

The three constituencies of the state: Why the state has lost unifying energy.¹

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Abstract.

We address resurgent populism by examining structural processes of state transformation in the UK, the US and France. Scholars stress the “unifying energy of the state”, a set of institutions and policies capable of limiting inequalities and defending legal regimes. One characteristic of modern western statehood were package of policies designed to integrate social groups and territories in part by ensuring common standards of provision and social citizenship across the nation-state. This echoes James Scott critical analysis of the modernist project of the state (1998). This “unifying energy” had different origins including nationalist movements, combatting external influence or powers, war, preparing citizens for the rigours of industrialisation. Overcoming class differences and territorial differences (including cultural, social, and economic differences) was a major source of mobilisation to feed this “unifying energy of the state” in France, Italy or Spain for instance. Political and cultural identities are related in significant part to respective nation states. We argue that this ‘unifying energy’ was an essential component of statehood in Europe and in the US. It is now largely lost. We explain why and the significance of its displacement.

Keywords: state; populism; public policy; inequality; regionalism.

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“Political diversity reached its unprecedented peak in the middle of the nineteenth century. *Afterward* countries worldwide turned into territorially defined nation-states, a relatively uniform type that could be combined with various constitutional forms: *democracy as well as dictatorship*. The twentieth century was marked by further homogenization, so that in its second half an electorally legitimated constitutional state became the only recognized norm.” Osterhammel (2014: 573, emphasis added).

“*We want our country back.*” “*On est chez nous.*” “*American carnage.*”

“It takes government - a lot of government- for advanced society to flourish.” Hacker and Pierson (2016: 1).

1.Introduction.

Scholars underline a significant analytical puzzle in recent political developments: the question of why a gap between elites and ordinary voters (or the ‘just about making it’ “jams” in the UK) has arisen and what is its political fallout? A sense of alienation and anger towards the existing political order is uniform among Trump supporters, Brexit voters, Le Pen endorsers in France and supporters of nationalist-populist movements in other advanced democracies including the Netherland, Sweden, Austria, Germany, and Hungary; the electoral success of President Trump is inspiring a new wave of populist ‘strongmen’ type figures in Europe.

Social scientists don’t lack for explanations of the anti-globalization and anti-foreigner sentiments marinating the Trump, Brexiters and Le Pen worldviews. These include accounts of the impact of global trade, deindustrialisation and the financial crisis, the decline in social mobility prompted by widening income inequalities and the heightened risk of downward social mobility, the pilloring of immigrants, racism and the fear of Islam, the urban processes concentrating educated population in cities and the less educated in peripheries, small towns or poor neighbourhoods within metropolitan areas, the rise of income, patrimonial and cultural inequalities (Piketty 2013; Chetty et al 2016), the feelings of loss (Lui and Grusky 2013) for parts of the population, and the precarious situation of young less educated men in terms of jobs and income. The pool of labour market ‘outsiders’ has grown in these economies (King and Rueda 2008), and labour parties’ responses show greatest sensitivity to the preferences of comfortable voters (Rueda 2005, 2007).

We address this question by examining structural processes of state transformation in the UK, the US and France. The sociologist Gianfranco Poggi has stressed the “unifying energy of the state”, a set of institutions and policies capable of limiting inequalities and defending legal regimes. One characteristic of modern western statehood were package of policies designed to integrate social groups and territories in part by ensuring common standards of provision and social citizenship across the nation-state. This echoes James Scott critical analysis of the modernist project of the state (1998). This “unifying energy” had different origins including nationalist movements, combatting external influence or powers, war, preparing citizens for the rigours of industrialisation. Overcoming class differences and territorial differences (including cultural, social, and economic differences) was a major source of mobilisation to feed this “unifying energy of the state” in France, Italy or Spain for instance. Political and cultural identities are related in significant part to respective nation states. We argue that this ‘unifying energy’ was an essential component of statehood in Europe and in the US. It is now largely lost.

In the three countries, state and nation making were long term processes articulated in and forged through war, trade, industrialization, colonization, revolutions including cultural processes, conflict solving mechanisms, bureaucratic rationalisation and national standardisation. A dynamic project, the nation state comprised the making of a political community within defined frontiers, the delineation of enemies, the assimilation of migrants, and the regulation of capitalism. Beyond the Weberian idea of social closure, Michael Mann offered a double process, “encaging society” and institutionalized through welfare and warfare (2013).

Following such scholarly efforts, the historian Jurgen Osterhammel’s (2014) summary, cited above points to the steady rise of the state as the dominant political form of organization since the late eighteenth century. It makes sense therefore firstly to relate recent political turmoil to the content of the modern state and changes to that institution across these societies, developments analysed in two recent volumes (Morgan and Orloff 2017, King and Le Gales 2017).

Reconfiguration of the nation state is likely to destabilise the political order, and to create trouble for citizens because of the *contradictory demands of the three constituencies of the state. These constituencies are first voters, second, large firms and financial organisations, and third other states and transnational organisations.* In the 1970s, in different ways, O’Connor (1973), Offe (1984) or Habermas (1975) all emphasised the functional overload of the state, the legitimacy crisis and the contradictions arising from welfare demands and economic functions. We argue that a different set of contradictions is leading to structural changes of states. *The reconfigured state fails to protect some social groups from economic and social changes. Moreover, the internal changes to the state’s organization and engagement with societies through displaced and reduced public services induces a sense of abandonment by the state amongst citizens.* A significant reconfiguration of the modern state has eroded the traditional “unifying energy of the state.” In its place has come a dispirited lethargy and selective activism.

The current phase of state reconfiguration disconnects state and nation we contend, which leaves some groups of citizens feeling let down by the state. The current phase of state reconfiguration allows some groups to move beyond state frontiers, to exit (or partially to exit Andreotti et al 2015) from state spheres or to maximise their material self-interest. By contrast, other groups, lacking such options, have little choice other than to express their voice more vigorously against state disengagement.

This proposition about state retreat is not merely speculative. It is an inference drawn from our respective research endeavours. One of us conducted interviews with civil servants at the UK’s Treasury in London about the economic decline of the North East of England. The interviews proved revelatory. One top civil servant nonchalantly summarised the prevailing policy consensus: as long as the region followed a path of “gentle” decline, there was no reason to promote policies other than cosmetic efforts. Predictable metropolitan biased comments about the culture of the North East also surfaced in the conversation. Such a disengaged policy and rhetorical stance enervates the classic understanding of the state as a “unifying” and “rationalizing” power-horse.

Definitions and configurations:

We define the state as a permanent and complex set of interdependent, differentiated,

legitimate institutions; autonomous; fragmented but with representations and institutions of unity based in a defined territory; and recognized as a state by other states. It is an arena that groups try to influence or control. The state is characterized by its administrative capacity to govern a society - by the tools of government, metrics and policy instruments - to establish constraining rules, to solve conflict, to exercise authority, to protect citizens, to define and protect rights, to allocate resources, to create categories of classification, to maintain order and to make war. In addition, contemporary states are part of a capitalist system: they set and guarantee property rights, guarantee contracts for exchange, and organize economic development by taxing and concentrating resources. The state has taken different shapes in different eras and different countries; it has no absolute form, since it is in part a narrative, a legitimizing myth developed in ways specific to each national context. Key dimensions of state activity may be symbolic, hidden, informal, or quasi-illegal but constitute policy choices with distributional consequences as Mettler's 'submerged' model of the American state demonstrates (Mettler 2011, Jessop 2007, Mann, 1984, Zürn and Leibfried, 2006).

State organizational structures endure but have been refashioned twice since the middle of the twentieth century. These changes bear directly on the current shift to authoritarian populism. In the first phase, post-war Europe (Judt, 2005, chs 8-13) and indeed America too, was made by a supple combination of state action and managed economic activity, a combination thrown into disarray and disrupted in the legacies of the oil crises' inflationary impacts on Western economies in the 1970s (Block 1977, Gordon 2016) which induced the second phase of neoliberal inspired retrenchment and restructuring. Keynesian economic consensus was cast *asunder* and the rise of neoliberalism commenced (Crouch 2011). The rise of non-manufacturing parts of the economy including financialization and the service sector restructured class relationships and capital-labour power symmetries. The dramatic surges in global trading and free trade after 1991 turned the liberal and neoliberal tendencies into a crescendo when the Great Recession hit in 2008. Western states and voters are still absorbing and recuperating in the shadow of this banking collapse induced fiscal tsunami (Jacobs and King 2016). It is the state's recasting in this recent miasma of fiscal distress and economic uncertainty we address.

The state's role is germane to understanding the post-2008 political shift to a populist and anti-system discourse because of its ubiquity, expansive character and pervasiveness across the twentieth century. This outsized role has been dented by accusations that the state – despite the imperative of seeking regularly renewed electoral legitimation and the importance of its vast activist interventions – has ultimately become a protector of the elite, to the neglect of middle and low income citizens. This charge enables the populist assertions of Trump, UKIP, Le Pen, and Witters to speak for 'the people'; and to cite this source as an exclusive legitimator *against* the privileged beneficiaries of economic growth and state power. Donald Trump's outlandishly populist Inauguration Speech on 20 January 2017 is illustrative. It is the first such speech lacking a reference to the American Constitution but includes plenty of direct promises to the 'people.' He promised an end of "American carnage" while his special adviser Stephen Bannon coupled this ambition with a promise to "deconstruct the administrative state." The rhetoric resonated with the radical right of the Thatcher-Reagan era, augmented with a distinctly malicious and unsubtle violent edge (King 1987).

Our thesis is that a key factor in driving these political changes is the reconfiguring of state activities. These transformations vary by state but nonetheless share sufficiently common elements and represent sufficient changes to make a comparative discussion valuable. We find that the restructuring of the state results in fewer policies (for example, a weak or no

industrial strategy, the abandonment of social housing building, the marginalisation of regional policy), fewer non market services (as liberal and neo liberal measures have shrunk tax bases, and public services have been directed to the elderly's health care needs and away from social support) and in economic policy a preference for austerity linked to monetary policy over fiscal measures.

The decade leading to the 2016 and 2017 political earthquakes reveals a form of state lethargy rather than energy: austerity and anaesthesia; the tightening of state borders under populist pressures; policy failures, differentiation between the *bona fide* resident or citizen and the intruder or foreigner except rich ones able to pay for some rights; and fear of standing up to the agents of public disorder even when these malcontents struck at core constitutional and legal principles. Attempted responses to – or failures to address – severe economic, political and sociological challenges expose the gradual loss of the state's role in providing 'unifying energy' and limiting inequalities. We argue further that in the absence of any reversal to these trends in state development, these societies face more radical change and demands rather than less. President Macron's governing challenges daunt.

In the next section we provide an overview of state transformations. We then relate these in Section 3 to two key effects of selective state activity – in the case of inter-regional inequalities. Section 4 concludes the paper.

2. Reconfiguration: Why did the state lose its role as unifying energizer?

The US, the UK and France offer historically contrasting conceptions of the nation and the state. Europeans have no doubt about the importance of the state while Americans are often both unaware of the pervasiveness of their state and unaware of large chunks of their "invisible" or "hidden" state (Sheingate 2010, Mettler 2015). Historians demonstrate how the protection of the population and fear have been major drivers of state development: protection from the foreign enemy, from thieves and gangsters, from poverty, from predatory corporate firms and monopolies, and from pollution, exploitation, diseases, various risks, terrorist attacks or climate change. With roots in the eighteenth and nineteenth centuries these state priorities achieved a new equilibrium after the Second World War.

The Post War standardizing state:

The "unifying energy" of the state is distinct from the "passion for equality" that worried Tocqueville writing about the French case. There is less tension than appears at first sight. In France, the UK and in the US until the 1960s access to education and health services was widened, redistribution increased, while income inequality declined both between territories and between social groups. A distinctive feature of the post-war period was the increased earnings and quality of life of most of the population, and from one generation to the next. These developments did not prevent large scale inequalities between classes, between men and women, the exploitation of migrants with low paid insecure jobs, or the stigmatization and segregation of some ethnic minorities but a sort of progress was observable.

Post-war Europe and America prospered in tandem with an energized and active state, settling into the 'national Keynesian welfare state' (Jessop 2003). Coinciding with a deepening of democratic representation and responsiveness (though often grudgingly late as in the case of equal voting rights in the US), this positive state role advanced several important tenets as sources of its unifying energy and capacity. These included cultural signals and socialisation through education, in addition to the standard Weberian expectation of a monopoly on the use of legitimate force within a fixed territorial entity.

First, in the post-war world Western states engaged in increasing public expenditure and redistribution, in the provision of public services, access to schools, health, social insurance, and social housing in Britain and France (less so in the US). Even in the pro-market US eradicating poverty was seen as a realistic objective given the dynamic job market, increased earnings, and effective social policies toward health and education.

Second, through standardization, the creation and enforcement of uniform rights of citizenship across a defined political jurisdiction, redistribution, the development of many policies and in Europe declining inequality between regions, accomplished with income redistribution and investment in public infrastructures, state elites geared their societies progressively. A 'right' is only as strong as it can be cited and used by those denied it, and in an activity such as voting or access to a publicly school system, a consistent standard is necessary to ensure equal treatment. Social rights such as access to health care and education depend on common standards.

The gaps increasingly reported in education achievement between the north and south in Britain, or various parts of the US or France point to a problematic state level of provision.

Third, most states historically engage in centralization, partly as a correlate of standardization. The exercise of authority is concentrated at the centre of the political system, while severe restrictions are imposed upon the functions and activities of municipal and state levels, even in federal systems. Effectively to redistribute income and resources across classes and regions necessitates centralized coordination and indeed is unachievable without such direction.

Two other tenets of the modern territorial state, noted also by the Osterhammel quotation at the beginning of this paper, are homogenization of the population through assimilation and such instruments as a common language and culture (in part a function of standardization); and the imposition of social closure on all residents rendering the possibility of opting out of a national society complex if not close to impossible as other states also define membership exclusively. Homogenization and social closure are central to the agenda of nationalist populists: in both the United States and European states, these populists demand a dominant national culture (which is assumed to be white) rooted in Christianity and exclusive not inclusive of other religious or ethnic traditions. These assumptions un-subtly pervade the speeches of Trump, Le Pen, UKIP and Wilders.

Opposing the state

These tenets of the active and energizing state have never gone unchallenged.

First, a nontrivial anti-state, small government ideological strand exists in all advanced democracies. Its modern version dates to the WW2 and post-war years in Europe from which Hayek escaped and warned about, and later among neo liberal think tanks and networks such as the famous Mount Pelerin; in the US Ayn Rand libertarianism and John Birch Society anti-statism unfolded. It was marginalized in the 1950s and 1960s during the post-war era of state building and expansion, but regained salience especially in the Anglo influenced democracies from the 1970s and 1980s under a range of pro-market and anti-government movements and politics (Hall 1986, Peck, 2010). What we now recognize as the seeds of the powerful neoliberal political and economic ideology embedded in Western democracies achieved major inroads, often spurred on by left-wing parties' embrace of market measures as for example in Germany's Hartz labour reforms, Britain's New Labour welfare reforms and Clinton's New Democrat acceptance of cuts in taxation and delegation of powers from the federal to the state

governments. The mainstream became neoliberal which exposed labour and social democratic parties as bereft of policy ideas when confronted with the cataclysmic economic and political effects of the Great Recession in 2008.

Second, largely suppressed by legacies of wartime discrimination and horrors, a virulent strand of anti-immigrant and anti-foreigner sentiment – at first controlled by laws against discrimination (enacted in the 1960s) - suddenly became less mute from the 1980s gathering electoral strength. In the new century these sentiments lost their muted character and white nationalism revived.

Many scholars and researchers find antipathy to foreigners and immigrants associated with the rise of populist sentiment. Hostility to foreigners and immigrant communities implies that the rise of populist anti-elite sentiments is a mask for hatred of foreigners informed by a mixture of fear about job displacement and dislike of different values and cultures including religion (Dancygier 2010, Hansen 2000, Ivarsflaten 2008).

In the United States, voters expressing dislike of immigrants and supporting the plan to build a wall at the Mexican border turned out strongly for Republican populist Donald Trump in November 2016. Remarkably there was a *positive* correlation between distance from Mexico and keenness to build a wall. Anti-immigrant sentiment was also often greatest in rural areas and small towns and cities which had relatively few immigrants. The same often applies to the Le Pen vote in France sometimes at the highest in rural areas and small town with low rates of immigrants. An equivalent hatred of foreigners is mobilized in Britain by the UKIP populists, focused especially on Eastern European migrant workers arriving after 2004. Indeed the Brexit vote seemed to embolden this hatred and xenophobia as the number of hate crimes rose. Migrants take jobs in the processing factories and agricultural fields, jobs spurned by local workers. A pro-Brexit councillor of Boston, Lincolnshire, seemed to capture local views as he declaimed that his views were now mainstream and not ‘racist’: “it’s clear now that immigration has driven down wages here and the Latvians, Lithuanians, Poles don’t mix; they stick to people from their own culture” (quoted in Pickard, 2017). After the Paris 13 November mass murders in Paris, Sarkozy underlined *la France de toujours* and declared that “France is not a supermarket. It’s a whole.” In the US the hostility to others assumes a fundamental racial dimension. Close to 50 percent of Trump’s Republican supporters perceive discrimination against whites to be a greater problem than the discrimination experienced by African Americans, and these whites think it is the State which is discriminating on behalf of Black Americans. The long running conflict between opponents and advocates of such race targeted measures as affirmative action in employment and universities is a major fault-line in American politics, and one ably exploited by the populist right (King and Smith 2013).

Third, resistance of the upward march of the state from its post-war energizing role was stymied by parts of the state itself. In the US, for example despite a brief period of progressive activism, the judiciary led by the Supreme Court, has issued judgments since the 1980s which increasingly favouring states’ rights (against centralization), permitted weakening of the Commerce Clause (damaging standardization), favoured individualism over collective entities (decisions on campaign contribution finance, for instance, or upholding the constitutionality of Obamacare only by designating its funding mechanism to be a tax). This American judicial role is a contrast with Europe, where both the ECJ and ECHR imposed standards on their respective member states which mostly served to bolster the state’s role as a standardizer and protector of rights.

3. The three constituencies of the state: voters, firms, other states and transnational organisations

A classical liberal conceptualisation of the state emphasises its democratic component and responsiveness, that is, how policies are implemented as a response to the preferences expressed by the electorate and supported by political elites. This conceptualisation remains at the core of a large body of research in political science. By contrast, political sociologists and public policy scholars emphasise either the importance of interest groups, or the disconnection between public policy and the realm of politics. Hacker and Pierson (2011) characterise politics as a semi democratic domain, where there is room for collective decision making. In their book *Democracy for Realists* Achen and Bartels provide ample ammunition about voters' lack of knowledge about policies to undermine the notion of 'responsive democracy'. They declaim that "conventional thinking about democracy has collapsed in the face of modern social-scientific research" (2016: 12).

Based upon our analysis of European states (King and Le Galès 2017), we contend that state elites respond to three different constituencies: 1) their political community; 2) large firms and financial markets; and 3) other states and transnational regulating agencies. Within those three constituencies, the national political community is one among three and the voice of the poor or of declining regions lacks influence in the political system. The dynamics of the three constituencies of the state influences states' policies. These competing demands mark a disconnection between the nation and the state, and between metropolitan elites and peripheries facing industrial decline. As Inglehart and Norris note, "during the last 35 years, while [developed democracies] still had significant economic growth, virtually all the gains went to those at the top; the less-educated experienced declining real income and a sharply declining relative position that fuelled support for populist authoritarian parties" (2017: 444). There are differences in our three countries, but the gains of the top income earners are universal.

States making markets and markets making states.

One version of this argument has been refined by Colin Crouch and Wolfgang Streeck (1997) in their account of "modern capitalism." They identify the infirmity or at least vulnerability of European states in the face of large firms and financial markets. The book was part of a debate about the autonomy of nation states in the wake of economic globalisation trends² and the rise of neo liberalism and financial capitalism. In their view states are enabling agents of globalisation. The spread of market capitalism has been relentless since the 1980s, challenging state efforts to control uneven economic outcomes or to shape policy. It includes the rise of New Right market liberalism under Reagan and Thatcher in the 1980s, the deregulation of financial services in the 1980s and 1990s, expansion of global trade and reduced trade barriers with the integration of China and India into the world economy, and the dramatic impact of the post-1991 development of post-Soviet states and their citizens. And in the fifteen years before 2008 the surge in financialization in advanced economies – other than Germany – has been a huge disrupter to established economic and social relations. The relative rise of capitalist interests and displacement of organized labour is a correlate with these trends.

In effect, the rise, diffusion and consolidation of the market globally stands as a force *against states as unifying energizers*.

Amidst these processes state activities have not declined but reconfigured: they are

² See for instance Linda Weiss (2012); and the notion of 'economic patriotism' developed in Clift and Woll (2012).

concentrated on market making activities (Levy 2005), eliminating rentier groups, privatising, eliminating trade barriers, and especially on introducing market mechanisms in the production of collective goods and the management of state activities. The state often strengthens private autonomy, and facilitates the interests of large firms protected by global rules including the rights for foreign investors to prevail over other national groups. Domestically the rise of the “regulatory” state sometimes summarizes the changes (Moran, 2003). Consistent with neo-classical economics, states’ policies are only legitimized when they deal with market failures. Markets are embraced as the most effective mechanism to provide collective goods. But as liberal thinkers recognize, from Adam Smith to Joseph Stiglitz, state intervention is required to deal with market failures. The regulatory state defines and enforces rules, norms and standards while reducing its more interventionist and redistributive policies.

The more complex markets become, the more sophisticated the regulations needed, and in practice state activities become less socially targeted.

Market making regulations in practice are more likely to set rules for actors to adapt, to find lee-ways, or to develop new activities able to circumvent the regulations. As markets, firms, financial organisations become more transnational, state regulations or market making activities conform to transnational norms. The populist Trump has targeted international norm setting organizations such as the G20’s Financial Stability Board or Basel Rules as objectionable fetters on domestic policy.

If there is such a thing as a “unifying energy of the state” here, it’s not in Poggi’s understanding but rather in order to make pliant state rules at the transnational level to facilitate the unifications of markets. For instance, because finance has become a major engine of economic growth, many states have developed permissive regulations and policies to attract financial organisations and funds, thereby contributing to the globalisation and fluidity of financial markets, not the strengthening of the nation state. Of course this sort of arrangement is not completely new. The City of London has a long history of attracting finances from all over the world and of financing economic activities in different parts of the world rather than worrying about the financing of the economic development of Northern England. While emphasising “the limitations of the limited state,” Colin Crouch (2017) pushes the implications further: in many ways states make market but markets routinely contribute to state making activities to protect their interests. Selective liberalisation and privatisation are part of this process. The emphasis on the attraction of capital, the rich, and investment on economic competition is part of the process through which inequalities are created.

The financial indebtedness of European states and the US state deepened through the 2008 financial implosion, and ironically has given an enlarged role to financial markets as a constituency of the state. Schäfer and Streeck (2013) identify the “dual constituency of the state” in order to underline the structural dependence of heavily indebted states towards international financial organisations and banks. The case of Greece is an extreme one in which financial international organisations, the EU and banks have the upper hand; but there are less severe instances in France, Ireland, Spain and Italy all making the same point about state vulnerability to international capitalism (Roche et al 2017). The Greek case reminds us that finance may be almost as strong an instrument of coercion as violence.

Competition and the fiscal crisis have influenced taxation leading to the “fiscal austerity state” as defined by Streeck (2017). The capacity to tax is not on the increase. For instance, both European countries and the US give fiscal privileges to rich foreigners buying expensive

property or investing. France has recently created a tax specific status for foreigners (for instance entrepreneurs or bankers from the City of London) which gives lower taxes for four years. The US offers permanent residency rights to foreigners investing \$500k in federally designated areas. Britain has developed the dark art of attracting foreign billionaires allowed to hide their money in trusts and to avoid paying taxes. Inheritance tax (or the death tax as pilloried by the republicans) has been contested and lowered in the US, France and the UK. In France a series of laws has created loop holes to increase donations without tax, to children or to spouses. Basically, long term planning of transmission of wealth allows an important decrease of the real inheritance tax. In the UK, the Cameron government introduced a new regulation to allow couples and civil partners to share tax allowances. The 2015 budget included a new exemption for the main family home from inheritance tax potentially raising the pre-tax inheritance allowance to £500k per person, that is, £1m for a couple to leave to the children.

States imbricated within international and transnational organisations

A third constituency also drives the reconfiguration of the state, and contributes to the marginalisation of some social groups and regions.

Political authority has been denationalised to some extent. For states within the European Union, Europeanization and the concomitant loss of monopoly on “authority,” in Genschel and Zangl’s (2017) language, is a crucial development. These member states have conceded power upwards to the European state through such rules as competitive policy, justice, and labour market regulation. This trend translates into a declining capacity to exercise authority at the state level. The Schengen agreement, the Dublin asylum accord and immigration policy in general all ceded power to the EU. It was this policy area which de facto broke down in 2015 and 2016 under the pressure of hundreds of thousands of migrants struggling into European states. These states rarely recall their roles as imperial colonizers (Bhambra 2014).

Sabino Cassese (2017) shows how states act in part as arms of transnational regulators. This important area of state activities is rarely one focused on inequalities or regional economic decline. In the EU case, Bickerton (2017) identifies ‘member states’, a state defined by its interactions with the EU as a set of global governance institutions. Against the pressure of popular sovereignty state elites have bound themselves through complex rules and policy making activities in order to weaken domestic groups, embedding state elites in European and transnational networks, insulating them from the demands of some groups and territories. There is therefore distancing between the state and the nation, the national society, between state elites and the demands of some groups. Supranational standards and rules play an increasing role, undermining the political capacity of other groups. In other words, the success of EU state building ironically depletes the energizing capacity of EU national states.

We do not propose that states are mere branches of transnational regulators. States founded global institutional and regulators but now find themselves obliged to implement the rules set by these institutions. Those regulations take different forms (Buthe and Mattli, 2011) and concern questions ranging from standards to completion rules, internet regulation and financial regulations. Most of these regulations relate to economic development and the rise of trade with some more recent attention to environmental rules (Kyoto, Paris) even if implementation is un-convincing. This responsibility goes hand to hand with the rise of transnational private arbitrage to the delight of lawyers.

This transnational process has novel elements. The denationalisation of the exercise of political authority parallels the rise of external measures of state performance. States are influenced, constrained, measured and rated by organisations, ideas, and norms over which lack control. Measures of national education systems' performance have become quasi monopolised by the PISA ranking developed by the OECD. The Shanghai ranking and its competitors has long term influence on higher education sectors in many countries. Corruption indicators, as elaborated by the NGO Transparency International, influence policy makers (Rothstein and Varraich 2017). Performance, rankings, metrics are elaborated by NGOs, public international organisations, consultancies (EY, McKinsey), international associations of cities and private agencies. Lemoine (2017) analyses the role of banks, the EU and agencies like Standard and Poor's, that grade states' economic health, which determine the price of borrowing, partly certifying the states' credentials for financial markets. More crucially, he shows how the debate has been framed in order to define the parameters and the limits of the state. Should future public pension liabilities be part of the public debt? Financial markets, agencies and transnational organisations are more interventionist in defining the limits of the state. Unsurprisingly this is not a zero sum game. In the latter example, those conflicts and controversies about the debt or the limits of the state tend to protect financial interest - those who own the debt at the expense of citizen, pensioners or those who benefit from social services. There is no such thing as a sovereign state.

Confronting the pressure of these three constituencies, state elites have not been entirely idle. In the UK, both New Labour and Conservative governments have mobilised considerable energy to reinforce an activist state controlling society and adapting to world markets (Hay 2016, Faucher and Le Galès 2010). For European states the challenge of building a post 1989 economic order integrating the new Eastern European countries coincided with the increased dominance of the financialization sector in the UK and US economies. This form of economic development places a premium on education and human capital, a benefit for elite university graduates but not to other graduates. New Labour in Britain recognized this dilemma and made 'education, education, education' a defining mantra. But in practice when implemented this priority resulted in more competition and privatization, outcomes which invariably correlated with patterns of higher inequality.

Trends in public spending vary. In France, the US and the UK, as in some other European countries, a key development of the last 30 years has been the increase of the debt despite limited expenditure in important investment for the future (research for instance). In terms of public expenditure (OECD 2017), the total general government spending is now 37,7% of GDP in the US, down to 42,8% in the UK, but up to 57% in France. Jonah Levy (2005) coined the term "anaesthesia" state to characterise increasing routine public spending, without major reforms despite declining performance (for instance education in France).

Inequalities have hit back (Piketty 2013). Such inequality is often reinforced instead of diminished by state selective activism and the crisis of the fiscal state (Streeck and Mertens 2015, Streeck, 2017). The rising level of state inactivity at least stifles and potentially extinguishes the 'unifying energy' of the state, with consequent territorial and income inequality including profound material racial inequalities in the US where the federal government has steadily withdrawn from equality promotion since the 1980s.

A reconfigured state.

So in searching for explanations of the sources of the 'left behinds' and surging income inequality, it is not just the spread of tougher work practices under globalization and

financialization that matters, but the diffusion of these forces *combined with* a weakening and reconfiguring sphere of state activity (for instance in terms of lowered tax bases and policy disengagement) and of a more market-making state supporting the rich at the expense of the rest (less so in France). The two American political scientists, Hacker and Pierson (2016), identify the public's 'amnesia' about the value of government policy and activity and it is this collective failure of memory which feeds the current malaise. In France, those values retain ballast. Former presidential candidate Lionel Jospin was heavily criticised when he postulated in 2002 that the state could not do everything "*L'Etat ne peut pas tout faire*".

In the UK and the US few politicians dare espouse an increased role for government in their platforms other than as a coercive agent (for prisons or homeland security) or to advocate increased tax rates to draw in the necessary resources for an expanded level of public sector and services provision. Corbyn's Labour Party espoused such a programme in June 2017 but failed to win a majority. This reticence reflects the anti-government climate created by three decades of political denunciation of the state and its activities, mobilised in the US by the extreme right of the Republican Party under Newt Gingrich and associated anti-tax lobby groups; and in Europe by the anti-EU and neoliberal right. By contrast, France remains characterised by vigorous debate on this issue. For the first time in 2017, a right wing candidate, François Fillon, advocated a Thatcher like political programme, echoing the UK. His failure cannot be uniquely related to his programme since President Macron is likely to emulate some of these policies. While the tax ratio had declined to 35% of GDP in the UK in 2015 it has increased over 45 % in France, similar to Denmark.

In sum we have argued in this section that some powerful internal and external factors have borne down on states in the last couple of decades, de-energizing the positive post-war Keynesian welfare state and in the process de-legitimizing state activism. The weakened capacity for states to counter either enduring inequalities or the brutality of globalisation processes sutured into a perfect storm for populist anti-system rabble rousers and demagogues, who promised the impossible and pitched their appeal in nationalist anti-foreign language.

4 The case of urban and regional inequalities: letting the periphery go?

Rising inequality has been dramatically reflected in territorial terms. Of course we are not implying that only inhabitants of those declining regions are voting for right wing populists. They often get more votes in rich rural areas or cities. But the rise of globalization is reshaping the geography of jobs and poverty.

The more globalization and trade, the more the average decline of poverty at the global level, in particular thanks to China and India. But the average masks profound inequalities and their reproduction in a number of countries. In Europe, those processes often lead to increasing territorial inequalities within countries and the concentration of wealth production, assets in large and high income cities. Regional inequality in the US is long standing.

Those processes are led by large firms, financial investment strategy, and middle class choices about residential location. Wealth production is increasingly concentrated in large high income metropolitan areas. From state elites' point of view, national economic prosperity is focused on the ability of large urban areas to attract and retain capital, firms, qualified labour, and migrants. This is also influenced by transnational organisations such as the EU which imposes limits on the use of state aid to deprived regions and struggling firms.

In the US, the UK and France, traditional industrial regions have been badly hit. From Detroit and Ohio to Northern England and the Midlands, the North East of France and St Etienne Le Creusot, similar mechanisms have triggered economic decline, outmigration of young qualified people, and an unattractive environment for potential new economic activities, leading to poverty and social problems. In his book *Keys to the City* (2013), Michael Storper shows how the current engines of capitalist expansion are based upon classic metropolitan externalities combined with innovation networks, human capital, institutions and specialisation.

The European urban system proves robust despite the crisis.³ However, differentiation processes are taking place with the increasing dynamics of high income cities, including Paris and London. European cities and regional capitals, are characterised by increasing economic productivity and demographic growth. They attract populations, jobs and migrants. The resulting economic growth and success of European metro areas contrasts with other parts of Europe bereft of urban growth machines. The most dynamic Eastern European cities, particularly national capitals, are enjoying strong growth and GDP per inhabitant in contrast with the accelerated decline of other regions and smaller cities in these societies. It follows that high income larger metro areas of Europe - Paris, London, Munich, Milan, and Stockholm for instance - are increasingly differentiated from other European cities. Large metro regions with low income are in trouble (Rome). Large metropolitan areas absorb the high end of the labour market) and investment.

This pattern suffers from three important exceptions. First, metro regions of Eastern Europe outside the national capitals suffer from strong demographic decline, less so in Poland but very sharply in Romania, Bulgaria, the Czech Republic, Slovakia, some cities in the former eastern Germany or the Baltic states. Secondly, within the EU in Western Europe, some metro regions at the periphery are losing residents and jobs, notably old industrial regions. Finally, the violent economic crisis has accelerated the decline of cities in Greece, the Mezzogiorno and some smaller former industrial cities in Spain, France, Belgium or Genoa in Italy.

Productivity is widening between metro regions. Most of the productivity increase is concentrated in high income cities, in particular the largest metropolitan areas of Paris and London. In the UK, the gap between cities in the North and the West Midlands and London is marked.

This UK North South divide is not new of course. But territorial inequalities decreased during the post war decades. However according to the data collated by Martin and his colleagues (2016), the regional GDP per capital relative to the UK average (UK=100) changed from 152 in 1998 to 172 in 2013 for London and 110 for the South East. The change was from 101 to 72 for Wales, and 85 to 74 for the North East. Compared with other large EU states, the UK has the highest imbalance between the urban centre (London) and the poorest regions. The British economy is increasingly concentrated in London and the South east. The figures about regional inequality and the trends are massive and above any other European country. The “gentle

³ Metro regions are NUTS-3 regions or groupings of NUTS-3 regions representing all functional urban areas of more than 250,000 inhabitants. Three types of metro regions are distinguished in the EU Commission report: 1. the *capital city region* is the metro region which includes the national capital. *Second-tier metro regions* are the group of largest cities in the country excluding the capital. *Smaller metro regions* are the remaining ones.

decline” mentioned by the top civil servant of the Treasury has been accommodated into systematic long term decline accelerated by the crisis.

Figures are less spectacular but the trend is comparable in France: territorial disparities have increased over time. The French economist Laurent Davezies (2012) documents that the creation of private sector employment during the last three decades has been massively concentrated in the West and south of France, disproportionately in regional metropolitan areas such as Nantes, Rennes, Bordeaux, and Toulouse. By contrast, the de-industrializing North East of France has consistently lost jobs over the last three decades. Davezies measures inter-regional inequalities on the basis of GDP per inhabitant to get at the production of wealth. The second measure, income per inhabitant, includes the effect of redistribution. In theory, inter-regional inequalities in terms of both production and income should follow a similar pattern. As measured by Davezies, inequalities between regions went dramatically down over the long term, particularly since 1945. From 1980, a paradox emerged: inter-regional inequality measured by income was down markedly, while inequality in terms of GDP increased. In other words, historically French major urban areas, increasingly - including Paris - became more productive while redistribution remained high. The transfer of wealth between Paris and the rest of France increased. But since the crisis of 2007-08, the gap between Paris and the rest of France has risen sharply as have income inequalities.

In Britain and France, regional policy used to be a key state activity designed to reduce regional inequality. Those policies were gradually abandoned either for political reasons and hostility to state interventions or because they were judged ineffective. This shift in state policy away from regional development policy (also at the EU level since 2000) served only to enhance the position of the best performing cities and regions, signalling further policy neglect and social decline for the abandoned backward areas.

It is hardly remarkable that as a consequence some working class groups in declining periphery feel let down. Although fiscal and public expenditure still play a major redistributive role in France (a possible explanation for the limited rise of the Le Pen vote), state elites have not tried or managed to prevent those long term trends. This offers further illustration selective activism, anesthesia and declining unifying energy.

The same applies to the US. New York and Los Angeles contain 10% of the U.S. population, and account for 13% of its GDP. Their productivity is about 40% higher than in the rest of the country. Moretti (2012) provides ample evidence of the concentration of high paid and qualified jobs in fewer than 15 metropolitan areas in the US, with an increased productivity. In terms of production and concentration of wealth, the gap has dramatically increased between declining industrial regions and booming high tech cities such as Boston, San Francisco or Austin.

In the United States the analyses of economist Raj Chetty and his colleagues have produced quite startlingly analyses of the decline in social mobility in the decades since the 1980s when the neoliberal surge in American State policy began. In his alarmingly titled paper *The Fading American Dream* Chetty produces an alarming statistic: “rates of absolute upward income mobility in the United States have fallen sharply since 1940... the fraction of children earning more than their parents fell from 92% in the 1940 birth cohort to 50% in the 1984 birth cohort. Rates of absolute mobility fell the most for children with parents in the middle class” (2016: 2). The negative effects of disengagement by the federal government or the American State from education, income support, and redistribution is laid bare in this statistic. The achievement

of a weakened – if not necessarily smaller – state translates into a diminished taxation base and policy disengagement. Putnam's (2015) grim portrait of declining opportunities for children in a typically declined mid- Western industrial town is further evidence of the effects of this diminished state provision of education.

This resentment unavoidably overlaps with some of the approaches above centred on growing income inequality and perception of immigrants as cheap labour undercutting domestic wage rates. But some scholars see an additional sort of resentment. For example, the political scientist Katherine Cramer's research on the electoral bases of Republican Scott Walker's support in Wisconsin emphasises the level of anti-urban values among rural areas (2016). In Trump's election victory rural areas in America mobilized at much higher rates than previously. From her investigation of groups of rural voters talking in coffee diners or petrol stations Cramer (2016) concluded that deep resentment toward urban elites and cities, articulated partly in objections to taxes, motivated voters. In America such objections to taxes are inextricably tied into racist views, with white rural voters believing (and resenting) the use of their taxes to assist African Americans. Strong anti-government and anti-state attitudes homed over several decades of negative commentary, extremist radio talk show hosts, and a plethora of candidates running 'against Washington' help fan this negative stance. The same bitterness shapes hostility to state government and public sector workers. Cramer's summary of her findings from rural Wisconsin interviewees is brutal: "public employees were perceived as (1) lazy and undeserving, (2) inefficient bureaucrats, (3) recipients of exorbitant benefits and salaries paid with hard-earned taxpayer money, (4) guilty by association with the government, and (5) often represented by greedy unions." In addition, as urbanites, these state workers were further resented by the rural discontents (Cramer 2016: 143). The notion of the government or state as a positive force rarely gained traction in these populist tirades.

4. Conclusion: L'Etat nous a abandonné

To return to the quotation from the historian Jurgen Osterhammel at the top of this paper, historically the modern Weberian state has proved compatible with both democratic and dictatorial forms of political organization and representation. For a remarkable period between the end of the Second World War and the opening of the twentieth first century, it was association with democracy which predominated in advanced industrial states while tendencies toward any sort of dictatorships or authoritarian failed to gain traction. The great waves of democratization in southern Europe in the 1970s and then in Eastern Europe after 1989 made the democratic association appear to be a one-way street. Not so now. Populism has gained a significant foothold. And while not ineluctably dictatorial (D'Eramo 2017), populist styles of leadership – challenging justices or undermining independent journalism – can shape a political culture rapidly particularly in an era of deep anger amongst the 'left behinds' and of new media outlets which reduced serious broadcasting and print sources of information to a forum for a small part of the electorate.

The classical idea of the strong European state, centralized and quasi autonomous through its sense of public authority and powerful bureaucrats has not evaporated. But it has been reconfigured by the post 1980s, Anglo-American inspired turn to neoliberal principles - however imprecisely delineated this package of ideas is - and by the pressures of Europeanization. Both neoliberalism and Europeanization have in turn confronted an invigorated populism fanned first by the legacies of the fiscal and economic crisis of 2008 which is still playing out across Europe in the combinations of economic austerity and debt burdens facing most member states, despite the return of some mild economic growth (Roche et al 2017); and second, the displaced people crisis escalating since 2014 as hundreds of

thousands of Middle East and African residents have fled to Europe for a variety of reasons – victims of the legacies of the US-British invasion of Iraq in 2002 and its contagion effects; victims of religious or ethnic persecution; economic migrants; or asylum seekers.

It is a febrile political setting in which the simple message and explanation of the populist overwhelms the nuanced - especially if the easier explanation cites the state's role as a protector rather than redistributor (Mueller 2016). This reconfiguration in state activity endangers the capacity of governments to address the pressing but commonly clashing demands of their three constituencies. And in the context of Trump and Brexit, states' policies have arguably shifted excessively toward the second (firms) and third (transnational bodies) constituents to the neglect of sections of their first constituency, citizens and voters. Satisfying these competing pressures present formidable governing challenges in France, the UK and the US.

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