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**Club Theory, Migration and Welfare States**

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This paper explores the possibility of developing an *action theory of welfare states* - one that allows social policy issues to be addressed by analysing the interaction between individual choices and strategies, the formal systems, policies and rules of governments, and the informal norms and practices of groups. Our contention is that such a theory is lacking in current welfare state analysis, that it is increasingly required for the elucidation of current collective action problems in social policy, and that club theory (Mueller 1989; Starrett 1988) represents a promising element in such a theory.

We are looking for a theoretical account of both collectivisation and fragmentation processes - how mass solidarities come to be created, and in turn to be broken up into narrower mutualities. We contend that both these processes are at work in any era, but that the period from the last quarter of the nineteenth century to the last of this was mainly characterised by collectivisation, while the present one is primarily a period of fragmentation. In this paper, we focus on migration, and how the actions of migrants, and policy decisions about them, affect these dynamics, or are affected by them.

Despite the pioneering work of Abram de Swaan (1988), the analysis of welfare systems in terms of individual choices and their collective outcomes remains underdeveloped. De Swaan combined historical sociology with rational choice and game theory to explain the emergence of social policy institutions as solutions to collective action problems. He argued that 'the dilemmas of collective action may be understood as a transitional phenomenon, as a phenomenon which occurs in the process of transition from a collection of interdependent, but uncoordinated, human beings to a co-ordinated association which may effectively impose its policies upon the constituent members' (26). Thus his was a theory of collectivisation alone: he sought to explain 'how and why ... people come to develop collective, nation-wide and compulsory arrangements to cope with deficiencies and adversities that appeared to affect them separately' (2). More recently he has addressed transnational social policy in similar terms, inquiring 'which developments could possibly bring about an extension of social care systems beyond the white world of Western wealth?' and investigating 'the dynamics of transnational collectivisation' (de Swaan 1994: 107). Our project is to develop a theory that can also explain the more evident tendencies towards fragmentation in current welfare states.

By fragmentation we mean those processes by which individuals (usually with similar incomes and/or similar risks) choose to join together in associations for mutual protection, excluding others from the goods that they supply to each other. We argue that these processes can be analysed in terms of club theory, a branch of public choice theory, and that such an analysis is a necessary condition for an adequate action theory of welfare states. The way that goods are provided through such clubs makes them partially excludable and partially congestible (Starrett 1988); there are many technologies available for constructing a club to provide various goods by excluding non-members. Groups may form in response to incentives to produce and consume goods collectively (as in recreational clubs) or simply as consumer groups, where the goods in question are technically private (McGuire 1972). The members of the relevant associations share certain interdependencies over their supply, but also retain their capacity to make autonomous decisions over certain issues, especially over leaving one club and joining another. While the formation of clubs reflects opportunities for cost minimisation and value

maximisation, it is not necessarily efficient or equitable for society as a whole.

Migration has played an important part in both collectivisation and fragmentation. De Swaan's historically rich account of the emergence of public schemes for poor relief in late-medieval Europe stressed the significance of 'vagrancy' as an issue posing collective action problems for the towns and cities of that era (de Swaan 1988: ch.2). His more speculative analysis of the prospects for transnational social policy also emphasised labor migration, especially from Eastern Europe, as a major factor in the 'dynamics of transnational collectivisation' (de Swaan 1994: 105-10). However - as we shall argue - migration also plays an important role in political pressure to exclude groups from welfare systems, and to form associations based on narrower mutualities. The politics of migration contributes to a perception of welfare goods as congestible, and hence to a politics of conflict and exclusion over such goods. This in turn leads to further self-protective action by groups facing similar risks, and thus a spiral of fragmentation (as in the American health care system) is set in motion.

Migration is a particularly vivid example with which to illustrate these processes, and one which has been neglected in the social policy literature - for reasons that we will analyse. Our starting point is the decisions that lead to migration - whether by unemployed people from Eastern Europe to undocumented employment in the West, by relatively well-educated people from Third World countries in search of higher pay, or by wealthy citizens of rather unstable polities to the comparative security of prosperous democratic states. We show how welfare states create spaces for such migrations, but do not resolve the issues of equity that they raise. We go on to demonstrate that the economic analysis of such inclusions and exclusions can be powerfully linked with a similar analysis of membership and nonmembership of welfare systems in terms of the theory of clubs as a branch of public choice theory.

Public choice theory is both a powerful instrument and a limited one. It can be used most effectively to set out the dilemmas of collective action (Barry 1991), and to explain the dynamics of complex interactions. Our theory is, at this stage, abstract and schematic, and open to all the objections that are often made (by critical and hermeneutic social scientists, by historians and social policy analysts) against such analyses. However, we think that it is well worth the costs of attracting such criticisms, because we consider this to be the best way of clarifying the need for an action theory of the welfare state, and making visible the dynamics of interaction between individual choices and collective action problems.

## **The Theory of Social Exclusion**

De Swaan's work on collectivisation was - in part at least - an attempt to develop a thoroughgoing theoretical account in the tradition of such developmental studies of welfare states as those of Rimlinger (1971), Flora and Heidenheimer (1984), Alber (1982) and Esping-Andersen and Korpi (1984). Hence it sought to explain the emergence of 'collective, nationwide and compulsory arrangements' to replace mutual, local and voluntary systems. However, implicit throughout his analysis (and explicit in his accounts of some systems) was that each process of collectivisation also dealt in issues of exclusion. Thus for example the emergence of

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regional equilibria between local authorities over the relief of unemployed and vagrant poor was explained in terms of the 'dynamics of admission and exclusion' (de Swaan 1988: 50) - both the segregation of such applicants in workhouses, and the settlement of migrants in their parishes of origin. This in turn contributed to the development of a central authority (the nation state) which both regulated these systems of taxation and relief, and excluded non-nationals by the establishment of border controls.

That social exclusion is the central problem of present day welfare states is both a cliché and a puzzle. Although the concept of exclusion is now central to analyses of social problems and welfare systems (Paugam et al. 1993; Berghman 1994) there is no coherent theoretical account of how current pressures towards fragmentation into narrower mutualities relates to such continuing processes of supranational collectivisation as the 'social dimension' of the European Union (Leibfried/Pierson 1994). Our aim in this section is to show how club theory can provide the basis for such an analysis - one which explains the dynamics of both inclusion in and exclusion from welfare systems.

Club theory was developed to explain the provision of those goods that were neither purely private (whose individual use can be identified and monitored, and which are rivalrously consumed - hence that are both excludable and efficiently marketable) nor purely public (impossible or too costly to assign to individual owners, non-depletable and non-rivalrous in consumption - hence non-excludable and non-marketable). Clubs constitute a way of providing goods that makes them partially rivalrous (for instance, because of the maintenance costs of providing them) and partially depletable (in the sense that utility is lost with extra use, i.e. congestion costs). Hence clubs form for members to supply those goods that they can consume in non-rivalrous ways, but to exclude others who do not contribute to the costs, or who would cause loss of utility through congestion. Buchanan's original analysis (Buchanan 1965) took the example of a swimming pool as a club good, and club theory developed around the efficient allocation of such excludable collective consumption goods as leisure and cultural facilities (a single good being shared by all club members).

A club is a group of interdependent individuals where this interdependency is not simply market-related via the price-mechanism. In economic terms, there must be technological (rather than simply monetary) externalities. 'The reciprocal externalities arise from the existence of average cost as a common or public element in everyone's budget constrained utility opportunities' (McGuire 1972: 89). Hence the incentive for inclusion and exclusion. Groups form because economies can be internalised in clubs. Individual members may have choices between options for action with and between clubs. The first is the exit (or more accurately self-exclusion) option - they can leave the club and may move to other clubs. The second is the voice option - they can participate in decisions about the terms of membership of the club, and especially about who is to be included and who excluded.

What club theory thus seeks to do is to capture the economics of group maintenance, diversity, pluralism and polarisation in social relations - the hallmarks of tendencies identified by social theorists as typically 'late modern' (Giddens 1991) or 'postmodern' (Bauman 1992; Smart 1991). The forms taken by clubs are as various as elite private schools, luxurious condominiums, drugs subcultures and criminal gangs; their exclusiveness may be a result of the high costs of

other against various common contingencies. Compulsory mutual insurance solves the various collective action dilemmas facing individuals and such actors as the state, employers and employees (de Swaan 1988: ch. 6). As a measure of collectivisation of social risks it probably succeeded because of the anticipated positive external effects on political stability, law and order and the protection of the health and property rights of the better off.

However, from the point of view of the individual member of such a scheme, once established, it is a pure private good that is provided. Part of this good is the feeling of security that enters an individual's utility function, and this utility is not affected when others feel secure too. Each individual can in principle be excluded from the benefits of social insurance (eg. for deliberately avoiding employment, or intentionally retarding their recovery when sick); hence it is an excludable good. Whether it is rivalrous or not depends on the cost-function of provision.

Social insurance can be represented as a club because of the interdependency between members, shown in the cost function. (Starrett 1988: 50). Individuals who (ex-ante) cost more than they pay worsen the situation of other club members, because they have to pay higher contributions or reduce their insurance level. To put it formally, the maximisation problem for a social insurance club member is:

$$L = U(x, I) + \lambda(E_i - px - b(E_{\text{club}}(n), Y(I, n)))E_i$$

where  $x$  is a bundle of other private goods,  $p$  its price.  $I$  stands for insurance-level,  $E_i$  for individual income,  $E_{\text{club}}$  for the sum of income in an insurance-club,  $Y$  the resources which have to be spent by the club to provide the insurance,  $n$  shall represent the number of members, and  $b$  is the contribution-rate. It is the term

$$b(E_{\text{club}}(n), Y(I, n))$$

which bears the club-interdependencies. The sign of the first derivative

$$\frac{\partial Y}{\partial n}$$

is ambiguous because it might be the case that costs of providing insurance are absolutely sinking when there are only very few members in the social-insurance-club because of the chance for mutual insurance, but normally it will be positive. A new member of a club will be accepted by the previous members when

$$\left| \frac{\partial b}{\partial Y} \frac{\partial Y}{\partial n} \right| < \left| \frac{\partial b}{\partial E_{\text{club}}} \frac{\partial E_{\text{club}}}{\partial n} \right|$$

Both terms (individual contribution and individual risk) are influenced by an individual in its own specific way. We can only determine the optimal number of club members unambiguously if we order the members according to their "net" contribution to the club and if we assume that the highest net contributors have priority access to the club.

Thus from the point of view of the individual member social insurance is a club, and he or she has an incentive to exclude poorer people with higher risks, unless they are needed for realising

be selected for redundancy are offered *early retirement* or *disability* benefits and are in effect pensioned off, at high costs, for the rest of their lives. Later waves of redundancy in any industry or firm put workers on unemployment benefit, where some remain until they lose entitlement, and thus fall into social assistance. In several countries, notably Netherlands and Britain, numbers on disability benefits have continued to rise in the late 1980's, even when those on unemployment benefits were falling. In both countries this provoked strong political reactions, and pressures to limit eligibility for disability schemes. In the Netherlands, both the Christian Democratic Party and one of the Liberal parties are committed to the *privatisation* of social insurance, under which the state would withdraw from the whole programme, and allow employers and employees to form clubs, and these clubs to compete with each other. Thus the first stage in the process represents a 'quasi-club' formation within the rules of social insurance, but this development is seen to be inefficient and inequitable, and provides ammunition for those who can then argue that fragmentation (club formation) would be a logical and superior solution.

The evidence is of an overall tendency towards the formation of new and smaller clubs with more homogeneous memberships, through the exclusion of bad risks and the grouping together of narrower risk pools. The 'Americanisation' of European welfare states consists mainly of a division into two clubs around earnings and income maintenance, a social insurance club for those in secure, adequately-paid employment and a social assistance club for the rest. (On this dual structure of the American welfare state, see Skocpol 1988.)

We are arguing here that, under present socio-economic conditions in advanced welfare states, such welfare goods as income maintenance provision and health care can be treated as club goods, because the relevant options and interdependencies facing citizens in fragmenting solidarities allow actors within welfare systems to behave as club members. They may choose to exit to another club, or be excluded if they cannot afford to make the economic contribution to their club. But polities (national welfare states, or local states) are regimes that regulate bundles of such club goods, and individuals deciding where to live and work face choices over which bundle of such goods is the most attractive, taking account also of income opportunities, tax liabilities and environmental factors. Populations that are separated by space reveal their preferences for 'local public goods bundles' (protected by geographical exclusion) by moving from one locality to another (Mueller 1989: 150-5). Within nation states, there is evidence that voting with the feet sorts populations into groups with similar tastes *and* incomes (Miller 1981).

Club theory can also be applied to the emergence of new 'informal' collective actors whose activity are relevant for social policy. For example, where the state cannot adequately define private property or enforce contracts, private protection and enforcement agencies arise to exclude other predators within a given domain, supplying an effective local monopoly of violence. Varese (1994) develops Gambetta's (1993) analysis of the Sicilian Mafia to explain the parallel phenomenon in presentday Russia - protection clubs. Hillman (1992) develops the concept of 'socialist clubs' to explain the existence of groups for the predation and co-operative consumption of various kinds of goods that failed to reach their official destinations (factories or shops) under the old Soviet and East European regimes (and since). Socialist clubs arose because of the absence of decentralised (market) allocation systems, and the presence of

scarcities: clubs functioned to exclude marginal populations in a costly (bureaucratic) allocation system. We will argue that in many deprived areas in Western Europe, where labour and other markets have failed, and scarcity coexists with insecurity and complex public-sector systems for allocation resources, poor people form themselves into similar 'socialist clubs' for criminal activity, begging, 'informal' (undocumented) work, drug dealing and so on.

Migration (voting with the feet) raises issues of efficiency and equity when citizens can choose the price of membership and control entry and exit conditions. A rich polity (for instance, one with high income from abroad) knows that it will tend to attract people from poorer ones, but that its citizens will be tempted to move to still richer states. Its government will therefore have incentives to make rules (for instance, as in Margaret Thatcher's Britain allowing aliens who invest over £200,000 to settle, or by creating tax havens) to attract new members with high rental incomes, to restrict the emigration of its wealthy citizens (e.g. by emigration taxes, or forbidding capital to be taken abroad), and to limit immigration by people from poorer countries.

Thus the theory of clubs and club goods, voting with the feet and informal (protection and 'socialist') clubs are all relevant to the fragmentation processes visible in present day welfare states. In the next section we will analyse the significance of migration for the dynamics of these processes.

### **Migration, Collectivisation and Fragmentation**

In de Swaan's analysis of the collectivisation process, migration plays an important part in the evolution of regional and national systems of poor relief (de Swaan 1988: ch. 2), but none in the emergence of social security schemes in the late nineteenth and early twentieth centuries, or the consolidation of welfare state regimes after the Second World War. Whereas 'vagrancy' caused collective action dilemmas for the actors in the late-medieval 'figuration' of local charitable, rural and urban authorities, it was the club decisions of friendly societies (excluding bad risks, refusing to admit the precariously employed, constructing narrow homogeneous solidarities) that evoked first social insurance solutions, and eventually contributed to the formation of national *welfare* states. The collective actors in these processes were national governments, capital and organised labour, and welfare states were established in the period of relative national economic autarky, before and after the Second World War. In this part we argue that migration plays an essential role in the political and social dynamics to include and exclude groups from insurance, assistance and labor protection schemes.

Club theory offers a general explanation of how fragmentation replaced collectivisation as the dominant process of this era. Mass solidarities were generated by the concentrations of labour power that characterised industrialisation from the second half of the nineteenth century, and by the experience - during the interwar years - that neither the *laissez-faire* state nor the narrower mutualities of the organised labour movement could overcome unemployment and poverty. Welfare states were responses to the collective action problems of that period to the perception that totalitarian regimes had overcome them (albeit by drastic methods), and to the experiences

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of war and postwar disruption (de Swaan 1988: chs. 6 and 7). They built on economies of scale available through the technologies developed by states in wartime. Collectivisation was achieved at a moment of economic dislocation - for instance, the return of service and colonial personnel to Britain, and the influx of some 12 million refugees in to postwar West Germany (Offe 1992). Thus neither the presence of well-established collective actors supplying welfare goods to club members (trade unions, friendly societies), nor of previously excluded outsiders (the poor and unemployed of the interwar years, refugees and labor migrants) decisively impeded the formation of new systems of mass solidarity among heterogeneous population with diverse incomes and risks. Rather, the development of postwar welfare states was characterized by the further inclusions of new groups such as the self-employed and farmers into social insurance schemes (Baldwin 1990).

The social polarisation and new poverty that are characteristic of all welfare states in the present decade appeared at different rates within the advanced capitalist economies; they were reinforced by government policies in the Anglo Saxon countries far earlier than in the Continental European ones. But already, even in those regions which resisted these politically mediated consequences of economic globalisation and the new international division of labour, individuals were beginning to sort themselves into more homogeneous groupings around such goods as housing, recreational and cultural facilities. Even among groups facing discrimination (such as urban black people in the USA) migration to the suburbs by higher-income households left inner-city concentrations of 'the truly disadvantaged' (Wilson 1987).

The paradox of welfare states in this period was that their particular structures of institutionalised opportunities and constraints and the relative payoffs for formal, casual and informal work, contributed both to the exclusion of marginal workers and to the attraction of migrants from poorer economies. On the one hand, as formal employment and social protection came to cost employers more (in relation to wages), they had strong incentives to shed low-skilled labour from their payrolls, and use more part-time, irregular or casual workers - leading to labour-market dualisation (Bowen/Mayhew 1990). But on the other (the 'flexibility' growth of casual and informal work) may have encouraged both those outside the formal labour market, and migrants from outside the country, to take undocumented employment - the former in addition to claiming social assistance, the latter as their sole means of support.

Our analysis points to the significance of migration for both collectisation and fragmentation in a period when some elements of the late-medieval situation are again relevant. The European Union is itself a product of transnational collectivisation processes, some of which relate to social rights (Leibfried/Pierson 1993). But - in relation to territories outside the union - it has some of the characteristics of a walled city (Faist 1994b). Some populations outside the walls are strategically relevant to its defences against other populations that it seeks to exclude: hence it has incentives to include the former in collective systems of protection, in order to achieve the exclusion of the latter (Jordan 1991).

Transnational labour migration has always posed dilemmas for national systems of employment and social protection, over the access of non-citizens to employment and claims to social rights in the receiving country, and also over transferring benefits deriving from those rights to the sending country. The EU has developed a supra-national form of membership (European

all productive work was done by migrant labour, especially from Pakistan who had virtually no social rights.

Some forms of labor migration stem from an active encouragement for workers from specific states to enter, because of labour shortages in specific industries and occupations. Such migrants are usually young, relatively healthy and in the early stages of employment; hence the costs perceived to be incurred by admitting them are low. Recruitment from the Caribbean countries to Britain in the 1950's, and the *Gastarbeiter* schemes in Germany in the 1960's and subsequently, had these characteristics. Such workers generally qualified for social rights through membership of social insurance schemes.

These forms of migration have always led to more settling than anticipated (by migrants themselves and by host governments). Even those who enter as club servants may look for ways to settle and become members. Migrants who stay on in a country may later be granted permanent residence status, with access to all or most of the welfare goods available to citizens. This is what Hammar (1990) calls 'denizenship', and is very common in European welfare states. At this point migrants start to play a part in the process of club formation and selection that constitutes welfare state dynamics in a period of fragmentation. As we have argued, admission to such clubs broadly relates to ability to pay the contribution rate and to risk factors. Furthermore, structural features of the labour market and training institutions and discrimination by employers have pushed some immigrant groups towards less secure employment, and hence often - via unemployment and poverty - towards social assistance claims, especially in a period of labour-market deregulation (eg. Mexican Americans in the United States, Afro Caribbeans in Britain and North Africans in France).

Conflicts over congestion occur in the social insurance sector over competition for regular jobs; in the social assistance sector they focus on benefits themselves. The social assistance budget is provided from taxation and - especially in the United States - policies have been aimed at cutting this category of expenditure. In Britain social assistance expenditure has been the fastest-growing budget of the past 20 years, but political and popular perception of congestion, moral hazard, free riding and waste focus on these benefits (Minford 1984). In most West European countries, including the Scandinavian ones (Marklund 1992; Abrahamsen 1992) social assistance spending has been rising even faster, albeit from a low base. If expenditures for social assistance rise taxpayers may try to limit the group of eligible recipients. One argument has been to declare the permanently excluded poor to be an "underclass" that cannot be helped unless forced by workfare schemes to participate in the labor market (see Mead 1986).

In the postwar era, the politics of welfare states revolved around sustaining mass solidarities and managing conflicts over distributive shares. The tax revolts of the 1970's (in the USA, Britain and even Denmark) gave new political groups opportunities to gain electoral support around cuts in welfare benefits, and ultimately provided the market-minded governments of the 1980's and '90's with much of their inspiration. Policies for containing taxation, encouraging households to provide for themselves out of earnings and savings, and excluding undeserving groups of claimants, all gained support. The latter were aimed at unpopular categories (black single parents in the USA, unemployed people in Britain, and immigrants in many continental European countries) who were perceived as exploiting social assistance through strategies for

citizenship) that seeks to give similar social rights to citizens in whichever state they choose to work and live. But rights of mobility and even some social rights are applicable to some *extracommunitari* from countries such as Turkey, the Maghreb and the Central European States. Within the EU these rights are contested (for instance, between the European Court of Justice and nation states), and the collectivisation process is much less developed in relation to Eastern European states (Faist 1994b). Above all, transnational policies must overcome central features of the logic of collectivisation that informs national welfare states.

Welfare states are conceived as closed systems. Their logic implies boundaries that distinguish members (who are the contributors to and beneficiaries of welfare goods) from non-members. Distributive justice requires a moral basis in kinship or fellow-feeling, and a commitment to dividing up and sharing among members (Walzer 1983: 31). The distributive logic of closure is threatened by economic migration, and that of justice by strategic action to maximise welfare allocations. The premises of distribution and solidarity in welfare states are built around a stable (or at least distinguishable) population who share interdependencies and interests concerning past and future generations. However such closed systems are increasingly exposed to a rapidly changing global economy. Economic globalisation has facilitated both mobility between states, and strategic action within them. De Swaan suggests that in the past such problems have been overcome through policies based on irrational beliefs, or through war; our concern is whether solutions can emerge through the interaction of rational actors.

Welfare states protect themselves against unlimited migration by border controls and quotas, and against all forms of exploitation by limiting eligibility for benefits and services, and various forms of welfare policing (detailed assessments, fraud investigations, prosecutions, etc.). However, welfare states also *create opportunities for migration*, and these often involve deliberate or unintended access by migrants to welfare systems. As Freeman (1986) points out, the availability to citizens of welfare states of minimum wages and conditions, unemployment benefits and health services allows national workers to refuse certain tasks and terms of employment; employers in turn can recruit foreigners (including undocumented migrants). National workers often collude with this practice - under which certain unpleasant and badly-paid tasks are done for low wages by migrant workers - in defence of their privileges (Faist 1995).

Some migrants enter welfare states, and find spaces to work within them, precisely because they are not eligible for the various forms of employment and social protection available to national workers (undocumented migrant short-term workers and contract workers). These workers do not enjoy full political or social rights, and are most likely to take unprotected or less protected forms of work at low wages. If welfare states are seen as bundles of club goods (or alternatively as systems of overlapping clubs, such as pensions, health care and unemployment benefits clubs) such migrants do not enter such states as full club members. Rather they come as *club servants*: they perform the services that members are unwilling to do for each other (eg. in agriculture, construction and selected services). The higher the incomes of club members, the more such clubs can afford to pay their servants, and the more services are likely to be provided by migrants rather than members. The extreme case was pre-invasion oil-rich Kuwait, where virtually all Kuwaitis had the employment conditions and perks of public officials, while almost

maximising claims. For migrants, pressure to reduce the inflow was added to that for more restrictive or coercive administration of benefits, that applied to other categories of social assistance beneficiaries.

Also, national welfare states have differentiated between immigrant groups by varying their social policies according to the current economic and labour-supply situation. Non-citizens with permanent residence and work status (denizens, most of whom were admitted as guestworkers in the 1960's and early '70's, and have settled with their families) now have rights to social insurance and other social benefits, though few political rights. They are vulnerable to unemployment, but cannot simply be categorised as part of the secondary labour market. Some guestworkers are still in transition to this status. However, newer immigrants are more likely still to have the status of alienship with fewer opportunities to improve their status to denizenship or even citizenship, either because they are undocumented workers, or because they are employed under new contract arrangements that exclude them from social rights in the receiving country. An example of this is the *Werkvertrags-Arbeitnehmer* contract labour system, under which Eastern European countries such as Poland and Hungaria supply workers (mainly for the construction industry) to Germany. They are formally employed and paid by contractors in their own home countries, stay for only 18 months, and have no eligibility for benefits or services from the German state (Faist 1994b).

Germany provides a case study of the corresponding politics of immigration in a welfare state. Despite high levels of immigration from non-European developing countries and Eastern Europe, Germany has not perceived itself as a country of immigration. On the one hand, by 1991 about 1.9 million 'guestworkers', mostly from Turkey and the former Yugoslavia, were employed in Germany, many of them with 'denizen' status (almost full social rights with almost unlimited residence permit). On the other, since the late 1980's there has been a larger inflow of *Aussiedler* - ethnic Germany from the former socialist Central and Eastern European countries - which peaked at 400,000 in 1990, and of asylum seekers from further afield but mostly from Eastern Europe (more than 400,000 applicants in 1992). Germany had no 'politics of immigration' (as for instance in Britain); 'guestworker' schemes were constructed in terms of labour-market needs, *Aussiedler* migration as unproblematically related to the gradual reunification of a population scattered by the disruptions of war and economic change, and asylum seekers as a humanitarian contribution to an international problem. Thus German politics was unprepared for the re-emergence of the neo-tribalist 'direct action' and the neo-racist discourses of exclusion that accompanied the recession of the early 1990's (Faist 1994a).

German government policies in recent years illustrate national welfare states' responses to the pressures of minority club formation and conflict over welfare resources. Conflict has focused on both exclusion of non-German migrants and of refugees by tighter immigration controls, and social assistance expenditure. Migrant labour and its access to social insurance (contributory) benefits have been less contentious issues. Greatest strife has been over the assistance benefits granted to asylum seekers, even though these are paid at levels below the social assistance given to citizens. Under the *Asylbewerberleistungsgesetz* (1992) such payments were drastically cut back, and are now paid in kind. The constitution was also changed to make it harder for asylum-seekers to enter Germany (Article 16a), effective since July, 1993.

These processes have contributed to fragmentation in various ways. First, the rules themselves created new categories of individuals who were excluded from some or all of the rights enjoyed by full citizens. Second, settled immigrants (eg. former guestworkers) and newly arrived asylum-seekers became a highly visible group who were the targets of taxpayers' resentment over the rising costs of social programmes, and of rivalry by claimant groups facing cuts in the rates of benefit (eg. on social assistance). In general, right-wing politicians played on fears of congestion (eg. in social housing; Faist/Häußermann 1995). This in turn led to the formation of self-protective clubs against political and physical threats from other groups. For example, Turkish immigrants organized to counter violent attacks from right-wing mobs.

Observing these trends de Swaan (1994) argues optimistically that mass migration, especially from Eastern Europe after 1989, also contributed strongly to the perception of a need for transnational social policies, that would give citizens of the newly democratising countries stronger incentives to remain at home. However, no such policies have materialised; instead, embryonic transnational institutions in the European Union ('Social Europe') are predominantly concerned with protecting members of majority social insurance clubs from the effects of economic globalisation and migration.

## Clubs and Conflict

In this part we discuss options and resources actors in welfare states have available to cope with processes of inclusion and exclusion in the context of high levels of immigration and mounting problems of integrating immigrant and indigenous minorities into comprehensive social insurance and public social assistance schemes. In club theory, efficient allocation through voluntary association can be achieved if technologies and preferences are such that the number of optimally-constituted clubs is large. Individuals are able to combat discrimination by moving to another club, or starting a new one, thus guaranteeing themselves equal benefits for an equal share of the costs. But - as Mueller (1989: 153) points out - if the optimal club sizes are large relative to the population, discrimination is possible and stable equilibria may not exist, because of the lack of alternatives. Furthermore, optimal club size for members themselves will not necessarily coincide with what is optimal for the population as a whole, and utilities for members have to be set against disutilities to those excluded.

'With an optimal club size of two-thirds of the population, for example, only one such club can exist. If it forms, those not in it are motivated to lure members away by offering disproportionate shares of the benefits gained from expanding the smaller clubs. But the remaining members of the larger club are motivated to maintain club size, and can attract new members by offering the full benefits of the big club, and so on' (Mueller 1989: 153-4).

If we postulate a social insurance club with an optimum size of over half the population, and a political coalition of its members to produce a government that guards its interests, we have something rather like the situation that has developed in most welfare states in the 1980's. Households with at least one member with a regular, decently-paid job (or a pension related to

such a job) are able to form such a big club that excludes those without the skills - and hence the earnings - to contribute the average costs of such a club, and other groups seen as high-risk (such as people with disabilities, single parents and ethnic minorities). The relevant characteristic of this situation is the powerlessness of the minority to shift a fixed and permanent coalition of majority interests in these forms of exclusion (Van Parijs 1987; Jordan 1989).

What constitutes a rational strategy for the minority (or minorities) in this situation? The right-wing concept of an 'underclass', with interests that conflict directly with those of the mainstream, largely encapsulates the elements in such a strategy. Although the 'underclass' is not synonymous with the immigrant poor or immigrant minorities, groups that constitute the ghetto poor often are made up of third - or fourth - generation (domestic) migrants (eg. African Americans in large US cities). On the one hand, the excluded minority can seek to maximise its income from claims against the majority through social assistance and other welfare systems - the 'dependency culture' thesis (Murray 1984; Dean/Taylor-Gooby 1992). On the other, they can try to resist any attempt by the majority to impose work or other citizenship obligations (Mead 1986), while seeking illegal opportunities for further income from crime, undeclared working while claiming, begging, busking, etc. Finally, since they cannot hope to win over members from the majority club by orthodox inducements, they can try to do so by appeals to hedonism, irresponsibility, fecklessness, the dubious pleasures of drugs and alcohol, sexual promiscuity and avoidance of hard work - the 'demoralisation' thesis (Murray 1989). Once it is recognised that these minorities have neither opportunity nor incentive to exit from social assistance and other public welfare systems, it becomes alarmingly clear that they can never voluntarily 'reintegrate' with mainstream society, but have a strong interest in conflict-orientated resistance action of various kinds.

In Britain, one of the European welfare states where fragmentation may have proceeded furthest, the government voiced exactly such fears about the strategic action of an underclass in its ministers' speeches during the moral panics of late 1993, leading to the 'back to basics' turn in penal and social policy (Jordan forthcoming). At the Conservative Party Conference of that year, underclass exploitation of the welfare system was explicitly linked with immigration and 'benefit tourism' within the EU (Lilley 1993). In all the European countries, right-wing rhetoric portrays migration as the flooding of prosperous states by a tide of utility-maximisers from the Third World, who will join indigenous underclasses to exploit every advantageous opportunity and evade every social obligation. Hence migrants are perceived as threatening beyond their contributions to the congestion of labour markets and welfare goods, only control and punishment are seen as rational policy responses (Faist 1994a).

Similarly, West European governments make policy over immigration with the aim of responding to a hypothetical strategic actor living somewhere in Eastern Europe - an unemployed, single man in his 20's, with no prospects of employment in his locality, who is choosing between various kinds of crime or 'socialist club' activity, and migration to the West. Because of the lack of opportunities and payoffs for formal employment in their own countries, such actors can be expected to be attracted by informal or illegal openings in that direction if they are fairly risk tolerant. Survey evidence suggests that 25-30 per cent of Central and East Europeans have indeed considered the migration option, and about 12 per cent thought they

would leave 'probably' or 'definitely' (*Eurobarometer* 1992: 38). However, no such massive migration flows have materialised so far (Münz/Fassmann 1994). Facing in the other direction, governments try to devise strategies in response to those of relatively well-educated people from the developing countries, who see better opportunities and payoffs for their skills in European labour markets, especially if they are citizens of unstable or conflict-ridden polities. Here the hypothetical game is about labor migration and asylum-seeking, and in the latter case, governments' aim is to balance humanitarian rhetoric (with its electoral payoffs) with attempts to prevent perceived congestion (and its political costs).

For social policy makers in presentday welfare states, these hypothetical strategies pose serious collective action dilemmas. On the one hand, welfare state institutions themselves (social insurance systems, health insurance plans) no longer function as mass solidarities for whole national populations of heterogeneous contributors; instead they function as clubs that exclude bad risks, but are deserted by the best risks. In addition, these same clubs attract 'club servants' from abroad, because they structure payoffs to national workers in such a way that niches for such migrants appear: they also make spaces for undocumented, undeclared, 'informal' work by indigenous claimants. On the other hand, both 'underclass' formation and immigration signal that large groups of peripheral or marginalised individuals (both in welfare states and outside them) may have little reason to rely on their social services, or on democratic political processes, to change outcomes affecting their life chances. They may instead be choosing between various forms of rule-breaking (through crime, benefit fraud or illegal migration) that involve breaches of their 'contracts' as citizens to abide by collective decisions, as a way of fighting against exclusion from majority clubs.

Furthermore, the strategic game between governments and these actors is not the only one at stake in the present situation. Excluded individuals cannot readily join majority clubs, or attract their members away, but they can form various kinds of clubs of their own to get the maximum advantage from their situation. As Hegselmann (1994) has suggested in a computer simulation, even in an open competitive environment all but the very worst risks can find others with whom to form mutual protection clubs. In the present situation, these may take the form of close-knit networks of kin and neighbours, who give assistance over tasks requiring longer-term investments (Jordan et al. 1992: ch. 7). However, they may also take the form of 'socialist clubs' or criminal gangs, especially in deprived areas where markets scarcely function, and various forms of exchange of labour power and resources, off-the-books work for cash, trafficking in stolen goods or drugs, or protection rackets, make up the local economy.

Thus the environment in which these minority clubs interact with each other, and with the majority club, is not adequately regulated by either market institutions or public agencies. Postwar welfare states created systems for structuring and spacing the social world of education, training, employment, housing and ageing; they regulated both markets and the public sphere, and ordered interactions between organised groups of citizens. These systems for collective decisions, economic management and joint consumption were seen as fundamental to the efficient and equitable allocation of resources, and overcoming the collective action dilemmas that distort the economics and politics of the interwar years. As mass solidarities have fragmented, and as excluded minorities joined together in informal clubs for self-protection or

conflict, these modes of regulation are no longer effective, either in minimising conflict over distributional issues, or in orientating such groups towards common social goals.

Minority clubs thus come to have a political significance far beyond their size or command of resources, especially when they are organised on religious or ethnic lines, for conflict with other clubs. With the use of neo-fascist 'direct action' groups, it becomes rational for highly visible minorities like black people in Britain to form self-defence clubs for protection as well as for economic purposes. Thus a rather Hobbesian problem develops in this sector of society: in the absence of a reliable and trusted system of state regulation, or the social capital for cooperation between groups (Putnam 1993), protection - even Mafia-style - becomes a necessity. In such a context, individuals draw their social identity from membership of conflict-orientated clubs.

## Conclusions

De Swaan's speculative account of the emergence of transnational social policies, triggered by cross-border issues and especially by migration, was advanced as a logical development of his general theory of collectivisation. In this case the collective actors - welfare states - address dilemmas over inclusion and exclusion that arise from the globalisation of economic processes, but in the absence of supranational welfare systems. In relation to migration, he argued that 'the EC should be capable of enforcing a collective policy of exclusion and of initiating transnational social policies aimed at persuading the inhabitants of Central and Eastern Europe to remain home and wait for better times' (de Swaan 1994: 169). It is not clear whether this represents a rational solution to a collective action dilemma, or one that might arise by chance or mutual self-deception, as in his earlier historical analyses.

Our most general conclusion is that any prospect for transnational social policies of the kind envisaged by de Swaan and his colleagues is formidably blocked by fragmentary forces within national welfare states. National governments are heavily preoccupied with the dilemmas analysed in the last section with the issues of exclusion and conflict that stem from the narrowing of mass solidarities and the strategic actions of the minority clubs and their individual members. The social policy agenda in the United States and Britain is already dominated by questions of criminal justice (Hudson 1993) and the requirement to 'reintegrate' the poor into the formal economy (Mead 1986). Various forms of surveillance, punishment and enforcement, including workfare schemes, give tacit recognition to the lack of economic opportunities and incentives for minority groups, and the need for coercion to limit the scope for strategic action and club formation. In Continental Europe, the agenda still concerns attempts to shore up welfare state systems, but balance these with labour market 'flexibility'; yet already the evidence that new poverty is contributing to the emergence of similar strategies and clubs is raising the same debates (Adriaansens, 1993).

Our analysis points to a number of interlocking collective action problems for social policy makers in welfare states, all of which are exacerbated by issues of migration. Systems for ordering and spacing the labour market and mitigating wasteful competition for positional goods (Hirsch 1975; Harrod 1958) have been eroded by globalisation and the new international

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division of labour. Indigenous low-skilled, low-productivity workers have been excluded, yet migrant 'club servants' have been attracted in - and the richer the economy, the more the services that members were not willing to provide for each other, and the more 'servants' are needed. Labour-market competition and congestion have thus co-existed with exclusion, and immigrants have become a target of resentment. There is thus a collective action problem over the management of labour-market crowding, and wasteful competition for good jobs, that drives up the price of these positional goods, in terms of investment in education, training, etc. by households (Jordan et al. 1994: ch. 9).

A second dilemma for policy makers concerns how to deal with the consequences of fragmentation. This is most pressing in countries like the U.S. and Britain, with marked dualisation of labour markets, a large social assistance sector, and high rates of casual labour and undeclared cash work, merging into criminality. Excluded minorities, including immigrants who have settled as denizens, adopt strategies for avoiding low-paid employment, and maximising income from benefit claims and 'informal' work (Jordan et al. 1992). Attempts to police (immigration and fraud control) and regulate these processes (training and employment schemes, workfare) drive up transaction and enforcement costs, and especially criminal justice expenditure. Measures for coercion and punishment increase the incentives for excluded groups to form themselves into self-protective 'socialist clubs' or criminal gangs. These groups compete for scarce goods, thus increasing law enforcement problems, and government expenditure on enforcement.

At the political level, as soon as congestion among 'insiders' and resistance to enforcement by 'outsiders' become recognisable, interactions between the majority and minority clubs become conflict-orientated. The majority resist increased taxation, and demand increased surveillance and punishment, as well as benefits cuts (as seen in demands for tougher criminal justice in Britain, or more restrictive assistance for asylum seekers in Germany). Issues over the 'underclass' and workfare come onto the political agenda, and the interaction between the majority and minority focuses on conflict over welfare provision. The majority seek to minimise contributions and impose controls, the minority to maximise benefits and evade enforcement measures.

This political configuration represents a major barrier to the development of transnational social policies. It focuses attention on crime and benefit fraud, and the costs of welfare systems, and constructs immigrants as contributing to congestion and high public expenditure. The extreme case here is Britain, where after the 'back to basics' form both criminal justice (Howard 1993) and migration (Lilley 1993) became the targets of new policy initiatives, with migrants from other EU countries seen as a major source of increased welfare spending. Thus de Swaan's speculations about the feasibility of cross-border collectivisation, contributing to income maintenance programmes for East European citizens, become fanciful in the face of strong pressures towards fragmentation in Western Welfare states.

Nevertheless, de Swaan's suggestion of transnational social policies that explores the logic of collectivisation, coupled with a club-theoretical analysis of processes of fragmentation, raises important questions for the use of the concept of citizenship. This concept deals primarily in membership of national polities and focuses on the rights and duties associated with compulsory

collectivisation (Andrews 1991; Roche 1992; Lister 1990; Barbalet 1988). Even in its neo-liberal form it is concerned with enforceable contracts between citizens and the state, and in its neo-conservative form with the statutory imposition of social obligations (Mead 1986). We have to recast our concepts to deal with issues of globalisation, pluralism and voluntary association - to analyse, for example, the social relations of Europe's cosmopolitan cities, made up of indigenous, Third World, and now increasingly also Second World citizens.

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