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Summary. European economic integration raises important questions about the role of social policy in an economic and monetary union. In the past, it was often argued that there would be upward convergence in the social policies of member-states. More recently, fears have been expressed about downward convergence, partly as a result of globalisation pressures. These fears are shown to be largely unfounded, although there have been trends towards greater similarity in social policy across countries. In the future, it is very unlikely that an extensive welfare state at the European level will develop. However, further European action in 'peripheral' parts of the social policy agenda is more likely. This includes actions in relation to housing, which lies at the intersection of economic policy and social policy.

1. Introduction

Economic integration in the European Union continues to raise important questions about the role of social policy in an economic and monetary union. At one extreme, there are some who believe that there is no role for social policy at the European level. For this group, social policy is properly the function of national and sub-national (regional and local) governments. 'Europe' is conceived of primarily as a space for free trade and efficient markets; there is no need for integration or harmonisation of social policies across borders. At the other extreme, there are those who advocate a fully integrated federal welfare state, in which European social democratic policies will make good the 'Keynesian deficit' at member-state level.

The likely outcome is, of course, somewhere in between these two extremes. Given the generally limited role for social policy at the European level, it might be expected that the role for housing policy will be non-existent. After all, housing policy has always occupied an ambiguous place within social policy—the 'wobbly pillar' of the welfare state (Harloe, 1995). Surely, then, given the uncertainties and limitations facing social policy as a whole, we can safely discount the emergence of a European housing policy?

In this paper, it is argued that some EU dimension to housing policy is likely to continue.[1] This is for three main reasons. First, although the scope for future social policy development at the EU level will be limited, there is likely to be further growth in some areas that have a close connection to housing. Secondly, there now exists a network of interest-groups and institutions associated with housing at a European level and these will continue to push for a greater EU role in

Mark Kleinman is in the School for Policy Studies, University of Bristol, 8 Priory Road, Bristol, BS8 1TZ, UK. Fax: 0117 954 6756. E-mail: Mark.Kleinman@bristol.ac.uk .

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housing. Thirdly, housing lies at the intersection of social and economic policy and, because of this, comes within the scope of the EU's economic, monetary and competition policies as well as its more limited social policy competences.

The development of social policies at the European level or, even more strongly, the development of a European welfare state implies the idea of transnational welfare—that is, that the welfare of citizens will rest, partly or wholly, on policies and mechanisms that operate cross-border. The growth of transnational welfare has led to a growth in transnational housing and social research. In an earlier study of European integration and housing policies, Matznetter and Stephens argued that there are two traditions in international housing research: "comparative housing studies on the one hand, and research on the effects of European integration on the other" (Matznetter and Stephens, 1999, p. 4). In a broadly similar way, de Swaan (1994) has argued that the study of transnational welfare represents a third stage in social policy research, following earlier stages of, first, consideration of individual welfare states and, secondly, the comparative study of national welfare states.

The paper is structured as follows. In section 2, the concept of convergence of social policies is critically examined, distinguishing between 'old convergence' theories and 'new convergence' theories. Section 3 looks at the pressures for and obstacles against the development of social policies at the European level. Following Leibfried and Pierson, it is concluded that an *extensive* welfare state at the European level is very unlikely, but European action in supposedly 'peripheral' parts of the social policy agenda is more likely. Finally, section 4 discusses what the implications of these developments will be for housing.

2. Old and New Convergence Theories

Convergence entails more than mere similarity. It conveys the idea of a causal process by which the welfare systems of different countries *necessarily* become more alike over time. The concept of convergence is grounded in the theory of industrialism; it implies the view that industrialisation is the motor of social change and that all industrial societies will converge towards a similar form of mixed economy with substantial state intervention (Harloe and Martens, 1983). Convergence theory implied that the logic of industrialism would lead not to class conflict, but to élite leadership and mass response (Goldthorpe, 1984). Pluralistic industrialism would generate convergence, as there were in effect, no ideological choices left.

In the old convergence model, the emphasis was on notions of the inevitability or irreversibility of the welfare state. The social and economic processes of industrialisation and modernisation created the need for greater state activity to ensure the social reproduction of the labour force, and hence the introduction of welfare states (Wilensky, 1975). Given this common underlying explanation, the expectation was that welfare states, not just across Europe, but across the world, would become more similar over time. Hence the 'old convergence' hypothesis was essentially a *functionalist* argument.

In the 1970s and 1980s, this 'end of ideology' argument lost force. In the first three decades after 1945, Keynesian demand management techniques had seemed to guarantee both economic growth and rising welfare state expenditures. After 1973, most advanced countries entered a more uncertain and conflictual period, in which the triumph of modernist welfare states no longer seemed so assured.

However, a new form of convergence theory soon emerged. 'Old convergence' theory was born of optimism: welfare states were inevitable, given industrialism and modernisation. Gradually, all nations would develop welfare states, which would over time become more similar. New convergence, by contrast, is born of pessimism—the belief that everywhere the welfare state is being reduced or 'retrenched' in the face of the growing power of markets, the desire of

politicians to reduce state expenditures and public borrowing, and the unwillingness of citizens to pay for welfare expenditures either through taxes or contributions. So Rhodes and Meny (1998) refer to the 'era of welfare pessimism' and Taylor-Gooby (1996) identifies a process of 'fragile convergence' with four key trends affecting all European welfare systems: benefit cuts and cost saving; measures to generate additional income; managerial reform, especially of health care; and the decentralisation of responsibility. It is widely argued that external constraints—both globalisation and increased European integration—have reduced the national scope for action. Governments have lost faith in their capacity to intervene and the belief that high levels of welfare and economic growth are incompatible is prevalent, despite the inconclusive evidence.

New convergence is often specifically linked to globalisation. According to de Swaan (1994) "welfare states are increasingly under the impact of the international environment". He cites three main reasons: first, the policies of EU member-states to encourage free movement of capital and labour

> compelling member-states to calibrate their policies to those of others and prompting the European Commission to 'harmonise' the members' regulations (de Swaan, 1994).

Secondly, the tendency for capital and labour 'on their own initiative' to increase their mobility, and in opposite directions. Thirdly, that Western countries are now faced with a vicious circle in which generous social provisions lead to high wage costs, capital flight, increased social expenditures and hence loss of competitiveness with low-wage countries.

Globalisation is often referred to as a key factor promoting both retrenchment of welfare states and their convergence. Despite the supposed importance of globalisation as a causal factor, exact definition of the term is often lacking. In practice, it seems to refer to the growth of competition for goods and services on a world scale and the increased mobility of capital facilitated both by the lowering of national economic and financial barriers and by the development of new technologies. This creates pressures on social protection systems in two ways. First, social protection imposes costs on domestic producers (either through taxes or through employer contributions) which raise the price of manufactured products above that which prevails in countries with no, or relatively less generous, social protection systems. Domestic producers hence lose their share both of world and (no longer protected) home markets, leading to reduced profits and, ultimately, loss of economic activity and higher unemployment. Secondly, countries with high taxes and/or highly regulated labour markets are less attractive to footloose international capital and hence will suffer a relative and, eventually, absolute decline in investment. Conversely, countries with lower taxes and a deregulated labour market possess a 'competitive advantage', and will enjoy high levels of inward investment, lower unemployment and greater economic activity.[2] As a consequence of both these factors, states are now allegedly engaged in a game of what is sometimes called 'competitive retrenchment' in which social protection systems are bid down by the market pressure of international competition.

Throughout the history of European social policy, concerns have been expressed about social dumping and downward convergence. The globalisation argument is also used as one of the grounds for greater intervention by the European Union in social policy and for the desirability, or even the necessity, of a European welfare state. The position taken is that globalisation—increased trade, greater capital mobility and the deregulation of capital and financial markets—makes regulation by member-state governments ineffective and the independent maintenance of generous welfare states impossible. Therefore, the only route towards avoiding competitive deregulation and the erosion of national welfare states is through re-regulation at the European level. However, in practice, there is little evidence to support the arguments

Table 1. Social protection expenditure in the EU member-states as a percentage of GDP, 1980–96

Country	1980	1990	1993	1997
Belgium	28.0	26.8	29.0	28.5
Denmark	28.7	30.3	33.5	31.4
Germany	28.8	25.4	29.1	29.9
Greece	9.7	22.7	22.0	23.6
Spain	18.2	20.4	24.4	21.4
France	25.4	27.7	31.2	30.8
Ireland	20.6	19.1	20.8	17.5
Italy	19.4	24.1	26.0	25.9
Luxembourg	26.5	23.5	25.2	24.8
Netherlands	30.1	32.5	33.7	30.3
Austria	—	26.7	29.0	28.8
Portugal	12.9	15.5	21.0	22.5
Finland	—	25.5	35.4	29.9
Sweden	—	32.9	38.6	33.7
United Kingdom	20.5	23.1	28.8	26.8
EU-15	—	25.4	29.0	28.2

Source: Eurostat (2000).

that welfare states are being eroded downwards; that globalisation inevitably leads to competitive deregulation; or that 'social dumping' is a major problem for European welfare states.

First, there is no evidence of downward convergence in social expenditures by advanced economies. Across the OECD, taxes and social security contributions rose as a proportion of GDP through the 1970s (Scharpf, 1999, 2000). But this rise slowed in the early 1980s and, from 1985 to 1995, the proportion remained roughly constant. Out of 12 OECD countries examined by Scharpf (1999, 2000), only in Britain was the level of taxes and contributions lower as a proportion of GDP in 1995 than in 1970, and even here only by 0.9 percentage points. In every other country, the proportion was higher; in some cases, considerably so.

Furthermore, there is no evidence of convergence across countries. The levelling-off in social expenditure that occurred between 1985 and 1995 was exactly that—a series of plateaux that left relativities unchanged. This is clear if we look at social protection expenditure for EU countries over the period 1980–97 (Table 1). It can be seen that, by and large, relativities across European countries are preserved over time. High spenders in 1980 remain high spenders in 1997; and low spenders remain low spenders.

Some European countries have been able to combine relatively generous welfare states with economic growth. So the relationship between welfare and economic growth is complex. Welfare states can work with, rather than against, the grain of economic growth by easing adjustment to economic and industrial change through, for example, the provision of unemployment insurance (Atkinson, 1998). Empirical studies of the relationship between the extent of the welfare state and the rate of economic growth tend to inconclusive results (Atkinson, 1995, 1998; Esping-Andersen, 1994; Gough, 1996).

Arguments about downward convergence are often linked to the idea of 'social dumping'. This rests on the idea that economic integration leads to increased competition, favouring low-wage/low-social-wage countries and setting off a levelling down process as firms use increased competition and the threat of relocation to bargain down workers' wages and conditions. In addition, it is ar-

gued that with free movement of labour, workers will migrate from the weaker welfare states of southern Europe to the more developed northern European welfare states, thereby weakening unions and driving up unemployment. This argument has widespread populist appeal, but is fundamentally flawed, on several counts.

First, it is essential to distinguish comparisons of wage costs or social wage costs from comparison of unit labour costs. That is, the productivity as well as the wages of workers, differs across countries and must be taken into account. Much discussion focuses on differences in wage costs between different parts of the EU, whereas the correct measure is in fact unit labour costs. Once we do this, we find that unit labour costs in 1990 were in general fairly similar across EU countries. Using the UK as the base index of 100, unit labour costs were 107.9 in Germany, 101.3 in France and 236.6 in Portugal. Moreover, there is no evidence that the relative position of the 'high social welfare' economies has deteriorated and hence there is no evidence that member-states with high levels of social protection have been at a disadvantage (Adnett, 1995).

Secondly, factor mobility is not perfect. While in the US, for example, there is considerable regional labour market adjustment through labour mobility, in the EU, labour mobility is, and will continue to be, far lower. Although the EU guarantees the principle of free movement of labour, in practice there are significant and continuing barriers to labour migration. Capital mobility is far greater than labour mobility. But this is no guarantee that productivity can be reproduced at any location.

Thirdly, costs are not the only, or even necessarily the main, driver of the location of economic activity. Proximity to markets, historical factors and imperfect information will also be important.

In terms of both theory and practice, the social dumping argument is weak (Adnett, 1995). A high social wage is prevalent in northern Europe because of high productivity. In effect, highly productive workers are choosing to take the return on their labour in the form of greater social protection and better working conditions. Employers similarly prefer the benefits of such a regime, including fewer accidents and lower absenteeism and turnover.

Despite widespread fears about social dumping in an integrated Europe, the evidence is less than convincing. Were the theory to be true, one would expect to find widespread examples of social dumping in southern Europe since the accession of European countries to the EC. In fact, there is no evidence of competitive retrenchment in these countries (Guillen and Matsaganis, 2000). Rather, over the past 20 years, the less developed welfare states of southern Europe have *expanded* provision in an attempt to emulate northern welfare states. Growth in social policy expenditure and activity was related to the legitimation needs of government in the transition to democracy.

> If anything, 'catching up with Europe' in terms of social as well as economic standards seems to have been elevated to something of a national ideal, shared by both government and opposition (Guillen and Matsaganis, 2000, p. 120).

There are nevertheless constraints on welfare policy options. Increased mobility of capital and of highly skilled workers means that high taxation of capital and of higher incomes becomes more difficult. Welfare will inevitably be funded increasingly from basic-rate income taxes, sales taxes and other indirect taxation. User charges will become more common.

> This means that the public must both want such welfare services and be willing to pay for them. It implies both solidaristic values and appropriate political institutions that force decision-makers to respond to those values. Hence both attitudes and institutions become central, in the form of distinct national legacies that favour solidarism and public consumption … The degree of international exposure *per se* is

> not the issue, rather it is the domestic political response to it (Hirst, 1998, p. 3).

There is evidence of a levelling-out of welfare state expenditure, but no evidence of convergence of welfare states in terms of their levels of tax and spend. This suggests that political agency and social choice remain the key factors. By and large, countries have the welfare states that their populations choose, as mediated through the political and institutional mechanisms. The death of the nation-state has been much exaggerated and national governments continue to be the primary agents responsible for delivering welfare to their citizens. But the constraints under which they act, and the policy universe in which they operate, have both been changed by globalisation. All this implies a greater role for the European Union in social policy—and more generally the emergence of 'multilevel governance'—but it does *not* imply the creation of a European welfare state:

> A 'European welfare state' as an independent 'regime' structuring the life chances of the European citizen is not on the horizon. European social policy rather follows market integration and functionally depends on it (Leibfried, 2000, p. 45)

The arguments for a stronger European Union role in social policy on the grounds of the iron logic of globalisation, or of the ineffectiveness of national states, or of the supposed threat from social dumping, have been shown to be weak. By and large, the old social contract is standing its ground (Rhodes and Meny, 1998). In practice, most commentators find a complex process in which there are both continuing national differences in welfare provision, institutions and ideology, alongside powerful common forces—economic, political, demographic—affecting the form, financing and effectiveness of national welfare states. The politics of the welfare state remain largely the politics of the *status quo*; rather than radical change, there is a 'frozen' welfare state landscape (Esping-Andersen, 1996; Rhodes and Meny, 1998). However, the processes of change are not consistent across all countries. For example, changes in the British welfare state in the past 20 years are of a different and more radical order than elsewhere (Taylor-Gooby, 1996; Clasen *et al.*, 1997) and differences of emphasis and substance can be found elsewhere, too.

While there has undoubtedly been some trend to greater similarity in social policies in Europe, significant differences remain and the trend itself is fragile. Member-states are certainly not compelled to calibrate their policies to those of other European Union countries. Moreover, at the European level, the Commission has clearly moved back from the earlier, maximalist vision of seeking to 'harmonise' social policy (in practice, mainly social protection systems) towards the more limited goal of convergence.

In retrospect, it is clear that Maastricht marked the end of the more rapid phase of social and political integration that began with the Delors presidency in 1985. The period since 1992 has been dominated by the strict convergence criteria agreed at Maastricht for the transition to economic and monetary union and the single currency, together with the 'Stability Pact' which committed participants to further fiscal austerity after the transition to the euro in 1999. Subsidiarity, co-ordination and recognition of diversity within the Union have replaced harmonisation and grand projects as the dominant terminology. The irony of course is that the policy path over this period—the transition to full economic and monetary union and the introduction of the single currency—will have radical and long-term effects, socially, economically and politically. At the same time, the EU of 15 members is far more diverse than the European economic community created by the Treaty of Rome and will become more so with further enlargement in the next decade.

3. Pressures for, and Obstacles to, a European Social Policy

Hence, the argument that a strengthened

European social policy is necessary to offset downward convergence in national welfare states is not well founded. But this does not rule out a continuing—and perhaps even increasing—supranational role in social policy. Pressures for a stronger European role in welfare come from a number of sources. First, there are the spillovers or externalities associated with economic integration

> problems connected to the completion of the internal market encourage the EC to invade the domain of social policy (Leibfried and Pierson, 1994, pp. 37–38).

Tidy separation between 'market issues' and 'social issues' is not possible—economic and market activity is embedded in a dense network of social and political institutions. Furthermore, the strict separation between different stages of economic integration—trade area, single market, full economic union, is not possible in practice (Kleinman and Piachaud, 1993).

Secondly, many aspects of national (social) regulation equate to non-tariff barriers to trade. Member-states will not be allowed to offer minimum unemployment or pension benefits to their own citizens without extending them to other EU citizens who have also worked in the country. This is likely to mean more tightly contribution-based programmes and the removal of a significant range of policies for combating low incomes from member-states. Similarly, the single market led to a narrowing in the range of indirect tax rates across the EU (Leibfried and Pierson, 1994).

Thirdly, there are pressures to define a European social citizenship. The Maastricht Treaty bequeathed to all citizens of member-states 'citizenship of the European Union'. But what this 'European citizenship' means in practice is extremely unclear. For European citizenship to have any substantive content, it must include some social rights of citizenship in the Marshallian sense (Marshall, 1950), possibly opening the door to a stronger European role in social policy. However, offsetting these pressures for a stronger European role in social policy are a number of important obstacles.[3] First, there is the fragmentation of political institutions in the European Union. EU institutions are specifically designed to inhibit bold initiatives. Despite some reforms, such as the introduction of qualified majority voting on some issues under the Single European Act, it remains easier to block than to initiate policies.

Secondly, there is an absence of social democratic 'power resources'. In the power resources model of national welfare state development, emphasis is placed on social democratic forces—left parties and strong unions—overcoming opposition. But the political power of organised labour has declined at the national level and has not established itself transnationally or at the European level. Indeed, the reinvigoration of European integration was associated precisely with the emergence in many member-states of an anti-social democratic consensus in economic policy.

Thirdly, there is the heterogeneity of the EU. There are widely different levels of economic development across the Union, much more than the regional variations in the US, for example. Cultural as well as economic heterogeneity is important. The history of the development of national welfare systems in Europe shows that strong perceptions of common citizenship and underlying social homogeneity were important. These conditions are almost entirely lacking at the EC level. The sense of European citizenship is very poorly defined. The EU of 15 nations in 2001 comprises a far wider range of welfare systems than the EEC of 6 of 1957. Diversity will increase with the accession of new members from central and eastern Europe and elsewhere in the future.

Fourthly, there is the 'pre-emptive' role of national welfare states. This is more than just the diversity of types of welfare state in Europe: much of the 'space' for social policy is already occupied. Welfare state development was part of national state-building. Core components of the welfare state are

likely to remain national, leaving only the fringes to European initiatives. In addition, the EU lacks the capacity to introduce extensive policies without turning to national bureaucracies to implement them.

The scope for a European welfare state is limited. 'Corporatist'-type industrial relations or social policy at the EU level are not a possibility. Intervention in social matters is, and will continue to be, mainly through regulation rather than fiscal policy. Hence there is no possibility of a northern-European-type welfare state being transferred to the European level. There is no prospect of replicating the type of social democratic or corporatist welfare states found in Scandinavia or northern Europe—the 'Stockholm fallacy'. Moreover, true federalisation will not happen in the medium term. However, it will not be possible to keep social issues off the European agenda and the EU will continue to have some social role. Social policy is a 'stepchild' of European integration. Much of the pace in European social policy has been forced in areas such as consumer protection, ecology, equal opportunities, health protection and industrial safety, which are at the margin of traditional social policy. For a European social state to exist, social citizenship rights would need to be 'constitutionalised'—i.e. social rights would need to be incorporated into European administrative law. A stronger European political union would require a strengthening and clarification of the concept of European citizenship.

Leibfried and Pierson's (1994) analysis leads them to three hypotheses about the future development of a European welfare state. First, that social intervention will be via regulatory or court-centred action, not via the transfers and service provision in the typical way of national welfare states. Secondly, that social initiatives are most likely where there is the support, or at least the acquiescence, of the business sector. Thirdly, that further action will be not be in the core areas of national welfare states (pensions, health care, education) but on the periphery where space for initiative is available.

My own view is that Leibfried and Pierson's conclusions are broadly right: the prospect of any kind of comprehensive European welfare state (let alone a maximalist, fully decommodified version) in the foreseeable future is very small. But social issues will remain on the agenda and, indeed, will increase in importance. While the core welfare issues remain at the national level, they are increasingly affected by European action. Secondly, there is considerable scope and 'space' for action at the margin of traditional social policy, in either its continental (labour market) or Anglo-Saxon (service delivery) sense (Leibfried and Pierson, 1994, 1995; Room, 1994, 1995). Thirdly, all EU action, via structural funds, directives and recommendations or in other ways, helps to build up an infrastructure of organisations, networks and practices which itself then becomes a player in the subsequent development of social policy. The real question is then whether this relationship must inevitably develop in a clientelist direction or whether a more progressive outcome is possible.

Fourthly, the extensive and continuing changes in the operation of labour markets, operating at a European scale—the persistence of mass unemployment, the shift to part-time working, greater female participation, downward pressures on wage rates and the social wage, etc.—have profound consequences for social protection systems. Fifthly, and perhaps most importantly, the issue of a European welfare state is closely connected with the big issue of what kind of Europe is wanted by European citizens. Essentially, there are three options: a minimal EU role, based around the subsidiarity principle; constitutional fixes, with action requiring majority approval and hence a bias towards blocking rather than activity; or a (possibly utopian) federal constitution, approved by citizens (Weale, 1995). At present, there is no clear view, on the part of either élites or populations, between these three options, reflecting ambiguity about the scope, extent and goals of European integration more generally.

4. Implications for Housing Policy

European social policy began as a subsidiary component of European integration. The role of social policy was to enable the process of economic integration to take place. Moreover, the original six signatories to the Treaty of Rome had broadly similar social systems. Since then, the European Union has become far more diverse and national welfare systems have expanded enormously, both in extent and complexity. The idea of 'harmonising' such diversity has become infeasible as well as undesirable. Nevertheless, in an economically integrated Europe, there is and will be continuing pressures for co-ordination and compatibility between systems.

What the social policy of the European Union is about differs considerably from the issues on national policy agendas. Partly because of its origins, European social policy retains a focus on a specific sub-set of social policy issues—particularly those relating to the labour market. The major elements of social policy at national level—such as education, health and housing—have only a limited involvement at the European level. Furthermore, European social policy is mainly a regulatory activity. Direct provision of services is non-existent and fiscal policy very limited.

The way in which European social policy is developed and implemented reflects the unique nature of European governance. The European Union is more than an intergovernmental arrangement, but less than a polity. European social policy contains elements both of 'intergovernmentalism' and 'neo-functionalism'. In this context, there is a continually shifting policy agenda and the conditions are created for institutional opportunism by key policy actors such as the European Commission and the European Court of Justice.

Further expansion of the European social policy agenda will raise fundamental questions about the legitimacy and accountability of European institutions. For three decades and more after the Treaty of Rome, the integration process was essentially about achieving political goals through successful economic policies. This was, furthermore, against a backdrop of the Cold War and a divided Europe. In this context, questions of democracy, accountability and legitimacy took second place to an outcome-based functionalism. But further European integration in the future, should it occur, will happen only as part of a more directly political process. 'Europe' will become more a part of everyday politics. Welfare issues—housing, jobs, schools, health, quality of life—will form a key part of this European debate, just as they already do at national level. There is no inevitability about further integration and an expanded European welfare role.

It is hard to avoid the conclusion that the functionalist engine that pulled the train of European integration for four decades is now obsolete. Further rounds of integration will require a more democratic and citizen-centred approach. More attention will need to be given to the political and constitutional underpinnings of integration—politics will re-emerge from the shadow of economics (Siedentop, 2000). Social policy is likely to be at the centre of this process. It is social issues that drive most of the domestic policy agendas of member-states. For Europeans, security is a key consideration. Henri Weber, a French senator, said

> Europeans are Americans who did not take the boat. We do not take the same risks; we have a need for greater security (*The Economist*, 12 February 2000).

Whereas in the immediate post-war period, 'security' implied questions of national defence, diplomacy and the avoidance of war, more recently these concerns have centred more around personal and family issues—jobs, education, health, housing and quality of life. Europeans look to their welfare states to promote security and protect themselves and their families against the risks of economic and social life.

Welfare will continue to be mainly a national and sub-national responsibility. There is no prospect of a European welfare state

taking over from member-state governments the financing, regulation and delivery of health care systems, social protection, schools and colleges, social housing or environmental protection. But the European dimension to social policy will remain and will increase incrementally but inexorably. The question is: what form will this European dimension take? Will it be an élite-driven technocratic and functionalist process, or will it be something more democratic, accountable and related to citizens' everyday concerns?

The conclusion from the above analysis is that social policy will remain mostly with member-states and that the likelihood of a comprehensive European welfare state is minimal. Surely, therefore, this indicates that the EU role in housing will vanish entirely. After all, housing is not fully part of the welfare state even at member-state level and has occupied a contradictory place within national systems of social welfare. How can it possibly survive at European level?

Paradoxically, this ambiguity in the relation of housing to the welfare state may in fact ensure a continuing role for housing at the supranational level. First, housing policy is a part of economic policy as well as social policy. The economic goals of the European Union—completion of the single market, introduction of a single currency and Central Bank, encouraging growth with low inflation, promoting labour mobility—have important two-way interactions with the housing sector. European institutions will continue to be concerned with issues such as (among others) the regulation/liberalisation of mortgage markets, the level of spending on housing both by households and by governments, housing finance and its effects on public-sector balances, and competition in the construction industry (see Kleinman *et al.*, 1998). The EU, through its competences in regard to economic and monetary policies, competition policy and promotion of the single market, will continue to be involved with housing.

Secondly, there is already a network of institutions and lobby groups around the activities of the EU in the housing sphere and closely related spheres such as social inclusion. These include homelessness and social housing organisations such as FEANTSA and CECODHAS (and indeed the ENHR), as well as the more usual producer lobbies. Possibilities for clientelist politics clearly exist, and may be strengthened with a more 'urban' slant to Structural Fund policies. The existence of a 'housing policy infrastructure' means that there will be continuing pressure on EU institutions to develop further their role in housing policy, as well as an expert community with whom policy initiatives can be developed.

Thirdly, however, and most important in my view is the fact that the more 'marginal' areas of social policy, which Leibfried and Pierson, and others, see as the most likely areas for increasing EU competence and action, are often policy areas with a close affinity to housing. Environmental policy, urban policy and actions to counter social exclusion are all areas where there is either a relatively weaker involvement at member-state level (compared with 'core' issues such as health, education and social protection) or where the EU has already established competence and perhaps even leadership.

Environmental policy is a classic example of 'externalities' where the causes and consequences of actions do not begin and end at national borders—nor indeed at the borders of Europe. Urban policy is becoming more significant for the EU with a greater emphasis in the Structural Funds on problems of cities and urban regions, rather than the traditionally defined large regions which often contain a range of local circumstances. Finally, action against poverty and social exclusion will remain a key issue and will become more important if the Union is able to reform itself in a more democratic and accountable direction. Political pressures for European action to remedy disadvantage and exclusion as a balance to the economic efficiency and anti-inflation agenda of the European Central Bank will, under this scenario, increase.

Over the next few years, there is likely to

be growing pressure on the EU to develop policies that are more relevant to, more accountable to and more readily understandable by, European citizens. Citizens' political concerns relate strongly to social policy issues such as jobs, health and education, but also (albeit to a more limited extent) to housing. A less ambitious policy agenda in the future for the EU does not necessarily rule out a continuing involvement with at least some aspects of housing policy. In the future, then, there may well be scope for more research on European housing policy, as well as the comparative study of the housing policies of the member-states.

Notes

1. This paper draws strongly on the central arguments in (Kleinman, 2001)
2. Competitive advantage is often erroneously referred to as 'comparative advantage'. The principle of comparative advantage is precisely that *all* countries have a comparative advantage in the production of some (tradable) good or service, even if they have an absolute advantage in none of them (see Kleinman, 2001, ch. 3).
3. This section draws closely on Leibfried and Pierson (1994).

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