaufman & Segura-Ubiergo (2001)	14 (Latin America)	1973-1997	1.305	Trade openness and capital account liberalization	Social spending	Capital account liberalization is positively related to health and education spending

Table 7.2 Studies supporting Hypothesis 2 (continued)

Study	Number of countries	Time period	Impact factor	Economic openness	Welfare state	Findings
Adserà & Boix (2002)	65	1950-1990	2.060	Trade openness	Government income	Trade openness does not constrain government spending
Kite (2002)	14	1973-1989 & the 1990s	1.783	Trade openness and capital account liberalization	Government spending	Economically open countries with a high level of government spending are not less competitive than other countries
Carroll (2002)	18	1965-1995	Not indexed	Regulation of financial markets	Coverage and replacement rate of unemployment benefits	Economic openness is not related to unemployment benefits
Körpi & Palme (2003)	18 (13 European)	1975-1995	3.233	Trade openness	Cuts in benefits	The probability of cuts is lower in economically open countries
Navarro, Schmitt & Astudillo (2004)	19	1946-1980 (preglobalization) & 1980-2000 (globalization)	0.772	Not measured ^(a)	Social spending, government employment, tax income, taxes on profits, labor and capital	Welfare states have expanded during the globalization period
Islam (2004)	6	1929-1997	0.303	Trade openness	Government spending	Trades openness does not affect government spending

Hicks & Zorn (2005)	18	1978-1994	2.060	Trade openness, FDI and capital account liberalization	Time to retrenchment	Economic openness is positively related to the welfare state
Gizelis (2005)	14	1983-1988	0.567	Trade openness and FDI	Social spending	Trade openness is positively related to social spending. FDI and social spending are not related
Rudra & Haggard (2005)	57 (less developed countries)	1975-1997	1.220	Trade openness and capital flows	Government spending on social security, education and health	Trade openness is positively related to government spending on social security and health. Capital flows are not related to the welfare state
Avelino, Brown & Hunter (2005)	19 (Latin America)	1980-1999	1.845	Trade openness and capital account liberalization	Government spending on education, health and social security	Trade openness is positively related to government spending on education and social security. Capital account liberalization is not related to the welfare state
De Crauwe & Polan (2005)	20	1990-2000	Not indexed	Trade openness	Social security spending	Countries that spend more on social security are more competitive
Brady, Beckfield & Seeleib-Kaiser (2005)	17	1975-2001	2.933	Net trade, FDI openness and net migration	Decommodification, social welfare expenditures and social security transfers	Economic openness is positively related to the welfare state
Dreher (2006)	30	1970-2000	Not indexed	Economic openness	Social security spending and taxes on labor, consumption and capital	Economic openness is positively related to taxes on capital

^(a) "not measured" means that economic openness is not directly measured but that it is assumed to increase during a certain period.

^(b) The assumption is that there is a positive relation between country size and economic openness

implies that the number of countries included in the studies is relatively small, usually between fourteen and nineteen. Stacking longitudinal data enables researchers to investigate the link between economic openness and the welfare state. A few studies include a larger sample of countries in their analyses, such as Alesina and Wacziarg (1998) and Rodrik (1998). Others, such as Kaufman and Segura-Ubiergo (2001) and Rudra and Haggard (2005), have focused on less developed welfare states. Including more countries in the sample does seem to influence the results somewhat; the two studies examining the largest samples find a positive relation between economic openness and the welfare state. Since these studies include a large number of countries, it can be deduced from them that the overall effect of economic openness is positive. Nevertheless, the studies do not allow us to conclude that there is a difference between well developed and less developed welfare states, as can be read from the tables. Studies that focus on developed welfare states are found in both tables, and the same holds for those examining less developed welfare states. Therefore, the number of countries taken into account does matter to some degree, but the kind of welfare states – well developed versus less developed – on which the studies are based does not make a difference.

Time period

The studies are also similar with respect to the time period they investigate. The majority of the studies examine the effects of openness from the beginning of the 1970s until the end of the 1990s. There are four studies that span a substantially longer period and include developments that took place before 1960, and some studies include more recent information. Therefore, most of the findings cover a period of 20 to 30 years. Assuming that the increase in economic openness is of a relatively recent date, it is possible that the time period on which the studies focus will influence the outcomes. The effects of economic openness should then be more visible in the studies that include more recent data. There is only limited support for this view. Overall, both the time period and the time span of the study do not affect the outcomes to a large extent.

Quality of the studies

Investigating the impact factor of the journal in which the studies are published leads to the conclusion that the subject has been dealt with in high-quality journals. Only three studies are published in journals with an impact factor below 1, and six articles appeared in journals with an impact factor higher than 2, which are regarded as high-quality journals. These studies, just like the ones that are not published in journals that are indexed, are evenly distributed over Table 7.1 and Table 7.2. Therefore, it can be concluded that the quality of the studies does not influence the findings.

Indicators of economic openness

Economic openness is defined as the extent to which a country is integrated into the world market. As can be read from the tables, there are various ways to measure this. In about half of the studies, economic openness is measured by trade openness, i.e. the sum of imports and exports as a percentage of gross domestic product (GDP) of a country. Another measure is liberalization, such as the indicator developed in Quinn (1997). Foreign direct investment (FDI) is a third measure used to indicate economic openness.

Each of these indicators focuses on a different aspect of a country's involvement in the world market. Trade openness concerns the actual level of trade, liberalization indicates the absence of trade barriers, and the financial interactions between countries are measured with ingoing and outgoing FDI. These different indicators might have different effects on the welfare state. The literature pays surprisingly little attention to this possibility. Instead, the three aspects are considered as manifestations of the overarching variable "economic openness". The tables show that many studies include two or three dimensions of economic openness. It turns out that trade openness is more often related to the welfare state than liberalization and FDI. However, the direction of this influence remains unclear since both negative and positive effects are reported. In many cases no effects of liberalization and FDI are found. For reasons of clarity, not all of these null-findings are reported in Table 7.2. If these finding were reported, there would be even more support for the hypothesis that economic openness does not influence the welfare state. From the effects of the different dimensions of economic openness, it can be concluded that

trade openness is related to the welfare state but that the direction of this effect remains unclear and that considerably less influence of liberalization and FDI on the welfare state is found.

Indicators of the welfare state

There are also different ways to measure welfare states. In the literature on economic openness and the welfare state, two indicators are often used. The first indicator is based on the financial resources that governments spend on social welfare. Usually an overall measure of welfare spending as a share of GDP is analyzed, and sometimes distinctions are made between several functional fields such as education, health care and social security. The second indicator focuses on the income side of the welfare state. The basic idea behind this measure is that the welfare state cannot be sustained if there are no financial resources. Government receipts are measured by taxes; in some studies a distinction is made between taxes on capital, taxes on labor and taxes on profits.

These monetary measures of the welfare state have some advantages. Their general nature makes it possible to compare government expenditures and income across countries and across time. A problem associated with these measures is that the data are aggregated, and therefore it is not possible to investigate shifts at lower levels. If only particular groups are affected by economic openness, the data will not show this. Furthermore, these indicators do not give insight into the character of the social policies and the qualitative changes that may occur. For instance, monetary data do not allow us to investigate changes in the generosity of social policies. Recently, measures have been developed to answer these questions, of which the level of decommodification (Esping-Andersen 1990) is probably the best known. The relevant question, however, is whether the measurement of the welfare state affects the outcomes. This turns out not to be the case; the various measures of the welfare state can be found in both tables.

The overview presented here supports the view that welfare states are not necessarily in danger because of increasing economic openness. However, it should be noted that this does not automatically imply that economic openness is positively related to the welfare state, considering the large number of studies showing no relationship at all. Perhaps future research can answer this question in more depth, but for now we can conclude from the avail-

able research that economic openness does not threaten the welfare state.

7.2 Social and political openness

As the previous section shows, interest regarding the effects of economic openness has developed into a field of inquiry consisting of a great number of empirical studies. The same does not hold for the impact of social and political openness. Partly, this may be due to the fact that the welfare state is most of all a financial means for redistributing public resources, and therefore researchers have an almost natural tendency to direct most of their attention towards economic threats and opportunities. Furthermore, this kind of research may have been constrained more by data availability than economic openness. In particular, social openness is a dimension of globalization that is hard to measure, compared to economic openness, where there are some widely used indicators available. Moreover, whereas there is a large number of comparative datasets that include measures of economic openness, this is not the case for social openness since there is lack of agreement about how to measure it. Nevertheless, even though such information about political openness is available, especially in the field of international relations, to date there has been little research investigating its effects on the welfare state. Therefore, it is not possible to come up with a theoretical and empirical review of earlier studies as is the case with economic openness, and our own research is presented instead.

7.2.1 *Theories*

Social openness

Social openness refers to the cross-border interactions between people through personal contact, information flows, and cultural exchanges. The welfare state may be affected by this kind of openness in various ways. International flows of information and culture include exchanges through the media, like newspapers and the Internet, or through direct contact between people. This can result in cultural integration and a better understanding between people, because they learn to speak a common language and get a better understanding of each other's norms and habits. If this is

the main effect of social openness, the attractiveness of a country increases for foreign investors, probably strengthening the financial base of the welfare state (Dreher 2006). Nevertheless, the expectation is that there are other effects as well, especially at the level of the policy decisions taken at the national level. Quite recently, researchers have tried to explain the spread of neo-liberalism, and the anti-welfare state policies attached to it, across the world.

Two mechanisms for understanding how information exchange in international relations affects national policies are termed “learning” and “emulation” (Lee & Strang 2006; Simmons, Dobbin & Garrett 2006). Learning takes place if governments change their policies when they receive information about successful interventions and best practices from other countries. From this it follows that if learning is indeed the prime factor driving policy changes, the spread of neo-liberalism results from its success in certain countries and its adoption by governments in other countries. Whereas this mechanism assumes that governments have the ability to decide whether policy option A is better than option B, the emulation mechanism states that decision-makers are not capable of making such choices. In contrast to the rational decision assumption central to the learning mechanism, emulation points at the social construction of policies and the process of legitimization underlying policy choices. Therefore, it holds that governments are not weighing policy options but are guided by what others think of as legitimate policy goals and interventions. As a recent study shows, both learning and emulation explain certain changes in the size of the public sector (Lee & Strang 2006). A noteworthy finding in this research is that the learning mechanism provides insight into cuts in spending but not into its growth, indicating that governments use particular information and ignore other signals. In fact, this may be due to the emulation mechanism and the fact that cuts in public spending are more legitimate than increases.

International migration, the cross-border flow of people, is another feature of social openness that has received some attention in the literature. As with the other dimensions of social openness, increasing migration can have contrasting effects on the welfare state. One expectation is that a “race for the top” will result from it, based on the argument that extensive welfare state provisions will work as a magnet for people from poor countries (Buckley &

Brinig 1997). In that case, large flows of people move into a country, which is likely to place a burden on the welfare state. On the other hand, increasing levels of migration may also mean that the influx of people has a positive impact on the existing stock of knowledge and abilities in a country, thus leading to a brain-gain. If that happens, it will be a valuable addition to a country's economy, and the welfare state is less likely to be threatened or may even improve because of economic growth resulting from increased productivity. Therefore, the effects of the different dimensions of social openness, information and cultural exchange, and migration can be either positive or negative and cannot be predicted beforehand.

Political openness

This state of affairs concerning the impact of social openness is the same for political openness; it can have either a positive or a negative impact. Negative effects may be predicted as a consequence of powerful countries influencing the policies of less powerful ones (Simmons, Dobin & Garrett 2006). This so-called power mechanism refers to the situation in which the more powerful countries use strategies such as threatening with violence, manipulation of economic costs and benefits, and monopolization of information in their interactions with other countries, both bilaterally and in wider collective settings, to make sure others apply their preferred policies. For instance, this power mechanism could play a role in bodies like the International Monetary Fund (IMF) and the World Bank, that are sometimes accused of working alongside the American government to put pressure on other countries by being selective in their provisions of loans (Williamson 1993). On the other hand, it is argued that these international political relationships have positive effects if they are used as a means to overcome the negative effects of economic openness, for instance when competition is channeled through mutual agreements (Dreher 2006). The rationale behind this is that economic openness creates a prisoner's dilemma: if a country does not cut its level of spending but its neighbors do, there is a chance that companies and people move to the neighboring countries where taxes are lower. Since all countries face the same dilemma, they will decrease taxes and public spending before the others do, starting a downward spiral. With political means and mutual agreements this downward spiral may be

stopped. Therefore, in a similar way to social openness, the impact of political openness on the welfare state cannot be predicted unambiguously with existing theoretical notions, and it depends on which of the mechanisms has the strongest effect: the power mechanism or the cooperation mechanism.

7.2.2 Findings

Earlier research

Besides the aforementioned studies into the spread of neo-liberalism, there are some other studies related to the impact of social and political openness. Concerning social openness, there have been some investigations into the question of whether welfare state provisions function as a magnet for people trying to improve their economic position by changing their place of residence. The empirical investigations conducted so far are based on data from the United States, where states differ with respect to their social provisions. These studies focus on two kinds of research questions. The first question is whether people living within the US move from less generous to more generous states, and the second question focuses on the decisions of people from outside the US. Research aimed at answering the first question shows that the generosity of states does not significantly impact the mobility patterns within the country. Rather, most people move to less generous states, and other factors, like individual characteristics and the household situation, are better predictors of the movement of people from one place to another (Allard & Danziger 2000). Studies aiming at answering the second question yield different results, probably because they focus on a different kind of migration. The idea that states within a single country are attractive to certain groups implies that people are completely mobile and will choose the best possible place, without taking into account the considerable economic and social costs of such decisions. It is doubtful whether such costs outweigh the relatively small benefits that one gains by going to a more generous state within the same country. This decision is different for people leaving their country. They have already experienced the costs of moving, so the choice they make may depend more on the generosity of the states they can choose between. The prediction that immigrants in need of support are concentrated within the more generous states is confirmed by US data (Borjas 1999). These two findings show that

there is some evidence in favor of the argument that welfare states are magnets for people depending on them, but at the same time the results indicate that other factors should not be ruled out as insignificant. Also, it should be realized that two empirical studies are a weak basis for strong conclusions and that additional research, investigating these effects in other areas, is needed to further explore the two questions about the location choices of individuals and households.

Studies of the consequences of European integration for the social provisions of the member states are examples of empirical research concerning the effects of political openness. Nevertheless, it can be argued that if the European Union has an effect, this most likely results from economic rather than political processes (Andersen 2003). Other research aims at investigating the impact of particular international organizations. For example, one study investigated the extent to which the International Labor Organization (ILO) influenced welfare states, concluding that ILO treaties have widened the gap between developed and less developed welfare states. ILO standards have led to a higher level of homogeneity among the welfare states in developed countries and increases in welfare spending. Developing countries are less likely to ratify ILO standards, and even if they do so, it does not increase their level of spending (Strang & Chang 1993). Finally, to date there is one study that includes the economic, social and political dimensions of openness, as well as their combined effect (Dreher 2006). Based on data from 30 OECD countries between 1970 and 2000, including information on social expenditures and taxes, it is concluded that the general level of openness is positively associated with taxes on capital and that there is no relation with government spending and taxations of labor and consumption. Moreover, a further inspection shows that this effect results from economic openness and not from social and political openness.

Additional research

Welfare states differ between countries, and researchers have tried to develop measures to compare these differences across countries. The extensiveness of the welfare state is most commonly used as a means to compare welfare states and focuses on how much money governments spend on welfare provisions, relative to the GDP of a country. A different approach tries to capture the specific content of the welfare state policies in a country. This line

of research is prompted by Esping-Andersen's categorization of the welfare state into liberal, conservative and social democratic types that differ with respect to their level of decommodification; the extent to which people depend on the labor market for their individual welfare (Esping-Andersen 1990). Based on this feature of welfare states, a benefits generosity index for three core welfare state programs – unemployment insurance, sickness cash benefits and retirement pensions – has been developed (Scruggs & Allen 2006a; 2006b). The extensiveness and the content of the welfare state can both be affected by the openness of countries. Since the level of welfare spending and the kind of welfare policies need not be related to each other – the actual level of spending can stay the same, while the system becomes more strict – both aspects of welfare states are taken into account. As was noted earlier, the effects of economic openness on the welfare state are mainly based on the theoretical arguments that it either leads to a race to the bottom or that it increases insecurity among citizens. The effects of social and political openness may run through different mechanisms.

Data from different sources are combined to test the hypotheses. The KOF Index of Globalization, discussed in Chapter 6, includes information on the economic, social and political dimensions of globalization (Dreher 2006). The OECD Historical Statistics (OECD 2001) provide data on social security transfers, country size, and GDP per capita. The Comparative Welfare Entitlements Dataset (Scruggs 2004) contains information about the generosity of the welfare state. The final dataset includes information about eighteen countries – Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, UK, and USA – between 1970 and 2000.

Two indicators of welfare states are investigated: social security transfers and generosity. Social security transfers as a percentage of GDP include benefits for sickness, old age, family allowances, social assistance grants, and welfare (OECD 2001). These data are not complete as the following data points are missing: Canada (1999, 2000), New Zealand (1983-2000), Switzerland (2000), and USA (1998-2000). Data on welfare state generosity are provided by Scruggs (2004). The overall level of welfare state generosity includes information concerning unemployment insurance, sickness cash benefits, and retirement pensions. Unemployment

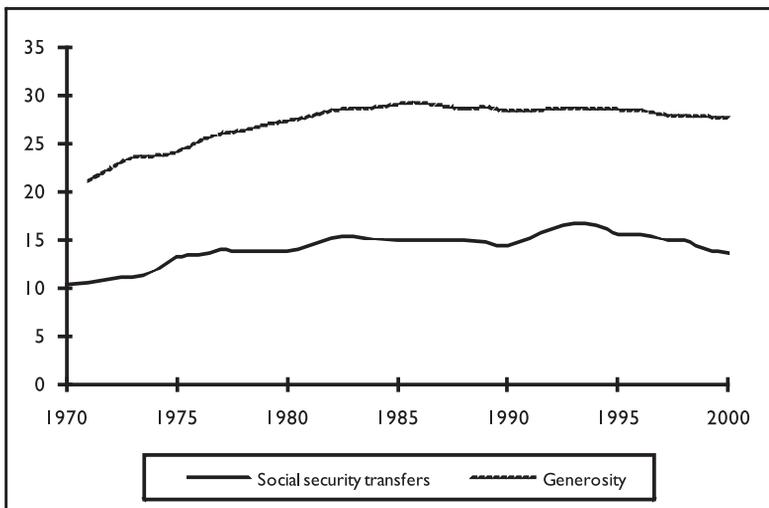
insurance and the generosity of sickness cash benefits consist of replacement rates (after-tax benefits for a single, fully insured, 40-year-old, average production worker (APW) divided by the after-tax wage of a fully employed APW), qualifying periods (weeks of insurance or employment required to qualify for a benefit), waiting days (number of days before benefits start), duration of benefit (the number of weeks a benefit is payable for a fully insured, 40-year-old, unemployed person), and coverage ratio (percentage of the labor force covered by unemployment insurance). The generosity of retirement pensions consists of information on the minimum replacement rate (after-tax income replacement rate for a retiree with no other income or work history), standard replacement rate (after-tax replacement rate for a person with a history of APW earnings in each year of a 45-year working life, taken at normal retirement age), qualifying period (years of insurance or contributions needed to qualify for standard pensions defined above), contribution ratio (employee contribution to pensions divided by [employee + employer contribution], taken at the time the pension is granted), and coverage and take-up rate (proportion of the population above retirement age receiving a public pension, including public employees). The generosity scores are computed in correspondence to Esping-Andersen's decommodification index (for detailed information, see Scruggs & Allan 2006a; 2006b). The scores for generosity are available for all countries between 1971 and 2000, with one exception: the German data for 1971 and 1972 are missing.

Because social security transfers and welfare state generosity may be influenced by factors other than social and political openness, two control variables are added to the analyses that have been used in studies examining the relationship between economic openness and the welfare state. The first one is GDP per capita, earlier research showed that this variable is related to social security transfers and generosity (Brady, Beckfield & Seeleib-Kaiser 2005). The second control variable included in the analyses is country size (in squared kilometres), which may mediate the effect of openness on the welfare state. The reason for this is that both the welfare state and the level of openness are negatively correlated with country size. Therefore, the relationship between openness and the welfare state may be spurious (Alesina & Wacziarg 1997; Rodrik 1998).

The dataset consists of panel data and is analyzed using multi-level modeling. The basic multilevel model can be applied to longitudinal data by modeling events (the repeated measures) nested within subjects. Advantages of multilevel modeling for repeated measures are that it deals with the nested structure of the data and also that it is not constrained by missing observations for several points in time that would otherwise be completely excluded from the analyses (Singer 1998; Hox 2000; Peugh & Enders 2005). In this particular case, developments in welfare state provisions – social security transfers and generosity – and openness are nested within countries; the multilevel model consists of annual changes (Level 1) that can differ within and between countries (Level 2). Multilevel modeling allows the specifying of the covariance structure of the random part of the model. Since the measures are taken from the same unit, they will be highly correlated with subsequent years. A common way to deal with this is to specify a first-order autoregressive covariance structure (AR1); this structure has homogeneous variances and correlations that decline exponentially with distance (Peugh & Enders 2005).

The analyses are performed in successive steps. First an empty model is estimated that serves as a base model. In the second step three variables are added, one examining the annual change in welfare states (the variable year) and two control variables, the

Figure 7.1 Mean social security transfers and generosity, 1970-2000



time-invariant variable size of the country and the annually changing variable GDP per capita (Model 1). In the final model, the variables social and political openness are added separately in Model 2a and Model 3a. In these models, the direct effect of openness shows whether the level of openness of a country affects the welfare state, and the interaction between time and openness enables us to examine the effects of a change in openness. Since it is possible that the growth of globalization has accelerated during recent years, two additional models are analyzed. In these models the squared root of social and political openness is included to take into account the possibility that globalization does not increase linearly but faster in more recent years (Model 2b and Model 3b).

Figure 7.1 presents the developments in social security transfers and generosity for the eighteen countries. Between 1970 and 1994, the mean level of social security transfers increased and after that it declined. The level of generosity increased between 1971 and 1985, and from then on the mean level of generosity remained stable. Overall, the welfare states have become slightly more generous.

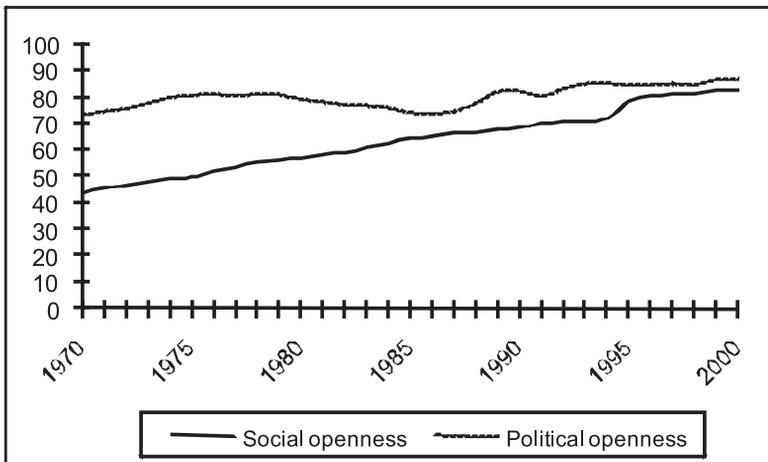
The welfare state indicators – social security transfers and generosity – per country are presented in Table 7.3. Table 7.3 includes the following information. First, mean levels of social security transfers and generosity for the whole period are provided. Next, the difference is given between the first year and the final year. And thirdly, the mean annual development per year is reported. There are quite a few differences between the countries. The means for social security transfers are two to three times higher in the Netherlands and Sweden than in Australia and Japan, and the mean level of generosity is twice as high in Sweden and New Zealand compared to Japan and the United States. With respect to changes in the welfare state, Table 7.3 shows that social security transfers increased the most in Sweden, New Zealand and Finland. These transfers decreased in only two countries: Ireland and the Netherlands. The generosity of the welfare states increased in all countries, with Germany being the only exception; there, the level of generosity declined between 1971 and 2000. The highest increases in generosity are found in Canada, Ireland and New Zealand.

Table 7.3 Social security transfers and generosity

	Mean transfers	Overall change in transfers, 1970-2000	Annual change in transfers, 1970-2000	Mean generosity	Overall change in generosity, 1970-2000	Annual change in generosity, 1970-2000
Australia	7.34	5.40	0.18	19.40	3.00	0.10
Austria	18.17	3.40	0.11	27.17	3.90	0.13
Belgium	16.77	3.60	0.12	30.94	7.80	0.27
Canada	10.74	5.80	0.21	23.85	11.90	0.41
Denmark	16.65	5.50	0.18	35.62	6.80	0.23
Finland	14.78	9.60	0.32	30.78	7.90	0.27
France	17.57	3.20	0.11	29.46	4.80	0.17
Germany	17.14	6.10	0.20	28.71	-1.20	-0.04
Ireland	12.95	-1.10	-0.04	21.91	11.30	0.39
Italy	15.86	4.30	0.14	21.36	8.80	0.30
Japan	9.10	5.40	0.18	17.23	9.40	0.32
Netherlands	22.12	-4.90	-0.16	34.90	4.30	0.15
New Zealand	13.10	4.20	0.35	37.91	10.10	0.35
Norway	14.35	1.70	0.06	25.53	2.90	0.10
Sweden	18.48	7.30	0.24	41.09	2.10	0.07
Switzerland	12.21	3.70	0.13	26.63	1.90	0.07
United Kingdom	13.02	4.40	0.15	18.76	7.60	0.26
United States	11.28	5.00	0.19	18.35	7.00	0.24
Mean	14.54	4.03	0.15	27.20	6.13	0.21

Sources: OECD Historical Statistics and Comparative Welfare Entitlements Dataset

Figure 7.2 Mean social and political openness, 1970-2000



The graphs in Figure 7.2 show the evolution of the mean level of social and political openness between 1970 and 2000. The overall social openness of the eighteen countries increased from 1970 to 1995. At that point the curve for social openness shows increasing growth, which is most likely due to the rapid spread of the Internet. The development of political openness differs from that of social openness. Although the mean level of political openness is higher in 2000 compared to 1970, there are some fluctuations within that period. In the 1970s, countries became more politically open, but in the beginning of the 1980s the political openness dropped to the level of 1970. From the end of the 1980s, the level of political openness goes upwards, but not in a straight line.

Table 7.4 Social and political openness, 1970-2000

	Mean social openness	Overall change in social openness	Annual change in social openness	Mean political openness	Overall change in political openness	Annual change in political openness
Australia	69.94	49.43	1.65	85.97	9.58	0.32
Austria	64.27	45.12	1.50	73.05	18.56	0.62
Belgium	68.95	35.03	1.17	90.66	6.44	0.21
Canada	77.21	27.99	0.93	88.86	11.17	0.37
Denmark	70.49	33.62	1.12	85.40	5.68	0.19
Finland	51.86	49.24	1.64	80.70	11.89	0.40
France	60.05	45.02	1.50	91.31	13.16	0.44
Germany	67.36	44.43	1.48	77.00	27.13	0.90
Ireland	61.07	26.66	0.89	57.87	33.76	1.13
Italy	45.32	41.97	1.40	90.16	6.71	0.22
Japan	39.48	31.28	1.04	68.79	31.16	1.04
Netherlands	72.67	45.00	1.50	84.54	6.72	0.22
New Zealand	53.12	36.68	1.22	48.50	6.87	0.23
Norway	65.95	31.27	1.04	77.15	6.28	0.21
Sweden	70.65	38.10	1.27	89.97	13.38	0.45
Switzerland	78.87	33.44	1.11	78.54	6.81	0.23
United Kingdom	62.33	48.86	1.63	87.77	9.91	0.33
United States	60.97	35.44	1.18	86.22	11.2	0.37
Mean	63.36	38.81	1.29	80.14	13.13	0.44

Source: KOF Index of Globalization

Table 7.4 shows the differences between countries with regard to social and political openness. The mean levels of openness, the levels of openness in 2000 compared to 1970, and the mean annual change in openness are reported. From Table 7.4 it can be

Table 7.5 Social security transfers, 1970-2000

	Model 1	Model 2a	Model 2b	Model 3a	Model 3b
Year (Y)	0.31** (0.04)	0.34** (0.06)	0.34** (0.06)	0.29** (0.04)	0.29** (0.04)
Country size (log)	-0.94* (0.44)	-0.90* (0.41)	-0.97* (0.41)	-0.91* (0.43)	-0.92* (0.43)
GDP per capita	-2.37** (0.37)	-2.00** (0.37)	-1.97** (0.37)	-2.28** (0.37)	-2.27** (0.37)
Social openness (S)		-0.09 (1.24)			
(Y)*(SO)		-0.12 (0.07)			
Social openness squared (SO-sq)			-0.08 (4.01)		
(Y)*(SO-sq)			-0.41 [†] (0.22)		
Political openness (PO)				0.31 (0.25)	
(Y)*(PO)				-0.04 (0.02)	
Political openness squared (PO-sq)					1.07 (0.84)
(Y)*(PO-sq)					-0.12 (0.08)
Intercept	13.06** (0.77)	14.30** (0.82)	14.44** (0.82)	13.07** (0.82)	13.34** (0.78)
-2loglikelihood	1451.40	1428.49	1427.16	1448.93	1448.67
Deviance	59.36**	22.91**	24.24**	2.47	2.73
AR1 (rho)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)	0.97** (0.01)

Sources: KOF Index of Globalization, OECD Historical Statistics and Comparative Welfare Entitlements Dataset

Empty model: -2loglikelihood = 1510.76; Df = 20.68; Intercept = 12.81 (0.87)

[†] p < .10; * p < .05; ** p < .01

read that countries differ with respect to their level of social and political openness. Besides that, Table 7.4 shows that all countries have faced an increase in social and political openness but that the growth rates differ. Furthermore, the countries that have a high level of social openness are not necessarily the ones with a high level of political openness. Switzerland and Canada have the highest level of social openness, and the least socially open countries

are Finland and Japan. At the same time, Finland is also the country with one of the highest increases in social openness between 1970 and 2000. The level of political openness is high in France and Belgium. New Zealand and Ireland are among the least politically open countries. Nevertheless, the political openness of Ireland shows a greater increase than in other countries.

Analysis

The results for the effects of social and political openness on social security transfers between 1970 and 2000 are reported in Table 7.5. Model 1 shows that social security transfers have gone up each year in that period. Country size and GDP per capita have a negative effect on social security transfers. These effects remain basically the same in the other models when social and political openness are added. In Model 2a and Model 2b the effects of social openness are investigated. In Model 2a the difference in social openness between the countries and the changes in social openness do not have a significant effect on social security transfers. In Model 2b, investigating the squared root of social openness, it turns out that the level of social openness is not related to social security transfers and that an increase in social openness negatively affects these transfers, suggesting a non-linear trend of social openness. Model 3a and Model 3b of Table 7.5 show that there are no effects from political openness on social security transfers. It can therefore be concluded that both the difference between countries with respect to political openness and the changes that took place in this dimension are not related to the social security transfers in these eighteen countries.

The effects of social and political openness on the generosity of welfare states are examined in Table 7.6. Model 1 in Table 7.6 shows that there has been an increase in generosity and that larger countries are less generous compared to smaller ones. GDP per capita does not affect the level of generosity. Model 2a and Model 2b show that differences between countries with respect to social openness do not affect the level of generosity but that an increase in social openness is related to less growth in generosity. Model 3a and Model 3b, examining the effects of political openness, show that the level of generosity and changes in generosity cannot be explained by political openness. These analyses lead to the conclusion that the level of generosity has increased less in

Table 7.6 Generosity, 1971-2000

	Model 1	Model 2a	Model 2b	Model 3a	Model 3b
Year (Y)	0.23** (0.06)	0.22** (0.07)	0.22** (0.07)	0.23** (0.06)	0.23** (0.06)
Country size (log)	-1.80* (0.76)	-1.79* (0.76)	-1.79* (0.76)	-1.80* (0.75)	-1.80* (0.76)
GDP per capita	-0.21 (0.52)	-0.04 (0.51)	-0.02 (0.51)	-0.21 (0.52)	-0.21 (0.52)
Social openness (SO)		-0.01 (0.02)			
(Y)*(SO)		-0.01** (0.00)			
Social openness squared (SO-sq)			-0.14 (0.31)		
(Y)*(SO-sq)			-0.11** (0.03)		
Political openness (PO)				-0.00 (0.02)	
(Y)*(PO)				-0.00 (0.00)	
Political openness squared (PO-sq)					-0.08 (0.27)
(Y)*(PO-sq)					-0.01 (0.03)
Intercept	25.19** (1.34)	26.80** (1.39)	26.77** (1.39)	25.26** (1.34)	25.25** (1.34)
-2loglikelihood	1812.91	1795.76	1796.34	1812.51	1812.59
Deviance	23.32**	17.15**	16.57**	0.40	0.32
AR1 (rho)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)	0.98** (0.01)

Sources: KOF Index of Globalization, OECD Historical Statistics and Comparative Welfare Entitlements Dataset
Empty model: -2loglikelihood = 1836.23; Df = 18.69; Intercept = 25.06 (1.63)

† p < .10; * p < .05; ** p < .01

countries experiencing the largest increase in social openness and that political openness is not related to generosity.

This investigation leads to the following conclusions: welfare states are not affected by differences in social and political openness between countries, but increasing levels of social openness are negatively associated with the welfare state, and the welfare state is not affected by changes in political openness. It is important to note that even though increasing levels of social openness

are negatively related to welfare state generosity, these results have to be considered in combination with the growth in social security transfers and generosity during the period under study. A more complete conclusion is that social security transfers and generosity have increased, but that the countries experiencing the largest increase in social openness have shown less welfare state expansion than the less socially open countries.

7.3 Conclusions

This chapter investigated the impact of globalization on the welfare state, using the distinctions between economic, social and political openness that we introduced in Chapter 6. Basically, we started from the central claim that globalization necessitates a reduction of the welfare state. This claim is not supported if we take the theoretical arguments and empirical findings into consideration. First, we investigated the consequences of economic openness and showed that this kind of openness does not threaten the welfare state. Most of the empirical studies report a positive relationship between economic openness and the welfare state, and quite a few other studies indicate no relationship. The second part of the chapter leads to a similar conclusion with respect to the effects of social and political openness: they do not have the drastic negative effects that are sometimes suggested. All in all, there is reason to believe that welfare states are strong enough to survive as globalization continues.

Although this conclusion may seem to signal good news for those supporting the welfare state, it also creates a puzzling situation. Empirically, the different forms of openness do not cause a crisis of the welfare state, whereas politicians and others taking part in the public debate often claim that the opposite is true and emphasize that economic openness has far-reaching consequences for the generosity of the welfare state. It is not easy to explain why this is the case, but other studies may shed more light on the issue. An important insight that may explain the gap between empirical findings and the public debate is that globalization is not just an economic development but also refers to a certain ideology, namely neo-liberalism, which has been used to defend cuts in the welfare state (Palier & Sykes 2001; Piven 2001). Such cuts can be viewed as indicative of a broader ideologi-

cal campaign, which is not opposed by a general public that repeatedly hears the message that the welfare state is bad and that nations are powerless in a world moving further towards integration (Piven 2001).

In addition, the welfare state may be in crisis, not because of increased globalization but because neo-liberalism has spread to many countries through different mechanisms (Simmons, Dobbin & Garrett 2006). Whereas this ideology is deeply rooted in America – culturally, economically, and politically – it also seems to be gaining ground in Europe and has become central to the political debate. One can argue that the social-democrats are no longer the intellectual leaders and that neo-liberalism is the only alternative for problems like the ageing population and unemployment (Fligstein 1997; Genschel 2004). A combination of the emulation mechanism, based on the argument that social construction in international relations affects social policies, and the power mechanism may explain this. Whether these processes really are the foundation of the dominant current in political thinking cannot be concluded from the present research and requires additional investigations. Apart from that, it should be noted that these mechanisms can lead to cuts in welfare states, not because such cuts are necessary but simply because they are a means of acquiring legitimization in international relations. One perverse effect of such an ideology is that it results in a self-fulfilling prophecy; if people repeatedly hear the message that the welfare state is a bad thing, this may eventually lower support for the welfare state, which is an important factor in sustaining it, and that in turn can lead to further cuts. As the available research shows, there is little or no empirical evidence that such cuts are inevitable as a consequence of globalization.

Note

1. This chapter is based on Koster (2008) and Koster (2009a).

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8 Globalization versus localization

The relationship between openness and solidarity¹

The level of openness may have an impact on the social structures of countries and the behavior and attitudes of its citizens. The economic openness of a country implies that a large number of people works for a company involved in international trade, affecting their employment security since there is a chance that the company could decide to move its production to another part of the world. In countries with a higher level of social openness, people are more in contact with other parts of the world, for instance through the Internet, and these countries are also characterized by greater cultural diversity. This increased heterogeneity affects people's attitudes and behavior towards other groups in society in particular, rendering solidarity more problematic than in relatively homogeneous groups. Political openness is likely to have a less direct effect on daily life compared to the other two, since it resides at the level of international relations, the connections between political actors. Nevertheless, people do get informed about political debates at that level through the media, and now and again, international political developments provoke reactions from the public.

Although these examples indicate the possible impact of the three dimensions of globalization on social relations within societies, the question remains to what extent there is such an influence in reality, and also whether these consequences are negative or positive in terms of social cohesion and solidarity. Many assumptions and expectations about these effects of globalization are to be found in the literature and in the popular press. Notably, most attention is paid to the negative consequences, but to date, empirical evidence regarding these questions is lacking. For instance, it is often claimed that local cultures and traditions disappear because of increased openness and that people identify less with each other as national borders lose importance. At the same

time, it is argued that globalization increases the importance of local communities. Recent developments within the European Union provide some examples to illustrate this. In several member states, referenda have been held in which people have voiced their concerns about the EU, indicating that in their opinion European integration has gone far enough, at least for the moment. Partly, people's desire to organize their social lives at the community level and to keep them from being overblown by international developments may explain this, rather than the assumption that their solidarity with other people is decreasing.

The aim of this chapter is to analyze whether a higher level of openness at the national level affects solidarity between individuals. Our discussion takes place in two subsequent steps. First, we analyze to what extent the three dimensions of openness influence *the willingness to help certain groups in society*, namely the elderly, the sick and disabled, and immigrants. Focusing on different groups allows us to take into account that the level of solidarity towards these groups can vary. We will investigate the different impact that globalization has with respect to these groups. In addition, these groups are distinguished because it can be argued that the motivations to help them differ. One reason to help elderly people is that they have already made a contribution to society and deserve something in return from the younger generations. That the sick and disabled are regarded as a group needing assistance is probable because their need is due to circumstances beyond their control. People can be willing to support immigrants to help them to adjust to their new situation. To some extent, differences may occur because of in-group and out-group formation and their effect on solidarity. Whereas elderly people and the sick and disabled are likely to be regarded as members of the in-group, indigenous people may have a different opinion about the position of immigrants in society. Finally, we distinguish these groups because people's perceptions can differ with regard to how much help they need. In most instances, there will be no doubt that elderly people and the sick and disabled need some form of assistance, but in the case of immigrants this is less clear.

Investigating the first question provides insight into the relationship between the openness of countries and the solidarity of their population towards the elderly, the sick and disabled, and immigrants. In addition to people's willingness to assist others, we examine how they would like to *organize their solidarity* towards

these groups. Therefore, the next question is whether people want to help these groups informally, for instance through direct help provided by themselves, or formally through the welfare state. For that purpose, we make a distinction between two forms of solidarity: compulsory and voluntary. Compulsory solidarity refers to the formal kinds of solidarity such as the welfare state, to which people contribute by paying taxes and contributions, and voluntary solidarity involves helping others directly without the presence of formal arrangements, usually the kind of solidarity that is found in local communities. We analyze the relationship between the preferences that people have towards these two forms of solidarity and economic, social and political openness.

8.1 Openness and solidarity

One of the concerns stressed in the literature is that globalization erodes local cultures and traditions (Inda & Rosaldo 2002; Kellner 2002). Such cultural changes are attributed to more porous national boundaries that become less clear and may no longer function as a fence between the inside and the outside world and can result in the disappearance of identification with one's own country (Marcussen, Risse, Engelmann-Martin, Knopf & Roscher 1999; Jones & Smith 2001). If globalization means that national boundaries become less important, it is possible that it also decreases people's willingness to help each other because of lowered social cohesion and interdependence among them. Nevertheless, countering this expectation it can be argued that globalization makes local social structures more important, for instance because citizens are more aware of their mutual dependence. If globalization strengthens local structures, it can increase people's intention to help each other. From the existing literature it is not clear if the level of helping behavior is negatively or positively related to globalization. The first part of this chapter is geared towards researching this question.

8.1.1 *Theory*

Some groups of people are better off than others, because resources and chances are unequally distributed amongst them, for instance. Within modern societies the position that people have in

the labor market influences their financial and other resources to a large extent. People who are far removed from the labor market can be dependent on others within society because they have difficulty finding a job and making a living on their own. This section focuses on the willingness to help three groups of people, namely elderly, the sick and disabled, and immigrants. These groups are chosen for two reasons. First, the cause for their dependence differs, and people's motivation to help them can differ as well. Elderly people are no longer active in the labor market, sick and disabled people have difficulty finding a job that fits their abilities, and for immigrants it may be difficult to find a job because their credentials do not fit the labor market (Thorslund 2000; Aguilera & Massey 2003).

People may have different views of these groups based on considerations of insiders and outsiders. Elderly people and the sick and disabled are more likely to be seen as belonging to society, as part of the in-group, whereas immigrants are more likely to be considered outsiders, even though they live in the same country. Therefore, it is possible that people are more willing to help the sick and disabled than to assist immigrants. A second reason to distinguish between these groups is that it enables us to investigate whether globalization is related to the willingness to help others in general or whether it is related to the intention to help specific groups in society.

There are different ways through which people can help those who need assistance. Volunteering is part of a general cluster of forms of helping behavior through formalized relationships (Wilson 2000), and support for the welfare state concerns the willingness to provide financial resources to certain groups in society and therefore only refers to formal arrangements provided by the state (Svallfors 1997). Instead of focusing on such specific forms, we analyze a general form of helping behavior – the willingness to help certain groups – without specifying the means through which this help is provided. Nevertheless, the presence of formal means such as welfare state provisions offered through the government may influence the willingness to assist others. It is possible that a lot of people are willing to help others, but if most of the assistance is already paid for through the tax system and dealt with by the state, these formal kinds of help can crowd out informal kinds of helping behavior (Van Oorschot & Arts 2005). This is accounted for in the empirical analyses by adjusting for the influ-

ence of formal assistance that is organized through the welfare state.

Helping behavior involves at least two parties: a person or a group of people providing help and a person or a group of people receiving help. When two persons are involved, there is one provider and one receiver, and this kind of help can be either one-sided, if resources are only flowing from the giver to the receiver and not vice versa, or two-sided, when the receiver provides help in return (cf. Chapter 2). When more people are involved, the situation is slightly different. Analytically, it is possible to study helping behavior between two groups in the same manner as in a situation concerning two individual people, but it is also necessary to take into account that these groups of givers and receivers consist of individual actors who form a group that can produce a collective good that benefits the receivers. As with all collective goods it holds that its production may be problematic because for each individual it is costly to provide help, while there is no direct compensation or benefit for that person (Hechter 1987). Given this characteristic of a collective good, it is not likely that individuals will engage in such behavior. However, such an approach to people's behavior assumes that people operate in isolation and that they do not have social relations with others (Granovetter 1985). In real life, people interact with each other and have social relations that are embedded in time and are part of a larger system of social networks (Granovetter 1985; Buskens & Raub 2002). These forms of embeddedness affect the level of trust amongst people because they make learning and control possible.

Learning and control apply to the relationship between the providers and the receivers as well as to relationships amongst the group of providers. Helping out the sick and disabled people and immigrants will not be motivated by the expectation of a future return alone (if at all); instead, the general norm can be that some groups are in a needy situation for reasons outside their own influence, as is the case with the group of sick and disabled people. With regard to immigrants, people can feel that this group needs some assistance to get adjusted to the new situation that they live in. Many people are willing to share resources with these different groups of people, and probably the most important thing they expect from them is that they will not misuse their generosity by acting opportunistically (Bowles & Gintis 2000). Through a process of learning, information is acquired about such opportunistic

behavior. When control is possible, negative sanctions can be used against these opportunistic individuals, such as the withholding of help in the future.

Learning and control can also increase the contributions that people make to the collective good. People are likely to be more willing to help others if they know that others will do the same. Put simply, if only one person is willing to help out others in society, it will not make much of a difference, but when there are more people willing to do that, they will be able to create a collective good. Therefore, positive information about what others will do enhances a person's willingness to help others, and knowing that others will not contribute is likely to decrease it (Murningham 1994). Control is also possible amongst the givers. People who are very generous can be rewarded for that through social approval. They can improve their reputation and create goodwill amongst other people. Those who are not willing to help others run the risk of facing negative sanctions, getting a bad reputation and are less likely to receive help from others.

Several features of the social structure of a country facilitate or hinder learning and control among citizens that may influence their willingness to help others. Learning refers to the information people receive about the behavior and intentions of others through their social contacts. In this section, positive information about fellow citizens is investigated, regarding the extent to which people can rely on other citizens in their country and the overall level of trust in other citizens. Such positive information about others is likely to increase people's willingness to help others because they have less reason to believe that their fellow citizens will take advantage of them. Control is also related to the social structure of countries. If mutual control is effective, it induces norms regarding helping behavior that are enforced through stable and dense social structures (Coleman 1990). The stronger these norms are and the more people follow them, the more costly it becomes for an individual to deviate from them. If globalization is related to the extent to which people are able to learn from each other and control each other, it will be reflected in the willingness to help others.

Hypotheses

Economic, social and political openness may affect the internal social structure of countries that offer the possibilities for learning

and control, which in turn are – negatively or positively – related to the willingness to help others. In the literature, there are two contrasting views on how globalization is related to social structure. The major argument for thinking that globalization undermines mutual help in society concerns the more porous boundaries of countries that function less as a clear dividing line between insiders and outsiders. Contrary to that, it has been argued that the importance of local structures has increased because of globalization, and people may be more willing to help each other because of increased mutual interdependence. The argument that is advanced and tested in this section is that the level of economic, social and political openness is related to the willingness to help others depending on the consequences it has for the social structure that people live in – and the possibilities these structures offer for learning and control, and that this relationship may be negative or positive. Both possibilities are considered, leading to contrasting hypotheses.

Openness is negatively related to the willingness to help others

The economic openness of countries may be negatively related to the willingness to help others. Countries with a high degree of economic openness are involved in international economic relations and are affected more by what happens on the world market than countries that have a relatively closed economy. When the world market gets into a depression, the economically closed countries are affected far less than the economically open ones. In addition to that, there are more exit options for companies and citizens in economically open countries. As the costs of moving from one country to another are decreasing, it is believed that an increasing number of companies choose to move their production to low-wage countries and that individuals similarly move to places where tax levels are lower. A consequence of these characteristics of economic openness is that citizens face a higher level of *insecurity* and that social norms are undermined in countries with a higher degree of economic openness (Rodrik 1997; Blossfeld, Buchholz & Hofäcker 2006), eroding the social structure that is a necessary condition for helping behavior.

The expectation that there will be a negative relation between the social openness of a country and the willingness to help others is based on the assumption that the level of heterogeneity within a country is higher in socially open countries, which results from

the inflow of people from other countries. *Heterogeneity* may, in turn, lower the level of social cohesion within societies (McPherson, Smith-Lovin & Cook 2001). When the internal structure is more heterogeneous, the willingness to help others can decrease because of less interdependence and identification among citizens. Due to the lower social cohesion it can be more difficult to produce and sustain a collective good like the assistance of vulnerable groups.

Openness is positively related to the willingness to help others

In contrast, it may be argued that the economic openness of countries is positively related to the willingness to help others in society. If economic openness means that people are more economically insecure, it implies that the need for protection and mutual help is greater. People may respond to this *heightened demand for assistance* by helping groups that are in need. To make sure that everyone contributes, people may be more involved in learning and mutual control, thus the levels of support within society may be higher, and local structures may be more important (Inda & Rosaldo 2002). When such mechanisms apply, the willingness to help others is expected to be higher in economically open societies compared to relatively closed countries.

Social openness may also mean that people become more aware of their country's boundaries; when they are living in a socially open country, they can be more aware of the fact that their country is part of a worldwide development than when they are living in a relatively closed country and take their country's boundary for granted. This means that in these socially open countries people are *more aware that they share a common fate* with fellow citizens. Such a view emphasizes that social openness increases the notion that there is such thing as a community to which people belong and that people are more aware of their mutual dependence. Instead of blurring the national boundaries, this may in fact enhance the notion of who is an insider and who is an outsider.

As was noted earlier, we expect that political openness is not strongly related to the social structures of countries, since it is basically a matter of international relations between countries. Therefore, the impact of political openness is more indirect compared to the effects of economic and social openness. Nevertheless, there may be an indirect effect since political openness can have a *stabilizing effect* that can prevent the negative effects of in-

security caused by economic openness (Dreher 2006). Economic openness is especially assumed to negatively affect the welfare state through increased tax competition among countries (see Chapter 7). International political relations may be used as a means for countries with an extensive welfare state to come to agreements with other countries that are also willing to sustain their welfare state. The establishment of these mutual agreements can put a stop to a potential race to bottom. If political openness does indeed have such a stabilizing effect, it will not threaten the willingness to help others.

We want to investigate how developments at the macro-level influence behaviors at the micro-level. The hypotheses do not state a relationship between the willingness to help people and the economic and social openness of a country per se, but it is argued that this relationship is conditional on the social structure of a country. According to the first hypothesis, the level of help offered in more open countries is expected to be lower because the social structure is assumed to offer fewer possibilities for learning and control. The second hypothesis leads to the expectation that in more open countries the social structure will adapt to provide help to people that need assistance. For the empirical analysis this means that the relationship between the willingness to help others and the openness of a country should be mediated by the social structure of a country.

8.1.2 *Data and analyses*

Four different datasets are used to test the hypotheses. The *European Values Study* is a large-scale, cross-national and longitudinal survey research program regarding basic human values (Halman 2001). It gives insight into the preferences and orientations of the populations of societies covering a wide range of economic, social, political and cultural variations. In 1999-2000 the third wave of this ongoing project was conducted among 39,797 respondents in 32 countries in Western, Central and Eastern Europe. The *KOF Index of Globalization* measures the economic, social and political dimensions of globalization. Country-level data on social structures are provided by Fidrmuc and Gërkhani (2005). These measures are based on the Eurobarometer survey 1998, 1999, and 2001 and the Candidate Countries Eurobarometer survey 2002. Information on welfare state effort is provided through the IMF

Government Finance Statistics 2001 (International Monetary Fund 2001). The four datasets are merged into one dataset. The country-level datasets did not provide information for all of the countries surveyed in the EVS. The final dataset includes 31,554 respondents from 26 countries.

Measures

Dependent variable

The European Values Study provides data on *solidarity towards the elderly, the sick and disabled, and immigrants*. The exact wording of these items is: “Would you be prepared to actually do something to improve the conditions of:” followed by “the sick and disabled people in your country?” and “immigrants in your country?”. These variables range from 1 (absolutely no) to 5 (absolutely yes).

Independent variables

- Openness

The KOF Index of Globalization includes data measuring the *economic, social, and political openness of countries* between 1970 and 2005 (see Chapter 6).

- Social structure

Three indicators of *social structure* are used: *reliance on others, national norms of giving, and mean level of trust*. Data for the first two indicators are calculated by Fidrmuc and Gërkhani (2005) using data from the Eurobarometer survey, and the data on trust are constructed performing similar calculations on the European Values Study. The individual-level data from the Eurobarometer survey and the European Values Study are aggregated to the country level to give an indication of its social structure. The variable *reliance on others* is measured with the following question: “If you needed to borrow money to pay an urgent bill, like electricity, gas, rent, or mortgage, is there anyone you could rely on to help you, from outside your own household?” This variable is coded 0 for people who do not have someone to rely on and 1 for people who do. At the national level this variable indicates the fraction of citizens that can rely on others for help. The variable *national norms of giving* is measured with the question: “Now thinking about poor or socially excluded people, in the last twelve months, have you given money or goods to poor or socially excluded people at least once a month, less often or have you not done it?” The

item is coded as 0 for those who have not contributed, 1 for those who contributed less than once a month, and 2 for those who have done so more often. This variable indicates how strong the norm for helping others is within a country. The variable mean level of trust is not measured in the Eurobarometer survey and is computed in a similar fashion using the European Values Study. The indicator for trust in other people used in the European Values Study is: “Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?” This variable is coded 0 for people who say that you cannot be too careful and 1 for those who state that most people can be trusted. This variable indicates the fraction of citizens that trust other people.

Statistical control variables

At the national level, we control for *welfare spending*, measured with social spending as a share of GDP based on the data from the IMF. At the individual level, the following independent variables – indicating the objective characteristics of respondent – are analyzed. *Religious denomination* is measured with the item: “Do you belong to a religious denomination” (0 = no; 1 = yes). *Gender* is coded 0 = male and 1 = female. *Employed* is measured with the item: “Are you yourself employed or not?” (0 = no; 1 = yes). *Stable relationship* is measured with the item: “Whether you are married or not, do you live in a stable relationship with a partner?” (0 = no; 1 = yes). The *age* of respondents is recoded into three groups: age-low (people younger than 35 years old); age-middle (people between 35 and 65 years old); age-high (people older than 65 years old). *Educational level* is recoded into three groups: low educational level (inadequately completed elementary education, completed elementary education, and elementary education and basic vocational qualification); moderate educational level (secondary intermediate vocational qualification, secondary intermediate general qualification, and full secondary maturity-level certificate); and high educational level (higher education, lower-level tertiary certificate and higher education, and upper-level tertiary certificate). *Town size* is recoded into three groups: small town (under 5,000); medium town (between 5,000 and 100,000); and big town (100,000 and more).

The variables are measured at two different levels, the individual level and the country level. Table 8.1 provides an overview of

Table 8.1 Data sources

Variable	Level	Data source
<i>Dependent variables</i>		
Willingness to help others	Individual	European Values Study
<i>Independent variables</i>		
Openness		
Economic openness	Country	KOF Index of Globalization
Social openness	Country	KOF Index of Globalization
Political openness	Country	KOF Index of Globalization
<i>Social structure</i>		
Social capital	Country	Eurobarometer (calculated by Fidrmuc & Gërzhani 2005)
National norms of giving	Country	Eurobarometer (calculated by Fidrmuc & Gërzhani 2005)
Trust	Country	European Values Study (own calculations)
<i>Statistical control variables</i>		
Welfare spending	Country	International Monetary Fund
Individual control variables	Individual	European Values Study

the variables, the level at which they are measured, and the source from which the data are taken.

Table 8.2 provides the mean level of the willingness to help the sick and disabled and immigrants, as well as the country-level data on reliance on others, national norms of helping, and trust for each of the countries. Table 8.2 shows that, on average, the willingness to help the sick and disabled is higher than the willingness to help immigrants ($m = 3.77$ and $m = 2.91$). The willingness to help both groups is the highest in Sweden and Ireland and the lowest in Lithuania, Estonia, and Latvia. The most economically open countries are Luxembourg and Ireland, and the socially most open countries are Sweden and Denmark. Romania and Poland are the least economically open countries, and Romania and Lithuania are socially the least open countries in the sample. In Ireland and Portugal many people can rely on others, whereas people in Malta and Latvia report the lowest level of reliance on others. In Ireland and Malta there is a strong national norm of giving, and in the Czech Republic and Bulgaria the weakest norm of giving is found. The mean level of trust in others is high in Denmark and Sweden and low in Romania and Portugal.

Table 8.2 Country-level means

Country	N	Willingness to help elderly	Willingness to help the sick and disabled	Willingness to help immigrants	Economic openness	Social openness	Reliance on others	National norms of giving	Mean level of trust
France	1,605	3.63	3.73	2.75	4.72	2.45	0.79	0.75	0.21
Great Britain	972	3.58	3.66	2.66	4.47	2.98	0.79	0.92	0.29
Germany	2,005	3.56	3.49	2.94	4.26	2.65	0.65	0.59	0.38
Austria	1,502	3.65	3.66	2.84	4.99	3.14	0.76	0.78	0.33
Italy	1,981	3.94	3.99	3.39	3.88	1.54	0.82	0.92	0.33
Spain	1,172	3.63	3.60	3.29	4.62	1.47	0.79	0.87	0.39
Portugal	995	3.79	3.86	3.01	4.71	1.66	0.91	0.66	0.12
Netherlands	1,001	3.65	3.70	3.18	5.53	3.08	0.88	1.09	0.60
Belgium	1,902	3.79	3.83	2.95	5.40	2.00	0.66	0.65	0.29
Denmark	993	3.72	3.81	2.92	4.38	3.39	0.87	0.72	0.67
Sweden	1,009	4.05	4.14	3.71	5.02	4.24	0.90	0.74	0.66
Finland	1,020	3.82	3.84	2.86	5.25	3.44	0.84	0.84	0.57
Ireland	1,000	4.10	4.13	3.27	5.83	2.63	0.91	1.17	0.36
Estonia	960	3.20	3.31	2.48	5.05	1.91	0.77	0.41	0.23
Latvia	953	3.48	3.54	2.38	4.17	1.41	0.60	0.59	0.17
Lithuania	938	2.99	3.06	2.14	4.16	1.06	0.68	0.89	0.26
Poland	1,063	3.78	3.87	2.71	3.37	1.33	0.76	0.89	0.18
Czech Republic	1,877	3.69	3.93	2.80	4.42	1.82	0.80	0.45	0.25
Slovakia	1,299	3.86	3.89	2.74	4.11	1.13	0.79	0.52	0.16
Hungary	987	3.57	3.59	2.25	4.21	1.73	0.73	0.65	0.22
Romania	1,086	3.94	3.83	2.63	3.28	0.81	0.68	1.08	0.10
Bulgaria	914	3.66	3.79	2.70	3.53	1.11	0.67	0.32	0.27
Greece	1,135	3.76	3.88	3.10	4.55	1.42	0.70	0.82	0.24
Malta	1,000	3.95	4.05	3.08	3.94	2.94	0.56	1.22	0.21
Luxembourg	1,188	3.73	3.72	3.24	8.97	3.00	0.78	0.93	0.25
Slovenia	997	3.70	3.84	3.06	4.07	1.67	0.79	0.70	0.22
Total	31,554	3.70	3.77	2.91	4.65	2.14	0.76	0.76	0.30

Sources: European Values Study, KOF Index of Globalization and Fidrmuc and Gërçhani (2005).

Analysis

The empirical analyses concern variables at different levels of analysis because the dataset includes data at the individual level (level 1) and the country level (level 2). Therefore, multilevel regression analysis is applied (cf. Chapter 5).

In this chapter, the dependent variables – the willingness to help the sick and disabled and the willingness to help immigrants – are measured at the individual level, and the independent variables are measured at the individual and the country level. By

using multilevel regression analysis, it is possible to distinguish the variations at level 1 and level 2. The multilevel analyses are performed in several steps, and for each of these models the log-likelihood statistic is computed. The difference in likelihood between two models (called the deviance) indicates whether the fit of the model increases when variables are added to it.

Table 8.3 Country-level correlation coefficients

	1.	2.	3.	4.	5.
1. Economic openness					
2. Social openness	0.51**				
3. Political openness	-0.07	0.40*			
4. Reliance on others	0.35 [†]	0.45*	0.36 [†]		
5. National norms of giving	0.17	0.24	0.08	0.07	
6. Mean level of trust	0.26	0.76**	0.41*	0.54**	0.12

Sources: European Values Study, KOF Index of Globalization and Fidrmuc and Gërzhani (2005)
26 countries

[†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

8.1.3 Results

Table 8.3 shows the relationship between the different kinds of openness and the indicators of the social structure of countries. Starting with the three dimensions of openness, it turns out that social openness is positively related to economic openness and political openness, and that economic and political openness are not related. If we focus on the interrelations between the characteristics of social structure, we see that national norms of giving and the mean level of trust in a country are positively related and that reliance on others is not related to the other two indicators. Investigating the relations between openness and social structure at the national level shows that reliance on others is positively related to all three dimensions of openness, national norms of giving are not related to the level of openness, and that the mean level of trust is related to social and political openness.

Multilevel analysis

We performed a multilevel analysis in a number of steps. First, an empty model is calculated that functions as a baseline for comparing the other models. Then the statistical control variables are

Table 8.4 Effects of control variables (multilevel analyses)

	Solidarity with elderly	Solidarity with the sick and disabled	Solidarity with immigrants
Welfare spending	0.00 (0.01)	0.00 (0.01)	0.01 (0.01)
Religious denomination	0.09** (0.01)	0.09** (0.01)	0.10** (0.01)
Gender (1 = female)	0.08** (0.01)	0.07** (0.01)	0.07** (0.01)
Stable relationship	0.08** (0.01)	0.05** (0.01)	0.04** (0.01)
Employed	-0.02 (0.01)	-0.02 (0.01)	-0.02 [†] (0.01)
Age – low	-0.18** (0.01)	-0.12** (0.01)	-0.06** (0.01)
Age – high	-0.01 (0.01)	-0.06** (0.02)	-0.12** (0.02)
Education – low	-0.04** (0.01)	-0.05** (0.01)	-0.16** (0.01)
Education – high	0.03* (0.01)	0.03* (0.01)	0.20** (0.02)
Town size – small	-0.04** (0.01)	-0.04** (0.01)	-0.05** (0.01)
Town size – big	-0.03** (0.01)	-0.04** (0.01)	-0.00 (0.01)
Intercept	3.68** (0.05)	3.71** (0.05)	2.83** (0.07)
Deviance	1,082.87**	785.40**	2,218.36**
Intraclass correlation	0.07	0.07	0.11

Sources: European Values Study, KOF Index of Globalization, Fidrmuc and Gërkhani (2005), and International Monetary Fund (2001)

31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

Empty model: Intercept 3.76** (0.05); -2*loglikelihood: 77,526.30; Intraclass correlation: 0.07.

[†] p < 0.10; * p < 0.05; ** p < 0.01

added to the model as is shown in Table 8.4. The effects of the control variables are similar for solidarity towards the elderly, the sick and disabled, and immigrants. Welfare spending is not related to people's willingness to help these groups. Religious denomination is positively related to the willingness to help others; this effect is slightly lower for the willingness to help immigrants. The results for gender indicate that women are more willing to

help others than men. Living with a partner in a stable relationship is positively related to the willingness to help others. Being employed does not affect the willingness to help others. Age is curvilinearly related to the willingness to help others; both younger and older people are less willing to help others compared to people in the age group between 35 and 65 years old. Educational level has a curvilinear relation with the willingness to help others; lower educated people are less willing to help others. The difference between lower-educated and higher-educated persons is large in the model of the willingness to help immigrants. Town size has a curvilinear effect; people living in a medium-sized town are more willing to help others than those living in small or big towns. The effects of the statistical control variables remain the same after adding the openness and social structure variables.

Table 8.5 Multilevel analysis of solidarity towards the elderly

<i>Openness</i>						
Economic openness	-0.01 (0.04)	-0.04 (0.04)				
Social openness			0.07 (0.05)	0.05 (0.07)		
Political openness					0.06 [†] (0.03)	0.05 (0.03)
<i>Social structure</i>						
Reliance on others		0.90 [†] (0.50)		0.76 (0.48)		0.60 (0.48)
National norms of giving		0.33 [†] (0.18)		0.29 (0.19)		0.32 [†] (0.18)
Mean level of trust		-0.01 (0.30)		-0.20 (0.40)		-0.13 (0.30)
Intercept	3.63** (0.05)	3.63** (0.04)	3.63** (0.05)	3.63** (0.04)	3.64** (0.04)	3.64** (0.04)
Deviance	0.03	6.60**	1.60*	4.58**	3.61**	4.75**
Intraclass correlation	0.07	0.05	0.07	0.06	0.06	0.05

Sources: European Values Study, KOF Index of Globalization and Fidrmuc and Gërghani (2005)
31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

Solidarity towards the elderly

Table 8.5 summarizes the result from the analyses for solidarity towards elderly people. This kind of solidarity is not related to the economic and social openness of countries and is slightly positively related to political openness. The effect of political openness disappears after including the variables measuring social structure. National norms of giving mediate this relationship. Given these results, it can be stated that there is a weak relationship between the openness of countries and solidarity towards elderly people.

Table 8.6 Multilevel analysis of solidarity towards the sick and disabled

<i>Openness</i>						
Economic openness	0.00 (0.04)	-0.03 (0.04)				
Social openness			0.08 (0.05)	0.08 (0.07)		
Political openness					0.05 (0.03)	0.04 (0.03)
<i>Social structure</i>						
Reliance on others		1.01 [†] (0.52)		0.89 [†] (0.49)		0.79 (0.22)
National norms of giving		0.22 (0.19)		0.17 (0.19)		0.22 (0.19)
Mean level of trust		-0.05 (0.32)		-0.36 (0.41)		-0.15 (0.32)
Intercept	3.71** (0.05)	3.70** (0.04)	3.71** (0.05)	3.70** (0.05)	3.72** (0.05)	3.71** (0.04)
Deviance	0.01	5.36**	2.18**	4.05**	2.39**	3.18**
Intraclass correlation	0.07	0.06	0.07	0.06	0.06	0.05

Sources: European Values Study, KOF Index of Globalization and Fidrmuc and Gërzhani (2005) 31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] p < 0.10; * p < 0.05; ** p < 0.01

Solidarity towards the sick and disabled

The relationship between openness, social structure, and the willingness to help the sick and disabled are displayed in Table 8.6.

Table 8.6 shows that the three dimensions of openness are not related to this kind of solidarity. Adding the variables for social structure leads to an improvement of the models for economic and social openness because, in both cases, reliance on others is positively related to the willingness to help the sick and disabled. The conclusion drawn from the results shown in Table 8.6 is that the willingness to help the sick and disabled is not related to the economic and social openness of countries, and that the higher the level of reliance on others is in a country, the higher the willingness to help this group of people.

Table 8.7 Multilevel analysis of solidarity towards immigrants

<i>Openness</i>						
Economic openness	0.10 [†]	0.05				
	(0.06)	(0.05)				
Social openness			0.17*	0.09		
			(0.07)	(0.09)		
Political openness					0.06	0.02
					(0.04)	(0.04)
<i>Social structure</i>						
Reliance on others		1.17 [†]		1.30 [†]		1.26 [†]
		(0.67)		(0.65)		(0.67)
National norms of giving		0.28		0.26		0.30
		(0.25)		(0.25)		(0.25)
Mean level of trust		0.49		0.17		0.45
		(0.41)		(0.53)		(0.42)
Intercept	2.83**	2.83**	2.84**	2.84**	2.85**	2.83**
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Deviance	2.74**	8.17**	5.37**	5.45**	2.07**	8.09**
Intraclass correlation	0.10	0.08	0.09	0.08	0.10	0.08

Sources: European Values Study, KOF Index of Globalization and Fidrmuc and Gërzhani (2005)
31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

Solidarity towards immigrants

Table 8.7 shows the multilevel regression for the willingness to help immigrants. From Table 8.5 it can be read that economic openness and social openness are positively related to the willing-

ness to help immigrants, the effect of political openness is also positive but not significant. The effects of economic and social openness disappear after the indicators for social structure are included in the model. In these models, the variable reliance on others is positively related to the willingness to help immigrants. From the analyses that are presented in Table 8.7, it is concluded that the willingness to help immigrants is positively related to the economic openness and the social openness of countries and that these effects are mediated by the variable reliance on others.

Conclusions on globalization and solidarity

Solidarity towards the elderly is somewhat higher in politically open countries, the willingness to help the sick and disabled is not related to the openness of countries, and solidarity towards immigrants is higher in countries with a higher level of economic openness and the socially open countries. Therefore, these outcomes do not support the claim that openness undermines people's solidarity. Furthermore, we conclude that the effects of globalization differ across groups; solidarity with the elderly, the sick and disabled is not related to the openness of a country, whereas the willingness to help immigrants is higher in the more open countries. Moreover, because reliance on others explains the positive relationship between openness and solidarity, the more open countries are also the countries in which the mean level of reliance on others is higher. That people living in open countries have better access to social resources than people in less open countries supports the idea that learning from the behavior of others increases the willingness to assist others.

8.2 Openness and the organization of solidarity

There are three different interpretations of the relationship between openness and solidarity, depending on how the questions in the European Values Study about the willingness to help others are understood. According to the first interpretation, this question measures the level of informal help that people offer (Van Oorschot & Arts 2005). In contrast, the second interpretation argues that the willingness to help others reflects the level of support for the welfare state. A third interpretation, which we follow in this chapter, is that the willingness to help others refers to a

broader attitude that people have towards those in society who they think should be assisted. Such assistance can be offered informally, for instance by directly helping these groups, or formally through the welfare state. According to this interpretation, additional information is necessary to draw conclusions about whether people would like to provide help themselves, informally, or through the welfare state. In the second part of this chapter, we discuss the preferences that people have regarding the organization of solidarity and how they are related to the economic, social and political openness of countries.

8.2.1 *Theory*

People run several risks in everyday life, such as illness and unemployment, which may be dealt with in several ways. Usually, effective coverage of risks implies that individual contributions are pooled and arrangements are created, providing rules which regulate who can make use of these collective means, leading to a system of collecting and redistributing resources. The three fundamental means for allocating resources that are identified in the literature are termed “markets,” “governments” (or bureaucracies), and “communities” (Bowles & Gintis 1996). These allocation mechanisms offer different solutions for dealing with risks. For instance, when a person gets ill and needs help from others, it is possible that help is provided through the market if there is a private insurance covering the costs for medical care. It can be provided through the government if there are collective arrangements or if the care is provided by the government, and finally, this person may also receive informal help offered by relatives and friends. The result is similar in all three cases: the sick person gets help. Nevertheless, the means through which the help is offered differ. The market functions through the price mechanism bringing together demand and supply, the government uses formal rules and control mechanisms, and the community is characterized by informal relations and mutual trust (Bowles & Gintis 2002). These three mechanisms for allocating resources can be distinguished by the level and the kind of solidarity they require. Market relations are characterized by the lowest level of solidarity compared to the other two mechanisms. Both the provision of help through the government and help through the community require solidarity, but they differ with respect to the kind of soli-

clarity on which they are based. In the first case a system of formal and compulsory solidarity is at work, and the latter is based on informal and voluntary solidarity.

In the literature, especially the area of economic theories of organization such as the transaction cost approach (Williamson 1981), there is a focus on a dichotomy between the market and bureaucratic arrangements; in the case of risk coverage, there is a choice between the price mechanism and formal regulation by the government. For analyzing such choices it is argued that as long as the price mechanism functions well, this will be the most efficient solution, but if the market fails, it is more efficient to use bureaucratic arrangements. As such, the notion of market failure is at the heart of economic theories of organization (Simon 1991). In principle, everything can be taken care of through the market, and the only reason for government intervention is a market failure. As a result, this approach aims at identifying the causes of such failures, which are related to human behavior and cognition as certain characteristics of market relationships. It is assumed that people are not perfect, but are rational actors that may act opportunistically; they are not able to take all possible actions and their consequences into consideration, and they may take advantage of a situation if the market relation gives them a chance of doing so. Bounded rationality and opportunism do not create market failures as such, but may do if certain conditions are present. Market relationships can differ with respect to their complexity, uncertainty, and the number of actors involved. Assuming bounded rationality and opportunism, markets are more likely to fail if the market relationship is more complex, more insecure, and if fewer actors participate (Williamson 1975).

Applied to the example of medical care, in which it is difficult to get information about other actors, two problems can occur. The first potential problem is that it leads to a process called adverse selection (Akerlof 1970). The ones who have a lower risk of getting ill are less likely to be willing to pay for insurance if they will not benefit from it. If they do not participate, the costs for insurance will go up because fewer people are paying for it while more people depend on it and need money to pay their hospital bills. In turn, as the costs increase it drives out the people with an average chance of getting ill. Even though they may need the insurance, the costs are too high for them to pay off. In the end, the cost of getting insured is too high for everyone, leading to a situation in

which no one is willing to get insurance while at the same time knowing that everyone would benefit from it if it were available. The second problem that may occur if there is an insurance scheme to cover risk is moral hazard (Arrow 1963). If people know that their risks are covered, they may change their behavior and take risky actions or even deceive an insurance company in order to get money. The tendency is clearly illustrated by the case of “Nub City”. The story about this small town appeared in the *Wall street Journal* of December 23, 1974, reporting on the great number of people losing their arms and legs. Investigations by experts showed that this situation did not result from accidents but because people were willing to hurt themselves in order to claim insurance money (Dornstein 1996). Undoubtedly, this is a very extreme example, showing that behavior may be affected if there are insurance schemes in place. As a consequence, the costs for insurance rise and people have to pay more, including those who do not embark on more risk-taking behavior than before they were insured. For this latter group of people, it becomes less attractive to pay for the insurance. Again, this starts a process through which people withdraw and the costs for insurance rise.

That markets for insurance can fail due to problems of adverse selection and moral hazard has been used as an argument for government intervention to regulate these markets. The most common solution proposed to deal with these problems is that governments introduce a compulsory insurance, limiting people’s choices, to make sure that both the good and the bad risks are represented, combined with extensive monitoring and formal sanctions to make sure that everyone contributes and only those people who really need it can profit.

The argument outlined above illustrates the dichotomy between market and government solutions that is central to the literature on economic organization. Markets can be used to cover risks, but government intervention may be more efficient if markets fail. In these approaches, two solutions represent the extremes of a continuum for the allocation of resources. Nevertheless, it is also possible that both markets and governments fail. In particular, this may be the case if there is more insecurity about the transaction and if the actors have conflicting interests (Ouchi 1980). An additional mechanism that can be added to the dichotomy is termed “community” and may be a means to overcome problems of failing markets and governments. Community relationships are typified

by a high level of interdependence among members of a community and the longevity of these relationships. The advantage of communities over market and government solutions is that they contain more accurate information about the behavior, abilities, and needs of the members, increasing possibilities for sustaining norms and the search for efficient solutions that are not undermined by adverse selection and risk-seeking behaviours (Bowles & Gintis 2002). Although communities and government solutions both require that people are willing to share resources with others, they differ with respect to the kind of solidarity associated with them. In contrast to the compulsory solidarity organized through the government, community relationships are characterized by voluntary solidarity among the members.

Which of the three mechanisms is likely to be the most efficient depends on the characteristics of the transaction. In the theoretical literature as well as in policy discussions, considerations about the most efficient solution are usually top-down. In these instances it is estimated which of the mechanisms will function the best given the complexity, uncertainty and the number of actors involved in the transaction. The current section uses a bottom-up approach to this problem, namely by investigating people's preference for one of the three mechanisms with regard to their willingness to help others. If people are not willing to help others, it is assumed that they prefer the market mechanism, and if they do want to help others, this can be organized through the government, requiring compulsory solidarity or the community, based on voluntary solidarity. The preference that people have towards the organization of solidarity depends on the extent to which they believe that one of the mechanisms will be a good solution. Further, beliefs concerning the mechanisms are assumed to be influenced by the social structure in which they should cover a certain risk. The three mechanisms are related to the level of uncertainty, complexity and the number of people. The market mechanism will be the most efficient solution if the level of uncertainty and complexity is low and many people are involved, which is necessary to let the price mechanism do its work and bring supply and demand together. The chances of market failure increase as the uncertainty and complexity within society increase, and people will be more willing to let the government take over to come up with solutions that cannot be left to the market. If the level of uncertainty and complexity move beyond a certain critical

point, people will start to doubt that the government is able to develop efficient solutions, and they will be more in favor of creating their own solutions within their community. This latter point involves far fewer people than in the case of the market and the government mechanism and leads to additional coordination costs. Since communities are relatively small and the members that are part of them are able to monitor each other's behavior and intentions, norms and sanctions can be developed to sustain solidarity within them to handle these additional costs.

The effects of globalization

As was theorized in the previous section, people will prefer the mechanism that they believe is the best way of dealing with a certain risk and to overcome problems of opportunism. These beliefs depend on the social structure of society. Therefore, the different kinds of openness at the national level may influence people's preference for the organization of solidarity through the effects that they have on the social structure.

Economic openness

Economic openness can influence people's preferences as follows. It is argued that economic openness leads to more insecurity and that the social norms and social structure necessary to sustain solidarity may be undermined (Rodrik 1997; Blossfeld, Buchholz & Hofäcker 2006). A higher level of insecurity either implies that people's risks increase or that the number of people facing a certain risk increases. In both cases the uncertainty and complexity within countries increase, and it becomes more difficult to cover these risks through the market. It may be questioned then whether insurances will be able to cover these risks efficiently. Therefore, economic openness increases the preference for compulsory solidarity provided through the government. The condition that needs to be met is that there is a certain level of solidarity among the citizens of a country, since they have to be willing to spend financial resources for these collective arrangements from which they may not benefit themselves. As is shown by research concerning welfare state support, people will be in favor of collectively organized solidarity if they have the impression that others are not taking advantage of their contributions (Bowles & Gintis 2000). If the level of insecurity increases further, due to more economic openness, it is possible that people will not put their trust

in the government to deal with these risks and will be increasingly inclined to come up with solutions within their own community and thus have a stronger preference for voluntary solidarity. The expectation is, therefore, that the preference for voluntary solidarity is the strongest in the most economically open countries because of increased insecurity.

Social openness

The effect of social openness on the preference for solidarity is based on the assumption that the socially open countries have a more heterogeneous social structure because of the international flows of information, culture and people. The level of social cohesion may decrease within these countries because of this increased heterogeneity (McPherson, Smith-Lovin & Cook 2001). Within heterogeneous countries, there is more uncertainty about the behavior and intentions of fellow citizens, and as risks may also be distributed less homogeneously among citizens, societal complexity is higher. This increases the likelihood of market failures. As risks vary more, a problem with private insurances can occur because chances are greater that people with the lowest risks are less willing to pay for insurance, leaving the people who have a high risk with an insurance that they may not be able to afford. At the same time, the preference for compulsory forms of solidarity can increase because of lower levels of actual and perceived interdependence among people. The expectation is, therefore, that people are less willing to contribute to collective arrangements such as the welfare state. Increased heterogeneity can thus lead to a higher preference for voluntary solidarity organized through the community. Whereas the heterogeneity of the national social structure increases, this does not have to be the case for local structures in which people know each other well enough to deal with problems of opportunism. We thus expect that the preference for voluntary solidarity is stronger in socially open countries because of increased heterogeneity.

Political openness

Political openness is a consequence of the international political relations between countries and is expected to have less direct effects on the social structure of countries than economic and social openness. Nevertheless, there may be an indirect effect since political openness can have a stabilizing effect through the interna-

tional relations that can prevent the negative effects of insecurity caused by economic openness (Dreher 2006). If political openness does indeed have such a stabilizing effect, there will be no threat to the level of compulsory solidarity. On the contrary, if countries counter the negative effects of economic openness successfully, this may increase the preference for compulsory solidarity among their citizens. This leads to the prediction that the preference for compulsory solidarity is stronger in politically open countries because of the stabilizing effect of international relations.

8.2.2 *Data and analyses*

Data

We use data about the same 26 countries as in Section 8.1, available through the *European Values Study*, the *KOF Index of Globalization* and the *International Monetary Fund*, to perform the analyses.

Dependent variable: organization of solidarity

The dataset does not include a variable measuring the preferences that people have towards the organization of solidarity. The variable *organization of solidarity* is constructed using two variables from the EVS that represent the distinction between no solidarity, compulsory solidarity, and voluntary solidarity made earlier in this section. The first variable measures whether people are willing to help the elderly, the sick and disabled, and immigrants. In the EVS this variable is measured on a five-point scale (1 = absolutely not; 5 = absolutely yes). This variable has been recoded to the two categories “prepared to help” for the people scoring 1, 2 or 3 and “not prepared to help” for the people scoring 4 and 5. The second variable measures whether people think individuals or governments should take more responsibility, ranging from 1 to 10. This variable is also recoded into two categories; the persons scoring between 1 and 5 indicate that they prefer “individual responsibility” and the ones scoring between 6 and 10 prefer “government intervention”. The variable organization of solidarity combines these two variables measuring whether people are prepared to help others or not and whether they prefer individual or government responsibility. This variable is constructed for three groups: the elderly, the sick and disabled, and immigrants.

Explanatory variables

We included the same control variables and indicators for openness as in Section 8.1. The variables measuring social structure are not included.

Method

Table 8.1 provides an overview of the variables used in this study, the level at which they are measured and the data sources from which they are taken. Because of the nature of the data, standard regression analysis cannot be applied. First, the dataset includes information at two different levels. Individual preferences and characteristics are measured at the lowest level, and information about the country's openness and the welfare state is measured at the national level. Secondly, the variables used in this study to investigate people's preferences are categorical. People prefer one of the possibilities – no solidarity, compulsory solidarity, or voluntary solidarity – to the others, and therefore these variables either have the value 0 or 1. If people have a value of 1 on one of the variables, it implies that they have a 0 on the other two variables. Logistic multilevel analysis is applied to deal with the type and structure of the data in which each of the three possibilities is the dependent variable for the level and kind of solidarity people prefer towards the elderly, the sick and disabled, and immigrants. The analyses are performed in two steps. First, the effects of the statistical control variables are investigated. The second step examines the influence of economic, social and political openness in different models. The effects of the statistical control variables do not change a great deal after including these national level variables, and therefore they are reported separately.

8.2.3 *Results*

Descriptive results

Table 8.8 summarizes the distribution of people's preference for solidarity towards the three groups of people. At the aggregate level, including all 26 countries, these preferences are almost the same for the elderly and the sick and disabled and are different for immigrants. About 37 percent of the people are not prepared to help the first two groups and almost twice as many people – 75 percent – are not prepared to help immigrants. For all three groups, more people prefer voluntary solidarity to compulsory so-

lidity. Table 8.8 also shows that there are differences between the 26 countries with regard to the distribution of the preferences. The preparedness to help all three groups is particularly low in Estonia and Ukraine. In Sweden and Italy the solidarity with the three groups is the highest.

Table 8.8 Distribution of the three mechanisms

	Elderly			Sick and disabled			Immigrants		
	Not	Compulsory	Voluntary	Not	Compulsory	Voluntary	Not	Compulsory	Voluntary
France	41	15	44	37	16	47	75	05	20
Great Britain	45	17	38	42	18	41	86	05	10
Germany	46	22	32	50	20	31	77	09	14
Austria	40	14	46	41	14	45	80	05	16
Italy	19	39	41	18	40	42	53	22	24
Spain	43	28	29	45	28	27	65	19	17
Portugal	39	23	37	34	25	41	79	08	13
Netherlands	37	22	41	35	23	43	65	12	23
Belgium	35	26	39	33	27	40	69	13	19
Denmark	33	17	50	30	19	52	70	08	22
Sweden	15	22	63	12	23	65	32	18	50
Finland	29	26	45	27	27	46	77	08	14
Ireland	19	25	47	18	24	58	65	11	24
Estonia	67	18	14	61	22	17	91	06	02
Latvia	44	34	22	41	38	21	88	09	04
Lithuania	66	14	20	65	15	20	96	01	03
Poland	32	30	38	28	32	41	83	07	10
Czech Rep.	37	25	39	24	28	48	85	05	10
Slovakia	31	41	29	29	42	29	79	11	10
Hungary	39	35	26	38	36	26	91	05	03
Romania	33	27	40	36	24	39	78	09	13
Bulgaria	40	27	33	33	29	38	82	08	11
Greece	34	34	33	29	35	36	71	13	16
Malta	23	32	45	18	35	47	73	10	16
Luxembourg	43	15	42	37	17	47	59	12	30
Ukraine	60	21	19	59	21	19	91	05	05
Total	37	25	37	35	26	39	75	10	16

Sources: European Values Study

31,554 respondents in 26 countries. Percentages are reported.

Results from the logistic multilevel analysis

The results of the models including the statistical control variables are reported in Table 8.9. These analyses show that welfare state

Table 8.9 Logistic multilevel regression analyses: control variables

	Not			Compulsory			Voluntary		
	Elderly	Sick and disabled	Immigrants	Elderly	Sick and disabled	Immigrants	Elderly	Sick and disabled	Immigrants
Welfare spending	-0.01 (0.02)	-0.01 (0.02)	-0.03 [†] (0.02)	-0.02* (0.01)	-0.02* (0.01)	0.02* (0.01)	0.05** (0.02)	0.04** (0.02)	0.03 [†] (0.02)
Religious denomination	-0.21** (0.03)	-0.23** (0.03)	-0.12** (0.04)	0.02 (0.04)	0.05 [†] (0.03)	-0.02 (0.05)	0.22** (0.03)	0.20** (0.03)	0.19** (0.04)
Gender (1 = female)	-0.20** (0.03)	-0.17** (0.03)	-0.10** (0.03)	0.17** (0.03)	0.14** (0.03)	0.16** (0.04)	0.07* (0.03)	0.05 (0.03)	0.02 (0.03)
Stable relationship	-0.21** (0.03)	-0.17** (0.03)	-0.05* (0.03)	0.05 (0.03)	0.04 (0.03)	0.04 (0.05)	0.18** (0.03)	0.13** (0.03)	0.04 (0.04)
Employed	0.03 (0.03)	0.04 (0.03)	0.10** (0.03)	-0.17** (0.03)	-0.14** (0.03)	-0.21** (0.05)	0.11** (0.03)	0.09** (0.03)	0.01 (0.04)
Young	0.40** (0.03)	0.24** (0.03)	0.18** (0.03)	-0.24** (0.03)	-0.14** (0.03)	-0.16** (0.05)	-0.23** (0.03)	-0.12** (0.03)	-0.14** (0.04)
Old	-0.04 (0.04)	0.05 (0.04)	0.25** (0.05)	0.01 (0.04)	-0.06 [†] (0.04)	-0.26** (0.06)	0.05 (0.04)	0.00 (0.04)	0.17** (0.06)
Low education	0.12** (0.03)	0.14** (0.03)	0.32** (0.04)	0.09** (0.03)	0.10** (0.03)	-0.08 [†] (0.05)	-0.20** (0.03)	-0.22** (0.03)	-0.41** (0.04)
High education	-0.08* (0.04)	-0.06* (0.03)	-0.38** (0.04)	-0.08* (0.04)	-0.11** (0.04)	0.24** (0.05)	0.14** (0.04)	0.14** (0.03)	0.35** (0.04)
Small town	0.09** (0.03)	0.09** (0.03)	0.11* (0.04)	-0.07* (0.04)	-0.08* (0.04)	-0.03 (0.06)	-0.03 (0.03)	-0.02 (0.03)	-0.15** (0.05)
Big town	0.09** (0.03)	0.11** (0.03)	-0.02 (0.04)	-0.01 (0.03)	-0.05 (0.03)	0.13** (0.05)	-0.08** (0.03)	-0.06* (0.03)	-0.06 [†] (0.04)
Constant	-0.33** (0.08)	-0.45** (0.10)	1.20** (0.15)	-1.12** (0.10)	-1.04** (0.09)	-2.32** (0.13)	-0.76** (0.07)	-0.64** (0.10)	-1.92** (0.17)
Variance	0.10 (0.04)	0.13 (0.06)	0.50** (0.14)	0.16 (0.05)	0.15 (0.04)	0.34** (0.10)	0.04 (0.02)	0.19 (0.06)	0.61** (0.17)

Sources: European Values Study and International Monetary Fund (2001)

31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] p < 0.10; * p < 0.05; ** p < 0.01

effort does have some influence on people's preferences regarding the organization of solidarity. As the welfare state is more extensive, the preference for voluntary solidarity is higher compared to compulsory solidarity. Individual characteristics are also related to people's preferences. People who belong to a religious denomination and those who are more highly educated prefer voluntary solidarity. Women are more in favor of compulsory solidarity than men are. Again, the results for the elderly and the sick and dis-

abled are similar, and they differ from those for immigrants. With regard to the first two groups, it is shown that people with a stable relationship and people who are employed prefer voluntary solidarity and that lower-educated people prefer compulsory solidarity. With respect to immigrants, it turns out that older people prefer voluntary solidarity towards this group.

Solidarity with the elderly

The effects of adding economic, social and political openness for the preferences regarding solidarity with elderly people are reported in Table 8.10. Economic openness is related to a lower preference for compulsory solidarity. Social openness has three effects. People in the more socially open country are a little less willing to support the elderly. At the same time, the people who are willing to support this group are more in favor of voluntary solidarity and less in favor of compulsory solidarity compared to people living in less socially open countries. Political openness is related to a lower preference for compulsory solidarity.

Table 8.10 Logistic multilevel regression analyses: elderly people

	Not			Compulsory			Voluntary		
Economic openness	0.05 (0.04)			-0.15* (0.07)			0.04 (0.03)		
Social openness	0.23* (0.11)			-0.31** (0.12)			0.17** (0.06)		
Political openness	-0.12 [†] (0.09)			-0.14* (0.09)			0.02 (0.04)		
Constant	-0.36** (0.09)	-0.31** (0.06)	-0.43** (0.09)	-1.12** (0.09)	-1.07** (0.09)	-1.08** (0.07)	-0.77** (0.07)	-0.75** (0.07)	-0.76** (0.08)
Variance	0.08 (0.03)	0.00 (0.00)	0.08 (0.04)	0.14 (0.04)	0.12 (0.03)	0.01 (0.01)	0.04 (0.02)	0.03 (0.02)	0.04 (0.02)

Sources: European Values Study and KOF Index of Globalization

31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

Solidarity with the sick and disabled

The results of the logistic multilevel analysis for the sick and disabled including economic, social and political openness are sum-

marized in Table 8.II. These results are roughly the same compared to those for solidarity towards the elderly, with the exception that social openness is related to a higher level of solidarity towards this group and that political openness does not have an effect.

Table 8.11 Logistic multilevel regression analyses: the sick and disabled

	Not			Compulsory			Voluntary		
Economic openness	-0.00 (0.10)			-0.13* (0.07)			0.10 (0.08)		
Social openness	-0.23** (0.16)			-0.24** (0.12)			0.40** (0.12)		
Political openness	-0.09 (0.10)			-0.07 (0.07)			0.13 (0.08)		
Constant	-0.47** (0.11)	-0.45** (0.06)	-0.50** (0.11)	-1.04** (0.09)	-1.04** (0.09)	-1.05** (0.09)	-0.65** (0.10)	-0.68** (0.07)	-0.63** (0.08)
Variance	0.28 (0.08)	0.24 (0.10)	0.08 (0.04)	0.13 (0.04)	0.13 (0.03)	0.15 (0.01)	0.18 (0.05)	0.14 (0.04)	0.18 (0.05)

Sources: European Values Study and KOF Index of Globalization

31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

† p < 0.10; * p < 0.05; ** p < 0.01

Solidarity with immigrants

The results from the analyses regarding immigrants differ from the other two groups, as can be read from Table 8.12. Here it is found that the economic, social and political openness of countries is related to a stronger preference for voluntary solidarity. Moreover, whereas the openness of countries is related to a lower preference for compulsory solidarity regarding the elderly and the sick and disabled, this is not the case for solidarity towards immigrants.

Conclusion on globalization and the organization of solidarity

Based on the results of the statistical analyses, it is concluded that in general the willingness to help the elderly and the sick and disabled is higher than the willingness to help immigrants and that voluntary solidarity is more strongly preferred for all three groups than compulsory solidarity. Secondly, the openness of countries

does influence these preferences but differs for the three groups. In the case of solidarity towards the elderly and the sick and disabled, the preference for voluntary solidarity is higher, and the preference for compulsory solidarity is lower as countries are more open. This is particularly the case for social openness. With respect to immigrants, the preference for voluntary solidarity is also higher in more open countries; however, for this group the higher openness is not related to less support for compulsory solidarity.

Table 8.12 Logistic multilevel regression analyses: immigrants

	Not			Compulsory			Voluntary		
Economic openness	-0.20 [†] (0.13)			-0.03 (0.11)			0.26* (0.14)		
Social openness	-0.32* (0.16)			0.01 (0.14)			0.57** (0.15)		
Political openness	0.17 [†] (0.11)			-0.02 (0.10)			0.26** (0.11)		
Constant	1.20** (0.14)	-1.23** (0.13)	-1.11** (0.12)	-2.33** (0.14)	-2.35** (0.14)	-2.26** (0.12)	-1.93** (0.16)	-1.95** (0.14)	-1.80** (0.12)
Variance	0.46 (0.13)	0.22 (0.12)	0.12 (0.07)	0.34 (0.10)	0.24 (0.10)	0.09 (0.05)	0.53 (0.15)	0.35 (0.13)	0.13 (0.07)

Sources: European Values Study and KOF Index of Globalization

31,554 respondents in 26 countries. Unstandardized regression coefficients are reported; standard errors are in parentheses.

[†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

8.3 Conclusions

In this chapter we examined the relationship between globalization and solidarity in two different ways. The first part of the analysis concentrated on the effect of openness on the willingness to help several distinct groups in society – the elderly, the sick and disabled, and immigrants. We complemented these results with a different indicator that enables us to investigate the consequences of globalization on people’s preferences for the organization of solidarity, and hence how much they favor welfare state provisions.

Considered in unison, the outcomes of the two analyses emphasize the importance of people's direct social context for their solidarity. Moreover, this may be increasing because of globalization. The first analysis showed that solidarity can be explained by the positive information that people receive through their social relations, and the second analysis adds that the openness of countries is related to a higher preference for voluntary solidarity. As such, the two analyses underline that social cohesion is not disappearing due to globalization. On the contrary, based on the results it can be argued that openness increases the need for community relations. That this particularly holds for social openness can be attributed to increased possibilities for communication. Whereas the Internet enables people to have contacts all over the world, it should also be noted that people use it as a means to keep in contact with people that are close to them. As a consequence, the Internet may also strengthen local networks, which is also confirmed in recent studies on the influence of the Internet on social relations, showing that people use it for their contacts with neighbors and relatives (Franzen 2000; Hampton & Wellman 2000).

Though it is tempting to think in terms of causal relations, it should be noted that the empirical study presented in this chapter does not allow us to draw conclusions about the direction of the effects. It is also possible that the countries in which the level of reliance on others is higher and those with more support for community solidarity are better suited to engage in cross-border interactions with other countries. If, however, our results are indeed a response to increasing levels of openness, then there may be reason to speculate that the less open countries will follow a similar path to the open countries. With the available data it is not possible to test this prediction.

The results differ for the three groups that were identified, in the sense that they are similar for the elderly and the sick and disabled and different for immigrants. That people are less supportive towards immigrants compared to the elderly and the sick and disabled may have two explanations. The first explanation is that this distinction results from boundaries between the in-group and the out-group, and the second explanation is that immigrants are regarded as less in need of help than the other two groups, which clearly require assistance from others. Which of the two explanations holds true is a question open to discussion and may be investigated in future research. Furthermore, the results of

openness are also different for the three groups, leading to the conclusion that solidarity studies should distinguish which groups people are willing to support. The effects of economic openness were only confirmed with respect to immigrants; people prefer voluntary solidarity towards this group as their country is economically more open. The finding that there is less support for compulsory solidarity in the case of elderly people and the sick and disabled seems to indicate that in these instances people question whether the government will be able to support these groups given economic openness, but that it is not clear which of the two alternatives people support; it may lead some people to prefer a market solution, while others have a stronger preference for voluntary solidarity.

The expectation that political openness will have a stabilizing effect and that therefore the support for compulsory solidarity will not be lower was rejected. A possible explanation for this finding is that people's preferences may be influenced by the information they get from political actors. As has been suggested by others, international political relations and the involvement in international organizations such as the International Monetary Fund and the World Bank influence the views of political actors concerning the policy that should be followed (Simmons, Dobbin & Garrett 2006). Within these international relations there is a strong preference for neo-liberalism, the political ideology supporting the view that welfare states should be curtailed and cannot be sustained as globalization moves on. Additional research should investigate whether people's preferences towards compulsory solidarity and the welfare state are affected by the international processes.

As such, the conclusion of this chapter is similar to the conclusion of Chapter 7. Apart from the fact that the welfare state is not threatened by the different dimensions of globalization, it is also not the case that it has a dramatic impact on the level of solidarity. A second implication deals with the relationship between the welfare state and solidarity. The welfare state has been criticized for undermining informal solidarity and commitment to society. The findings do show that a more extensive welfare state is related to a higher preference for voluntary solidarity, which does not support the concern that welfare states are crowding out community relationships. In contrast to that, it can be argued that the welfare state enables communities to create voluntary solidarity. The third

implication deals with the organization of the welfare state. Most of these discussions revolve around the dichotomy between markets and governments, as if they are the only two ways of organizing solidarity. The argument used in these discussions is that the market should take over if the government is not functioning efficiently. The analyses presented in this chapter show that organizing solidarity through the community should be added to this dichotomy and offers a third possible solution. This is not only a matter of theory but should also be considered in practice. If cuts in the welfare states are regarded as necessary, this does not mean that the market is the only option at hand, it should be considered to what extent communities and voluntary solidarity can offer a valuable solution as well.

Note

1. This chapter is based on Koster (2007) and Koster (2009b).

9 Myths and facts

Pressures on the welfare state

Little by little it has become received wisdom that modern citizens are individualized and, thus, are no longer attracted to traditional institutions and collective arrangements. Whether it is a residents' association or a trade union, voluntary work or the welfare state, modern citizens are only prepared to contribute to them if it is in their personal interest. However, since the well-educated, articulate citizen of today is capable of taking care of himself, he hardly ever considers this to be in his own self-interest. As a consequence, public support for the welfare state is crumbling.

Simultaneously, modern societies are increasingly exposed to the influences of globalization. This is a second factor that exerts pressure on the welfare state. The taxes and social contributions that are levied to finance public social protection raise the cost of labor and, thus, harm a country's competitiveness. Moreover, a generous welfare state attracts immigrants who hope to benefit from its social provisions. Thus, the welfare state is in danger of collapsing under its own burden.

A standard reaction of politicians to these developments is to accept them as facts and reply by curtailing collective provisions. The state should deregulate, should provide fewer social services and should rely more on the responsibility of its citizens. To make sure that citizens – who are increasingly weighing individual costs against benefits – do indeed take responsibility, the market mechanism is introduced to bring them to heel. The combination of collective provisions and mandatory contributions that characterizes the modern welfare state is gradually replaced by a combination of marketable products and services and financial incentives. Collective insurances are replaced by individual savings plans, the replacement rate of social benefits is lowered in order to increase incentives, and a growing share of education and health care is provided by private companies instead of public bodies.

This chapter examines the accuracy of the contention that the current welfare state is no longer sustainable as a consequence of individualization and globalization. First, we pass the main findings of the previous chapters in review (Sections 9.1 to 9.4). Next, we consider a number of developments that might exert increasing pressure on the welfare state in the near future (Sections 9.5 to 9.7). Finally, we try to assess whether a drastic reform of the welfare state is imperative to make it sustainable in the long term (Section 9.8).

9.1 The myth of individualization

The focus of this book is on two important social developments that are often considered to pose a threat to the welfare state, *viz.* individualization and globalization. In this section we review the popular belief that there is a marked trend of individualization. This is even considered by some to be the most important societal trend of recent decades (cf. SCP 1998).

Since there are many different interpretations of the term individualization, it is not hard to give a concrete example. For instance, the increasing number of single people, rising female labor participation, the common complaint about the loutish behavior of fellow citizens, and the growing number of floating voters are all put forward as evidence of the individualization process. It is, however, rather doubtful whether these examples are related to the same underlying process. In Chapter 4 we made a distinction between three interpretations of individualization, which are loosely connected at best, both theoretically and in practice. What is usually called a process of individualization can be better characterized as a transition from one dominant pattern of values and behaviors to a new dominant pattern. It is not so much typical of this new pattern that people behave as individuals rather than as members of a group, as the term individualization suggests, but that the relationship between the individual and the group changes. Some concrete examples can serve to clarify this.

- Even if the share of the population that belongs to a traditional institution, such as a church, a trade union, or a political party, would decrease (*detraditionalization*) – which is certainly not a general phenomenon – the bond with other institutions, such as a circle of friends, a sports club, or an NGO, might strength-

en simultaneously. Nevertheless, the attachment to these “modern” institutions might be more volatile than the old bonds.

- Although the liberty of people to form their own opinions and choose their own behavior has increased compared to the past, the implication is not that their opinions and behavior increasingly diverge (*heterogenization*). Indeed, people might voluntarily choose to follow the opinions and behavior of their friends, colleagues, club mates or countrymen, which might even result in less disagreement on important issues.
- Neither does a growing freedom of thought and behavior inevitably render people’s opinions less predictable (*emancipation*). As it happens, the combination of sex, age, position in the household, educational level, income category, social class, labor market position and town size nowadays explains a larger proportion of the variation in people’s attitudes than it did in the past. Even though people make their own choices, they often choose, either consciously or not, to follow the flock.

In short, man still is and will remain to a large extent a social animal, one of the herd. Over time, the nature and composition of this herd might change – for instance, religion appears to become less important and education more important. Moreover, individuals have more opportunities than they had in the past to leave the herd and join another group. In the words of Duyvendak and Hurenkamp (2004), people no longer belong to one particular “heavy community” for their whole life, but join the “light community” they prefer at present and switch between communities whenever they like. The picture of modern man as a solitary animal that, free from all ties, chooses his own idiosyncratic way of life, is, however, far from being the reality.

9.2 Does individualization endanger solidarity?

Chapter 2 showed that, contrary to common beliefs, there is no general tendency towards declining solidarity in the Western world. On the contrary, in many countries, both formal (mandatory) and informal (voluntary) solidarity have increased over the past decades. Public social expenditures have risen in most industrialized countries, just as development aid and the admission of asylum seekers. At the same time, spending on private social pro-

tection and private insurances and volunteering have increased, too. So, if anything, social solidarity is larger today than it was twenty years ago.

However, it is not obvious that these trends will continue in the near future. There are some indications that solidarity among the younger generations lags behind the solidarity of older generations (De Beer & Koster 2007). If this continues to be the case, then the replacement of the older by the younger generations might gradually erode solidarity. Chapter 5 examined whether people who are strongly individualized show less solidarity than people who are less individualized. The alleged negative relationship between individualization and solidarity appears to be real only with respect to detraditionalization and one-sided voluntary solidarity, in particular volunteering. The more emancipated individuals show more solidarity – in particular informal solidarity and support for the welfare state – than do less emancipated persons. At the national level, a larger heterogeneity of opinions among the population is detrimental to solidarity, in particular to development aid, recognition of asylum seekers, private insurance and volunteering. Thus, the results of our empirical analysis are rather mixed and certainly do not warrant a general conclusion of an unfavorable impact of individualization on social solidarity. Moreover, since in Chapter 4 we did not find an unambiguous trend of individualization, there is no ground for the popular fear that individualization will erode social solidarity in the future.

9.3 The various dimensions of globalization

Globalization is a many-headed monster, too, just like individualization, as we argued in Chapter 6. General statements about globalization are, therefore, just as pointless as sweeping statements about individualization. First, globalization is not just an economic phenomenon, but also has social and political dimensions. There is no doubt that we have witnessed a process of economic globalization in the past few decades. International trade and capital flows have increased tremendously, and the obstacles to cross-border transactions have diminished considerably. Nevertheless, national borders still matter. Globalization does not mean that companies become footloose and move across the world without hindrance, in search of the cheapest labor or natural resources or

the lowest taxes. On the contrary, economic activities are still strongly concentrated in specific locations (e.g. Silicon Valley).

The social dimension of globalization shows a rising trend, too, but this rise started more recently than with economic globalization. Since the mid-1990s, in particular, the international exchange of people, information and culture – the three elements of social globalization that were discussed in Chapter 6 – has grown strongly. This is largely caused by technological progress (the Internet, international telephone services, mass media, etc.). Remarkably, the international mobility of persons, international migration in particular, has contributed relatively little to social globalization.

The evolution of the third dimension of globalization, *viz.* the political interrelatedness of countries, is more ambiguous. This dimension concerns international co-operation, such as the membership of international organizations and participation in peace missions of the United Nations. After declining in the 1980s, political globalization has picked up again since the 1990s.

If we compare the openness to globalization of the industrialized countries, we find that a number of smaller countries, such as Austria, Belgium, the Netherlands and Singapore, are most open economically and socially, while a number of larger countries, especially France, the United States, Russia and the United Kingdom, are most open in a political sense.

9.4 Does globalization threaten the sustainability of the welfare state?

These days, there is widespread fear among the European population that globalization will hurt the welfare of many citizens and will affect the long-term sustainability of the welfare state. “Social dumping” and “a race to the bottom” have become buzzwords to express these fears. This is quite remarkable, since the globalization (economic) that has already taken place in the past is generally believed to have contributed strongly to welfare growth in the industrialized countries.

To date, there is abundant scientific literature on the consequences of economic globalization for the sustainability of the welfare state. The survey of this literature in Chapter 7 showed that the results of studies of the relationship between globalization

and the welfare state are rather ambiguous. Thus, no well-founded statement on the effects of globalization is possible. Our own study of the impact of social and political globalization did not yield unequivocal results, either. This might seem disappointing, since it means that scientific research is not able to resolve the disputes among politicians about the consequences of globalization.

However, a more positive interpretation of these outcomes is also possible. The fact that scientific studies do not find an unambiguous relationship between globalization and the welfare state implies that other factors must have a larger impact. Consequently, there is no reason to believe that the future of the welfare state is primarily dependent on international (economic) developments. In the context of identical, exogenous global developments, national welfare states show a lot of variation. Therefore, there is much more leeway for national policy choices than is commonly believed – or suggested – by researchers, policy advisors and politicians. It is obvious that, in making these choices, the international context has to be taken into account. But this is rather different from suggesting that the only choice available is to curtail the welfare state drastically.

Apart from the direct impact of globalization on the welfare state, which we discussed in Chapter 7, there might be a more indirect influence through the impact on public opinion and the support for formal solidarity. After all, this book starts from the assumption that the welfare state is the most important form of organized solidarity. If the willingness of citizens to support their compatriots weakens, the public support for the welfare state will crumble. In Chapter 8, we argued that, from a theoretical point of view, it is not clear whether globalization will hurt or will foster (national) solidarity. This depends on the way that globalization affects the commitment of citizens to their national community. On the one hand, with people increasingly taking part in international, cross-border networks, the commitment to the national community might diminish. Increasing heterogeneity of the national community, due to immigration, might also exert pressure on national solidarity. On the other hand, globalization might strengthen the awareness of national interdependence and solidarity. People might regard the national state as a stronghold against the threats from abroad. Increasing openness to foreign cultures might stimulate the recognition of the value of one's own

culture and the nurturing of national traditions and national history. This might strengthen the ties with the local community.

Our empirical analysis in Chapter 8 did not yield convincing evidence for either a negative or a positive relationship between openness and national solidarity. Solidarity with elderly people and with the sick and disabled is not influenced by the economic, social or political openness of a country. Solidarity with immigrants, however, is positively related to economic and social openness. If anything, this does not support the contention that the commitment to your “own” group strengthens as a consequence of globalization. However, we did find some indications that the preferences of the people shift from obligatory, state-organized solidarity to voluntary communal solidarity as a country opens up to the global community. To be more precise: the citizens of countries that are more open economically, socially and politically tend to be less in favor of mandatory solidarity with the elderly and with sick and disabled people. However, openness does not affect the support for obligatory solidarity with immigrants. The support for voluntary solidarity with the elderly, sick and disabled people, and immigrants is stronger in countries that are socially open. Thus, it is not solidarity as such but rather the way that it is organized that is affected by globalization.

9.5 Does the individual interest in collective arrangements decline?

The preceding remarks with respect to individualization illustrate that the image of the independent, self-confident citizen who knows how to manage on his own and does not need others to support him is not correct. In fact, most people are strongly influenced by the social group they belong to. At any rate, in modern society and in a globalizing world, it is an illusion that people are able to manage independently of each other. A characteristic feature of modern society is that it consists of a dense network of dependency relations – across borders just as much as within countries. One could even say that, today, human beings are less able to live independently from each other than they ever were before. More than ever, one’s fate is connected to the fate of others, and the fates of different nations depend on each other.

The fact that, in contemporary society, one's chances often depend on others makes it more attractive to organize many matters collectively rather than individually. Actually, most provisions of the welfare state are beneficial to a majority of the citizens. Even though you are healthy, you have an interest in a good health care system and good health insurance schemes in case you become ill or get into an accident. Even if your (grand)parents are still in good health, you have an interest in good professional care for the invalid elderly. Even though you have no children of your own, you have an interest in good education so that the next generation grows up to be productive citizens who will be able and willing to fund your old age pension when you retire. Research shows that the benefits of the welfare state are usually distributed rather evenly across income groups (cf. Kuhry et al. 2006). Of course, everyone can think of a public provision which he or she never uses and thus would rather not contribute to. But if all public provisions are taken together, there are probably few people who would benefit from a complete abolition in exchange for a corresponding tax reduction.

However, this does not guarantee the continuation of the public support – and especially the support of the middle class – for the welfare state in the future. There are a number of reasons why the support for public provisions might deteriorate. This section and the next discuss a number of internal (i.e. national) developments that might endanger solidarity. In this section we discuss factors that might affect the willingness to show two-sided solidarity, and in the next section we discuss the threats to one-sided solidarity. Then we go on to discuss which external (i.e. international) factors might endanger the future of the welfare state (Section 9.7).

Concentration of the benefits of public provisions

The support for public provisions that are based on two-sided solidarity might crumble if it turns out that the benefits from these provisions are increasingly concentrated among particular groups. This might be caused by diverging risks of social groups. For instance, some claim that the labor market opportunities of the low skilled are deteriorating compared to the highly skilled (cf. Jacobs 2004). If this is true, low-skilled people will claim an increasing share of total unemployment benefits and social assistance. This would mean that the highly skilled would have less self-interest in a mandatory unemployment insurance scheme.

Similar developments might take place with respect to health care. For example, the Dutch Council on Public Health and Care has established that ten percent of the population causes 70 percent of all health care costs (Jeurissen 2005). Supposedly, this means that a small group of people benefits disproportionately from public health care, while the large majority of the population contributes much more to the system than it profits by it. However, the fact that the greater part of public health expenditure falls upon a small part of the population does not necessarily mean that the majority of the people has no interest in the system. This depends on whether the group that benefits disproportionately can be identified *beforehand*. If not, this is simply a case of chance solidarity. Whoever pays a fire insurance premium for all their life without ever claiming damages will most likely not complain but rejoice that their house did not burn down. Likewise, most people hope to claim as few health insurance damages as possible, because they happen to never get seriously ill. However, if one already expects to benefit much less than others from an insurance scheme or a public provision beforehand, this might harm the willingness to contribute to such a scheme. What started as two-sided solidarity might then become more and more like one-sided solidarity (see the next section).

Whether this is happening in the cases of unemployment and health care is not clear yet. For example, in the Netherlands the relative risk of unemployment of the low-skilled relative to the highly-skilled person has been stable over the past three decades, and there is not much reason to expect a change in the future (De Beer 2006). The rising costs of health care are concentrated largely on the elderly population and are for a large part caused by chronic illnesses that are still hard to predict, such as Alzheimer's dementia.

However, the predictability of individual claims on public provisions may improve in the future due to better screening techniques. With respect to health, in particular, prior knowledge about who will benefit the most from health care provisions might grow. The "veil of ignorance" will then be partially lifted. As a consequence, an increasing share of the population might no longer have any self-interest in those public provisions.

Table 9.1 Justifiability and perception of abuse of state benefits, 1990 and 1999

	Unjustly claiming state benefits ^a									How many compatriots unjustly claim state benefits ^b		
	1999			1990			change			1999	1990	change
	never justifiable	1-4	average	never justifiable	1-4	average	never justifiable	1-4	average	almost all/many		
Austria	57.5	87.9	2.2	64.0	92.0	1.9	-6.5	-4.1	0.3	59.4	59.5	-0.1
Belgium	57.4	82.3	2.4	55.7	80.3	2.5	1.7	2.0	-0.1	32.9	33.3	-0.3
Bulgaria	69.6	90.9	1.9	70.9	92.3	1.8	-1.3	-1.4	0.1	48.1	49.3	-1.2
Belarus	35.1	67.4	3.5	47.2	71.3	3.2	-12.1	-3.8	0.3	30.7	30.7	0.0
Croatia	77.6	93.2	1.6	55.7	81.6	2.5	21.9	11.6	-0.9	47.4	48.2	-0.8
Czech Republic	64.1	91.7	1.9	53.7	76.9	3.0	10.4	14.8	-1.1	44.1	43.8	0.3
Denmark	83.3	96.7	1.4	84.8	96.0	1.4	-1.5	0.8	0.0	30.7	30.7	0.0
Estonia	36.2	73.2	3.2	53.8	81.2	2.5	-17.6	-7.9	0.6	40.0	39.6	0.5
Finland	51.3	86.5	2.3	46.7	78.5	2.7	4.6	8.0	-0.4	37.6	37.8	-0.1
France	40.6	64.5	3.4	39.5	64.2	3.4	1.1	0.3	0.0	37.7	37.9	-0.2
Germany	62.8	92.3	1.9	62.8	89.7	2.0	0.0	2.6	-0.1	49.2	48.1	1.0
Greece	24.0	60.9	4.0	24.0	60.9	4.0	0.0	0.0	0.0	66.3	66.3	0.0
Hungary	73.9	92.8	1.7	71.1	87.7	2.1	2.8	5.1	-0.4	95.7	95.4	0.3
Iceland	68.0	93.2	1.8	70.9	92.6	1.7	-3.0	0.6	0.0	44.4	44.4	0.0
Ireland	66.6	88.9	1.9	70.2	88.9	1.9	-3.6	0.0	0.0	53.2	51.4	1.8
Italy	64.9	91.1	1.9	69.7	90.8	1.9	-4.8	0.3	0.0	75.6	75.6	0.0
Latvia	62.3	88.0	2.1	57.2	84.9	2.3	5.1	3.1	-0.2	27.4	27.4	0.0
Lithuania	54.2	80.3	2.6	56.3	84.7	2.3	-2.1	-4.4	0.3	30.0	31.7	-1.7
Malta	84.7	97.1	1.4	87.3	97.2	1.3	-2.6	-0.1	0.1	79.3	79.4	0.0
Netherlands	76.9	96.0	1.5	77.9	95.7	1.5	-0.9	0.3	0.0	6.8	6.5	0.3
Poland	53.3	84.7	2.4	58.5	85.7	2.2	-5.2	-1.0	0.1	63.4	64.6	-1.2
Portugal	58.8	90.4	2.0	55.9	83.1	2.5	2.8	7.3	-0.4	57.3	58.7	-1.4
Romania	69.9	91.2	1.8	67.7	90.4	1.9	2.2	0.8	-0.1	85.8	85.8	0.0
Russian Federation	57.9	85.1	2.3	61.6	85.1	2.2	-3.7	0.0	0.1	40.7	40.2	0.5
Slovakia	37.3	77.9	2.9	38.5	70.4	3.4	-1.2	7.5	-0.5	59.2	58.9	0.3
Spain	55.9	84.4	2.4	60.2	83.6	2.4	-4.3	0.7	0.0	20.4	20.4	0.0
Sweden	55.2	91.1	2.1	67.1	92.3	1.8	-11.9	-1.2	0.3	32.9	32.3	0.6
Turkey	89.8	97.9	1.2	86.7	96.3	1.4	3.0	1.6	-0.1	79.6	79.6	0.0
Ukraine	47.7	78.1	2.8	44.7	74.5	3.1	2.9	3.6	-0.2	47.3	46.6	0.7
Great Britain	66.8	88.9	2.0	69.2	90.3	1.9	-2.4	-1.4	0.1	61.7	61.9	-0.1
Northern Ireland	66.3	85.6	2.1	71.4	88.9	1.9	-5.1	-3.3	0.2	60.0	59.7	0.3
Average	59.9	86.1	2.2	61.1	84.7	2.3	-1.2	1.4	-0.1	50.1	50.0	0.0

^a The full question reads: "Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between: Claiming state benefits which you are not entitled to."

^b The full question reads: "According to you, how many of your compatriots do the following?: Claiming state benefits to which they are not entitled."

Source: EVS (1990 and 1999)

Individual responsibility

A second cause of an erosion of solidarity might be that the claims that people lay on public provisions are increasingly considered to be their own responsibility. The willingness to help someone who is visited by misfortune is usually larger than if they are thought to be responsible in some way for their situation. Someone who loses his job because his company shuts down can expect more compassion than someone who is fired because he refuses to take a refresher course as the content of his job changes. Likewise, in the case of someone who is unemployed, it makes a difference whether he tries to get back to work as soon as possible or whether he just sits and waits until a job comes along and is rather choosy about accepting a job offer. Health could be increasingly related to lifestyle. An illness or disease that is caused by unhealthy behavior – drinking, smoking, eating too much – can be considered someone's personal responsibility rather than being a misfortune that befalls them.

As sociologist Anthony Giddens (1994) has stated more generally, in modern society risks are increasingly man-made or manufactured rather than external. This might be a reason to base social insurances progressively on individual savings rather than on collective contributions, in order to stress personal responsibility.

Abuse

A third factor that might harm the support for obligatory solidarity is the belief of widespread abuse of social provisions. If many people believe that others claim benefits falsely or take advantage of public provisions, their willingness to contribute to them will crumble. In general, Europeans are strongly opposed to the misuse and fraudulent claiming of social benefits. If asked whether claiming state benefits which you are not entitled to can always be justified (score 1) or never be justified (score 10), 60 percent say it is never justified, and the average score is 2.2 (EVS 1999) (Table 9.1). At the same time, half of all Europeans think that many or almost all of their fellow citizens do abuse benefits (EVS 1999). Compared to the previous wave of EVS, which was conducted in 1990, the proportion of the population that thinks abuse of benefits can never be justified dropped slightly, while the percentage that thinks that many compatriots abuse benefits remained the same. So, although the discrepancy between the condemnation of abuse and the belief of widespread abuse might undermine the

support for the social security system, there is no indication that this discrepancy has increased during the 1990s.

Of course, one may have doubts about the comparability of these questions in different countries. However, since we are not so much interested in the differences between countries but in the discrepancy between justifiability and perception within the countries and in the changes over time, these doubts do not affect our conclusion.

Free-riding behavior

A fourth factor that might affect the readiness to contribute to public provisions is the perception that others contribute as well. A common assumption of economic theory is that people behave opportunistically. Even though people might be in favor of a welfare state, whenever they get the chance, they will shy away from contributing to it. Thus, although the respondents of surveys may say that they support the welfare state, this does not mean that they will actually pay their taxes and social contributions. This is called the problem of free-riding behavior. Monitoring and sanctioning might be necessary in order to secure everyone's contribution to the welfare state. Of course, everyone knows from their daily experience that most people do not act opportunistically all of the time. Even though people are not permanently monitored and may not be afraid of being punished, many of them are nevertheless willing to pay their taxes and contributions.

In recent years, laboratory experiments have repeatedly shown that most people are inclined towards co-operative rather than opportunistic behavior. An illustrative example is the so-called "public-good game" (see Fehr & Gächter 2000). The players of this game, who do not know each other personally and do not get in touch with each other, decide which part of a sum given by the instructor they will contribute to the common pool. At the end of each round, the sum in the common pool is multiplied by 1.6 by the instructor and then divided equally among the players. Players who act rationally and are purely self-interested would add nothing to the pool (which is what economic theory predicts). However, the players actually deposit, on average, about half of their sum in the common pool and keep the other half themselves. As a consequence, all are better off than if they would have acted in a purely selfish way, since each ends up with about a third more than their stake. What appears to be irrational behavior – at least,

from the perspective of mainstream economics – turns out to be beneficial to all and is, therefore, quite rational. Thus, the readiness of people to co-operate and contribute to a common pool happens to be rather large, even if they are not able to enter into any explicit agreement. Furthermore, these experiments show that if the game is repeated a number of times, the average stake declines with each new round. The players tend to adjust their stake to the lowest stake in the previous round. Apparently, people do not like contributing more than others if everyone benefits equally. Thus, the fact that some contribute less than others undermines the support for the public pool.

There is, however, a very effective way to counteract this erosion of co-operative behavior – at least in the laboratory experiment. If the players are given the opportunity to punish defectors – even if this is costly to them – the level of co-operation is sustained. Many players are willing to endure greater costs in order to punish the player who has contributed the least in the previous round of the game. As a consequence, the players take heed not to contribute substantially less than the other players in order to avoid being punished in the next round. This kind of behavior is called “strong reciprocity”: people reward co-operative behavior and punish opportunistic behavior, even if they have no direct interest.

From these experiments we can glean that the readiness to contribute to public provisions could erode if it is believed that many people get away with avoiding their contribution. Apart from abuse of social benefits, a perceived rise in tax evasion might also undermine public support for the welfare state. In general, people seem to condemn tax evasion somewhat less vehemently than abuse of social benefits (Table 9.2). All the same, in 1999, over half of the European people said that cheating on taxes could never be justified. This was a little more than in 1990. However, tax evasion is perceived as much more widespread than benefit abuse. Almost two-thirds of the Europeans think that many or almost all of their fellow citizens cheat on tax, a figure that remained virtually unchanged between 1990 and 1999. Once again, the discrepancy between the condemnation of tax evasion and the perceived pervasiveness of tax evasion is rather worrying, but there is no indication that this discrepancy is growing.

With respect to all four factors that might exert pressure on two-sided solidarity, it should be stressed that the perception of the behavior of other people is more important than their actual

Table 9.2 Justifiability and perception of cheating on taxes, 1990 and 1999

	Cheating on tax if you have the chance ^a									How many compatriots cheat on tax? ^b		
	1999			1990			change			1999	1990	change
	never justifiable	1-4	ave- age	never justifiable	1-4	ave- age	never justifiable	1-4	ave- age	almost all/many		
Austria	58.2	86.3	2.2	61.3	88.9	2.0	-3.2	-2.6	0.2	62.6	61.9	0.6
Belgium	37.9	62.6	3.7	37.8	61.6	3.8	0.1	0.9	-0.1	68.2	65.4	2.8
Bulgaria	66.9	88.4	2.0	63.4	85.8	2.2	3.5	2.5	-0.2	60.1	61.7	-1.6
Belarus	26.3	55.4	4.2	38.2	64.6	3.6	-11.9	-9.2	0.6	62.4	62.4	0.0
Croatia	61.2	78.3	2.5	43.3	70.6	3.2	17.9	7.8	-0.7	57.5	58.4	-0.9
Czech Republic	59.0	88.8	2.1	59.5	87.5	2.1	-0.4	1.2	-0.1	65.9	65.6	0.3
Denmark	65.6	88.3	2.0	62.8	83.2	2.3	2.8	5.1	-0.3	49.5	49.5	0.0
Estonia	39.9	71.8	3.2	48.8	75.6	2.9	-9.0	-3.8	0.3	63.5	63.5	0.0
Finland	52.9	84.3	2.5	49.9	80.3	2.7	3.0	4.0	-0.2	51.8	52.2	-0.4
France	48.4	71.0	3.1	46.9	69.8	3.2	1.4	1.2	-0.1	39.7	40.1	-0.4
Germany	57.1	85.7	2.4	51.6	81.1	2.6	5.5	4.6	-0.3	64.5	60.8	3.7
Greece	37.1	72.8	3.2	37.1	72.8	3.2	0.0	0.0	0.0	87.2	87.2	0.0
Hungary	65.6	87.5	2.1	61.2	81.3	2.5	4.4	6.2	-0.4	97.3	97.4	0.0
Iceland	57.9	86.7	2.2	56.0	82.9	2.4	1.9	3.8	-0.2	80.2	80.2	0.0
Ireland	57.4	83.1	2.3	50.3	76.0	2.8	7.2	7.1	-0.5	63.4	62.0	1.4
Italy	56.6	83.4	2.4	60.3	84.2	2.3	-3.6	-0.8	0.1	83.9	83.9	0.0
Latvia	59.8	83.4	2.4	50.1	76.1	2.9	9.6	7.3	-0.5	52.1	52.1	0.0
Lithuania	39.0	61.1	3.8	46.9	73.0	3.1	-7.9	-11.9	0.7	57.1	58.8	-1.7
Malta	80.0	94.6	1.5	81.9	93.3	1.6	-1.9	1.3	0.0	90.3	90.3	0.0
Netherlands	46.4	79.8	2.8	43.6	74.8	3.0	2.8	5.0	-0.2	48.1	48.8	-0.7
Poland	59.8	86.2	2.2	54.4	81.9	2.5	5.5	4.4	-0.3	69.2	69.0	0.1
Portugal	54.8	82.7	2.4	46.3	72.4	3.2	8.5	10.3	-0.7	71.1	71.6	-0.5
Romania	57.1	77.5	2.8	63.1	83.5	2.4	-6.0	-6.0	0.4	80.1	80.1	0.0
Russian Federation	45.6	72.1	3.1	48.8	72.9	3.0	-3.2	-0.8	0.1	68.3	67.4	0.8
Slovakia	59.4	86.3	2.2	51.9	82.5	2.5	7.5	3.9	-0.3	66.9	66.8	0.1
Spain	56.8	85.5	2.3	56.3	81.0	2.5	0.5	4.5	-0.2	32.4	32.4	0.0
Sweden	50.7	83.2	2.4	56.2	85.1	2.3	-5.4	-1.9	0.1	52.2	52.1	0.1
Turkey	92.0	98.7	1.2	91.1	98.4	1.2	0.9	0.2	0.0	88.4	88.4	0.0
Ukraine	40.6	67.3	3.4	41.3	67.3	3.4	-0.7	0.0	0.0	67.9	66.9	1.0
Great Britain	55.7	82.4	2.4	53.9	79.9	2.6	1.7	2.4	-0.2	63.9	64.2	-0.3
Northern Ireland	58.9	81.2	2.4	60.3	81.4	2.4	-1.4	-0.2	0.0	57.6	57.2	0.4
Average	54.7	80.5	2.6	53.3	78.7	2.7	1.3	1.8	-0.1	65.6	65.3	0.4

^a The full question reads: "Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between: Cheating on tax if you have the chance."

^b The full question reads: "According to you, how many of your compatriots do the following?: Cheating on tax if they have the chance."

Source: EVS (1990 and 1999)

behavior. If one thinks that the benefits of public provision are increasingly ill-balanced, if one believes that people increasingly claim support for something for which they are themselves responsible, if one is convinced that abuse and fraud of social benefits are increasingly widespread and that more and more people evade taxes and contributions, then it is very likely that one's support for the welfare state will crumble. Consequently, increasing attention paid by the mass media to these phenomena, even if they do not reflect actual changes in society, might act as a self-fulfilling prophecy and, thus, erode social support for the welfare state.

The demand for freedom of choice

A final development that might erode the support for public provisions based on two-sided solidarity is a growing demand of modern citizens for freedom of choice. It is said that, as a consequence of individualization, the preferences of present-day citizens increasingly diverge. Whereas in the past they passively accepted the one-size-fits-all provisions of the state, today they demand tailor-made provisions which suit their personal preferences and needs. If the state persists in providing uniform services, more and more citizens might turn away from public provisions and resort to the private market, which offers a much more varied supply of services. This might lead to the advance of private clinics, private schools, private surveillance, etc.

It is, however, doubtful whether this general analysis is valid and whether the public support for the welfare state requires that it increasingly accommodates individual choices. Contrary to what is often suggested, there are no clear signs of a growing heterogeneity of opinions among the population of wealthy countries, as was shown in Chapter 4. On the contrary, most people are still like herd animals – although they might choose which herd to follow – and act accordingly.

Nevertheless, even if the diversity of preferences does not grow, people might increasingly value the opportunity to make their own choices. It is rather difficult to determine whether this really is the case. Probably, the demand for freedom of choice differs strongly, depending on the kind of provision that is at stake. It is not particularly plausible that people are strongly interested in choosing their own electricity company or even their pension scheme or health insurance. A study by the Dutch Social and Cul-

tural Planning Office with respect to social insurance showed that there was only weak demand for choice options (Hoff & Vrooman 2002). As far as people had any preference for individual choice, they mainly valued the opportunity to top-up their benefits by paying extra contributions. Some 41 percent of the respondents said they preferred to pay a two percent extra contribution in order to raise their entitlement to a disability benefit from 70 to 80 percent of their previous earnings. Only eight percent preferred a two percent rebate on their contribution in exchange for a ten percent lower disability benefit.

In general, most people seem to prefer security before anything else. They would rather have the state safeguarding an adequate level of social provisions than have to provide for it themselves. As far as social benefits and public services are concerned, present-day citizens do not resemble the proverbial consumer, who prefers to pick and choose from the displayed “articles” the social insurances and services that meet their personal tastes best.

9.6 Is the support for one-sided solidarity crumbling?

In the previous section we assumed that modern, individualized citizens are primarily concerned with their own self-interest and support public provisions only as far as they benefit themselves. Evidently, this is a biased image of the average citizen of today. It suffices to take a look around and notice that in many situations people do not simply pursue their (direct) self-interest but act out of concern for others. Millions of people donate blood, many more look after needy relatives or are engaged in voluntary work, billions of euros are donated to charities. The point is not whether these acts can be truly called altruism. It is not hard to argue that, in the end, these acts also stem from self-interest. Whoever donates blood might consider the possibility of needing blood himself someday, a volunteer might hope for new experiences or might want to enrich his résumé, a gift to a charity might give you a warm glow, etc. However, ultimately, it is actual behavior that is most relevant, not the “true” motive. An act of solidarity that is motivated by enlightened self-interest is of more use to others or to society than an eloquent expression of solidarity that is not translated into actual behavior. What really matters is that many people are prepared to help others without getting some-

thing back and without expecting that they will be repaid. This one-sided solidarity is contrary to the dominant image of the calculating, selfish citizen. Of course, many modern citizens sometimes do calculate and act selfishly. But most people show a much more varied pattern of behavior, including both selfish acts and acting out of concern for others. Consequently, it is wrong to state that in modern society solidarity can only persist if it is primarily based on enlightened self-interest (cf. Chapter 3). It is, however, equally wrong to believe that an unlimited appeal to people can be made to show solidarity without ever getting something back. One-sided solidarity presupposes commitment with the recipients of solidarity, the acknowledgement that they are members of the same community. In Chapter 5 we discussed three factors that determine the community spirit that is essential for one-sided solidarity, *viz.* affection, tradition and identification. We will now discuss whether these three factors might be weakening.

Is community spirit declining?

As a consequence of individualization, the importance of traditions decreases. “Heavy communities”, strongly based on tradition, are gradually replaced by “light communities”, the membership of which is a free choice. If individualization means that free choice becomes more important, the role of traditions as the glue of society might lose its strength.

The impact of individualization on affection and identification is more ambiguous. Probably, affection will remain an important source of solidarity within small communities, especially within the family. Indeed, affection might even become more important if, for example, a marriage bond is a matter of free choice rather than being arranged by the family. Nevertheless, the decision to join a group – whether it’s a circle of friends or an association – might increasingly depend on one’s personal interest. Moreover, these bonds might become less enduring.

If individualization results in a larger heterogeneity of opinions and attitudes, it might become harder to identify with others who do not share your values and norms. This might be worsened if one believes that those deviating opinions and attitudes are someone’s free choice. However, individualization facilitates identification with kindred souls outside your own group. Most likely, individualization will not so much result in less or more identification, but in identification with different people than before. This

Table 9.3 Concerns of European citizens (percentage of population much or very much concerned about...)^a, 1999

	Your immediate family	People in your neighborhood	The people of the region you live in	Your fellow countrymen	Elderly people in your country	Unemployed people in your country	Sick and disabled people in your country	Immigrants in your country	Euro-peans	Human kind
Austria	75.9	26.6	14.9	16.0	48.9	32.2	49.3	15.8	8.1	17.1
Belgium	92.7	35.9	16.7	13.7	58.2	32.1	51.3	15.5	8.9	22.2
Bulgaria	96.8	30.8	20.6	30.4	70.2	57.5	60.2	9.1	12.5	24.4
Belarus	96.3	38.0	35.9	50.6	51.0	27.4	35.3	9.4	31.0	34.4
Croatia	72.7	36.8	32.6	34.7	67.6	68.7	68.6	20.2	16.2	33.8
Czech Republic	30.0	11.6	11.6	17.4	47.4	43.5	64.5	13.1	10.7	28.7
Denmark	34.3	10.6	8.3	11.7	53.1	24.2	53.6	15.2	9.8	36.2
Estonia	88.1	22.3	11.7	13.0	47.5	38.1	41.8	11.2	4.9	12.6
Finland	34.0	7.5	8.6	15.0	61.9	47.4	56.3	15.3	7.1	36.3
France	88.5	31.5	17.4	18.5	66.6	54.3	60.5	26.8	13.6	23.7
Germany	97.7	54.7	33.1	30.4	64.4	34.2	52.6	21.9	18.4	22.8
Greece	96.4	26.0	19.6	31.3	67.9	52.5	68.6	26.8	12.3	45.8
Hungary	96.7	24.2	13.0	20.0	57.0	29.7	46.1	5.3	9.3	22.6
Iceland	92.9	24.7	17.5	26.7	62.3	35.5	64.8	20.6	12.9	20.3
Ireland	81.1	52.2	37.5	35.2	80.5	49.7	79.2	28.3	20.0	35.0
Italy	83.2	25.2	19.6	24.8	75.7	60.4	73.5	34.6	17.7	28.7
Latvia	86.4	9.8	8.2	9.6	38.1	22.5	33.5	5.3	3.3	9.2
Lithuania	98.7	23.4	19.4	32.1	76.3	63.1	63.7	7.4	11.3	16.4
Malta	96.4	43.7	33.0	39.6	79.5	46.4	79.4	21.4	26.8	35.8
Netherlands	94.3	33.9	8.4	11.0	52.7	20.7	49.6	15.5	5.9	32.7
Poland	94.5	36.8	19.9	29.5	72.4	50.6	64.6	8.7	12.0	13.8
Portugal	94.5	31.3	23.8	31.7	83.1	48.7	73.3	24.3	17.7	39.6
Romania	89.0	27.3	34.1	44.0	66.8	57.8	65.0	19.5	17.1	19.9
Russian Federation	87.4	14.8	16.3	20.5	70.3	52.5	62.4	11.0	6.0	18.7
Slovakia	88.7	47.1	33.5	29.3	68.8	49.3	61.1	11.6	15.7	19.9
Spain	92.1	41.8	30.4	27.9	63.3	52.8	51.8	30.7	17.5	35.1
Sweden	97.5	28.3	18.7	28.4	67.5	35.9	60.4	29.7	16.2	33.9
Ukraine	95.8	20.9	21.2	23.8	72.2	59.2	64.6	8.5	6.3	18.2
Great Britain	71.5	31.7	22.7	20.6	69.8	33.4	64.4	14.6	9.8	29.2
Northern Ireland	73.8	39.9	26.2	23.0	68.9	32.8	60.8	17.6	12.7	24.8
Average	83.9	29.6	21.1	25.3	64.3	43.8	59.4	17.2	13.1	26.4

^a The full question reads: "To what extent do you feel concerned about the living conditions of ...?"

Source: EVS (1999)

implies that the group that one is committed to and to which one wants to show solidarity changes. In itself, this is no threat to soli-

darity, but it might mean that the form of solidarity or the way it is organized has to change. However, it is important to note that the empirical evidence we presented in Chapter 4 does not show much of an individualization trend yet, so the reasoning above might not be particularly relevant for the current situation.

Regarding the sustainability of the (national) welfare state, the most important source of one-sided solidarity is probably identification with your fellow-citizens. Some indication for this can be derived from the 1999 wave of the European Values Survey. In this survey the respondents were asked whether they felt concerned about the living conditions of various groups of people. Table 9.3 shows the results. Unsurprisingly, Europeans are most concerned about their immediate family. Although most of the respondents are not much concerned about their fellow countrymen in general, they do feel concerned about elderly people and sick and disabled people in their country and, to a somewhat lesser extent, about unemployed countrymen. These figures suggest that people do indeed identify with fellow citizens who are in need. The share of Europeans that feel concerned about immigrants in their country is rather small, although it should be noted that this is partly caused by the very small percentages in most Central and East European countries. Nevertheless, it is clear from Table 9.3 that most Europeans do not strongly identify with immigrants. This might mean that the public support for social provisions from which mainly immigrants benefit is rather weak. Unfortunately, these questions were not asked in previous waves of the EVS, so we do not know whether the concern about the different groups has changed over time.

Abuse and free-riding behavior

Of the four factors mentioned in the previous section that might erode two-sided solidarity, the last three are also relevant for one-sided solidarity (the first one actually means that two-sided solidarity increasingly becomes one-sided solidarity).

The belief that the recipient of one-sided solidarity does not claim support unjustly might be even more important than in the case of two-sided solidarity, since the beneficiary did not contribute much himself. This makes it essential that the recipient is really in need, is not able to cope himself and tries to limit his claims as much as possible.

Table 9.4 Opinion on job taking of the unemployed^a

	1999		1990		change	
	1-5 ^b	average ^c	1-5 ^b	average ^c	1-5 ^b	average ^c
Austria	75.8	3.9	77.6	3.7	-1.7	0.2
Belgium	59.8	4.9	61.4	4.8	-1.6	0.1
Bulgaria	57.1	5.2	44.2	6.0	12.9	-0.8
Belarus	49.9	5.8	49.9	5.8	0.0	0.0
Croatia	63.7	4.7	60.5	4.9	3.2	-0.2
Czech Republic	63.8	4.7	64.2	4.7	-0.4	0.0
Denmark	62.3	4.9	63.6	4.7	-1.4	0.2
Estonia	36.7	6.4	34.6	6.6	2.0	-0.2
Finland	58.2	5.1	66.1	4.6	-7.9	0.5
France	66.8	4.5	67.9	4.5	-1.1	0.1
Germany	71.7	4.1	64.2	4.7	7.5	-0.6
Greece	50.9	5.5	50.9	5.5	0.0	0.0
Hungary	69.5	4.3	61.3	4.8	8.2	-0.5
Iceland	62.6	4.7	66.6	4.4	-4.0	0.3
Ireland	49.6	5.6	51.9	5.4	-2.3	0.2
Italy	80.7	3.4	78.5	3.6	2.2	-0.2
Latvia	48.8	5.6	38.1	6.4	10.6	-0.7
Lithuania	52.3	5.4	51.0	5.6	1.4	-0.2
Malta	52.6	5.3	50.3	5.4	2.4	-0.1
Netherlands	53.3	5.2	56.3	5.1	-3.0	0.1
Poland	68.4	4.4	62.6	4.7	5.8	-0.3
Portugal	63.1	4.6	65.7	4.6	-2.6	0.1
Romania	55.7	5.0	53.4	5.3	2.3	-0.3
Russian Federation	43.1	6.1	47.6	5.8	-4.5	0.3
Slovakia	64.9	4.7	58.7	5.1	6.3	-0.4
Spain	70.5	4.4	65.8	4.6	4.8	-0.2
Sweden	78.0	3.9	76.5	3.9	1.5	0.0
Ukraine	42.3	6.3	42.0	6.3	0.4	0.0
Great Britain	61.9	4.9	55.7	5.3	6.3	-0.4
Northern Ireland	60.9	5.2	59.4	5.2	1.5	-0.1
Average	59.8	5.0	58.2	5.1	1.6	-0.1

^a The full question reads: "Now I'd like you to tell me your views on various issues. How would you place your views on this scale?:"

1	2	3	4	5	6	7	8	9	10
People who are unemployed should have to take any job available or else lose their unemployment benefits.						People who are unemployed should have the right to refuse a job they do not want.			

^b Percentage of the population that gives a score from 1 to 5.

^c Average score.

Source: EVS (1990 and 1999)

Throughout the ages, attempts have been made to distinguish the deserving poor from the undeserving poor. Whoever is dependent on the help of others is easily suspected of laziness and scrounging. In the past, just to remove any doubts about the true causes of neediness, the poor and destitute were often requested to do something in return for poverty relief: in former centuries they were set to work in bridge wells, these days they are sometimes employed in subsidized community jobs. Recently, the policy of “workfare” or “work first” has become rather popular, meaning that the needy only get a social benefit if they are prepared to take any job that is offered to them. Although these policies are generally justified with the argument that they foster the re-employment of the beneficiaries, probably another, tacit argument is that these kinds of measures meet the wishes of the population and, thus, foster public support for social benefits. Even though the benefit recipients are not able to repay their benefit fully, they should contribute as much as possible in order to show the taxpayers that their solidarity is to some extent repaid by the recipients and is thus based on reciprocity.

Figures from the European Values Survey 1999 show that a majority of the European population says that the unemployed should have to take any job available or else lose their unemployment benefits, although most people choose a middle position between the requirement to accept any job and the right to refuse a job (Table 9.4). Compared to 1990, the demands on the unemployed beneficiaries had slightly increased. These figures suggest that the requirement of the unemployed to accept any job will probably reinforce the public support for the social benefit system.

With respect to the same point, it is also of interest to find out why the population thinks that there are people in their country who live in need. About half of the Europeans believe that people are in need because of injustices in their society or because they are unlucky (Table 9.5). The other half thinks it is because people in need are lazy and lack willpower or that it is an inevitable part of modern progress. To phrase it differently, half of the European population believes that those who are dependent on one-sided solidarity are not to be blamed, but are the victim of unfavorable circumstances. Only about a quarter thinks that those people are really themselves to be blamed for being in need. This suggests that there is considerable support for one-sided solidarity.

Table 9.5 Why are there people who live in need?^a (most important reason by percentage of population), 1999

	Because of injustice in our society	Because they are unlucky	It's an inevitable part of modern progress	Because of laziness and lack of willpower
Austria	22.3	12.9	25.3	31.9
Belgium	35.6	26.6	19.8	16.0
Bulgaria	49.2	9.6	20.4	15.6
Belarus	45.9	8.0	19.3	21.3
Croatia	68.9	4.3	13.9	11.4
Czech Republic	19.2	15.4	17.6	42.4
Denmark	17.0	19.3	33.9	17.2
Estonia	41.1	10.9	30.2	15.3
Finland	24.0	14.8	35.9	22.0
France	44.2	14.8	26.7	11.5
Germany	44.6	11.4	16.9	24.0
Greece	24.0	10.6	40.6	22.6
Hungary	38.7	11.7	18.9	27.7
Iceland	29.5	20.8	24.2	22.3
Ireland	33.4	22.3	19.4	21.7
Italy	37.7	19.5	15.6	23.0
Latvia	32.4	11.7	23.9	29.1
Lithuania	50.1	14.1	25.2	9.6
Malta	23.7	12.4	11.7	50.6
Netherlands	25.9	33.6	18.1	13.6
Poland	50.2	6.5	19.0	22.6
Portugal	23.7	21.2	12.0	40.9
Romania	43.3	11.3	13.1	30.0
Russian Federation	22.9	10.3	43.3	22.4
Slovakia	37.6	11.0	11.3	31.3
Spain	48.4	19.8	10.4	19.6
Sweden	49.3	10.8	32.5	7.5
Ukraine	26.0	13.5	40.4	17.1
Great Britain	31.7	15.8	23.1	25.1
Northern Ireland	26.5	17.4	24.3	29.1
Average	35.6	14.7	22.9	23.1

^a The full question reads: "Why are there people in this country who live in need? Here are four possible reasons. Which one reason do you consider to be most important?"

Source: EVS (1999)

Just as with two-sided solidarity, it is important that people are confident that others will contribute to one-sided solidarity, too. If one believes they are disproportionately burdened, for instance because others shun their contribution (free-riding behavior), this

might severely hurt their willingness to contribute. While it is often possible to exclude free-riders from benefiting from public services in the case of two-sided solidarity (e.g. someone who does not pay contributions for a social insurance scheme is not entitled to a disability or unemployment benefit), this is not a practicable solution in the case of one-sided solidarity, since most of the recipients are simply not able to contribute. Thus, an evenly distributed tax-burden and strict enforcement of social duties is perhaps even more important to sustain one-sided solidarity than it is with respect to two-sided solidarity.

In short, it is not so much individualization as such that erodes the conditions for one-sided solidarity, but the image that it evokes of the behavior of one's fellow citizens. If the trust in others declines, if people no longer believe that the recipients of solidarity (benefit claimants, in particular) are willing to do something in return and that their fellow countrymen will make their contribution, then the readiness to show one-sided solidarity might crumble, even though people's actual behavior does not change.

9.7 You ain't seen nothin' yet?

The fact that our research did not show strong effects of globalization on the welfare state and on the solidarity that constitutes its foundation does not necessarily imply that it will stay like this in the future. For at least four reasons a continuing process of globalization might have unfavorable effects in the future which have not yet materialized.

First, it is often claimed that we are only facing the beginning of the globalization process or that globalization may enter a new, more radical phase. A well-known representative of this view is Thomas Friedman who, in his best-selling book *The World is Flat* (2005), depicts the radical changes that still lie ahead of us. Whereas the previous phase of globalization primarily involved regionalization, i.e. the intensification of the economic relations within and between the so-called Triad of the European Union, NAFTA (North American Free Trade Association) and East Asia, the rise of new economic superpowers such as China and India will thoroughly reshuffle global relations. To date, the developed welfare states of Europe mainly experienced the competition of other prosperous countries, most of which have quite expensive

social protection systems, too. But in the future, competition might increasingly come from low-wage countries which have hardly any social protection at all and are, thus, able to produce much more cheaply. This might result in social dumping.

Another international development that might exert pressure on generous welfare states is the growing influence of shareholder activism. Private equity funds and hedge funds that go for the highest return on investment might shun the companies in generous welfare states that are burdened by high tax rates and social contributions. Consequently, these welfare states might face a fall in investments and lower economic growth unless they create a more favorable tax environment. The consequence might be a race to the bottom regarding tax rates, as seems already to be happening with respect to corporate taxes in the EU. To compensate for these tax reductions, public provisions will have to be curtailed, too.

Secondly, the current migration flows might only be the forerunner of much larger flows of laborers and fortune-hunters that will swarm around the world in the near future. The African people that cross the sea to Fort Europe in ramshackle boats might be the heralds of the immense masses that will flee their poor home countries to try their luck elsewhere. Irrespective of whether they will come as legal guest workers or as illegal immigrants, they will exert pressure on the rich welfare states, since they are prepared to work for much lower wages than the incumbent workers and will, thus, erode employment conditions in the host country. The longer these immigrants stay in the host country, the harder it becomes, both legally and practically, to exclude them from the provisions of the welfare state. This will make the welfare state more expensive on the one hand and, on the other hand, will undermine the public support for the welfare state among the native population (see Table 9.3).

Thirdly, the process of European integration can also put pressure on the welfare state. In contrast to the first two developments, this is not something just happening to us but something which we have deliberately chosen. Of course, European integration is not meant to harm the sustainability of welfare states. On the contrary, in the past ten years the European Union has taken a number of initiatives to sustain the European social model. Through the so-called Open Method of Co-ordination (OMC), the EU has implemented programmes in the fields of employment,

social exclusion, pensions and health care. However, since Communitarian monetary and economic policies are much more stringent and demanding, there is a real danger that member states accommodate their social protection systems in order to comply with budgetary demands. Economic integration may stimulate policy competition between member states, which increases the emphasis on financial and economic issues at the cost of social issues. The cuts of corporate tax rates, mentioned above, might be an example of this. A further reduction of barriers for international trade in services, as intended by the so-called Services Directive, might have (unintended) consequences for national welfare states as public services become increasingly subject to international competition. The enlargement of the EU with Central and Eastern European member states, which have much lower labor costs and often less generous welfare states, could increase the pressures on social protection in the old member states even further.

Finally, the future impact of globalization on the welfare state might simply be larger because we attach greater importance to it. In other words, the belief that globalization threatens the sustainability of the welfare state might become a self-fulfilling prophecy. As we observed in Chapter 7, globalization appears to be an important rhetorical argument for reforming the welfare state. Politicians who want to reform the welfare state for ideological reasons might prefer, considering the likely electoral consequences, to state that globalization forces them to reduce public expenditure. If the voters are convinced by this argument, even though they prefer to leave the welfare state intact, globalization might indeed be accompanied by increasing austerity. If this happens first in those countries that are most open to globalization, this will result in a negative relationship between openness and welfare state generosity. Thus, this finding would be grist to the mill of those politicians who prefer to cut back on public spending!

It is not easy to assess the weight of these four arguments for an increasingly unfavorable impact of globalization on the welfare state. Since the arguments are mainly based on speculations about the future development of globalization, it is hard to say whether the expectations are realistic. However, recalling the past, prudence is called for. The current prospects of the future developments of China and India resemble the expectations of the 1970s and 1980s with respect to Japan. At the time, Japan was expected

to keep on growing and surpass the United States as the world's largest economy before very long. But then a long-lasting recession set in, and Japan became just a prosperous country like most European countries and was no longer considered to be a threat. Likewise, expectations of huge numbers of immigrants coming to the generous welfare states of Europe that have been uttered frequently in the past have not materialized, yet. And although there has been a lot of talking about social dumping and a race to the bottom in the past ten years, to date no downward convergence of social expenditures in the EU has occurred.

9.8 Conclusion

The reports of the death of the welfare state are greatly exaggerated, to paraphrase the famous quote of Mark Twain. Neither our own research nor many studies by others, which we discuss in this book, justify the general statement that the sustainability of the welfare state is endangered by the processes of individualization and globalization. Individualization is a much less clear-cut phenomenon than is generally believed and need not undermine solidarity. In a globalizing world many generous welfare states turn out to hold their own remarkably well. In the more open countries, the commitment of citizens to their fellow countrymen does not crumble, contrary to expectations.

From these hopeful conclusions it does not follow that nothing changes and that the welfare state can remain just as it is. Although there is no general decline of solidarity, the nature of solidarity is changing. Our research points to a slight shift of the balance from one-sided to two-sided solidarity and from national to local solidarity. Though individualized persons do not show less solidarity than traditional persons, they seem to be more inclined to two-sided solidarity rather than one-sided solidarity. Increasing openness of countries appears to go hand-in-hand with a preference of the population for informal solidarity of the local community instead of state solidarity. What the consequences of these trends might be for the design and organization of the welfare state is the subject of the final chapter of this book.

10 Between community care and European welfare state

Policy alternatives for the national welfare state

Although the analyses in the preceding chapters do not add fuel to the belief that individualization and globalization render the welfare state unsustainable in the long run, they nevertheless point to some weaknesses of many present welfare states. These weaknesses relate mainly to the balance between one-sided and two-sided solidarity and to the strong focus of contemporary welfare states on the national level. This final chapter discusses some policy options that address these weaknesses. However, neither theoretical considerations nor empirical results are conclusive with respect to the direction these changes should take. On the one hand, there is a case in point for shifting the balance of the welfare state to two-sided solidarity, in order to foster the support of the middle-classes. On the other hand, there may be good reasons to restrict public provisions to one-sided solidarity, too, in order to reduce public expenditures. The simultaneous processes of globalization and localization could be an argument for shifting the main provider of welfare services to the supranational level (e.g. the European Union), but also to the local level (e.g. the municipality).

In this chapter we discuss the pros and cons of the various options that national governments can choose from. These options arise from the combination of the two dimensions we just mentioned: one-sided versus two-sided solidarity and supranational versus local provisions of social services. First, we discuss three options for national welfare states based on the particular mix of one-sided and two-sided solidarity. These options correspond with the well-known welfare regime types of Esping-Andersen. Next, we consider the options of scaling down the welfare state to the local level and scaling it up to the supranational level, respectively. We conclude that there is not one best option for the welfare state,

but that a combination of scaling down and scaling up might offer the most attractive prospects.

10.1 Nine options for the welfare state

Much of the recent comparative literature on the welfare state is about differences and similarities between welfare states. In the wake of Gøsta Esping-Andersen's seminal *The Three Worlds of Welfare Capitalism* (1990), numerous papers have been written about the best way to classify welfare states. Most of the criticism of Esping-Andersen's typology of social-democratic, conservative-corporatistic and liberal welfare regimes stems from the observation that some existing welfare states do not fit in his ideal types. The classification of welfare states we present in this chapter serves a different purpose. We do not want to classify existing welfare states but give a theoretical typology of welfare states that might serve as a target for welfare state reform. Of course, depending on the current shape of the welfare state, some options might be closer, while others are further away. Thus, not every option might be a real alternative for each kind of welfare state that currently exists. In the vein of this book, the basic criterion in distinguishing welfare state types will be the kind of solidarity that the welfare state embodies. We utilize two distinctions we made in Chapter 2 with respect to solidarity, *viz.* the extent of reciprocity, i.e. one-sided versus two-sided solidarity, and the scope of solidarity, i.e. the size of the group covered by the welfare state. Since we also distinguish a middle position along both dimensions, and include combinations of the two dimensions this leaves us with nine possible types of welfare states, which are summarized in Scheme 1.

Scheme 1 Options for the welfare state

Extent of reciprocity: Scope:	One-sided solidarity	One-sided and two-sided solidarity	Two-sided solidarity
Local	Community care	Welfare city	Direct-benefit principle
National	Liberal welfare state	Social-democratic welfare state	Conservative welfare state
Supranational	European night watchman state	Broad European welfare state	Supranational risk-pool- ing

If we move along the dimension of reciprocity at the national level, we come across the three welfare regime types of Esping-Andersen. The liberal welfare state represents a national welfare state that is primarily based on one-sided solidarity, the conservative (Bismarckian) welfare state represents a national welfare state based on two-sided solidarity, and the social-democratic welfare state includes both kinds of solidarity. Along the vertical axis we distinguish the current national welfare state from the alternatives of a locally organized welfare state – or, rather, welfare city – and a supranational, supposedly European, welfare state. Depending on the extent of solidarity, both a local and a supranational welfare state can take different shapes, which are indicated in the second row and the bottom row of Scheme 1.

In the next sections we discuss the main advantages and drawbacks of each kind of welfare state. We base these assessments as much as possible on the theoretical and empirical analyses in this book. Thus, we will focus primarily on the viability of the various welfare state types in the light of individualization and globalization.

Before starting, it should be noted that a preference for a particular kind of welfare state need not concern the whole welfare state, but might be limited to particular welfare state programmes. For instance, it is conceivable to favor a supranational organization of social insurances, such as unemployment or disability benefits, and prefer a local organization of social assistance and child care at the same time.

10.2 A liberal welfare state based on one-sided solidarity

For those who fear that the welfare state may not be affordable in the long run, a reduction of welfare services to those who are really in need seems the most logical option. Actually, this amounts to limiting the welfare state to one-sided solidarity, since it means that one draws a strict dividing-line between those who contribute to the welfare state and those who benefit from it. This way, the circulation of public funds within the same group of people is prevented, which makes the welfare state needlessly expensive. Estimates for Denmark, for example, suggest that three-quarters of the income transfers via the welfare state end up with the

same people that contributed to them (Sørensen et al. 2006). In other words, only one in every four euros (or *kroner*, for that matter) transferred by the welfare state actually boils down to a redistribution of income between persons, the other three euros are a kind of intrapersonal redistribution over time. An average citizen pays most or all of their old age pension, their health care expenses and the costs of education for their children. By canceling out these intrapersonal contributions and benefits, public social protection expenditures could be reduced by more than half and, consequently, taxes and contributions could be cut considerably. The remaining welfare provisions will then primarily be transfers based on one-sided solidarity, such as social assistance and means-tested subsidies for education, health care and housing. Social insurances, which are for the most part based on two-sided solidarity, such as unemployment benefits and disability benefits, are thus considered an individual responsibility that can be left to the free market. The outcome will be a liberal, residual welfare state that concentrates on poverty relief by providing services at a subsistence level only.

The main advantage of such a liberal welfare state is that its costs are modest and, as a result, its tax rates are rather low. This welfare state seems, thus, well-prepared for the competition with other European countries and with low-wage countries, such as China and India. However, the other side of the coin is that a liberal welfare state, since it is almost exclusively based on one-sided solidarity, appeals strongly on affective motives for solidarity instead of on calculating, self-interested motives of the contributors. As we explained in Chapter 5, such affective motives for one-sided solidarity presuppose a strong (national) community spirit. In the absence of this community spirit, citizens would not be prepared to contribute to social services which they will probably never benefit from themselves. In modern societies, this community spirit depends principally on identification with fellow citizens.

A common fear is that the processes of individualization and globalization hamper this identification with fellow countrymen, but, in Chapters 5 and 8, we did not find empirical support for the hypotheses that either individualization or globalization undermines the willingness to contribute to one-sided solidarity. Nevertheless, international comparisons show that residual welfare states with a strong focus on poor relief, such as the United States and the United Kingdom, offer less protection to their least-

advantaged citizens than more comprehensive welfare states, such as the Nordic countries. For instance, poverty rates are much higher in the USA and the UK than in Sweden and Denmark. This suggests that a strong focus on one-sided solidarity might ultimately erode the public support for this kind of solidarity (cf. Skocpol 1995; van Oorschot 2007).

Of course, two-sided solidarity need not be absent in a liberal welfare state that only embodies one-sided solidarity, but it will be organized outside the welfare state. Two-sided solidarity may take, partly, the form of informal solidarity, such as friendly services in return, but the greater part will probably be organized through private companies operating on the free market. For instance, private insurances might replace obligatory social insurances. Only if these private insurances are more efficient and, thus, less costly than social insurances, or if people prefer less insurance coverage than a more comprehensive welfare state would provide, will the private provision of insurance be cheaper for the average citizen. If these conditions are not met, the relatively low tax rates of a liberal welfare state will only be a seeming advantage, since citizens will have to pay more for their private insurances and provisions.

10.3 A conservative welfare state based on two-sided solidarity

A typical conservative welfare state in Esping-Andersen's typology rests on the principle of two-sided solidarity. It focuses on the interests of middle-class people who want to insure themselves against the risks of modern capitalist society, such as sickness, disability, unemployment and old age. Social insurances, which balance contributions and receipts, are the main social provision of such a welfare state. But it might also include provisions in kind from which large groups benefit, such as education, health care and childcare facilities.

The main advantage of such a conservative welfare state is, of course, that it does not appeal to affective motives, like community spirit or altruism, but is simply based on enlightened self-interest. It thus appears not to be vulnerable to the consequences of individualization and globalization. The most apparent drawback is that a conservative welfare state does not have much to

offer to the weak and least-advantaged groups in society. It will result in a deep cleft between the insiders, who are well provided for, and the outsiders, who are hardly supported by the welfare state at all. Moreover, to protect the interests of the insiders, the outsiders will probably be kept out as much as possible, and only those who are expected to be net-contributors to the welfare state will be let in.

Although a welfare state based on two-sided solidarity may get strong support from the middle classes, it also runs the risk of gradually eroding its own foundation. This is caused by the problem of adverse selection. If solidarity is based on weighing the costs and benefits, people who know that they run a lower risk than the average citizen have an interest in withdrawing from the collective insurance. If they are not able to do that, since social insurances are mandatory, they will support any proposal to cut back benefit levels. The more information that is available about individual risks, the stronger the incentive will be for these groups to withdraw from the public system. This incentive will be even stronger if the welfare state also provides services that are targeted at particular groups. For instance, childcare facilities and educational subsidies will only be supported by those who (expect to) benefit from them, *viz.* (future) parents. Theoretically, a package of social services might be put together that offers a reasonable balance of benefits and contributions to almost every citizen and might, thus, get sufficient public support. But even then, most people will have an interest in taking out those elements of that package which they do not ever expect to utilize. Ultimately, a welfare state that is principally based on two-sided solidarity may end up being a lean and mean welfare state, which is limited to the provision of a few basic insurances, such as sickness, disability and old age benefits.

10.4 A social-democratic welfare state based on both one-sided and two-sided solidarity

Since most people seem to be motivated both by affective and by calculating motives, a welfare state that appeals to one-sided and two-sided solidarity simultaneously might get the strongest support from the people at large. This appears to be confirmed by the favorable experiences of the social-democratic Nordic welfare

states. These welfare states offer both a high standard of public services to the middle classes and decent support to the least advantaged groups in society, resulting in low poverty rates, relatively small income disparities and a high quality of life in general. Evidently, the people in the Nordic countries have to pay a high price for their comprehensive welfare state: tax rates are among the highest in the world. This raises the question of whether such welfare states will be sustainable in the long run. In the sociological and economic literature, the long-term sustainability of the Scandinavian welfare states is still a subject of much debate. Many economists are convinced that a high tax burden will inevitably hurt economic progress, while many sociologists point to the favorable social returns of an encompassing welfare state (cf. Lindbeck 1997 and Esping-Andersen 1990). Our research has shown that there is no reason to fear that the processes of globalization will render the social-democratic welfare state untenable (Chapter 7). However, we did find that in a more open economy, the public support shifts slightly from state-organized solidarity towards informal, communal solidarity (Chapter 8). Thus, the weight of the social-democratic welfare state may ultimately have to move to a lower level of organization (see Section 10.5 below).

The process of individualization may put pressure on the social-democratic welfare state if the balance between one-sided and two-sided solidarity is perceived as tilting over to the side of one-sided solidarity. If the knowledge about individual differences in risks grows, if people perceive risks increasingly as being caused by individual choices, if people more often distrust each other, then for many the balance between individual costs and benefits might seem to be disturbed. Although we did not find empirical indications that this is already happening, it might be very hard to maintain the delicate balance between one-sided and two-sided solidarity in the long run.

10.5 A local welfare state

There are several reasons why a welfare state that is organized at a lower level than the national state might promote public support. In general, community spirit appears to be stronger in local communities than in national communities, since local communities are usually more homogeneous, making identification with other

members of the community easier. Moreover, in small communities, counting no more than a few hundred members, such as a neighborhood, a company or a sports club, personal contact between the members may foster affective ties and facilitate control of individual behavior. All these factors may contribute to the support for one-sided solidarity.

According to the European Values Survey of 1999, 56 percent of European citizens say they belong first of all to their locality, town or region, and only 31 percent say to their nation. These figures suggest that people feel more attached to their local community than to the national community. Thus, there might be a viable alternative for the national welfare state in organizing one-sided solidarity at the local level, which we may call *community care*.

The willingness to show two-sided solidarity could also be strengthened by organizing it on a smaller scale than the national level. Once again, the fact that a smaller community is often more homogeneous is a crucial factor. If one restricts a (social) insurance scheme to persons sharing similar risks and preferences, the odds are much smaller that particular groups will benefit disproportionately than in the case of a nationally organized insurance scheme. Within a homogeneous group the emphasis lies on chance solidarity rather than on risk solidarity (based on differences in risk), meaning that everyone has about the same chance of benefiting from the insurance. Another advantage of a small group is that often more information is at hand about individual behavior, making it easier to prevent opportunistic behavior and abuse.

While the local community, such as a neighborhood or a small town, may be quite suitable to organize one-sided solidarity, two-sided solidarity is probably better organized at the level of a large company or an industry. Employees of the same company or industry often have a lot of characteristics in common and run similar risks, which makes it a matter of enlightened self-interest to pool these risks. This might be called the *direct-benefit principle*: those who benefit from a particular social provision contribute to it. For example, metalworkers or civil servants might organize their own sickness, disability and unemployment insurances and pension schemes. In fact, in many countries such occupational schemes already exist as a supplement to mandatory national social insurances. If the balance of costs and benefits is well-preserved in each homogeneous group, people will have a strong in-

centive to support those occupational schemes. One could also imagine other groups organizing their own social provisions on the basis of common interests. For example, young parents may organize their own day-care centers, retired people may collectively finance their own rest homes, etc.

Although organizing two-sided solidarity at a smaller scale may strengthen its internal support, the flip side is, of course, that it nullifies solidarity between groups. In the above examples, there will be no solidarity between employees in different industries whose risks may differ, or between younger and older people. This can have two undesirable consequences. First, people whose risks are above average might find it hard to get access to a group, because they will be considered to be net-profiteers. For example, a company may decide not to hire employees that belong to a high-risk group, such as handicapped or chronically ill people, if it is fully responsible for paying sickness benefits. Second, groups that are homogeneous with respect to risk may not be able to spread their risks sufficiently. This may be caused by so-called interdependent risks. For instance, a cyclical downturn may cause many employees in the same industry to become unemployed simultaneously, making it very hard to finance an unemployment insurance scheme. For that reason, a more heterogeneous group has the advantage of making it easier to spread these risks.

In combining one-sided solidarity and two-sided solidarity at a local level, one would end up with a *welfare city* instead of a welfare state. This might be an attractive alternative for the same reasons that organizing one-sided solidarity (community care) and two-sided solidarity (direct-benefit principle) at the local level can be attractive. However, since the optimal group in organizing one-sided solidarity may differ from the optimal group in organizing two-sided solidarity – and the last may differ between different kinds of two-sided solidarity – it will not be easy to reap all the benefits of organization at a smaller scale in a welfare city. The citizens of a city may be homogeneous in one respect, for example language (dialect) or religion, but may differ strongly in another respect, for example occupation and industry. Thus, it might not be wise to organize both social assistance and unemployment and disability insurance at the level of the municipality. On the other hand, a metropolitan area, which might be the size of a small nation-state, may be sufficiently large to organize all aspects of a welfare state, but will generally not have the advantage of a homoge-

neous population. Although the nation-state is not by definition the optimal scale to organize a broad, social-democratic welfare state – unless its population is rather homogeneous – it is not clear what the optimal scale would be.

10.6 A supranational welfare state

If national borders gradually lose their salience and national states gradually become part of a global – or at least European – economy, then a natural thought is to organize the welfare state at a higher, supranational level, too. Though the idea of a European welfare state, which includes income transfers between the citizens of different member states, has been put forward once or twice, it is considered to be a viable and realistic alternative for the national welfare state by very few people. There are a number of reasons for this.

A practical reason is, first, that the differences between the institutions of the current national welfare states in Europe are so large that it is hardly imaginable how they could be merged into one overarching European welfare state. A more fundamental reason is that most preconditions, discussed in Chapter 5, for one-sided and two-sided solidarity are not met at the European level. A European welfare state that is limited to one-sided solidarity, i.e. a *European night watchman state*, might not seem a utopian idea at first sight, since the principle that the rich member states contribute more to the European Union than the poorer member states was recognized a long time ago. Since 1988 the contributions of the member states to the EU are mainly dependent on their gross domestic product (GDP). However, this only refers to one-sided solidarity between member states. There are no direct payments of the EU to individual citizens of member states. In view of the conditions that have to be met to create public support for one-sided solidarity, it is not very likely that such income transfers to individual EU citizens will come about in the foreseeable future. After all, one-sided solidarity requires a community spirit, which is absent at the European level. Most people in the EU do not consider themselves primarily European citizens. According to the European Values Survey 1999, only eight percent of the European residents say they belong first of all to Europe, as opposed to 31 percent that say they belong primarily to their nation.

Probably, the willingness to support poor and needy people in other member states (one-sided solidarity) is very feeble, apart from extreme circumstances, such as following the occurrence of a natural disaster. Moreover, in Chapter 8, we observed that Europeans are much less concerned about the living conditions of immigrants than about other countrymen, which confirms that there is not a strong commitment to foreigners. On the other hand, the more open a country is, the stronger the solidarity with immigrants appears to be. Thus, the gradual integration of countries in the EU may contribute to a growing solidarity with the citizens of other member states.

Two-sided solidarity requires mutual interdependence, limited information of individual risks and trust that others will also contribute to solidarity (Chapter 5). As a consequence of European integration, the mutual dependency of the citizens of different member states has increased, so this is less of a hindrance to solidarity at the European level than it was in the past. However, due to the enlargement of the European Union, which at present consists of 27 countries, the economic diversity of the EU has increased. As a consequence, certain economic risks, such as unemployment, are distributed unevenly across the member states. This makes it rather predictable which countries would benefit most from a European welfare state based on two-sided solidarity and which countries would contribute most. Thus, two-sided solidarity between European citizens will probably be perceived as one-sided solidarity between member states. Consequently, the willingness to contribute to a European system of social insurances will be rather small among the populations of those countries that will be net-contributors.

The third condition for two-sided solidarity, trust, is not likely to be met at the European level, either. In a 1996 survey, EU citizens said they trusted their fellow countrymen much more than citizens of other member states. On a scale from 1 to 4, the average score of trust in compatriots was 3.39 and the average trust in citizens of other member states only 2.75 (European Commission 1997: Table 4.4; unfortunately this question was not repeated in later years). The fear that the funds of a European welfare state will not end up with the people that it was intended for and that others will not contribute proportionally is probably a severe hindrance in getting public support for a European welfare state.

Considering these problems, it is no surprise that the up-to-date social policy of the European Union does not comprise much more than the formulation of common targets. The responsibility for realizing these targets and the choice of the means and instruments to accomplish them lie at the national level. This so-called Open Method of Co-ordination (OMC) is currently applied to the fields of employment, social inclusion, healthcare and pension policies. Although the European Union formally considers social policy to be a communitarian objective, it is rather unlikely that this will represent a first step towards a truly European welfare state.

Although a European welfare state, based on either one-sided solidarity or two-sided solidarity, does not seem a realistic option, another kind of supranational income transfer might have better prospects. This is the option of *supranational risk-pooling*. With respect to private insurances and pension funds, it is already common practice to share risks internationally. Private insurance companies reassure their risks with internationally operating insurers and investors, who specialize in spreading risks optimally on a global market. Pension funds and life-assurance companies invest worldwide to maximize their returns and minimize their risks. Actually, these international activities amount to organizing two-sided solidarity globally, even though the policyholders themselves may not be aware of that.

It is conceivable that national governments would spread the risks of social insurances internationally, too. Thus, they could benefit from the fact that countries often pass through different phases of the business cycle. For instance, in the US the phase of the business cycle is often one or two years ahead of the business cycle in continental Europe. If, for example, the unemployment risks of the US and of Germany would be pooled, then the expenditures on unemployment benefits and, consequently, the social contributions would be less volatile in both countries. Although one might expect that business cycles would become more synchronized as a consequence of globalization, empirical research shows that this is not the case, yet (cf. Kose et al. 2003).

International risk-pooling is based purely on enlightened self-interest and is, thus, only a realistic option for two-sided solidarity. Moreover, trustworthy international financial institutions are needed to minimize the risk that foreign partners will not live up to their obligations or abuse the solidarity of others. In the past,

such institutions did not exist, but the boom of global capital markets might rapidly increase the opportunities for such forms of international risk-pooling. The American economist Shiller (2003) anticipates a great future for numerous forms of global risk-sharing. At the time of writing, it was not yet clear whether the global financial crisis that started in 2008 will speed up or, on the contrary, delay the development of such institutions for global risk-sharing.

10.7 Conclusion

Although, in Chapter 9, we concluded that the processes of individualization and globalization do not render the current welfare states untenable, there may nevertheless be good reasons to reconsider the present organization of the welfare state. Public support for the liberal welfare state, based on one-sided solidarity, may gradually erode due to the increasing diversity of national populations. The conservative welfare state, based on two-sided solidarity, is vulnerable to the problem of adverse selection, which might hollow out its foundation. The social-democratic welfare state, embodying both kinds of solidarity, will only be sustainable in the long-term if it succeeds in maintaining the delicate balance between one-sided and two-sided solidarity. Some of the pressures on present-day welfare states might be withstood by either reducing or extending the scope of solidarity. Scaling down the welfare state to the local level of cities or even neighborhoods has the advantage of a more homogeneous community, which might produce a stronger community spirit and, thus, more support for one-sided solidarity. However, the idea of a “welfare city” also raises a number of problems, such as a weak financial basis due to fewer opportunities for spreading risks. Alternatively, the option of a supranational, European, welfare state as such does not seem plausible, but introducing elements of international risk-pooling is certainly worthwhile considering.

Perhaps the most interesting option would be to combine elements of scaling down and scaling up. The growing demand for local security and community spirit could then be met in a European or even global context of spreading risks all over the world. This would fit in with the theory of the political economists Alesina and Spolaore (2003) about the optimal size of nations. They

argue that in a globalizing world, the advantage of the homogeneity of small geographical entities might gain weight. Thus, a stronger emphasis on the local community would not mean that people turn their backs on the global community, but that they utilize the opportunities offered by economic, social and political globalization to secure welfare and security for all at the local level.

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