

Introduction

This paper, on the welfare state, is a thematic paper for the project on social policies in small states, and is intended to sit alongside case studies on the delivery of social policy in these countries. Its purpose is to show how the characteristics of small states influence the pursuit of a welfare state by these countries. One of the most influential characteristics of small states is openness, where many citizens often migrate or receive remittances as a part of the overall welfare equation. Such countries are often recipients of overseas aid.

Vital dimensions of social policy in small states are concerned with mediating linkages and relationships between the home-resident population (and its government), on the one hand, and the outside world, on the other. These external linkages include:

- **Fiscal funding:** the ability of many small states' governments to provide services, employment and social transfers rests upon a transnational tax base, including overseas aid donors.
- **Diasporas:** the emigrant diasporas of small states remain effectively part of the client/target base for social policy over long periods of time, and the migration-remittance process is sometimes more important for economic development than the more familiar issue of domestic savings and investment. So long as diaspora members retain their citizenship and the right of return, they are effectively part of the set of individuals and groups to whom social policy applies. Social policy is here understood as policy that shapes the long-term structure and functioning of all social groups for which the small state is their economic, cultural and political 'home' and source of identity.
- **Outside influences on the style and substance of social policy:** social policy in small states is driven to a considerable extent by external expectations, demands and pressures, such as conditionalities from international agencies. However, the traditional welfare state literature on small states is apt to overlook this issue by simply assuming that social policy is driven by internal forces and coalitions.

Much of the literature on small welfare states deals with countries whose populations exceed the 1.5 million threshold criterion for small states proposed by the Commonwealth Secretariat. Many of the small states discussed in this paper have not previously featured in mainstream thinking about the relationship between country size and the extent of the welfare state.

A 'welfare state regime' will here be identified as government policies and expenditures aimed to secure to individuals or groups within the client community measur-

able benefits – some material and some intangible – which those individuals or groups could not secure directly through participation in the market economy. Relevant functions of the state which can be categorised under this heading are the payment in cash of income transfers (often including part at least of the public sector payroll) and the provision in kind of key basic services, such as health, education and housing.

We ask at the outset: how is the ‘welfare state’ concept to be located relative to the general perception that small states have, by virtue of their size, a distinctive propensity to operate in a socially cohesive, consensual, responsive fashion? The use of the term ‘welfare state’ carries the implication of formal institutions of government delivering social outcomes ‘top-down’, and a public sector which is clearly separate from the realm of the private sector. This paper, accordingly, focuses on formal institutions that carry out functions delegated to them by the social collective. This will require some discussion of the extent to which state policy exhibits autonomy relative to the operation of informal social and cultural networks, as well as of the extent to which local political movements and coalitions actually enjoy policy autonomy in a globalised economy.

Casual observation suggests that the formal public sector performs a wide diversity of roles in small states. Some small states rely heavily upon government as the primary source of income and economic dynamism. Take, for example, Connell’s (1992) account of Woleai Atoll in the Federated States of Micronesia, where two-thirds of households had members employed in government, and the government wage and salary bill was ten times the size of the revenue from the largest export product, copra. Here the public sector payroll was a *de facto* vehicle for income transfer payments, acting as intermediary in a much larger transnational ‘welfare state’ arrangement under which external donors (mainly US taxpayers) sustained living standards in Micronesia by government-to-government grants which had the character of social welfare transfers. To describe the Woleai public sector as a welfare state in its own right would be to misconstrue its character, since the dynamics driving and funding its distributional activities were exogenous, not driven by any local democratic project of social construction.

In order to identify and delineate a research agenda on the character and role of the welfare state in small states, this paper starts with conceptual issues, then considers some key hypotheses derived from or thrown up by a review of the literature. It goes on to outline a possible future programme of historical and empirical work on small states’ experiences.

The conceptual issues are:

- What are the main working definitions of a welfare state?
- Where did the welfare state come from historically and to which particular historical problems was it a response?

- What sorts of states are not welfare states?

Key hypotheses from the literature are that:

1. The welfare state is a genus within which are found several species (Esping-Andersen, 1990; 1996), which implies that we should be alert for new specimens with distinctive characteristics;
2. The importance of the welfare state varies with population size: it is argued that small states have larger public sectors with a more ‘defensive’ (protective of groups disadvantaged by the market) social policy role (Cameron, 1978; Katzenstein, 1985);
3. Small societies show greater solidarity and are more resourceful in their ability to solve social problems from below, rather than from above (Richards, 1982);
4. The sort of institutions which are essential for successful development have far more of an activist state flavour than the familiar Washington consensus package (Khan, 2007);
5. The institutions that are observed today in small states are heavily conditioned by historical path dependence, and in particular by the colonial experience (Feyrer and Sacerdote, 2010; Acemoglu *et al.*, 2007).

The discussion in this paper will heavily qualify the second of these points, strongly support the last, generally favour the fourth, and suggest that the third, if true, points to a need to escape from the rhetorical trap of ‘welfare state’ terminology. In turn, this points to a need for more taxonomic research along the lines of the first hypothesis.