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**Albrecht Dürer, Self-Portrait at 28, 1500**

Dürer's rise to fame marked the beginning of a new era in European art. Born into a goldsmith's family in Nuremberg, then a major European trading centre with a strong Humanist community, he was the first of many German artists to travel to Italy and study Renaissance art at its source. Fascinated with its theoretical foundation, he spent a large part of his life trying to systemize natural phenomena and puzzling over the nature of beauty. In true Renaissance fashion, he occupied himself with a wide range of subjects, including geometry, perspective and a seminal theory of human proportion. Self-portraits not part of a larger religious scene were a novelty at the time, and the self-confidence evident in this painting is not just that of a well-travelled, successful man. It also reflects a new understanding of humanity's position in a universe that is still ruled by God but subject to natural laws that allow human beings to explore, manipulate and control it.

INTRODUCTION

# Europe's three crises

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by John Richards and Henry Milner  
Co-publishers, Inroads

THE DEADLY BOMBING OF MADRID TRAINS ON MARCH 11 IS THE MOST VISIBLE symbol thus far of several crises that have converged to shake European self-confidence.

Foremost among these crises is the eruption in the lives of bourgeois Europeans of the seething discontent in the Muslim world. Pious militant Muslims have challenged French republican traditions of *laïcité*, prompting legislation to ban the wearing of religious symbols in schools. Criticism of Israel (by Muslim and non-Muslim leaders) now veers into anti-Semitism; synagogues in France have been burned. A survey of Muslims in Britain concluded that one in eight thought future Al Qaeda attacks on America would be justified. London police recently captured large quantities of bomb-making materials. Islamic militancy has been disrupting life in the usually calm cities of Belgium and the Netherlands.

Another crisis, less traumatic but important, is the unresolved tension over the future of the European Union (EU). At one extreme are the federalists who believe the logic of history calls for the EU to evolve into a superpower able to counter unipolar U.S. hegemony. At the other extreme are the Eurosceptics who view the Union as a pragmatic free trade arrangement devoid of supernational aspirations. Debates over the proposed EU constitution and the position in it of the ten new Eastern European members have brought this crisis to the fore.

From Sweden to Italy, continental Europeans enjoy the world's most generous social programs. To date, these welfare states have generated prosperous, relatively egalitarian societies. But ...

The welfare state has given birth to a third crisis. As the European population ages and the birth rate remains low, demographic projections imply an inexorably rising ratio of non-taxpaying older people to tax-paying workers. Over the last two decades, European electorates have resisted increases in tax rates, while at the same time rejecting politicians proposing to curtail public services, bargain aggressively with public sector unions or impose user fees. The combination of these demographic and political realities has placed France and Germany in the embarrassing position of violating the Maastricht Treaty's deficit rules – rules on which they had insisted as preconditions for the credibility of the euro. Without major changes in the structure of European social services, far worse fiscal imbalance looms over the coming decade.

These three crises are intimately interwoven. Thus, the demand to join the EU by Turkey, a large Muslim country, entails the first and second. The British, who tend to view the EU as a trade arrangement, support Turkey's application. The French aspire to lead a politically integrated Europe, are traumatized by the rise of politicized Islam within France, and view Turkey as yet another impediment to furthering political union among core EU members.

Unemployment among Muslim immigrants illustrates the interweaving of the first with the third crisis. The generosity of European welfare states attracts immigrants, including many Muslims from North Africa and the Middle East. Concentrated in poor, ethnically homogeneous neighbourhoods, often with poor-quality schools, children of these immigrants often fail to achieve the education levels required to earn reasonable incomes. Consequently, they suffer high

unemployment – above 25 per cent in many European countries – and disproportionately rely on social assistance and public housing. The combination of a deep cultural cleavage and chronic unemployment creates recruits for politicized Islamic movements. In reaction, many “old-stock” Europeans have come to embrace the anti-immigration politics of the political right.

### **The first and second crises –**

These crises and their interrelationship are far too complex for our section on Europe to survey comprehensively. However, individual articles shed light on aspects of the crises and how Europeans are grappling with them. Consider first the matter of making constitutional sense of the new Europe of 25.

Creating institutions that allow 25 sovereign countries – diverse in size, language, economic standards, political ideology and degree of identity with European institutions – to work together is one of the great challenges of our time. The draft constitution is the latest round in a series of efforts to bring about a workable compromise. Last year, Spain, backed by Poland, refused to accept the draft constitution's proposed weighting of votes in the EU's most powerful body, the European Council. The conflict risked bringing the exercise to a halt.

Whatever the differences among EU leaders over the war in Iraq and policy toward Israel, they all fear the use of terror to intimidate democracies. The Madrid bombing has catalyzed pan-European cooperation to counter terrorist organizations. Unity on this theme may extend to the new constitution. The new Socialist Spanish government, seconded by Poland, says it is ready to accept the proposed voting formula.

But while the Madrid bombing has enhanced chances of constitutional agreement, the matter is far from settled. Any compromise reached at this June's meeting of the European Council will have to be ratified by member states, several of which are required to resort to referendums. Britain, a country whose citizens have always been ambivalent about ceding jurisdiction to Brussels, recently joined the list of those intending to subject any draft constitution to a referendum.

The impasse over the vote-weighting formula resulted from decisions at a meeting of the European Council in Nice in December 2000. At Nice, politicians adopted new rules on qualified majority voting for an expanded EU by simply extending the rules governing the existing 15-member body. The generous voting weight of medium-sized Spain was retained and extended to Poland, so that each had almost as many Council votes as did Germany (27 compared to 29), with less than half Germany's population. The decision at Nice made efficient decision-making close to impossible.

Understandably, Germany led a campaign to undo the Nice formula and render the EU more effective. The Council set up a 105-member European Convention, chaired by former French president Valéry Giscard d'Estaing, with a mandate to propose a new EU treaty. Successive treaties, it was argued, had created overlapping legal texts that needed to be consolidated into a single document. In July 2003, the Convention presented to the Council a draft treaty to establish a Constitution for Europe. Because the Convention acted through consensus, seeking wording acceptable both to those who desire a federal Europe and to those who do not, the final text inevitably contained ambiguities.

On the voting formula for the Council, the draft constitution proposes replacing the complex system of weighted votes with a double majority rule: a law would be passed if supported by a majority of countries, representing three fifths of the EU's population. This proposal obviously deprives Spain and Poland of the advantage they had secured in Nice – hence their initial opposition to the constitution. As an aside, the formula bears a similarity to the “7/50 rule” for Canadian constitutional revision, whereby changes require approval by two thirds of the provinces representing at least 50 per cent of the Canadian population.

In terms of awarding more power to EU institutions, the most important proposal is to end member states' veto over matters of justice and home affairs. Under the proposed constitution, EU policy on refugees and asylum will be decided by majority vote. Criminal law for serious crimes having cross-border implications – such as drug-trafficking and corruption – is to be harmonized. National governments will continue, however, to exercise a veto over EU foreign policy, to control their own armed forces, and to raise their own taxes.

The draft proposes an awkward formula for the EU executive (the European Commission). It will be composed of 15 voting European commissioners and 15 nonvoting commissioners, with countries taking turns occupying each type of position. It also gives more legislative power to the European Parliament, which gains the right to participate as an equal to the Council in deciding on matters of justice, agriculture and even the EU budget. While there is no unanimity over these proposals, there is room for compromise.

It now seems that the EU will probably muddle through and adopt a constitution, while leaving longstanding differences unresolved. Cumbersome procedures and awkward asymmetries – such as Britain, Denmark and Sweden refusing to adopt the euro – remain. Yet muddling through is not necessarily a bad thing. Perhaps the best way to see the achievements of European integration is to leave the cacophony of Brussels and observe Europe's regions.

Two articles in this section examine developments that have taken place in Britain. John Loughlin argues that neither devolution of power to Scotland and Wales nor the Good Friday Agreement in Northern Ireland would have been possible had Britain and Ireland not joined the EU.

One factor making possible the agreement in Northern Ireland was the responsible role of the Irish Republic. This in turn was due, in no small measure, to the prolonged economic expansion of the "Celtic Tiger" made possible by its EU membership. Loughlin argues further that the EU environment fostered workable compromises – in the form of devolution – to the national question in Scotland and Wales.

Charlie Jeffery looks at recent political developments through an analysis of the results of the 2003 elections in Scotland, Wales and Northern Ireland. The Scottish Parliament and Welsh Assembly have functioned well, though they have not lived up to – perhaps unreasonable – early expectations. However, the 2003 election marked the breakdown of power-sharing in Northern Ireland. Operations of the Northern Ireland Assembly remain suspended. The cooperation needed for a coalition of elected representatives of the Protestant unionist community and the Catholic nationalist

community has proven unattainable.

In the role played by divergent ethnic-religious nationalisms, Ireland shares features with Belgium. Paul Lucardie describes the emergence of a Flemish ultranationalist movement, the Vlaams Blok. Lucardie's main focus is on more dramatic developments in Belgium's neighbour, the Netherlands, where Pim Fortuyn's LPF enjoyed a meteoric rise and fall. Fortuyn was a flamboyant gay intellectual-turned-politician, the antithesis of the staid image that characterizes the Dutch. His ideas evolved from Marxism to espousal of a libertarian critique of Dutch corporatism. His demise at the hands of an assassin is the stuff of melodrama. Central to his phenomenal rise was his proposal to solve the first of the three crises. Fortuyn argued for limits to immigration into the Netherlands and less tolerance of immigrant cultural norms. He wanted more aggressive policies to integrate immigrants into employment, into adoption of the Dutch language and into acceptance of Western norms of sexual tolerance.

The country that has engaged the debates over public policy toward Muslims most intensely has been France. The immediate catalyst for debate has been the law, adopted by the National Assembly in February, to ban the wearing of conspicuous religious symbols at school.

Given the importance of this issue, we have assembled four contributions. Riva Kastoryano, a researcher with France's Conseil National de Recherche Scientifique, has written extensively on European immigration. She launches the discussion with an article that summarizes the history of the "veil affair" in France and lays out the implications of what she calls the "transnational nationalism" of militant Islam. Three

regular Inroads contributors – Linda Cardinal, Laurent Dobuzinskis and Philip Resnick – respond. Taken together, this collection offers perhaps the most thorough exploration, with a Canadian perspective, of policy dilemmas arising from the challenge of integrating Muslim immigrants.

## – And the third

Swedish economist Richard Murray's contribution is inspired by the third crisis: paying for the welfare state. He has written a sober assessment of the fiscal pressures impinging on Sweden: a rising share of people beyond working years, who will make increasing demands on tax-financed health services; generalized expectations of improved quality of public services; demands for infrastructure investments; rising unit costs of public services; and finally, constraints blocking further increases in the tax share of GDP.

These pressures have arisen across the industrial world. After a few years of fiscal surplus at the end of the 1990s, the typical (median) country of the Organisation for Economic Co-operation and Development (OECD) is again in deficit.

One of the attractive features of Swedish public discourse is an ability to address honestly the painful tradeoffs that politicians must make. Relative to many countries – including Canada – Sweden makes decisions with minimum political fuss. Contrast Canadian and Swedish responses to deficits in the early 1990s.

After 15 years of continuous deficit financing, Canadian politicians in the late 1980s had yet to agree how to balance budgets. When the recession of the early 1990s hit, federal and provincial revenues fell and

social insurance payments rose. The aggregate public sector deficit peaked in 1992 at 9 per cent of GDP. In 1993, we elected Jean Chrétien on a platform that damned as mean-spirited the timid efforts of his predecessor to balance the federal budget. Only when foreign financial markets in 1994 threatened a selloff of Canadian public debt – as befell Mexico – did the federal cabinet accept the obvious: voter resistance to tax increases was profound; financial markets mistrusted government fiscal projections; and fiscal redress required spending cuts.

The recession of the early 1990s was more severe in Sweden than in Canada. A combination of a burst speculative real estate bubble, an overvalued krona and a decline in export demand led to massive increases in unemployment. In 1993, the Swedish deficit peaked at 11 per cent of GDP. With relatively little political turmoil, the Swedes reduced public spending and restored fiscal equilibrium by the late 1990s. In contrast to Canada's two decades of continuous deficits, continuous Swedish deficits lasted only seven years.

One conclusion about contemporary fiscal reality is that electorates in OECD countries want a halt to the tax increases that accompanied the growth of the welfare state. (As a general rule, about two thirds of public spending in industrial countries is for programs at the core of the welfare state: health care, education, social assistance, old age security, and unemployment insurance.) The politics of containing spending within the tax revenue available has been contentious, as groups committed to further spending increases battle groups refusing higher taxes. Canada's tax/GDP ratio peaked in the early 1990s slightly below 45 per cent. In recent years

it has fallen back to about 40 per cent, the same ratio that Brian Mulroney inherited from Pierre Trudeau in the mid-1980s. The tax/GDP ratio of the typical OECD country (as measured by the median) behaved similarly: it rose slightly, declined slightly, and ended the two decades within one percentage point of where it was in the mid-1980s.

Murray refers to pressure to lower taxes that Sweden faces from its European Union partners with lower tax rates. This pressure is about to become more acute with ten new EU member countries having modest welfare states. A comparable problem exists for Canada since we are adjacent to the United States. The U.S., traditionally a low-tax country, has become an even lower-tax country in recent years as a result of George W. Bush's tax cuts. The cuts are evident from the decline in the U.S. tax share of GDP from about 35 to 30 per cent since 2000. Like Molière's character, unaware he was speaking prose, Bush has become a Keynesian, defending his (highly regressive) tax cuts as appropriate means to stimulate the U.S. economy. Given the magnitude of the cuts and the projected growth in U.S. public debt, there may be a U.S. fiscal crisis later this decade.

Where does Canada fit in terms of spending? In the 1980s, Canada was close to the median; for a few years in the early 1990s, we were more generous than the typical country; since the mid-1990s, we have been among the less generous. Canada's public-sector spending has now returned to the share of GDP prevailing in the mid-1970s. Given that Canada is now among the leaner welfare states, the case for further reducing the relative size of government is weak.

Both countries – Canada and Sweden – are at this point doing somewhat better than the typical OECD country in terms of budgeting: both enjoy small positive public-sector balances (in terms of national income accounting). But all OECD countries – in Europe, North America and Asia – face the third crisis of rising costs of social services, expectations of improved quality of service, entrenched public sector unions and resistance to further tax increases.

In Canada, what should we learn from all this?

On the taxing side, the priority is not to reduce overall taxing effort but to design more efficient taxes able to generate roughly the present tax/GDP ratio with fewer distortions of economic activity.<sup>1</sup> On the spending side, we must make tradeoffs if government social programming is to remain credible. Perhaps the most painful decisions concern health care spending. Must we run current budget surpluses and lower the debt/GDP ratio over the next decade to accommodate projected increases in spending on health care for the old? Do we allow a larger “second tier” of private care, or in other words privatize at least some portion of the health market? And, if so, which portion? How do we ration the health care of terminal patients? Do we, as Murray suggests, levy user fees for some publicly financed health services? Do we experiment with “internal markets” (an innovation pioneered in Scandinavia) to generate competition between health providers within the public sector? On these and other questions, Richard Murray's article has good advice for Canadians as well as Swedes. ■

<sup>1</sup> On this subject, we recommend Jon Kesselman's *Tax Design for a Northern Tiger*, a monograph published by the Institute for Research on Public Policy in March.



**Artemisia Gentileschi, Judith Beheading Holofernes, ca. 1625**

Ever since Gentileschi's rise from art-historical obscurity a few decades ago, much has been made of the connection between her life and the matter-of-fact depiction of violence in this painting. Although her personal experiences would certainly have influenced Gentileschi's art, the subject itself was not unusual; in fact, it was a staple of the Catholic Baroque. The Apocryphal story of the Jewish widow who sneaks into the enemy camp with her maid and avenges her husband's death was treated by virtually every Italian painter of the day: it gave artists an opportunity to showcase the dramatic light effects and general theatricality favoured by a Catholic Church keen on taking advantage of the Protestant aversion to religious imagery. What is remarkable here, apart from the hyperrealistic depiction of two women murdering a man with no sign of hesitation or remorse, is the absence of God's helping hand: whatever is being accomplished here is accomplished by humans. In treatment, if not in subject matter, this is an entirely secular painting.

# The Europe factor

## How the EU influenced changes in Scotland, Wales and Northern Ireland

by John Loughlin

**In**

IN 1998, TWO SETS OF POLITICAL EVENTS OCCURRED IN THE UNITED Kingdom that would have seemed improbable, even impossible, 20 years before. First, the Good Friday Agreement was reached in Belfast following negotiations among most of the protagonists in the Northern Ireland conflict. Second, Scotland and Wales were given their own institutions of self-government, the Scottish Parliament and the Welsh National Assembly.

Contrast this with the 1970s. In 1974, there was an attempt, also under a Labour government, to establish a power-sharing assembly in Northern Ireland. It failed in the face of a concerted effort in the form of a general strike led by extremist Unionist politicians such as Ian Paisley and abetted by violent Loyalist paramilitaries of the Ulster Defence Association and other Protestant terrorist groups. In 1979, the same Labour government tried to defuse a growing electoral threat from Scottish and Welsh nation-

alists by conceding a form of devolution in Edinburgh and Cardiff. Anti-devolutionists in the party, however, managed to block change by inserting a requirement that devolution be supported by at least 40 per cent of the electorate voting in a referendum. In Scotland, the 58 per cent who voted favour constituted only 32.9 per cent of the electorate. (In Wales, only one in five voted in favour.)

In 1998, the results were very different. Referendums produced resounding endorse-

ments of the Good Friday Agreement in Northern Ireland (81.1 per cent) and the Republic of Ireland (94.4 per cent), although the unionist vote was more divided than the nationalist. In Scotland, 70 per cent (with a turnout of 60 per cent) endorsed setting up a Scottish Parliament. In Wales, devolution squeaked through with 50.3 per cent (with a 50 per cent turnout), still a significant swing from 1979.

This turnaround can be explained in part by factors within the U.K. The Labour Party changed quite radically during its long years in opposition. In the 1970s, it was paralyzed by several cleavages: between the hard left and the moderate centre, between those who favoured devolution and those who opposed it, between pro-Europeans and Eurosceptics – all in the context of a social and economic crisis as the old smokestack forms of capitalist production faltered, undermining the Beveridgian welfare state and the Keynesian approach to economic policy. The weak Labour government of the 1970s proved incapable of meeting these challenges. Forced to implement monetarist reforms under pressure from the International Monetary Fund, it was undermined by the hard left in the party and the trade unions who launched a series of crippling strikes in what became known as the “winter of discontent.”

Labour’s incapacity to govern and its deep unpopularity paved the way for Margaret Thatcher’s victories of the 1980s and the transformed political landscape during almost two decades of Tory rule. British society also changed during these years. The economic gap between the prosperous south-

east of England and the rest of the U.K. widened. Scotland and Wales became alienated from London as Thatcher attempted to impose neoliberal policies that frequently went against the grain of Scottish and Welsh traditions of solidarity and egalitarianism.

The Northern Irish situation had also changed significantly in the intervening years. The IRA hunger strikes of the early 1980s, and Thatcher’s hard-line response to them, consolidated Sinn Fein’s support among nationalists in Northern Ireland, even if they were growing weary of the armed conflict. The political balance changed with the constitutionalist (that is, nonviolent) Social Democratic and Labour Party beginning a slow decline and Sinn Fein emerging as a political force in its own right, rather than being simply the political arm of the IRA. Furthermore, during this period, the economy of the Republic of Ireland began its “takeoff” to becoming the remarkably fast-growing “Celtic Tiger.” All of these developments changed the dynamics within Northern Ireland, between North and South, and between the two national governments.

### **The European dimension in Scotland and Wales**

The most dramatic shift between the 1970s and the 1990s, however, has been the growing importance of “Europe” in the context of the wider transformation of the international scene through globalization, new technological developments and the shift of economic activity from heavy industry to services. Indeed, the “relaunch” of Europe in the mid-1980s can be seen as a direct response

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to the challenge of globalization to European states. Elites realized that Europe could respond to this challenge more effectively as a united entity than as individual states. Thus, in the 1980s and early 1990s, the European Community (now the European Union) was strengthened through the Single European Act, the completion of the Single Market, the signing of the Treaty of Maastricht and later the treaties of Amsterdam and Nice. Whatever their weaknesses, these treaty developments strengthened the federal and supranational dimensions of the Union that coexist with its intergovernmental aspects. I also see them as underlying factors in the transformation of Britain and Ireland.

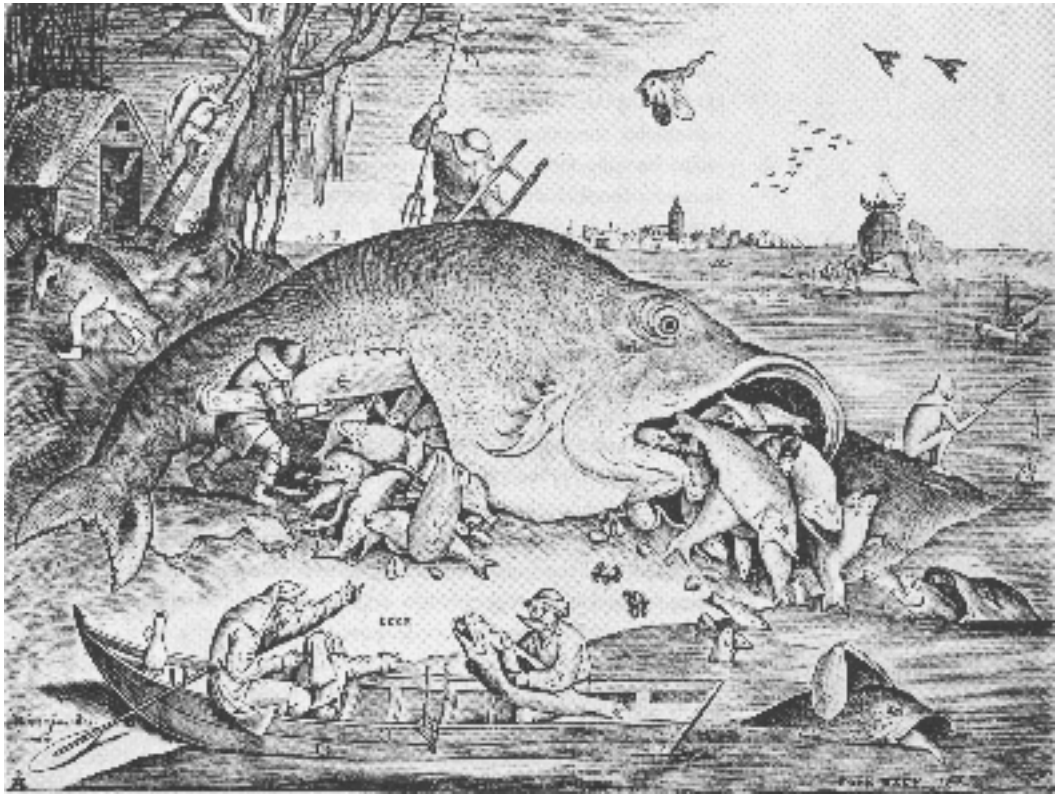
During its long years in the wilderness, the British Labour Party, under the leadership of Tony Blair as well as his predecessors Neil Kinnock and John Smith, carried out a significant reform of its policy program, not least with a view to becoming electable once again. While adopting some of the irreversible aspects of Thatcher's neoliberal reforms (for example, abandoning the commitment to nationalization and accepting "market" approaches to the public sector), the party adopted two new positions that deviated from the Tory line. First, it became unambiguously pro-European. Second, it committed itself to a program of constitutional reform that was centred on devolution but also included reform of the House of Lords, electoral reform, strengthening local democracy and introduction of a Bill of Rights. Symbolic of this change was Blair's signing of the Treaty of Amsterdam, including the Social Charter (a modest document strengthening some workers' rights that had been blocked by the previous Conservative government of John Major), immediately on becoming Prime Minister.

The government's commitment to the

transatlantic partnership was combined with a new, more positive and less strident attitude to Europe. It was not a European federalist orientation, but rather one related to the commitment to devolution, as expressed (in contrast to the overt hostility of elements of old Labour and the Conservatives) in a sympathetic attitude to a "Europe of the Regions." A key player in this change in attitude was former Labour Minister Bruce Millan, a Scot and keen devolutionist, who chaired the party's internal policy review group on this question. Millan had been European Commissioner for Regional Policy, and in that position was the main driving force behind the creation of the Committee of the Regions in the Treaty of Maastricht.

New Labour also embraced a new paradigm of regional economic development that saw the region rather than the central state as the key level of policy activity. This model derived from new theories of the firm emphasizing decentralization, creativity and the importance of local knowledge. Applying these theories to the level of territorial politics and policy, it emphasized the mobilization of regional and local actors through the creation of regional governments, giving them control over their own social and economic environment. In contrast to older models of economic development prevalent during the Keynesian welfare state period, which had denigrated regional cultures and languages as obstacles, the new model saw these as advantages if correctly used.

Another stimulus to the new regionalism was the reform of EC regional policy in the mid-1980s with the creation of "structural action" funds and the introduction of subsidiarity and partnership as their operating principles. The prospect of European funding whetted the appetites of regions and local authorities, for which the sums could



**Pieter Bruegel the Elder, Big Fish Eat Little Fish, 1556**

This engraving, designed by Bruegel and first issued under the name of his slightly older contemporary Hieronymus Bosch, illustrates several intertwined proverbs commenting on human greed and cruelty. The symbol of universality on the knife blade indicates the boundlessness of human folly. Like Dürer and many other northern painters at the time, Bruegel travelled to Italy, but neither Classical nor Renaissance art had a lasting influence on him. Suspended between medieval scholasticism and the Humanistic fascination with the secular world, he concentrated on the depiction of human follies, a wildly popular artistic subject in 15th- and 16th-century Europe. Bruegel had ample reason to take a dim view of the human condition. The medieval world was falling apart, and the Reformation was splitting Europe, leading to a century of civil war. Bruegel would live to see the invasion of the Netherlands by Catholic Spain as well as the beginning of the revolt that would eventually put an end to Spanish rule.

be quite significant. Furthermore, the existence of a regional government was seen to be an asset in obtaining this funding. As bidding under “competitive regionalism” for both European funding and internal investment intensified, regions with democratically elected

governments were seen as standing a better chance. Thus, during the period of Labour’s internal policy review, regional mobilization was taking place across Europe and most national governments looked favourably on these developments. The other big states

were federations (Germany) or in the process of regionalizing and decentralizing (France, Spain and Italy). The U.K. was Europe's odd man out, and this strengthened the arguments of the devolutionists within the Labour Party.

We should note, though, that the situations in Scotland and Wales were not the same. For the Scots, the Europe-linked arguments served to back up demands, expressed in the Scottish Constitutional Convention, for the return of the Scottish Parliament. For the Welsh, much more reticent about devolution and less nationalistic, playing the European card was a means of winning over the doubters. These differences were reflected in the 1998 referendum campaigns. The Scottish campaign stressed the right of the Scottish nation to have its Parliament returned after a hiatus of 300 years, and to do so now to compete in the new Europe. In the Welsh case, the nationalist argument was played down and emphasis was placed instead on Wales's potential to become a powerful European "economic region." Its devolved government was called an "assembly" rather than a "parliament," with powers of secondary legislation like any other local council, but without the Scottish Parliament's powers over primary legislation. It is not accidental that Professor Kevin Morgan of Cardiff University, one of the leading exponents of the new regional development model, should have been appointed the head of the organization campaigning for a Yes vote in the referendum. The narrowness of the referendum result in Wales justified the government's reticence to give the Welsh Assembly greater powers, but it also meant that Wales received a set of institutions that were likely to prove inadequate for achieving the high aspirations attached to them.

## **The European dimension in Northern Ireland**

The broader European canvas was also important in facilitating a breakthrough in the Northern Ireland peace process. Although the origins of the Northern Ireland problem are complex and the result of many factors, at least one important factor was the conflicting claims by Ireland and the U.K., as two sovereign states, to exercise sovereignty over the same piece of territory. These claims underpinned the struggles of the warring communities: the Irish claim encouraged nationalists to keep fighting for national independence (within a united Ireland), while the British claim encouraged unionists to resist this and fight to remain with the United Kingdom.

In 1974, this notion of sovereignty be-devilled relations between the two countries. But a year earlier the two countries, after several previous attempts, had finally joined the European Community. By the 1980s, given the European developments outlined above, claims of national sovereignty were beginning to make less sense in practical if not in constitutional terms. As a result, key protagonists were coming to rethink the nature of the Northern Ireland problem, a process that would come to fruition in the Good Friday Agreement. Basically, what changed was the understanding of national sovereignty itself. Membership in the EC constituted an agreement to "pool" sovereignty in defined areas, mainly in connection with economic integration but with spillovers at the political and institutional levels. National sovereignty, though legally perfectly intact, was significantly relativized in political and policy terms, a process that accelerated as the Community relaunched itself and strengthened its supranational and quasifederal elements.

All of this had profound implications for the Northern Ireland problem. What sense did the conflict of national sovereignties over a small piece of territory mean in a world of relativized sovereignty? Starting in 1994, during the last years of Conservative government in Westminster, IRA ceasefires made a breakthrough at least theoretically possible. The problem was that the Major government and the Conservative Party were riven by conflicts over both European integration and Northern Ireland. Major was also reliant on Unionist votes in the House of Commons and could not respond with great enthusiasm to the possibilities of peace opened up by the ceasefire. This changed with the landslide victory of New Labour and the installation of a pro-European and pro-devolution government ready to embark on radical change. The way was now open for a reformulation of the nature of the problem within the framework of a new notion of governance circulating in Europe and marking a break with the older conception of the nation-state.

The institutions that came out of the Good Friday Agreement reflect the new governance. Among these institutions, only the Northern Ireland Assembly (Strand One dealing with relations within Northern Ireland) was not modelled specifically on any other European regional government. North-South relations (Strand Two) were to be expressed through the North-South Interministerial Council, modelled on the EU's Council of Ministers. Ministers with the same or similar portfolios from the Republic and the Northern Ireland Executive would meet periodically to discuss matters with an all-Ireland dimension such as agriculture or tourism. The British-Irish Council, also known as the Council of the Isles, made up of all the nations and regions of

the islands (the two sovereign governments, the devolved parliament and assemblies in the U.K., the Isle of Man and the Channel Islands), is explicitly inspired by the Nordic Council.

Thus far, these institutions have functioned only sporadically, given the difficulties encountered especially by the Unionist community, underlined by the victory of Ian Paisley's Democratic Unionists in the Northern Ireland Assembly elections in November 2003. With Paisley's party as the largest group in the Assembly, the future is once again uncertain. Nevertheless, it is now impossible to return to the situation of the 1970s and some form of power sharing will survive.

### **The European dimension and the English regions**

To some extent, devolution has created an "English problem": while Scotland, Wales and Northern Ireland were granted self-governing political institutions, England, the largest nation in the U.K., does not have its own assembly. Rather, Westminster continues to be the parliament both for the United Kingdom as a whole and for England. While Scotland now legislates for itself in most policy areas, Westminster still legislates for England as well as for Wales. Scottish and Welsh MPs can vote in Westminster on English matters, while English MPs cannot vote on Scottish and some Welsh matters.

This is a consequence of the asymmetrical nature of the devolution settlement, and the new system is not as transparent as it might be had the U.K. become a fully-fledged federal system. Although the Conservatives have at times advocated an English parliament, there has been some reluctance to encourage English nationalism, which is often associated with the extreme

right and football hooliganism. Instead, power is to devolve to nine planning regions, each of which is to be given an elected Regional Assembly if their populations choose this in a referendum. The new English regions will have powers similar to those of the Welsh Assembly, that is, powers of secondary but not primary legislation.

Again, the European dimension has been the impetus for this development. From the 1980s, regional mobilization, especially in the North West and North East, was largely driven by the prospect of European funding. The setting up of the Scottish Parliament and Welsh Assembly has only intensified this process as English regions feel disadvantaged as a result. Finally, although it was not driven by a European impetus, the establishment of the Greater London Authority, with a directly elected mayor, currently Ken Livingstone, set a precedent for the creation of the other English regions.

### **Europe and the devolved institutions in practice**

This far, I have argued that the European dimension was crucial in creating a new context in favour of devolution in Britain, the culmination of the peace process in Northern Ireland and a more egalitarian relationship between Ireland and the U.K. Bearing in mind that the functions devolved to Scotland, Wales and Northern Ireland correspond in large part to functions where the EU has some competence, we now need to look at how important “Europe” has been in the five years since the new institutions were set up. To put it succinctly, the record is decidedly mixed, and again reflects the asymmetrical nature of devolution.

Scotland has enjoyed the most success in developing a strong European orientation, thanks to the efforts of the Scottish Parlia-

ment’s Committee on European and External Affairs and the Scottish Executive. Internally, the Committee has full responsibility for all European matters, including the transposition of European legislation into Scottish law. Externally, both engage in widespread pro-European “paradiplomatic” activity. Scotland House, based in Brussels, is an umbrella body which contains both “Scotland Europe,” a subsidiary of Scottish Enterprise, and the Scottish Executive’s European Office. These offices engage in intelligence-gathering and lobbying activities. They also maintain liaison with the U.K. government’s Permanent Representation in Brussels.

In the past five years, the Scottish Parliament, thanks to the activities of these bodies, has on balance been successful in placing itself on the European map. Edinburgh resembles a normal capital, with by now quite a large “diplomatic” corps (in the form of consulates rather than embassies) and a continual stream of overseas visitors. There are numerous delegations from Scotland to Europe, both to Brussels and to other national and regional parliaments.

Scotland is also a leading member of a new group of seven “constitutional” regions in Europe, which was founded by the Flemish government to promote the interests of regions with legislative powers. This in turn is part of a wider grouping (of more than 70 members) formed in the context of the Congress of Local and Regional Authorities of Europe (Council of Europe). They argue that regional parliaments are responsible for the implementation of European laws but have only an indirect say in their formulation, which is still the prerogative of the national governments and European institutions. So far, their efforts to change this – for example, in the Convention on the Future of Europe – have been unsuccessful, but the

group remains an important body, and Scotland an important member.

Wales stands in stark contrast to Scotland. It is ironic that the Welsh National Assembly, whose primary justification was to make Wales into a strong European region, has been slow off the mark in developing its European profile. Its European and External Affairs Committee is much less powerful than its Scottish counterpart. First, since the Assembly has no powers of primary legislation, it is not obliged to track European legislation as does the Scottish Committee. Second, the Committee was not given direct responsibility for overseeing the Structural Funds, including the now significant Objective One funding (the highest level of EU funding for the most deprived regions). Hence, it is not really providing an overarching link among the various concerned committees on European issues.

Indeed, in one sense, Wales has become less oriented toward Europe since the establishment of the Assembly in 1999 than was the case previously. Under the Tory governments of Thatcher and Major, the subject of Europe was taboo in the old Welsh Office (Whitehall's field service in Wales), with the result that the local authorities developed a strong European orientation to compensate for the anti-European and anti-local government stance of the central government. With a Labour government in power in Westminster, the Labour-dominated Assembly in Cardiff feels less need to be engaged since it has an effective conduit via London. This represents a backtracking on the notion of Wales becoming a self-confident, outward-looking region able to compete in the wider European arena.

There have been some encouraging recent moves toward greater engagement with Europe by the Assembly. A European office,

the Wales European Centre, has been established in Brussels. In addition, after first hesitating to participate in Europe-wide interregional organizations such as the Assembly of European Regions and the Conference of Peripheral Maritime Regions (CPMR), the Assembly has now joined, and Welsh First Minister Rhodri Morgan is playing an active role in the CPMR. Nevertheless, in comparison with Scotland, the overall effort has been dilatory and rather inward-looking.

In Northern Ireland, there is even less engagement with Europe, which is not surprising given the difficulties in implementing the Good Friday Agreement and the stop-start functioning of the Northern Ireland Assembly. The EU does play a big role in Northern Ireland through both the Common Agricultural Policy and the Structural Funds. Nevertheless, European affairs have been somewhat buried within the purview of the "Committee of the Centre," which tracks the activities of the First Minister and the Deputy First Minister (that is, Unionist and Nationalist) on issues deemed particularly sensitive to both communities – including European funding. With the continual wrangling over IRA arms decommissioning, demilitarization by the British government and similar issues, Northern Ireland's European profile tends to be forgotten.

In the English regions, the European dimension has been linked to regional mobilization. The nine planning regions, whose main function was to collect statistics, have no (or very little) historical, cultural, political or linguistic basis and exist mainly for the convenience of central administrators in Whitehall. Nevertheless, especially in the North West and North East, they became the framework of a process of mobilization by regional elites, stimulated largely by the

possibility of obtaining European funding. After Labour's election in 1997, and in the logic of the devolution program, Regional Chambers (later renamed Regional Assemblies) were created alongside Regional Development Agencies, clearly modelled on the development agencies in Scotland, Wales and Northern Ireland.

The next step will be full-fledged elected regional governments in regions where the population supports this in a referendum. So far, the response has been variable. In 2003, the government announced that the first referendums would be held in the North East, North West, and Yorkshire and Humber regions, and campaigns are already underway there. Regional mobilization is most advanced in these regions and the government clearly hopes that Yes votes there would have a knock-on effect in the other regions, where there is much less enthusiasm for the project. The next likely candidates are the West Midlands and the South West, and then the East Midlands. A central argument in each case is the familiar one, already used in Scotland and Wales, that these institutions are needed in the new Europe of competitive regionalism. And indeed, regions such as the North East and North West regard Scotland and Wales as their competitors and seek to emulate their success in attracting both internal investment and European funding.

### **Open-ended change**

The current devolution taking place in the U.K., alongside the institutions that emerged from the Good Friday Agreement, constitute a radical break with the previous highly centralizing tendencies of U.K. government. They are very much in line with notions of "new governance" and the restructuring of the state away from the old hierarchical, top-

down and uniform model of the Keynesian welfare state of the 1960s and 1970s. The new model, in contrast, is bottom-up and decentralized, characterized by variable geometry and asymmetry.

This new model is not without its problems. The Labour Party in Britain is divided between "Old Labour," focused on redistribution from the rich to the poor through centralized and uniform mechanisms of public administration, and "New Labour," which rejects this approach and accepts the irreversibility of the neoliberal reforms of the 1980s, while seeking to inject into them elements of social equity and justice. No fully satisfactory way has been found to square this circle. What is clear is that these developments reflect a wider set of processes driven by profound economic change, globalization and Europeanization. Other countries inside and outside Europe are facing similar challenges, and each is responding in a way that has both distinct features and common elements with the others.

In Canada, there has been much debate about the future of the country's federation and the nature of its territorial politics, as well as about the representation of various groups such as the First Nations, women and "new Canadians." In the U.K. and the European Union we are finding that a key feature of the new governance and the new politics is their open-ended nature: they are evolving with no clear goal in sight. As Ron Davies, the architect of Welsh devolution, commented, "Devolution is a process not an event." Many Canadians take pride in a federal framework that is sufficiently flexible to accommodate the country's various components. It remains to be seen whether Canada's institutional development will also prove open-ended. If so, Canadians have a great interest in observing this process unfold on the other side of the Atlantic. ■

# Devolution five years later

Britain's far-reaching constitutional reform brings mixed results

by Charlie Jeffery

**P**EOPLE SELDOM LOOK TO BRITAIN FOR MODELS OF POWER-SHARING – yet perhaps they should. For the United Kingdom has undergone an institutional revolution the past few years. Centralization of power in Westminster, still very much the coin of the realm under Margaret Thatcher, has given way to real devolution. And devolution has transformed British politics. The introduction of the Scottish Parliament and devolved assemblies in Northern Ireland and Wales in 1998–99 has brought the most far-reaching changes to the British political system in well over a century.

How well has devolution worked in the three regions? It is still early, but last year marked an important stage, since each administration confronted a first major test in the form of an election. The 2003 outcomes constituted a verdict not only on those seeking power in the new institutions, but on the process of devolution itself.

The headline results present a mixed picture. In Scotland, on May 1, 2003, a Labour–Liberal Democrat coalition was returned with a significantly reduced majority. Labour won a narrow outright majority in Wales on the same day, and decided not to renew its coalition agreement with the Liberal Democrats.

Northern Ireland, as ever, was a special case. It has a form of devolution based on power-sharing between representatives of the overwhelmingly Protestant, pro-British, Unionist community and the overwhelmingly Catholic, pro-Irish, Nationalist com-

munity. But the Northern Ireland Assembly has been in suspension since October 2002 following a breakdown in cooperation. The election results reflected this breakdown. The hard-line Democratic Unionist Party (DUP) emerged as the strongest Unionist party, while Sinn Fein (SF) became the strongest Nationalist party. Since the DUP refuses all cooperation with SF, the power-sharing required under the terms of the Belfast (or Good Friday) Agreement appears unattainable, leaving the Northern Ireland Assembly suspended.

Let us look behind the headlines.

## Has devolution mattered in Scotland?

In its first term, 1999–2003, the Scottish Parliament was a busy legislature. It passed, on average, 16 acts annually. Prior to devolution, the U.K. Parliament in Westminster used to pass just six or so Scottish acts per year. Some of the Scottish Parliament's legislation broke sharply with policy at Westminster: on free long-term care for the elderly, the abolition of up-front tuition fees for students in higher education and more liberal rules on freedom of information. It also enacted commitments the U.K. government is ostensibly committed to but has failed to deliver, like the abolition of fox-hunting and the repeal of the Thatcher government's ban on education about homosexuality in schools.

Despite all this, the Scottish electorate seems to feel that devolution has not made much difference. This may have something

to do with unrealistic expectations at the outset. Survey research has shown that in 1997 around two thirds of Scottish voters expected the introduction of a Scottish Parliament to improve economic performance and educational and health standards. Half-way through the parliamentary term 1999–2003, these figures had fallen to 45 per cent on health, 43 per cent on the economy and just 27 per cent on education. Few think things are getting worse, but more and more people feel that devolution is making no difference in concrete policy terms.

This does not mean that voters are turning against the principle of devolution. Devolution remains by far the most popular constitutional option in Scotland. More than 50 per cent of Scots support devolution, with around 25 per cent in favour of independence (a figure that has drifted downwards since devolution). Only about 20 per cent want a return to "direct rule" by Westminster. Indeed, many feel there is still too much rule from Westminster. Just over half as many Scots think the new Parliament has "most influence over the way Scotland is run" as expected that to be the case prior to devolution, edging ahead of the 39 per cent who thought Westminster would still have most influence. Clearly, the Scots had very high and probably unrealistic expectations about the impact of devolution.

Inflated expectations provide some explanation for one of the most striking features of the Scottish election results: low turnout. Turnout fell in 2003 to 49.4 per cent from the 58.8 per cent recorded in

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1999. Some of this fall reflects a more general trend of falling turnout in the U.K. and in most Western democracies, but some was homemade. Because voters think that the Scottish Parliament has not made much of a difference and cannot because of Westminster's continuing influence, it is easy to think it is not worth going out to vote. While some 56 per cent of Scottish voters thought in 1999 that it made a "great deal" or "quite a lot" of difference which party won the Scottish election, only 42 per cent still felt this was the case in 2003.

A second problem was that the main political parties did not put forward very distinctive policy platforms in 2003. The election campaign was at best lacklustre. Labour, the Liberal Democrats, the Scottish National Party (SNP) and even the Conservatives fought on a crowded centre ground, and none of them had leaders capable of mobilizing enthusiasm for Scottish politics.

The evident mobilization deficits of the main parties were reinforced by two other issues. The first was the increasingly embarrassing saga of the construction of a new Scottish Parliament building. Original cost estimates were £40 million; by 2003 they were ten times that figure. And the original completion date was 2001; the building may now be finished in 2004. This mismanagement of the physical symbol of Scotland's new politics fostered a general sense of disillusionment with the political "establishment." That sense of disillusionment was intensified by the Scottish media, which – perhaps also reflecting unrealistic and now dashed expectations on their part – have been relentlessly negative in their coverage of devolved politics.

This backdrop of disappointment and disillusionment also affected the perform-

ance of the parties in the election, in part because lower turnout generally favours smaller, "nonestablishment" parties by lowering the barriers to electoral success, as lower absolute numbers of votes are needed to win seats if turnout is reduced. Disillusionment also fostered a willingness to look beyond the "usual suspects" and vote for alternatives outside of the big four parties. What emerged was a "rainbow Parliament" with six parties gaining significant representation, plus a number of successful individual minor party and independent candidates.

If disillusionment with the "establishment" was a cause of this fragmentation of the Scottish party system, the electoral system used in Scotland smoothed the way. The Scottish system is a "mixed" system which gives voters two votes. The first is cast in the U.K.'s traditional constituency contests in which the "first past the post" wins the seat; the second vote is cast for party lists in eight "regional" constituencies. Regional list seats are allocated as "top-ups" to ensure greater overall proportionality. Of the 129 Members of the Scottish Parliament (MSPs), 56 (or 44 per cent) are elected from regional lists.

The impact of the electoral system is shown in Table 1. Even though it lost seven constituencies, Labour still dominated the constituency battleground, winning 46 out of 73 seats. But because of that dominance, Labour was entitled to only a handful of "top-ups" at the regional level. Similarly, the Liberal Democrats, traditionally skilled at targeting their vote well in key constituency contests, also won few regional list seats.

By contrast regional list seats provide the bulk of the MSPs of the Scottish National Party (SNP) and the Conservatives. Moreo-

ver, 22.6 per cent of the regional list vote went to smaller parties and independents, confirming the sense of discontent with the mainstream parties. It provided the sole route into the Parliament for the Scottish Socialist Party and the Greens, as well as two independents, one of whom, Dr. Jean Turner, led a local campaign of protest against a local hospital closure.

Looking at the totals of seats won, the election had an unusual outcome: both the main party of government, Labour, and the main party of opposition, the SNP, lost significantly. The secondary parties of government and opposition – the Liberal Democrats and the Conservatives – held steady. The smaller parties outside the mainstream were the winners, and now share a total of 17 seats. The Lab-Lib majority has been cut to just five, but because the opposition is now that much more fragmented, this is proving sufficient for stable government through to the next scheduled election in 2007. There is an interesting nuance in one characteristic of that opposition: the SSP and the Greens are pro-independence parties. So though the SNP lost eight seats in

2003, the total pro-independence grouping has grown significantly to 41 MSPs (including one independent), almost one third of the Parliament.

### Has devolution made any difference in Wales?

The question of whether devolution has mattered has a different resonance in Wales. While Scotland has legislative powers in most fields of domestic policy, Wales has a form of executive devolution focused on the differential implementation of Westminster legislation. That impression was amplified under the first ministership of Alun Michael (1999–2000), who was widely seen as a placeman of Tony Blair. His successor, Rhodri Morgan, has since stressed his commitment to a more traditional social democratic politics in Wales, and taken his distance from the policies of Blair’s “New Labour” government in Westminster.

The background of more limited devolution explains why expectations of the National Assembly in Wales were not as high as those in Scotland. Only 30 per cent

**Table 1: The 2003 election in Scotland (compared to 1999)**

Party	Constituency vote (%)	Regional vote (%)	Constituency seats	Regional seats	Total seats
Conservatives	16.6 (+1.0)	15.5 (+0.1)	3 (+3)	15 (-3)	18 (=)
Greens	–	6.9 (+3.3)	–	7 (+6)	7 (+6)
Labour	34.6 (-4.2)	29.3 (-4.3)	46 (-7)	4 (+1)	50 (-6)
Liberal Democrats	15.4 (+1.1)	11.8 (-0.6)	13 (+1)	4 (-1)	17 (=)
Scottish National Party	23.8 (-4.9)	20.9 (-6.4)	9 (-2)	18 (-10)	27 (-12)
Scottish Socialist Party	6.2 (+5.2)	6.7 (+4.7)	0 (=)	6 (+5)	6 (+5)
Others	3.4 (+1.7)	8.9 (+3.3)	2 (+1)	2 (+2)	4 (+3)
Total	100	100	73	56	129

Figures in parentheses are increases (+) or decreases (-) in 2003 relative to 1999.

felt just prior to devolution that the Assembly would have more influence than Westminster over the way Wales is run. In 2003, 22 per cent felt that to be in fact the case. Compared to Scotland, fewer thought the Assembly would deliver better economic performance or health policy, so people are less disappointed by what the Assembly has delivered. Equally, fewer thought from the outset that it would make much of difference which party won Welsh elections: 46 per cent thought it would make a “great deal” or “quite a lot” of difference in 1999 (compared to 56 per cent in Scotland) and a more or less unchanged 43 per cent felt this way in 2003 (42 per cent in Scotland).

This less turbulent pattern of opinion might be understood as an indifference to devolution. But this is clearly not the case. In fact, as Table 2 shows, there is a strong appetite for further-reaching devolution. Since 1997 the number wanting “no devolution” has fallen, while support for a Scottish-style parliament has doubled (and overtaken support for an Assembly as constituted now).

All in all these are not favourable circumstances for a high turnout. But even so, the level of turnout achieved in 2003 – 38.2 per cent – was extraordinarily low, falling by 8.2 per cent compared to 1999. The rea-

sons for such a low turnout have some parallels with those in Scotland. There was a sense in Wales as well that the main parties were fighting over a narrow centre ground focused on technocratic issues of who would be best at delivering public services to Welsh citizens.

But there was also a significant contrast: Wales lacks distinctive territorial media. There are no genuinely national newspapers as in Scotland, and much of the print and broadcast media received in Wales are essentially English. This means on the one hand that Welsh devolution has been spared the media vitriol seen in Scotland, but it also means that there is a very low level of awareness of what the National Assembly does. In 2003, around 60 per cent of the Welsh felt they knew “just a little” or “hardly anything” about the Assembly.

But the foremost explanation of low turnout is the sense, noted above, that the National Assembly as currently empowered is not a body important enough to be worth voting for. Asked shortly after the 2003 election, 54 per cent of respondents in a major survey said they would have been more likely to vote if the National Assembly had been “given much greater powers to change things that shape people’s daily lives.”

Low turnout did not open up the same

**Table 2: Constitutional preferences in Wales 1997–2003**

Constitutional Preference	1997	1999	2001	2003
Independence	14.1	9.6	12.3	13.9
Scottish-style parliament	19.6	29.9	38.8	37.8
Assembly as now	26.8	35.3	25.5	27.1
No devolution	39.5	25.3	25.3	21.2

kind of anti-establishment protest as in Scotland. Minor parties won only 11.9 per cent of the regional list vote across Wales; none came close to winning a seat. Only one independent won a constituency seat. So the Assembly is still dominated by the Welsh “big four”: Labour, the nationalist Plaid Cymru, the Conservatives and the Liberal Democrats. Labour emerged from the election better than in Scotland. It increased its share to 40 per cent on the first vote, and with that won 30 constituency contests.

Wales uses much the same electoral system as in Scotland, except that the ratio of constituency to regional list seats is two to one. This different ratio means that the regional list top-up has less effect on the overall proportionality of the results. So Labour’s 40 per cent of the constituency vote delivered a full 50 per cent of seats in the Assembly (and meant that Labour was not entitled to any regional list seats). This gave Labour a small working majority of one because the opposition provides the Presiding Officer of the Assembly who by convention does not vote. Rhodri Morgan stated right after the election that the Labour Party will need to maintain “iron discipline” in

the Assembly to make that majority work. So far it has.

The biggest story in the election was the very poor performance of Plaid Cymru. In 1999 Plaid scored its best ever result in Wales at around 30 per cent. So its slump to just 21.2 per cent in constituencies and 19.7 per cent in the regions was surprising. Its lacklustre leader, Ieuan Wyn Jones, fought the election as a government-in-waiting, seeking to demonstrate Plaid’s competence and fighting Labour on the territory of public services. Its neglect of its Welshness, its nationalist vision, left it outflanked by Rhodri Morgan’s rhetoric about pursuing Welsh priorities in distinction – and in part in opposition – to those of the Labour government in Westminster.

Embarrassingly for Plaid, the party emerged with only one more seat than the Conservatives, who posted the biggest improvement in the election, running a populist campaign in which opposition to a supposed (and in fact tiny) influx of asylum-seekers to Wales played a prominent role. The Conservatives won three seats to take them to 11 overall, while the Liberal Democrats held.

**Table 3: The 2003 election in Wales (compared to 1999)**

Party	Constituency vote (%)	Regional vote (%)	Constituency seats	Regional seats	Total seats
Conservative	19.9 (+4.1)	19.2 (+2.7)	1 (=)	10 (+2)	11 (+2)
Labour	40.0 (+2.4)	36.6 (+1.2)	30 (+3)	0 (-1)	30 (+2)
Liberal Democrats	14.1 (+0.7)	12.7 (+0.2)	3 (=)	3 (=)	6 (=)
Plaid Cymru	21.2 (-7.2)	19.7 (-10.8)	5 (-4)	7 (-1)	12 (-5)
Others	4.8 (+0.1)	11.8 (+6.7)	1 (+1)	0 (=)	1 (+1)
Total	100	100	40	20	60

Figures in parentheses are increases (+) or decreases (-) in 2003 relative to 1999.

## The special case of Northern Ireland

Everything is different in Northern Ireland: the parties, the electoral system and, of course, the political context. Devolution there is inextricably linked with peacebuilding. And the continuing difficulties of peacebuilding have made devolution unworkable since October 2002, when the Northern Ireland Assembly was suspended for the fourth time since 1998.

The October 2002 suspension followed revelations that the IRA was still collecting intelligence about the security services in Northern Ireland which could be used for paramilitary purposes. There also existed a wider unease that although the IRA had begun a process of disarmament monitored by an independent international commission, the process was both slow and untransparent. Under these circumstances, the Unionist First Minister, David Trimble, declared his unwillingness to work with the IRA-connected Sinn Fein, precipitating suspension.

The 2002 suspension opened up behind-the-scenes negotiations, and more than once a commitment by the IRA to a permanent cessation of military activity seemed close. On October 21, 2003, a breakthrough was expected and, indeed, had been carefully choreographed with the following schedule:

1. An announcement by the U.K. government that elections would go ahead on November 29;
2. A speech by Sinn Fein's Gerry Adams announcing the end of the IRA's "war";
3. A statement by the IRA approving Adams's speech;
4. An announcement by the independent

disarmament commission that further IRA weaponry had been destroyed;

5. An announcement by Trimble that sufficient trust had been regained to restore devolution;
6. A final commitment by the U.K. and Irish governments to resuming devolution.

The process stalled at stage four. Trimble had expected a detailed public statement on the type and quantity of weaponry destroyed. The IRA refused to allow it. Trimble felt that this continuing lack of transparency was inconsistent with confidence-building, and broke off the sequence. Northern Ireland was therefore left with an election scheduled for November, but no deal for making devolution work after the election.

This series of events had serious implications for Northern Ireland party politics. Unlike elsewhere in the U.K., party politics in Northern Ireland is organized around the cleavage between the unionist-Protestant and nationalist-Catholic communities. The main parties on the unionist side are the Ulster Unionist Party (UUP), led by Trimble, and Ian Paisley's Democratic Unionists (DUP). The UUP is a more moderate party committed to cooperation across community lines under the terms of the 1998 Belfast Agreement. The DUP remains wary of cooperation with nationalist parties and refuses outright to work with Sinn Fein. It has always opposed the Belfast Agreement, and though it took up ministerial office after 1998 under the power-sharing rules, never took part in collective government discussions including SF.

The main parties on the Nationalist side are SF and the Social Democratic and Labour Party (SDLP). Both are, in local terminology, "pro-Agreement." The SDLP has

never had links with the IRA and represents the moderate wing of Irish nationalism in Northern Ireland. SF retains its links with the IRA but has increasingly committed itself to the democratic process.

The breakdown of the choreographed sequence on October 21, 2003, further undermined an already much diminished trust between Northern Ireland's two communities. After a short period of optimism, driven by the ceasefires of the IRA and unionist paramilitary organizations in the mid-1990s leading up to the Belfast Agreement, disillusionment set in. From 1999, the numbers of people who saw cross-community relations as improving started to fall, especially among Protestants. This pessimism provided a breeding ground for a polarization of political views, favouring the DUP and SF. The breakdown of October 2003 played further into the hands of the DUP by discrediting the faith David Trimble had placed in SF and the IRA.

This was the atmosphere in which the election campaign took place. Turnout fell from 70.0 per cent to 63.1 per cent, still significantly higher than in Scotland or Wales. While as in Scotland and Wales devolution is the most popular constitutional option, with a clear majority in each community supporting an even fuller role for the Assembly in the government of Northern Ireland, none of this had much bearing on the conduct of the election. The campaign was pitched at a more elemental level, with party competition operating within community boundaries. The real contests were about which variant of unionism (UUP or DUP) and nationalism (SDLP or SF) would win.

This intracommunity electoral logic was facilitated by Northern Ireland's electoral system, the Single Transferable Vote (STV). Northern Ireland has 18 six-member constituencies. Voters cast their votes preferentially, ranking candidates. To be elected can-

**Table 4: The 1998 and 2003 election results in Northern Ireland**

Party	1998		2003	
	First Preference Votes %	Seats	First Preference Votes %	Seats
DUP	18.1	20	25.7	30 (33)*
UUP	21.3	28	22.7	27 (24)*
SDLP	22.0	24	17.0	18
SF	17.7	18	23.5	24
Alliance	6.5	6	3.7	6
UKU	4.5	5	0.8	1
PUP	2.6	2	1.2	1
Ind			0.9	1
NIWC	1.6	2	0.8	0
Others	5.8	3	3.7	0
Total		108		108

\* Three UUP members joined the DUP on January 5, 2004.



**Francisco Goya, Right or Wrong, First Edition 1863**

This etching, taken from the series *Los Desastres de la Guerra*, shows a scene from the Franco-Spanish war 1808–1814, and violent as the image may be, it is actually one of the less gruesome prints in the series. The copper plate for this etching probably dates back to around 1810, but none of the *Disasters of War* prints saw the light of day until 1863, thirty-five years after Goya's death. Goya was principal painter to the Spanish court during the Peninsular War, a position he hated in the first place and which was made considerably more difficult when he found himself working for the new Spanish king, Joseph Bonaparte. Goya was a contemporary of the French Neoclassicists, but none of their fascination with heroism and classical antiquity rubbed off on him. Even his official portraits of royalty were unflattering: his painting of King Charles IV with his family was described by a later critic as “the grocer and his family who have just won the lottery.”

didates have to reach a “quota” of more than one seventh of the popular vote (14.3 per cent). If no candidates win more than 14.3 per cent on first preferences, the bottom candidate is eliminated and his or her second preferences are allocated among the remaining candidates. Once a candidate

reaches the quota level, his or her second preferences are reallocated, and so on, until all six members are elected.

Because candidates need only to reach 14.3 per cent of the popular vote, they can restrict themselves to campaigning among narrow groups of potential voters within

their own communities. In circumstances where cross-community trust was falling, the effect was to promote intracommunity outbidding which, as Table 4 shows, played into the hands of the extremes. The anti-power sharing DUP emerged as the biggest party, gaining 7.6 per cent of first preference votes. The UUP lost one seat (and three more in January 2004 when three members defected to the DUP). That left the DUP with 33 seats to the UUP's 24. SF also won 24 seats, taking over the lead from the SDLP on the Nationalist side. Minor parties, especially those trying to appeal across community boundaries, were squeezed and won only half the seats they had in the suspended Assembly of October 2002.

If the Northern Ireland Assembly were recalled, and the terms of the Belfast Agreement followed, a government would need to be formed under the joint leadership of the biggest party in each community, now the DUP and SF. For as long as the DUP refuses to work with SF, this is not going to happen. So for now, and probably for some time, direct rule from Westminster will have to continue – and devolution has ground to a halt.

## What now?

Overall, the 2003 devolved elections did not provide a ringing endorsement of devolution. In the case of Northern Ireland, they revealed that the commitment to the level of cross-community cooperation needed to make power-sharing devolution work is absent. A formal review of the Belfast Agreement is planned to run through 2004. But with SF committed to the terms of the Agreement and the DUP to wholesale renegotiation, it is hard to see much possibility

of attaining the conditions needed to make a breakthrough, which would be greater transparency about IRA disarmament combined with a DUP commitment to cooperation – or, failing that, a new election in which the UUP reemerges as Unionist top dog

In Scotland and Wales the issues are, of course, very different, but also not entirely positive. Voters in both nations seem disappointed with the limits of devolution so far and would apparently prefer greater decentralization of powers away from London. In Scotland, this seems more a reflection of the unrealistic expectations that many invested in a devolution settlement which, in reality, gives the Scottish Parliament real legislative clout. The problem in Scotland is readjusting expectations to a more realistic level. In Wales, the perception about the limits of devolution and the limited worth of voting has a stronger foundation.

Yet there is though one rather more positive dynamic suggested by the election results in Scotland and Wales. Scotland's "rainbow" Parliament suggests that voters are prepared to think differently than they do in Westminster elections. Therein lies a demonstration of the capacity to express the distinctiveness of identity and values that was the driving force behind the devolution reforms. In Wales, this took the form of the Labour Party in Wales campaigning against "New" Labour in Westminster, expressing Welsh values in the face of metropolitan orthodoxy. In these senses the 2003 elections may have set the scene for the kinds of distinction voters have developed in their voting behaviour in regional as opposed to national elections in other states with strong territorial cleavages, like Spain and Canada. ■

# Populism: polder and prairie

## The rapid rise and fall of Pim Fortuyn

by Paul Lucardie

**D**UTCH POLITICS HAS A REPUTATION FOR DULLNESS AND STABILITY. But that was hardly the case in 2002, when Pim Fortuyn entered politics. His party came in second in that year's election, although it had not yet been formally founded and Fortuyn himself had been murdered a few days earlier. Yet it now remains to be seen if the party can survive the assassination of its founding father. The election for the European Parliament, to be held in June 2004, may be the final test.

Canada is quite different from the Netherlands. A thinly populated geographical giant, a former colony and a rather decentralized federal state, Canada has ethnic, linguistic and religious diversity without much ideological variety, and a majoritarian political system dominated (at least until 1993) by two pragmatic "catch-all" parties. The Netherlands, once a colonial empire but now a densely populated and very small, highly centralized state, is ethnically fairly

homogeneous but fragmented along ideological and religious lines, and hence used to proportional representation, ideological mass parties and consociational politics.

Yet in recent decades, new parties emerged in both Canada and the Netherlands that shared a remarkable number of features: an ideological mixture of economic neoliberalism, cultural conservatism and democratic populism, along with personal leadership and a more confrontational po-

litical style. Perhaps it is more than a coincidence that Canada's populist party grew up on the prairies: flat land, divided into rectangular plots, in many ways similar to the Dutch polders.

## Polder politics and the purple coalition

Despite its use of full proportional representation, Dutch politics has been stable since the introduction of universal suffrage in 1917. For many years the Netherlands was governed by Christian parties – initially separate Catholic and Protestant parties which, in 1980, merged into one Christian Democratic party, the CDA (Christen Democratisch Appèl). Until 1967, the Christian parties held an absolute majority in parliament, but even then they usually preferred to include either Social Democrats or Liberals in a governing coalition. With the Social Democrats – the party's official name is the Labour Party or PvdA (Partij van de Arbeid) – they built up a corporatist welfare state. With the Liberal Party or VVD (Volkspartij voor Vrijheid en Democratie) they cut taxes and privatized crown corporations. The exception was an ill-fated grand coalition from 1948 to 1952, after which the



Pim Fortuyn

PvdA and VVD refused to cooperate with each other for decades. Liberals and Social Democrats agreed on certain moral issues but disagreed on everything else. The VVD combined economic liberalism with moderate conservative views on cultural and con-

stitutional questions and supported the Cold War, quite unlike the Social Democrats.

With the end of the Cold War, intellectuals in the PvdA came to question the party's rejection of capitalism. Young Social Democrats began to meet (at first in secret) with young Liberals, often on the initiative of Democrats 66, a party of progressive liberals named after the year it was established. In 1994 their efforts bore fruit. The CDA lost 20 of its 54 seats in the 150-seat parliament, which meant not only that its coalition with the PvdA lost its majority, but also that a CDA coalition with the Liberal Party, which had benefited from its losses, was ruled out. A key role fell to the Democrats, who were in a position to realize their goal of a government without Christian Democrats. Such a government, they hoped, would bring about constitutional reforms, legalize euthanasia and generally increase freedom of choice.

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The coalition was called “purple,” because it mixed the “blue” conservative liberalism of the VVD with the “red” socialism of the PvdA. The Democrats, who had taken the initiative in forming the coalition, soon became invisible, lacking a colour of their own. The purple coalition pursued mainly liberal policies in both socioeconomic and sociocultural spheres. It reduced the deficit and the tax burden for citizens and companies; privatized energy, transport and telecommunications; and introduced a liberal law on euthanasia, as well as one allowing same-sex marriage. Helped by an economic boom, the purple coalition was reelected in 1998 with an increased majority, gaining five seats for a total of 97. Only the Democrats lost ground (to parties further to the left), leaving their constitutional objectives unrealized.

While the relegation of the Christian Democrats to the opposition benches had brought about some changes, it had not really transformed the political culture as the Democrats had hoped. Dutch politics was still “consociational,” built on accommodation and negotiation between corporatist elites in back rooms. Ordinary citizens could not bring about change through a referendum, nor could they “turn the rascals out,” as every government was composed of more or less the same parties.

After 1998, the popularity of the purple coalition began to wane. More and more people complained about the declining quality of public services, waiting lists in hospitals, shortages of teachers in schools and insecurity in the streets, frequently associated with the growing numbers of immigrants. The first expression of the discontent came through new local parties with populist ideas. In 2001 some of these local

parties founded a national party, Livable Netherlands or LN (Leefbaar Nederland). Its platform was fairly modest, perhaps its most radical proposal being that burgomasters (mayors) should be elected by the people rather than – as is still the case in the Netherlands – appointed by government. In November 2001 this rather bland populist party selected a leader who was anything but bland, Pim Fortuyn.

## **The life and death of a Dutch populist**

Wilhelmus Petrus Simon (Pim) Fortuyn was born into a lower-middle-class Catholic family in 1948, in a town not far from Amsterdam. As a sociology student in the late 1960s he turned to Marxism and was active in the student movement. In 1972 he went to the University of Groningen to teach “critical sociology.” Soon he joined the PvdA. He wrote a doctoral dissertation about postwar socioeconomic policies, in which he argued that their corporatist character stemmed mainly from the Nazi occupation. At the time, his controversial critique of corporatism fit in with his somewhat libertarian neo-Marxism. But gradually he rejected Marxist socialism.

In 1989, increasingly ill at ease in the culture of the PvdA, he left the party in response to what he felt was an insult by its new leader, Wim Kok. He spent the next five years as “extraordinary professor of labour policy” at the Erasmus University of Rotterdam, developing a reputation as a dynamic public speaker at meetings of business clubs, veterans’ leagues and other organizations. At the same time, he wrote a column in *Elsevier*, the largest and most conservative weekly in the Netherlands.

Most of his columns were directed against the purple coalition.

Once he was chosen leader of *Leefbaar Nederland*, Fortuyn's flamboyant personality, provocative statements and unusual lifestyle – he made no secret of his visits to gay dark rooms – distinguished him from all other Dutch politicians. In a few months he gained a massive following across the political spectrum, and managed to alienate the leadership of *Leefbaar Nederland*. In February 2002, three months before the parliamentary election, Fortuyn was forced to leave the party and decided to enter the election with a loose grouping of supporters, the *List Pim Fortuyn* (LPF). He considered this “a hell of a job,” but felt he had to complete his mission, in the religious sense of the word – as stated in the LPF's constitution, to “give the country back to the people.” In March his group entered the local election in Rotterdam and became the largest party on the municipal council. Few had taken Fortuyn seriously when he bragged that he would become prime minister of the Netherlands; now some compared him to Austria's Joerg Haider and France's Jean-Marie Le Pen.

Yet Fortuyn's radicalism lay not in his program but in the force of his attack on the political establishment. His program comprised four connected major themes. In the first place, Fortuyn criticized Dutch corporatism, celebrated internationally in the 1990s as the “polder model.” In a modern, open economy, Fortuyn argued, the state should do no more than manage the public sector. In a modern “contract society,” every citizen should be an entrepreneur, including the worker who, as an “entrepreneur of his own labour,” should negotiate pension plans and disability payments directly with his employer, instead

of depending on trade unions and civil servants to do this for him.

These liberalizing reforms would be resisted by the unions and other groups that exercised enormous political power in the Netherlands; hence Fortuyn's second theme was reform of the political system to break the power of the corporatist political class. The political reforms he advocated were a mix of familiar populist proposals – more direct elections, more free votes for legislators – and an innovative proposal for a small core cabinet that would be more or less independent of political parties though still responsible to parliament. Yet while Fortuyn, like most populists, was distrustful of modern political parties, he did not favour referendums: politicians should listen to their constituents, inspire public debate and exercise leadership. Contemporary Dutch politicians did none of this, he asserted. The established parties had lost their ideological roots as well as their ties to the people they claimed to represent, relying on television to mobilize voters. Like the patrician elite in the 17th and 18th centuries, the political elite took the best positions for itself and ignored the needs of the people.

The best example was immigration policy, his third theme. The elite ignored the problems of a multicultural society: living in predominantly white suburbs, they were rarely confronted with them. In fact Fortuyn himself had only discovered these problems in the late 1990s. In 1997 he published a book with the rather provocative title *Tegen de islamisering van onze cultuur* (“Against the Islamization of our culture”), with arguments similar to Samuel Huntington's “clash of civilizations” thesis: Islamic values would clash inevitably with Western culture, which is based on separation of

church and state, individual liberty and equality between men and women, homosexuals and heterosexuals. Immigration had to be stopped, as far as possible, and those immigrants who remained had to be assimilated into Dutch culture, which was essentially Western culture. Or was it? Sometimes Fortuyn seemed to suggest Dutch culture needed special protection from European integration, which threatened national identity. Fortuyn did not want to defend nationalism, yet came very close in his essay “*Zielloos Europa*” – the title “Europe without a soul” suggested that countries like the Netherlands did have a soul.

His main objection to European integration had to do with the bureaucratic nature of the European Union. In fact, bureaucratization was the fourth general theme in Fortuyn’s platform. He attributed most problems of the public sector to the power of bureaucratic managers. Everywhere, bureaucrats had taken control from people who did the real work: doctors and nurses, schoolteachers, police officers patrolling the streets, burgomasters talking and listening to their constituents. The political elite tried to solve the various problems through a series of top-down reorganizations, to be carried out by yet other managers – to no avail. The only practical solution Fortuyn could recommend was a return to small-scale, autonomous organizations and communities. A small hospital could be managed by the medical personnel itself; a small school did not need managers either. This longing to return to small communities may be typical of populists, but it is also difficult to reconcile with libertarian individualism, something Fortuyn himself realized.

Organizationally, though formally a voluntary association, the LPF was really not

much more than an executive committee with a small office and a secretary, and a handful of regional volunteers. Beside Fortuyn, the committee consisted of a real estate dealer, a businessman and a business consultant who had arranged speaking tours for Fortuyn among others. The candidates selected for the electoral list were practically all professionals, civil servants and businesspeople without political experience. Three of them were immigrants from visible minorities. Some proved rather controversial.

The campaign was waged almost exclusively by Fortuyn, in public speeches, television interviews and televised debates with other party leaders. It is probably the most effective election campaign ever held

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in the Netherlands and proved that one does not need a proper party to win elections, provided one has a charismatic leader.

Fortuyn clearly had charisma, in the original quasireligious sense as defined by Max Weber: “surrender to a personal leader and his gift of grace.” People without any interest in politics were mobilized, declaring, “Through Fortuyn I regained faith in politics,” or “Pim says what I think,” or even, “I knew one day a man would come to redeem our people. Fortuyn has opened my eyes.” Irena Pantelic, a Croatian immigrant, jeopardized her title of Miss Netherlands 2001 because she decided to work as a volunteer at the party office, sorting and

## Nationalist populism, Belgian style

The European Parliament elections that will be a crucial test for the heirs of Pim Fortuyn in the Netherlands will also be important to the Vlaams Bloc in neighbouring Belgium. This Flemish nationalist party has grown steadily to become the largest party in the city of Antwerp, and it might become the largest in Flanders. To some people, especially immigrants, this is a frightening prospect.

Dutch and Belgian political systems show important similarities: both are constitutional monarchies with proportional representation, characterized by multiparty systems and the politics of accommodation. Yet there is one key difference. Dutch is the mother tongue of almost 90 per cent of the population of the Netherlands, but of only about half the Belgians. When Belgium gained independence in the 19th century, French became its official language. The Dutch-speaking Flemish had to struggle for the right to speak their language in schools, factories and courts. The elite spoke French and regarded Dutch as a language of uneducated peasants. A Flemish National Movement emerged, first claiming cultural rights, then making political demands for autonomy and even independence.

A Flemish People's Union (Volksunie) was founded in 1954, which called for Flemish autonomy within a federal Belgium. In the 1970s other parties began to accept federalism and sought cooperation with the Volksunie. When the party's majority agreed to this, a minority broke away and founded the Flemish Bloc (Vlaams Blok) in 1978. Inspired also by traditional Catholic ideas of solidarity and corporatism, and the values of the family, it sought Flemish independence as an expression of

ethnic nationalism. Only after 1985 did it begin to mobilize discontent about immigration. The party's electorate grew slowly but steadily, from 2 per cent of the Flemish vote in 1978 to 10 in 1991, 15 in 1999 and 18 per cent in 2003.

The independent Flemish republic envisaged by the party would be a real democracy with important decisions submitted to the people in referendums. Nevertheless, for the Vlaams Blok, in contrast to the List Pim Fortuyn, nationalism comes before populism. While both attract urban, secular, male supporters with little education, and both oppose multiculturalism and seek to restrict immigration, they are very different in their history, ideological framework and organization. The Vlaams Blok's organizational and electoral development resembles the gradual growth of Canada's Reform Party more than the explosive rise, and equally rapid fall, of the LPF.

The sources of the Vlaams Blok's ideology – nationalism and Catholic solidarity – are different from those of both Dutch and Canadian populism. In the Belgian party system, the Vlaams Blok occupies a rather isolated position, perhaps less comparable to that of the Reform Party and its successors than to that of the Bloc Québécois. With the BQ, the Flemish Bloc also shares separatist nationalism and a history of language struggles, as well as a Catholic past. However, whereas the nationalist movement in Quebec freed itself from its conservative and corporatist Catholic tradition in the early 1960s, the Vlaams Blok has not managed to cut these ties, at least not yet. Because of this historical and ideological legacy, the populism of the Flemish party seems alien to both polder and prairie.

— P.L.

processing mail: “If I had to choose between the LPF and [my title] Miss Netherlands, I would have opted for Fortuyn.” The fact that Fortuyn was very open about his homosexuality, including his visits to dark rooms, did not deter his male or female supporters.

On May 6, just days before the election, Pim Fortuyn was shot by an animal rights activist near a radio studio in Hilversum and died almost immediately. The entire nation was stunned; the last Dutch political leader to be assassinated was another Wilhelmus, Prince of Orange, who was killed in Delft in 1584. Thousands of people rushed immediately to the streets, starting riots in The Hague and conducting a more dignified silent demonstration in Rotterdam. The funeral was a national event. After consulting the leaders of the LPF – in typical Dutch consociational style – the government decided not to postpone the election, although all parties agreed to stop campaigning.

Turnout in the election was relatively high: close to 80 per cent, up 5 per cent from 1998. With almost 17 per cent of the popular vote and 26 seats in parliament, the LPF became the second-largest party in the country, passing the PvdA and the VVD. Exit polls indicated that 35 per cent of LPF voters had voted Liberal in 1998, 28 per cent had voted for a left-wing party (Labour, D66, Green Left or SP), and 27 per cent had been nonvoters or were new voters. LPF voters were significantly more male than female, less educated than average, and less likely to attend church. They were generally more cynical and felt less politically competent or effective than other voters. There was a positive correlation between support for the LPF and the number of immigrants in a municipality. More than other voters, they were concerned about public

safety and refugee policy. It was their agreement with Fortuyn on these issues that brought them to the LPF, and allowed Fortuyn to bring issues related to asylum-seekers, immigrants and criminality to the top of the political agenda.

The outcome of the election constituted a decisive defeat for the purple coalition of Labour, Liberals and Democrats, which dropped from 97 to 54 seats, ruling out a return to either of the two traditional coalition models in the Netherlands. The LPF was invited to join a coalition with the CDA and VVD, the only option consistent with the Dutch tradition of consociationalism and polder politics.

## **Followers without a leader**

The LPF, however, was ill prepared to participate in government. It lacked a coherent program, a formal party organization and a real leadership. The very day after the death of its founding leader, the remaining members of the executive committee started quarrelling over his succession. Individualistic entrepreneurs, they had been brought together primarily through their connection to Fortuyn. Within a month, quarrels broke out between the executive committee and the parliamentary leader, and among LPF members of parliament as well as the ministers that represented the party in government. The conflict among the ministers turned out to be fatal, and in October the prime minister handed in his resignation.

A new election was called for January 22, 2003. This time, it was a rather calm campaign. As in the 1980s, the PvdA competed with the CDA for first place. The looming war in Iraq widened the gap between them: while the Christian Democrats continued

to support the American position (although not quite as explicitly as the Liberals), the Social Democrats objected to a war without approval of the United Nations. Polarization between the two parties may have strengthened their electoral position – the CDA won 43 seats, the PvdA 42 – but it made a coalition agreement after the election more difficult to achieve.

In the context of deteriorating economic conditions which called for a decisive government willing to make hard choices rather than a wishy-washy coalition based on vague compromises, old-fashioned polarization between left and right brought a breakdown in the negotiations after three

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futile months. The Christian Democrats then initiated talks with Liberals and Democrats 66 and, in May, reached an agreement. CDA leader Jan Peter Balkenende was to lead a coalition based on a combination of economic liberalism with modest constitutional reforms and a few conservative measures (protecting family life, promoting integration of immigrants).

The LPF was reduced to 6 per cent and eight seats. Though differences over strategy remained, the reduced parliamentary group was now more unified under the distinctly uncharismatic Matt Herben. But internal squabbles and resignations followed the poor showing (under 3 per cent) in provincial elections in March 2003. The new

executive committee elected in the spring of 2004 will be tested in the European election, to be held in June. It remains to be seen whether the party will show sufficient coherence to win “Euro-sceptical” voters away from the VVD and CDA, appealing to nationalist sentiments – yet with Dutch moderation?

## A populism of open spaces

Ideologically, there are clear affinities between the LPF and the Canadian Reform Party. Both Pim Fortuyn and Preston Manning pushed for democratic reforms, economic liberalization, deficit reduction and limits to immigration. Both hoped to change the political culture of their country and both distrusted the politics of accommodation. Both criticized existing federal arrangements and advocated more regional autonomy (if we regard the Netherlands as a region within the European Union).

Both were critical of multiculturalism, though Reform was more careful in its choice of words than the LPF. Yet the LPF’s program of political reform was more moderate than the Reform Party’s demands for people’s initiatives, citizen assemblies and recall of representatives. Of course, the personalities of the two leaders were quite different. Both had a substantial impact on the parties they founded, but the Reform Party was not the List Preston Manning, and it survived its leader’s departure without major losses. On the whole, like their Canadian counterparts – and in contrast to the Vlaams Blok in neighbouring Belgium (see accompanying article) – Dutch populists prefer open spaces and pragmatic compromises to closed ethnic communities and pure principles. ■

# France's veil affair

## National institutions and transnational identities

by Riva Kastoryano

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EW SOCIAL ISSUES HAVE AROUSED AS MUCH PASSION AS THE “VEIL affair” in France. On both a rational and an emotional level, its implications are felt beyond national boundaries – indeed, in all countries where immigration, the integration of Muslim and other immigrants, and Islam as a cultural and political force transcending national boundaries are matters of concern. The debate on this issue is part of the globalization of anxieties over identity. States and cultural-religious communities within them are now engaged in intense competition for the loyalty and allegiance of those living within the same geographical space.

The issue covers all areas of society and the social sciences. It involves national history, the place of religion, the principle of *laïcité* (France's form of secularism) and its limits and the role of schools in “assimilation.” The arguments relate to moral principles such as tolerance, the right to differ-

ence, individual liberty, religious freedom, human rights and – above all – the emancipation of women. And finally, the issue leads to questions about the integration of immigrants, the effects of multiculturalism in practice, the reestablishment of public order and redefinition of the social contract. But the real question has to do with the transnational scope of community identification, which gives new impetus to expressions of identity and takes the form of a transnational nationalism, a nationalism without territory whose power is drawn from the mobility of individuals. A new power relationship is

emerging between immigrants and governments, based on forms of belonging both within and beyond national territories.<sup>1</sup>

## History of the veil

The story begins in 1989, when three girls wore veils to the municipal school in the industrial town of Creil north of Paris. The French political class and public opinion were quick to respond. In the eyes of some, this was confirmation that Islam was “incompatible with the West,” or that it was “impossible for Muslims to assimilate universal values and/or integrate into French society.” Standard interpretations were invoked: the state was being weakened, the values of the Republic were eroding, the welfare state was in crisis. Sociologists noted the obsolescence of schools and other mechanisms for integrating or assimilating immigrants. Others saw it as “the end of national societies,” emphasizing the separation between culture and society.

It is interesting to note that the 1989 “veil affair” occurred shortly after the commission studying France’s citizenship code published its report *“Être Français aujourd’hui et demain”* (Being French today and tomorrow), which discussed at length questions of access to citizenship and the relation between citizenship and identity – “identity of origin,” religious identity or other.<sup>2</sup> The public debate on citizenship was followed by an avalanche of books and reports on “the French model,” which in simplistic terms evoked republican political traditions rejecting any expression of communities in

a state that recognizes only the individual as an interlocutor.<sup>3</sup>

The affair also occurred just as the impact of voluntary associations in the social and cultural realm was losing steam. With greater scope provided for associations of immigrant groups after 1981, they proliferated everywhere in France. It was believed that they had taken over from families and schools in socializing children, whose integration into French society was being left to social workers, community organizers and these cultural institutions – instead of to teachers, the privileged agents of the Republic. In short, the affair happened at a time when people were increasingly accustomed to hearing about “communities” (immigrant or religious) and becoming resigned to a social reality that contradicted republican rhetoric.

To ease tensions, the Prime Minister referred the matter to the State Council, France’s highest administrative court, which rendered its opinion in November 1989. In its opinion, the Council sought to “articulate the international and national rules protecting freedom of conscience on one hand, and the constitutional principle of the *laïcité* of the state on the other.” It concluded that religious symbols should not be outlawed unless they were “*ostentatoires*” (ostentatious) or “*revendicatifs*” (expressing a demand). The question would be treated on a case-by-case basis under the supervision of a judge.

After a period of “indifference,” at least on the surface, the veil became a public issue again in 1996, when girls wearing veils were expelled from a public school and new guidelines were issued to supplement the

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State Council's decision. Both of these developments suggested that the veil should be managed on a local basis and gave teachers the power to decide. This emphasis on the local level was no accident, as both associations and schools exercise their power on the local level. It was also on a local level that the government tried to encourage the establishment of sociocultural associations as a counterweight to the Islamic associations. In this way, it contributed to the creation of a "dissident" community where jockeying for power and influence was paramount. Thus, the veil issue brought into the open the tensions that existed between national institutions and immigrant Muslim populations and established a kind of power relationship between the law of the Republic and the law of the Qur'an, between society's law and the community's law.

In 2003, the commission studying the issue appointed by President Chirac and chaired by Bernard Stasi suggested in its report that wearing conspicuous religious symbols should be banned in public schools. The legislation passed by the French parliament on February 3, 2004, has been the subject of another round of extensive comment. Some have rightly emphasized the dangers and limits of such legislation, or of a dogmatic approach to *laïcité* that would be inconsistent with the liberal spirit in which it was conceived. Others – also rightly – have insisted on the urgent need for such legislation to restore public order, or to redefine the social contract, or to bring the meaning of *laïcité* up to date since the meaning that it had in the early 20th century no longer corresponds to reality. Its target is no longer Catholicism but rather Islam, and the issue no longer takes the form of overt religious conflict but rather of disguised reli-

gious conflict around issues such as girls' veils in school – the institution that most clearly embodies the national ideology.

It may be true that there are dangers of stigmatizing Islam with legislation of this sort. It may be true that there is a risk of intensifying the primary loyalty to community – with undeniable transnational connections – that is already well established in the *banlieues*, the suburban neighbourhoods surrounding major cities that have taken on the character of ethnic ghettos. And there may be some truth in the comments that the behaviour of some of these girls may have been guided by individual choice and freedom of belief.

But despite all this, there still may be room to believe that a law could have an "emancipating" function, especially in the *banlieues* where individualism is regarded as a sin. Might not a voice coming from "on high" (the government) speak louder than the voice of the muezzin in the mosque and provide support for families seeking to free themselves from the social pressure within each community that bears especially heavily on women? In the context of exclusion, expressed by young people and analyzed by researchers, the Islamic associations are often seen as a refuge and escape route. But for families, the real escape route for their children is still the school. Even if confidence in the schools is no longer widespread, there is still hope.

## Laïcité

In response to the veil, French society is redefining *laïcité*. Until 1989, this republican principle was self-explanatory. Since then, there have been innumerable interpretations of it, and no final version has

been agreed on. Perhaps the only firm conclusion is that *laïcité* is clearly the “official religion” of France. The law enshrining the principle was passed in 1905 and marked the separation of church and state after nearly a century of conflict. According to this law, “The Republic assures freedom of conscience. It guarantees the free exercise of religious worship, limited only by the exceptions enumerated below in the interest of public order” (article 1). *Laïcité* was enshrined again in the constitution of the Fifth Republic in 1958. According to article 2, “France is an indivisible, *laïque*, democratic and social Republic. It assures equality among all its citizens without distinction according to origin, race or religion.”

In practice, the principle of *laïcité* translates into the neutrality of the state toward religious denominations, which becomes synonymous with tolerance because it presupposes freedom of conscience in private and personal life. As a result, *laïcité* becomes defined as the main factor of social cohesion, the pillar of Republican France. It acts as a foil, much as Catholicism did for the definition of *laïcité* in the early 20th century.

Thus, *laïcité* is an integral part of the institutional, legal and intellectual history of the Republic – even its founding principle. However, this principle is no longer self-explanatory. Islam calls it into question in two ways – as a religious minority, and one with a public expression. Islam challenges France’s long national history of relations between religion and the state, starting with the emancipation of the individual from community constraints that were largely religious in nature. The private sphere was separated from the public sphere, where the principle of “*raison publique*” would reign. In the context of Islam, however, public

neutrality has become a source of ambiguity as the boundary between private and public has become increasingly fuzzy. Religious tolerance comes up against cultural diversity, which is expressed in ways that are tied to religion and blur the boundary between the private world and public space. The question of the place Islam should be accorded in France makes it clear that the old duality of religion and state remains unresolved on the level of definition and principles. In short, Islam serves as a mirror.

The separation of church and state in France effectively grants legal institutional status to the Catholic clergy, the Fédération Protestante de France and the Consistory, established under Napoleon as a representative body for French Jews. This “recognition” is intended as an expression of respect for freedom of worship and the neutrality of the *laïque* state. In the French government, responsibility for *cultes* – that is, religious institutions – falls to the minister of the interior. Since the first veil affair, successive ministers have tried to establish a representative institution for Islam on the model of the institutions representing other religions. In this way, the government sought to structure the mobilization of its “adversary” and bring French Muslims together, transcending national and even religious difference.

In April 2003, the Conseil Français du Culte Musulman (CFCM) was finally established to give institutional legitimacy to French Muslims. The establishment of the CFCM is also viewed by Muslims as a form of religious legitimacy.<sup>4</sup> The process has been denounced as authoritarian, and the artificial and pragmatic nature of the procedure for choosing the official representa-

tives of Islam in France has been subject to criticism. Nevertheless, it is to the CFCM's credit that it has brought into the open the tensions and power struggles among Muslims seeking representation, as well as the external influences that weighed on the choice of representatives.

The institutionalization of Islam is a response to a demand for recognition by the Muslim population, and leads to treatment of Islam by the state on an equal footing with other religions in France. Of course, this development raises a number of normative questions. In particular, there is the question of whether recognition can be limited to institutional representation when other institutions, such as the schools, are not fulfilling their function of "assimilation" and the promotion of social, cultural and religious equality. At the same time, if religion appears as the main cleavage in European countries today, then perhaps its recognition can be seen as a path toward integration. This kind of "institutional assimilation" may be the only form of assimilation possible in countries that are, *de facto*, multicultural. And it could encourage Muslims to identify with national institutions and thus help them break free of external political forces – their countries of origin and international Islamic organizations seeking to promote Islam in Europe. These forces weigh on the choices of individuals, families and local communities in France as in other European countries.

It can perhaps be hoped that institutionalization of this kind, a step toward the nationalization of Islam, will succeed in stopping the penetration of networks that seek to reconstitute transnational Islam, a reimagined *umma*, in Europe. Such an *umma* could become a nonterritorial nation, and people's sense of belonging to it would

be constructed under external influence over which states would have no control.

It may not be a coincidence, then, that soon after the establishment of the CFCM, which brought into the open the internal power struggles and external influences that involve a portion of the Muslim community and in effect politicize Islam in France, President Chirac appointed his commission on *laïcité*, on the model of the commission on citizenship in the 1980s. Especially in an era when its international context is becoming globalized, legislation cannot be separated from its political environment.

## New kinds of communities

The first veil affair in 1989 occurred right after the Rushdie affair in Britain. In 2003, the Stasi Report emphasized the connection between legislation banning the veil and the increase in acts of violence in France's *banlieues* since 2000, attributed to the second Intifada in Israel-Palestine that began in September of that year. These developments show that questions of ethnicity and the position of minorities, which on one level are subject to classical analyses of cultural diversity as a phenomenon faced by liberal democratic multicultural states, are also increasingly linked to new expressions of identity that are taking shape outside national territories. This is a consequence of the emergence of so-called transnational communities, which connect local experience with external developments that, although they take place elsewhere, are felt as an extension of life in the *banlieues*. The emergence of these communities leads to an upsurge of what could be called transnational nationalism, for which Islam constitutes the source of global identification.<sup>5</sup>

In the *banlieues*, Islam is becoming an element in people's identity that affects the way they act and react, the main element in their self-esteem as Max Weber understood it. It is a feeling of being part of a community whose elements are drawn from Islamic practice, traditions and rituals, but also from Islam's moral values and social utility. Islam thus gives a "romantic" sense to the conception of the community. It serves as a justification for internal cohesion and ethnic pride, providing a means of recovering "lost" youth, the "victims of immigration." The terms of belonging are not expressed as a matter of "blood" or kinship. Rather, the goal seems to be to restore the "moral community" in which religion – Islam – becomes the element of internal cohesion, distinction and unification across national boundaries.

For such communities, in place of social criteria that bring people together in the *banlieues*, the major criterion is religion. They are resistant to their environment and its institutions because of their social immobility and because their being grouped together now appears to be permanent, as a result not of individual choice but rather of the failure of the project of immigration. This failure is confirmed by an unemployment rate of more than 20 per cent, with young people being the most heavily affected group. Poverty combined with long-term grouping on an ethnic basis reflects the negative identity of the community. It relates to the idea of concentration, which has become synonymous with segregation. Collectively, these groupings constitute zones of exclusion (a term that started becoming fashionable in France in the 1990s) – the places where those who are "excluded from assimilation" are concentrated. Of

course, this phenomenon has to be seen as a result of housing and relocation policies, as well as of de facto discrimination in the job and housing markets. Paradoxically, this closing of the job market has taken place in a society that gives the impression of being more open, if only because of the development of communication networks and the invasion of the media by satellite channels and other new outlets.

The *banlieues* correspond to what Pierre Bourdieu has called "spatial structures and mental structures." Rage is becoming prevalent in these spaces, expressed in violence in relations both within the community and between communities. This verbal and sometimes physical violence guides interpersonal relations in public space, which has its own codes including dress codes, and defines the boundaries of the community. In the *banlieues*, violence provides a territorially and ethnically based form of collective expression, a way of ruling by provocation. Since 2000, numerous reports have sought to alert the political class to the social malaise prevailing in the *banlieues*; the increase in ethnoreligious conflict, especially between Jews and Muslims<sup>6</sup>; the verbal and sometimes physical violence against girls who choose dress codes similar to those of their peers in the surrounding society; and the symbolic violence represented by the veil. Terms such as "anti-Semitism", "racism" and "sexism" are used to describe the motivations of young people in these areas and schools.<sup>7</sup>

The existence of communities of this kind has led to much questioning of the very concept of communities as spaces for cultural and political socialization, and reflection on the limitations of this concept. The nature of the group, its mechanisms for



**William Hogarth, Heads of Six of Hogarth's Servants, mid-1750s**

English 18th-century painters were not very comfortable – or good at – producing escapist, pink-tinted Rococo tableaux in the French style. They didn't have much of a national tradition to fall back on either, nor had they managed to produce an artistic movement capable of holding a mirror to England's new reality as an emerging empire with a prosperous merchant class and changed social mores. William Hogarth set out to fill this gap, taking his cue from the Dutch and Flemish old masters rather than from the Continental style favoured by the Académie Royale, which he found too soft, too decadent and, above all, too French. His satirical depictions of contemporary life appealed to the new moneyed middle class, and the affordable prints he produced of his paintings increased his popularity even more. By the time Hogarth painted *Six Servants*, his star was waning. The public wanted apologists rather than satirists, and a new generation of painters dismissed his style as anecdotal and pedestrian.

entry and exit, its internal coherence and its rules of operation and representation constitute the basic principles of its legitimacy and recognition. Its relations with society and with other cultures and groups, and how it is situated within civil society and especially in relation to the state, enter into the equation as well. Additional factors include its capacity for “consensus,” how well disposed it is to demonstrate its loyalty to the political community and its principles, and its ability to deal with the state and its ways of negotiating its identity and interests. Its legitimacy is related to the internal restrictions that are imposed on individuals in the name of the community

**Poverty combined with long-term grouping on an ethnic basis reflects the negative identity of the community. It relates to the idea of concentration, which has become synonymous with segregation.**

and solidarity between its members, the conditions of its operation and especially respect for individual freedom within the community.

The normative questions that arise are related to the definition of a common civic space in which people can participate and with which they can identify, and of the common good, justice and equality. Or as Bhikhu Parekh has asked, how can societies find a legal and political foundation for cultural diversity that all citizens will respect as members of the same national community?<sup>8</sup> If such an approach is to be followed, then the state needs to take responsibility for adapting to reality by adjusting its policies, restructuring its institutions and redefining the terms of citizenship. How can a

new balance be struck between emerging community forces and the national interest? How can the foundations of social ties be reinvented, internal peace ensured, tensions that result from mutual suspicion lessened and violence avoided, all under new democratic norms according to which both differences and equality are valued? How, at the same time, can attitudes be changed so that differences are accepted as part of the historical continuity of democratic societies? How can we get to the reasonable pluralism advocated by John Rawls, who started from the basic principle that society is a just system of cooperation and saw political justice as being based on the idea of freedom to demand that institutions respect one’s rights?<sup>9</sup> This leads to reestablishing the role of the state in defining a common identity shared by its citizens and a feeling of solidarity and loyalty to the political community.

The question of community becomes more urgent when the sense of belonging is nourished by external developments such as wars and conflicts that take place “elsewhere.” These developments transform old grievances into new aspirations, in which colonial relations give way to a desire for, and an expression of, local and transnational autonomy. One such expression is violence in the name of a “cause” that directly or indirectly affects Islam, which is perceived as “victimized on a global scale.” Activists’ rhetoric emphasizing humiliation and Western domination, referring especially to the war between Israel and the Palestinians, reinforces this perception. September 11 and the war in Iraq produced heroes and victims for young Muslims in France, influencing their dress, speech and action in a kind of localized “revenge.”

The so-called transnational actors, the main architects or geographers of this community, criticize the “inadequacy” of states in human rights and of citizenship as a foundation for democratic equality, tolerance and freedom of worship. Their rhetoric seeks to redirect people’s loyalty from the territorial political community to a nonterritorial political community, thus redefining the terms of belonging and allegiance to a “global” nation. This nation finds comfort in Islam as a basis for belonging that transcends the boundaries of both countries of origin and countries of immigration. However, by using extraterritorial references, the transnational actors paradoxically contribute to relocating the conflict in the zones of urban concentration. They define new enemies who are geographically and culturally close, but on the “other side” because of their religion – Jewish. These enemies thus also become associated with an extraterritorial identity, but a different one.

Of course, extraterritorial identities are not generated only through wars and conflicts. It is not only in immigrant situations that Islam involves both local and nonlocal elements of identification. Nor is it only Islam that develops nonterritorial modes of belonging. Nonterritoriality is part of the process of globalization and affects all religions, although perhaps Islam more strongly because of the politicization of Islam, expressed in a variety of ways in different parts of the world since the 1980s. Even in countries where Islam is the religion of the vast majority and people’s sense of belonging has a strong territorial base, similar kinds of rhetoric transcending national boundaries can be heard. The rhetoric surrounding Islam is now used as the foundation for a “liberation” movement, in

a sense a new movement for the emancipation of nations. Its effect is to create a form of identification with a new unity that seeks to create a power relationship with states both in national institutions – including ones that are as important for the transmission of the national ideology as the schools – and in supranational institutions.

It would seem that a normative response to this new constellation should come from the state. States still constitute the framework for the individual’s citizenship and democratic representation. True, they have been rendered more fragile inside their borders by “embryonic nations” expressing a transnational, nonterritorial nationalism that is resistant to “state nationalism” and relies on external political forces. At the same time, they have been rendered more fragile outside their borders by globalization, which limits their independence. And yet, anyone who undertakes nationalist, religious or transnational activity still targets the state. Whatever the means and methods, war strategies are always directed at the state, at its vulnerabilities or its strengths, and at its national symbols such as *laïcité* in France. The link between September 11 on the one hand, and the renewed debate about *laïcité* and the need for legislation to assert the power of the state on the other, makes this clear.

## The underlying question

The veil, then, raises a number of questions, and therefore requires several levels of analysis: how society is evolving, how to adapt its principles such as *laïcité* to new realities, what role institutions should play in reestablishing social ties and which institutions should be involved, how to deal

with the influence of transnational solidarity networks and the new nationalist expressions that they generate.

The fundamental question has to do with the capacity of states to negotiate both inside and outside their borders.<sup>10</sup> Inside their borders, the negotiations have to do with the de facto pluralism that characterizes civil society, the terms of recognition of the communities that are emerging within it and the limits of their political legitimacy. In other words, the state needs to negotiate the terms of citizenship. External negotiations have to do with degrees of institutional and decision-making interdependence with other states and especially with NGOs and other supranational institutions. Of course, the option of negotiation appears a priori to be a moderate solution. But that is because the conflict it is responding to is itself moderate. The demand for recognition of religious specificities is simply a step toward recognizing a “right to difference” as a new foundation for democracy.

But how can the terms of negotiation be defined when the nature of the conflicts changes because of extraterritorial developments that have repercussions within the state’s territory? How can allegiances, identities, even the conflicts themselves be “reterritorialized,” and the limits of negotiation established? When issues have become nonnegotiable because of their scope, transcending national boundaries, and because of their effects on individual freedom in local communities, by what mechanism can they be made negotiable again?

Legislation is clearly a means of marking the sovereignty of the state, especially in its function of defining the terms of citizenship and individual emancipation. This is particularly true when the community does not re-

spond to the need for personal development. In this perspective, banning the veil in public schools should be interpreted for its symbolic value of freedom on both sides. But much still needs to be done before everyone can enjoy equal citizenship, before both individuals and groups identify with society and its institutions and have more than a merely instrumental relationship with them, and before people can benefit from the opportunities that such a path can offer. ■

## Notes

- <sup>1</sup> Riva Kastoryano, “The Reach of Transnationalism,” in Eric Hershberg and Kevin W. Moore, eds., *Critical Views of September 11: Analyses from Around the World* (New York: New Press, 2002), pp. 120–37.
- <sup>2</sup> Collection 10/18 (Paris, 1987).
- <sup>3</sup> See especially *Pour un modèle français d’intégration*, first annual report of the Haut Conseil à l’Intégration, 1991.
- <sup>4</sup> See Vianney Sevaiste, “L’islam dans la République: le CFCM,” *Regards sur l’actualité*, no. 298 (February 2004), pp. 33–48.
- <sup>5</sup> Kastoryano, “Reach of Transnationalism.”
- <sup>6</sup> Commission Nationale Consultative des Droits de l’Homme, *La lutte contre le racisme et la xénophobie*, reports for 2000, 2001 and 2002 (Paris: La documentation française).
- <sup>7</sup> Public opinion on these developments was significantly influenced by a book written by a group of college and secondary-school teachers and edited by Emmanuel Brenner, *Les territoires perdus de la république: antisémitisme, racisme et sexisme en milieu scolaire* (Paris: Éditions Mille et une nuits, 2002).
- <sup>8</sup> Bhikhu Parekh, *Rethinking Multiculturalism: Cultural Diversity and Political Theory* (London: Macmillan, 2000).
- <sup>9</sup> John Rawls, *Political Liberalism* (New York: Columbia University Press, 1993).
- <sup>10</sup> Riva Kastoryano, *Negotiating Identities: States and Immigrants in France and Germany* (Princeton, NJ: Princeton University Press, 2002).

## France's search for a new compromise

by Linda Cardinal

A CONSENSUS SEEMS TO BE EMERGING IN the international media that the French law to ban the wearing of the veil and the displaying of conspicuous religious symbols at school is a mistake. Writing in *Le Monde* on January 15, 2004, the British sociologist Anthony Giddens argued against the ban on the veil on the grounds that the veil comes in too many shapes and sizes to adopt any legislation on the matter. This is certainly the case in Britain. There are women walking on London's Edgware Road in burkas. The friendly English headscarf is now part of the uniform approved for Muslim policewomen to wear under their hats. There is also the Burberry or the Louis Vutton headscarf worn by Muslim women browsing the expensive shops of Bond Street. Headscarves in Britain, like everything else in this country, are very much determined by class.

Banning the veil is not unique to France. Recently, an 11-year-old girl from Muskogee, Oklahoma, was sent home from her school for wearing her veil. However, in contrast with the French, the U.S. Justice Department has opted to support her complaint. To the great relief of the Council on American-Islamic Relations, the

American government has decided that banning the veil violates the constitutional protection of religious freedom. Since 1998, the veil has also been debated in Germany, especially in the state of Baden-Württemberg where a young woman was denied a job because she wore a headscarf. The Constitutional Court ruled that under current laws she could wear the scarf. But it also said individual states could enact new laws banning the veil.

Obviously, the debate in France is part of a bigger trend. Since 9/11, the West feels vulnerable, and identity politics is no longer what it was. In most countries, people are now more insistent on what unites them and less inclined to delight in their cultural differences. For example, as reported in *The Economist* on February 7, 2004, British Home Secretary David Blunkett believes the British tradition of *laissez faire* is inadequate. He plans to introduce citizenship courses into the school curriculum. British Muslims cannot be only Muslims; they must also accept certain core values defining what it means to be British. Across the Irish Sea, civic education is being debated as well. The Irish government intends to ask its electorate to vote on a constitutional amendment

that would standardize Ireland's citizenship policy with that prevailing in the rest of Europe. At the moment, any child of an immigrant family born in the Republic is, with his or her family, automatically granted Irish citizenship. This is one of the least restrictive citizenship laws in the world.

There are five to six million Muslims living in France. In comparison with the late 1990s, when 2,000 cases of young girls wearing the veil was reported, only 200 cases have been reported so far in 2004. This cannot be portrayed as a major assault on France's *laïcité*. Moreover, when probed for their opinion on the veil, most girls interviewed say they identify with republican values. It is understood and accepted that being French means belief in a set of common political values defined by equal rights, *laïcité* and citizenship.

There is disagreement, however, among Muslim women. There are anti-veil and the pro-veil feminists. Some think that there is no contradiction between women wearing the veil and their being loyal to France. Others argue that the veil is a symbol of oppression of women. The London Review of Books reported on February 19 that a very large number of Muslim women signed a petition published in *Elle* magazine in support of the ban. The support of some French Muslims for the legislation is a healthy sign that France's Muslim community is not a monolithic group.

Religious rights and women's rights are not always easy to reconcile. But clearly there are ways of addressing the issues other than legislating against religious symbols. In an earlier incident, for example, the

government accepted the recommendation of the State Council not to exclude girls wearing the veil from the classroom. Girls were allowed to wear it as long as they did not proselytize.

## The French model in historical perspective

The law banning the veil is not the first time that France has turned its back on diversity in the name of the general interest. In an interview with *Le Nouvel Observateur* in January, French historian Pierre Rosanvallon argued that the strong centralist and statist culture of France has been modified only very slowly by the development of intermediary groups such as unions. The Jacobin tradition explains why the country does not traditionally have a strong pluralist culture.

French philosopher Marcel Gauchet argues that, before 1970, a compromise between opposing classes in France allowed the development of a stable social democracy. This compromise has subsequently collapsed and left the country with growing demands for rights to which it cannot respond properly. Gauchet looks at the development of antitotalitarian movements and growing suspicion by the population of state intervention. We have witnessed the collapse of a general sense of belonging, he argues, and the retreat of the citizen into the private sphere. The individual has risen against the citizen.

It is within the context of a society in search of a new compromise between groups that the legislation on the veil needs to be

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understood. Radical Islamism may be filling a void for many Muslims. Compounded by the debates over law and order in the context of terrorism and radical Islamism, young Muslim girls have unwittingly become symbols of the worst of international politics. But the veil is also a rational tactic among Muslim girls. It is often worn to address problems they are facing within their communities in the absence of a more appropriate approach to the economic and social inequalities they have to deal with on a day-to-day basis. It is an effective way of gaining respect from their families and from gangs within their communities.

## In search of an alternative

Even though French political culture is already centred on the definition of common political values such as citizenship, *laïcité* and equal rights, Rosanvallon and others believe that France needs a new common culture. In fact, this is becoming the equivalent of a slogan for some French intellectuals – and even beyond. Some leaders from the Muslim community – including Hamida Ben Sadia, a spokesperson for the movement *Une école pour tous-tes* (One school for all) – also recognize the need for a new and inclusive political project as a way to address issues of diversity in France.

Jacobinism will not do. France must find a new way to articulate the relationship between the particular and the general. For Rosanvallon, whose next book will be devoted to the question, France needs new tools to rethink this relationship. As an *avant goût*, he argues that this new relationship should involve first and foremost a major reform of France's political institutions. Such reform should entail a broad debate on the

meaning of sovereignty, legitimacy and procedures of political representation. At the heart of this rethinking is the need to develop new mechanisms for a better representation of the different components of civil society.

Gauchet recognizes that France also needs to redefine itself in the context of the European Union. It should address the issue of political integration between nation-states. Europe needs new forms of democratic participation, especially if democracies want to continue to master their own futures.

In France, however, any recognition of diversity is viewed negatively. Many in France see the headscarf as an expression

**We have witnessed the collapse of a general sense of belonging, Marcel Gauchet argues, and the retreat of the citizen into the private sphere. The individual has risen against the citizen.**

of *communautarisme* (ethnic segregation), of an inward-looking politics of *repli sur soi*. Even for Ben Sadia, who is against banning the veil, *communautarisme* means the end of the Republic.

Legislation on the veil is one aspect of the many issues marking France's search for a new model of integration. That said, it would be futile to suggest that France should respond to diversity with a *laissez faire* approach like Britain or a multicultural approach like Canada. It goes against French tradition to recognize group rights. In searching for an alternative, France will not move far from its republican tradition, nor should it. However, its political leaders and intellectuals need to debate which as-

pects of the republican tradition they will revise in order to develop new approaches to integration. Under former Prime Minister Lionel Jospin, France did suggest an appropriate compromise, combining plural-

ism with freedom, mediation with dialogue. The new law on the veil will not take effect until September 2004. Until then, the French should revisit the meaning of Jospin's compromise. ■



**J.M.W. Turner, Rain, Steam, and Speed – The Great Western Railway, 1844**

Two of the three natural phenomena listed in the title were closely associated with the Industrial Revolution that drastically changed the human environment in the 19th century. In the 1840s, when Turner painted *Rain, Steam, and Speed*, more than 6,000 miles of railway track were laid in Britain alone. Turner was an interesting case in that his art was Romantic in spirit and style, but not necessarily in subject matter. As long as it provided him with the dramatic light effects and dissolving shapes that became his trademark style, he didn't care much whether the actual subject was a sunset or a blast furnace. Landscape painting from nature did not come into its own until the 19th century, when a full spectrum of affordable, prepackaged oil paints from anorganic pigments became commercially available and artists didn't have to lug around pigments in pig's bladders any more. In other words, it was industrialization that allowed painters like Turner and the Impressionists to leave the stifling atmosphere of the Academies and bond with nature.

# Republicanism, multiculturalism and liberalism

by Philip Resnick

RIVA KASTORYANO'S ARTICLE ON THE French veil debate is an excellent introduction to the topic. It provides an incisive summary of the historical background for this debate and of the ways in which questions of secularism, citizenship, immigration and globalization intersect in the French context.

There is no magic solution to the dilemmas that liberal democratic societies face when it comes to reconciling shared citizenship on the one hand and respect for cultural diversity on the other. The trajectories that Western societies have pursued have differed; their normative underpinnings are often quite opposed; yet in the end, each faces fundamental dilemmas that cannot be swept aside.

Thus the United States, at an earlier point in its history, adopted the solution of the melting pot, but with its Anglo-Saxon white Protestant core dominating down to the post-World War II period. More recently, the U.S. has had to come to terms with the reality of race and its historical exclusion of blacks from public life. It has also come to acknowledge the existence of a multitude of distinctive ethnic identities within its citizenry, and to redefine itself, in practice if not in theory, along multicultural lines. But there is a strong streak of patriotism that

unifies American society and that trumps particularistic identities, especially in periods of crisis. September 11, 2001, and its aftermath have helped to hammer this home.

Canada since 1971 has embarked on a policy of official multiculturalism, followed in this respect by Australia. At one level, Canadian multiculturalism was a reflection of the deeper cleavages that characterize Canada as a multinational state. Quebec, and more recently Aboriginal peoples, are uncomfortable with a one-nation definition of the country. Even as Canada was redefining itself as officially bilingual at the federal level, it also came to acknowledge the existence of a multitude of cultural communities within its borders. As critics see it, however, Canadian multiculturalism should more accurately be described as serial monoculturalism, since there is relatively little crossover or contact among the various cultural communities. Nor is official multiculturalism, with its celebration of diversity, any guarantee that the conflicts of the larger world will not spill over our borders. The bombing of an Air India plane by Canadian-based supporters of an independent Khalistan back in 1985 and the firebombing of a Jewish school library in Montreal in the spring of 2004 in reaction

to the Israeli-Palestinian conflict are clear evidence of this.

Britain, for its part, has sought to follow the path of promoting amicable race relations even while seeking to integrate people of South Asian and West Indian origins into British society. However, the Rushdie affair of the late 1980s was a harbinger of problems to come. The conflict between the core values of Islam, especially for its orthodox believers, and the core values of Western society (such as freedom of speech and of the written word), did not allow for compromise.

There is a clear distinction between a self-definition as British Muslims, which is fully compatible with British citizenship, and a self-definition as Muslims in Britain, which is how some of the more radical exponents of Islam described themselves in the aftermath of 9/11. If the larger world of the faithful is the only one that really matters, where does that leave the possibility of integration into, or shared sentiment with, other members of the host society?

This brings me to France and the debate over the veil. There is clearly a tension, as Kastoryano's article helps to show, between the republican principle of secularism or *laïcité* and the multicultural principle of diversity. At one level, there is something illiberal about the French law banning conspicuous religious symbols, be they hijabs, kippas or crosses, from public schools. The reaction of many in the English-speaking world, with its entrenched tradition of individual rights, was strongly hostile to what seemed to be French religious intolerance. However, the French law is rooted in a century-old tradition of separating church and state that cannot and should not be jejunely

abandoned. It is rooted in a belief that public schools should not be subject to blandishment or pressure from any religious denomination, whether long-established as in the case of the Catholic Church or more recently implanted as with Islam. And it must be understood against a background where there had been examples of *lycée* students, especially in some of the ethnic ghettos surrounding larger French cities, being coerced into the wearing of veils; and where there has been considerable violence, exacerbated by the conflicts in the Middle East.

How should the state treat questions of religious and ethnic identity? Should it seek to give official recognition to different denominations and groups? Should it be prepared to rethink the collective *we* that makes up the nation-state, weaving the identities of newly coined citizens in with those of citizens whose roots go much further back in time?

A "republican" regime, of the type that France has established, is more likely to emphasize the values of shared citizenship as the underlying foundation on which all else comes to be established. This can lead and at times has led to excessive homogenization, a follow-through on the Jacobin-type centralization that has characterized the operation of French governments under various constitutions since 1789. Such a system may prove unduly rigid where specific groups and communities are concerned. But it does preserve the underlying unity of the state on a secular basis. And in its own way it seeks to foster a degree of solidarity, through public education, social programs and other services that are available to everyone.

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Where France has not been particularly successful is in ensuring that those who live in ethnic ghettos, especially the young, feel integrated into French society, with the same economic and social opportunities as others. And the violence that has come to characterize these same ethnic ghettos, in turn, has undercut feelings of solidarity toward them on the part of many French citizens. The most disturbing manifestation of diminished solidarity comes from those who regularly vote for Jean-Marie Le Pen's Front National – 15 per cent nationally but a much higher proportion in southern cities with large Muslim populations.

A “multicultural” regime is much more attuned to the recognition of diversity. Canada seems to have done a better job than most European countries in integrating immigrants of many different backgrounds into mainstream society. But does multiculturalism provide sufficient glue to keep the social fabric united? Canada, for example, has a weaker sense of national identity than does France. There are a number of reasons for this, not least the French-English division that characterizes Canada. The fact remains that the sense of who constitutes the national *we* group is a good deal more diffuse, a good deal more tentative, in Canada than in France. Some see this as a virtue; but I don't think it's unreasonable to suggest that official multiculturalism bears some of the responsibility for the relative thinness of the sense of citizenship that exists in Canada today. After all, if one is to celebrate ethnicity, as Canada's multicultural policies tend to do, it may well undercut feelings of shared citizenship.

As for a “liberal” regime, say that of Britain, it will seek to integrate immigrants into society with a good deal less concern for grand proclamations of either the republican or the multicultural variety. As befits a

country without a written constitution, it will seek a more pragmatic basis of accommodation, based on due recognition of the rule of law on the one hand and some acknowledgement of community autonomy on the other. So far, things have not worked out too badly in Britain, as compared to France. But there have been tensions there as well, regarding the nature and the extent of immigration, and the degree of compatibility of certain immigrant community practices with long-established British norms.

Much passion has gone into the debate about the veil in France, far more than has been the case in debates about immigration and integration in other European countries or in North America. Yet in a way, the French may have done us all a service. They have helped bring to the surface issues that too often remain hidden. They have helped, as Kastoryano correctly points out, to bring to the fore the tension between globalization on the one hand and long-established national values on the other; between the search for shared citizenship and the celebration of diversity; between the type of solidarity that has historically come to characterize Western welfare states and the fracture lines that ethnic and religious cleavages may provoke.

In the end, I take a Montesquiean position on these matters. I am prepared to respect the customs – *les mœurs* – that different societies bring to this debate. In a republic, these will tend to have a republican character; in an officially multicultural society, a more multicultural hue; in a liberal society, a more individualistic and liberal character. It is only a generation or two down the line that those who follow us will be able to judge which model has made a better go of reconciling what are often irreconcilable values. ■

# Reasons, reasonableness and reason

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by Laurent Dobuzinskis

THE FRENCH REPUBLICAN CLAIM THAT Enlightenment Reason is on the side of banning the veil in schools is a strong one, although in due course I want to challenge it. Ultimately, reasonableness must prevail. From that standpoint I feel close to both Philip Resnick and Linda Cardinal, and in the end I side with Cardinal's opposition to legislating a ban on the veil.

As Riva Kastoryano notes, the French have confronted crucial issues that contemporary advocates of the Canadian multiculturalist credo tend to neglect or willfully ignore. This is not to say that Canadian multiculturalism is without value, but as Resnick observes, calling on Montesquieu's authority which I also respect, what works in Canada is unlikely to be reproducible anywhere else, least of all in France. The controversy is set against a problematic socioeconomic background for French Muslims, as well as France's geographical and emotional proximity to the troubles of the Muslim world. Canada is blessed inasmuch as it does not share that proximity.

Before casting the first stone, it is important for Canadians to realize how profoundly different the situation of Muslims is in this country than in France. A large proportion

of North American Muslims, who tend to come from Pakistan or Iran, are reasonably well integrated into the economy; many hold professional jobs; and quite a few came to this country with advanced degrees. By contrast, in the 1960s and 1970s, French employers recruited millions of poorly skilled immigrants from North and sub-Saharan Africa. They continued to arrive in large numbers in the following decades, increasingly for reasons related to the dismal political and economic fate of their home countries. Consequently, a very large proportion of French Muslims find themselves unemployed and on social assistance.

At the risk of sounding racist, I also need to point out that many immigrants have brought with them rather dysfunctional premodern practices and beliefs. Schooling is a powerful means of socializing their children into modernity. However – and here we come to our first encounter with the law that is the object of this debate – religion serves as a powerful counterforce protecting ancestral beliefs and practices, some of which may be more particular to African cultures than to Islam in general. Even in the best of circumstances, this counterforce would be a serious impediment to integration.

Of course, racism plays an important role as well, leading directly to the creation of sordid ghettos where *beurs*, second- and third-generation Muslims, are often confined. Even though they are French citizens, the *beurs* are in practice denied many of the rights of citizenship, and they in turn thumb their noses at republican values and symbols. Armed gangs of disaffected and angry youths roam the streets of the “*cités*” and impose their will. While the gravity of the situation has been exaggerated by the extreme right, which has benefited immensely from the spreading fear of crime among old-stock French, crime in certain Muslim-dominated ghettos is undeniably a serious societal failure, which the French government has only just begun to address.

Under these circumstances, it is difficult to ascertain whether wearing the veil is a decision freely made by the schoolgirls themselves, or is the result of family and community pressures. If it is the latter, the French feminists who support the ban have a point.

Another circumstance is the meteoric rise of anti-Semitism, especially among young *beurs* who often are ambiguous about their identity. Tragically, the contrast with Canada has become a little less stark, judging by anti-Semitic vandalism in Toronto and Montreal in the spring of 2004. The *beurs* often resolve their ambiguity by modelling themselves on Palestinian militants and terrorists. I should add that the French left is guilty of encouraging these tendencies by not having maintained a clear line between opposition to Israeli policies and the denunciation of Jewish supporters of Israel – giving rise to what the French philosopher Pierre-André Taguieff has aptly called “judeophobia.”

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The above is far from being an exhaustive list of the pragmatic reasons one might choose to ban the veil, but there are also principled reasons for doing so. It is a profound error to interpret the French republican discourse on secularism or *laïcité* as being entirely Jacobin and illiberal. Its philosophical roots, articulated in the late 19th century by thinkers who had a strong affinity for liberalism (such as Charles Renouvier and Alfred Fouillée), are Kantian. Just like liberalism, civic republicanism values individual freedom and autonomy. Autonomy presupposes the capacity to make informed choices that can be justified in reason. While the law ought not to prevent anyone from acting foolishly or selfishly as long as no one else’s rights have been violated, freedom finds its justification in that it enables us to achieve demonstrably good ends.

Reasonable people in modern, open societies may disagree on what constitutes good ends, but they ought to be able to engage in such debates by invoking arguments that do not rest solely on the authority of tradition or sacred texts. Individuals who lack the education to allow them to hear arguments that run counter to their sectarian beliefs will not be able to take part in such debates. This is not an argument for restricting access to the public sphere to an educated elite, but rather one for strongly supporting civic education and secular public schools. This is the argument that French republicans have made since the 1880s. At that time, they viewed Catholicism as the paradigmatic example of sectarian obscurantism. Today, for plausible reasons, they view Islam, or at least its more fundamentalist and politicized branch, in the same light.

The point here is not that religious freedom is contrary to the republican ideal but

that future citizens should be given the intellectual tools to decide for themselves whether to follow ecclesiastical rulings on political issues. More generally, the principle of religious tolerance itself can only be sustained over time if its justification is convincing to future generations. Since that principle is grounded in reason, or in any event since reason is evidently its most solid basis, it follows that a liberal, open society must be able to protect a sphere where reason prevails. Public schools are an irreplaceable institutional component of that sphere. If multiculturalism means that the discourse of Enlightenment reason is itself only one of a multitude of discourses – few of which can by themselves sustain tolerance and intercultural dialogue, even if they tactically benefit from these practices – multiculturalism is in danger of being displaced by sectarianism. Cultural relativism is unsustainable.

And yet, despite all this, I do not support the law banning the veil and other “conspicuous” religious symbols – again, for both pragmatic and theoretical reasons. Kastoryano provides a useful list of the potentially counterproductive effects of that law, even if she thinks the law’s benefits outweigh them.

One of the most disconcerting potential effects is that the law may encourage rather than restrain the *communautarisme* that the French fear so much. Whereas the number of Islamic schools today is negligible, this may change. The law will be difficult to enforce, and arbitrary application will bring it into disrepute. Also one really wonders how banning the kippa in the name of fighting anti-Semitism can make sense to anyone other than a French Cartesian!

The law is also fatally flawed for normative reasons. It is doubly unjust because it stigmatizes and is applied to two minorities:

women and Muslims. It is one thing for the heirs of the Enlightenment to fight it out with Catholics; it is quite another for a cultural majority to single out a minority, and what’s more an economically disadvantaged one. A just society ought always to refrain from such scapegoating, no matter how laudable the goals. Formally, of course, the law does not single out any religion since it bans *all* conspicuous religious symbols. But the subtext is clear: no such law would have been passed were it not for the problem posed by the hijab.

As for Muslim girls, they may need protection from their families and youth gangs, but they ought not to be the instruments of choice for fighting the scourges of obscurantism, fanaticism and anti-Semitism. The proper targets in the fight against Islamic intolerance and political extremism ought to be young male bullies, but they are, unfortunately, less easily distinguishable. The proper symbolic response to their threats is to reaffirm a commitment to the ideas of the Declaration of the Rights of Man and the Citizen. Rather than banning the veil, asking all French schoolchildren to memorize the 1789 Declaration might be a better idea!

*The representatives of the French people, organized as a National Assembly, believing that the ignorance, neglect, or contempt of the rights of man are the sole cause of public calamities and of the corruption of governments, have determined to set forth in a solemn declaration the natural, unalienable, and sacred rights of man ...*

But symbolic politics is hardly the best strategy for dealing with dissatisfied and alienated youth. Measures in support of French republican values must be perceived by the people to whom they are applied as minimally just, as well as negotiable if the measures prove to be imperfect. A solemn law es-

### Edvard Munch, Evening on Karl Johan Street, 1893

Munch was one of many Scandinavian painters of the late 19th century who spent some time studying in France and embraced, at least for a while, the new Symbolist movement. More than Impressionism with its emphasis on surface and light, Symbolism seemed to lend itself well to the expression of new-found national identities and cultural roots. Stylistically, Munch was no more outrageous than many of his fellow artists; what set him apart from his contemporaries was his fascination with intense and usually destructive emotions. Munch spent 20 years of his life in Germany and France and was therefore more closely connected to the European art world than to developments in his native Norway. This may be one of the reasons he was subsequently singled out by art historians as the one Great Painter to have come out of Scandinavia in the 19th century.

Another reason is that his subject matter has aged well: the individual's alienation in an anonymous urban environment, a motif that was still in its infancy in Munch's time, would become a major theme of 20th-century art.



tablishing an absolute and nonnegotiable principle is not the appropriate instrument.

Like Cardinal, I tend to think that the decision of the State Council to ban the veil only when used for proselytizing purposes was a sensible one, even if it placed a heavy burden on local authorities and school principals. Civic education is also an important tool. It has recently been reintroduced in the curriculum of French schools. Its content must be relevant to the lives of the *lycéens* and *lycéennes*, helping them to appreciate the dilemmas faced by public institutions in an open society. Measures designed to protect Muslim women from har-

assment in their communities might be more aggressively implemented to ensure that the decision to wear the veil is truly a personal decision. Above all, socioeconomic policies designed to address poverty and unemployment, on the one hand, coupled with more vigorous policing, on the other, must become top priorities of Prime Minister Jean-Pierre Raffarin's government. (There have been encouraging moves in that direction during the last year.)

France is entitled to affirm and protect its republican values – but through reasonable means that do not subvert the goals they are intended to promote. ■

# Sweden's welfare state: Trouble ahead

by Richard Murray

**S**WEDEN IS RENOWNED FOR THE GENEROSITY OF ITS WELFARE STATE. Swedes enjoy free public schooling and university training; health care at nominal fees; free medicines after the first C\$150 annual expenditure; generous pensions, unemployment benefits and pay for sick leave; highly subsidized child care, elder care, theatre and other leisure activities; and so on. To pay for this generosity, the state extracts slightly more than 50 per cent of GDP in taxes (see figure 1). Even for someone earning a low wage, the sum of income tax plus payroll tax plus value-added taxes (equivalent to the Canadian GST) amounts to 60 per cent of earnings. Swedes seemingly approve of this arrangement. There is relatively little discontent over tax rates. In opinion polls, a substantial and stable majority defend the welfare state.

Since the most recent election in 2002, however, budget constraints have prevented the ruling Social Democrats from fulfilling

most of their campaign promises. The Swedish welfare state cannot be further expanded, and there are serious doubts whether present generosity can be sustained.<sup>1</sup> Indeed, budgetary concerns have already led to cutbacks: increased class size in schools, closing down of rehabilitation centres for drug addicts, closing down of military units and less treatment for mentally disordered prisoners, to name only a few examples.

Government finances were in good shape during the economic recovery of the late 1990s, at which time Sweden experienced a comfortable budget surplus. However, in

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2003 and again in 2004, the public sector has, on the basis of OECD data, barely broken even. The local government sector has been incurring deficits for several years. Worse is to come as a result of an aging population. The burden of supporting one pensioner is now borne by more than three people in the economically active cohorts (ages 20 to 64). In less than 40 years, that burden will have to be borne by only two. In addition, the cost of elder care will explode, and may by then cost as much as all of health care does today.

The demographic challenge is fairly well acknowledged among analysts. What is not acknowledged is the complexity of the interrelated problems. Let me summarize in point form:

- Taxes as a share of GDP have remained at roughly 50 per cent of GDP since the 1980s. It looks as if this ratio represents a ceiling that cannot be exceeded.
- A reasonable or even a high rate of economic growth will not help finance the public sector.
- Despite the generosity of the Swedish welfare state, in several countries per capita use of certain services (such as health care) is higher than in Sweden.
- Since unit costs of public services have been rising for decades and will probably continue to do so, the fiscal constraint suggests the volume of services must be cut back even at the present level of taxation.
- If an increase in the tax share of GDP is ruled out, the only workable way to preserve and develop the services of the welfare state is to make people pay directly for these services, either by privatizing some services or by charging fees over and above the heavy taxes, or by a mix of both. Neither are some helpful facts acknowl-

edged, such as the following, pertaining to privatization and charges for public services:

- Despite their being “public,” welfare state services are in fact mostly “private.” Levying fees is feasible.
- Since all classes of society now consume public services extensively, free provision does less to improve income equality now than it did in the past.

Maintaining and developing the welfare state poses severe fiscal difficulties for Sweden in the coming generation. What’s to be done? Here I explore several standard answers, none of which turn out to be satisfactory. I conclude by discussing the potential of privatization and/or charges for public services.

### **Are higher taxes the answer?**

At 51.2 per cent in 2003, Sweden’s ratio of tax receipts to GDP is the highest in the world. The comparable average for European Union (EU) countries is about 40 per cent of GDP. In Canada and Britain, the ratio is less than 40 per cent. In some industrial countries, such as the United States, it is less than 30 per cent. The high figure for Sweden is in part (4 percentage points) explained by transfers that are taxed.

In the past, rising taxes enabled the growth of public services, social benefits and public investments. Between 1960 and 1980, Swedish taxes as a share of GDP doubled, from roughly 25 to 50 per cent of GDP. Since then, the ratio of tax revenues to GDP has been fairly constant, which means that changes in tax rates have not contributed to the growth of public services from 1980 onwards. This may come as a surprise to both proponents and critics of Sweden’s high-tax society.

The political and economic debate in Sweden has always focused on taxes. The Social Democrats and left-wing parties have

argued that taxes must be raised to finance “the policy of welfare services to all.” High taxes are “an act of solidarity.” Conservatives, liberals and most economists have argued that higher taxes will damage the economy, hamper economic growth and therefore not add to the total of government revenues. In the 1980s many individual tax rates were raised. In 1990, a reform of the whole tax system was undertaken. Neither approach succeeded in increasing revenues relative to GDP.

The aim of the 1990 reform was to lower marginal tax rates on personal incomes and reduce tax-induced distortions. The hope was to increase the yield of the tax system by improving the potential of the economy. The recession of the early 1990s, which prevented the expected increase in labour supply, was a brutal test of the reform. Tax revenues fell, and public expenditures rose to an unparalleled peak, above 70 per cent of GDP.

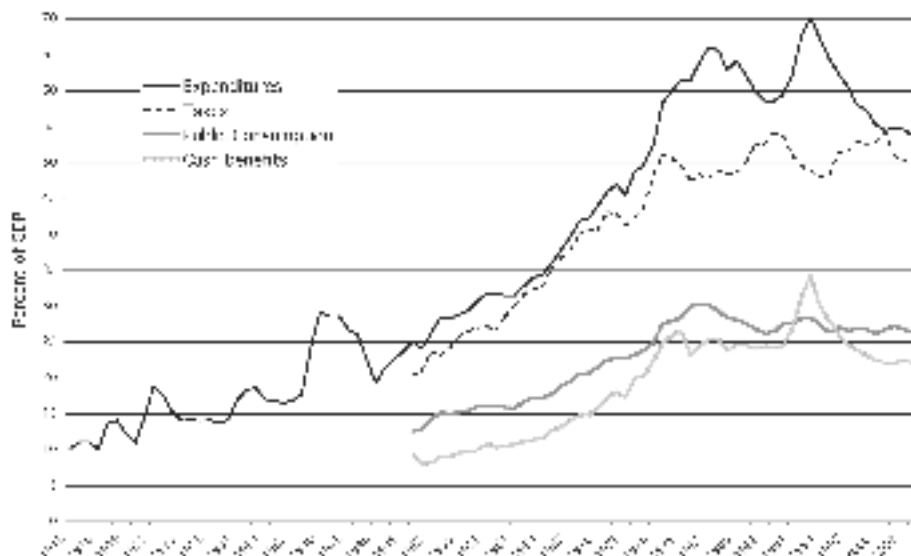
Ten years later, a commission (*Skattebasutredningen*) was set up to review Swedish fiscal policy. Recently it recommended a lower-

ing of taxes on wealth and income from wealth (profits, interest and rent). Although other countries raised tax/GDP ratios somewhat over the 1990s, the commission predicted that tax competition within the EU would nonetheless require Sweden to lower taxes. Addition of ten new EU members with relatively modest social programs is expected to add to that pressure.

Since a generous welfare state requires large tax revenues, this is bad news for the welfare state. The government has endorsed the idea of lowering wealth taxes. However, it argues that even the negligible sum of tax receipts foregone in this way has to be compensated for by increasing the general income tax. Such is the fiscal squeeze.

Some advocates of generous social programs suggest, “Why not pay for the programs with 60 or even 65 per cent of GDP in taxes?” The answer is, “It is not possible!” Further attempts to raise tax rates will almost certainly be counterproductive, as past experience suggests. They will generate tax

**Figure 1: Selected Swedish fiscal trends**



evasion in various forms, capital export, an underground economy and a preference for leisure over work. However, addressing the challenges that the welfare state is up against, Sweden's Social Democratic Prime Minister, Göran Persson, recently suggested the possibility of raising taxes by another 10 percentage points if economic growth won't help.

### **Will economic growth help?**

The argument that higher economic growth will add revenues to the public sector is as common in Sweden as in other countries. Even left-wing parties subscribe to the idea that economic growth is a panacea for financing expanding welfare services. However, economic growth has not helped historically (except indirectly), and is not likely to help in the future.

At first blush such a statement seems absurd. Over the past five decades there has been a tremendous growth in Swedish GDP, from which the public sector has earned an increase in tax receipts. With rising incomes, citizens have over time admittedly been willing to set aside a larger share for public sector use. This rising share of taxes – and not economic growth per se – has financed the growth of the welfare state.

To see that future economic growth will not suffice, consider what tax receipts are used for. In its social programs, the government uses tax receipts in two ways: to provide transfers to individuals and to hire labour and capital to produce public goods and services.

A share of GDP is at the same time a share of all incomes in the economy. If the government redistributes a fixed share of all incomes in the form of transfers, the value of those transfers will increase when the value of all incomes (GDP) increases. An increase in production of private goods and services (that is, an increase in GDP), combined with a fixed

share of GDP set aside as government transfers, will enable an increase in the real value of transfers.

If a constant share of the population lives on income from these transfers, beneficiaries will realize an increase in income on a par with those earning private sector incomes. In this sense, economic growth adds to the resources of the public sector. For those reliant on transfers, however, their incomes relative to private sector incomes will not have improved. For that to happen, transfers as a share of GDP must rise, implying an increased tax/GDP ratio.

If economic growth alone will not improve the relative position of people reliant on social transfers, will it enhance the government's ability to provide public services?

Productivity increases in the private sector are shared between labour and capital in the form of increased salaries and wages, rents and profits. The public sector produces primarily labour-intensive services, such as education and health care. As productivity goes up in the private sector and private sector wages and salaries increase, thereby adding to tax receipts, so too do public sector wages and salaries. What is earned in the form of an increase in tax receipts is spent on wage increases. Despite increases in tax receipts, the government cannot afford any more person-hours.

Looked at from a different angle, any given ratio of taxes to GDP means that governments can command a constant share of human resources and capital in the economy as a whole. Provided the relation between private and public sector wages remains the same, this will be so whatever the level of incomes in the economy.

Growth in Sweden, as in many European countries, has been "jobless." The total number of hours worked in the Swedish economy is the same today as in 1965. This

is so despite an impressive increase in real GDP, and despite an increase in population and in the number of those employed – especially women. The increase in number of employed has been offset by a reduction in number of hours worked per employee as a result of longer holidays, earlier retirement, more absence from work and other changes.

Under realistic assumptions – the aggregate number of hours worked in the economy is constant, economic growth essentially derives from productivity increases in the private sector, government realizes a constant share of GDP through taxes, public sector wages match those in the private sector, and government essentially produces labour-based services that are not amenable to productivity improvements – increasing GDP does nothing to increase the government's ability to provide public services. Only if economic growth mobilizes an additional supply of resources in the economy as a whole does economic growth make available more resources for the public sector.

In conclusion, economic growth has not been the solution to the fiscal problem of the welfare state, and probably will not be in the future.

### **Can we do more with the same resources?**

In past decades, the tax/GDP ratio obviously was not constant. More resources have been allocated to the public sector by raising the ratio. Between 1960 and 2000, real resources for the production of public services – in terms of number of hours worked, intermediate inputs, use of capital – increased by an estimated 186 per cent. These resources now constitute nearly 30 per cent of the economy as a whole. At first blush, this increase should suffice to meet any reasonable demand for public services.

But probably it will not. The future is filled with public demands that will require more resources if they are to be satisfied: public provision of elder and health care; extended edu-

cation; public investments in infrastructure, research and public safety; and a sustainable environment. The list is long.

In the private sector, resources are deployed over time in increasingly productive ways. Productivity improvements have been especially rapid in agriculture and manufacturing. There have also been productivity increases in the service sector, even if they have been more sluggish.

In comparison with the private sector, public sector productivity has lagged far behind. There has actually been a *decrease* in the sector's productivity. The total volume of public services – the number of hours of teaching, the number of children in day care, the number of hospital visits and operations, the number of military units, the number of court decisions and crimes solved, and so on – has been growing, but more and more slowly. During the 1960s the volume may have grown by 13 per cent, in the 1970s by 18 per cent, in the 1980s by 12 per cent, and during the 1990s probably not at all.

A rough estimate is that from 1960 to 2000, the volume of public services increased by 50 per cent, while the available resources increased by 186 per cent. This implies a productivity decrease of 1.6 per cent a year. Each year, producing a typical unit of public sector output became on average 1.6 per cent more costly in terms of real resources (costs deflated by the price index for public sector inputs). Over time, this adds up to a major problem.

Despite a large number of studies on productivity development in the Swedish public sector,<sup>2</sup> not much is known as to why productivity has declined. One explanation is that quality improvements are not adequately taken into account in the output measures. The most important quality adjustment that is taken into account is the change in composition of various services –

from low-quality to high-quality or vice versa. Individual services show little or no improvement, with some even declining in quality. There are exceptions, the most important being health care where quality has improved markedly, especially in recent years. Reassessing quality change, however, does not help in financing the services. Even if the quality of services is rising, the unit cost of services is rising as well and this will mean that, with a fixed supply of real resources available to the public sector, fewer people can be served.

There will always be those who claim that the public sector is so inefficient that problems of financing, both present and future, can readily be solved by a thorough review and reorganization. Until realistic plans for such a reorganization have been presented and received political approval, the most likely scenario is one of continued unit cost increases or, at best, constant unit costs.

### **Can we better prioritize services?**

One way to escape the impasse that has started to enter public discussion is to better prioritize services.

Transfer payments to individuals (such as pensions, sickness pay and unemployment benefits) make up a substantial part of public expenditures. They have increased dramatically. On retiring in 1960, industrial workers typically received 25 per cent of their wages in public pensions. On retiring in 1985, the equivalent workers received 75 per cent of their wages in pensions.

And yet, despite this very large increase, transfer payments have contributed less to the overall increase in government expenditures than it would appear. This is so because increasingly transfers are taxed like other forms of income. Net of recapture by taxation transfers increased from 10 to 13 per cent of GDP between 1960 and 2000.

Over the same period, consumption of public services increased from 16 to 27 per cent of GDP. Public investments have actually fallen as a share of GDP, from close to 5 per cent in 1970 to below 3 per cent now.

In effect, the provision of public services has been given priority at the expense of both transfers to individuals and public investments. Except for the years of exceptionally high unemployment benefits during the early 1990s recession, the ratio of transfer payments to GDP has fallen since the 1980s – despite a steady rise in the number of people living on transfer income. In other words, the incomes of those relying on transfers of all kinds have been “devalued” in relation to the incomes of the working population. Per-person transfer payments accruing to someone who is not working increased by 8.5 per cent in real terms during the 1990s. This was half the increase in real wages during the same time.

In a speech in late 2003, Prime Minister Persson observed that, if he had to choose, he would choose public services over social transfers. What he failed to note is that this choice of priorities has already been made.

### **What are the options?**

From the above evidence, we get a picture of the Swedish welfare state at the end of the road. Further development seems out of the question. Yet the nature of many publicly provided services is such that people want proportionately more as their incomes rise. As per capita incomes have grown, the trend in all industrial countries has been to spend a higher proportion on public services – on health care in particular.

What are the options? Broadly speaking they are the following:

- Make production of public services more efficient.

- Raise taxes further.
- Get people back to work.
- Increase immigration.
- Privatize public services and/or insurance.
- Make people pay for their services and social insurance.

Efforts to rationalize the public sector should not be given up. There certainly are inefficiencies to address. But it is likely that this first option will not be of much help. At best, emphasis on public sector efficiency will help keep costs under control. It is likely that unit costs of services will continue to increase for reasons that are difficult to pinpoint. Unit costs are also increasing in the provision of private services, as a result of demand for higher quality. The standards of hotel rooms will permeate into hospital wards, even into prisons. Science will continue to produce new treatments, better practices for rehabilitating criminals and new methods for teaching the young. And these new ways of doing things will almost certainly be more costly than present ways.

What room is there for further tax increases? Probably not much. People value leisure perhaps more than anything else. As their incomes rise, the relative value of an

hour of leisure rises relative to the income to be derived from an hour of work. High taxes on earned income have tipped the balance even further in favour of leisure. Increasing taxes further will reduce aggregate hours worked. A potential exception under this option is to increase taxes on pollution or environmentally damaging activities.

The third option implies an opposite strategy: lower taxes to give people incentives to go back to work. Sweden may provide an interesting laboratory on the effect of tax reduction. The tax gap between Sweden and other EU members may have to be reduced to address problems of tax competition. If taxes decline by 10 percentage points of GDP, tax receipts would fall by a fifth. Such a drastic cut in revenues would have to be accompanied by cuts in expenditures or the introduction of fees for public services and social insurance programs.

A combination of tax cuts, reductions in social benefits and charging for some currently free public services ought theoretically to induce an increase in the supply of labour. This labour supply effect would be augmented if charging for public services made them more readily accessible and thus provided consumers with more of what they

### **Max Ernst, *The Punching Ball or The Immortality of Buonarroti*, 1920**

In 1512, Albrecht Dürer wrote that it was the purpose of painting – apart from serving God – to “preserve the image of men after their death.” Three and a half centuries later, the advent of photography made the documentary function of art obsolete. By the early 20th century, other factors were contributing to the decline of representational art as well. Nationalism and scientific progress, both up to that point regarded as beacons of civilization, made a war of unprecedented slaughter possible, causing an entire generation of young artists to question the world they lived in and the traditional means of depicting it. And recent discoveries in physics, as well as the new discipline of psychoanalysis, suggested that the visible world did not accurately reflect the nature of reality. Dada was never meant to be an artistic style. Born out of a spirit of ridicule and contempt, it was one of several radical 20th-century movements that pronounced art dead, only to subsequently be declared part of the Modernist canon and end up in coffee table books.



wanted to buy. An increase in the labour supply would expand the tax base and at the same time reduce the need for transfer payments to the unemployed. Unemployment benefits and sickness pay are currently a major share of the public budget.

A more favourable demographic ratio of taxpaying workers to dependents could be achieved with large-scale immigration. This fourth option is widely discussed at present. Ten additional countries have just become members of the European Union, and freedom of movement is one of the goals of the EU. However, higher immigration is at best a temporary solution. New immigrants will demand health care, education and social insurance like everyone else.

If these four options are ruled out or prove inadequate, what is left are two closely re-

**Higher immigration is at best a temporary solution. New immigrants will demand health care, education and social insurance like everyone else.**

lated, but distinct, options. Privatizing means heaving public sector tasks overboard. Instead of being publicly financed by taxes, services would be bought by those who consume them just as they buy other goods and services on the market. An example of privatization would be to end public financing of child care facilities and leave parents to purchase private child care services.

A closely related option is to charge for public services and social insurance. With this option, however, production of the service remains in the public sector. This means that the design of the output, the quality level, the channels for distribution and the pricing and rationing principles are still at the disposal of the public sector and its mas-

ters, the politicians. On the other hand, privatization need not mean complete loss of public control; it may be combined with regulation of producers and markets. Both these options create openings for private firms. In the case of public supply with user fees, private firms can compete if the price is on a par with costs. Both options stimulate comparisons between private and public suppliers, which may boost efficiency in the public sector.

There are pros and cons to charging for publicly provided services in comparison with outright privatization. Over the years, the public sector has both “nationalized” private consumption and privatized public consumption. Child care, some modes of transport, education and many more household activities have been nationalized. Public utilities, other modes of transport, housing, research and many other public service activities have been privatized, either fully or partially. This is part of economic development. Privatization is taking place out of financial necessity to make room for new public commitments, and in situations where markets for the services in question have matured.

Charging fees for public services is a growing practice in Sweden. From 1970 to the present, the share of costs covered by fees has doubled from 5 to 10 per cent. If we include social insurance expenditures, fees cover only 4 per cent of total government program expenditures (expenditures excluding interest on public debt). The Social Democrats’ recent reduction in user fees for both child and elder care is a gesture that denies the reality of the fiscal problems facing the welfare state in coming years.

In conclusion, the most promising of the six options is a combination of the last two: privatization and user fees for publicly provided services.

## And if we do nothing?

What will happen if the public supply does not meet the demand for health care, education, personal protection, information, old age care and so on, but continues to be available at essentially zero prices? People's incomes will continue to grow because productivity in the private sector will continue to rise. People will spend their incomes on private goods and private services like entertainment and travel. Even if demand for public services exceeds supply, private firms will have difficulty in competing against the public sector with its zero prices and de facto monopoly.

The end result will be a misallocation with too much private consumption and too little consumption of welfare state services. Rationing of public services will be necessary. This will prompt some private substitutes to meet unsatisfied demand, but it will be spotty. In some areas, this is already happening. Private security forces substitute for police surveillance to a great extent (private security forces actually outnumber the police nowadays) and private insurance companies augment public pension schemes, sickness pay and disability insurance.

In health care and related services, privately financed consumption is 17 per cent of the total. Mainly, these are services provided by physiotherapists, psychotherapists and nursing homes – services that complement publicly provided services. Access to these private services has not led the Swedes to consume as much health care as the Americans and Swiss do. Per capita health consumption exceeds Sweden's in Australia, Netherlands, Belgium, France, Canada and Austria. In these countries, privately financed health care is about 30 per cent of the total. The heavy reliance on tax finance sets a limit for total health care consumption in Sweden.

## Charging for public services

It is often said that welfare state services must be publicly supplied because the private market cannot supply them efficiently. That is why a long list of services are publicly provided. Inefficiencies inherent in public, tax-financed provision are outweighed by inefficiencies inherent in private market provision. However, if public provision is ruled out because of a financial limit – taxes cannot be raised – the choice is not between private or public provision but between provision and no provision. That is the bad news.

The good news is that most of these services have the same characteristics as privately supplied services. Health care, elder care, child care and education – which collectively constitute three quarters of publicly supplied services – are consumed individually and display high marginal costs. It is possible to charge users for these services. True, they may still suffer from information asymmetries, external economies, economies of scale and so on, but what is the alternative? The only alternative is outright privatization. In that case, charging for public services may be preferable. However, this must be investigated case by case.

Another piece of good news is that the information asymmetries, external economies and so on may not weigh as heavily as they once did. Citizens in modern societies are well educated, informed and in possession of resources that allow them to make costly choices. At the high level at which these services are consumed in modern societies, there are few external benefits from consumption of these services on the margin. And markets have already started to emerge in areas bordering the welfare state.

Realizing that most publicly provided services may just as well be privately sup-

plied prompts the question, Why are they publicly provided, especially when the considerable costs of tax financing and bureaucratic inefficiencies are taken into account? A second line of argument is their contribution to equalizing the distribution of income – the overriding motive in modern welfare states for publicly supplied services. This is perhaps an even weightier argument against privatizing or charging for these services than private market inefficiencies.

Still another piece of good news is that the equalizing effect of public supply has diminished as the supply of such services has increased over recent decades and consumption has spread over all income brackets. Taxes and cash transfers reduce pretax market income inequality by 60 per cent (as measured by the Gini coefficient). In the case of Sweden, the consumption of health, child and elder care plus all forms of education reduces income inequality only by another 8 per cent. The reason for such a modest impact is that public services add a roughly equal amount to real disposable income in all income brackets. The addition to disposable income ranges from an 18 per cent increase among low-skill manual workers to 14 per cent among skilled professional workers.

For many public services, per capita consumption among high-income households actually exceeds that among low-income households. This is so for higher education, child care and use of public roads, for example. Each year, highly educated women, through the student loans and benefit system, are subsidized by about C\$700 million, and each year poorly educated men subsidize the system by about C\$350 million.

Merit-want motives – the idea that people should have certain services whether they buy them or not – may also play into a government's decision to subsidize such

services, for example giving young people an adequate education. Merit wants, income equality and efficiency are all aspects that need to be considered case by case when privatizing public services or designing fee systems for them.

The impact on efficiency and income distribution from privatizing certain services and charging for some publicly supplied services depends on which services are privatized and subjected to charges, and on how the charges are designed.

Charges can be designed in many ways: two-part tariffs, subscription fees, insurance fees, fees for initial consumption followed by free provision, free services below a threshold followed by full charges, charges that increase with household income. The design of charges should take into account not only the specific character of the service, the weight attached to merit wants, income equality and efficiency of provision, but also the role of a specific service in the household consumption basket and the sensitivity of consumption to price increases. Among the general conclusions that can be drawn are the following:

- From the perspective of maximizing efficiency, charges should correspond to marginal costs.
- From a cost-benefit perspective, taking into account the deadweight costs of tax financing, charges in excess of marginal costs may be justified.
- Because of the problem of free-riders, health care charges should primarily be designed as mandatory insurance fees.
- An income-equalizing system of service charges would allow free basic consumption up to a ceiling; thereafter, fees would be levied on additional consumption. Applying this principle could, for example, enable free access to education up to the

level of a BA, and tuition fees for education above a BA. All citizens could receive an entitlement to a certain quantity of cultural events; above that they would have to pay. In social insurance schemes, such as health care, personal liability for costs could increase with income.

### What next?

It will take some time before realities permeate the public debate and become generally accepted. Several Swedish political parties – if not all – build their identity, ideology and practical everyday politics on proposals to expand the welfare state. It will prove tough for them to admit that the development of the welfare state in the standard way has come to an end, and that even the present level of service commitments will be difficult to sustain.

Common to all political parties – from left to right – is a difficulty in understanding that economic growth does not help finance welfare services. Understanding this requires that one take a long-term perspective. In the short term, people are fooled by the flood of tax receipts that come with economic booms; they fail to foresee the ebb tide in fiscal balances as public employees demand pay increases on a par with their private counterparts.

A standard argument from the left against charging for public services is that free public services help equalize income distribution. This was true 30 years ago, but is no longer. It is taxes and benefits that effect equalization of incomes. Understanding this opens up possibilities for privatization or charging for public services.

The right argues that people should not have to pay twice: first as tax, then as fee. This argument overlooks the problem at hand: that the state simply does not have

the resources to develop public services further and that people demand more, not less, in welfare state services as their incomes grow.

Hopefully, in due course the debate will focus on the more fruitful issue of whether charging for public services is better than outright privatization and how charges should be designed. Design is no easy matter and will have to be thoroughly investigated case by case. In addition to the case-by-case approach, a strategy has to be set in place to handle overall effects. Charging for elder care, for example, cannot be separated from analysis of pension schemes; charging for higher education cannot be separated from student loan programs and salaries for university graduates; and so on. It may be necessary to introduce schemes for forced saving, out of which individual consumption of services can be financed.

The welfare state as we know it has come to an end, but the reform agenda for future development of the “welfare society” is a long one. ■

### Notes

<sup>1</sup> These issues are dealt with in a report by the author, *Alternativ finansiering av offentliga tjänster*, delivered to the government in June 2003 for its economic long-term plan. It is available at [http://www.finans.regeringen.se/LU2003/pdf/lu2003\\_bilaga7.pdf](http://www.finans.regeringen.se/LU2003/pdf/lu2003_bilaga7.pdf). The economic long-term plan, *Långtidsutredningen 2003/2004* (<http://www.finans.regeringen.se/LU2003/index.htm>), was published in March 2004 with much the same message.

<sup>2</sup> An overview of studies on productivity in the public sector is given in the author’s “Productivity Trends in the Public Sector in Sweden, Report to the Expert Group on Public Finance” (Stockholm: Ministry of Finance of Sweden, 1996).

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