McMaster, R. (2008) *The welfare state and privatization.* In: Elgar companion to social economics. Edward Elgar Publishing, Cheltenham, pp. 519-536. ISBN 9781845422806

The Welfare State and Privatization*

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That any sane nation, having observed that you could provide for the supply of bread by giving bakers a pecuniary interest in baking for you, should go on to give a surgeon a pecuniary interest in cutting off your leg, is enough to make one despair of political humanity.

George Bernard Shaw, *The Doctor's Dilemma*, 1911[1]

Introduction

The "Great Capitalist Restoration" (Stanfield and Stanfield, 1996) from the 1970s/80s onward is predicated upon powerful convictions centring on economic efficiency and development, and the freedom and dignity of the individual. Indeed, so powerful are these convictions that they exude the aura of conventional wisdom. The welfare state has been, and continues to be, a prominent locus for these arguments. Yet there is some ambiguity concerning the nature of the 'welfare state' and what is meant by 'privatization'. It is beyond the parameters of this chapter to furnish a comprehensive account of the complexities of this contested terrain, but nonetheless, some attempt will be made in furnishing definitions that act as entry points to the principal focus of the discussion. This relates to an aspect of the second claim noted above: dignity. Neo-liberalism embeds dignity in a particular conceptualisation of individual freedom. In this literature, as Sen (1993) observed, freedom- achievements are associated with welfare-achievements. For example, Wiseman (1991) contests that if "welfare" is identified with the "existence of caring feelings" then the market is revealed as not only the conduit to greater welfare and individual freedom, but also care and dignity.

Social economists also stress the importance of human dignity within the social provisioning process that is the economy. This has led Wisman (2003: 442) to observe that the scope of social economics encapsulates as its primary task the analysis of the requisites of "the good and just society"[2]. Hence, in contrast to much of the underlying economic rationale for the "Great Capitalist Restoration", or neo-liberalism, there is an explicit recognition that the Humean fault line between the positive and normative is more illusory than real. In setting out to investigate parameters of Wisman's "good and just society" explicit recognition of human needs (O'Boyle, 2005) and the contours of "living standards" (Figart, 2007) are both necessary if not sufficient. Drawing from this literature this chapter argues that the patterns of welfare state reform, primarily through some form of privatization, are not as persuasively related to the enhancement of human dignity as its advocates suggest.

Of necessity the paper is general in nature as it endeavours to address important conceptual issues. The following section considers the analytical terrain by briefly reviewing

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* The critical comments and editorial assistance of John Davis are gratefully acknowledged without indicting him in any way in terms of responsibility for the remaining errors and omissions.

[1] Cited by Barr (1992: 741).

[2] There is an obvious parallel here with prominent institutionalist writers, such as Veblen, Commons, and Ayres. Veblen spoke of "enhancing human life", for Commons "reasonable value", and Ayres a "reasonable society".

some definitional issues. Thereafter the rationale for 'privatization' and recent trends in associated approaches are noted, with a contrasting social economics perspective advanced.

Some Old Questions: What are the 'Welfare State' and 'Privatization'?

This section initially reflects upon some prominent considerations underlying the constitution of the welfare state, and follows this with a similar analysis of privatization.

From a recent well-known mainstream economic perspective Barr (1992: 742) observes:

> "Defining the welfare state continues to baffle writers, and, as with poverty, much effort has been wasted in the search. The term is used as a shorthand for the state's activities in four broad areas: cash benefits; health care; education; and food, housing, and other welfare services".

Barr's reference to fields of activities reflects the standard conceptualisation of merit goods and, from a mainstream perspective, introduces an overtly normative set of considerations since the defining feature of merit goods is grounded in the attenuation of consumer sovereignty. The foregoing range of activities keys into issues of justice, usually considered in terms of equity, where each individual is assumed to have some *right* to access these entities in order to sustain a basic, or what is deemed to be some minimum, standard of living: in effect some *welfare* (and avoidance of poverty).

Barr's review then considers the nature of welfare state regimes broadly in terms of a bifurcation between universal coverage and last resort, or safety net. The former is claimed to resemble a more European (and possibly Canadian and Antipodean) frame, whilst the latter is more typical of the US. Barr readily acknowledges that such a portrayal is at best approximate, but the point is, in effect, conveyed in an albeit simple model of rights of access. Within these ideal types there remains considerable variety in terms of the extent of state provision, usually classified in terms of delivery, regulation, and finance.

By contrast Esping-Andersen (1999) emphasises the state's role in decommodifying (men's) labour power. In essence this represents an attempt to capture social and economic reproduction and shifts across the so-called private-public boundary. Within this he identifies four typologies of welfare regimes: Liberal type, where there is a minimal role for the state and labour power is most commodified; conservative, where there is a key role for the voluntary sector and there is risk pooling within particular social strata as opposed to universally; social democratic, has the highest level of decommodification, there is a extended role for the state in risk bearing and generous levels of universal benefits, and; familial, typified by a residual welfare state and reliance on extended family. Esping-Andersen's typologies form the basis for the identification of geographical welfare regime blocs; such as, familial with southern Europe, liberal with North Atlantic, and social democratic with northern Europe, and so forth.

While Esping-Andersen's work has been influential in the social sciences, with the exception of economics, his typology has been subject to persuasive and sustained criticisms. Fine (2001) and Jessop (2002), for example, argue that Esping-Andersen's approach is highly reductionist; emphasising one dimension of commodification and focusing on an outdated model of gender roles that assumes a sole male breadwinner in a nuclear household. Fine (2001: 208) states: "… his [Esping-Andersen's] … welfare regimes have increasingly proven to be an analytical and empirical strait-jacket …" From the perspective advanced here, the most compelling area of criticism relates Esping-Andersen to mainstream economic approaches such as Barr's. Apart from Esping-Andersen's flirtation with a Beckerian style household, his typological approach shares mainstream economics' accent on risk management. Indeed, he observes: "… social policy means the public management of social risks" (Esping-Andersen, 1999: 36). This centring of market failure is redolent of mainstream economics' presumption that markets are the natural mode of socio-economic governance. Arguably it relegates historical context in a one dimensional account of the economy.

Certainly in mainstream accounts the alleged objectives of welfare states are revealing, if not unsurprising. Barr (1992) and Snower (1993) are examples of those who claim authority in stating the objectives of the welfare state in terms of efficiency, equity and administrative feasibility; indeed, Barr (1992: 745) asserts that this is common to all "social institutions". There is no reference to any definitive statements or historical context to justify the supposition that the objectives of welfare states do indeed resemble those, and moreover, remain fixed through real time. Framing objectives in this manner, as is argued below, furnishes legitimacy to the notion of (welfare) state failure.

Alternative conceptualisations of the welfare state that resonate with a more social economic approach have been advanced by, among others, Fine (2001), Jessop (2002), and O'Hara (2000). Explicit in these authors' analyses is the view that the economy is a social provisioning process subject to endogenous evolutionary change in historical time. Historical contingencies play a key analytical role, as do social factors. Hence, as with well known political economic approaches (such as Gough, 1979, and O'Connor, 2002) the state, when incorporating 'welfare state' activities, is frequently argued to be inherently contradictory, subject to periodic bouts of crises, and an integral part of the architecture of capitalism. This offers a much broader vista that explicitly incorporates issues of power, history and social structure. Hence, in more radical explanations the capitalist welfare state both preserves and retains power for the capitalist elite and simultaneously diffuses that of the working class and poor.

Of particular relevance here is the delineation of the Keynesian welfare state (KWS) that arose following the Second World War. The KWS emerged as a support of Fordism and its reproduction; enabling the expansion of mass consumption through Keynesian demand management. This was accompanied by the extension of welfare rights, particularly through the expansion of education, social security entitlements and health care coverage, such as those initiated in the UK under the auspices of the Beveridge reforms[3]. Contrary to mainstream economic analysis, the state is not viewed as a substitute for the market, but a critical element within a capitalist *system*.

The foregoing begs the question as to what constitutes privatization in this complementary schema between state and market. Again, the conceptualisation of privatization is subject to ambiguity, arguably albeit of less significance than the typology of the welfare state. Nonetheless, the two are intimately linked in policy discussion. A narrow interpretation of privatization could be represented by reference to ownership transfers from the state, or public sector, to the private sector (see Florio, 2004). However, such a reliance on the full scale transfer of property rights does not capture the institutional richness of privatization, especially in the context of the welfare state. A broader typology is advanced here based on privatization as a multi-dimensional concept that centres on some attenuation in

[3] These rather concise observations are only intended to furnish a generic representation of the KWS, and are in no way intended to provide a comprehensive account. Jessop and Fine are among those authors who stress the distinctive traits of the KWS across countries and regions. Indeed, Jessop frames his analysis in terms of the KWNS, where 'N' denotes national.

the degree of state provision (McMaster, 2002)[4]. This draws upon a literature prominent in the 1980s that sought to usefully define the nature of privatization as a key element of neo-liberal reform, and, to paraphrase Margaret Thatcher, by doing so furnish some means of evaluation of the extent to which the 'frontiers of the state had been rolled back'. Heald (1984) provides a sound example of such endeavours. He categorises privatization: ownership transfers; deregulation and liberalisation; tendering and contracting out, and de-subsidisation, including greater recourse to user fees. All involve greater recourse to market mechanisms and hence what may be expected to increase the extent of commodification.

An enormous literature examining and outlining the emerging nature of privatization has grown since the 1980s. That privatization is a global phenomena engendered by supra national bodies such as the World Bank and the International Monetary Fund is obvious[5]. What is less obvious, and something that is a core concern of social economists, is whether this global phenomena improves the living standards of the most vulnerable in society and enhances human dignity. This chapter focuses particularly on the latter, and the following sections trace contrasting economic approaches to this.

The Economic Rationale: Welfare State Failure and the Privatization Nirvana

The economic case for the reform of the welfare state is well documented and known. It is usually associated with the rise of neo-liberalism, and in the mainstream economics literature is typified by the growth in the Public Choice school, the Chicago school, and to a lesser extent new institutional economics[6]. In the mainstream literature the crux of the case for reform/privatization revolves around the argument that (welfare) state failure is more extensive, and hence economically damaging, than market failure. This directly challenges the old Pigovian conventional wisdom fostered by price-theoretic micro models of externalities and market structure. The twin, yet disparate, influences of the Coase Theorem and Public Choice models of bureaucracy effectively undermined the Pigovian model. This combined with the breakdown of the Keynesian consensus in the 1970s afforded neo-liberal approaches an unparalleled opportunity for academic growth and political influence (Harvey, 2005). Of course the Friedmanite monetarist mantra may have been diminished with the advent of new Keynesianism, recourse to evolutionary game theory, and the "third way", but arguably the tenor of the analytical framework and reference points remain largely intact (see for instance, Arestis and Sawyer, 2001, and Fine, 2002).

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Concisely, new institutionalist and Public Choice arguments that highlight endemic agency problems arising from information asymmetries in state activities. This supply-side failure is also accompanied by demand side failure traceable to similar information failings, resulting in widespread money illusion. In short, rational agents are subject to profound informational problems that generate incentive misalignments and inherent inefficiencies. The solution is clear: vertically disintegrate state activities by contracting out social welfare services and efficiency improvements will be achieved, or at least the stifling ineptitude of

[4] Not all necessarily weaken the role of the state; for instance, in some instances of water privatisation in the UK the role of the state was enhanced from a previous arms-length relationship with nationalised bodies to a more pro-active regulation of privatised concerns (see Maloney, 2001)

[5] The emergence of this became known by international economist John Williamson's phrase "The Washington Consensus".

[6] The Austrian school of thought is also a major contributor to this literature. The Austrian case was especially prominent during the socialist calculation debate of the 1920s and 30s, and latterly through the work of Hayek and the establishment of the Mont Pelerin Society which transcended methodological differences between the Austrians and more neoclassical schools.

state bureaucracies overcome. In effect this position advocates some form of commodification of welfare state services in order to create exchange values that reveal the ‘true’ worth of such activities (for examples see Niskanen, 1994, and Mueller, 2003).

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The exigency of the case is partly grounded in Baumol’s (1993) study of the sluggish productivity of education and health services in the USA[7]. Baumol argued that such activities are not amenable to productivity growth given the heterogeneity of the production process and relatively high levels of labour intensity. His analysis has been re-fashioned to buttress the case that the public sector acts as a drag on growth and economic development. *Prima facie*, married to the crowding out argument (see Bacon and Eltis, 1976), Baumol’s “cost disease” thesis culminates in a strong analytical construct fundamentally questioning a statist metric.

Of course the welfare state is also deemed to adversely impact on the efficient workings of the labour market, generating distortions and dependency. Familiar arguments regarding the adverse incentive effects of generous welfare provision indicate an obvious preference for supply-side labour reform and the erosion of benefits[8]. The risk-bearing emphasis shifts from the KWS to the individual. From the perspective of the arguments presented here three pertinent points emerge: the neo-liberal/new right stress on individual responsibility continues to be relevant in “Third Way” accounts; the advance of a “Schumpeterian competition state” (Jessop, 2002), and a move to promote a particular view of individual dignity.

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Taylor-Gooby (1999, 2001) notes that the work of Anthony Giddens (and the mind-set of the current UK government) advocates an attenuation in the role of the (welfare) state and greater responsibility by individuals and communities in the provision of “well-being”. Accordingly the state is responsible for ensuring equality of opportunity, as opposed to outcomes, and individual rights (to welfare) are accompanied by responsibilities (Giddens, 1998). Such an association is hardly surprising given the close relationship between New Keynesianism and Giddens’ work (Arestis and Sawyer, 2001; Giddens, 1998). Arestis and Sawyer convincingly argue that New Keynesianism is heavily influenced by monetarism and new Classicism, especially through its reliance on NAIRU, market failure, and endogenous growth theory[9].

The thrust of this literature is that an expansive state represents a retardation of economic and individual development. Earlier contributions, such as those of the Public School, portray the market and state in adversarial terms. In contrast more recent New Keynesian-influenced approaches are predisposed to notions of social capital that enable consideration of appropriate spheres for alternative governance frames – state, market and community. Again, though, the state is cast as inferior to the dynamism of the market, being consigned at best a supporting role. Reference to endogenous growth theory reveals an important sphere for a reformed (welfare) state: buttressing the “new knowledge economy”. Concisely, endogenous growth theory centres on the importance of knowledge and

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7 Baumol’s rendition is based on an earlier study he conducted with William Bowen in the 1960s into the performing arts, which they concluded were subject to the “cost disease of the personal services”.

8 Trade union reform in the form of curbing power is also evident from this type of approach.

9 At first sight this may seem incompatible with monetarist and new Classical explanations of market properties, such as self-equilibration around the “natural rate”. Arestis and Sawyer’s appeal is that a fixed point in New Keynesian analysis is a modification of the natural rate hypothesis where NAIRU is based on variables outside the labour market, such as firms’ pricing decisions and productive capacity. Moreover, market failures may be associated with information failures of the type alluded to in the text, as well as Pigovian sources.

information to both human capital and productivity, and hence economic growth: knowledge and information are in effect factors of production. As with Public Choice and new institutional economics, it allows that knowledge and information are subject to imperfections. However, unlike the Public Choice model these imperfections occur in the private sector since knowledge and information are accorded some features of public goods, chiefly non-excludability and non-rivalry in consumption. The state then should be cast in the role of encouraging knowledge provision to address under-provision problems. Crucially, education and training are keys to sustainable growth, and should be ensured by the state.

For Jessop (2002) the globalizing "knowledge economy" represents a transformation in the nature of capitalist modes of production from Fordist mass production to Post-Fordist processes, where the latter is described in terms of increasing flexibility, especially of the labour force, and changes in transactions based on information and communications technologies (see also Pietrykowski, 1999). Jessop (2002: 99) explains:

> "In ideal-typical terms and in contrast to Fordism, [Post Fordism's] virtuous cycle would be based on flexible and networked production; growing productivity based on some combination of economies of scope, economies of networks and process innovations …".

Similar to O'Connor (2002), Jessop's analysis suggests that labour flexibility can entail positive outcomes for some groups in terms of job enrichment and multi-skilling, but for others it can entail de-skilling, low wages and indigence resulting from the out-sourcing of tasks, especially in the context of globalization. Moreover, in the commitment to on-going innovation, corporate structures are becoming flatter, more decentralized and flexible, while organized around what are considered to be core competencies with extensive out-sourcing of production (Jessop, 2002). It is this emphasis on innovation that lends Jessop to employ the Schumpeterian adjective.

Given the foregoing emphases on endogenous growth, the "knowledge economy", and "the third way", the greater role accorded to the individual is manifest in the new shape of the (welfare) state (Taylor-Gooby, 2001), most evidently as embodied in the noted transfer in burden of (labour market) insecurity from the state to the individual. The stress on training as a means of developing human capital may be seen as a reconfiguration of welfare provision where the state's role is reduced. Jessop argues that this reorientation is typified by a repertoire that: subordinates social policy to economic policy; exerts downward pressure on "social wages"; shifts from welfarist to workfarist modes, and exhibits a propensity to shift from state intervention to correct for market failure to public-private partnerships, or some form of self-organizational governance to address both state and market failures. Thus, and at the risk of being overly concise, Jessop convincingly argues that the Schumpeterian competition state (or the Third Way) focuses on individual innovation in the supply-side, and economic policies should be tailored to promote the production of knowledge and entrepreneurship. This economic stance dominates social policy where citizens' automatic rights to welfare benefits are eroded, i.e., there is a downward pressure "social wages" (Jessop, 2002, see also Navarro *et al*, 2004). In essence this refers to social security benefits and state pensions amongst others. In terms of the former, Peck and Theodore (2000) note that in generic terms welfare-to-work reforms compel welfare benefit recipients to enrol in (re)training programmes in order to receive benefits and to be better equipped for the uncertainties of a flexible labour market. However, training programmes tend to be confined to low skilled areas, and the element of compulsion:

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> "… creates contingent welfare as a means of enforcing contingent work. Welfare ceases to exist as a temporary shelter from the vagaries of low-wage labour markets. In addition to exerting a downward pull on wages and regulatory standards, such

> models recall the workhouse principle in standing as a reminder of the (individual) price to be paid for unemployment" (Peck and Theodore, 200: 134-135).

The provision of pensions is a prominent case where reform is tailored towards retrenchment with amendments to the indexation of pensions (from average wage increases to inflation) and from intergenerational transfers to redistributions of income over the lifecycle via savings through pre-funded schemes. Again the general transfer of uncertainty from the state to the individual is manifest. Conventional economic wisdom represents an ageing population as the (demand-side) source of increased expenditures on health care and social support. Yet as Dugger (1999) and Jackson (2001, 2006) contest the conventional view is predicated on a simplistic association between ageing and state expenditures. Jackson and Dugger offer important insights into the social construction of age. Physical ageing is a continuous process; yet the delineation between young and old is to some degree founded on what can appear to be capricious grounds[10]. Jackson (2001: 206) argues:

> "The divisions within most people's life cycles – education, work, retirement – are socially constructed. This man-made periodization of ageing both reflects and reinforces social attitudes to the elderly; the retired are seen as being dependent on younger age groups even when physically capable and receiving no public pensions or health care".
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> Insightfully, Jackson (2006: 464) further argues:
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> "At the ideological level, technical change and population ageing provide depoliticised accounts of why it is essential to curtail the welfare state. Economic effects have been exaggerated and portrayed as natural and inevitable, in order to deflect attention from the choices behind policy reforms".

From the perspective advanced here the foregoing prompts an arguably distinct view of individual dignity. The shift in responsibility and risk-bearing from the state to the individual and the increasing recourse to market and "community" based governance are common to economic discourses in this area, from Public Choice to New Keynesianism. In short, here dignity is associated with individual autonomy, responsibility, and freedom from stigma. Yet not all of these elements are accorded the same footing. Barr (1992) observes that an objective of the welfare state (listed as objective 9 well behind efficiency – accorded objective 1 status) is that benefits and services *should* be provided in a manner that "preserves" an individual's dignity and be without stigma. He cites Beveridge who considered that by making contributions an individual can feel that (s)he is receiving benefits not as charity, but as a right. Beveridge's reference to rights is at the foundation of the KWS: citizenship of a state entitles an individual to benefits. But, as noted, the KWS has eroded and is, arguably, being reconfigured into, to paraphrase Jessop, a Schumpeterian variant. It is hard to disagree with Barr's reference to, and invocation of Beveridge, but it prompts the question as to whether the privatization that has accompanied the evolution of the welfare state is compatible with such a rendering of dignity, or whether the other elements are recasting its meaning.

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[10] The importance of indigence and consumption patterns on health status is stressed by numerous authors and bodies (as examples see, the World Health Organization, 2002, and Fine, 2002). With adjustments in diet, lifestyle, and preventative screening a concentrated morbidity pattern may emerge at the end of individuals' lives. Hence, reduced morbidity rates would act to further attenuate the presumed impact of population ageing on medical expenditure

The influential Mont Pelerin Society[11] at its inaugural meeting in 1947 declared in its statement of aims:

> "The central values of civilization are in danger. Over large stretches of the earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy [from the KWS to the encroachment of Communism] … Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.
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> … [The Society] holds further that they [threat to individual freedom] have been fostered by a decline in the belief in private property and the competitive market, for without the diffused power and initiative associated with these institutions [absolute moral standards, rule of law and private property] it is difficult to imagine a society in which freedom may be effectively preserved".

This crystallises the evocative conceptualisation of dignity as indelibly embedded in a particular negative view of individual freedom (see Berlin's, 1958, seminal dichotomisation). Drawing from Sen (1993), individual autonomy in decision-making and immunity from encroachment are integral domains of what he terms as the process aspect of individual freedom that is readily associated with a Hayekian and neo-liberal stance. In the extreme, markets by incorporating the notion of voluntary exchange represent the *only* arrangement where trading and trading possibilities symbolize both the exercise and expression of free choice and choice sets respectively. A powerful case is that the extension of this mechanism for facilitating the "freedom to choose" to the activities of the de-individualising, repressive and dependency-generating KWS represents what Sen (1993) referred to as the association between welfare-achievements, in terms of efficiency and hence living standards, and freedom-achievements. As noted, in this light, a truncated or residual welfare state should be confined to ensuring the efficient operation of markets in welfare services (see, for example Wiseman's, 1991, references to care). Accordingly the linkage between welfare-achievements and freedom-achievements furnishes a positive veneer on the latter given the standard economics assumption that the former rests in the domain of the positive. In such circumstances Jackson's allusion, noted above, to the de-politicisation of the retrenchment of the welfare state is confirmed: privatizing welfare is 'scientific', and moreover, the promotion of human dignity exhibits an objective aura.

The Welfare State, Privatization and Individual Dignity: A Social Economics Perspective

From a social economics perspective dignity is not necessarily served with the neo-liberal promotion of markets in welfare and the individualisation of the burden of uncertainty of indigence that the Schumpeterian model prompts. The analytical entry point for social economists as to the meaning and purpose of economics is social provisioning, which as Figart (2007) observes, is closely tied with social reproduction as it engages with the study of the organisation of economic activities as mediated by culture, ideology and institutions. It therefore goes beyond material provisioning, embodying emotional, social and interpersonal

[11] The Society was founded by, among others, Friedrich Hayek. Among its prominent members are Nobel laureates Milton Friedman, James Buchanan, George Stigler, Maurice Allais, Ronald Coase, Gary Becker, and Vernon Smith (in addition to Hayek himself). Other notable economists include Harold Demsetz, Ludwig von Mises, and Thrainn Eggertsson.

activities (Figart, 2007). This lends itself to contemplating the individual as profoundly socially embedded (Davis, 2003), makes no pretensions that economics is ideology free (Wilber, 2004), and seeks to address issues of individual living standards, poverty and dignity: more generally, what constitutes the "good and just society" (Wisman, 2003).

Davis' (2006) recent observations on the nature of dignity are highly informative. He draws from Avishai Margalit's *Decent Society* and the work of Bernard Williams in conceiving that dignity is not only grounded in negative (or process) freedom, but that it is also embedded in integrity. Two types of integrity are distinguished: personal and moral. Personal differs from moral in that the former concerns the coherence of a person's character and the latter concerns whether this character is virtuous. The latter depends on the former. Davis is interested in the association between personal integrity and identity. Referring to Williams' work he considers that personal integrity is the product of an individual's "identity-conferring commitments". According to this line of argument individuals make various types of commitments to others, and the commitments an individual most strongly identifies with helps establish this individual's integrity. In this way, Davis argues, individuals engage in some sort of reflexive self-construction. It is this self-construction, or sense of self that is the key to appreciating dignity.

An individual is socially embedded through their capacity to express a "we-intention" (Davis, 2003). Employing "we" language is more demanding than "I" language as it involves a collective intention, i.e., an individual expressing shared intentions effectively speaks for all those to whom that "we" language applies; therefore some consideration must be given to whether the intention expressed accurately reflects the intentions of those to whom it applies. In this respect individuals are socially embedded – in effect by (socially) embedding others 'in' themselves by expressing an intention which they believe is held by others as well. This is important in appreciating the interconnectedness of the personal and social aspects of dignity[12].

For Davis, the sense of self and the social aspect of the individual contribute to an individual's sense of dignity: dignity possesses personal and social qualities embodied in feelings of self-esteem and self-respect. Self-esteem, associated with the personal aspect of dignity, arises from an individual's feelings and self-opinion. Self-respect, the social aspect of dignity, is a matter of how an individual believes that (s)he is entitled to regard themselves in virtue of their membership of social constituencies. On the one hand, then, dignity is similar to pride in that pride is an expression of self-esteem; on the other hand, dignity is an expression of the respect individuals feel towards themselves as human beings derived from personal and moral integrity that arises from being, "an accepted member of a community equal in certain basic rights" (Davis, 2006: 78).

From the foregoing synopsis it is apparent that a decent society is a society that ensures decent living standards that embody human dignity. This, as Figart notes, goes beyond possession of privately owned commodities and the provision of public goods; it embraces human flourishing and addresses human needs (O'Boyle, 2005). The conception of human flourishing is allied to the capabilities approach advanced by Amartya Sen and Martha

[12] This goes well beyond the strictures of mainstream economics. For instance, Wiseman (1991) and Lindbeck, *et al* (1999) are among those who attempt to capture social norms either within a given utility function or within a family of utility functions governed by some meta-function. Thus, individuals may be behaving rationally even if they do not maximise utility, or indeed behave in a fashion that is costly to themselves – as in some forms of altruism. In this interpretation norms become tradable within an overall utility calculation. Accordingly they only possess an instrumental value; rendering any deontic aspect redundant. From a social economics approach this seems unduly reductionist (see Davis, 2003).

Nussbaum among others (see, for example, Putnam, 2003). Capabilities refer to the abilities or freedoms to enjoy “valuable functionings”. Levine (2004: 102) describes this further:

> “The central element in this way of thinking is that we are poor not primarily because we lack goods, but because we lack the ability to be and do things that are essential to leading a human life”.

Putnam (2003) argues that Nussbaum is more forthright than Sen in furnishing characteristics of what she terms ‘central human capabilities’. These capabilities essentially amount to rights of opportunity; include life (including freedom from premature mortality) and bodily health (including reproductive health, adequate nourishment and shelter) and bodily integrity (freedom from violence, rights to mobility and choice in reproductive matters). These are important and contested points, and a reflection of a more general point that freedom from poverty should be seen as a human right.

In terms of human needs, the literature draws upon the classic contributions of Karl Marx and Thorstein Veblen in arguing that there is a *need* for work as sources of self-expression, identity and belonging (see for example, Levine, 2004, and O’Boyle, 2005). For work to encompass freedom it must engage with the individual’s skills and creativity, and not alienate or bore. Hence, for Levine poverty is a developmental failure, or a failure to develop skills: without skills there is a loss of identity, which is a further manifestation of poverty and a loss of dignity.

The intention here is by no means to provide a comprehensive review of a rich literature; it is more to provide a flavour. Concisely, a social economics perspective stresses the centrality of the socially embedded individual and the complexities of human needs for dignity and ability to flourish, both of which are viewed as human rights. The considerable question is begged as to whether recent privatisations of welfare states – the transformation of the KWS into a Schumpeterian variant – serves to enhance the capability to promote human rights in this way. Does shifting responsibility from the state to the individual afford the individual opportunities to flourish? Does the neo-liberal emphasis on the assignation of human dignity with negative freedom provide a basis for the attainment of a privatization-led utopia, where freedom and efficiency furnish human dignity? In themselves these are massive issues, although the general thrust of the social economics literature is to query the basis of such claims.

Given the limitations of space, the remainder of this section seeks to examine through social economic lenses whether the conditions of increasing commodification (of welfare state activities) are compatible with the advancement of human dignity.

Prima facie, references to the “decent society” are embodied by Davis’ (2006: 81) statement:

> “Making human dignity a central value of socio-economic policy, then, means changing social institutions to *eliminate* humiliating institutions” (emphasis added).

Humiliation is defined as the violation, or undermining, of dignity. Systematic humiliation, as an outcome of a system of institutions, erodes individuals’ self-respect by either denying them membership or attenuating their status (Davis, 2006). Freedom *from* such institutions is, from a neo-liberal standpoint, afforded by the market. Each agent is imbued with inalienable rights to exchange: exchange is the voluntary exercise of free will, free choice and autonomy (O’Neill, 1998). Moreover, as noted, the state as Leviathan generating dependencies and infringing individual liberties, autonomy and choice renders both it and the ‘welfare state’ as a set of humiliating institutions.

This neo-liberal frame, however, is subject to an intractable problem instituted in the nature of commodification. Perhaps the most notable contributions to the conceptualisation of ‘the commodity’ are furnished by Karl Marx (1990) and Karl Polanyi (1944). Succinctly both believed that the defining feature of commodities was exchange value: a commodity is an entity that may be potentially monetized (Fine, 2002); is produced for sale in a market (Polanyi, 1944; Jessop, 2002), and therefore property rights to the entity can be defined and transferred.

In Marx’s and Polanyi’s analyses, the notion of the commodity also warrants examination of the processes of commodification and decommodification. Marx allied commodification with the valorization of labour power, and indeed narrowly construed commodification refers to the buying and selling of entities through market exchange, where previously such activity was not marketable. A broader interpretation incorporates the metaphorical representation of exchange as commodity (market) exchange (Radin, 1996). A more literal interpretation refers to the social context of markets, whereas a metaphorical rendering is broader and embodies market rhetoric which conceives of human attributes as fungible, owned assets (Radin, 1996; Fine, 2002; O’Neill, 1998). Given this, Beckerian-inspired approaches, can be conceived as metaphorical connotations of ubiquitous commodification. Further, mainstream economics’ reliance on the market as an epistemological (and ontological) entry point(s) and meta-narrative inculcates the notion of the market as the “natural” mode of socio-economic activity. Through social economics lenses this is unnecessarily reductionist and hastens misplaced utopian solutions.

Whilst privatisation involves increasing commodification, it is analytically attractive to conceive of some sort of continuum of commodification (see for example, Radin, 1996). *Pace* Esping-Andersen, such conceptual considerations are multi-dimensional, multi-polar, and hence not suitable for two-dimensional representation. Following Radin goods may demonstrate incomplete commodification in the narrow sense in that activities may have a co-existence of market and non-market interactions, and/or entities may have a socially acknowledged and legitimate non-monetisable aspect. Drawing from and augmenting Radin’s (1996, ch. 8) highly informative analysis, conceptually complete commodification involves the conjunction of four dimensions: fungibility; commensurability; monetisation, and objectification. Fungibility, commensurability and monetisation are closely related but distinct notions[13]. Fungibility concerns the exchangeability of entities whilst maintaining their value for the proprietor, whereas commensurability relates to the valuation of entities such that they may be arrayed on a continuous scale. Monetisation obviously concerns matters of the ready convertibility of the entity into money. Indeed, possession of the entity is equivalent to possessing money. Importantly, the foregoing emphasizes the centrality of exchange or instrumental value. In Kantian terms, the entity lacks any intrinsic deontological worth.

This is perhaps further underscored by considerations of objectification. For Nussbaum (1995: 257) treating something as an object implies seven notions: instrumentality, where the object is treated as a tool for the purposes of another; denial of autonomy, where the object is treated as lacking in autonomy and self-determination; inertness, where the object is treated as lacking in agency; fungibility; violability, where the object is treated as lacking in boundary-integrity, i.e. it is possible to decompose the object; ownership, or

[13] Each of Radin’s indicia are logically separable and do not reduce to one another. For instance, objectivity may be a necessity for the other indicia, but is not sufficient: it could potentially be the case that improper subordination arising from power relations and not commodification results in objectification. Further, commensurability need not entail money equivalence: witness neoclassical economics’ references to non-reducible utility functions.

property rights to the object, and denial of subjectivity, where the object can be treated as if devoid of experience or feelings, or they need not be considered.

The inherent features of objectification patently do not lend themselves to the promotion of human dignity and rights. Although processes of commodification are neither necessary nor sufficient for objectification, they do not retard orientations towards objectification. Arguably this is unproblematic for certain exchanges, such as those where voluntary exchange occurs for unnecessary material goods. However, welfare state activities are frequently profoundly relational, and the economic rationale of increasing commodification coupled with privatization is incapable of theoretically accommodating this. Commodification, and its analytic heuristic, denotes a particular form of social construction and process of valuation of things that can be apprehended as commodities. It is this specific social arrangement that founds a particular means of valuation that is highly contested for some activities. However, as noted, for some commentators, markedly Becker, all aspects of social interaction are, and can be, treated as commodities in rhetorical terms. Radin (1996: 6) contests:

> "… [U]niversal commodification implies extreme objectification. Commodities are socially constructed as objects separate from the self and social relations. Universal commodification assimilates personal attributes, relations, and desired states of affairs to the realm of objects by assuming that all human attributes are possessions bearing a value characterisable in money terms, and by implying that all theses possessions can and should be separable from persons to be exchanged through the free market".

Feminist and social economics are replete with misgivings over the complete commodification of care (see, for example, Folbre, 1995, and Davis and McMaster, 2007). In its extreme neo-liberalism hardly seems to provide a convincing template for the enhancement of human dignity, at least from a social economics perspective. Its economics, in the main, assumes that epistemologically concepts from care to knowledge and labour can be reduced to commodities, and accordingly connections between agents in these fields are identical: the natural schema for commodities is the market. Yet standard economics is ill-equipped to furnish a comprehensive conceptualisation of markets (Jackson, 2007), and therefore fails to provide an adequate theoretical platform for an investigation of the ramifications of the evolution of the welfare state following privatization initiatives.

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That markets in welfare activities, from pension provision to health care and education, augment processes of commodification, and hence objectification seems inescapable. From the social construction of dependency, as in the cases of age and the flexible labour markets of the Post Fordist economy, neo-liberal programmes seem inherently contradictory: markets are depicted as the conduits of individual freedom and dignity, yet through increasing commodification promote objectification traits which undermine human autonomy and dignity via the vilification and isolation of societies' most vulnerable. To be sure, the KWS had bureaucratic and institutional structures that did not necessarily endorse human flourishing, but the central contradiction of the KWS is that simultaneously it did provide some basis for the expansion of positive freedoms and hence dignity that also served the accumulation requirements of capitalism. The evolution in the structure of accumulation has fostered an impression of extended freedoms (Harvey, 2005); yet this has been attained on an altar of humiliation for many. As John Kenneth Galbraith (2005: 11) wryly observed in his final work:

> "Reference to a market system is … without meaning, erroneous, bland, benign. It emerged from a desire for protection from the unsavoury experience of capitalist power and … the legacy of Marx, Engels and their devout and exceptionally articulate disciples. No individual firm, no individual capitalist, is now thought to

have power; that the market is subject to skilled and comprehensive management is unmentioned even in most economic teaching. Here the fraud".

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