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# Beyond the nation-state: territory, solidarity and welfare in a multiscale Europe

Michael Keating 

## ABSTRACT

The European welfare state has been founded on the nation-state, within stable boundaries. The nation provided affective solidarity. The state provided the institutional capacity. Coterminous boundaries for the economy and welfare bounded social and economic interests and encouraged social compromises. With spatial rescaling, economic regulation, welfare provision and political identities have migrated to new levels. Regions and cities are presented as in competition for economic development. States seek levels of regulation above and below the state. This may lead to a 'race to the bottom' as regions deregulate and cut spending to attract mobile capital. New regional identities may undermine national solidarity. Theories of fiscal federalism have placing redistributive competences at the highest level to avoid this. Yet, there may be a race to the top as regions experiment in new forms of social provision. New forms of affective solidarity may emerge at new scales. All public policies, and not just explicitly social ones, have a distributive effect. Differences are emerging across substate territories in welfare priorities and distributional policies. These often depend on the constitution of regional policy communities and social compromises. There is no simple race to the bottom or to the top, but a variety of experiences.

## KEYWORDS

welfare; solidarity; nation; state; decentralization; rescaling; regionalism

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## THE TERRITORIAL WELFARE STATE

European welfare states developed from the late 19th century in symbiosis with the territorially bounded nation-state. The territorial dimension has often been ignored or merely taken for granted in the welfare state literature, but the connection has been more than historically contingent. Key features of the nation-state have served to underpin solidarity and sharing. The affective solidarity founded on shared national identity has encouraged the idea of the welfare state as a common purpose. The territorial boundaries on which states have been built have 'caged' social relations and inhibited social partners from exiting from national welfare compromises. The state was able to mobilize large resources and redistribute among social groups and territories. Welfare also served to integrate territorially diverse states, in two ways. It provided equal standards of service across the national

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territory, and was accompanied by explicitly spatial economic management strategies, aimed at compensating for economic change and drawing underdeveloped territories into the national economy.

Over recent decades, these national welfare bargains and spatial cohesion strategies have come under strain. Welfare states have restructured, and interventionist economic management has given way to market-driven strategies. These have had a territorial reflection in the rescaling of both domains, above and below the state. In many states, key competences bearing on redistribution and cohesion have been devolved to the regional level, while macroeconomic management and fiscal policy have been constrained by European rules. Fears have been expressed that these will result in a reduction in welfare and redistribution and a ‘race to the bottom’ in standards of public services and welfare. This paper argues that this is a theoretical possibility but that much depends on how the new regional spaces are institutionalized and politicized. It shows how the new regionalism may take the form of interregional competition through low taxes and deregulation, but that this is not inevitable. Regions may also be constructed as new spaces of solidarity and welfare. It reviews the political and institutional conditions that make this possible, arguing against functionalist and reductionist theories. The arguments are then illustrated by the case of Scotland, which shows how a race to the bottom is not inevitable, but also how welfare, fair distribution and citizenship are themselves contested ideas.

## SOCIAL SOLIDARITY AND THE STATE

The modern welfare state is rooted in the notion of social solidarity, which is a complex and multi-dimensional one (Banting & Kymlicka, 2017). For Marshall (1992), writing in the aftermath of the Second World War, it was rooted in social citizenship, a third generation of rights after civil and political rights. Others emphasize the pursuit of equality. Another conceptualization is the principle of mutual insurance, which spreads the risk of misfortunes. While in principle, the objective is interpersonal equalization, welfare states in practice rarely identify the recipients purely as individuals.<sup>1</sup> Benefits, rather, are allocated to individuals based on their status, as unemployed, or parents, or students, or farmers, or residents of particular places or pensioners and so on. The basis of effective redistribution may be class, age, gender, location and other factors. Welfare regimes are also highly conditioned by citizenship regimes and citizenship and residence status.

Whichever of these conceptions is preferred, what has often escaped critical analysis, perhaps because it is so universal, is how welfare systems are so closely bound to the idea of the *nation-state*. Marshall (1992), in his classic study of the emergence of social citizenship, simply took the nation-state framework for granted. There are several reasons as to why welfare states have been national. One is the idea that the affective solidarity necessary to sustain redistribution comes from shared national identity. It is not just that national solidarity can underpin social solidarity. It can equally work the other way around, as in Bismarck’s programme to generate a German national identity beyond class loyalties. For some observers, it is merely a convenient fact that the nation is available as a source of solidarity and therefore welfare – although it can also be an embarrassment to social democrats otherwise attached to cosmopolitanism and opposed to *nationalism*. Others see a moral value in the nation as a source of a particular obligation (Miller, 1995).

Welfare may also stem from the need for class compromise, historically between capital and labour, taking the form of compensation for losers of economic change and a sharing of the fruits of growth. Such compromises may be positive-sum where welfare policies and public services like health and education enhance human capital, benefitting business and generating collective benefits. Such compromises need to be institutionalized, to capture externalities and prevent free-riding. The historic closure of nation-state boundaries (Rokkan, 1999) has bounded social groups into national space, preventing them from whole or ‘partial exit’ and opting out of social compromises (Bartolini, 2005; Ferrera, 2005). With both capital and labour captive within national boundaries, they have a strong incentive to work together and to see positive-sum solutions. Nation-states, moreover, have built powerful institutions capable of extracting taxes and

administering complex services. It may be, as some have argued, that this is historically the result of the need to prepare for, and to wage, wars, with the resulting capacity then being put to other purposes but this just strengthens the connection with the nation-state.

Not only have welfare states been focused on the nation-state, but also they have tended to be centralized (Banting, 2006; Greer, 2006). A recurrent fear is that, if redistributive policies (including spending and taxation) are decentralized to local and regional levels, then wealthy people and firms will have an incentive to relocate away from high-tax jurisdictions, undermining the revenue base. Poor areas will end up with a concentration of high need and meagre resources. Regions and localities will compete to lower taxes, environmental standards and social overheads in order to attract capital and wealthy taxpayers. This is the 'race to the bottom' (Volden, 2002), deplored by social democrats but lauded by neo-liberals dreaming of an unregulated world of territorial competition (Ohmae, 1995). Empirical evidence for this is, at best, mixed and it is not obvious that a low tax/low service environment is the best way to attract capital, but it is certainly true that mobility and exit opportunities are greater in a loosely bounded territory like a city or region than from a state. It has become a central tenet of fiscal federalism theory that redistributive activities should be concentrated at the highest level of the federation (Oates, 1999). It was also long a staple of social democratic theory and practice that centralization was necessary for equality.

This was all in tune with a certain conception of modernization that saw it as a process of territorial integration and functional differentiation within the boundaries of the nation-state (Durkheim, 1964; Finer, 1997; Parsons, 1971). Localism and regionalism were often seen as vestiges of the past and evidence of incomplete modernization, if not pools of outright reaction. The nation-state enjoyed an implicit normative supremacy. That idea has been questioned since the 1970s with the emergence of new territorial movements aimed at different paths to modernization from the centralized state and questioning the terms of insertion of territories into the national, and then the European, division of labour.

## RESCALING

During the post-war years (1945–75), European welfare states were built at national level, mostly based on the model of the stable male-breadwinner household and full employment. While basic provision was standardized, there was often local administration, especially in the provision of social services as opposed to cash payments. This was sometimes combined with clientelist systems of distribution in order to gain the support of local elites. Local governments were encouraged, and even forced, to spend more on the provision of public services. In this way, territorial as well as social equity was promoted. Economic management strategies, too, combined more or less Keynesian macroeconomic management with spatial development policies aimed at the integration of territories into the national, and later European, economy (sometimes described as 'spatial Keynesianism'). These included investment subsidies and tax breaks, infrastructure provision and pressures on business to relocate to development areas. Gradually, these were institutionalized through special agencies and corporatist bodies representing government and both sides of industry, in an effort to tie local actors including modernizing elements known in France as *forces vives*. At the same time, states sought to modernize and rationalize local administration, usually by creating larger units and sidelining the older local elites, geared to distributive politics, in favour of more professional, managerial and policy-minded forces.

In recent decades, this has all come into question as the fields of welfare and economic development have been transformed functionally and rescaled spatially. The model of the male-breadwinner household has given way to more complex patterns of need and new social risks. Employment patterns are less stable, family structures have changed, issues around gender, age and location are increasingly recognized. New connections are being made between passive welfare measures, active labour market policy and economic development. These links are both functional

and spatial, with many of the key provisions delivered at the regional level, or relating to local and regional labour markets. Austerity has shifted the emphasis from welfare expansion to control of expenditure and rationing, much of the burden of which has fallen on the local and regional levels. It remains broadly true that cash transfers remain largely the province of the nation-state, but/there is significant rescaling of welfare in the broader sense to European and regional levels (Ferreira, 2005; Kazepov & Barberis, 2008).

Economic change is no longer to be understood as a purely national process. Technological change, capital mobility and the rise of the large corporation have created elements of a global economy, although the term 'globalization' has been stretched excessively and loaded with too many different meanings. At the same time, there is a large literature on the importance of local and regional factors in explaining economic change, prosperity and decline. Differences in development can no longer be attributed to proximity to natural resources or markets but are rooted in differences in social structures and practices. From the 1980s onwards, diversionary regional policies gave way to ideas based on endogenous development in which territorial factors themselves were seen as the key element. Regions and localities, from being locations of production, came to be seen as production systems (Crouch et al., 2001). In a further move, these systems were often postulated to be in competition with each other in global markets. The policy response was that the integrative regional policies of the post-war years gave way to the idea of competitive regionalism. Put differently, comparative advantage for regions gave way to competitive, or absolute, advantage (Scott, 1998). From the 1980s, regional policy was gradually Europeanized, following the same trajectory.

These are instances of a broader process of spatial rescaling, which refers to the migration of economic, social and political systems to new spatial levels above, below and across the nation-state system (Keating, 2013; Brenner, 2004). Security is beyond the autonomous capacity of most nation-states and has been collectivized in Europe, while the boundaries between external defence (military) and internal security (police) have faded. The environment is threatened by global sources of change, whose impact is most visible in particular spaces. Higher education, previously a jealously guarded monopoly in some nation-states, now operates in a global market while at the same time being connected to local production systems and cultures. Social and political identities are being recomposed in ways that have not yet adequately been explored. We do know that in some parts of Europe, old or recreated national identities are challenging those of the state, although the most common pattern is for citizens to adopt multiple identities rather than just changing one for another (Keating, 2013). Identities are instrumentalized and harnessed to several different social and political projects, used to frame social and economic issues.

Together, functional change and territorial rescaling have brought into question the old assumption of fiscal federalism, that redistributive policy is best located at the 'national' level. In the first place, redistribution can no longer be confined to a specific policy field or set of competences. All policies have distributive effects. Development policy not only benefits some more than others; it can have negative effects on some communities, in the form of residential displacement, higher housing costs, and the loss of old sources of stable employment. For their part, distributive and social policies have economic effects. Education creates human capital and health policy improves the quality of the workforce. Yet, while there may be complementarities between economic and social development, these are not necessarily mutually supporting – although some work comes close to suggesting that, at the right spatial scale, they become so. Distributive issues continually resurface. The response of states, regions and the European Commission to this realization is to seek formulas like socially inclusive growth or environmentally sustainable growth. These are unexceptionable in principle, but their operationalization and realization involve difficult choices and, sometimes, trade-offs.

In the second place, the argument that the national level is the best because it is the highest one, it corresponds to the market, and net contributors cannot exit the system, does not apply within the European Union (EU). Investors can exit the community of solidarity while retaining

the advantages of the wider market. Faced with the possible exit of the contributors from the system, national welfare states may end up with impossible burdens (Bartolini, 2005). There is a debate about a 'social Europe' as a desirable counterpart to the single market. This has made limited progress, although the European framework may have restrained a race to the bottom – as the Brexit debate has illustrated. The EU also has a commitment to territorial cohesion, although there is a persistent ambivalence as to whether this aims only at market-building or also at social compensation (Piattoni & Polverari, 2016).

Rescaling has resulted in the construction of new social, economic and political spaces beyond the nation-state. At the supranational level, there is the EU. Below the state, there is an emerging meso-level consisting of regions and cities. Both are essentially contested, invested with different meanings by different political, economic and social actors (Keating, 2017). Two meanings are of relevance to the present argument. The first is competitive regionalism, focused on growth and inspired by notions of territorial competition, in which regions find their own place in the national and international division of labour; this is displacing the integrative regionalism of the Keynesian welfare era, concerned with the insertion of territory into national political and economic space. By the 2000s, the notion of regional competitiveness was in the mainstream of thinking. Now it may or may not be the case that regions actually compete. Many economists would argue that this represents an ontological error as only firms compete and that the competitive region is a mercantilist fallacy (for criticisms of the concept, see Bristow, 2005, 2010). What is true by definition is that all regions cannot become more competitive, as that is a relative concept – yet they are constantly being told that they need to do so. Regional leaders and mayors, for their part, have eagerly embraced the language of competition, as it allows them to broaden their electoral constituency to the whole territory and posit a unified interest at a time when other political alignments are weakening. Competitive regionalism also postulates the primacy of economic development in a narrow sense.

The second meaning is welfare regionalism, which sees the region as a space of social solidarity, faced with state austerity and capitalist restructuring. This may focus on plant closures or disruptive development. It may also exploit the very kinds of affective solidarity on which the national welfare state has drawn, where there are existing reserves of common identity. Indeed such communities may be more solidaristic than that of the embracing state – this has long been an argument in Quebec (Noël, 1999). This is not because some communities are inherently solidaristic, nor because individuals in some places are more altruistic than in others. It is, rather, that re-emerging regional/national<sup>2</sup> identities are being constructed precisely around conceptions of solidarity (or welfare regionalism) in opposition to the neo-liberal state. Identity is thus less an independent variable in the analysis than a frame for historic or reinvented themes of community, investing these with new meaning in relation to contemporary economic and social challenges.

Of course, other themes are relevant, including culture and environmentalism but these are less germane to our central theme here. As all this is happening, regions may become sites for new compromises between development and welfare. Yet, they lack the hard boundaries of the old welfare state, being open territories and internally contested. Much then depends on how they are institutionally configured.

## INSTITUTIONAL RESCALING

These trends have been associated with a rescaling of governing institutions but in complex ways. There is a school of thought that seeks to explain supranational integration and substate reorganization as a response to functional imperatives (Alesina & Spoloare, 2003; Ohmae, 1995). This is highly misleading. Functional and efficiency considerations are always subordinate to broader preferences and policy goals. At best they may provide *reasons* for change; they are never *causes*.<sup>3</sup> Rescaling is, rather, an intensely political process, as altering the functional and spatial boundaries

of economic, social and political arenas affects the balance both of power and resources. It is also subject to intellectual fashion. The urge to state centralization and local government consolidation of the post-war era later gave way to a preference for fragmentation under the influence of public choice theory. The left, long associated with centralization, started to move back to its localist traditions from the 1970s. Neo-liberalism, which might be expected to favour decentralization to encourage competition and limit government, usually needs a strong and centralized state to overcome obstacles to its implementation.

Functionalist arguments are, rather, used to depoliticize what are intensely political and contestable choices. Territorial development strategies have often privileged economic development in the narrow sense, imposed by the centre and provoking opposition because of their socially regressive effects, their disruption of local production systems, their environmental implications and their commodification of space as exchange value rather than a broader use value. Examples are the regional development projects pursued in France by the *Délégation d'Amenagement du territoire et à l'action régionale* in the 1960s and 1970s, and the Urban Development Corporations in England and Wales in the 1980s. The same applies to some of the rescaling to the European level, including the construction of monetary union and the resulting obligation to fiscal austerity.

Faced with functional rescaling, states have sought to regain control of capacities by designing institutions at new levels, above and below the state. Key economic competences to do with market-building, regulation and monetary policy, have been taken up to the European level, along with environmental concerns. Other competences have been downloaded to cities and regions. At the same time, bottom-up pressures and mobilization have questioned depoliticized and technocratic forms of territorial management and forced distributive issues onto the agenda. The outcome has usually been new forms of elected territorial government in the form of politicized, representative, multifunctional bodies at the new territorial scales, including the EU, regions and metropolitan areas.<sup>4</sup> There are two dimensions. The matter of appropriate scale is itself politically contested; and, *within* the new arenas, there is political competition, with rescaling introducing distinct agendas and new sets of actors. Hence the arguments about democratizing or otherwise reforming the EU and over the structure of territorial government. Such institutional rescaling is neither a surrender of power nor a simple rescue of the nation-state. Nor can it be explained by purely functional imperatives. It is, rather, the outcome of contestation by social and political actors.

Governmental decentralization and the consolidation of regional and city levels of government, along with functional decentralization, have resulted in a rescaling of policy communities around economic, social and environmental issues. We have traced the adaptation of trades unions, large and small employers' association, farmers and environmentalists in regions in six states (Keating, 2013; Keating & Wilson, 2014; Keating et al., 2008).<sup>5</sup> In summary, the results are as follows. Large business is aware of the importance of territory for investment but seeks to avoid capture by territorial interests which may have social or environmental priorities. It has global strategies for choosing investment locations and prefers depoliticized development agencies. Small business is more dependent on locally and regionally produced public goods; its owners are close to popular sentiment; it is often quite protectionist in spite of rehearsing market liberal ideas; and it is less mobile. It is often oriented to the regional and local level. Trade unions are cross-pressured. They support national welfare provision but have been drawn into localized struggles over plant closures and economic development policies. Some are more attracted to decentralization than others and seek to recover at the regional and local level forms of influence they have lost with demise of national-level corporatist practices and concertation. Farmers (apart from the large agribusinesses) are local in orientation and have been drawn into identity politics and neo-traditionalism where this is important. At the same time, they need to operate at the national and, especially, European level, given their dependence on state and European support. Environmentalists are involved in multiple local struggles around the defence of space, while at the

same time they are highly engaged at European level, as they have access there and can get regulations that are applicable all the way down. The capacity of groups to operate at multiple levels is dependent on their resources. Those who are able to operate at multiple levels often have the opportunity to 'venue shop' across jurisdictions in search of the most favourable environment. These different orientations have produced new political alignments and alliances at different spatial levels. We often find productivist alliances of business and trades unions dedicated to competitive development against environmentalists (of both right and left).

The role of organized interests and their incorporation into policy making also varies. Our work has shown significant differences in the way capital, labour and social interests are incorporated into local policy making (Keating, 2013) and linked to outcomes. Some regions have forms of meso-corporatism in the form of concerted action and policy bargaining, which may be more or less socially inclusive. Given the openness of regional boundaries, this can never be fully fledged corporatism but might be seen as a form of meso-corporatism<sup>6</sup> or social concertation.

Once regional elected government is in place, party politics also comes into play as the balance differs from one level to another. Left of centre government may be expected to be associated with a greater emphasis on welfare and higher spending, although there are arguments within social democracy over the transformation of welfare. Right of centre parties may favour retrenchment.

The institutionalization of regions has served to draw new boundaries in the field of welfare but not to enclose territory in the way that national boundaries of old did. There are myriad opportunities for partial exit (Bartolini, 2005) and for actors to venue-shop jurisdictions for favourable treatment. On the other hand, much depends on institutional design, on political competition and on the construction of local territorial policy communities. European states have generally continued to retain income support policies at the central level, together with many cash transfers and pensions. Payments dependent on cyclical economic factors (notably unemployment insurance) also remain at the state level. Regional governments, however, have been able to supplement some of these at the margin. Public services not primarily based on cash transfers, including health, education, housing and care of children and the elderly, have been decentralized. There has been some decentralization of taxation, often subject to state-level regulation and, increasingly, to the economic constraint posed by factor mobility.

## POLICY EFFECTS

This poses two questions in relation to welfare and equity: territorial redistribution *between* regions; and redistribution *within* regions. Both are linked by the old fear of a race to the bottom. The issue of inter-territorial redistribution has become salient in several countries including Germany, Italy, Spain, Belgium and the UK. In contrast to the past, it is not in the poor regions but in the wealthier ones, which are net contributors to fiscal equalization and national welfare programmes, that the issue has arisen. Part of the argument is that, faced with the imperative of territorial competition, they cannot afford to lose resources. Another is that, in the past, transfers came back to them in the form of purchases of their products, which no longer happens in a globalized economy. One effect of the territorialization of government is that the transfer figures are now available, albeit contested, and that territory has become salient as the basis for articulating distributive demands. The most prominent target is explicit fiscal transfers and the typical demand is not the elimination of transfers but their reduction, an indication that the normative principle of territorial solidarity still carries weight. Survey data also indicate that citizens in wealthy regions have not yet rejected the principle (Bertelsmann, 2008; Henderson et al., 2013).

Institutional inertia and electoral dynamics, moreover, have limited the capacity of wealthy regions to reduce transfers. Implicit transfers are built into national welfare systems which are deeply rooted and subject only to limited and selective retrenchment although in Belgium, the state-wide welfare system, which implicitly redistributes away from Flanders to Wallonia, has come under

criticism. Mechanisms of fiscal equalization are notoriously difficult to reform, given the interests at stake and tend to change only incrementally, even when they no longer correspond to the geography of need.<sup>7</sup> While US states and cities are directly exposed to market pressures and reliant on their local tax base, some protection is provided in Europe by national systems of equalization and by the regulation of territorial competition. To some degree, the EU has taken over the role of the states in regional development policy, providing funding and advice. More importantly, it regulates the subsidies that wealthier regions might otherwise provide to attract investment.

Along with a race to the bottom, there may be races to the top as regions compete to impress their own electorate and gain external prestige by providing high levels of service and by innovation. This is the other sense of competitive regionalism (and competitive federalism) (Dente, 1997). There is evidence of this from Spain, Belgium and the UK (Gallego & Subirats, 2011). There is also the phenomenon of the race to the middle as regions learn from each other and balance the demands of economic competition and retaining firms and people with those of their own electorate (Dupuy, 2017).

The competences of regional governments vary between and within states but there are three areas in which we might look for distinct distributive policies. One is on taxation and the degree of progressivity. A second is on the distribution of policy benefits among social groups, whether defined by class, age, gender or whatever. A third is the choice between universalism and selectivity in the distribution of benefits and services. Fourth is the mechanism for service delivery, whether through traditional bureaucratic mechanisms or using new public management techniques such as privatization, contracting out and competitive provision. It is difficult to conclude whether a given government is more redistributive than another because of arguments about what progressivity actually means. This includes the old argument about whether universal or selective services are more progressive. What may be easier to measure than solidarity in the abstract is the priority given to specific social groups. There certainly differences here, on matters like charging for health services, care for the elderly, child care or university education (Keating, 2013). Labour market policies have placed more emphasis on inclusion and the more difficult groups where social democratic parties have been in office and trades unions have been incorporated into the policy process. Elsewhere, policy has targeted those most easily trained. There have also been differences in the groups that had been given priority, whether the young or the old, working families or the unemployed, and in spatial priorities (city or country).

Just as the literature on welfare states was slow to appreciate the territorial dimension, so the literature on regionalism was slow to integrate welfare. Methodological difficulties make systematic cross-regional comparisons difficult. Consequently, empirical evidence about all of this is still rather sparse. There are edited collections looking at the experience of different cases (Banting & Kymlicka, 2017; Greer, 2006; McEwen & Moreno, 2005). There are intra-state comparisons (Brugnoli & Colombo, 2012; Costa-Font & Rico, 2006; Ferrera, 2005; Gallego & Subirats, 2011; Turner, 2011; Tymen & Nogues, 1988; Vampa, 2016) and rare comparative studies (López Santana, 2015). Comprehensive and new theoretical paradigm, however, are still awaited. This paper, instead, concludes with a case study of Scotland, a place where territorial rescaling has coincided with restructuring of the welfare state and contestation over the boundaries of political community. Scotland is one of three devolved territories in the UK. England, with 85% of the population, has no devolution,<sup>8</sup> but is governed from the centre. Comparisons between Scotland and England thus permit an assessment of how much divergence from the central policy direction is possible.

## THE CASE OF SCOTLAND

Scotland has long been recognized as a nation within the UK and retained its status as a distinct jurisdiction after uniting with England in 1707. Along with its own law, it retained a distinct civil

society and domestic administration was, with the exception of taxes and monetary welfare payments, in the hands of a distinct department of the UK government. For most of the 20th century, Scotland was managed by a combination of British-wide welfare measures and regional economic strategies aimed at compensating it for economic decline and integrating it into the wider UK economy. Persistent demands for a measure of self-government were met with the argument that it would not be able to fund its welfare needs. During the 1980s and 1990s, it was ruled by a neo-liberal Conservative government for which it had not voted and demands for devolution, always present, became insistent, with welfare policy playing a key role. It is not that Scottish opinion was social democratic while England was neo-liberal. Rather, Scottish nationality provided a frame for resistance to neo-liberalism not available in England or its regions. Scottish identity was rebuilt around themes of solidarity in contrast to a contrary construction of the British state. Since 1999, Scotland has had its own parliament with legislative control over most domestic matters. Initially, taxation and welfare were mostly reserved to Westminster following the usual arguments. Since then, there have been two extensions of its competences, mainly focused on welfare and on tax powers. The Commission on Scottish Devolution (Calman, 2008), set up by the unionist parties after the Scottish National Party formed their first (minority) government, resulted in the Scotland Act 2012. After the independence referendum of 2014, the all-party Smith Commission recommended more tax and welfare powers conceded in the Scotland Act (2016).

Since its inception, the Scottish Parliament has been predominantly centre-left in composition. Again, this is not because the electorate are markedly to the left of the rest of the UK. Surveys show it to be only moderately so (Curtice & Ormston, 2011). Rather, the pattern of party competition centres around variations of social democracy and the British post-war settlement. The Labour and Scottish National and Green parties are explicitly of the centre-left as are the Liberal Democrats (while historically eschewing left-right vocabulary). The Conservatives, who were until 2016 a minor party, are not notably neo-liberal. During the 1980s and 1990s, Scottish political identity and demands for devolution were recast around welfare and resistance to neo-liberal policies imposed by a UK Conservative Party which had not won even a plurality of seats or votes in Scotland since 1959.

The Scottish policy style since devolution has emphasized consultation with stakeholders and consensus rather than strong politically driven policy leadership (Keating, 2010). This falls short of meso-corporatism, since there are few arenas for cross-functional negotiation and social compromise. It would be better characterized as sectoral corporatism, in which policy is negotiated within sectoral/territorial policy communities. Public service professions are well represented and what evidence we have suggests that they are more socially minded than those elsewhere in the UK. Few doctors availed themselves of the provisions to become fund-holders under the pre-1997 Conservative government; Scottish consultants in 2003 accepted a contract turned down by their English colleagues because it would interfere with their private practice. A survey in 2003 found that just under 60% of medical general practitioners across the UK would like to charge for home visits, while in Scotland the same proportion were opposed (NU Health Care, 2003). Paterson's (2003) survey showed Scottish academics to have greater civic commitment and be less likely than their Oxbridge counterparts to see the university apart from society.

Historically, Scotland has had a large medical sector, including medical practice, university medical faculties, and the Royal Colleges in Edinburgh and Glasgow, which have had a strong influence over health policy. This community has been strongly in favour of publicly provided and delivered medical care, in contrast to the reliance on internal markets, contracting out and competition that has dominated policy in England.<sup>9</sup> In Catalonia, by contrast, the medical profession has been favourable to policies close to the English model (interviews). The result is that in Scotland there are no foundation hospitals, no internal market, few opportunities for private participation and or for tendering for services as in England under both New Labour and

Conservative governments. There have been no repeated reorganizations as there have in England. Procurement is concentrated in a publicly owned monopsony for the whole of Scotland. Prescription charges have been abolished, as they have in Wales.

Care for the elderly has been one of the most difficult issues for governments to face in the UK. On the one hand, it is argued that it is unfair that some people have to pay large amounts for personal care if they need it in old age, while healthcare is free at the point of use. On the other hand, it is argued that care should be means tested because many older people have large property holdings and so can afford to pay; exempting them would merely leave more for their heirs to inherit.<sup>10</sup> One of the first distinct choices made in the early days of devolution was to implement the recommendations of the (British-wide) Sutherland report on care for the elderly. This caused massive tensions between the Labour government in London (which did not implement the report) and the Labour–Liberal Democrat coalition in Edinburgh. New Labour people in England, indeed, vastly exaggerated the differences<sup>11</sup> and sought to make it a matter of principle rather than an argument about the precise boundary between universality and selectivity.

Another divisive issue has been university tuition fees. These were first introduced across the UK by the New Labour government elected in 1997, initially at a nominal level of £1000 per year. In Scotland, the Liberal Democrats made their abolition a condition of their coalition with Labour in the first Scottish administration in 1999. A commission produced the ingenious solution that the fee (which was already income-contingent) would be paid only after graduation and applied to support for poorer students. As Labour later raised the English fees to £3000 and the Conservative–Liberal Democrat coalition put them up to £9000 a year, the Scottish government, now under the SNP, abolished them altogether, with the support of Labour and the Liberal Democrats. Whether this is progressive is debateable, as students still tend to come from better-off households and earn more after graduation. On the other hand, it may be presented as a matter of intergenerational equity. Certainly, it represents a stark choice for universalism over selectivity. It may have resulted in an enhanced squeeze on resources for further education, which is predominantly used by working class students, although that has not been spared in England either. It does not appear that the difference in fees has meant that access to education on the part of students from lower income families has improved compared with England. English students have been remarkably willing to take on debt. On the other hand, wider access in England has largely been achieved by allowing everyone to go to university, while in Scotland the numbers are restricted.<sup>12</sup>

Primary and secondary education in Scotland have long been governed by a distinct policy community and less politicized than in England.<sup>13</sup> There has been a consensus around the comprehensive philosophy, which has largely been abandoned in England. There are no equivalents of academy schools (opted out of local control) or free schools. The English emphasis on competition is largely absent and there are no official league tables of school performance. There has also been less emphasis on constant and competitive assessment and recent proposals for modest individual pupil assessment have aroused massive opposition and a successful resolution in the Scottish Parliament (where the SNP government does not have a majority).

These various measures are framed as part of more egalitarian and communitarian Scottish ethos, in contrast to the competitive individualism of England. The contrast can be overstated, and the idea of a distinct Scottish ethos is, of course, a political construction. Yet, they do represent significant choices with distributive implications.

The fiscal powers of the Scottish Parliament were initially limited to the ability to change the standard rate of income tax by three pence upwards or downwards. It was in practice almost impossible to use them and generate more revenue than the cost of collection and they were never exercised. Instead, a block grant was allocated by the Barnett Formula. In spite of efforts by the Labour Party to portray Barnett as a needs-based system that allocates money equitably, there is in fact no element of equalization whatever. Instead, funding for the devolved

governments is dependent on funding in the last spending round, increased or decreased by the same per capita amount as spending on England corresponding to devolved competences in Scotland, Wales and Northern Ireland. The resulting block can then be spent freely. In Wales and the English regions there is resentment at what is seen as Scotland's favourable treatment, given its larger historic base.

In 2012 and 2016, substantive powers were conceded. The Scottish Parliament now controls the rates of tax on earned income, with Westminster responsibly only for the initial tax-free allowance. Interestingly, this means that the only really progressive tax is devolved entirely to Scotland; there is no longer a UK-wide income tax available to the central government. Half the product of value added tax (VAT) is assigned to it, with no ability to change the rate. This provided a challenge to the SNP government, which had been accused by some of lacking courage in redistribution and by others of favouring the better-off in its personal care and university fee policies. The first challenge was to meet the Labour Party's promise to restore the top marginal rate of 50% abolished by the incoming Conservative–Liberal Democrat coalition in 2010. The SNP response was instructive. They said that they favoured the higher rate but had been advised that, because wealthy people can change their tax domicile easily, this could only be done for the UK as a whole. The next test was when the UK government raised the threshold for the 40% rate, so benefiting higher earners. This time Scotland opted to raise the threshold only by inflation, so retaining a higher degree of progressivity. They then sought to make the whole system more progressive at the margins by lowering the basic rate by 1% (to 19%) and raising the higher ones by the same amount. So far, they seemed to have escaped a political penalty as public opinion has moved generally against austerity.

It is too early to assess the impact of the devolution of a range of welfare benefits, mostly related to disability, age and parental status. There is also power to top up UK benefits; a new income-contingent payment for families has been introduced. Even before the latest devolution, Scotland used its existing powers to negate the effects of the UK policy of withdrawal of housing benefit from families deemed to be using too much space – dubbed the 'bedroom tax' by its opponents. With the new powers, there was a discursive shift as the older term 'social security' was brought back into use to replace 'welfare', with its selective and negative connotations. Generally, there is an effort to reverse the 'deserving poor' frame which has dominated UK welfare policy in recent years, epitomized by Conservative rhetoric dividing the population into 'strivers and skivers'. How far this will survive the necessity to ration benefits within Scotland is to be seen.

The policy choices have not simply reflected party differences. Some of the key ones differentiated Labour-dominated governments in Scotland and at the UK level. They have been shaped by the effort to reconstruct Scotland as a cohesive society with strong emphasis on social responsibility. They are accompanied by stricter regulation of matters like tobacco, alcohol sales and drink-driving limits. This has nothing to do with fundamental cultural differences between England and Scotland and everything to do with the institutionalization of welfare and patterns of social and political competition. The external model is often the Nordic countries, with their large levels of public spending and universal services, although Scotland is as yet a long way from there and the existing scale of inequality is such that redistributive effort would have to be very great indeed (Keating & Harvey, 2014). Indeed, it seems almost impossible to achieve the aim of reduced inequality by taxation alone (Bell et al., 2017). The strategy is also part of a project of nation-building around welfare, which played a large part in the debates around the independence referendum of 2016, where both sides were strongly pro-welfare but drawing opposite conclusions about the appropriate scale and institutional frame (Keating & McEwen, 2017).

Welfare has become a major field of contention in the continuing constitutional debate in Scotland. The New Labour figures consistently warned in the early years that devolution could undermine the welfare state and that it should therefore be constrained by policy frameworks. The Calman Commission (2008) was strongly informed by the idea that welfare and solidarity

were necessary enhance by the role of the UK, seen as a ‘sharing union’. Former Prime Minister Gordon Brown (Brown, 2014, 2019) has continually identified the Union with welfare and sharing and even argued that the Barnett funding formula is based on need. Yet, in practice, attacks on the welfare state have come exclusively from the centre in its pursuit of austerity. At the periphery, there is more of a race to the top.

## CONCLUSIONS: MULTILEVEL INCLUSION

Functional change in the fields of welfare and of economic development have thus coincided with spatial rescaling of policy fields, policy choices, policy communities and policy-making institutions. There is no determinate link between rescaling and social solidarity and no new spatial fix at which social compromises can be made or distribution and solidarity reconciled. The national welfare state is under strain but neither returning to the old nation-state model nor seeking to reconstruct it at new levels, whether above or below the state, can provide the answer. Rescaling, like ‘globalization’, is a political process, responsive to political and economic interests rather than a matter of inevitability. Both the scales of action and the policies to be pursued at those scales are a matter of contention. Rescaling has often been used as a pretext for depoliticizing policy fields and removing them in a double sense (spatially and functionally) from democratic participation and control. Such has been the case with much of spatial development policy as well as with supranational tasks like monetary policy in Europe. Neo-liberal versions of rescaling (Alesina & Spoloare, 2003; Ohmae, 1995), which present it as a functional imperative with definitive outcomes, must be seen rather as ideological constructions. Rescaling has also been used to confront power structures and open up issues to political contention. Issues of distribution and cohesion arise at all spatial scales and in relation to almost all policy fields, and must be addressed everywhere.

Rescaling thus does not necessarily result in a loss of solidarity or redistributive capacity, if that can be made up elsewhere. That also does not happen automatically but is an outcome of the structuring of politics and social compromise at different levels, from the European to the local. The critical factors are institutional design, political competition, and the construction of territorial policy communities. Collective identities also matter but only if these are seen as constructed and given particular meanings by political and social actors. The case of Scotland, where autonomous territorial institutions have been built within the last twenty years, illustrates how, with a broader state-wide welfare settlement, a territorially distinct regime can be constructed, showing progressively more divergence from the rest of the state.

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## NOTES

1. The proposed universal basic income would perhaps be an exception.
2. Whether the new spaces are defined as regions or nations is not in itself the key issue.

3. Otherwise, the reasoning would be backwards, explaining causes by effects.
4. Elsewhere, Keating (2013) has characterized this as a move from *governance* to *government*.
5. The UK, France, Spain, Italy, Belgium and Germany.
6. Confusingly, the term 'meso-corporatism' is also used to refer to sectoral coordination.
7. Some western German cities have complained that they are subsidizing eastern cities that are wealthier than themselves though the *Land*-based *Finanzausgleich*.
8. The word 'devolution' has been used in England to refer to an enhanced level of municipal government at the metropolitan level. This is very different from the quasi-federal arrangements in Scotland, Wales and Northern Ireland, where devolved governments have exclusive legislative powers over large policy fields.
9. Medical representative bodies in England, however, have often been closer to the Scottish model.
10. The obvious solution – a levy on all inheritances to finance a universal scheme – has so far been the victim of point-scoring by the UK parties using terms such as 'death tax' and 'dementia tax'.
11. The elderly on both sides of the border get free healthcare and pay for their residential care. There are local differences within England.
12. The Scottish system has been criticized as unaffordable, but it is the English system that appears to be on the brink of collapse. Nobody expects that the mass of student debt will be repaid, and the increased loans following the removal of the recruitment cap have been financed by selling the existing loan book, a move characterized by critics as a Ponzi scheme. The Welsh system, which has been less of a political battlefield, is probably the most progressive in the UK.
13. The Scottish curriculum is also less nationalistic than the English one, with its obligatory promotion of 'British values' and efforts by ministers to emphasize the old trope of 'our island story'.

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