Department
of Social Policy

Social Policy Futures: Wreckage, Resilience or Renewal

Report of proceedings of the Social Policy's 100th Anniversary Colloquium

Report to present the proceedings of the Department of Social Policy's 100th Anniversary Colloquium *Social Policy Futures: Wreckage, Resilience or Renewal.*

Published by LSE Academic Publishing.

The London School of Economics and Political Science is a School of the University of London. It is a charity and is incorporated in England as a company limited by guarantee under the Companies Acts (Reg no. 70527).

To cite this publication: LSE Department of Social Policy (2015) *Social Policy Futures: Wreckage, Resilience or Renewal*, Proceedings of the Department of Social Policy's 100th Anniversary Colloquium, London School of Economics, 17th December 2012.

ISBN 978-1-909890-31-2

Contents

Introduction

The Department of Social Policy has its roots in the Department of Social Science and Administration, which was founded in 1912, the fruit of a marriage between a school for social workers and a poverty research unit financed by the Ratan Tata Foundation based in Bombay (now Mumbai) India. Just as Tata Industries have expanded throughout India and the world (now owning Jaguar and Land Rover) so the Department has expanded and has had a global influence. Clement Attlee was one of the earliest lecturers before moving on to become Prime Minister from 1945-51 – the period of most dramatic change in UK social policies. The first Professor of Social Administration was Richard Titmuss appointed in 1950; he inspired a generation of students who formed the backbone of the welfare state, staffing social services, working in the community and striving to highlight and address social problems. In 1965, Brian Abel-Smith and Peter Townsend wrote a pioneering study of poverty in Britain which shattered the illusion that the welfare state had ended poverty.

The Department has expanded its remit since then with research groups working on poverty and social exclusion; health and social care; families, children and education; criminal justice policy; development; and population. The Department continues to carry out research and teach new generations of students who are concerned with the challenges facing social policy.

To celebrate its centenary the Department hosted a Colloquium in December 2012.
The Department's Centenary Colloquium *Social Policy Futures: Wreckage, Resilience or Renewal?* considered challenges for the future.

This report presents the proceedings of the Colloquium.

Welcome Comments by Craig Calhoun

Social Policy has been at the heart of the LSE since the School's inception. That it only gained its first specialized institutionalization in 1912 has to do both with the fact that the School initially was a less differentiated organization as well as with the wonderful gift from Sir Ratan Tata.

The mission of the LSE, its reason for existence, always included a concern for social policy. The School was founded to bring research-based knowledge to bear on major social issues, to inform both government and non-governmental actors. When the School was launched, issues like reducing poverty and clearing slums reflected a concern with what in the 19th century was often called "the social question". This was centrally a matter of inequality, but also of social integration and exclusion. And these have remained central concerns for LSE students of social policy.

The same issues also reflected rapid and large-scale urbanization. London was becoming one of the world's first megacities, and this challenged local government and private charities alike. The policy questions included crime and policing, health care and infectious diseases, the well-being of children and their families, and not just slum-clearance but the provision of public housing. The LSE became a centre for both research and practical action – and also a centre for public debate about just what should be the policies for local government, the country as a whole, and indeed, the British Empire and the world. It is no accident that the first lecturer appointed in the Department Sir Ratan Tata funded at LSE was Clement Attlee – who as prime minister would both preside over Indian Independence and play a central role in one of the 20th century's greatest policy innovations, establishing the National Health Service.

Along the way, the social sciences proliferated into a range of different fields of research and teaching. The Tata gift launched not only what would become the Department of Social Policy but also research and study that would enable the LSE to pioneer in establishing some of the UK's first chairs and departments in a range of fields. The Department of Social Policy became an interdisciplinary meeting point of sociology, economics, criminology, demography and other fields. It played a major role in the field of social work for many years before controversially reorienting its work. And this was not the only significant change; the LSE at one time also housed a flourishing centre for research and teaching on trade unions. But if there are losses there are also gains, as for example health research has flourished remarkably and Social Policy has been central to revitalization of MPA degrees at the School and development of new techniques for policy analysis.

Through all this history, Social Policy was very much an LSE Department, reflecting at least as much as any other the character of the School as a place that combined research and action, science and public engagement. This mixture was in the vision of the LSE's Fabian founders and animated the work of subsequent great leaders like Beveridge and Robbins, Titmuss and Abel-Smith. LSE Social Policy, like the LSE as a whole, remains dedicated both to advancing social science knowledge and to making sure that this knowledge is used effectively to improve both the public debates crucial to democracy and public policy itself. The Department, thus, has not only flourished in itself, it has had a major impact on the flourishing of the School as a whole. And both Department and School have been and remain dedicated to advancing the larger public good.

Session I: Will a Welfare State Survive?

The End of the Welfare State? Robert E Goodin

It is a great honour to take part in this colloquium. It is a great thing to celebrate, the centenary of this department, of all departments – the brain trust for the postwar British welfare state, both its creation and destruction (but we'll come to Julian in a moment).

I.

The official topic of this session is "Will a Welfare State Survive?". It is of course ungracious to resist your host's conversational overtures, at the dinner table or a conference call either. But I should put down two markers right from the start concerning this as a topic for our conversation.

First, on this of all occasions we should remember Richard Titmuss' inaugural lecture on the "Social Division of Welfare".[1] There are two welfare states: one for the poor and one for the rich and the middle classes. The welfare state for the poor may be suffering heavy cuts. But the welfare state for the middle and upper classes is doing fine, under this government. Think of subsidies to the corporate sector (bank bail-outs and such like). Think of subsidies benefiting the middle classes most heavily (tax relief on superannuation has been pruned back a bit but still remains a great boon for the middle classes but not those on precarious incomes).

Second, when it comes to the "end of the welfare state", it has to be said that "we have been here before". Indeed, I wrote a chapter with precisely that title in the late 1990s for a *Cambridge History of Twentieth Century Political Thought*.[2] I was half tempted to dust it off and present it again here, and see if anyone would notice. It talks about all the same stuff that one would today: the fiscal crisis of the state; the demographic time bomb; a crisis of personal responsibility; the importance of the voluntary sector (now Cameron's "Big Society", then G.H.W. Bush's "thousand points of light"). We've heard it all before, and in pretty much exactly the same terms.

Reagan and Thatcher tried and failed to destroy the welfare state. Clinton and Blair tried and, though they came closer, they too ultimately failed. What makes us think that the present pack of one-term wonders, hell bent on electoral suicide, is going to be any more successful over the next couple of years?

Sheer funding cuts are unlikely ever to make any great structural differences. Cut funding eventually grows back. One of the strongest predictors of expenditure on any particular programme, cross-national research persistently tells us, is the age of the programme.[3] Not only will funding grow back eventually, in the meanwhile work-arounds will be found by front line social service workers, insofar as they genuinely care about their clients. I don't deny for a moment the ingenuity required to find those work-arounds, or the suffering that will be involved while waiting for those and for funds to be restored. But, to repeat: funding cuts simply does not seem to me to be the "big structural story", here.

[1] Titmuss 1955.
[2] Goodin 2003. My chapter was finalized in 1996 and unchanged from that draft; sympathize though I obviously do with editors of large reference books, the extraordinary editorial incompetence that delayed production of the volume as a whole for another seven years truly beggars belief.
[3] Jackman 1992.

II.

I am more worried about what may be done to the more basic architecture of the welfare state. The welfare state rests on three pillars: the state; the market; and the charitable (third) sector. Remember that Beveridge issued not just his one famous report but three at the end of World War II: alongside *Social Insurance and Allied Services* there was also *Full Employment in a Free Society and Voluntary Action.*[4] Furthermore, there is logic, and not just history, to that tripartite division.

I worry that the institutional distinctiveness, and different logics underlying of those sectors, is being undermined by the intrusion of the market into the process of social service delivery. In the 1980s and 1990s the state moved increasingly to get out of the service delivery business itself, and to contract out those tasks to non-profits or for-profits on an equal basis. You see that in Australia, in the contracting out of the Jobs Network, nursing homes, prisons and detention centres.[5] In Britain under Blair you saw it in "public-private partnerships" (with not only not-for-profits but also for-profits) and in the Choice Initiative.[6]

The current Coalition Government promises to do even more along those lines. Its 2011 White Paper on *Open Public Services* said:

> Wherever possible, public services should be open to a range of providers competing to offer better services – [that is] our third principle of open public services.
> We [unlike Labour] do not have an ideological presumption that only one sector should run services: high quality services can be provided by the public sector, the voluntary and community sector, or the private sector.[7]

That White Paper was just following up the 2010 Green Paper on *Modernizing Commissioning*. Although subtitled Increasing the *Role of Charities, Social Enterprises, Mutuals and Cooperatives in Public Service Delivery*, one key passage in that Green Paper tellingly emphasizes: "The service may be delivered by the public, private or civil society sectors."[8] All that amounts, I think, to a clear commitment to continuing to allow for-profits to compete alongside non-profits for contracts to deliver state services that used to be provided by the public sector.

III.

Those three sectors operate according to quite distinct institutional logics. The market sector operates according to a "logic of profit". Private capital has been invested, and investors expect returns on their investment. The state sector operates according to a "logic of rules" – of rights and duties, powers and entitlements. State provision is rule-bound rather than a matter of discretionary grace-and-favour,

[4] Beveridge 1942; 1945; 1948.
[5] Considine 2001.
[6] UK HM Treasury 2000. Le Grand et al. 1997. Le Grand 2007.
[7] UK HM Government 2011, paras 1.18, 1.14.
[8] UK Cabinet Office 2010, p. 7.

in any modern rule-of-law state. The voluntary or charitable sector operates according to, a "logic of sympathy". It is a discretionary response, tailored to peculiarities of individual circumstances.

The central thesis of my presentation will be that including for-profits (driven by market motives) in the mix undermines the voluntary/charitable non-profit sector in three ways. One is an individual level effect, operating via a well-known psychological mechanism. Two others are system level effects.

A. The individual level effect is simply this: introducing profit motive drives out altruism. The *locus classicus* on this point is, of course, Richard Titmuss' *Gift Relationship*. That, you'll remember, was a comparison blood supply in UK (with its voluntary unpaid donors) and in US (where there are many paid donors). Titmuss' finding was that people seem less willing to donate blood for free when they know others are getting paid for it; paying some reduces supply from others.[9]

That finding drove economists crazy. Nobel Laureates Arrow and Solow thought it just can't be true – it violates a *priori* truths of economics.[10] And there were indeed some ragged edges to Titmuss' research, on which they could hang their skepticism.

But there is plenty of evidence from social psychology showing that extrinsic motives drive out intrinsic motives. When people are given some extrinsic reward (eg, money) for an activity, their intrinsic reasons for doing it decline. It ceases to be quite so intrinsically interesting, or virtuous, or whatever. There are lots of experiments from social psychology labs illustrating this. Let me describe just three.[11]

One experiment involves male college students assembling jigsaws (it was ostensibly a pattern-recognition experiment). One set of students was assembling blank cardboard cutouts; another was assembling cardboard with *Playboy* centrefolds. Unsurprisingly, the groups assembling blank cardboard worked much more slowly and less enthusiastically than the ones assembling pictures from *Playboy*. In the next stage of the experiment, the subjects were split: some received cash payment for their participation, and the others not (just course credits that they all received). When working for pay, even those assembling *Playboy* pictures became slow and unenthusiastic in the task – even more so than those who were assembling blank cardboard in the no-payment case. Clearly then when it comes to soft porn, extrinsic rewards (money) drive out intrinsic motivations (enjoyment of looking at pictures of semi naked ladies).

A second experiment was a test of helping behaviour. Undergraduates were the subjects, performing ostensibly a memory experiment (recalling strings of numbers), and a postgrad just a few years their elder was running the experiment. At end of the session, the postgrad thanked the subjects profusely, explaining that lots of others had failed to turn up and his professor needed this data first thing tomorrow for a conference presentation. The postgrad went on to say that he was now going to have to spend four more hours typing data into the computer: "it's my girlfriend's birthday, but I'll have to cancel the planned dinner celebration – which is really awkward because we've been having trouble and this will

[9] Titmuss 1971.
[10] Arrow 1972. Solow 1971.
[11] These and many other similar experiments are discussed in: Piliavin and Charg 1990; Lane 1991; Frey 1997.

be the last straw..." And then he says to the undergrad subjects, "I shouldn't ask, you've done your bit, but could you by any chance stay for another hour or so and help me input the data so I can keep that date with my girlfriend?" In half the cases he stopped just there; and in those cases a large proportion of the undergrads agreed to stay to help. In the other half of the cases, the postgrad added, "I'll give you $20 if you do stay" – and when he offered money, the number agreeing to stay to help dropped dramatically. Again, when it comes to student solidarity, extrinsic rewards (money) drive out intrinsic motivations (wanting to help someone in a difficult circumstance all too similar to your own)

My favourite example, however, involves monkeys. It turns out that chimps just love to paint. Once introduced to activity, they enjoy it enormously – they demand more canvases, more paint, more brushes. They have an absolutely lovely time with their painting. Experimenters took a group of chimps who had learned to love painting, split the group in two, and gave half of them a reward (a grape) in return for each painting produced. Suddenly those who used to love painting took a very dismissive attitude toward it. They made a couple of squiggles on canvas, and thrust the canvas at the experimenter, demanding their grape. As the experimenter put it, they produced "the simian equivalent of commercial art". Again, extrinsic motives (rewards: grapes) drives out intrinsic motives (joy of painting for its own sake). And that seems to be hardwired deeply into the psyche of all the Great Apes (us and our simian cousins alike).

The upshot: extrinsic motives drive out intrinsic ones; money contaminates higher motives, such as altruism. People like to keep their altruism pure of that sort of contamination: "if that's the way things work here, on a crass commercial basis, that's the way I'll play it; I'll save my altruism for more "special" settings, uncontaminated by the cash nexus".[12] Hence the individual level psychological effect that I predict will arise from mixing voluntarily charitable responses and market-based for-profit corporate responses to welfare provision. The donation of time and money to charities is likely to dry up, when others are making big profits doing exactly the same thing that the charities are doing.

B. There are two other system-level effects that come from charitable non-profits having to operate alongside for-profit corporations in bidding for contracts to supply social services. The first system-level effect is just this: you lose what's distinctive about the not-for-profits.

What is distinctive about charities? It is their ability to respond in non-standard ways to social needs. Both the state and the market, each for its own different reasons, give standardized responses to standardized sorts of problems. In the case of the state, that is because that is what rule-of-law formal justice involves – treating likes alike, following fixed rules. In the case of for-profit firms, that is because one-size-fits-all batch processing, and the efficiencies of scale that come from that, are how you make profits. That's how Henry Ford made money off his assembly line; that's how hotel franchises (Hiltons) work; that's how people make big money off private nursing homes or employment services. Profits come from standardization and large turnover of easily processed cases (just like Macdonald's).

The problem is that real people find all sorts of really creative ways of getting themselves into trouble. Only non-profit sector, with its more individualized response, can cater effectively to such non-standard needs.

[12] Goodin 1982.

But what happens when the state starts to contract out service delivery to for-profits and non-profits? The two systems are brought closely into line with one another. Both non-profits and for-profits have to respond to same tender briefs; they have to meet same reporting requirements; and they end up doing the same things in the same ways.

Furthermore, that is no accident. It is absolutely central to competition policy, according to which there must be a "level playing field" for all. In consequence, however, non-profits are forced into same mould as for-profits. They thereby lose whatever is distinctive about them.

Let me illustrate that with an example drawn from an adjacent sphere, rather than social services as such.[13] It is often helpful to look to adjacent spheres for your examples: people's views about their own immediate environment are too firmly fixed; they can look at the situation more flexibly if asked to focus on some other sphere similar to their own.

The case concerns the history, over the past dozen years or so of the EC's Directive regarding Clinical Trials – ie, experiments on humans to discover/verify effects of "investigational medical products", typically drugs. Traditionally, every national agency set its own standards. There were all sorts of problems with that. In 2001 the EC brought in a new rigorous Directive on "good clinical practice in the conduct of clinical trials on medicinal products for human use". It covered both (1) commercial trials aimed at drug licensing and (2) non-commercial investigations, typically by clinicians working in hospitals, funded by short term grants, of products that are either already on the market or of products that are so speculative as not (yet) to be of market interest.[14]

Those 2001 regulations brought in tough new reporting requirements. Commercial firms were well set up to meet them – they already had whole divisions to undertake "regulatory compliance". They are repeat players in the compliance game, after all; they know how to do it. Clinicians doing research with their left hand, on fixed-term grants alongside clinical care delivery, did not automatically have that infrastructure. They found it really hard to comply with new requirements. Administrative costs for non-commercial researchers almost doubled, and over a four-year period the number of clinical trials dropped by 25 per cent.[15]

The EC's first response to that catastrophe was to issue a new Directive in 2005, exempting non-commercial clinical trials (ie, not aimed at licencing new drugs for commercial sale) from some of those regulations. The EC drew up Guidance pursuant to that Directive; they put out for "Public Consultation" (which is EU-speak for lobbying by industry). The draft Guidance was roundly criticized in that Consultation. In consequence the new Directive was never implemented. The rationale for that, as EC subsequently explained, was explicitly in terms of a "level playing field".[16] Why (it was asked, to telling effect) should researchers be held to different standards for protecting subjects in clinical trials, depending purely on where they work?

[13] I am grateful to Annette Rid for pointing me to the case, and absolve her of any responsibility for the use I have made of it.
[14] EC 2001.
[15] EC 2012, para. 3.
[16] EC 2012, p. 8, sec. 37.

In 2012, the 2001 Directive was annulled altogether, and a new, much more lax standard was imposed on all clinical trials, making no distinction between commercial and non-commercial ones. But that, in my view, amounted to giving up needlessly.

There is a good reply to that question of "why different standards?". For-profits have *known motive* for not attending as carefully to the interests of the subjects in their clinical trials, and for not being as truthful in reporting the results of their experiments – ie, the profit motive. Non-profits do not have *that* motive for mistreating subjects or for lying about results. And that's why we can and should treat them differently. We can trust the one, and not the other, not to cook the books for commercial purposes.

That thought accords nicely with one of the major strands in recent literature on public accountability.[17] The argument there is that there are two ways to ensure good representation or accountability:

1) install someone who has the same values as you who can be trusted to do what you would have done
2) set up all sorts of procedures for checking and censuring if performance is found wanting

"Setting up systems to check" is the only sensible approach when faced with for-profit providers whose interests include private (for-profit) motives that do not mirror our own. The "trust-based" model can reasonably be used with non-profits, insofar as they can be assumed to share our own goals.

C. The second system-level effect of mixing for-profit with non-profit service provision is the corner-cutting and undercutting comes from inviting for-profits to compete.

The crucial element in the contracting-out process is the *contract*. The state has to write a contract specifying what it wants from contractors; and it has to monitor contract compliance. But contracts are always inevitably incomplete and imprecise; and output measures are always indirect and partial.

With not-for-profits, that does not matter so much, insofar as they share the same goals of the programme. They do the right thing, internalizing the spirit as well as the letter of the contract. But private for-profit providers do not internalize the aims of the programme, certainly not exclusively anyway: they have another additional goal, namely, profit. For-profit suppliers thus have an institutionalized interest (ie, profit) for exploiting incompleteness of contracts, cutting corners and exploiting loopholes whenever letter of law allows in order to gain profit.

Furthermore, they are *good* at that. Or so advocates of contracting out tell us. Why are we contracting out to for-profits, after all? Why think market is better than state providers? It is simply because (we are told) private market agents are more innovative, more flexible, more adaptable than state agents.

[17] Brennan 1996. Mansbridge 2003; 2013.

Well, just apply than to the writing of and monitoring compliance with contracts, when contracting out to for-profits. The state is supposed to monitor contract compliance making sure it gets what it paid for. But if private market actors are as they are claimed to be (more innovative/flexible/adaptable than state actors) then they'll always be one step ahead of their state regulators in finding and exploiting loopholes in the contracts. State regulators will inevitably be left in dust by for-profit suppliers to whom they contract-out services.

That follows on the very *same logic* that leads us to contract out to them. It's not a critique: it's a corollary, of the argument for contracting out to them in the first place.

IV.

What to do?

I would prefer to restrict the contracting out of social services to non-profits, cutting the for-profit sector out of the action altogether. That would solve the individual level motivational problem (extrinsic motives driving out intrinsic, per Titmuss' *Gift Relationship*). I have given pragmatic reasons for that, but there's a principled reason as well: no one should profit from another person's misery.

At the very least, I think we should feel free to repudiate the "level playing field" nonsense. Commercial for-profit providers have motives (profit) that systematically deviate from those setting up and paying for the service they are being contracted to provide – in a way that non-profits do not. We *shouldn't* trust for-profit providers; we *should* hold them to different standards, derived from the different motives that we know for sure and certain that they have. We should unapologetically treat them like the running dogs of capitalism that they truly are.

References

Arrow, K. J. (1972) Gifts and exchanges. *Philosophy & Public Affairs* 1(4): 343-362.

Beveridge, W. H. (1942) *Social Insurance and Allied Services.* (Cmnd. 6404) London: HMSO.

Beveridge, W. H. (1945) *Full Employment in a Free Society.* New York, Norton.

Beveridge, W. H. (1948) *Voluntary Action.* London, Allen & Unwin

Brennan, G. (1996) Selection and the currency of reward. In Goodin, R.E. (ed.) *The Theory of Institutional Design.* Cambridge, Cambridge University Press: 256-275

Considine, M. (2001) *Enterprising States: The Public Management of Welfare-to-Work*. Cambridge, Cambridge University Press.

European Commission. (2001) Directive 2001/20/EC of the European Parliament and of the Council of 4 April 2001 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use. Available at: http://www.eortc.be/services/doc/clinical-eu-directive-04-april-01.pdf

European Commission. (2005) Commission Directive 2005/28/EC of 8 April 2005 laying down principles

and detailed guidelines for good clinical practice as regards investigational medicinal products for human use, as well as the requirements for authorisation of the manufacturing or importation of such products. Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:091:0013:0019:en:PDF

European Commission. (2005) Draft guidance on “specific modalities” for non-commercial clinical trials referred to in Commission Directive 2005/28/EC laying down the principles and detailed guidelines for good clinical practice. Available at: http://ec.europa.eu/health/files/pharmacos/docs/doc2006/07_2006/guide_noncommercial_2006_07_27_en.pdf

European Commission. (2012) Executive summary of the impact assessment report on revision of the “Clinical Trials Directive” 2001/20/EC. SWD(2012) 201 final. Available at: http://ec.europa.eu/health/files/clinicaltrials/2012_07/summary/2012_07_summary_en.pdf

Frey, B. S. (1997) *Not Just for the Money: An Economic Theory of Personal Motivation.* Cheltenham, Elgar.

Goodin, R. E. (1982) Making moral incentives pay. In Goodin, R.E. *Political Theory & Public Policy*. Chicago, University of Chicago Press.

Goodin, R. E. (2003) The end of the welfare state? In T. Ball and R. Bellamy (eds.) *The Cambridge History of Twentieth-Century Political Thought.* Cambridge, Cambridge University Press: 202-216.

Jackman, R. (1972) *Politics and Social Equality.* New York, Wiley.

Lane, R. E. (1991) *The Market Experience.* Cambridge, Cambridge University Press.

Le Grand, J. (2007) *The Other Invisible Hand: Delivering Public Services through Choice and Competition.* Princeton University Press.

Le Grand, J., D. Corry and R. Radcliffe (1997) *Public Private Partnerships*. London, Institute for Public Policy Research.

Mansbridge, J. J. (2003) Rethinking representation. *American Political Science Review* 97(4): 515-528.

Mansbridge, J. J. (2013) A contingency theory of accountability. In M. Bovens, R. E. Goodin, and T. Schillemans (eds.) *Oxford Handbook of Public Accountability.* Oxford, Oxford University Press.

Piliavin, J. A. and H. W. Charng (1990) Altruism: a review of recent theory and research. *Annual Review of Sociology* 16: 27-65.

Solow, R. M. (1971) Blood and Thunder. *Yale Law Journal* 80(8): 1696-1711.

Titmuss, R. M. (1955) The social division of welfare: some reflections on the search for equity. In *Essays on ‘the Welfare State*. London, Allen & Unwin: 34-55.

Titmuss, R. M. (1971) *The Gift Relationship*. London, Allen & Unwin.

UK Cabinet Office. (2010) *Modernizing Commissioning: Increasing the Role of Charities Social Enterprises, Mutuals and Cooperatives in Public Service Delivery.* London: Cabinet Office. Available at: http://www.cabinetoffice.gov.uk/sites/default/files/resources/commissioning-green-paper.pdf

UK HM Government. (2011) *Open Public Services White Paper.* Cm 8145. London: HMSO. Available at: http://files.openpublicservices.cabinetoffice.gov.uk/OpenPublicServices-WhitePaper.pdf

UK HM Treasury. (2000) *Public Private Partnerships: The Government’s Approach.* London: HMSO. Available at: http://www.hm-treasury.gov.uk/d/80.pdf

Will a welfare state survive? Robert Sugden

I am honoured to have been invited to talk about the future of the welfare state at a meeting to celebrate the centenary of the Department of Social Policy at LSE – the university department that, since its inception, has been most closely involved with the design of, and the study of, the British welfare state. I have been asked to talk on the subject "Will a welfare state survive?" The way I will approach this question reflects my disciplinary background. I am not a specialist in social policy. I am a professional normative economist and an amateur political philosopher. The questions I will address are these: Will the welfare state survive *as a political ideal*? Are *the arguments that are used to justify* the welfare state sustainable? I will argue that the currently most common justification for the welfare state, framed in terms of social justice, may *not* be sustainable.

Why not? Because of the directions in which the world economy is evolving – essentially, the process of globalisation. I will develop my argument in relation to these economic trends. But I must warn you that what I will say about these trends is what economists call "casual empiricism". The real content of my talk is the normative argument.

If I am going to discuss the welfare state as a political ideal, I need to make clear what I mean by the welfare state. I use this concept in what I take to be its traditional meaning: *a nation state committed to welfare policies* (as in the German *Sozialstaat*). In the original concept of the welfare state, as it emerged in Bismarck's Germany and through the Liberal reforms in early twentieth century Britain, the main welfare policies were state-organised old age pensions, medical care insurance and unemployment insurance. More generally, one might say that welfare policies are state interventions aimed at ensuring that all citizens, in all contingencies, are able to satisfy their basic needs for subsistence, housing, health care and social care. In defining the welfare state, one might want to extend the concept of "nation state" to include associations of nation states, such as the European Union, which in some respects act like federal states; but the *state* in "welfare state" is crucial. For the foreseeable future, welfare policies will be implemented by states if they are implemented at all.

The problem I want to focus on is the decreasing alignment between *nation states* and *the units in which economic cooperation takes place*. I will present this as a problem for the justification of welfare states.

In the discourse of political philosophy, since at least the 1970s, the main justification for welfare policies has been in terms of principles of *social justice*. By far the most influential analysis of social justice is that of John Rawls's *A Theory of Justice* (Harvard University Press, 1971). Rawls's work has provided an agenda and a template for the philosophy of social justice that are still in use today. My argument will be that globalisation is undermining justifications of the welfare state that appeal to social justice.

In thinking about this topic, however, we should not forget that historically, welfare states were justified on other grounds than those of social justice. Some important early arguments for the welfare state viewed states not as administrators of social justice but as competitors in a zero-sum struggle. In the late 19th and early 20th centuries, there were currents of militarism, imperialism and social Darwinism in "progressive" social thought. Welfare policies were seen as (among other things) investments in the fitness of potential conscript armies and (in Bismarck's Germany) as a way of countering emigration to the United States. States were also seen as loci of class conflict. The introduction of welfare policies could be understood as part of a bargain between classes, and as a response to changes in the economic and political balance of power that were becoming obvious in

the late 19th century with the rise of socialism and the extension of the franchise. And in a more traditionally liberal discourse, states were seen as insurers of last resort: welfare policies were originally presented primarily as insurance rather than as redistribution.

So if arguments for the welfare state based on social justice prove unsustainable, there might be other justifications that are more robust. I'll come back to this thought later. But first, I'll talk about social justice, using Rawls as the spokesperson for that idea.

Since my concern is with the *sustainability* of political ideas, I won't discuss Rawls's famous theoretical model of the "original position" and "veil of ignorance". My concern is with his account of *why social justice matters to real people* – that is, to people in the real world, not to disembodied rational agents. I want to look at how Rawls pictures the relationship between the political unit in which social justice applies, and the units of economic cooperation.

In the opening pages of *A Theory of Justice*, Rawls explains what he means by "social justice":

> Let us assume, to fix ideas, that a society is a more or less self-sufficient association of persons who in their relations to one another recognize certain rules of conduct as binding and who for the most part act in accordance with them. Suppose further that these rules specify a system of cooperation designed to advance the good of those taking part in it. Then, although a society is a cooperative venture for mutual advantage... (p. 4)

So we are being asked to imagine a "society" as a political unit that is *economically self-sufficient*. And, crucially for Rawls's conception, the politics and economics of that society is conceived of *as a cooperative venture*. He goes on:

> ... it is typically marked by a conflict as well as by an identity of interests. There is an identity of interests since social cooperation makes possible a better life for all than any would have if each were to live solely by his own efforts. There is a conflict of interests since persons are not indifferent as to how the greater benefits produced by their collaboration are distributed.... [The principles that are used to resolve this conflict] are the principles of social justice... (p. 4)

Notice how *cooperation between everyone* is being presented as the only alternative to *no cooperation between anyone*. Thus, the whole surplus created by "social cooperation" is treated as the product of cooperation between everyone. The problem of social justice is to divide this surplus fairly.

A few pages further on, Rawls expands on what he means by saying the society is a cooperative venture:

> No society can, of course, be a scheme of cooperation which men enter voluntarily in a literal sense; each person finds himself placed at birth in some particular position in some particular society... Yet a society satisfying the principles of justice comes as close as a society can to being a voluntary scheme, for it meets the principles that free and equal persons would assent to under conditions that are fair (p. 13).

Here Rawls seems to be imagining a society *without entry or exit options* – a society that one enters only by birth and leaves only by death. Or at least, he thinks that possibilities for entering and leaving a society are not important for the concept of social justice. This, despite the fact that he clearly recognises that voluntary entry and exit are important characteristics of many of the practices that people think of as cooperative. In this respect, Rawls's "society" is a rather unusual kind of cooperative scheme.

As far as economics is concerned, Rawls's substantive principle of social justice is the *difference principle*:

> social and economic inequalities ... are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society (pp. 14–15)

If Rawls's argument is to have force in the real world – rather than merely to have force for the rational agents of the original position – the difference principle has to be capable of being justified to real individuals. It has to be capable of being justified to those people who know they are advantaged as well as to those who know they are disadvantaged. Rawls is well aware of this, and does not expect abstract arguments about the veil of ignorance to be sufficient for the purpose. Here is the argument that is supposed to work:

> [The difference principle is] a fair agreement on the basis of which those better endowed, or more fortunate in their social position ... could expect the willing cooperation of others when some workable scheme is a necessary condition for the welfare of all. ... [It express the result of] leaving aside those aspects of the social world that seem arbitrary from a moral point of view. (p. 15)

This passage combines two distinct ideas, both of which relate back to Rawls's understanding of the nature of social cooperation. The first idea is that everyone is equally dependent on social cooperation, and so fairness requires that any surplus created by cooperation should be divided equally (unless inequality benefits everyone relative to that benchmark). This idea depends on the thought that the cooperation of any requires the cooperation of all. The second is that natural and inherited endowments are undeserved, and so a fair agreement should neutralise their effects. This depends on the thought that the membership of society is fixed, subject only to birth and death. Thus, "society" has a well-defined stock of undeserved endowments, and a fixed set of members who can claim joint ownership of this stock.

Of course, Rawls recognises that there are units of cooperation that are *smaller* than society – for example, families, friendship groups and churches. Rawls calls these *social unions*. Although he does not include market relationships among these smaller units of cooperation, I think he should. But he treats all these social unions as embedded in the larger entity of "society", and it is to the encompassing "society" that the principles of social justice apply:

> [A] well-ordered society (corresponding to justice as fairness) is itself a form of social union. Indeed, it is a social union of social unions. (p. 527)

The idea seems to be that a society contains many social unions, and that each individual is typically a member of many unions. Each of these unions is a cooperative scheme in its own right. Many (but perhaps not all) of these unions have entry and exit options which make them units of genuinely voluntary cooperation. For such a union, there is no concept of "all" for which it can meaningfully be said that the cooperation of any requires the cooperation of all; and there is no fixed stock of undeserved individual endowments which belongs to the union collectively. "Society" is unique in that it is a cooperative scheme that encompasses all the others.

But remember that "society" is being construed *as a political unit*. On the most natural interpretation, Rawls intends us to think of "society" as a nation state. In any case, as I pointed out at the beginning, the nation state is the only currently credible candidate for the role of "state" in "welfare state". So, if we are to

justify the welfare state by appeal to Rawls's concept of social justice, we have to identify Rawls's "society" with the nation state. The problem is that the nation state is not the kind of cooperative scheme that is modelled by Rawls's concept of society – and is becoming less and less so as a result of international economic integration.

International economic integration is not a new phenomenon, but rather a consistent long-run trend in economic affairs. We are seeing: a progressive increase in international trade as a proportion of the national income of individual countries; increasing legal and illegal cross-border migration; increasing cross-border ownership of assets; and a progressive equalisation of wages across the world for given types of work, often associated with increasing within-country inequality. The implication of all this is that the nation state is becoming less significant as a unit of economic cooperation, and its membership is becoming more fluid. To put this another way, it is becoming increasingly unrealistic to model the nation state as a union of social unions. Rather, it is one social union among others, all with entry and exit options and overlapping memberships.

As a dramatisation of this, consider a fictional character in the globalised economy. Joe has a well-paid job in an engineering office in London. This is a branch of a firm based in Germany. His work is to design oil installations for construction in Azerbaijan. He sees his job in London as a step in his career, and thinks that his next job will probably be outside Britain. At home, Joe buys electronic goods manufactured in China, via an American internet platform. He communicates with his Spanish-owned bank via an Indian call centre. He spends his holidays in Thailand, where he hangs out with Australians. What can he make of Rawls's concept of social justice?

If Joe is sufficiently reflective, he will be able to see that his well-being depends on a scheme of cooperation without which no one could have a satisfactory life. But that scheme spans the globe; it has no particularly obvious association with Britain as a nation state. The British government supplies public goods from which he benefits, and for which he pays taxes. But that is just one of the many cooperative schemes in which he participates. He can see that there are other people in Britain who are less advantaged than he is – for example, Jill, who works as a waiter in a McDonald's in Gateshead. But how does Jill have a special claim in social justice on Joe, by virtue of their both being British? Why is Jill's claim stronger than that of the waiter in the Thai hotel (with whom Joe *does* cooperate)?

It seems more natural to treat all cooperative associations as having the same normative status. If we took this approach, we could define justice *for each association* as fairness in the distribution of the surplus that it creates. But that idea would be fatal for the concept of *social* justice, as Kenneth Arrow explains in a discussion of Robert Nozick's theory of (non-social) justice. Arrow considers the criterion (which he sees as in the spirit of Nozick's theory) that "any group of individuals within the total should be allowed to keep what this group could collectively achieve". If we think of justice as the fair distribution of surpluses attributable to cooperation, this criterion seems compelling. But it is equivalent to the concept of the core in cooperative game theory. In a large economy with constant returns to scale, there is a unique core solution – competitive equilibrium. Because of the vast number of entry and exit options in a competitive economy, each cooperative association *considered separately* creates negligible surplus. So there is nothing to distribute. In Arrow's words: "There is no problem of justice left!" (*Collected Papers of Kenneth J. Arrow, volume 1, Social Choice and Justice*, Blackwell, 1984, p. 188).

As I see it, the challenge for liberal supporters of the welfare state is to find a way of justifying welfare policies as cooperative ventures, while treating the nation state as just one voluntary cooperative association among

others. One useful way of thinking about responses to this challenge is to ask: What is distinctive about the nation state, as compared with other voluntary associations, that might give it a special role in ensuring the supply of welfare services? Viewed in a liberal perspective, one of the most distinctive features of the nation state is its power to enforce laws and to impose taxes *within its area of jurisdiction* – but not to prevent individuals leaving its jurisdiction if they choose to do so (and perhaps, in practice, only limited power to prevent entry). So a liberal justification for the welfare state might work by showing that, for the inhabitants (for the time being) of a state's area of jurisdiction, it is mutually advantageous to use the tax and enforcement powers of the state to implement welfare policies.

One way of doing this is to go back to the idea that welfare policies provide insurance rather than redistribution. In the spirit of Arrow's famous paper "Uncertainty and the welfare economics of medical care" (*American Economic Review*, 1963, pp. 941-973), one might justify some welfare policies as risk-sharing schemes that benefit everyone and which, because of market failures and transaction costs, are most efficiently organised by the state. This argument need not be undermined by globalisation. The insurance provided by the welfare policies of a particular state can be viewed as a benefit of joining a voluntary association, to be offset against their tax costs. Thus, it is possible for high-tax high-benefit countries to co-exist with low-tax low-benefit ones. In the case of Joe and Jill, Jill's special claim on Joe arises because both individuals are members of the same insurance scheme: it is as if both have paid their insurance premiums and Jill is making a legitimate claim on her policy.

Another possible way of justifying the welfare state is analogous with the early idea of a bargain between classes. The extent to which a country participates in the global network of cooperative ventures is partly determined by political decisions. Nation states can use their special powers to promote or obstruct market integration, for example by the positions they take on the spectrums of free trade versus protectionism and of the rule of law versus patronage. If a democratic nation state is to be well-integrated into the global economy, there has to be widespread political support for the market. Where does this support come from?

Defenders of the market have traditionally argued that the benefits of markets tend to "trickle down" to everyone in the long run. If this is right, individual interest might provide the basis for political support for the market. But it seems clear that some people *do* lose as a result of expansions of markets. The handloom weavers of mid-nineteenth century England are an historical example; the industrial workers of late twentieth century Britain may be another. If pro-market policies are to be justified to people who find themselves at the losing end of economic progress, there must be some way of ensuring that those people can share in the surplus generated by other people's market cooperation. This may require redistributive policies (although how far redistribution can go may be constrained by migration options). Applying this argument to my story, Jill's special claim on Joe arises because (as long as he continues to live in Britain) Joe is benefiting from a collective decision by British people to participate in the world market economy, and that was conditional on a scheme of redistribution within Britain.

I do not want to make any strong claims for these two suggestions about how a liberal justification of the welfare state might be structured. My main claim is more general: that, as a justification of the welfare state, the concept of social justice is a wasting asset.

Comments on Session I, Jane Waldfogel

Thank you very much for inviting me to join you here today. The LSE's social policy department is a truly unique institution, and it is a great pleasure to take part in your 100th anniversary celebration.

Will the welfare state survive? Surely yes – but Goodin and Sugden have identified two important challenges.

Goodin has emphasized the blurring of the boundaries between the three legs of the welfare state – the public sector, market sector, and charitable sector – and in particular the threat posed by the intrusion of the market sector into what formerly was the realm of the public or charitable sectors. He has raised an important point here – think of recent developments in education or the challenges associated with for-profit providers in the child care sector. And I agree with his bottom-line – that for-profits should not be in the business of delivering welfare state services (or if they do, that we should remember that they are for-profits and treat them accordingly!).

Sugden considers another threat – the challenges associated with globalization and in particular the challenge to the rationale for the welfare state. He asks what social justice means to an international citizen like Joe who while resident in the UK lives his life in so many different countries? This is an important question, although I think we should pay at least equal attention to another question prompted by globalization – whether and how immigrants and refugees will be incorporated into national welfare states. In the US, this issue first came to the fore at the national level in the welfare reform of 1996 – a reform that was supposed to be about single mothers but ended up making sweeping changes to immigrant eligibility. The growing share of immigrants and refugees is a major issue in all of our countries and Sugden is right that this is pushing us to re-consider the rationale for the welfare state. When we say that our well-being is diminished if a member of our community is ill-housed, ill-fed, or in ill-health, what do we mean by community? Does it include new migrants to the state or country? Does it include residents of the region? The world? We've come a long way since the days of the Poor Laws with their principles of local eligibility. Many of today's young people see themselves as global citizens and care about social justice on a global level. But our conception of the welfare state has not kept pace.

There are three other challenges that I think should be put on the table.

First, there is the challenge associated with the aging of the population and the pressures this places on pensions and health care budgets. This, alongside rising health care costs, is one of the main sources of the fiscal cliff, which is the topic of so much attention in the US at the moment. Clearly we will have to both contain costs and raise revenues if the welfare state is to survive – but that's a lot easier said than done.

A second challenge has to do with gender. When welfare states were first built, the assumption was that individuals and families would manage reasonably well so long as someone was able-bodied and worked on a regular basis. Where the welfare state stepped in was for individuals and families where that was not the case – because of illness or disability, old age, unemployment. The welfare state in those days was not very explicit about gender – women were assumed to be covered through their attachment to a breadwinner (a father, a husband). Today, however, women increasingly are breadwinners themselves and this places new and different demands on the welfare state. Fairly early on, maternity was covered as a

form of disability or unemployment (except in laggard countries like the US). But other accommodations to address work-family issues were not added until much later and are still incomplete. For example, universal child care and supports for flexible working did not emerge in the UK until the first national child care strategy of 1997 (and the succeeding 10-year childcare strategy), and have yet to emerge in the US. So we have had a revolution in women's roles, but the welfare state has yet to fully catch up.

Finally (and perhaps here I am anticipating the topic of a later session), there is the rise in inequality, which also poses new challenges to the welfare state. As I mentioned, the welfare state was built on the assumption that breadwinners could earn a decent, family wage in the labor market, with the welfare state filling in during periods of non-employment. Since the late 1970s, as John Hills and others here have documented, there has been an unprecedented run-up in inequality. Work for many has become more precarious and the earnings of the low-paid have not kept pace with incomes for those at the top. The gap between the haves and the have-nots is wider than ever, creating inequality in the current generation and threatening increased inequality in the next one. Even before children start school, large disparities in development between children of different income groups are evident. This is a challenge that increasingly welfare states will have to address – by taking steps to reduce or eliminate such disparities through better early childhood programs and schools as well as through more active measures to tackle labor market and income inequality.

Will the welfare state survive? Surely yes – but meeting these challenges will not be easy. It will require careful and sustained analysis, grounded in a commitment to a more modern conception of social justice alongside the core principles of the welfare state. That's why I'm sure that the social policy department at LSE will continue to be at the center of these debates and will be important contributors to the next set of solutions.

[1] See Banks (1996) and Ukiwo (2005) for that debate.

Session II: The Limits of Social and Global Inequalities

Global horizontal (or social) inequalities, Frances Stewart

There is increasing concern with the growth of both national and global inequalities. In the national context, the inequalities of concern mostly relate to inequalities among individuals (or households) within a nation, while global inequalities generally refer to inequalities between nations. In both arenas, social or horizontal inequalities are neglected, i.e. inequalities among groups with shared identities (such as racial, ethnic, religious or gender categories). These social or horizontal inequalities (henceforth termed HIs) are the central focus of this paper. The first part of the paper discusses what is meant by HIs; the second part, why HIs are important; and the third part provides an important global example of HIs – that is the inequalities between Muslims and non-Muslims across the world – with strong implications for global justice and for global political stability.

1. Defining HIs

Horizontal inequalities are inequalities between groups of people who share a common identity. Potentially people may be categorised in many ways. Here I concentrate on identity groups that are widely recognised to be of social and/or political significance both by those who share such an identity and by those who don't. In practice, significant group distinctions often arise from differences in religion (for example, differences between major religions, such as Muslims and Christians, and groupings within them, such as Shia and Sunni, Catholic and Protestant); in some societies ethnic distinctions are important (for example, Ewes and Akans in Ghana, Igbo, Hausa-Fulani and Yoruba in Nigeria); in some – such as India and Nepal – caste is the main basis of social distinction and discrimination; in some places, geographical distinctions are important (often accompanied by some ethnic or religious differences), such as in East Timor or Eritrea; and in others, what we call "race" seems to be the significant differentiating group characteristic, such as in Malaysia or Brazil. Gender and age are other important identities which are relevant to every society.

Socially significant group identities arise partly from individuals' own perceptions of membership of and identity with a particular group and partly from the perceptions of *those outside the group* about others. An important question – long debated by anthropologists[1] – then is why and when some differences are perceived as being socially significant, and others are not, both by group members themselves and by others. Here we will not enter that debate, but note that group distinctions are formed and reformed historically; that leaders, educators and the media, among others, are important influences over how significant group distinctions evolve; that groups often have uncertain boundaries, and are fluid, with new groups emerging and old ones ceasing to be important. Yet despite the fact that boundaries evolve, at any one time group distinctions are often an important element in the way that people see themselves, and interact, and consequently are relevant to the wellbeing of individuals and the health of society. Moreover, as ideology has become less important as a source of identity and political mobilisation, ethnic and religious distinctions seem to have become more important, as indicated by the practice of "ethnic voting" common especially in African countries (Posner 2005), and the increasing proportion of violent conflicts that are presented as "ethnic".

[1] See Banks (1996) and Ukiwo (2005) for that debate.

HIs encompass economic, social, political and cultural status dimensions:

- Economic HIs include inequalities in ownership of assets – financial, natural resource-based, human and social – and of incomes and employment opportunities that depend on these assets and the general conditions of the economy.
- Social HIs include access to a range of services – education, health and housing – and inequalities in achievements in health and educational outcomes.
- Political HIs consist in inequalities in the group distribution of political opportunities and power, including control over the presidency, the cabinet, parliamentary assemblies, the army, police and regional and local governments.
- Cultural status HIs refer to differences in recognition and (de facto) hierarchical status of different groups' cultural norms, customs and practices.[2]

HIs are of importance for three reasons: first, because most approaches to defining justice would concur that they are unjust; secondly, from a medium to long run perspective they are liable to be inefficient; and, finally, they have been shown to raise the risk of violent conflict.

2. Is Horizontal Equality Desirable?

There are many ways of approaching the complex question of why inequality is (or is not) undesirable both with respect to vertical inequality and to horizontal inequality. This is a central issue for many philosophers, and for some economists. Ultimately, the question of distributive justice is a normative issue is for each person to decide for themselves.[3] Yet the arguments of many philosophers and some economists point to injustice in group inequality, even where they see some justification for inequality among individuals.

The different disciplines have taken different approaches to the question. Philosophers start from basic principles and explore the implications for equality arising from them, with conclusions differing according to the starting point. Economists are concerned to identify the distribution which maximises accepted societal objectives and their conclusions depend on how these objectives are defined, and how they are affected by different distributions. For both approaches, most discussion has been concerned with inequality among individuals (vertical inequality). Below I draw on some of these discussions and interpret the arguments in terms of horizontal inequalities. My conclusions are that there are stronger reasons for believing HIs are unjust than in relation to VI.

[2] The concept of cultural status inequalities was first introduced by Arnim Langer and Graham Brown. See Langer, A and Brown, G. 2008 "Cultural Status Inequalities: An important dimension of group mobilisation" in: Stewart, F. *Horizontal Inequalities and Conflict: Understanding group violence in multiethnic societies*, Basingstoke: Palgrave.

[3] Intuitionists argue that moral principles are based on individual intuitions of what is right, and consequently not subject to considered reasoning – Moore, G. E. (1903). *Principia Ethica*. Cambridge, Cambridge University Press, ibid.

View of some philosophers:
This section considers four philosophical approaches to the question of justice and distribution: first, those derived from a conception of shared humanity (Kant 1949; Williams 1962; Anderson 1999); secondly, analysis of the implications of a posited social contract (Rousseau, 1762; 1968; Rawls 1971); thirdly, what has come to be known as "luck egalitarianism" (Dworkin 1981; Cohen 1989; Roemer 1996; Arneson 1997; Roemer 1998; Anderson 1999); and fourthly, the implications for distribution of giving primacy to libertarian principles (Locke 1773; Nozick 1974).[4]

The first approach, derives from a conception of common humanity. As Kant states, any human "possesses a dignity (an absolute inner worth) by which he exacts respect from all other rational beings in the world, can measure himself with every other of this kind and *value himself on a footing of equality*" (Kant, Metaphysik der Sitten: 1786: 435). The basis of the Human Rights approach to development, similarly, is the view that every person is morally equal and consequently entitled to certain basic rights. "All humans are born free and equal in dignity and rights" (1948 *Universal Declaration of Human Rights*).

This clearly implies some type of egalitarianism, yet not necessarily in terms of resource distribution. For Kant, every human should receive equality of "respect": "treat humanity… in every case as an end, never as a means". The distribution of material resources clearly has relevance to equality of respect since gross inequalities of wealth tend to be associated with inequality of respect: wealthy people frequently treat others as of a lower order, and their wealth enables them to order poorer members of society around including commanding their labour. Hence treating people as ends, never as means, does have egalitarian *material* content, although it clearly need not involve complete equality.

Others who have started from a Kantian position of common humanity, "moral capacity" or "dignity" (Williams 1962; Anderson 1999) conclude that it implies that everyone should have access to basic needs goods and services, in line with the basic needs approach to development (ILO 1976; Streeten, Burki et al. 1981; Stewart 1985), but this could be consistent with (some) inequality in non-basic goods and services. For example, Williams argues that any difference in treatment of people must have justification and relevance: goods intended to meet *needs* (exemplified by illness (the need) and medical treatment (the good)) should be distributed according to need. In contrast, other goods are *merited* (exemplified by the capacity to benefit from university education (the merit) and university education (the good)), and these, according to Williams, should be distributed according to *equality of opportunity*. Williams' "needs" goods might be interpreted as supporting a basic needs approach, while the "merit" part could be interpreted as broadly equivalent to Roemer's equality of opportunity (to be discussed below). Anderson takes a similar position, interpreting the material implications of treating people with dignity as involving comprehensive access to a minimum basket of basic goods and services. The human rights approach has also mostly been interpreted as requiring equality in access to certain basic goods.

How much inequality is consistent with equality of respect may vary across cultures. Light could be shed on this by empirical investigations into the determinants of respect for others. Group inequality – for example across race or gender – is likely to be a particularly strong source of disrespect since there is an

[4] Locke and Kant could also, of course, be placed in the contractarian category.

inclination to argue that "you are poor because you are black/indigenous/female" with the implication that the poorer group has inferior capacities.

A second philosophical approach derives the principles of distribution from a social contract (Rousseau 1968 (first edition 1762); Rawls 1971). In the first instance, social contract theory relates to individuals rather than groups. Rousseau argued that the social contract establishes "equality among citizens" because "they all pledge themselves under the same conditions and all enjoy the same rights", and his interpretation of this was that "no citizen shall be rich enough to buy another and none so poor as to be forced to sell himself" (Rousseau 1968 (first edition 1762): 96). This is a potentially highly egalitarian conclusion if interpreted as ruling out wage labour. Rawls provides a more rigorous and detailed interpretation of distributional principles derived from a social contract, drawn up under a "veil of ignorance". The first Rawlsian principle is a form of equality in political space, i.e. that everyone should have basic liberties, such as political liberty, freedom of speech etc. The second - the difference or maximin principle - is "that social and economic inequalities, for example inequalities of wealth and authority, are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society" (Rawls 2002:14-15.)

Accordingly, equality of material resource distribution is just, *unless it can be shown that the position of the poorest would be better in an unequal situation*, which would only occur if inequality raised growth to such an extent that the poor received more than in an equal situation. Whether inequality does indeed improve the position of the poorest, and how much inequality is optimal, is an empirical issue which may differ across contexts. For individuals, incentives may be needed to get them to work hard, use their talents to the full etc. so some vertical inequality may improve total output and, depending on how this is distributed, the position of the poorest. The same argument may apply *within* groups, justifying some intra-group inequality. But there is no reason why this should require significant *inter-group* inequality – it would do so only if it were the case that there were systematic differences across groups in talents and propensity to work, and there seems no reason why this should be the case. However, long-run historic disadvantage may reduce the relative productivity of some groups (eg, because of educational and nutritional disadvantages). In such a case, short-run output maximisation might involve some group inequalities, but whether maximin would also do so depends on whether the deprived groups receive a share of the benefits from the growth, which they might not (or only a small share) given long run discrimination. Consequently, the maximin principle is likely to lead to less HI, in the short run, than VI, and in the long-run anti-discrimination practices should eliminate any HI as people in the previously deprived groups catch up in terms of potential productivity. These efficiency arguments for inequality are much the same as those put forward by economists and are considered further below. But economists don't generally require that the poorest gain from inequality as with maximin.

Thirdly, we consider "luck egalitarianism", the fundamental premise of which is that people should not suffer advantage or disadvantage from elements outside their own control (Dworkin 1981; Paes de Barros, Ferreira et al. 2009; Roemer 1998). In other words, inequality is justified if and only if it results from a person's own choices – eg, with respect to work or lifestyle (or from luck). Since many salient identities, such as race, gender, place of birth and family background, constitute circumstances outside people's control, the principle would seem to eliminate most HI except to the extent that there are freely chosen cultural differences leading some groups to behave differently and thereby to gain more or less

material advantage. Most of such cultural differences seem likely to be due to historical circumstances – not in the control of the individual. But some may be due to differences in preferences – for example, women might give priority to supporting the family rather than advancing in a career; and some religious orders – for example, some orthodox Jews – give priority to praying and reading religious scripts over economic activities. In Israel this has resulted in significant HIs between orthodox Jews and the rest of the population. From a luck egalitarianism perspective, only genuine differences in group preferences would justify HIs. And any apparent differences in group preferences need to be treated with caution, since they may be determined by historical/cultural influences over which individuals have little or no control. This arguably is the case for both the examples above.

Finally, the Locke/Nozick approach is concerned with *just* processes. This is potentially the most inegalitarian of the approaches considered since for both Locke and Nozick just outcomes are the outcomes that result from just processes which may be consistent with considerable inequality. For Locke, property is a natural right, so long as it is acquired by a person's own labour. [5]Nozick drops the direct link with a person's labour, and argues that just outcomes are those that result from *legitimate acquisition* and *transfer* of goods and services. Since he interprets legitimate transfer to include bequests, any inequality, which may emerge, even from an equal starting point, can lead to considerable and rising, yet just, inequality. Instrumental consequences of such inequality are not considered relevant. However, there is one major exception to this unconstrained situation. This is the principle of *rectification* which "comes into play" if resources are not obtained legitimately. As Nozick accepts: "Some people steal from others, or defraud them, or enslave them" (Nozick :152). Where the resources were not acquired legitimately, including where inherited resources stem from illegitimate acquisition, "rectification" (ie, redistribution), is justified according to Nozick. How far this justifies redistribution depends on the interpretation of "legitimate acquisition". If one includes resources obtained by force, corrupt practices, and so on, the principle of rectification could apply extensively thereby substantially modifying the inegalitarian conclusions of this approach. This is particularly so for HI, since much group inequality stems from unjust treatment at some prior (and often current) time: indigenous peoples generally had their lands taken from them; blacks in the US were slaves; poorer groups in many African countries were discriminated against by the colonial authorities and again by post-colonial governments; women as a group have been oppressed for millennia, often treated as near-slaves, forbidden property rights etc. These injustices may no longer exist (or exist only partially), but Nozick's principle of rectification still applies because many of those who are now privileged inherited some or all of their privilege from people in previous generations who did not acquire their initial resources legitimately. There is a general presumption, indeed, that this is the case with *all* inequalities between sizeable groups because why otherwise would they be unequal?

[5] Locke, J. (1963). *Two Treatises of Government*. [S.l.], Néw American Library. Locke presents two qualifications which heavily restrict its inegalitarian implications: first, that a person should have only as much as can be used before it spoils (the egalitarian consequences of this is, of course, much weakened by the advent of the refrigerator and freezer); and secondly, one must leave "enough and as good for others". Interpreting Locke's principle becomes complicated if production involves machinery. Although it is normal regarded as justifying property ownership and inequality, Locke's views can also be interpreted as being redistributory, involving a labour-theory of value and ownership rights. Vaughan, K. (1978). "John Locke and the Labor Theory of Value." *Journal of Libertarian Studie*s 2 (4): 311-326 .

In sum, with the exception of Nozick, the philosophers reviewed here provide little justification for horizontal inequality. Equality of human dignity and respect would seem to limit HI since inequality between groups is often a major source of disrespect to members of the disadvantaged group. Rawls' maximin principle is not likely to justify significant group inequality because it is unlikely that output would be significantly greater in the presence of group inequality – given broad equality in the distribution of talent and character across groups. Moreover, it is unlikely that the poor group would benefit much from any output gains resulting from inequality, since the poorer group(s) often experience discrimination and interlocking disadvantages which limits "trickle down" so that output gains resulting from HIs may not benefit the poorest as required by maximin (Tilly 1998; Stewart and Langer 2008; Thorp and Paredes 2010). Luck egalitarianism also rules out most HI since inequality is not justified if it involves circumstances beyond the individual's control and most identity differences are, indeed, beyond the individual's control. Moreover, while Nozick is generally thought of as justifying inequality, his principle of rectification is likely to apply to much group inequality, since so much of it has its origin in illegitimate processes.

Economists and inequality

Economists' views of distribution today are generally much more instrumental than philosophers, investigating which distribution best maximises chosen objectives – primarily efficiency and economic growth. But this was not always so. Utilitarianism which forms the basis of much of economics implies that the extent of inequality should depend on which distribution maximises utility. Pigou argued that this led to a highly egalitarian conclusion since he assumed that a person's marginal utility would diminish as they acquired more of it (Pigou 1920). However, this assumption was famously disputed by Robbins who asserted that one cannot compare the utility gained by different individuals on the basis that: "in our hearts we do not regard different men's satisfactions from similar means as equally valuable" (Robbins 1945: 156-7; Robbins 1938). Robbins' argument was widely accepted and economists since then have mainly shied away from making judgements about the desirable degree of inequality except from an instrumental perspective. This view was reinforced by those economists, such as Hayek (1944), with libertarian views about the undesirability of restraints on individual actions.

Nonetheless, economists accept that there are instrumental considerations influencing the desirable distribution, with the optimal distribution being that which would maximise efficiency and output. A certain amount of vertical inequality may be needed, for example, to encourage people to work hard, use their talents and direct their energies in a way that exploits their comparative advantage and maximises societal output. In addition, it is sometimes argued that unequal income distribution increases savings. On the other hand, there is also an efficiency case against too much inequality – since it can reduce societal human capital, as poorer people are likely be more undernourished and undereducated (Gutiérrez and Tanaka 2009), while highly unequal income distribution may reduce the size of domestic markets (leading to under-consumption and unemployment, though there are ways, of course, of compensating for this). Moreover, inequality has been argued to be a cause of economic instability (Lansley 2011; Stiglitz 2012). Thus there are efficiency arguments both for and against vertical inequality.

One plausible conclusion from economists' instrumentalism is that the objective should not be *equality of outcomes but equality of opportunities* since in principle one would expect efficiency to be maximised if everyone faces the same opportunities. Yet equality of opportunities can be interpreted in different

ways. On the one hand, it may be the same as luck egalitarianism, ie, ruling out inequalities which arise from circumstances beyond the control of the individual. As noted above this leads to a pretty egalitarian conclusion, especially in relation to HIs, and would require considerable intervention in market outcomes, given the long-term historic disadvantages suffered by many groups (ethnic, female, racial, for example). Yet this might well not be the output maximizing position in the short to medium term. On the other hand, a more limited interpretation of equal opportunities is that no one suffers *contemporary* discrimination: for given qualifications and capacities each faces the same opportunity. This is more likely to be the short-run output maximising position, but it would leave considerable inequalities, since people have historic disadvantages that prevent them from having equal qualifications and capacities.

Like those of philosophers, the views of economists led to more egalitarian conclusions in relation to groups than individuals. First, while Robbins' statement about how different people may get different satisfaction from the same income might be justified in relation to individuals, it is very difficult to argue that a particular gender or racial or ethnic group as a whole gets more (or less) satisfaction from a given amount of income than another. Secondly, the efficiency arguments suggest elimination of discrimination, which should eventually mean equality between groups, especially if interpreted in a broad way to eliminate historic sources of disadvantage.[6] In addition, there are efficiency arguments in relation to investments in health, education and nutrition – since more egalitarian distributions are generally associated with more equal distributions. These considerations apply equally to VI and HI.

When it comes to arguments based on efficiency, empirical evidence is needed as to how distribution affects efficiency. This issue has been fairly thoroughly investigated in relation to VI, testing , on the one hand, whether Galenson and Leibenstein's (1955)'s argument that more inequality would generate additional savings to finance investment and thereby promote economic growth, or Okun's (1975) argument that inequality promotes growth through its effect on incentives; and, on the other hand, the argument of Adelman and Morris (1973) that more equality will promote growth by raising investment in human resources.[7] A somewhat mixed picture has emerged from the empirical research, depending on whether cross-country or panel data is used (Alesina and Perotti 1994; Alesina and Rodrik 1994; Persson, Tabellini et al. 1994; Bénabou 1996; Li and Zou 1998; Forbes 2000; Banerjee and Duflo 2003; Fishlow 1995; Panizza 1999). However, a recent study by two economists at the IMF found that "when

[6] It is worth drawing attention to an interesting similarity and contrast between the efficiency arguments of economists and those of philosophers (notably Rawls). Rawls starts with the presumption that equality is desirable but that *inequality* may be justified if it serves, instrumentally via efficiency effects, to improve the position of the poorest compared with an egalitarian situation. Economists, in contrast, argue that greater equality may be justified (compared with a market outcome) if it serves to improve the position of at least one person and not to worsen that of any other – or (allowing for compensation) if it raises national income -without regard to the consequences for the poorest.

[7] Considerable evidence shows that higher income inequality leads to worse outcomes in education Mayer, S. E. (2000). *Income Inequality, Economic Segregation and Children's Educational Attainment.* JCPR Working Papers. Chicago, Northwestern University/University of Chicago Joint Center for Poverty Research.(Meyer 2001), health and nutrition Hildebrand, V. and P. Van Kerm (2009). "Income inequality and self-rated health status: evidence from the European Community Household Panel." *Demography* 46(4): 805-825.(Hildebrand and Van Kerm 2009, Kondo et al 2009), and that this in turn is likely to reduce growth Birdsall, N. and R. Sabot (1994). Inequality as a Constraint on Growth in Latin America. Development Policy Review. Washington, DC, Inter-American Development Bank (IDB).(Birdsall and Sabot, 1994; Ranis, G., F. Stewart, et al. (2000). "Economic Growth and Human Development." *World Development* 28(2): 197-220.).

growth is looked at over the long term, the trade-off between efficiency and equality may not exist. In fact equality appears to be important in promoting and sustaining growth" (Berg and Ostry 2011: 13).[8]

These studies investigate the connection between VI and economic growth. There is almost no systematic evidence on HIs and economic growth. Because of the multiplicity of ways of categorizing people into groups and data constraints, this is a difficult issue to investigate. A priori arguments might suggest that more equality would be growth promoting because the playing field is more level and more of the population's potential is being used. Country studies give a mixed picture (Stewart 2013).

However, one area where there is systematic evidence concerns the relationship between HIs and violent conflict.[9] Research indicates that HIs are particularly likely to provoke conflict where there are both economic and political inequalities simultaneously in the same direction (Stewart 2008; Cederman et al 2011; Ostby 2008), since in those circumstances leaders have an incentive to mobilise, because of political exclusion while socio-economic inequalities provide an incentive for people to mobilise. Inequalities in cultural recognition can also provoke conflict (Langer and Brown 2008). There is also evidence that horizontal inequalities are associated with other forms of group violence, including milder types such as riots (Blau and Blau 1982) and horrendous forms like genocide (Fein 1993; Harff 2003; Stewart 2011). Some work too links gender inequality to domestic violence (Bailey and Peterson 1995; Yodanis 2004). The mounting evidence that HIs are associated with the outbreak of conflict constitutes a powerful reason for aiming to reduce such inequalities, since violent conflict has heavy human and economic costs, including strong adverse effects on economic growth (Fitzgerald 1987; Collier 1999; Stewart 2001).

This section of the paper has argued that there are powerful reasons for reducing HIs: on the one hand, in general such inequalities are unjust; secondly, they are likely to be an obstacle to efficiency; and thirdly, they raise the risk of conflict with heavy human and economic costs. The empirical work on HIs has been largely confined to intra-national HIs. The next section of the paper will present an important global example, that is the situation of Muslims versus non-Muslims in the world today.

It is, of course, a big jump from thinking about intra-national inequalities to thinking about inter-national ones. Most of the philosophers approaches relate to inequalities within a nation. Rawls is explicit on this, arguing that a social contract can only occur among people who are roughly equal, while the contract requires a state to act to bring about justice. Neither of these conditions is present globally. Walzer (1983) too confines his sphere of justice to people living in the same geographic space. Work stemming from the idea aiming for equality of opportunities has also measured within nation inequalities Empirical

[8] The relationship between inequality and growth may vary according to the level of inequality. Cornia, G. A. (2004). *Inequality, growth, and poverty in an era of liberalization and globalization.* Oxford, Oxford University Press. plotted inequality against growth of GDP per capita for 1960-1998, showing a concave relationship with growth rising as inequality increases from very low levels, and then declining with a further increase in inequality.

[9] On balance the evidence does not support a connection between VI and civil war Fearon, J. D. and D. D. Laitin (2003). Ethnicity, Insurgency, and Civil War, *Cambridge Journals Online*. 97: 75-90, Collier, P. and A. Hoeffler (2004). "Greed and Grievance in Civil War." *Oxford Economic Papers* 56: 563-595., although Auvinen, J. and E. W. Nafziger (1999). "The sources of humanitarian emergencies." *Journal of Conflict Resolution*, 43(3): 267-290. found a weak connection. This is because people mobilise behind a common identity (often ethnicity or religion) and such mobilisation can be stimulated by sharp HIs. There is less potential for mobilisation with high VI, but there are peasants and caste movements which unify and mobilise the deprived.

investigations of the relationship between inequality and growth, and HIs and conflict, have also all been within nation. (Paes de Barros, Ferreira et al. 2009). Milanovic (2005) is unusual in measuring vertical inequality at a global level. Consistent with this, a Kantian or Human Rights approach treats everyone as equal, irrespective of their nationality, and this is the perspective I adopt. But one needs to make a bold assumption that national findings apply internationally, on the implications of inequality for economic efficiency and growth and for conflict. The evidence below on Muslim –non-Muslim inequalities reports on both intra and international inequalities.

3. Muslims versus non-Muslims: a global example of HIs

The relationship between Muslims and non-Muslims represents one of the major global tensions in the contemporary world, erupting into a variety of types of violence – including 9/11 and the July 2007 London bombs; a range of terrorist incidents and threats; conflicts within African countries, such as in Mali and Niger; and Western armed interventions in a number of countries, including Iraq, Afghanistan, and Mali, and others indirectly, such as Somalia.

This section reports on pervasive HIs between Muslims and non-Muslims, both within countries and between them, which underlie some of these tensions. However, Muslims are by no means a unitary homogeneous community, but themselves have many divisions and tensions, some of which are violent, for example between Shias and Sunnis in various Middle Eastern countries. Thus it is a gross oversimplification to regard Muslims world-wide as an undifferentiated whole. Yet, despite divisions, there do seem to be strong global connections and an overarching identity. Evidence on this is presented at the end of the section. First, I report on pervasive inequalities, starting with national inequalities, before moving onto international ones.

3.1 National Inequalities in Europe, Asia and Africa.

a. Europe

Investigation of three countries – the Netherlands, France and the UK – illustrates the multiple inequalities Muslims face in Europe. Similar evidence is available for other European countries. With the exception of small historical enclaves such as the Bosniaks, Muslims in developed countries mainly consist of fairly recent immigrants – from North Africa in the case of France; from Turkey in the case of Germany; from Bangladesh and Pakistan in the UK; and some combination in most other European countries.

Muslims in the Netherlands, mostly of Moroccan or Turkish and, to a lesser extent, Indonesian origin, form about six per cent of the total population. In France there is little hard data available because of the government's decision to deny all such group categorisation in data collection. However, piecemeal evidence suggests that Muslims in France account for perhaps four million people, also around six per cent of the total population. The Muslim population in the United Kingdom is smaller, accounting for around two per cent of the total population in 2001.

Extensive evidence shows that socio-economic HIs disadvantage Muslims across multiple dimensions – including housing, education, employment and incomes. In each country, most Muslims live in low-

income areas of major cities. In the Netherlands, more than half of Turks and more than 60 per cent of Moroccans have an unskilled job, compared with less than 30 per cent of native Dutch. There is evidence of discrimination in the labour market and the educational system (SCP 2005). The incomes of Moroccan men are 42 per cent below those of the native Dutch, and those of Turkish men are 34 per cent below. Poverty rates among the elderly are substantially higher than for native Dutch (Demant, Maussen et al. 2007). Education levels are significantly lower for the Muslim community – 40 per cent of Turks and 45 per cent of Moroccans have had no more than primary education and drop-out rates are higher (Demant, Maussen et al. 2007).

In France, educational attainments are also worse for the Muslim population than for the native population, with more repeat years, higher drop-out rates, lower attainments in examinations, less attendance at high school, and fewer diplomas. French Muslims are more likely to be unemployed and experience more difficulties in finding long-term full-time employment than native French (Viprey 2002).

In Britain, deprivations have been extensively documented by the Equalities Commission Review (Equalities Commission 2007). As they state: "Muslims account for a disproportionate number of people living in areas of multiple deprivation: more than two in three Bangladeshis and more than half of all Pakistanis live in areas in the bottom decile for deprivation." (Equalities Commission 2007: 35). In more detail, the Equalities Commission (2006): 25) notes that the net earnings of Bangladeshi males were reported as just half those of white males and deprivation is evident at every level of education. For example, Pakistani and Bangladeshi rates of attainments in language and literacy at an early age were 57 per cent of those of whites; their achievement of 5-GCSEs was three quarters of that of whites for boys and a bit higher for girls; and they were underrepresented in higher education, although there is evidence of some catch-up in recent years (Sefton and Stewart 2009). Disadvantages are also reported with respect to health (Equalities Review 2006).

There is cultural discrimination in each of the countries, with dress being a particular issue. For example, within schools in the Netherlands there are frequent complaints about dress, especially the wearing of hijab. In France, too, the issue of the headscarf has created periodic controversy with children expelled from school for wearing them. There is less controversy on this in Britain, however. In all three counties, national holidays are Christian or secular, and there are no Muslim holidays. There has been periodic cultural controversy – notably in the Netherlands with the murder of Theo van Gogh in 2004, who was making a film attacking Muslim practices.

Political inequalities are also in evidence, though less in the Netherlands with Muslims broadly proportionately represented in parliament and the cabinet, although underrepresented in the police. In 2005 only six per cent of the police in major cities had an immigrant background, although they account for about 30 per cent of the population there ((Demant, Maussen et al. 2007)). In France, four members of the Senate who were Muslims in 2010 or just over one per cent of the Senate. At the cabinet level, the first Muslim minister was appointed in 2005 and three were appointed by Sarkozy. In the UK, after the 2009 elections there were four Muslim MPs, or around 0.6 per cent of the total. The first Muslim cabinet minister was appointed in 2010, and Muslims are underrepresented in the judiciary and legal system (Herding 2012).

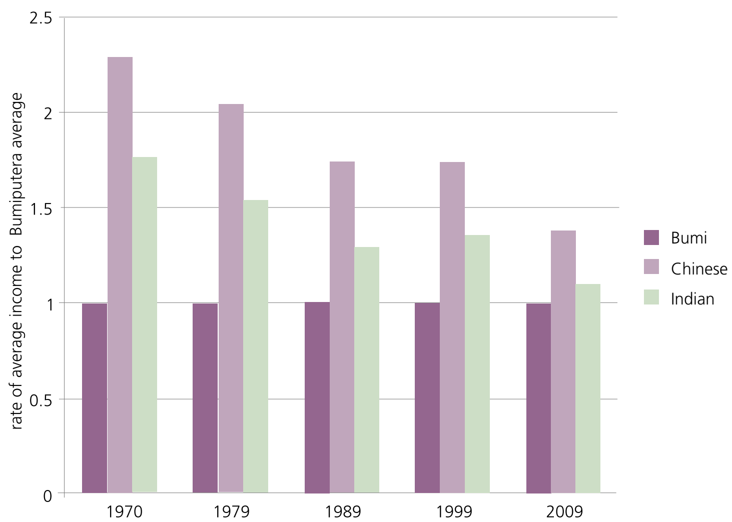
While only three countries in Europe are discussed here, similar findings would emerge from other European countries, such as Germany, with its large and underprivileged Turkish population, and Denmark where the Muslim population has been subject to attack from the infamous cartoons, which reflect a strong anti-Muslim strand in the Danish population. However, in policy terms, a noteworthy exception is the Spanish Zapatero government which “granted amnesty to a swathe of illegal (mainly Moroccan) immigrants in 2004 shortly after his election and the Madrid bombings”.[10]

b. HIs faced by Muslim communities in Asia

Where Muslims account for almost the entire population (Bangladesh and Pakistan), the issue of HIs with non-Muslims does not arise and these countries are not considered further here. Where Muslims are in a majority, as in Indonesia and Malaysia, political dominance can be used to advance their socio-economic position. The most problematic situation is where Muslims are in a minority and suffer consistent HIs across political, socio-economic and cultural status dimensions.

Malaysia: In Malaysia, the majority of people are Muslim (the Malay community and other indigenous groups) and account for around two-thirds of the population, while the Chinese (24 per cent of the population) are mostly either Christian or Buddhist, and the Indian population (6.5 per cent) mainly Hindus with sizeable Muslim and Christian minorities. Severe inequalities present when Malaysia became independent, with the Chinese far richer than Malays, have been partially corrected by comprehensive policies since the 1970s. Yet economic inequalities favouring non-Muslims persist with significant differences in average incomes (Figure 1). Politically and culturally, however, Muslims dominate.

Figure 1: HIs in Malaysia



[10] Personal communication from Mansoob Murshed.

Indonesia: In Indonesia, Muslims account for over 84 per cent of the population, with most of the remainder Christian according to the 2000 census. On average Muslim incomes are substantially below all other groups, apart from the small Hindu population (Table 1). Given the political and demographic dominance of Muslims, these differences are normally not provocative – although there were attacks on the Christian Chinese during economic crisis (in the late 1990s). While Muslims have been politically dominant at the national level, in some areas of the archipelago where colonial Christianization took hold more strongly, Christian groups have dominated historically. Amid rapid and extensive decentralisation in the post-Suharto era, competition for political and economic power at the local level fed into extensive Christian/Muslim violence in Ambon, North Maluku, and Central Sulawesi (which also involved ethnic differences).

Table 1: Income HIs in Indonesia

	Share of population, %	Ratio of income per capita to Muslim income
Muslims	83.6	1 [1.04]
Catholics	7.6	1.58 [1.29]
Protestants	4.2	1.50 [1.25]
Hindus	3.0	0.97 [1.17]
Buddhists	1.3	1.61 [0.93]

Source: Calculated from the 1995 Inter-Censal Survey (SUPAS) data
Bracketted figures = coefficient of variation

India: The Muslim population in India, which accounted for 13.4 per cent of the Indian population in 2001, is on average systematically worse off than the Hindu population. Educational differences between Muslims and Hindus in India persisted throughout the twentieth century (Deolalikar 2008). Muslim literacy rates in 2001 were 59 per cent compared with an all India rate of 65 per cent.[11] Overall Muslims are more likely to be engaged in self-employment and much less likely to have regular salaried jobs, especially in the government or large public and private sector enterprises (Government of India 2006). Muslim regular employees receive lower daily salary earnings in both public sector and private sector jobs (Government of India 2006). Muslims and Scheduled Castes and Scheduled Tribes have been persistently the most disadvantaged groups in terms of headcount poverty. In 2004-5, for example, the Muslim poverty rate was 43 per cent compared with a rate of 27 per cent for all Hindus.

There is abundant evidence of political inequalities between Muslims and Hindus in India. In the Indian parliament, the Lok Sabha, Muslim representation was 6.6 per cent in 2004 (Ansari 2006), in comparison with a population share of over 13 per cent. There was also underrepresentation in State Assemblies (Ansari 2006). There have been periodic attacks and counter-attacks between Muslims and Hindus, sometimes triggered by demolition of religious buildings, for example, the demolition of the Babri Masjid in Ayodhya in 1992.

[11] Scheduled castes and tribes – among the Hindus – also face multiple deprivations and are generally worse off than Muslims as a group (Government of India 2006).

China: There is very little data on the socio-economic position of Muslims in China who account for an estimated 1-2 per cent of the total population or around 20 million people, in several ethnic groups, including Hui (largely Mandarin speaking), and Dongxiang and Uigur (Turkic speaking). Data are only available for educational performance, which shows varying disadvantage among ethnic groups (Fisher 2004)

Philippines and Thailand: There are strong similarities between the Philippines and Thailand regarding the position of Muslims relative to the rest of the population. In both countries, Muslims are doubly disadvantaged: first, the regions in which they are located have lower per capita incomes (and growth rates) than the rest of the country; and second, within the region of concentration, the Muslim population does less well than the rest of the population (Brown 2008).

Muslims in the Philippines account for about 5 per cent of the total population, but a much larger proportion in Mindanao region – around 20 per cent today (a sharp drop over the last hundred years largely due to immigration from the rest of the Philippines, encouraged by the state). Mindanao as a whole has been consistently below the national average in terms of GDP per capita. Within Mindanao, the socio-economic performance of the five provinces in the Autonomous Region of Muslim Mindanao (ARRM) is worst of all the Philippines (Brown 2008).

Likewise, in Thailand, the Muslim population forms a small proportion of the total Thai population (4.6 per cent), but a much larger proportion in the southern region (28 per cent in 2000) (data from CIA and Brown 2008), which shows the lowest economic performance in the country. Within Southern Thailand, Muslims are disadvantaged relative to the Bhuddist majority. For example, in 1987 (the only year for which there are data of this kind), Buddhist males had 1.68 times the number of years education of Muslim males, and the discrepancy in household assets was 1.17 (Brown 2008: 273).

In both the Philippines and Thailand, there has been violent opposition from Muslim groups, seeking greater political autonomy for their region – the violence has been greater in the Philippines, and more sporadic in Thailand.

c. Muslim/non-Muslim HIs in West Africa

In West Africa too, the demographic position of Muslims varies. In some countries (Benin, Cameroon, Côte d'Ivoire and Ghana) Muslims form a significant minority; in Nigeria they account for about half the population; and in Niger and Mali they dominate the population. In general Muslims are concentrated in the north of each country, so that data on regional inequalities gives some guide to their relative position.

In the case of Côte d'Ivoire, Ghana and Nigeria, all socio-economic indicators are worse in the north of the country where Muslims are concentrated. For Benin, while education indicators (literacy and school attendance) are worse than the national average in all four northern regions, and income per head is worse in three, life expectancy is as good or better, possibly reflecting lower rates of HIV/AIDs among Muslim populations. Data on height differences show northern disadvantage in Cameroon, Chad and Côte d'Ivoire (Moradi and Baten 2005).

While there is generally economic and social disadvantage among Muslims, the situation with respect to political and cultural status varies markedly with demography as well as national attitudes and practices. In the majority states, Muslim cultural and political status is generally good. But there is considerable variation elsewhere. For example, in Ghana there is a culture of inclusion both politically and in relation to general status, but in Côte d'Ivoire, Northerners have been excluded politically and culturally – indeed this is thought to be a major reason for the outbreak of civil war in 2002 (Langer 2005).

d. Israel and Palestine.
Within Israel there are large inequalities between Jews and Muslims, starting with citizenship rights. Poverty rates are far higher among the Arab population (60 per cent compared with 20 per cent for al Israel). Unemployment rate in 2008 were 11 per cent among Arabs compared with 7 per cent for all Israel. Arab students receive one third the amount of funding per student as Jewish students. The Arab IMR is twice the Jewish rate, and life expectancy among Arabs is four years less than Jews. Even stronger than these inequalities within Israel are inequalities between Israelis and Palestinians:

Table 2: Israel/Palestine HIs.			
	Israel	Palestine	Ratio I/P
GNI per capita, PPP 2009, $	25,849	2,656	9.73
GDP p. capita growth rate, 2000-2009	2.1%	-2.1%	
Telephone lines per 100, 2009	45.7	9.4	4.9
Unemployment rate, 2009	7.5%	24.9%	0.30
IMR, 2010	3.7	20.2	0.18

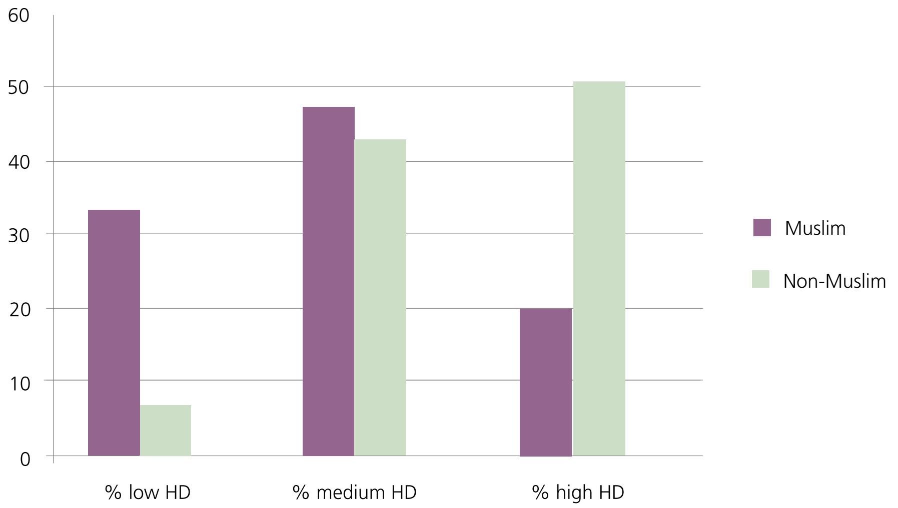
Source: World Bank: World Development Indicators

3.2 Inequalities between countries

The evidence shows systematic HIs in which Muslims are relatively deprived within countries in much of the world. There is also evidence that Muslim countries (those where Muslims form the majority) are less well off at a global level than non-Muslim ones, in socio-economic, cultural and political terms.

If we take all countries in which Muslims dominate and contrast them with all countries where other religions (or non-religions) dominate, including Christians, Hindus, Buddhists and secularists, there is a clear and large gap favouring non-Muslims, although there are, of course, very big differences within each of these categories: for example, many poor countries are in the non-Muslim group (such as Malawi, Nepal, and Bolivia); and there are some economically successful countries in the Muslim group, such as Malaysia, Kuwait, Saudi Arabia, and Turkey. This is illustrated by Figure Two showing the proportions of Muslim and non-Muslim countries in high, middle and low Human development categories, according to the UNDP.

Figure 2: Human Development in Muslim and non-Muslim Countries



Average per capita incomes of the states where a majority of the population is Muslim are just 44 per cent of those of the non-Muslim countries, and under-five mortality rates are almost twice as high (Table 3), with considerable heterogeneity in each group. There is also a clear imbalance in political power. As indicators of this, Table 9 shows how much greater non-Muslim countries' power is by comparing membership of the Security Council, voting rights at the IMF, and military expenditure. By each measure, the Muslim countries fall well below the non-Muslim, including when calculating these in relation to population shares, or numbers of countries.

Table 3: Comparative performance of Muslim and non-Muslim countries		
Muslim countries[a], average[b] performance	Non-Muslim countries average performance	Ratio of Muslim to non-Muslim
200 [89.5]	105 [81.5]	1.9
100 [80.3]	46 [55.5]	2.18
0.1 [2.4]	1.5 [2.3]	0.07
5,470 [6,493]	12,497 [12,019]	0.44
3/17 (no permanent)	12/17 (including all permanent)	0.25
0.12	0.16	0.75
0.09	0.18	0.5
11.8	88.2	0.13
0.47	1.18	0.4
7.7%	92.3%	0.08
0.31	1.23	0.25

Source: UNDP, Human Development Report statistics; IMF: www.imf.org/external/np/sec/memdir/members.htm. UN Security Council: www.un.org/sc/members.asp; Wikipedia: http://en.wikipedia.org/wiki/List_of_countries_by_military_expenditures

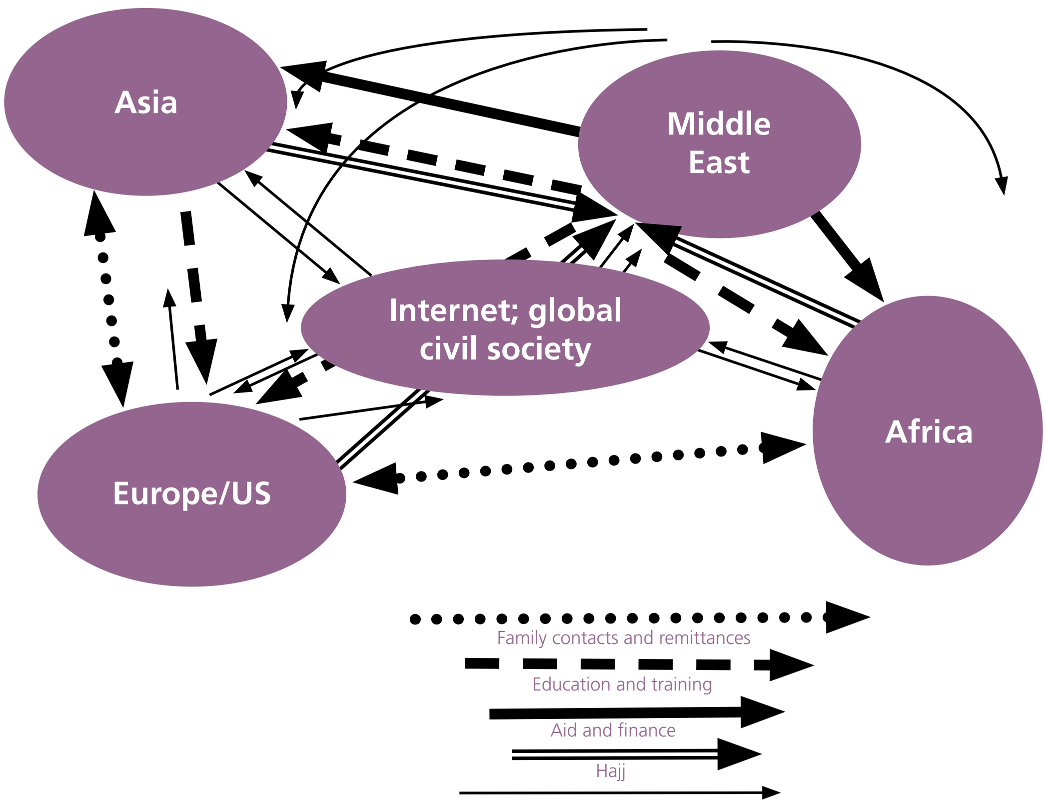
a. Defined as any country with 50% or more of population classified as Muslim according to CIA FactBook. Standard
b. Country averages, not weighted by population.
c. deviations are in square brackets.

4. Implications of consistent and persistent global inequalities

As indicated above, there is evidence of consistent deprivation of Muslims relative to others globally, within *and* between countries. Within particular countries, such inequalities can (and often do) underlie group mobilisation, sometimes leading to violence, which can take the form of local disputes and violence (as in Indonesia and Nigeria), riots (as in India), or national conflict (as in Cote d'Ivoire). It seems plausible that the global inequalities underlie some of the current global tensions leading to global terrorism. Yet this depends on there being strong connections among Muslims globally.

There is extensive evidence of global connections between Muslims across the world (Stewart 2009). Some of the major connections are illustrated in Figure 3. They include family connections, involving a range of communications, marriages, and remittances; education and training, for which people travel globally to Asia, the Middle East and to Europe to attend a variety of educational institutions; financial connections (outside the family), with finance (and aid) crossing borders, much going from the Middle East, notably Saudi Arabia and Kuwait, to developing countries; the Hajj pilgrimage which takes millions to Mecca; global civil (including religious) and political institutions; and, more recently, media and internet connections. While all these connections enhance a shared Muslim identity, the connections

Figure 3: Some global connections among Muslims



are multilayered, and the links occur among different groups of people, according to context – including importantly, differences among religious subsets of Islam (Sunnis, Shia, different *madhabs* within them, Sufism and different Sufi orders, liberals and radicals, and so on)[12] as well as differences in economic activities and interests, needs and education. The connections are neither unidirectional nor monolithic. Nonetheless, together the links are very large in number, some of which touch most Muslims in one way or another.

An example of some of the multiple connections is provided in an article by Tahir Abbas (2007), himself a British Muslim, who interviews Moazzam Begg, a second generation British Muslim with a middle class background, who had been detained in Guantanamo Bay. Abbas (2007: 430) attributes Begg's radicalism to "exclusion, marginalisation, disempowerment, media bias, political rhetoric, far right hostility, perceptions in relation to British and US foreign policy, a lack of appropriate Muslim leadership in Britain and a regressive interpretation of Islam as a reactive rather than a pro-active experience". Inspired by a film, *The Message*, and facing racism in Birmingham, Moazzam began to look to Islam "to get rid of the cultural baggage". He met Bosnian Muslims, blond and blue-eyed and "felt a great affinity towards them" (Abbas 2007: 432-3). In the 1990s he made eight or nine trips to Bosnia and made financial donations to the Bosnian army. After his bookshop was raided by MI5 and he had married a Pakistani woman, he moved to Afghanistan and financed and built a school, shortly before 9/11. When asked about the London bombings, he felt "The targeting of individual is wrong and it shouldn't happen…The overriding factor of the occupation in Iraq and Afghanistan was enough to spur them on to do what they did…it was this idea that it is all one and the same: the struggle in Afghanistan and Iraq and even Britain, that it's all connected." (Abbas, 2007: 436).

This view- that it's all connected, was also clearly expressed by one of the Nigerian Muslim fighters: "The presence of France [in Mali] has launched a war on Islam and we are fighting it everywhere" (Boko Haram Islamists (Nigeria), quoted in Financial Times, February 25th 2013).

These manifold global connections linking Muslims across countries make it likely that grievances in one place will be felt elsewhere – "it's all connected" as Moazzam stated. Pew surveys document the homogeneity of views among Muslims across countries and the marked differences from non-Muslims (Pew Research Center 2006). In the 2006 survey, a high proportion of Muslims blamed Western people for poor relations between Muslims and the West, and the reverse was true of non-Muslims with a considerable proportion blaming Westerners. The difference was most marked among Nigerians: 69 per cent of Christian Nigerians blamed the Muslims and 10 per cent Western people, while in contrast only 1 per cent of Nigerian Muslims blamed Muslims and 83 per cent blamed Western people. Similar differences are shown on questions of responsibility for economic failures and cultural issues.

[12] See, for example, Sivan, E. (2003). "The clash within Islam." *Survival* 45(1): 24-44. who discusses the divisions between radical Islam and liberals.

5. Conclusions

This paper has argued that most HIs are not only unjust but they also have some adverse effects, most clearly in provoking conflict between groups. Evidence has been provided showing systematic inequalities between Muslims and non-Muslims within most countries, apart from those where Muslims account for almost all the population, and between countries. It is suggested that these inequalities may be contributing to both national and international tensions, culminating in violence within countries and from time to time internationally too. This suggests that policies to support both justice and peace should be directed towards reducing these inequalities. Yet both within nations and between them, most policies are directed at repressing what are seen as extremists and terrorists rather than directing social, economic, cultural and political policies aimed at substantially reducing such inequalities. National policies to reduce Muslim-non-Muslim inequalities are needed within European countries as well as many developing countries. To date the need for such policies to reduce tensions and avoid the need for tough security measures has rarely been acknowledged, let alone acted upon. Yet evidence on the relationship between HIs and conflict suggests that without reducing such inequalities, repressive policies are likely to have only short-term effects in protecting national security.

References

Adelman, I. and C.T. Morris (1973) *Economic Growth and Social Equity in Developing Countries*. Stanford, California, Stanford University Press.

Alesina, A. and R. Perotti (1994) The political economy of growth: A critical survey of the recent literature. *The World Bank Economic Review* 8(3): 351-371.

Alesina, A. and D. Rodrik (1994) Distributive politics and economic growth. *Quarterly Journal of Economics* 109(2): 465-490.

Anderson, E. S. (1999) What is the point of equality? *Ethics* 109(2): 287-337.

Ansari, I. (2006) *Political representation of Muslims in India*, 1952-2004. New Delhi, Manak Publications.

Arneson, R. (1997) Equality and equality of opportunity for welfare. *Equality: Selected Readings*. L. Pojman and R. Westmoreland. New York, Oxford University Press.

Auvinen, J. and E. W. Nafziger (1999) The sources of humanitarian emergencies. *Journal of Conflict Resolution* 43(3): 267-290.

Bénabou, R. (1996) Inequality and growth. NBER *Macroeconomic Annual*. B. Bernake and J. Rotemberg. Cambridge, MA, MIT Press: 11-74.

Berg, A. G. and J. D. Ostry (2011) Equality and efficiency. Is there a trade-off between the two or do they go hand in hand? *Finance and Development* (September): 13-15.

Birdsall, N. and R. Sabot (1994) Inequality as a constraint on growth in Latin America. *Development Policy Review.* Washington, DC, Inter-American Development Bank (IDB).

Brown, G. (2008) Horizontal inequalities and separatism in Southeast Asia: a comparative perspective.

Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies. F. Stewart. London, Palgrave: 252-284.

Cohen, G. A. (1989) On the currency of egalitarian justice. *Ethics* 99(4): 906-944.

Collier, P. (1999) On the economic consequences of civil war. *Oxford Economic Papers* 51(1): 168-183.

Collier, P. and A. Hoeffler (2004) Greed and grievance in civil war. *Oxford Economic Papers* 56(4): 563-595.

Cornia, G. A. (2004) *Inequality, growth, and poverty in an era of liberalization and globalization*. Oxford, Oxford University Press.

Demant, F., M. Maussen, et al. (2007) The Netherlands: Preliminary research report and literature survey. O. S. I. Series on Muslims in the EU: Cities Report, EU Monitoring and Advocacy Program.

Deolalikar, A. B. (2008) How do Indian Muslims fare on social indicators? *Handbook of Muslims in India*. A. Sharif and R. Basant. Delhi, Oxford University Press.

Dworkin, R. (1981) What is equality? I. Equality of welfare? II. Equality of Resources. *Philosophy and Public Affairs* 10(3): 228-240.

Equalities Commission. (2006) The Equalities Review: Interim Report for Consultation. Retrieved April 4th 2013.

Equalities Commission (2007) Fairness and freedom: The Final Report of the Equalities Review. London.

Fearon, J. D. and D.D. Laitin (2003) Ethnicity, insurgency, and civil war. *Cambridge Journals Online*. 97: 75-90.

Fisher, A. (2004) Urban fault lines in Shanri-La: population and economic foundations of inter-ethnic conflict in the Tibetan areas of Western China. *Crisis States Programme Working Paper* London, London School of Economics.

Fishlow, A. (1995) Inequality, poverty and growth: Where do we stand? *Annual World Bank Conference on Development Economics*. Washington DC, World Bank.

Fitzgerald, V. (1987) An evaluation of the economic costs to Nicaragua of US aggression: 1980-1984. *The Political Economy of Revolutionary Nicaragua*. R. J. Spalding. Boston, Mass: Allen and Unwin.

Forbes, K. J. (2000) A reassessment of the relationship between inequality and growth. *American Economic Review* 90(4): 869-887.

Galenson, W. and H. Leibenstein (1955) Investment criteria, productivity, and economic development. *Quarterly Journal of Economics* 69: 343-370.

Government of India (2006) Social, Economic and Educational Status of the Muslim Community in India. Delhi, Prime Minister's High Level Committee, Cabinet Secretariat

Gutiérrez, C. and R. Tanaka (2009) Inequality and education decisions in developing countries. *The Journal of Economic Inequality* 7(1): 55-81.

Hayek, F. A. v. (1944) *The Road to Serfdom*. London, G. Routledge & Sons.

Herding, M. (2012) Muslims in European Politics. *Euro-Islam.info*(May 6 2012).

Hildebrand, V. and P. Van Kerm (2009) Income inequality and self-rated health status: evidence from the European Community Household Panel. *Demography* 46(4): 805-825.

ILO (1976) *Employment, Growth and Basic Needs: A One-World Problem*. Geneva, ILO.

Kant, I. (1949) *Fundamental principles of the metaphysic of morals.* Indianapolis, Bobbs Merrill Co Inc.

Langer, A. (2005) *Horizontal inequalities and violent group mobilisation in Cote d'Ivoire*. Oxford Development Studies 33(1): 25-45.

Langer, A. and G. Brown (2008) Cultural status inequalities: an important dimension of group mobilization. *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*. F. Stewart. London, Palgrave: 41-53.

Lansley, S. (2011) *The cost of inequality: three decades of the super-rich and the economy*. London, Gibson Square.

Li, H. and H.-f. Zou (1998) Income inequality is not harmful for growth: Theory and evidence. *Review of Development Economics* 2(3): 318-334.

Locke, J. (1773) *An Essay concerning the true original, extent and end of Civil Government*. Boston, Mass, Edes and Gill: 130

Locke, J. (1963) *Two Treatises of Government*. [S.l.], Néw American Library.

Mayer, S. E. (2000) Income inequality, economic segregation and children's educational attainment. *JCPR Working Papers*. Chicago, Northwestern University/University of Chicago Joint Center for Poverty Research.

Milanovic, B. (2005) *Worlds Apart: Measuring International and Global Inequality*. Princeton, N.J. ; Woodstock, Princeton University Press.

Moore, G. E. (1903) *Principia Ethica*. Cambridge, Cambridge University Press.

Moradi, A. and J. Baten (2005) Inequality in Sub-Saharan Africa: new data and new insights from anthropometric estimates. *World Development* 33(8): 1233-1265.

Nozick, R. (1974) *Anarchy, State, and Utopia*, Oxford: Blackwell.

Okun, A. M. (1975) *Equality and Efficiency: the Big Tradeoff. Washington*, D.C, Brookings Institution.

Paes de Barros, R., F. H. G. Ferreira, et al. (2009) *Measuring Inequality of Opportunities in Latin America and the Caribbean*. Washington DC, World Bank.

Panizza, U. (1999) Income inequality and economic growth: Evidence from American data. *IADB Working Paper*. Washington DC, Inter-American Development Bank.

Persson, T., G. Tabellini, et al. (1994) Is inequality harmful for growth? *The American Economic Review* 84(3): 600-621.

Pew Research Center, P. G. A. P. (2006) The Great Divide: how Westerners and Muslims View Each Other.

Pigou, A. C. (1920) *The Economics of Welfare*. London, Macmillan.

Posner, D. N. (2005) *Institutions and ethnic politics in Africa.* New York, Cambridge University Press.

Ranis, G., F. Stewart, et al. (2000). Economic Growth and Human Development. *World Development* 28(2): 197-220.

Rawls, J. (1971) *A Theory of Justice*. Cambridge, Mass, Belknap Press of Harvard University Press.

Rawls, J. (2002) *A Theory of Justice*. Oxford, Calrendon Press.

Robbins, L. (1938) Interpersonal Comparisons of Utility: A Comment. *Economic Journal* 48: 635-641.

Robbins, L. R. B. (1945) *An Essay on the Nature and Significance of Economic Science*. 2nd Edition. London, Macmillan.

Roemer, J. E. (1996) *Theories of Distributive Justice*. Cambridge, Mass ; London, Harvard University Press.

Roemer, J. E. (1998) *Equality of opportunity*. Cambridge, Mass. ; London, Harvard University Press.

Rousseau, J.-J. (1968 (first edition 1762)) *The Social Contract*. London, Penguin.

SCP (2005) Jaarrapport Integratie (*Integration Annual Report*). The Hague, Sociaal en Cultureel Planbureau.

Sefton, T. and K. Stewart (2009) *Towards a more equal society?: poverty, inequality and policy since 1997*. Bristol, Policy Press in association with the Joseph Rowntree Foundation.

Sivan, E. (2003) The clash within Islam. *Survival* 45(1): 24-44.

Stewart, F. (1985) *Planning to Meet Basic Needs*. London, Macmillan.

Stewart, F. (2009) A global view of horizontal inequalities: inequalities experienced by Muslims worldwide. *MICROCON Research Working Paper 13*.

Stewart, F. (2013) Redressing inequalities in society: growth and equity are compatible. *paper prepared for JICA project*. Tokyo, JICA.

Stewart, F. and A. Langer (2008) *Horizontal inequalities: explaining persistence and change. Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*. F. Stewart. London, Palgrave: 54-78.

Stewart, F., Valpy Fitzgerald and Associates (2001) *War and Underdevelopment:The Economic and Social Consequences of Conflict*. Oxford, Oxford University Press.

Stiglitz, J. E. (2012) Macro-economic fluctuations, inequality and Human Development. *Journal of Human Development and Capabilities* 13(1): 31-58.

Streeten, P. P., S. J. Burki, et al. (1981) *First Things First, Meeting Basic Human Needs in Developing Countries.* New York, OUP.

Thorp, R. and M. Paredes (2010) Ethnicity and the persistence of inequality the case of Peru. *Conflict, Inequality and Ethnicity*. Houndmills, Basingstoke, Hampshire ; New York, Palgrave Macmillan.

Tilly, C. (1998) *Durable Inequality*. Berkeley, University of California Press.

Vaughan, K. (1978) John Locke and the Labor Theory of Value. *Journal of Libertarian Studies* 2(4): 311-326

Viprey, M. (2002) L'Insertion des Jeunes d'Origine Étrangère. *Etude du Conseil Economique et Social*

Editions des Journaux Officiels.

Walzer, M. (1983) *Spheres of Justice*, Basic Books.

Williams, B. (1962) The idea of equality. *Philosophy, Politics and Society, 2nd series*. P. Laslett and W. G. Runciman. Oxford, Blackwell.

Comments on Session II, David Piachaud

Ludwig Wittgenstein said that Bertrand Russell suffered from a "loss of problems." Neither Adair Turner [1] nor Frances Stewart can ever have felt that they lacked problems given the persistence of poverty and inequality and the problems that have been thrust upon them. They are both major "public intellectuals" and their contributions to the Centennial Colloquium are greatly appreciated.

Adair Turner argued that "growing inequality within societies - both developed and emerging - may be more inherent and ever more difficult to overcome. Traditional panaceas such as better skills may be ineffective. The available policy responses are not clear, but will most likely be found if we start with clear analysis of what is driving the increasing inequality trend".

Frances Stewart discussed the importance of economic, social, political and cultural inequalities and considered how Muslim/non-Muslim inequalities within Western economies and developing countries and inequalities between Muslim and non-Muslim countries contribute to current world tensions.
Their papers raise many interesting and important questions. I will discuss just two of them – the boundaries of justice and the role of social policy in relation to inequalities within societies.

The boundaries of justice

Frances Stewart contrasted the approach of John Rawls, who discussed justice essentially within national boundaries, and the Human Rights approach, which does not recognise national boundaries, but does not spell out obligations. Amartya Sen (*The New Republic*, December 14, 2011) contrasted the approach of Hobbes, who argued that the demands of justice can only be met by a functioning sovereign state, with that of Hume who wrote:

> again suppose, that several distinct societies maintain a kind of intercourse for mutual convenience and advantage, the boundaries of justice still grow larger, in proportion to the largeness of men's views, and the force of their mutual connexions. History, experience, reason sufficiently instruct us in this natural progress of human sentiments, and in the gradual enlargement of our regards to justice, in proportion as we become acquainted with the extensive utility of that virtue. (*An Enquiry Concerning the Principles of Morals*, 1777, Section III Part I)

Until the 20th century, the boundaries of justice fairly clearly stopped at national boundaries, in Britain's case the shoreline. For example, in the 19th century the British government not only tolerated the trade in opium to China heedless of its consequences but used the Royal Navy to enforce access in the name of free trade, wholly contrary to what the Chinese government regarded as just. In the 21st century laundering money of illegal drug dealers has still occurred through the City of London, but it is generally viewed as seriously out of order.

What has extended the boundaries of justice is, above all, communication, breaching the divide between "them" and "us". This divide, which Richard Rorty in *Contingency, Irony and Solidarity*, (1989) has

[1] Adair Turner's paper is not included in this collection.

called the most fundamental divide between people, restricts considerations of justice to "us"; almost anything can be done to "them" because they are not treated as equally human, with the same rights, as "us". Increased communication is not just phones and social media but also the movement of people, especially young people, in which LSE has played a part. At a global level, in the early 1950s there were fewer than 100 students from mainland China studying abroad; now about half a million are doing so and nearly as many overseas students are studying in China.

Foreign military interventions which in the past were justified on the grounds of external threat – real, imagined or concocted – are now often justified on the grounds that there is a lack of internal justice in the country to be taken over, although such interventions tend to be somewhat selective and their contribution to internal justice is often in doubt.

The dimensions of justice that are of concern are also expanding. In the past, only extreme injustices have been attended to – massacres of minorities or extremes of famine, for examples. Now, primary education for all children is one of the Millennium Development Goals.

Thus, in many ways, the perceived boundaries of justice are extending.

How far international bodies are effective in promoting justice across boundaries is doubtful, given that their governance in most cases is based upon national governments. Yet this is gradually changing. Just as concern for the most deprived within nations motivated many social policy developments, so concern for children everywhere now motivates much policy thinking and, however slowly, leads to political action. The boundaries of social policy thus widen.

One example that has only recently received much attention is taxation and the ability to manipulate it internationally. Boundaries in taxation are crucial boundaries of social justice: unless taxation can be effectively raised, social policies cannot be financed and sovereignty is undermined. Now it is revealed that global corporations such as Amazon have paid little or no Corporation Tax in the UK; with other corporations following such a lead, the finance of schools and hospitals is threatened.

In the past, privateers – government-sanctioned pirates – operated from off-shore lairs. Today off-shore tax havens such as the Channel Islands and the Cayman Islands while British in name effectively rob the UK Exchequer of billions. As the boundaries of justice extend, there is no way that such modern fiscal piracy should or will survive.

Hume was surely right that the boundaries of justice do grow larger. This is of fundamental importance for the future of social policy.

Inequalities within society
Inequalities between societies are one cause of concern. The growth in inequality within groups, as documented by John Hills and others in *An Anatomy of Economic Inequality in the UK* (2010) are another cause for concern, particularly because remedies are none too apparent.
One response has been to increase social spending on subsidising low paid work through means-tested benefits, tax credits and, prospectively, Universal Credit. This contrasts with past social policy which

was very largely focussed on those outside the labour market, who have always depended on whatever welfare the government or charities provided. Yet the role of social policy as sop for growing inequalities, picking up some of the pieces, relieving some poverty through ever more targeted, conditional and means-tested systems is not a promising one.

Fortunately, a residual welfare state is not the only future that can be conceived.
As David Donnison reminded the Colloquium, we are social animals and the social framework within which we operate is crucial. If we are concerned about inequalities within society then social policy has a crucial role to play.

There are grounds for optimism. Poverty, health, education and housing are probably more central to political debate than ever before. There is a commitment to social goals in all democratic states and most undemocratic states as well. Public support for universal health care and education have not changed; only the willingness to pay taxes and to provide for some vilified groups of welfare recipients have wavered.

> If growing inequalities within society are to be tackled, social policy needs to go back to the roots of inequality.
>
> If lifetime educational and employment prospects are substantially determined by the age of three, then leaving child nurture up to age three to be an almost entirely private sphere makes little sense. A major shift of social policy towards the early years is fundamental to reducing inequalities in life chances.
>
> If housing inequalities are crucially linked to family wealth and the affordability of housing then maintaining restrictions on the supply of land for housing that create ever-deeper division between the housing "haves" and "have nots" no longer makes any sense.
>
> If employment opportunities are crucial, as any government espousing work as the "right route" must recognise, then full employment must be the central economic priority, as Beveridge argued 70 years ago. The growth and redistribution of employment are as important as the redistribution of income, on which social policy has in the past principally concentrated.

Many other examples could be advanced.

What seems indubitable is the importance of social policies for inequality.

My conclusion is that social policy has not been responsible for the growth of inequality – what some describe as "wreckage" – indeed it has mitigated this. It has been and will be resilient because society depends on sound, sustainable social policies and, despite turbulence and vicissitudes, this is widely recognised. But social policy is in need of renewal. That does not mean clinging to the wreckage but thinking through and building a brighter future.

Session III: Restructuring Services: Competition, Coordination and Social Justice

Economic Risk and Welfare State Reform: The Role of Choice and Competition Ideas Across the EU and North America,[1] Theodore Marmor

Abstract

This work seeks to locate intellectually welfare state reform efforts in Western Europe and North America over the course of the last four decades. It addresses most broadly the question whether new social risks have superseded the classic risks to family incomes addressed by welfare states – unemployment, the costs of illness and employment income foregone, industrial accidents, retirement poverty, and costs of raising a large family.

We conclude that while the risks at the time of a mature welfare state differ to some extent from those of its earlier formative days, the "old" risks to family incomes did not disappear. They still require collective action and institutions to collect funding from incomes and distribute entitlements according to needs. Modern welfare states face fiscal and budgetary pressure, aggravated by weakening consensus about welfare policies, but there is no evidence to support the position that healthcare costs have become fiscally "unaffordable" or politically "unsustainable" due to eroding public support. If anything, there has been expansion of the risks covered by health insurance in the last three decades by expanding the range of entitlements and categories of beneficiaries, or adding long term care insurance to the public schemes.

1. Introduction

These remarks emphasize the comparison of health care reforms in Western Europe and North America in the last quarter of the 20th century and start of the 21st century.[2] Its overall purpose is to place health care trends, conflicts, and reforms in the broader context of welfare state evolution in these two political jurisdictions. It addresses the question whether new social risks have superseded the classic risks to family incomes addressed by welfare states – unemployment, the costs of illness and employment income foregone, industrial accidents, retirement poverty, and costs of raising a large family.

We conclude that while the risks at the time of a mature welfare state differ to some extent from those of its earlier formative days, the "old" risks to family incomes did not disappear. They still require collective

[1] This contribution is largely based on Understanding health care reform in Western Europe and the United States by Kieke Okma and Theodore Marmor (forthcoming). *Choices and Changes in European and American Welfare State Reform*, (J. Cordes and Chr.Toft, eds).
[2] In this contribution the major emphasis is on the fifteen "old" EU member states in Western Europe (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom) as they share several historical and institutional features in their welfare state developments. Moreover, most evidence in this chapter comes from the founding EU member states (Belgium, France, Germany, Italy, Luxembourg, The Netherlands, Spain) for the more pragmatic reason that there are more comparative studies available about those countries than about the recent EU member states. But we see those experiences serve as illustrative of wider trends in social welfare policy and health care systems.

action and institutions to collect funding from incomes and distribute entitlements according to needs. Most if not all mature welfare states, this paper contends, have long lasting institutions in place for those purposes, albeit under differing administrative arrangements. That experience challenges the assumption that the modern State is no longer able to protect family incomes against the above risks because of "institutional" limits. While contemporary welfare states – from Canada to Japan, from Germany to Australia – face fiscal and budgetary pressure as well as ideological challenges that have weakened the degree of consensus about the welfare policies, there is no evidence to support the position that healthcare costs have become (or will become) fiscally "unaffordable" or politically "unsustainable" due to eroding public support.

Health care has become a major spending category in all modern welfare states. It represented over 10 per cent of national income among the rich democracies in Western Europe, and 18 per cent in the United States by 2012. It has generated its own literature and commentary, and responds increasingly to separate constituencies in academic, professional and media organizations. In the field of health politics, policy and law, there has been something of an explosion of international comparative studies. This growth was fueled by the demand of policy-makers pressured to come up with new reform ideas as well as the availability of statistical data from the Organization for Economic Cooperation and Development (OECD), World Health Organization (WHO) and other international organizations. Initially, the comparative studies focused on OECD member states, if only because the OECD Health Data originated with the industrialized countries. The aggregate statistical comparisons expanded to other parts of the world, too (see e.g. WHO 2000; Lancet 2012).

The last four decades also saw a rapid growth in the cross-national trafficking of ideas, one conducted in seminars, conferences, journals, email communities, and consulting assignments. The speed of that communication, as we argued elsewhere, often surpassed the capacity for critical assessment of the claims about reform outcomes (Marmor, Freeman and Okma 2009). In this contribution, we analyze claims and realities of the policy responses to changing risks and other challenges in the countries of North America and Western Europe.

A crucial point in comparing experiences across the Atlantic is the fact that by the late 1970s Western European countries (and Canada) already covered their entire populations by either tax-based universal schemes or by a mix of public and private health insurance. Reform efforts in those countries thus focused more on controlling public spending and improving the quality of medical care than on expanding insurance coverage (one of the core issues in the debate over the 2010 Patient Protection and Affordable Care Act, PPACA, in the United States, see Marmor and Oberlander 2009; 2010).

This presentation begins with a brief overview of the fiscal and ideological pressures that prompted extensive reform debates since the late 1970s in section 2. Section 3 discusses the change and continuity in the health care financing in Western Europe and North America. The last section presents the conclusions drawn in the larger essay from which these remarks were taken.

2 . Pressures for Welfare State and Health Care Reforms since the mid-1970s

Following the oil crises of 1973 and ensuing economic stagflation, many industrialized nations engaged in extensive debate about the future of their welfare state arrangements. At first, most attention focused on ways to restrain public pensions, unemployment and disability benefits. But with some delay, policy-makers also focused on (public) health care expenditures (Abel-Smith and Mossialos 1994). With a decline of faith in central government control, notions of individual consumer choice and market competition in health care gained popularity with a number of European policy elites. Nonetheless, those pro-market ideas never became generally popular and governments mostly adhered to traditional cost control measures in the 1980s and 1990s. The overwhelming majority of European (and Canadian, but also many Americans, see below) citizens continued (and continue) to consider universal access to health care a social right and feel that governments have the responsibility to safeguard that access for every citizen (Marmor, Okma and Latham 2006).

Governments did not give up their traditional measures to restrain the *supply* of health care services despite the rhetoric of "consumer-driven health care" that emphasizes the importance of *demand* as a driving force in the allocation of health care resources. The "old" measures included capacity restraints of hospitals and medical schools, price controls, user fees for medical treatment and de-listing of entitlements from public health insurance. The "new" ones included freedom to choose insurance plan, increases in user fees and changes in payment modes that shifted financial risk to providers and patients. Importantly, there was extensive "after reform maintenance" everywhere as, for example, governments took measure to exempt vulnerable patient groups from such payment increases (Okma and Crivelli 2010). Much of that was driven by the conviction that government intervention – however much motivated by efficiency goals – had to safeguard equitable or at least fair access to health care for all.

It is important to note the divergence between pension and health policies versus other welfare policies like unemployment and disability arrangements (Pierson 1994; Okma 2002a). Retrenchment efforts in several countries led to substantial curtailing of the eligibility criteria, levels and duration of unemployment and disability benefits (as well as budgetary restraints on education, public housing and other welfare programs) while old age pensions and health care entitlements largely escaped such measures. Strong popular support for the latter programs prevented governments to (fully) implement their retrenchment policies.

Despite announcements of the need to curtail entitlements, Western European healthcare entitlement actually *expanded* almost continuously (if not always undisputedly) during the last three decades in three directions. In fact, social insurance schemes added entitlements to their coverage at the same time there was widespread debate about delisting benefits in several countries (Maarse and Paulus 2003). Second, employment-based insurance came to cover the entire population (as in France). Third, expressive of a substantial reframing of family risk for the cost of long term care into social risks, some countries added population-wide long term care insurance to their social health insurance (e.g., Germany, The Netherlands and part of Belgium, as well as Japan, see Okma and De Roo 2009).

Those expansions resulted in complex hybridized models of health care financing that defy easy categorization. Despite this hybridization, the basic funding modes of the majority of European countries (tax-based, insurance-based or a mix) remained remarkably resilient. Within the hybrid models, however, fiscal and budget pressures prompted governments everywhere to pursue a wide variety of both "old" and "new" cost control measures.

3 . Change and Continuity in Health Care Funding in Western Europe and North America

There are basically five different sources of health care funding: general taxation (or earmarked taxes), social health insurance, private health insurance, out-of-pocket payments and charitable contributions (OECD 1992; 1994; Okma and Marmor, forthcoming). All health care systems of the world combine two or more of those sources. The health reform efforts of the late 20st century saw several efforts to change that mix.

For example, soon after stepping into office in 1979, the Thatcher administration considered replacing general taxation with health insurance as the major source of health care funding (Klein 2006). Facing public outcry and opposition by numerous stakeholders, however, it rapidly abandoned those efforts and moved instead towards an "internal market" of competing health care providers within the tax-based funding. The NHS engaged in a more or less permanent process of organizational change. Other European countries--including Germany, The Netherlands, Sweden, Denmark, and Switzerland--seriously discussed the merits of increased consumer choice and market competition within their public funding systems (OECD 1995; OECD 1996; Ranade 1998). The Netherlands and Switzerland in particular went on to substantially increase the role of private health insurance.

Spain and Italy both kept their national health insurance (paid out of general taxation), but shifted the administrative responsibility to the regional level. Scandinavian countries never seriously considered abandoning their tax-based funding either. They kept general taxation as the major funding source for health care, but strengthened the decision-making power and budgetary responsibility of regional and local governments. They expressed limited interest in market-based change, with notable exceptions like the experiment in privatizing a major hospital in Stockholm or supplemental health insurance in Denmark. Sweden also experimented with a "purchaser-provider split", but the county councils still own the majority of all hospitals (Anell 2005). Austrian policy-makers experimented with "Total Quality Management" (TQM) in public hospitals, enlarging patient choice of hospital while maintaining the social health insurance funding that already covered the entire population (Koeck and Neugaard 1995).

Germany, The Netherlands and Switzerland – all already with universal or near universal coverage – widened access to traditional social insurance to population groups other than the original beneficiaries. Those three also discussed, and partially implemented, proposals to replace sick fund insurance by private health insurance. Switzerland took the lead in 1996 with a new scheme that combined mandated health insurance offered by competing (but not for profit) private insurers with extensive public regulation (OECD 2006; Leu et al. 2008; Crivelli and Bolgiani 2010).[3] The Netherlands, after more than three

decades of extensive reform debates and partially implemented reforms, replaced the mix of public and private health insurance with a quasi-privatized insurance model in 2006. Holland and Switzerland (since 1996) and Holland now require all (legal) residents to take out basic coverage with an insurer of their choice. Insured can opt for supplemental coverage and alternative plans with conditions different than the standard coverage, somewhat similar to the early prepaid group practice model of California's Kaiser-Permanente.[4]

The new schemes of Switzerland and The Netherlands became, for some international commentators, leading (and shining) examples of "consumer-driven health care" (or "managed competition") as a potential model for the US and other countries (Enthoven and Van de Ven 2007; Naik 2007; Harris 2007; Van de Ven and Schut 2008). Their commentary focused more on the theoretical promises of the model than on actual results, however. For example, rather than on relying on market competition to control health expenditure, both countries combine this "private" insurance with a heavy dose of cross-subsidization and government regulation (Reinhardt 2004; Okma and Crivelli 2010; Bernstein 2011). Within a few years after the introduction of the new insurance, there was a sharp decline in the numbers of people switching plans in both Switzerland and Holland (Smit and Mokveld 2007), but the switching rate picked up again after insurers offered major rebates for high deductible plans. An unexpected consequence in both countries – at least, in the eyes of policy-makers – was the administrative complexity and costliness of both the required cross-subsidization and the monitoring and supervision of the insurance mandate. There was a rapid process of market concentration of health insurance from mergers and regional groupings – another unanticipated side-effect (Okma and Crivelli 2010). In both countries, health expenditure went up considerately faster once the new insurance mandate went into effect, from about 8 to 12 per cent of GDP, from below to well above OECD average (OECD Health Data, www.oecd.org).

A particularly vexing issue in both Switzerland and Holland was the increasing number of uninsured. Legal mandates, it turned out, are hard to enforce (Glied, Hartz and Giorgi 2007). After lengthy deliberations, the Dutch government talked insurers into keeping delinquents on their rolls, promising that the government would bear the cost of recovering unpaid premiums. After a study revealed, predictably, an overrepresentation of young immigrants, single-parent families and welfare recipients among the delinquents (CBS 2007), the government abandoned the rule that uninsured would have to pay for hospital costs themselves. In the end, the Health Ministry reinstated the responsibility of local social welfare administrations to withhold the insurance premiums of unemployment and welfare beneficiaries from their monthly income support (MoH 2007).

Thus, most importantly for the question whether health reforms did reflect changing notions of social versus individual risks, the experience of Holland and Switzerland show that if anything, the new universal mandates did actual increase the reach of the social policies by creating wider insurance risk pools and

[3] Notions of what is "public" or "private" differ across countries. European countries generally consider both government controlled health care and the not for profit insurance and health services as "public". In North America, the not for profit sector is generally defined as private.
[4] Paradoxically, the introduction of market competition actually reduced patients' choice of provider. In Switzerland, insured with "managed care" model of health insurance faced a limited choice of providers, a restraint unpopular enough to reduce the use of that option (Crivelli 2007).

expanding government control over private insurance. The changes also reframed health insurance as individual responsibility rather than family coverage based on the traditional breadwinner model still in place in Germany. All adult individuals, regardless of their marital or employment status, now have to seek coverage.

German financing of health care (as in Austria), by contrast with Holland and Switzerland, remained comparatively stable. But German health policy has been more or less in a permanent state of incremental "reform" since the early 1990s (Busse and Riesberg 2002). The 1993 *Strukturreformgesetz* ["structural reform law"] reflected a mix of traditional budget controls and new ideas about consumer choice. It allowed Germans with social health insurance to register with a sick fund of their own choice. As in Holland and Switzerland, this opening up of insurance choice mostly encouraged relatively younger, healthier and wealthier insured to switch plans. The number of sick funds in Germany declined sharply, from over 1,000 to less than 200 between 1990 and 2010. Germany also extended government regulation over private insurance: all individuals who are not covered under the social insurance, have to take out private insurance.

Across Western Europe, governments set out to reduce public spending by increasing user fees or de-listing entitlements from public funding (the latter amounts to a 100 per cent co-payment). Those measures generally faced strong opposition, however. The Dutch "Dunning Committee" of 1991, for example, became famous for its proposal to "screen" social health insurance benefits. Its report drew considerable international attention, but little scrutiny of its actual impact.[5] In several instances, the Dutch government re-instated goods and services it had de-listed. In fact, the de-listing efforts became a "*catalogue of failure*" (Maarse and Okma 2004). That pattern was not limited to Holland (Ham and Roberts 2003). As stated above, most European countries in the 1980s and 90s actually *expanded* both the entitlements and populations covered by public health insurance. Most countries, moreover, softened the impact of user fees by exempting elderly, chronically ill patients, low-income families and other groups – largely defeating the very purpose of reducing expenditure and shifting costs from public to private funding.

Those measures illustrate that the reality of retrenchment (or curtailing social risks) was far less substantial than the rhetoric that accompanied reform efforts in Europe during the 1990s (and beyond). The expansion of the scope of social health insurance also included medical treatment for "new diseases" such as HIV/AIDS or resurfacing tuberculosis and new (sometimes very expensive) medical technology and prescription drugs. Instead of excluding such treatment or shifting costs to patients, the operational definition of social risks in health care widened.

[5] The Dunning report proposed to apply four "screens" to explicitly draw a line between individual and social risk: 1) effectiveness; 2) cost-effectiveness; 3) societal benefit and 4) level of costs surpassing individual capacity to pay (Dunning 1991). While the report contributed to a wider discussion over the need to restrain the health care rising costs, did not lead to any substantial de-listing of entitlements. The "screening" principles did not provide operational guidance for assessing old and new insurance entitlements, it. One problem was that some entitlements only benefit a limited number of patients, another one the lack of evidence about the (cost-)effectiveness of many medical treatments.

United States and Canada

When comparing the health care funding of Europe with that of the United States, the differences seem prominent at first. The United States is now the only major industrial nation without a universal or near-universal health care program. Americans get health insurance from a mix of private and public sources, some very similar to health funding arrangements in Europe. One would hardly know, from common commentary that depicts US health care as a "private" model, that public funds finance more than half of America's health expenditures.

There are, in fact, "five Americas" as far as medical care funding is concerned. The first is Medicare, America's form of European social insurance. The hospital insurance part of Medicare (Part A) covered more than 50 million retired persons over 64, as well as disabled persons and patients suffering from renal failure in 2012 (www.cms.gov). Here the Center for Medicare and Medicaid Services (CMS) sets the rules, but decentralized, private financial administrators pay the hospitals. Social insurance contributions during work bring entitlements to health care when ill during retirement. There is no link between health status and citizen payment, a core mark of social insurance. The second "health America" is Medicaid, a close cousin to the European Poor Law tradition. Medicaid is administered at the state level with largely federal funding, but limited to poor families who meet income and asset tests (in 2012, over 60 million beneficiaries, see www.cms.gov). Third, most families in the United States (about 60 per cent of all adult Americans under 65, over 150 million persons) get their (private) health insurance at work, usually with contributions from their employer (and public tax subsidy). The fourth "health America" is the "socialized medicine" represented by the Veterans' Health Administration (VHA), where disability after service to the country brings entitlement to medical care for life. The VHA is a national system of hospitals, clinics, and affiliations with medical schools under general direction from Washington, but with considerable autonomy for VHA's regional offices (www.vha.gov). Lastly, there is the insecure world of the uninsured, estimated at almost 50 million Americans in 2012 (www.cdc.gov). They depend on their own payment or private charity in hospitals and physician offices, as well as on federal law that requires hospitals to admit and stabilize anyone who shows up at the emergency room.

The public share of total US health care financing is much larger than most Europeans seem to realize, more than half of the 2.7 trillion dollars estimated in 2012. This public funding not only includes the major programs noted above, but also other federal programs for federal employees, police and firemen, Native Americans and the Armed Forces, local health clinics and, importantly, the tax expenditures that subsidize the employment-based coverage for working Americans.

The problems of access to health insurance (and hence to health care) worsened in the past two decades, with growing numbers of uninsured and under-insured. The estimated number of underinsured sometime within a two-year period is, it should be emphasized, nearly twice the 50 million noted above (Marmor, Okma and Rojas 2007).

Medical inflation (the difference between the growth rate of health expenditure and general price increase) in the US has been higher than any other industrialized country since the early 1970s. Medical bills remain the major cause of personal bankruptcy of American families (www.kff.org 2008). In the last three decades, facing high rates of medical inflation, American employers became more reluctant to offer (private) insurance coverage to their employees. They cut costs by offering lower-priced plans

with restricted coverage and high deductibles. Private insurers imposed more and more restrictions on the choices of their insured. Federal and state governments sought ways to restrain medical care expenditures that have persistently outdistanced their revenue growth by de-listing entitlements and imposing price controls.

The most striking features of America's health care funding, then, are its fragmentation, high costs and continued high level of medical inflation, uneven access to health care, and unfair distributive consequences (Marmor 2008; Elhauge 2010). Still, it is hard to argue that support for public action to address the social risk of health care costs is absent in the United States. In fact, the 2010 PPACA reflects a concerted action to reduce the number of uninsured and underinsured (it also expands funding for a wide range of preventive measures and imposed regulation on private health insurance). As we have argued elsewhere, the reason that America's health care system does not cover social risks as systematically or extensively as the systems of Europe or Canada is due to the very high barriers to change of its political system, the lack of public preference for universal coverage (Marmor and Klein 2012). Still, policy-makers seeking to reduce public spending face fierce opposition (as became clear during the 2012 presidential election) as a large and lasting majority of the American population strongly support the social insurance schemes of Social Security (old age pensions) and Medicare. A survey commissioned by the National Academy of Social Insurance (NASI) found that in late 2012 over 75 per cent of Republicans, and over 80 per cent of Democrats expressed willingness to pay higher taxes to preserve Social Security (NASI 2013). Similar high rates of popular support exist for Medicare.

Comparing the US experience with that of its northern neighbor Canada highlights its distinctive character. Both nations spent about seven per cent of their national income on medical care in 1970 (OECD Health Data, www.oecd.org). By 1980, Canada's share had risen to 7.5 per cent of GDP, that of the US to 9.5 per cent. The gap widened to 9 respectively 11.5 per cent by 1990, and to 10 versus 14 per cent in 2000. Canada's health expenditures remained roughly constant between 2000 and 2010, but those of the US increased to 17 per cent of GDP.

Those divergent growth rates highlight, above all, the cost restraining capacity of Canada's health financing policies. Whereas the United States discovers its total health spending after the fact, Canadian federal and provincial governments decide what to spend on hospital and physician services each year (prescription drugs outside hospitals are not included in the national health insurance, but most provinces offer separate schemes to particular populations groups or all their residents). Canadian provinces set limits on hospital budgets and outlays for physicians. As in Europe, the political willingness to impose overall spending limits appeared far more powerful in restraining medical expenditure than the fashionable parade of cost control instruments celebrated (and then largely abandoned) in the US from the 1970s to the present (Marmor and Oberlander 2009)

Conclusions

This contribution sought to locate health care trends, conflicts, and reforms in the broader comparison of welfare state developments in Western Europe and North America after the oil crises of the 1970s. In the 1980s, many OECD countries engaged in extensive debate about the future of their welfare states and health care systems. The reform experience mostly resulted in series of adjustments of existing programs and policies rather than major overhaul of health care systems. If anything, funding of health care became more "hybridized" as elements of the traditional employment-based social insurance combined with population-wide arrangements for long term care and other services.

In the 1990s, facing continued budgetary pressure, policy-makers searched for new solutions to old problems. They looked abroad for new ideas about new payment and contracting modes, new forms of ownership and administrative arrangements. Elite policy-makers embraced notions of consumer choice and "consumer-driven health care". Several European countries started to experiment with new "public-private" arrangements. Still, in most EU countries (as in Canada) full privatization of health care never became popular. The rhetoric about markets and consumer choice had only limited impact. Switzerland and The Netherlands replaced their public and private insurance schemes with a universal mandate to take out health insurance, administered by independent quasi-public insurers. They soon found that mandates are neither easy nor cheap to enforce, and that market competition requires more and not less government intervention.

The health reform efforts in both North America and the EU resulted in a mix of "new" and "old" cost control strategies by the early 21st century. The old ones included price setting, controls of capacity of hospitals and medical schools, efforts to curtail entitlements and increase patient payments. The new policy measures included forms of partial privatization (contracting out of hospital services and administration, private clinics funded out of both public and private payment, different forms of "managed care"). Many countries experimented with new payment models for medical care (that in most cases did not replace existing ones but resulted in a mix of payment models) and some countries tried, again, to delist services from their social insurance.

Changes in health care administration in both Western Europe and North America resulted in a complex and sometimes conflicting mix of governing models, approaches and policy directions. Market competition and consumer choice now combine with traditional state-control over health care. Nowhere did the health reforms result in a complete substitution of state control by market allocation, however. Whatever the shift towards "markets" (perhaps more rhetorically than in practice), health policies in Europe remained firmly embedded in cultural norms and public expectations about universal access to health care, with an equitable or fair distribution of financial burdens. As we argued elsewhere, such societal values do not tell governments what to do, exactly, but they create limits to what government can change (Marmor, Okma and Latham 2006). The experience shows that efforts to redefine social risks as individual responsibilities have not made many inroads in the health care systems of Western Europe and Canada—and even not much in the United States either as the recent PPACA legislation will expand mandatory coverage and government regulation over health insurance and health care.

Indeed, European health care systems remained firmly anchored in the public domain. The populations of Western Europe and Canada generally agree that it is a core government responsibility to safeguard access to good quality health care for all (thus considering the costs of health care as a social and not as an individual risk). Despite efforts to reduce public funding of health care, the size and scope of social health insurance actually expanded in most countries. Despite the rise of private clinics, most hospitals in EU countries remained public, either owned by (local) government or by not for profit foundations funded by public money.

In many ways, the United States has been exceptional. It is the only OECD nation without universal or near universal health insurance. The current system is highly fragmented and offers health insurance coverage to different population groups—elderly, (very) poor families, veterans, working families—with widely divergent distributional consequences. The Patient Protection and Accountable Care Act (PPACA) of 2012 aimed to expand both public and private health insurance, but did not address that fragmentation. That reality does not reflect the preferences of the American population, however. There is strong public support for Social Security, the general old age pension, and for Medicare, the social health insurance for elderly, and most Americans support the notion of universal health insurance. There is no agreement, however, on the form of such scheme. Moreover, the fragmented political system in the US has created many veto positions that all but block major change.

References

Abel-Smith, B. and E. Mossialos.(1994) Cost containment and health care reforms: a study of the European Union. *Health Policy*. 28 (2): 89-132.

Anell, A. (1995) Implementing planned markets in health services: the Swedish case. *Implementing Planned Markets in Health Care*. R.S.Saltman and C.Von Otter (eds). Buckingham-Philadelphia, Open University Press: 209-226.

Anell, A. (2005) Swedish healthcare under pressure. *Health Economics*, vol 14: S 237-254.

Bernstein. D. (2011) Pays-Bas: La théorie de la concurrence regulée a l'essai [Holland as a test case for The theory of managed competition]. *Les Tribunes de la Santé*. Presses de Sciences Po, ISSN 1765-888, 2001/1-no 30: 127-148.

Busse, R. and A. Riesberg (2002) *Health Care Systems in Transition: Germany*. Copenhagen: World Health Organization Regional Office, 2002

CBS. (2007) *Kenmerken van Wanbetalers Zorgverzekeringswet* [Characteristics of delinquent payers of health insurance]. Voorburg: Centraal Bureau voor de Statistiek.

Crivelli, L. (2007) Current problems and future challenges in the Swiss healthcare system. *In Patient Pathways. The Canton of Ticino Experience*. Greco, A. and M.C. Vichi (eds). Milan, McGraw-Hill: 3-19.

Crivelli, L. and I. Bolgiani. (2010) Consumer-Driven Versus regulated Health Insurance in Switzerland. Six Countries, *Six Reform Models: The Healthcare Reform of Israel, The Netherlands, New Zealand, Singapore, Switzerland and Taiwan*. K.G.H. Okma and L. Crivelli (eds). Singapore, World Scientific Publishers: 137-170.

Cutler, D. M. (2008) Pay for Performance. *Forbes* 172(4): 40.

De Swaan, A. (1988) *In Care of the State. Health Care, Education and Welfare in Europe and the USA in the Modern Era*. Oxford, Polity Press.

Dunning (1991) *Kiezen en Delen, Rapport van de Commisse Keuzen in de Zorg*. [Choosing and Sharing, Report of the Choices in Health Care Committee], Den Haag: Ministerie voor Volksgezondheid, Welzijn en Sport.

Elhauge, E. (2010) *The Fragmentation of U.S. Health Care*. Oxford, Oxford University Press.

Enthoven, A.C. and W.P.M.M. Van de Ven. (2007) Going Dutch—M=managed competition health insurance in The Netherlands. *New England Journal of Medicine* 357(24): 2421-23.

Enthoven, A. (2008) A living model of managed competition. A conversation with Dutch Minister Ab Klink. *Health Affairs* 27(3): 196-203.

Glied, S., J.Hartz and G.Giorgi (2007) Consider it done? The likely efficacy of mandates for health insurance. *Health Affairs* 26 (6): 1612-1621.

Greer, S. and H. Jarman. (2012) Managing risks in EU health services policy: Spot

markets, legal certainty and bureaucratic resistance. *Journal of European Social Policy* 22(3): 259-272.

Ham C. and G. Roberts (eds). (2003) *Reasonable Rationing: International Experience in Priority Setting in Health Care*. Maidenhead, Open University Press.

Harris, G., Looking at Dutch and Swiss health systems, *New York Times*, October 30, 2007.

Helderman, J-K., F. T. Schut, T. E. D. Van der Grinten and W. P. M. M. Van de Ven. (2005) Market-oriented health care reforms and policy learning in the Netherlands. *Journal of Health Politics, Policy and Law*. 30 (1, 2): 189-209.

Immergut, E.M. (1992) *Health Politics: Interests and Institutions in Western Europe*. Cambridge, University Press.

JHPPL (1999). *Journal of Health Policy, Politics and Law*, October 1999: *Special Managed Care Backlash*.

Kff.org (2008) Kaiser Family Foundation. *Americans Rank Health Care near the Top of Their Economic Woes*. *New Poll Find* (Press Release). www.kff.org, April 29, 2008.

Klein, R. (2006) *The New Politics of the NHS*. (5th ed). Albingdon, Radcliffe Publishers.

Koeck, C.M. and B. Neugaard. (1995) Competitive hospital markets based on quality: The case of Vienna. *Implementing Planned Markets in Health Care*. R.S.Saltman and C.Von Otter (eds) Buckinham-Philadelphia: Open University Press: 226-236.

The Lancet, 13 December 2012. Special about the 2010 Global Burden of Disease Study.

Leu, R., W. Brouwer and F. Rutten. (2008) *The Swiss and the Dutch Health Care Systems Compared: A Tale of Two Systems*. Baden-Baden, Germany: Nomos, 2008

Lijphart, A. (1968) *Verzuiling, Pacificatie en Kentering in de Nederlandse Politiek* [Pillarization, Pacification and Changes in Dutch Policies], Amsterdam: J.H. De Bussy.

Maarse, H. and K.G.H. Okma. (2004) The Privatisation paradox in Dutch health care. *Privatisation in European health care*. H.Maarse (ed). Maarssen: Elsevier Gezondheidszorg: 97-116.

Maarse, H. and A.Paulus. (2003) Has solidarity survived? A comparative analysis of the effect of social health insurance reform in four European countries. *Journal of Health Politics, Policy and Law* 28 (4): 585-614.

Maioni, A. (2008) Health care politics and policy in Canada. *One Issue, Two Voices. Health Care in Crisis: The Drive for Health Reform in Canada and the United States*. Washington D.C.: The Canada Institute: 14-28.

Marmor, T.R., K.G.H. Okma and S.R. Lathan. Values, institutions and health politics. Comparative perspectives. C. Wendt and C. Wolf (eds), *Soziologie der Gesundheit*. *Kolner Zeitschrift fur Soziologie und Sozialpsychologie, Sonderheft* 46, 2006: 383-405.

Marmor, T.R., G.H. Okma and J.Rojas. (2007) What it is, What it does and what it might do: a review of Michael Moore's Sicko, 113 minutes, Dog Eat Dog Films, USA. The American Journal of Bioethics 7(10): 48-50.

Marmor, T. R. and J. Hacker. (1999) The misleading language of managed care. *Journal of Health Politics Policy and Law* 24(5): 1033-1043.

Marmor, T.R..(2008) Health care politics and policy in the United States. *One Issue, Two Voices. Health Care in Crisis: The Drive for Health Reform in Canada and the United States*. Washington D.C.: The Canada Institute: 29-36.

Marmor, T.R., R. Freeman and K.G.H. Okma. (2009) Introduction. *Comparative Studies & the Politics of Modern Medicine*. T.R. Marmor, R. Freeman and K.G.H. Okma (eds). New Haven, Yale University Press.

Marmor, T.R. and J. Oberlander. (2009) Health 4eform: the fateful moment. *New York Review of Books*. 56(13): 69-74.

MoH. (2007) *Structurele aanpak wanbetalers* [Letter to Parliament about delinquent payers of health insurance]. Kamerstukken II, 23 mei 2007.

Naik, G. Dutch Treatment: in Holland, some see model for U.S. Health Care System. *Wall Street Journal*, Sept 6, 2007.

NASI (2013) *Strengthening Social Security: What Do Americans Want?* Washington DC: National Academy of Social Insurance.

Oberlander, J. and T.R. Marmor, (2010) The health bill explained at last. *New York Review of Books*, August 19, vol 57 (13): 61-63.

OECD (1992) *The Reform of Health Care, A Comparative Analysis of Seven OECD Countries.* Health Reform Studies No. 2. Paris: Organisation for Economic Co-operation and Development.

OECD (1994) *The Reform of Health Care, A Review of Seventeen OECD Countries*, Health Reform Studies No. 5. Paris: Organisation for Economic Co-operation and Development.

OECD (2005) *Health at a Glance*. Paris: Organisation for Economic Cooperation and Development.

OECD (2006) OECD *Reviews of Health systems: Switzerland*. Paris: Organization for Economic Cooperation and Development.

Okma, K.G.H, (2002) a. Health care and the welfare state: two worlds of welfare drifting apart? In *Social Security in Transition*. J. Berghman et al (eds) Leiden, Kluwer Law International: 229-238.

Okma, K.G.H., (2002) b. *What is the Best Public-Private Model for Canadian Health Care?* Research Paper. Montreal: Canadian Institute for Research on Public Policy.

Okma, K.G.H. and A. De Roo. (2009) The Netherlands: From Polder model to modern management. *Comparative Studies & the Politics of Modern Medicine*. T.R. Marmor, R. Freeman and K.G.H. Okma (eds). New Haven, Yale University Press: 120-152.

Okma, K.G.H. and M. Decter. (2009) Hospital care in the United States, Canada, Germany, the United Kingdom and The Netherlands. T.R. Marmor, R. Freeman and K.G.H. Okma (eds). *Comparative Studies & the Politics of Modern Medicine*. New Haven, Yale University Press: 203-243.

Okma, K.G.H. and L.Crivelli (eds). (2010) *Six Countries, Six Reform Models: The Healthcare Reform Experience of Israel, The Netherlands, New Zealand, Singapore, Switzerland and Taiwan. Healthcare Reforms "Under the Radar Screen"*. Singapore, World Scientific Publishers.

Okma, K.G.H. and T.R. Marmor (forthcoming). Understanding health care reform in Western Europe and the United States. In *Choices and Changes in European and American Welfare State Reform*, (J. Cordes and Chr.Toft, eds).

Pellet, R. (2009) *L'Europe et la Santé. Bilan critique de 50 ans d'histoire. Carnet de Santé de la France*. J. de Kervasdoué (ed). Dunod, La Mutualité francaise: 39-118.

Pierson, P. (1994) *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*. Cambridge, Press Syndicate of the University of Cambridge.

Ranade, W. (Ed). (1998) *Markets and Health Care: A Comparative Analysis*. New York, Addison Wesley Longman.

Reinhardt, U. E., (2004) The Swiss health system: regulated competition without managed care. *Journal of the American Medical Association*, 292(10): 1227-1231.

Rosenau, P. Vaillancourt and C.J.Lako. (2008) An experiment with regulated competition and individual mandates for universal health Care: The new Dutch health insurance system. *Journal of Health Politics, Policy and Law* 33(6): 1033-1055.

RVZ. (2003) *Marktconcentratie in de Ziekenhuiszorg*. [Market Concentration in Dutch Hospital Care], Zoetermeer: Raad voor de Volksgezondheid & Zorg.

Saltman, R. and C. Von Otter. (1990) Implementing public competition in Swedish county councils: a case study. *The Intern Journal of Health Planning and Management*, 1990, 5(2): 105-116.

Selvan, A. For-Profits Rising. www.modernhealthcare.com, posted March 13, 2012.

Smit, M. and P. Mokveld, (2007) *Verzekerdenmobiliteit en keuzegedrag* [Mobility and choice in Dutch health insurance]. Zeist, The Netherlands: Vektis.

Tuohy, C. (2009) Canada: health care reform in comparative perspective. *Comparative Studies & the Politics of Modern Medicine*. T.R. Marmor, R. Freeman and K.G.H. Okma (eds). New Haven, Yale University Press: 61-87.

Tuohy, C. (1999) *Accidental Logics. The Dynamics of Change in the Health Care Arena in the United States, Canada, Britain, and Canada.* Oxford, Oxford University Press.

Van de Ven, W.P.M.M., and F.T. Schut. (2008) Universal mandatory health insurance in The Netherlands: a model for the United States? *Health Affairs* 27(3): 771-781.

WHO (2000) *World Health Report 2000*. Geneva: World Health Organization.

Websites:

www.ama.org
www.cdc.org
www.cms.org
www.kff.org
www.nasi.org
www.oecd.org
www.who.org

The New Service State and its "Second Line" Allies, Maurizio Ferrera

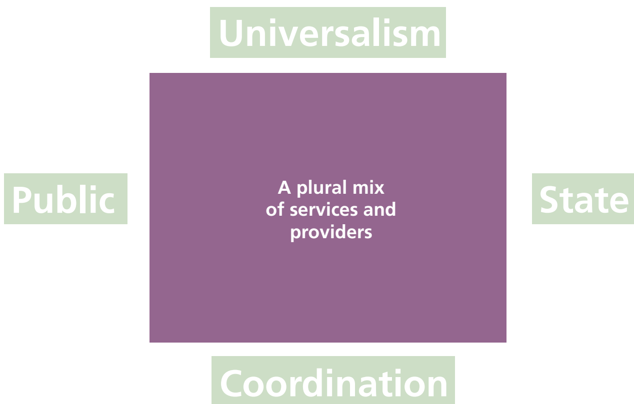
A blueprint for renewal

Wreckage, resilience or renewal? In the wake of declining resources and rising needs, European welfare states are undergoing rapid and often turbulent institutional reconfigurations, whose final destination is far from clear. The wreckage scenario is not implausible, especially if the crisis should worsen. A mix of resilience and renewal is however more likely – and, of course, enormously more desirable.

The issue of *resilience* is especially relevant for those welfare state programs that already exist, typically associated with the "old" social risks. The space for distributive rationalizations and internal recalibrations is still significant- especially in Southern Europe. But the emerging challenge on this front is that of adequacy (above all in pensions, but partly also in health care). The issue of *renewal* has in its turn three main (inter-connected) dimensions: innovative responses to "new" social risks; promoting social investment; enhance empowerment, prevention, active inclusion. For renewal, social services are key: more services are needed, and of the "capacitating" kind. The important aspects on this front are *availability, accessibility, affordability, adequacy*. Two additional elements are area-specificity (territories have different socio-economic risks and needs) and *age-orientation* (the life-cycle approach).

Traditional debates on services have centred on four fundamental dilemmas: public versus private, state versus market, competition versus coordination, universalism versus selectivity (Ascoli and Ranci, 2002). Such dilemmas remain analytically important, but less as polar and mutually exclusive juxtapositions than as dimensions of a space allowing for a plurality of (mixed) practices and organizational designs, as illustrated by figure 1.

Figure 1: The service State as a multi-dimensional space



As mentioned, in the present context more than ever social services must be area-specific. While public financing remains essential, there is ample room for the contribution of non-public resources made available by a broad array of economic and social actors embedded in the local context (without this precluding forms of trans-local and/or transnational cooperation): let us think of bank and community foundations, firms, trade unions, employers' associations, social enterprises, insurance companies, representatives of the third and voluntary sector – able, by virtue of their rootedness in the community and in partnership with the local authorities, to help respond to new needs and mitigate the shortcomings of the national welfare state.

A service space which aims at promoting efficacy, equity (fairness) and efficiency must be contained and bounded by a strong frame combining:

Universalism. As shown by a rich literature, right-based access to quality services is the best safeguard against vulnerability and exclusion and at the same time an essential requisite for effective empowerment. Universal access does not mean however charge-free entitlement to an open-ended range of services. Targeting, income-based co-payments and a "limited guarantee" in the range of services provided do not violate the egalitarian and solidaristic underpinning of the universality principle. The Italian oxymoron of *universalismo selettivo* captures well the multiple combinations than can take form within the space shown in figure 1.

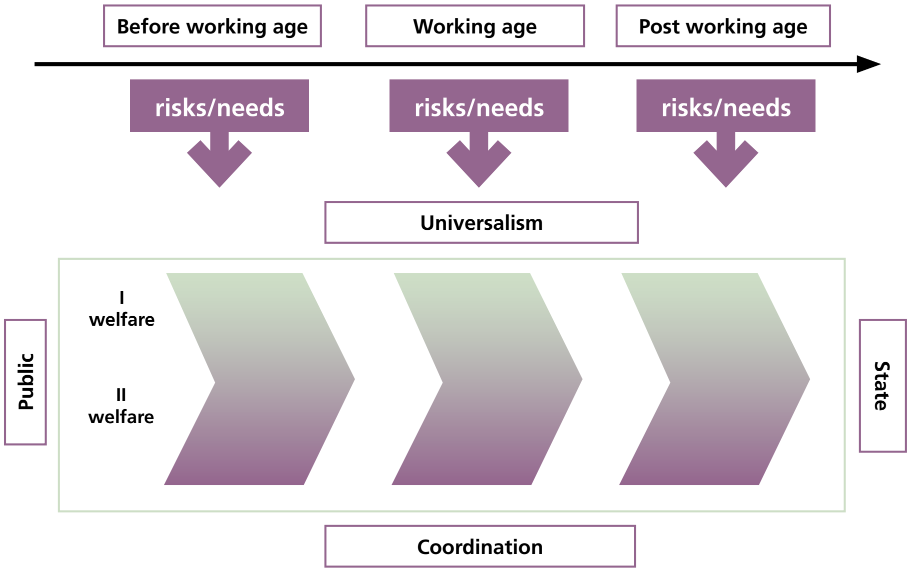
Public responsibility. Here two elements are essential: tax-based public funding of the pre-determined universal levels of service and public regulation (especially as regards quality standards).

State involvement. While in social services (less in health care) quasi markets can bring several advantages in terms of efficiency, choice, expansion of both demand and supply etc., states (central, regional and, increasingly, the EU) are key for establishing the correct playground and neutralising distributive inequities. As to the role of the state apparatus in the actual production/delivery, this depends on existing capacities. In national contexts where "stateness" is low, it might be better to delegate production and delivery to non state actors and concentrate on market making and surveillance.

Coordination. Quasi-market competition and decentralized forms of provision need to be carefully coordinated, monitored and evaluated in order to avoid failures and inequities (including territorial inequities) and to encourage mutual learning and innovation (national OMCs – especially in regionalised states – could be very promising in this respect).

Figure 2 shows how the social investment perspective (Morel et al., 2011) might be fruitfully implemented through a virtuous alliance between a strong , *first-line* universal, public, state-centred and coordinated floor of guaranteed services (red) and a novel plurality of *second-line* programs, practices, providers capable of mobilizing non-public resources (blue).

Figure 2: The social investment perspective



Two ingredients appear crucial in second-line measures: the development of new models of governance, and the promotion of social innovation (Goldsmith, 2010). As regards new governance, this entails redesigning policy-making processes so that the interests of stakeholders can be represented, and supporting a network logic rather than a hierarchical one, with negotiation and co-participation rather than bureaucratic imposition; it also means encouraging the inclusion of civil society in decision-making and planning according to a welfare mix model.

As regards social innovation, its propulsive role has recently been stressed at the European level. Following the definition proposed by the Bureau of European Policy Advisors: "Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations" [see BEPA 2011]. Consider the numerous initiatives aimed at social innovation through the development of new forms of cooperation among public actors, private for-profit organizations, and the third sector (Osborne and McLaughlin, 2008). If these actors are involved and supported in their roles, they can develop appropriate and economically sustainable responses to social needs, mobilizing non-public resources and capacities to produce value for society as a whole. For stakeholders, which have traditionally operated almost in isolation, the challenge is to understand and to exploit the opportunity of partnership and networking as added value.

To what extent are the institutional reconfigurations which are under way in many countries approximating the blueprint just outlined? It is difficult to answer this question for whole national cases: pictures are still too variegated to allow systematic characterizations. A focus on more circumscribed contexts/policies can however offer some interesting indications.

Lombardy's experience in work-life balance[1]

With 12 Provinces and 1.546 Municipalities, Lombardy has a population of 9.6 million, a labour force of 4.5 million and a per capita GDP of 29,000 Euros. It is one of the most developed and industrialized regions in the EU, and it is a member of the network "Four Motors for Europe", together with Baden-Württemberg, Catalonia, and Rhône-Alpes.

Despite its high degree of socio-economic development, female employment is still fraught in Lombardy with the problems typical of the Southern European model (Naldini, 2003). About 20 per cent of employed women leave the job market during the first year of maternity, while 30.5 per cent of them are "forced" to work part-time. In recent years, the issue of work/family conciliation has gained new salience in the regional debate. In particular, the regional government's agenda has paid increasing attention to work/life balance policies since 2009, when it stressed their crucial role in the region's socio-economic development. In November 2010, a public consultation process launched with "Lombardia 2020 - Libro Verde sulla Conciliazione Famiglia-Lavoro" was a first concrete step towards developing and promoting a Lombard model for work-life balance (or "conciliation"). A few months later, in September 2011, the Region's strategy for conciliation was set out in the "Libro bianco – Lombardia 2020", a document which stated the Region's approach and its programme. The document envisaged the creation of a system of "regional multi-level and multi-actor governance".

One of the most innovative actions that followed the White Paper was the creation of territorial networks for conciliation. The main aim of the networks is "to support the construction and the development of a coherent system of policies and actions for family/work conciliation, with particular regard to the demands expressed by the community and to the available resources, and to support the maximum integration among the three areas of work, training, and services to the person/family". The creation of networks for conciliation is based on "programme agreements" (*Accordi di programma*) signed by public and private partners that decide to join the network, and which define objectives, priorities, and forms of participation. The concrete actions necessary to achieve the objectives are then specified in territorial action plans (*Piani d'azione territoriali*), which are therefore the operational programmes defining the projects and how they are to be implemented in compliance with the principles stated in the agreement.

Between 2010 and 2011, thirteen territorial conciliation networks (TNCs) were created in the region, with the signing of the relative programme agreements. The areas that activated a TNC were: Bergamo, Brescia, Como, Cremona, Lecco, Lodi, Mantova, Milano, Monza and Brianza, Pavia, Sondrio, Varese, Valle Camonica. The agreements were later followed by thirteen action plans signed between May and September 2011.

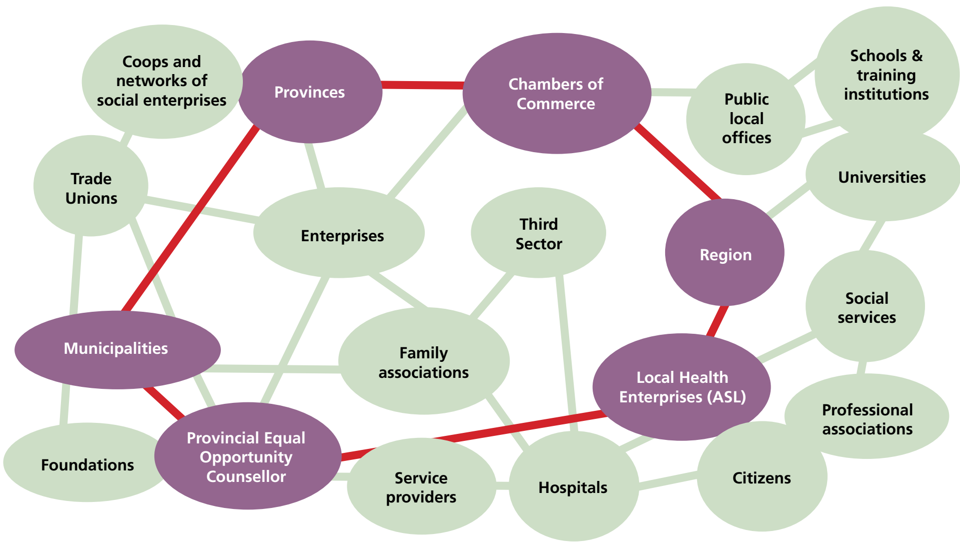
How do the networks actually work? The coordinating actor is the Region itself, through an interdepartmental unit comprising the *Direzione Famiglia, Conciliazione, Integrazione e Solidarietà Sociale*, the *Direzione Istruzione, Formazione, Lavoro* and the *Direzione Impresa*. Projects are supervised through three types of

[1] This section draws mainly from Madama and Maino (2013).

activity: the monitoring of social demand with surveys and analysis of conciliation needs in the region; training (guidance and tutoring); the monitoring and assessment of the process and of the initiatives. The Region contacts a wide number of potential partners (some candidate themselves spontaneously); those who are interested join a *Comitato Strategico Conciliazione Donna Famiglia Lavoro* (CSCDFL), with steering functions.

As shown in Figure 3, at the end of September 2012 there were 443 participants, that can broken down into two general categories: the "promoters" (138) and the "adherents" (305, equal to 69 per cent of the stakeholders involved). The former (yellow ovals in Figure 1) are those that have launched a network (TNC) in a specific area. The "adherents" vary according to the territorial context, but mainly consist of trade unions, employers' associations, third-sector and non-profit organizations, educational institutions, social insurance offices, public and private enterprises, bank foundations, local school boards, universities, and dioceses. The networks vary also in size from a minimum of 11 members (TNC Milano) to a maximum of 87 (TNC Mantova). In almost all cases, the number of adherents was larger than that of the promoters, which is indicative of a certain receptiveness by civil society to the theme of conciliation.

Figure 3: TNC as multi-stakeholder territorial networks: actors and main relationships



As illustrated by red and grey lines in Figure 3, numerous linkages emerged among all the stakeholders involved in the networks. Projects and initiatives were started on the basis of a high involvement of different actors. In some cases, the collaboration among the different stakeholders occurred at the first stage, when the initiatives were co-designed but coordination did not go beyond this stage and implementation was left to individual actors. In other TNC, on the contrary, the collaboration continued during the subsequent stages of the process as well, through a direct involvement of all the stakeholders taking part in the project.

The actions undertaken by the networks are highly diversified. By the end of September 2012, each network had activated between 3 (Brescia TNC) and 26 (Milano TNC) projects on conciliation, for a total of 127 actions (Table 1). Some of them had a general aim, related to awareness-raising, training and/or simple information. Others launched initiatives more closely targeted to the community, firms, firms' networks, and/or local authorities.

Table 1: Projects launched by TNC, total number of projects (Sept. 2012) and examples

TNC	Total number of projects	Examples
1. Bergamo	8	Promotion of conciliation policies for public administration employees
2. Brescia	3	Firms networks: flexible working schedules (part–time and tele-working)
3. Como	7	After school services for young pupils
4. Cremona	7	Creation of a baby sitter list
5. Lecco	6	Services for children below 3 years of age
6. Lodi	6	Promotion of conciliation policies for public administration employees
7. Mantova	6	Promotion of firms' networks to enhance conciliation measures
8. Milano	26	Project "Io concilio"
9. Monza e Brianza	9	*Ticket family* pilot project
10. Pavia	12	Promotion of firms' networks to enhance conciliation measures
11. Sondrio	7	Mobility services and flexible time schedules
12. Valle Camonica-Sebino	4	Project "Nonni di giorno", aimed at integrating public day-care services for preschool children
13. Varese	7	Counselling desk for firms in the field of conciliation policies
Total	**127**	

Source: Éupolis Lombardia.

Good examples of inter-company-based conciliation measures are the experiences of the *Consortium Consolida* and of the *Consortium Lariano*, both part of the Lecco TNC. These two consortia of small and medium firms received regional funds to finance projects aimed at facilitating the implementation of work-life balance measures in SMEs (which have greater difficulties in moving on this front) by offering family services, from "time-saving" services to after-school program for employees of local firms. The initiatives of the *Consortium Consolida* are considered positive, as for workers they have meant: introduction of child care services, consulting and training through a "reconciliation desk" (*Sportello conciliazione*), measures of regulation of working time such as tele-working and the "bank of hours".

Concerning the industrial relations side, moreover, the agreement signed by the numerous companies which are part of the Consortium made possible a second-level bargaining (normally quite difficult to be approved in individual SME), which will contribute to standardize the reconciliation interventions reducing inequalities of opportunity among workers within the same sector.

Another interesting initiative is the *Dote conciliazione* (conciliation dowry), launched in six territorial areas – Bergamo, Brescia, Cremona, Lecco, Mantova, and Monza and Brianza. This scheme includes two kinds of grant: one targeted on families (*Dote servizi alla persona*) and one on firms (*Dote servizi all'impresa*). The former supports parents returning to work after compulsory or optional parental leave. The second is a voucher awarded to firms, which hire mothers excluded from the labour market or in precarious employment. More than 3.7 million Euros have been invested by the Region for such measures.

The recipients of the personal services grant are parents employed by SMEs and micro-firms returning to work within the child's first year of life after compulsory or optional leave, and who do not switch to part-time work. The grant consists in reimbursement, to a maximum of 200 Euros a month for a maximum of eight months, for the use of traditional or innovative early childhood services (crèches, early childhood centres, family nurseries, babysitting, baby parking, playschools, etc.). The hiring grant consists of a voucher of 1,000 Euros awarded to micro, small, and medium-sized firms located in one of the areas involved in the experimental scheme and which notify the hiring – on a contract of not less than 6 months' duration or an open-ended contract – of mothers with children aged up to five years old excluded from the labour market or in precarious employment. According to an evaluation exercise carried out by the Regione in 2013, the dote schemes, and more generally the whole TNC experiment has been highly successful.

Conclusion

Lombardy's experience is just a drop in a wider general trend clearly visible in Italy in the direction of a new "plural" service state. No systematic research has been published so far to gauge the economic significance, the social impact and the politico-institutional nature and logic of such trend. An online observatory has been established, which is producing interesting documentation and is expected to prepare a report by the end of 2013 (www.secondowelfare.it) . As a follow up to the Social Innovation Communication and the Social Investment Package, the European Commission is in its turn expected to set up a "knowledge bank" monitoring developments throughout the Union. Based on more empirical evidence, it will be possible to refine analytically the blueprint outlined in the first section and assess its actual contribution to the renewal of Europe's social model.

References

Ascoli, U. and C. Ranci (eds.) (2002) *Dilemmas of the Welfare Mix: The New Structure of Welfare in an Era of Privatization*. New York, Kluwer Academic.

Bureau of European Policy Advisers (BEPA) (2011), Empowering people, driving change: Social innovation in the European Union, Bruxelles, European Commission.

Goldsmith, S. (2010) *The Power of Social Innovation*. San Francisco, Jossey-Bass.

Morel, N., B, Palier, and J. Palme, (eds.) (2011) *Towards a social investment welfare state? Ideas, policies and challenges*. Bristol, Policy Press.

Madama, I. and F. Maino, (2013) Work-life balance policies as a multi-level, multi-stakeholder policy challenge. The case of Territorial Networks for Conciliation in Lombardy, paper presented at the *International Conference on "Participatory local welfare, citizenship and third sector organizations"*, Pisa, January 31, 2013.

Naldini, M. (2003) *The Family in the Mediterranean Welfare State*. London, Cass.

Osborne, S., C. Chew and K. McLaughlin (2008) The innovative capacity of voluntary organizations and the provision of public services. A longitudinal approach. *Public Management Review* 10(1): 51-70.

Comments on Session III , Carol Propper

It is my pleasure to comment on two very thought provoking talks. Both addressed the issue of public service delivery – Ted Marmor in the US health context, Maurizio Ferrera in the Lombardy context. In discussing the two talks, I'd like to draw out the commonalities and the differences.

In terms of the former, both talks emphasised the interplay of politics and design. Ted highlighted a discourse that the welfare state actually leads to problems rather than solving them. There are many examples of this in both the popular press and the academic literature, particularly in the American literature. These include, for example, the view that the state, by guaranteeing access to pensions, leads to early retirement or that giving welfare to poor single mothers leads them not to get married. Ted also stressed the need to "pierce the commentary" – to examine critically the myths that arise among commentators that the welfare state is failing. Maurizio also stressed the fact that the state can be a poor deliverer of care. This interestingly has a link also to an older, and different, literature that stresses that the state can be out of control – the idea of the state as Leviathan and therefore the need to rein it in by only allowing it access to small tax bases. Both talks also emphasised that the state is only one of the actors delivering services and that the trick is to get the interplay with other actors right.

The talks then diverge somewhat on how to get that interplay right. In terms of current ideas around introducing more competition into public services, Ted was of the view that this would not work (and had not worked in the US context). Maurizio seemed more sanguine about this, and indeed stressed the fact that the state could have several roles in the provision of public services. The roles he stressed for the state in the Lombardy context were the state should (and does) function as regulator and quality assurer and other organisations would be responsible for delivery and the shaping of public services. This echoes Bob Goodin's talk earlier in the day, where he stressed the ideas and innovations that voluntary and not for profit providers can bring to public services.

I have also to disagree with some of the ideas that Bob advanced – and is perhaps echoed in Ted's talk – that competition will lead to standardisation of public service provision through contracting. However I think this is too narrow a view about competition – competition can also lead to diversification if it leads to more personalised public services. Such services which would allow better "matching" i.e. allow individuals to select the providers who provide the service closest to the one they need. Whether this is possible is of course related to contract design and the transactions costs of offering a menu of services, rather than just one standardised service.

Most services are delivered by managers and most managers design contracts. However, in today's talks so far, there has been very little focus on the role of managers. Yet management in the delivery of public services is likely to be important, just as we believe it to be important in the delivery of private services. Interestingly, this is what seems to be emerging from recent work that I have undertaken (together with colleagues at the LSE and at Bristol). We have looked at management in UK public hospitals and found that better management is associated with better performance, the latter measured by a range of metrics, including financial performance, clinical performance, access measures and performance as assessed by the regulator. We also find this in non-profit (and for profit) providers in the UK social care sector. And we have also recently completed research which examines management in UK Universities

and find that better managed departments have both higher research performance and higher teaching quality. Thus there appears to be – across different types of provider of public services – a consistent association between better management and a better product. This is interesting and highlights the fact that when we are researching choice and competition some of the issues are about the politics, as Ted and Bob Goodin have stressed, but some of the issues are about design and getting this rights, as Maurizio's talk has illustrated.

Session IV: State and Society: Social Policy Futures

Remarks for a Colloquium on "Social Policy Futures: Wreckage, Resilience or Renewal?", Peter Hall

It is a privilege to speak at the 100th anniversary of the most celebrated department of social policy in my universe – although the task of speaking about the future of the welfare state in 25 minutes is a challenging one. In the time allotted to me, I am going to bring a comparative political economy perspective to bear on the future of the welfare state.

This will lead me to make a few points, all too telegraphically, about four key questions. First, what are the objectives of the welfare state? Second, what are the principal socio-economic challenges it faces today? Third, what are the main political challenges facing the welfare state today? And, finally, can political coalitions capable of meeting these challenges be assembled? Of course, we could spend an entire day on any one of these issues, so my remarks should be taken as a provocation rather than as an attempt to settle these issues.

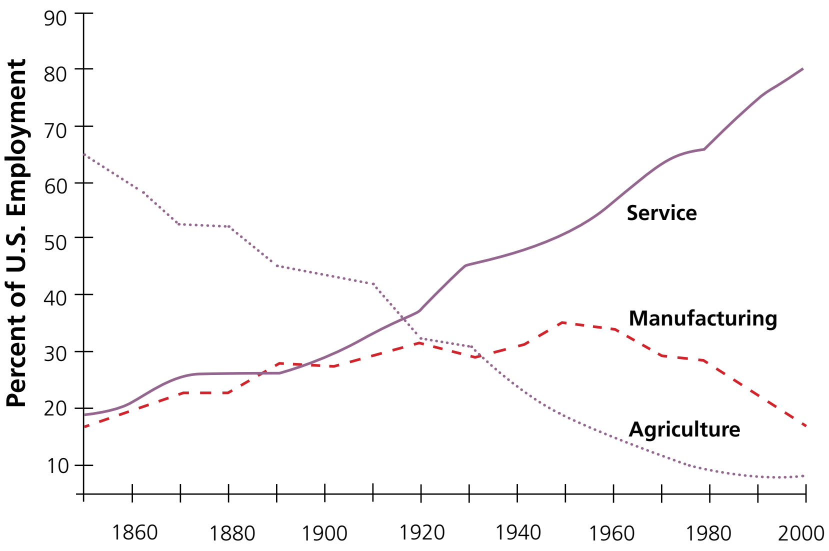
What are the principle objectives of the welfare state? Anyone seeking to answer that question would do well to begin from what I take to be the core formulations of some of the LSE's most distinguished analysts of the welfare state. Following the spirit, if not the words of William Beveridge, who once directed this institution, I think we could say that one core objective is to provide a minimum level of social benefits, in effect, a social safety net designed to mitigate the poverty that can otherwise occur in a market economy. But to that I would add the aspiration of T.H. Marshall, who saw the welfare state in more expansive terms, as a set of policies designed to secure at least a minimum level of equality of opportunity – which he memorably described as "class abatement".

Marshall's formulation is important because it serves as a bridge to what I think of as a political economy perspective on the welfare state. Anyone interested in promoting equality of opportunity has to be attentive to the contours of the political economy – and. in particular, to how it creates jobs and what kind of jobs it creates. In other words, I see the welfare state – not simply as a set of policies designed to make the worse off better off – but as an intrinsic part of the modern capitalist economy, which can be effective only if it also contributes to economic growth and the creation of good jobs. Slightly controversially, we might say that the role of the welfare state is not simply to redistribute income but to redistribute jobs. Although my views are not identical to his, this is a perspective for which I think Gösta Esping-Andersen has been a pioneering voice.

The implication of this perspective, of course, is that, in order to understand the future of the welfare state – and, in particular, what governments will have to do if the welfare state is to survive and succeed – we need to understand how the contemporary political economy itself is changing. That takes me to the second question, namely: what are the principal socio-economic developments posing major challenges to the welfare state today? On this front, anyone interested in the welfare state has to take into account three developments that have transformed the developed political economies since Beveridge and Marshall wrote. The first of these is the transition away from employment in manufacturing toward employment in services. The data in Figure 1 are American but similar trends have been visible in the UK and my focus today is on the liberal market economies of the Anglo-American democracies.

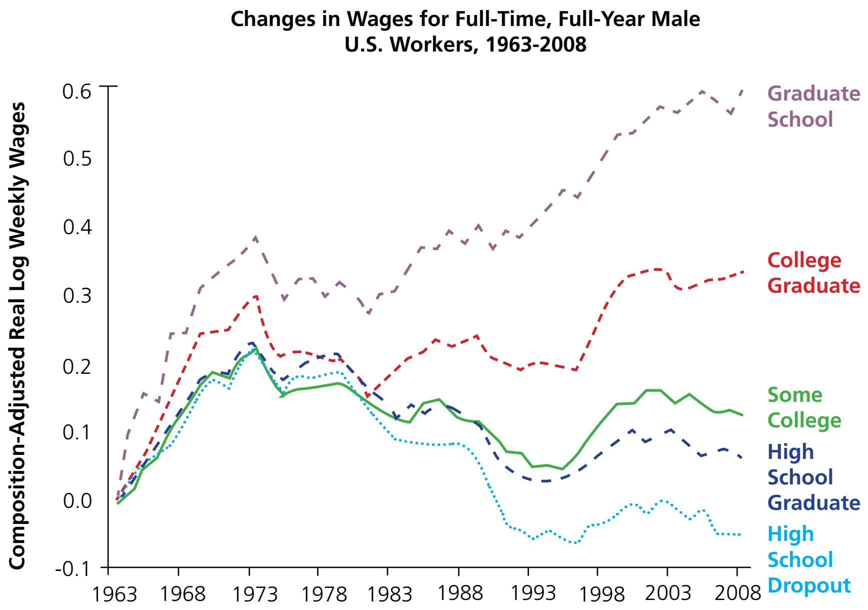
This transition has been underway for some decades but, as we all know, it now means that the vast majority of the jobs that can be created in the developed democracies are likely to be jobs in services.

Figure 1: The Shift in Employment from Manufacturing to Services in the US



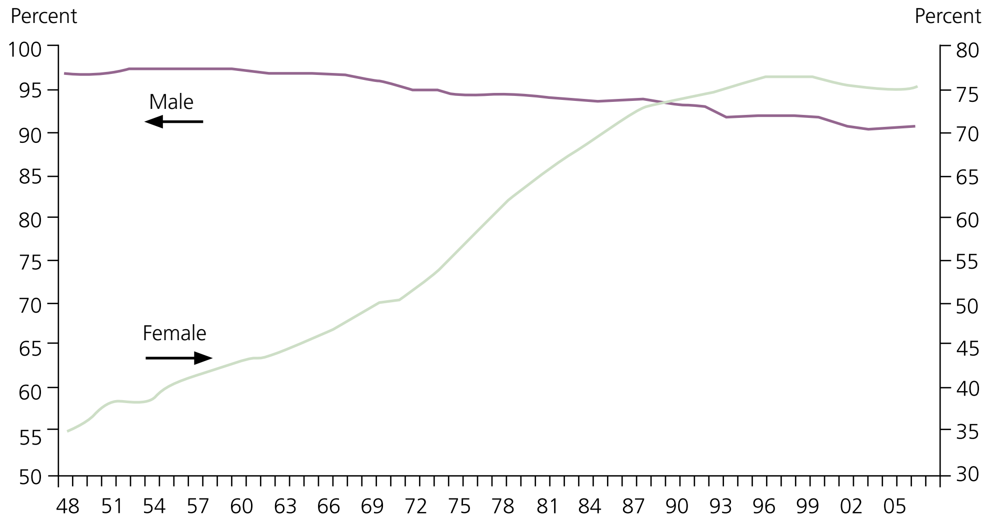
The second transformation, also well underway under the impetus of forces associated with globalization, is the move to a knowledge-intensive economy. That is to say that, if the developed countries are to sustain their standard of living, they will have to engage in high value-added production, and that kind of production is now knowledge intensive. Thus, many of the jobs associated with it require relatively high levels of skill (See Figure 2).

Figure 2: The Wage Implications of Movement to a Knowledge Intensive Economy



Third, of course, women have moved into the labor force in increasing numbers over recent decades and much of what an economy can produce now depends on their paid work. (See Figure 3) At the same time, family structures are changing. Many more people are single parents; and, in the US for example, 40 per cent of children are now born out of marriage, compared to six per cent in 1960.

Labor Force Participation Rate by Gender
(25 to 54 year olds)



Source: The Economist's View

So what is the significance of these developments? From one optic, well-advanced by Peter Taylor-Gooby and others, some of these developments expose people, and especially women, to "new social risks"; and to the extent we see the welfare state as a set of policies that insure people against risks, those policies need to adapt to this.

However, these developments have even greater significant for people with a political economy perspective because it suggests that the welfare state should be seen, at least in part, as a vehicle for "social investment". Now, this is a popular term and sometimes it is used simply as a smokescreen, if a useful one, to justify social spending. But, from my perspective, the term has a real and vital meaning. It captures the fact that, in a modern capitalist economy, social policy should not simply support those in distress. Social policy should not simply provide income to those without work. It should help to provide people with avenues into work – and into good, as opposed to merely menial, jobs.

There are all sorts of reasons, which I need not rehearse for this audience, why social policy should be directed to these ends. When more people find good jobs, there are fewer people needing support, and the economy as a whole is more prosperous and thus better able to provide support to the unfortunate. And when I speak of social investment, I mean real investment in human capital rather than workfare programs designed to force the unemployed into any available job.

So what kind of challenges do these socioeconomic developments pose for welfare states focused on social investment? Most fundamentally, they mean that any developed country trying to create good jobs

and promote high value-added production will have to improve the skills of its workforce and, in some cases, nurture the development of new skill sets. To an increasing extent, for example, even basic jobs in services require good skills in reading, writing and mathematics or science, not to mention computer literacy and good people skills. In a knowledge-intensive economy, moderate to high-paying jobs now require relatively high levels of general skills – whether in science for many jobs in manufacturing or healthcare, or in mathematics and computing for positions in finance and business services.

For some of the coordinated market economies of Europe, these requirements are a problem because their systems of skill formation are good at cultivating high levels of industry-specific skills but not good at building general skills. In this respect, liberal market economies, such as those in the UK and US, in which I am especially interested today, have an advantage – because they normally promote and rely on general skills. But these countries too face some stiff challenges – for at least two reasons.

First, despite one reform program after another, governments in liberal market economies have not been good at improving the basic skills of their workforce (See Figure 4). I think that has a lot to do with the kind of reforms that have been implemented – which focus on sticks rather than carrots, i.e. on standardized testing, while skimping on the resources devoted to education. However, other factors are also likely at work here, as the dramatic deterioration in the educational achievement of adolescent boys relative to girls might indicate (Figure 5).

Second, these liberal market economies are also surely failing from the perspective of equality of opportunity. These kinds of economies promote high levels of income inequality, and, as Figure 6 indicates, there is increasing evidence that high levels of income inequality feed into lower levels of social mobility. At least in part, that is because education success depends, not just on the quality of schools, but on the socioeconomic situation of the household.

Figure 4: Trends in Educational Achievement 2000-2009

Change in PISA in Edicational Achievement 2000-2009

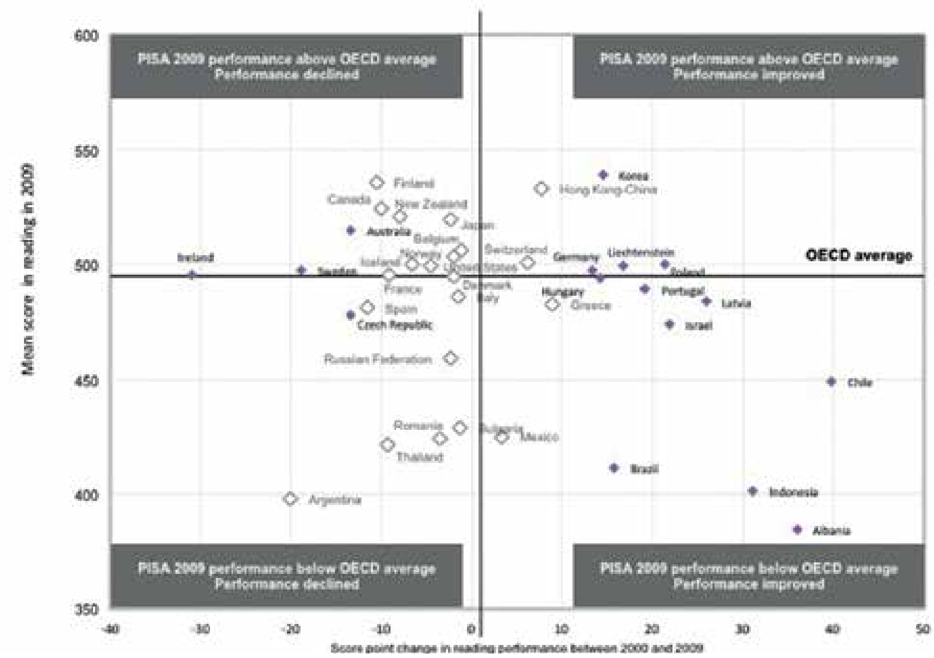
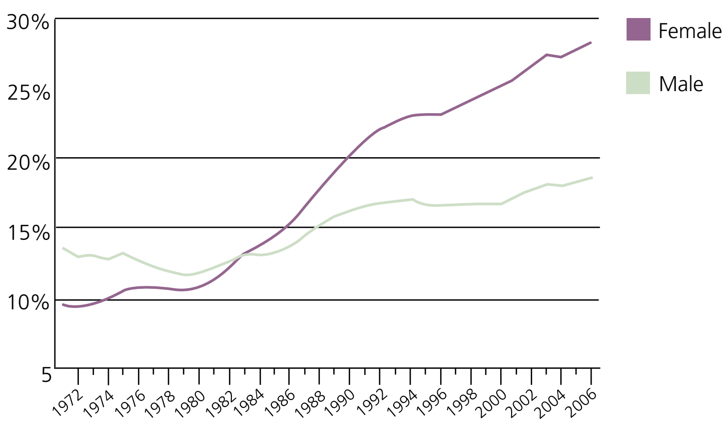


Figure 5: The Growing Achievement Gap between Boys and Girls in Canada

University participation rates in the 19 to 22 age cohort



Source: Statistics Canada data and AUCC estimates

For policy-makers in these countries, the result is a paradox. Devoting more resources to improving the quality of education may well improve aggregate skill levels – but at the cost of reducing equality of opportunity because, absent highly-targeted programs, more and better education often privileges those whose family backgrounds give them the wherewithal for educational achievement. As Ben Ansell has shown, this is especially true in systems where much of tertiary education is privately-financed; but, depending on how resources are spent, this paradox may also arise at the secondary level in contexts of high socioeconomic inequality.

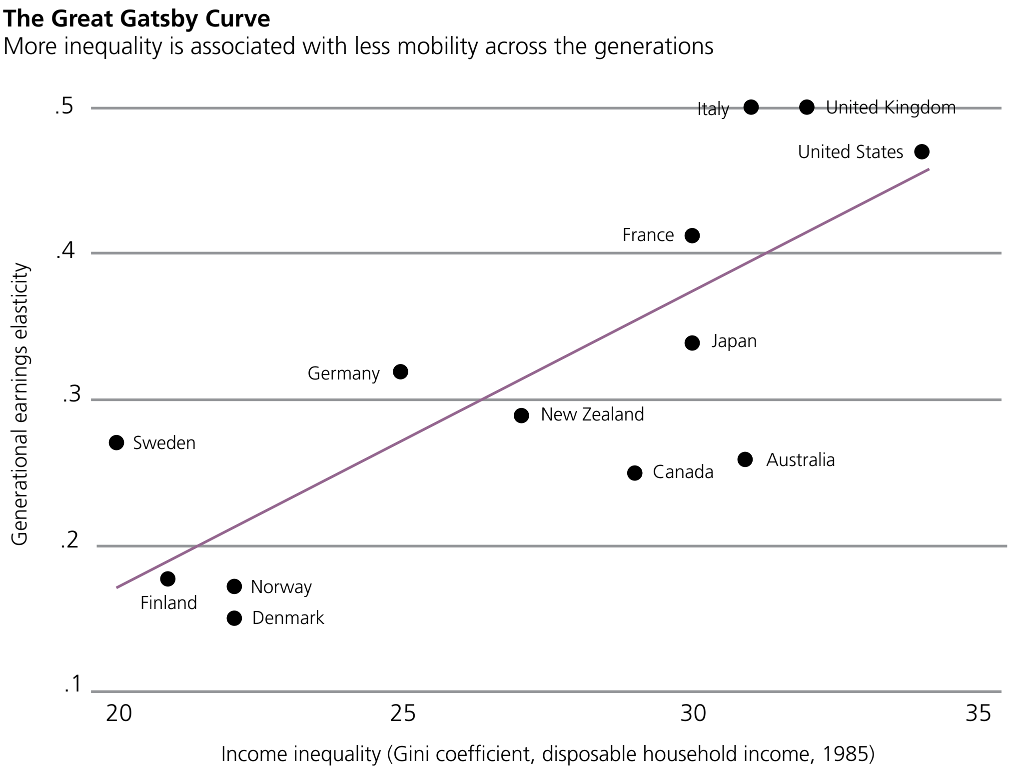
This is a complex issue but, for present purposes, I will draw a relatively simple conclusion: if the developed economies are to prosper in a newly globalized world, they will have to devote more public resources to secondary and tertiary education. But, if they want to realize the aspiration of T.H. Marshall to preserve some equality of opportunity, these resources will have to be accompanied by equivalent sums spent on programs targeted at the poor and, in particular, on support for early childhood development– in order to give children from disadvantaged backgrounds at least some chance of making it through to the end of the race. Moreover, this is as much an imperative for economic growth economies as it is for social justice. Conservative estimates suggest that each dollar spent on ECD delivers 1.5 to 3 times as much as it costs in economic returns (see Figure 7).

For those steeped in the literature, what this means is that the conclusion of Esping-Andersen and some others that the liberal welfare state – a minimalist and residual welfare state – would be adequate for a liberal market economy is now outmoded. If liberal market economies are to prosper in a new era, they too must engage in relatively high levels of public investment of various sorts, including higher levels of investment in education, infrastructure and research and development. This is not an insuperable challenge. It does not mean that Britain must become Sweden or adopt equivalent levels of public employment. From time to time, liberal market economies have engaged in significant levels of public investment, which are eminently compatible with their market orientation.

However, initiatives of this sort do require political will; and, of course, choices such as these are not made in a vacuum. They are always made within a specific kind of political environment. That takes me to the third question I have raised, namely: what are the principal political challenges facing the welfare state today? Once again, we could spend an entire day on the topic. But I will simply emphasize three factors that intensify the political challenges facing all welfare states, and liberal welfare states in particular.
These factors all stem from what I would describe as three decades of neo-liberalism – an era that has profoundly conditioned the context for political decision-making today. As I assume everyone would recognize, the past three decades have been marked by a rejection of the activist government often characteristic of a preceding "Keynesian" era – in favor of a "move to the market" that celebrates the efficiency with which market mechanisms, rather than states, can allocate resources. There may have been something salutary in this move, but there are at least three respects in which the neo-liberal era has left the welfare state with a difficult legacy.

The first has already been mentioned by several speakers. As governments became increasingly reluctant to raise taxes, they turned to debt to finance social spending – with another paradoxical result. On the one hand, governments have to pay back some of this debt and are, thus, desperately short of funds to make social investments. On the other hand, if I am right, social investments are more crucial than ever before to securing economic growth and securing economic growth is by far the best way to reduce this burden of debt. (See Figure 8).

Figure 6: The Relationship between Income Inequality and Intergenerational Mobility



Source: Miles Corak, "Inequality from Generation to Generation: The United States in Comparison." In Robert Rycroft, ed. The Economics of inequality, Poverty, and Discrimination in the 21st Century (Santa Barbara, California: ABC-CLIO,2013).

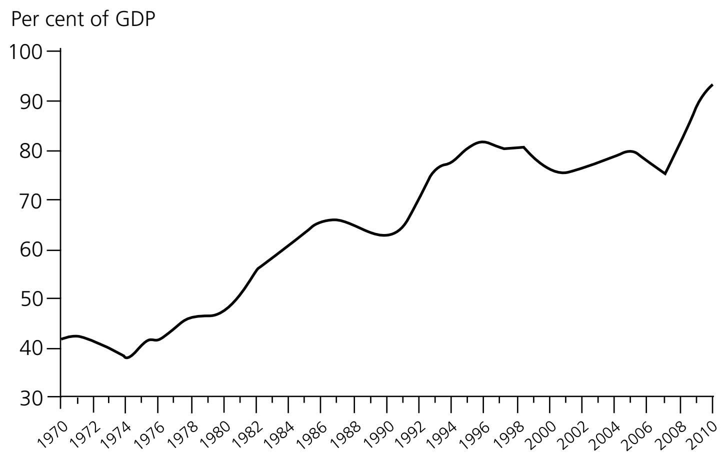
Figure 7: The Economic Returns to Early Childhood Development Programs

TABLE 2
STUDIES OF COST-BENEFIT ANALYSIS OF ECE PROGRAMS

Study	Benefit/Cost ($)
Economics Consequences of Quebec's Educational Child Care Policy, by Fortin, Godbout & St-Cemy, 2011	1.49
Better Beginnings, Better Futures by Peters et al., 2009	2.00
Worforce Shortages Socio-Economic Effects, by Fairholm, 2009	2.42
Child Care as Economic and Social Development, by Prentice, 2007	2.78
The Benefits and Costs of Good Child Care, by Cleveland & Krashinsky, 1998	2.00

Source: TD Economics

Figure 8: Public Debt as a Percent of GDP in OECD



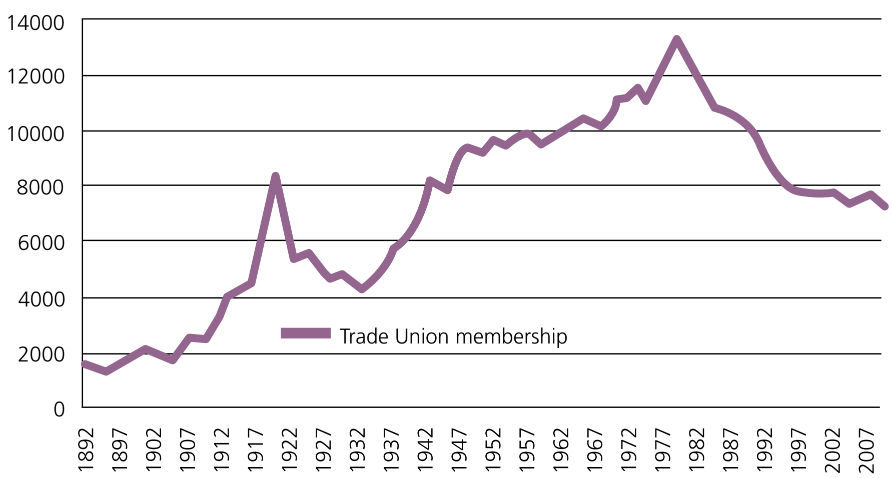
Countried included in unweighted average: Austria, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, UK, US.

Source: Schäfer and Streeck 2013

Figure 9: Trade Union Membership in the US and UK

Union Membership in the United States, 1920-2010

Trade Union Membership UK



www.economicshelp.org Source: Dept of Employment Statistics

Second, we have just lived through three decades in which the trade union movement has been dramatically weakened, especially in liberal market economies. In 1980, 33 per cent of the OECD workforce was unionized. Today that figure has been cut in half (see Figure 9). In some cases, this development was the result of deliberate political initiatives; in others, it followed from years of high unemployment. But the effect has been to reduce the extent to which the industrial relations system can reduce income inequalities – via processes that Jacob Hacker describes as "pre-distribution". As a result, much more of the burden for any redistribution that is going to take place in society now lies on governments.

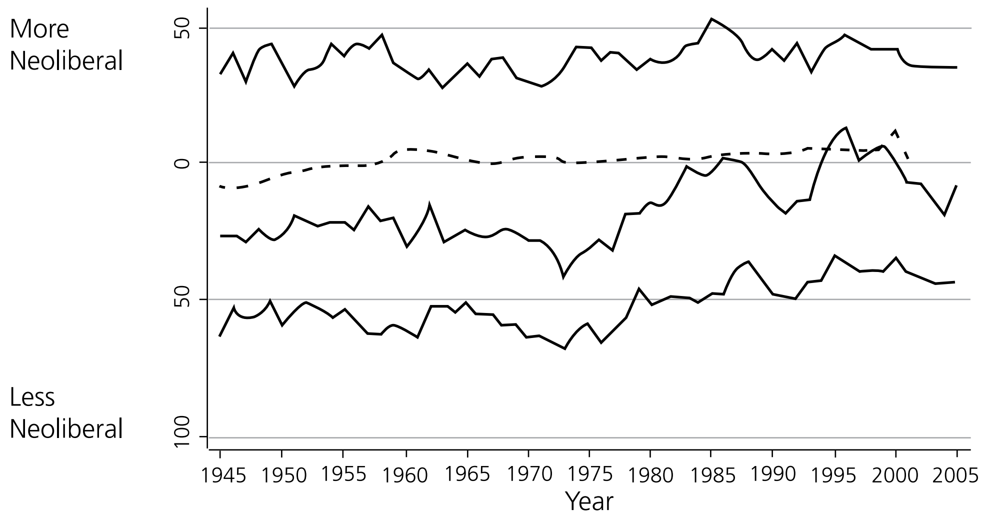
That is especially problematic in light of the third legacy of the neo-liberal era, namely, the widespread skepticism it has promoted about the efficacy of government action. Party platforms on both sides of the political spectrum have shifted in neo-liberal directions over the past thirty years. As the solid middle line in Figure 10 indicates, the position taken by the average legislator in the OECD has moved in neoliberal directions on economic issues. At the same time, many voters have become increasingly distrustful of government – and correspondingly more reluctant to entrust governments with their own resources in the form of taxation (See Figure 11). Admittedly, the U.S. offers an extreme case of this trend and, even there, levels of political trust fluctuate over time, but we are now seeing some similar trends in Europe, and behind them lie some fundamental shifts in views about what governments can accomplish.

These phenomena generate what may be the most profound paradox facing governments presiding over liberal market economies. On the one hand, changes in the world economy over the past thirty years mean that these countries can maintain their standard of living only if they embark on significant programs of social investment. On the other hand, corresponding changes in the political environment over these years have rendered political elites and many citizens of these countries increasingly reluctant to undertake the programs of taxing and spending that social investment on this scale requires. In the United States, for example, where total government revenue is barely 25 per cent of GDP, it is far from clear whether the political will is available to raise even the minimal levels of revenue required to operate a prosperous post-industrial economy.

That takes me to the last question I want to raise: can any of the developed democracies assemble political coalitions capable of addressing these challenges? I cannot offer a dispositive answer to this question, even though I mention it because I think this is a question we all should be asking. However, I will offer a few closing observations about these issues, influenced by the recent work of my colleague Kathleen Thelen.

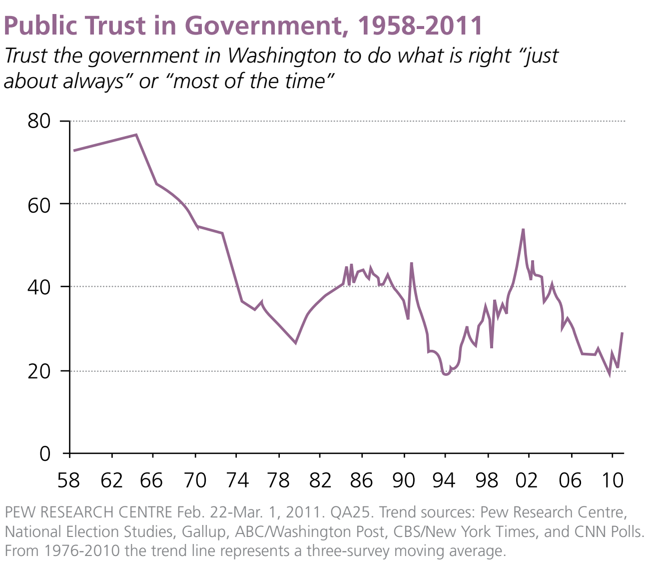
Thelen points out that the Nordic countries have been able to assemble political coalitions for significant levels of social investment – built on the votes of women, who have a strong interest in policies promoting a favorable work-life balance, and of public employees who see value in public investment. Conversely, she argues that, in many of the coordinated market economies of Europe, such as Germany, where manufacturing based on industry-specific skills is still an important part of the economy, manufacturing interests have been powerful enough to block higher levels of public investment in general skills and the social benefits for part-time work that might mitigate social disadvantage in a dualist political economy. As far as I can see, Thelen's analysis leaves the political future of liberal market economies indeterminate. On the one hand, public employment is too low to contribute much to a social investment coalition. On the other hand, in these types of political economies, manufacturers depend on general skills and so

Figure 10: Average Legislative Support for Neo-Liberal Economic Policies, OECD



Average Legislative Support for Neo-liberal Economic Policies, OECD

Figure 11: Public Trust in the American Government



have an interest in seeing them enhanced; and women have a strong interest in policies that improve the work-life balance, including some associated with early childhood development. In part, this may be why such a large gender gap has opened up among voters in the United States.

So what does this mean for the future of the welfare state in the US and UK in particular? In the short run, there are grounds for pessimism – for reasons we have heard about today. Not because of the economics: the debt burdens of both countries are eminently manageable. But because of their politics – which still bear the marks of a powerful neo-liberal ideology too skeptical about the efficacy of government to countenance the social investment that securing equality of opportunity requires.

In the long-run, however, there are grounds for cautious optimism about the capacity of these countries to make the requisite social investments. As Karl Mannheim, another great scholar of the LSE, observed, generational renewal can effect profound changes in the world. For instance, the speed with which generational change is changing American political discourse about social values is striking; and rising concerns about inequality may shift the views of the young, in particular, about the value of government spending on human capital and early childhood development. Of course, the midwife for any such moves might be political conflict along generational lines of the sort visible in the agitation of the Tea Party movement in the United States, but that movement suffered real setbacks in the last American elections.

In the end, my optimism is founded on the premise that some of the people at this gathering can eventually persuade governments and electorates that social investment on a larger scale is desirable, and they have a strong basis for doing so. If my analysis is correct, social investment is crucial, not only for overcoming disadvantage, but for securing levels of national prosperity from which everyone benefits. In other words, the conditions of the contemporary age have reversed the old dictum, associated with Arthur Okun and others, that prosperity requires inequality. At some limit, that may be true. But for liberal market economies today, precisely the reverse is true: a return to prosperity requires policies that reduce inequality, so as to secure a more skilled workforce capable of the high-valued added production in services and manufacturing on which the comparative advantages of developed liberal market economies vis-à-vis the developing world must surely rest.

Second, we have just lived through three decades in which the trade union movement has been dramatically weakened, especially in liberal market economies. In 1980, 33 per cent of the OECD workforce was unionized. Today that figure has been cut in half (see Figure 9). In some cases, this development was the result of deliberate political initiatives; in others, it followed from years of high unemployment. But the effect has been to reduce the extent to which the industrial relations system can reduce income inequalities – via processes that Jacob Hacker describes as "pre-distribution". As a result, much more of the burden for any redistribution that is going to take place in society now lies on governments.

That is especially problematic in light of the third legacy of the neo-liberal era, namely, the widespread skepticism it has promoted about the efficacy of government action. Party platforms on both sides of the political spectrum have shifted in neo-liberal directions over the past thirty years. As the solid middle line in Figure 10 indicates, the position taken by the average legislator in the OECD has moved in neoliberal directions on economic issues. At the same time, many voters have become increasingly distrustful of government – and correspondingly more reluctant to entrust governments with their own resources in the form of taxation (See Figure 11). Admittedly, the U.S. offers an extreme case of this trend and, even there, levels of political trust fluctuate over time, but we are now seeing some similar trends in Europe, and behind them lie some fundamental shifts in views about what governments can accomplish.

These phenomena generate what may be the most profound paradox facing governments presiding over liberal market economies. On the one hand, changes in the world economy over the past thirty years mean that these countries can maintain their standard of living only if they embark on significant programs of social investment. On the other hand, corresponding changes in the political environment over these years have rendered political elites and many citizens of these countries increasingly reluctant to undertake the programs of taxing and spending that social investment on this scale requires. In the United States, for example, where total government revenue is barely 25 per cent of GDP, it is far from clear whether the political will is available to raise even the minimal levels of revenue required to operate a prosperous post-industrial economy.

That takes me to the last question I want to raise: can any of the developed democracies assemble political coalitions capable of addressing these challenges? I cannot offer a dispositive answer to this question, even though I mention it because I think this is a question we all should be asking. However, I will offer a few closing observations about these issues, influenced by the recent work of my colleague Kathleen Thelen.

Thelen points out that the Nordic countries have been able to assemble political coalitions for significant levels of social investment – built on the votes of women, who have a strong interest in policies promoting a favorable work-life balance, and of public employees who see value in public investment. Conversely, she argues that, in many of the coordinated market economies of Europe, such as Germany, where manufacturing based on industry-specific skills is still an important part of the economy, manufacturing interests have been powerful enough to block higher levels of public investment in general skills and the social benefits for part-time work that might mitigate social disadvantage in a dualist political economy. As far as I can see, Thelen's analysis leaves the political future of liberal market economies indeterminate. On the one hand, public employment is too low to contribute much to a social investment coalition. On the other hand, in these types of political economies, manufacturers depend on general skills and so

have an interest in seeing them enhanced; and women have a strong interest in policies that improve the work-life balance, including some associated with early childhood development. In part, this may be why such a large gender gap has opened up among voters in the United States.

So what does this mean for the future of the welfare state in the US and UK in particular? In the short run, there are grounds for pessimism – for reasons we have heard about today. Not because of the economics: the debt burdens of both countries are eminently manageable. But because of their politics – which still bear the marks of a powerful neo-liberal ideology too skeptical about the efficacy of government to countenance the social investment that securing equality of opportunity requires.

In the long-run, however, there are grounds for cautious optimism about the capacity of these countries to make the requisite social investments. As Karl Mannheim, another great scholar of the LSE, observed, generational renewal can effect profound changes in the world. For instance, the speed with which generational change is changing American political discourse about social values is striking; and rising concerns about inequality may shift the views of the young, in particular, about the value of government spending on human capital and early childhood development. Of course, the midwife for any such moves might be political conflict along generational lines of the sort visible in the agitation of the Tea Party movement in the United States, but that movement suffered real setbacks in the last American elections.

In the end, my optimism is founded on the premise that some of the people at this gathering can eventually persuade governments and electorates that social investment on a larger scale is desirable, and they have a strong basis for doing so. If my analysis is correct, social investment is crucial, not only for overcoming disadvantage, but for securing levels of national prosperity from which everyone benefits. In other words, the conditions of the contemporary age have reversed the old dictum, associated with Arthur Okun and others, that prosperity requires inequality. At some limit, that may be true. But for liberal market economies today, precisely the reverse is true: a return to prosperity requires policies that reduce inequality, so as to secure a more skilled workforce capable of the high-valued added production in services and manufacturing on which the comparative advantages of developed liberal market economies vis-à-vis the developing world must surely rest.

Social Policy: Looking Backward and Looking Forward, Tony Atkinson

Introduction

A hundred years ago, with support from the Ratan Tata Foundation for the Study of Poverty, the LSE carried out a study in the city of Reading and found that some 20 per cent of households were living below the poverty line. The most recent figure for the UK shows that 17.5 per cent of individuals are below the poverty line. These figures are scarcely comparable, but are sufficient to bring out the enduring nature of the concern that a significant minority of our citizens are deprived in terms of their economic resources. From A L Bowley and R H Tawney in 1912, through *The Poor and the Poorest* by Brian Abel-Smith and Peter Townsend some fifty years ago, to CASE today, there is a long LSE tradition of careful quantitative research illuminating the key issue that I shall concentrate on – the role of social policy in combating poverty, with particular reference to the United Kingdom. This is a huge topic and I shall focus on three questions.

1. Exceptionalism and/or Demonisation?

We were asked to address the question of post-war welfare state exceptionalism. In my view, the post-war welfare state followed in the line of the developments from the beginning of C20. In his 1909 "People's Budget", Lloyd George said that he was waging "implacable warfare against poverty and squalidness. I cannot help hoping and believing that before this generation has passed away we shall have advanced a step towards that good time when poverty and wretchedness ... will be as remote to the people of this country as the wolves which once infested its forests" (HC Debates 29 April 1909). This led to concrete action in the form of the introduction of National Insurance. Contributory pensions were subsequently introduced in the 1920s; major changes in unemployment insurance were made in the 1930s; the household means test was abolished in 1941. So that, while the Beveridge Report of 1942 was an important milestone and a powerful synthesis, it did not come out of the blue. Nor did it embody all key features of the later welfare state. The 1960s and 1970s saw major extensions of social security benefits, with earnings-related unemployment benefit, disability benefits, and the full realisation of child benefit. Moreover, when it comes to the economy, we remember the 1950s and 1960s too fondly as a Golden Age. There may have been full employment, but wage inequality was increasing: when the New Earnings Survey was launched in 1968 it revealed that the bottom decile of wages was below half the median: 48 per cent, compared with 55 per cent today. There was, as we learned from The Poor and the Poorest, a major problem of in-work poverty.

In my view, it is rather the 1980s and early 1990s that stand out as exceptional. There was the denial of the existence of poverty by Mrs Thatcher and her Ministers. It was a period of demonization of the welfare state. The welfare state came to be viewed by the OECD and other bodies as a barrier to economic performance, rather than a complementary institution (as it has been seen at the time of Keynes and Beveridge). This led to transfers being scaled back as part of labour market "reform". With 1997 came a change in rhetoric and in policy. In his 1999 Beveridge Lecture, Tony Blair announced that

"our historic aim will be for ours to be the first generation to end child poverty". The Conservatives too appeared to have changed. In his 2006 Scarman Lecture, David Cameron stated that "I believe that poverty is an economic waste and a moral disgrace. … So I want this message to go out loud and clear: the Conservative Party recognises, will measure and will act on relative poverty".

But are the 2010s a return to demonization? The Coalition policy with regard to the public finances seems to me misguided and disastrous. There is a fiscal problem, but it is a problem of the medium- and long-term, and the short-run responses are – as in many European countries – counter-productive. For observers outside Europe, from Rio to Beijing, it is seen as a tragedy that Europe seems to be intent on destroying its social model. In the UK, we are witnessing again a sustained attack on the legitimacy of the welfare state. This is doubly corrosive. It reduces the sense of solidarity and the political support for redistributive policies. It makes the policies themselves less effective in that it lowers take-up and reduces the well-being of those who continue to claim state benefits. It is also accompanied by a most extraordinary series of attacks on the rights of children, who are treated as purely a life-style choice by their parents and whose own well-being is totally disregarded. All this renders completely hollow any claim to be aiming to reduce the national debt to avoid passing on the burden to our children and grandchildren.

If it is hard not to be pessimistic, this leads to my second question.

2. Are there any grounds for optimism?

The first ground for optimism is that there seems to be a re-thinking among decision-makers about the relation between economic and social policy. Christine Lagarde, Head of the IMF, stated in her speech to the 2012 Annual Meeting of the Fund and the World Bank that her third key concern is inequality and the quality of growth in our future world. She stated that "this is about the human dimension of policymaking. Growth is essential for the future global economy, but it must be a different kind of growth. A growth that is not simply the fallout from unfettered globalization. A growth that is inclusive".

The importance of social protection for economic reasons has indeed been evident in the recent crisis. While GDP in the Eurozone fell sharply in 2008 and 2009, household disposable incomes were broadly maintained, at least until the end of 2010. Automatic stabilisers and stimulus packages were apparently successful in protecting household incomes during the first years of the economic crisis. As was noted in the EU report *Employment and Social Developments in Europe 2011*, "automatic stabilisers and (limited) discretionary measures have played an important role in supporting household incomes" (page 33). This is a remarkable, and little heralded, success. I find it surprising that our political leaders have not made more of this.

The second possible reason for optimism is that there seems to be growing acceptance of the legitimacy of taxation. I recently gave the Schumpeter Lectures in Graz and in preparing these lectures I read the remarkable essay by Schumpeter on "Die Krise des Steuerstaates" ("The crisis of the tax state"). Writing at the end of the First World War, he argued that it was not the case that "an otherwise perfectly healthy tax state had suddenly become impossible owing to the world war and its aftermath" (1991 version, page 101). He goes on to refer to "a much more basic inadequacy of the particular society whose fiscal expression the tax state is". He sees effective taxation essential to legitimise capitalism. In

the US, the Internal Revenue Service expresses a similar statement. On its Constitution Avenue building in Washington is written the statement that "Taxes are what we pay for civilized society". In the UK in recent weeks and months we have seen considerable public outcry with regard, not to tax evasion, but to lawful tax avoidance. Taxation is seen as a matter of morality, where society functions because we are not simply law-abiding but positively share certain codes of behaviour.

Thirdly, one positive reaction to the attack on redistribution has been to shift attention to measures that may reduce inequality in pre-redistribution incomes. As a result of the recent work of Jacob Hacker and others, this has come to be known as "pre-distribution", a term that is, in the words of the Guardian, distinctly "unsnappy", but there is a sound underlying concept, which is that we should seek to prevent inequalities arising in the first place. Here, the labour market has been the focus of attention, but I would stress the importance of considering also the capital market. While the textbook story attributes rising inequality to the increased premium for skilled workers as a result of globalisation and new technology, I would return to the classical concern with the distribution between wages and profits.

My answer is therefore that there are some straws at which to clutch. What however can help bring about progress?

3. What are possible ways forward?

The first element is the restatement of ambition. I have stressed the continuity of ambition, seeing the 1980s and 1990s as an exception. As far as rhetoric is concerned, it has been less the exception and more the norm for our leaders to proclaim with Dr Johnson that "a decent provision for the poor is the true test of civilization". It is easy to dismiss such political statements as simply empty talk, but I believe in their value as setting the tone of public discourse. Here I should draw the attention of UK citizens to the Europe 2020 agenda – little discussed in the UK but a clear endorsement of the objective of tackling poverty and social exclusion. The target of lifting 20 million people out of poverty provides a yardstick by which Europe's citizens can judge the performance of their leaders.

The second element is narrative. The strength of the Beveridge Report lay in its narrative. It contained a clear account as to how the ambitious objective could be fulfilled. The minimum was to be guaranteed by a combination of full employment and social insurance for those not employed. On the assumption that wages would be sufficient to provide for families with two children, the payment of family allowances would prevent in-work poverty. The rates of flat-rate social insurance would be set at the level required to avoid poverty. Today, the narrative has to be different, in the light of major social and economic change, but a narrative we badly need. In the present UK context, this means a clear vision from the leadership of the opposition (with both lower case and upper case o) to the Coalition austerity policy.

The third element is execution. Here I understand the reluctance of the Labour Party to enter into details, but this is regrettable. The absence of a coherent set of policy proposals at the time of election was one reason for the subsequent failures of the New Labour Governments, notably the embrace of tax credits. In my view, we have to recognise that this represented the ultimate failure of the means-tested route, with its incomplete take-up, high marginal tax rates, and lack of underlying legitimacy. The choice, as I see it, lies between a return to social insurance as the fundamental principle, with benefits warranted by

past contributions, or a move to citizenship/participation as the basis for entitlements. Neither of these is straightforward. Social insurance has to be conceived differently to allow for the diversity of activities apart from full-time employment. The definitions of citizenship or participation in society have to allow for many different circumstances. That is why we need to plan now for alternatives to the current policy. My answer to this question is therefore that there are ways forward and we should be exploring these.

Conclusions

The LSE Department of Social Policy has played a key role over the past 100 years – and continues to do so. One reason for its great success has been its openness to a wide range of disciplines, including my own (I am an economist). So, as – in one sense – an outsider, but feeling like an insider, I salute the achievements of the Department over the past 100 years and look forward to the next.

Comments on Session IV, Howard Glennerster

I am very pleased to be able to respond to these two very thought provoking papers. But it is difficult not least because I normally find it difficult to disagree with either speaker! And there is a lot to discuss.

But just two or three reactions.

These contributions share at least one common theme. Both suggest that social policy will have to become more focused on the "pre distribution" of resources or put more simply "redistributing jobs". Both try to end on an optimistic note.

I am not sure I share that optimism.I can't see how big changes can be achieved simply by setting a living wage beyond a certain point. Perhaps we can indeed go further but not dramatically so.

There are limits to the extent you can subsidise low wages on a means tested tax credit basis for all the reasons Tony Atkinson alludes to. But actually this method did have some success both in the US and in the UK. I do not think we should abandon that route.

So if we take the major task as being to raise the wage income floor it requires transforming the human capital of the least advantaged and, of course, by sustaining a sensible macro economic policy.
That involves quite costly interventions both in pre-school and in everyday schools targeting those carrying the heaviest disadvantages. My colleague Robert Cassen is looking at the evidence – but it costs and needs continuous political and social attention.

It also means catching those leaving school who are still without basic skills. It means helping older people who are dropping out of the labour market in their fifties to re-skill. It is a very long haul strategy though – one that pays off only after several general elections. Little short term political pay off here.
It is not that we have not been doing some of the right things but that they need long term attention and persistence and some kind of political continuity. We are short on that.

There is another problem. Esping-Andersen's support for this human capital model drew on Sweden's investment in early years provision and its support for young families. That started several decades ago. In the UK we only began to do the same in a smaller way in the early years of this century.

But the hard rule of public spending cuts is – last in first out. New programs go at the expense of old ones. And all these programs are new in the UK. None have established hard bitten long run political support. Kitty Stewart may contradict me but what I see around me is the closure or running down of children's centres that were set up only a few years ago.

Thirdly acquiring human capital in the UK just got a lot more expensive. Is the UK unusual in this respect? Well no. Three weeks ago Holly Sutherland presented us in CASE with the results of her European wide survey of the impact of retrenchment. Across Europe the story was the same. The main losers were young families. Both in higher taxes and lower benefits and in unemployment. The elderly had not escaped entirely but were less affected. The next generation will work longer but that is for tomorrow.

So this political logic may well drown out the optimistic story Peter and Tony hope for. I may be wrong. Women, not least the remarkable group of young women academics in this department, may win the argument before we have our 125th anniversary. Let us hope so.

But my undercurrent of pessimism takes me onto Tony's contribution. He asked "Are the 2010's a return to demonization of the poor?" Well to a worrying extent they have been. In contrast to the 1980's recession sympathy for the unemployed and those on benefits has reduced quite sharply if the British Social Attitudes Survey is any guide. In the 1980s Paul Pierson talked about the "blame avoidance strategies" governments would have to adopt to cut services and argued that would be difficult to do. This time round shifting the blame for our economic troubles onto the unemployed themselves, onto scroungers and onto immigrants seems to be working rather effectively.

What is really different it seems to me about the new risks that face us compared to those of the 1980s and the older risks of 1940s is that they are international in origin. The collective action problems we have to solve are global – climate change, the control of international capital, large scale population movements. Of where are we the citizens? Increasingly it seems to me the answer has to be we are world citizens. Therefore the puzzle for the next quarter century is to rethink what that means in social policy terms.

Few academic departments anywhere are better placed to do that than this one at the LSE. About that I can be positive.

Contributors

Sir Tony Atkinson is a Fellow of Nuffield College, where he was Warden from 1994 to 2005. He is currently Centennial Professor at the London School of Economics. He has served on the Royal Commission on the Distribution of Income and Wealth, the Pension Law Review Committee, and the Commission on Social Justice. He was responsible for the Atkinson Review of Measurement of Government Output. He has been a member of the Conseil d'Analyse Economique, and of the European Statistics Governance Advisory Board. His most recent books are *Top incomes: A global perspective* (2010) (edited with T Piketty), and *Income and living conditions in Europe* (2010) (edited with E Marlier).

Craig Calhoun is a world-renowned social scientist whose work connects sociology to culture, communication, politics, philosophy and economics. He took up his post as LSE Director on 1 September 2012, having left the United States where he was University Professor at New York University and director of the Institute for Public Knowledge and President of the Social Science Research Council. Professor Calhoun took a DPhil in History and Sociology at Oxford University and a Master's in Social Anthropology at Manchester. He co-founded, with Richard Sennett, Professor of Sociology at LSE, the NYLON programme which brings together graduate students from New York and London for co-operative research programmes. He is the author of several books including *Nations Matter, Critical Social Theory, Neither Gods Nor Emperors* and most recently *The Roots of Radicalism* (University of Chicago Press, 2012).

Maurizio Ferrera is Professor of Political Science at the University of Milan. He is a member of the Board of Directors of the Collegio Carlo Alberto and of the Centro di Ricerca e Documentazione Luigi Einaudi, both in Turin. He has published extensively in the fields of comparative welfare states and European integration. His most recent books in English are *The Boundaries of Welfare* (2005) and *Welfare State Reform in Southern Europe* (2005). Maurizio Ferrera has participated in several important Commissions on welfare issues appointed by the Italian Government and the European Commission, and is currently a member of the High Level Group on Social Investment Policies. In 2012, the title of *Grande Ufficiale* was conferred on him by the President of the Italian Republic for his scientific work on welfare, employment and gender issues.

Howard Glennerster joined the Department of Social Policy as a junior lecturer in 1968 and began teaching social policy to the first cohort of Branch III BSc students. He was recruited with Tessa Blacksone to develop the education option on the new Masters degree and the undergraduate equivalent. He went onto specialise in the finance of social policy, his lectures becoming *Paying for Welfare*. He also taught the history of Post War social policy which became *British Social Policy from 1945 to the Present*. He became Senior Lecturer, Reader, then Professor and Head of Department in 1984. He has published over 25 books and many papers on health, education and the finance of social welfare. He was an advisor to the Treasury and the Secretary of State for Health and the recent House of Lords Committee on demography and ageing. He was chairman of the Suntory and Toyota Centres for Economics and Related Disciplines and co-director of CASE. He retired in 2001 but has been active in the CASE research programme ever since.

Bob Goodin is Professor of Government at the University of Essex and Distinguished Professor of Philosophy at the Australian National University. He is founding editor of The Journal of Political Philosophy and co-editor of the *British Journal of Political Science*, as well as General Editor of the 11-volume set of *Oxford Handbooks of Political Science*. He has carried out work on both normative and empirical aspects of welfare states; an example of the former is his *Reasons for Welfare* (1988) and of the latter are his co-authored books *Real Worlds of Welfare Capitalism* (1999) and *Discretionary Time* (2008), the latter winning the Stein Rokkan Prize for Comparative Social Science Research awarded by the International Social Science Council. He has recently published books *On Settling* (2012) and *On Complicity and Compromise* (2013), the latter co-authored with Chiara Lepora who now runs operations for Médecins Sans Frontières across the Middle East.

Peter A Hall is the Krupp Foundation Professor of European Studies at Harvard University and Co-Director of the Program on Successful Societies for the Canadian Institute for Advanced Research. Hall is co-editor of *Social Resilience in the Neoliberal Era and Successful Societies: How Institutions and Culture Affect Health* (2009) (both with M. Lamont), *Changing France: The Politics that Markets Make* (2006) (with B. Palier, P. Culpepper), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (2001) (with D. Soskice), *The Political Power of Economic Ideas: Keynesianism across Nations* (1989), *Developments in French Politics I and II* (1990, 2001) (with A. Guyomarch, J. Hayward and H. Machin) and the author of *Governing the Economy: The Politics of State Intervention in Britain and France* (1986) as well as over 100 articles on European politics, public policymaking, and comparative political economy. He is currently working on the political response to economic challenges in postwar Europe and the impact of social institutions on inequalities in health.

Theodore R Marmor, now an Emeritus Professor, taught for three decades in three units of Yale University: the School of Management, the Department of Political Science, and the Law School. He has held visiting fellowships at the Institute for Advanced Studies in the Netherlands and All Souls College, Oxford. He is also an Emeritus Fellow of the Canadian Institute for Advanced Research, a member of the Institute of Medicine and the National Academy of Social Insurance, and, since 2009 a Corresponding Fellow of the British Academy.

Professor Marmor is primarily a scholar of the modern welfare state, with special emphasis on health and pension issues. The author (or co-author) of 13 books, he has published over 200 articles in a wide range of scholarly journals. His opinion essays have appeared in major US newspapers. The second edition of *The Politics of Medicare* appeared in 2000; the first edition of this book launched his career in health politics, policy and law. His best known other works include *Understanding Health Care Reform* (Yale Press, 1994), *Why Are Some People Healthy and Others Not?* (1994), and *America's Misunderstood Welfare State* (1992) co-authored with Yale colleagues Jerry Mashaw and Philip Harvey. In 2012, *Politics, Health and Health Care: Selected Essays*, co-authored with Rudolf Klein, was published; and in2013, Congressional Quarterly Press published Marmor, Mashaw, and Pakutka, *Social Insurance: America's Neglected Past and Contested Future*.

David Piachaud has taught at the London School of Economics since 1970 and is now Professor of Social Policy and an Associate of the Centre for Analysis of Social Exclusion and of the Asia Research Centre. He was Social Policy Adviser in the Prime Minister's Policy Unit (1974-79) and has been Consultant to the European Commission, the ILO and the OECD. He has written papers and books on children, poverty, social security, social exclusion and social policy. He was a member of the Fabian Commission on Life Chances and Child Poverty whose report is *Narrowing the Gap* (Fabian Society, 2006). Recent publications include *Understanding Social Exclusion* (OUP., 2002, joint editor with John Hills and Julian LeGrand), *Poverty in Britain: The Impact of Government Policy since 1997* (Joseph Rowntree Foundation, 2003, with Holly Sutherland and Tom Sefton), *One Hundred Years of Poverty and Policy* (Joseph Rowntree Foundation, 2004, with Howard Glennerster, John Hills and Jo Webb), *Making Social Policy Work* (Policy Press, 2007, joint editor with John Hills and Julian LeGrand), *Colonialism and Welfare* (Edward Elgar, 2011, joint editor with James Midgley), and *Social Protection, Economic Growth and Social Change: Goals, Issues and Trajectories in China, India, Brazil and South Africa* (Edward Elgar, 2013, joint editor with James Midgley).

Carol Propper is Professor of Economics at Imperial College and Professor of the Economics of Public Policy at the University of Bristol and Research Associate at the CEPR. She is a leading researcher of the UK health care market. Her research interests include the use of market and financial incentives to enhance quality, productivity and innovation in health care and the long term impact of children's health on later life outcomes. She is a former member of the Economic and Social Research Council and Chair of the ESRC Research grants Board. In 2010 Carol was awarded a CBE for her services to social science. She was awarded the Arrow award for the best paper published in health economics in 2010 by the International Health Economics Association.

Frances Stewart is Emeritus Professor of Development Economics, Emeritus Fellow of Somerville College and Director of the Centre for Research on Inequality, Human Security and Ethnicity (CRISE) at the University of Oxford. She has an honorary doctorate from the University of Sussex. In 2009 she received the Mahbub ul Haq award, from the United Nations, for lifetime services to Human Development. She has been awarded the Leontief Prize for Advancing the Frontiers of Economic Thought for 2013, by the Global Development And Environment Institute (GDAE) at Tufts University. She has been president of the UK Development Studies Association and the Human Development and Capability Association as Chair of the United Nation's Committee for Development Policy. Her books include *Technology and Underdevelopment* (1976); and *Planning to Meet Basic Needs* (1985); co-author of UNICEF's influential study *Adjustment with a Human Face* (1987) and of *War and Underdevelopment* (2001); and editor of *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (2008). Her research has focused on appropriate technology; basic needs; adjustment and poverty; development during conflict; group behaviour; horizontal inequalities; and human development.

Robert Sugden is a Professor in the School of Economics at the University of East Anglia. His research uses a combination of theoretical, experimental and philosophical methods to investigate issues in welfare economics, social choice, choice under uncertainty, the foundations of decision and game theory, the methodology of economics, and the evolution of social conventions. He is the author or editor of eight books, of which the most widely-read are *Principles of Practical Cost benefit Analysis* (1978, with Alan Williams), *Economics of Rights, Cooperation and Welfare* (1986 and 2004), and *Experimental Economics: Rethinking the Rules* (2009, with five co-authors), and of many articles in such journals as *American Economic Review, American Political Science Review, Econometrica, Journal of Economic Literature, Journal of Economic Theory, Journal of Philosophy, Review of Economic Studies*, and *Quarterly Journal of Economics.*

Jane Waldfogel is the Compton Foundation Centennial Professor for the Prevention of Children's and Youth Problems at Columbia University School of Social Work and Visiting Professor at the Centre for Analysis of Social Exclusion at the London School of Economics. She received her Ph.D. in public policy from the Kennedy School of Government at Harvard University in 1994. Waldfogel has written extensively on the impact of public policies on poverty, inequality, and child and family well-being. Her books include: *Britain's War on Poverty* (Russell Sage Foundation, 2010); *Steady Gains and Stalled Progress: Inequality and the Black-White Test Score Gap* (Russell Sage, 2008); *What Children Need* (Harvard University Press, 2006); *Securing the Future: Investing in Children from Birth to College* (Russell Sage, 2000); and *The Future of Child Protection* (Harvard University Press, 1998). She is also the author of over 100 articles and book chapters.