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## **MPIfG Working Paper 97/2, March 1997**

by Joshua Cohen and Joel Rogers

### **Can Egalitarianism Survive Internationalization?**

MPIfG Lecture Series Economic Globalization and National Democracy, lecture given on February 13, 1997

Can egalitarianism survive internationalization? Yes.

Our argument for this laconic answer proceeds in five steps. We start by introducing the terms of our question ("egalitarianism" and "internationalization"), explaining why it is worth asking, and sketching the basis of our answer: the project that we have elsewhere called "associative democracy". Next, we motivate this project by providing, in briefest outline, some historical background on social democracy and its decline. Third, we present more fully the idea of associative democracy, as an egalitarian political model suited to current conditions. Fourth, we supplement the core associative model with a set of programmatic ideas designed to bring out its egalitarian potential. Finally, we show how the associative conception, thus supplemented, might survive the challenge of internationalization.

We state our argument in abstract terms, but the United States - the case we know best - provides a principal point of reference throughout. A natural objection to this focus is that the relative stability of its boundaries, internally and externally, makes the US case too easy. Though this objection is not entirely weightless, its force is limited: after all, internal diversity, together with the relatively weak hold of egalitarianism on American political organization and culture, make the United States a hard case. It is difficult, then, to say how the relative ease and difficulty balance out, all things considered. In any case, we will achieve our principal purpose if we can make a plausible argument in the US case. For that purpose is to reject a very general line of argument that begins at internationalization and ends with skeptical conclusions about the relevance of egalitarian ideals to the contemporary world. According to this argument - increasingly popular in contemporary political discourse - internationalization spells the end of egalitarianism, or - in a version that is only slightly more hopeful - requires a respecification of egalitarian ideals so that their principal application is to an international system and as - yet unformed international institutions, and not to states within it. If our discussion of associative democracy (with the US case in mind) is plausible, then there is no compelling general argument for skepticism or respecification. And if no such argument is available, then it may be worth discussing whether the view we present here is confined to the facts of the American case, or extends beyond it. Either way, "yes" will do as an answer to our question, and internationalization should not be treated as the great conversation-stopper.

#### **1. The Problem**

Coming, then, to the terms and interest of the question: The "egalitarianism" in our title names a family of political conceptions of justice that aim, in general terms, at "a

reconciliation of liberty with equality." Though the problems we explore here will arise for any member of this family, we simplify the exposition by stipulating a particular view. Specifically, we focus on a conception of justice that comprises a commitment to universal civil and political liberties, and three egalitarian principles: a requirement of substantive political equality, ensuring that citizens, irrespective of economic position, have equal opportunities for influencing collective decisions; a requirement of real (as distinct from merely formal) equality of opportunity, condemning inequalities of advantage tracing to differences in social background; and a conception of the general welfare assigning priority to improving the conditions of the least well-off. All these conditions are understood as applying within an organized political society.

Until the second half of this century, the possibility of reconciling liberty and equality along these lines was registered only in political theory. But the rise and postwar consolidation of social democracy and the modern welfare state gave the egalitarian-democratic project practical force. Though criticized by more stringent egalitarians for accommodating capitalist inequalities, and by the libertarian left for excessive statism, social democracy achieved considerable success in protecting basic liberties, making the destinies of equal citizens less contingent on their labor market success, and providing an institutional framework within which closer approximations to the ideal of egalitarian justice could be realistically imagined and articulated at the level of program and policy.

Today, however, the characteristic ideology and political practice of social democracy, including the welfare state as a form of social administration and agent of fair opportunity and distributive justice, are in considerable disarray. To be sure, the social-democratic model is only one particular version of egalitarian-democratic governance. So the disarray of the former does not imply the end of the latter. But this logical observation provides cold comfort. After all, social democracy it is the only version to have enjoyed much success. With market socialism apparently confined to books of that title, the decline of social democracy has prompted genuine (and not unreasonable) doubts about the prospects for a happy re-marriage of libertarian and egalitarian political values.

The right response to these doubts depends in part on one's diagnosis of the disarray. Our own, stated schematically, is that current difficulties in egalitarian democratic practice owe less to changes in human aspiration or philosophy than to what may be broadly classed as "organizational" problems - specifically, to a mismatch between the characteristic organizing and governance practices of social democracy and changed material conditions within which those practices operate. Premising that diagnosis, we ask how this mismatch might be remedied: what new institutional model, suited to changed circumstances, might again advance egalitarian-democratic ideals?

We will fill in a few details of this diagnosis later. Here we want to note that internationalization is part of the story, where internationalization comprises the growing importance of multinational firms with geographically dispersed production; the explosion of foreign direct investment; and the relatively easy movement of finance across borders. Though other, non-economic phenomena are sometimes associated with internationalization - migration, stunning increases in transcontinental air travel and telephone calls, and new forms of electronic communication - we confine our focus to the economic. That focus makes our work harder. For it is precisely the economic dimension of internationalization - its compulsive economic logic - that is supposed, according to a conventional argument, to cause all the troubles for egalitarianism.

The intuitive line of thought runs as follows: Assume (as we do throughout) a market economy. Without a suitable regulatory framework - concerning, for example, compensation, working conditions, education, and training - the opportunities and incomes of equal citizens will depend on differences of social background, natural endowment, and such accidents of good fortune as locational advantage, or skills that fortuitously match market opportunities. Egalitarian norms of fair equality and priority to the least advantaged condemn such dependence. But a regulatory background designed to correct it - whether it be social-democratic or otherwise - will limit the choices of investors, reduce their flexibility, and drive up their costs. Unless governments are prepared to impose strict limits on the movement of capital - an unstable and otherwise inadvisable strategy in a modern economy - internationalization means that investors will likely find more desirable, less regulated opportunities elsewhere (less regulated either because of the accidents of history or because of a competitive race to the bottom among competing regulatory regimes). To be sure, desirable exit options will not always be available. But even if they are not, firms will often be able (because of asymmetries of information, and the large burdens imposed on citizens by their departure) to register credible threats of exit to less regulated regimes - threats with sufficient credibility to weaken the regulatory resolve of citizens and governments.

The force of these constraints in circumscribing policy initiatives is bound, in turn, to effect popular political sensibilities - the judgments and, ultimately, preconceptions of citizens about what is politically possible and desirable. Citizens who might otherwise have sought collective solutions to common problems are increasingly drawn to more particularistic or individualistic strategies to advance their own good. Correspondingly, the egalitarian idea that we might "agree to share in one another's fate," and that "in designing institutions [citizens] might undertake to avail themselves of the accidents of nature and social circumstance only when doing so is for the common benefit" is uncoupled from any realistic political project, and restored to its traditional standing as utopian moral aspiration or article of personal faith.

That, in brief, is the conventional story about how internationalization has brought us to the present. We are frankly skeptical about the importance its assigns to internationalization in explaining current troubles of economic performance, political disarray, constraints on policy, and political sensibilities. The large role of non-tradeable services in current economies, for example, certainly suggests that other factors are at work in accounting for economic performance. But we will not press this skepticism, in part because the institutional proposal we wish to defend would still have considerable force, even if internationalization and its economic impact were of much greater importance than we take it to be. The gist of that proposal - what we call "associative democracy" - is to advance egalitarian-democratic norms by devolving certain characteristically state responsibilities, in particular collective problem-solving responsibilities, to associative arenas of civil society. Generally speaking, our claim is that such devolution would solve two problems at once: it would help to increase social problem-solving capacities, thus correcting the current mismatch between problems and governance practices and restoring egalitarian democracy to the realm of practical possibility; and it would help to (re)create a social base of support for egalitarian practice. Applied to the argument from internationalization in particular, our claim is that the increase in problem-solving capacities through associative democracy could provide real benefits for firms, by helping to provide goods and services that are important for economic performance, that firms will not provide on their own, and that the state cannot be relied on to provide - for example, such goods as effective systems of training, technology diffusion, regional labor market administration, and a more effective because

more coordinated delivery of welfare services. If this is right, associative democracy would reduce the attractions of exit and the credibility of threats of exit, even from relatively egalitarian regimes, and it would reestablish conditions favorable to pursuing cooperative solutions to common problems.

## 2. How We Got Here

Associative democracy assumes as background a certain diagnosis of the operation and decline of social democracy: an account of its characteristic organizing and governance practices, and of how changed material conditions generate a mismatch between those practices and the problems they need to address. How, then, did social democracy work in its heyday, and why has that day passed?

Social democracy was, at once, a working-class and a universalistic political project. It offered a redistribution of income toward workers and limited power-sharing, in both the firm and the state, between workers and capitalists. Keynesianism, then, squared the circle by linking this support for the particular interests of workers to project of general social advantage. Wage increases or state-led redistribution toward labor increased effective demand, which was captured by domestic firms supplying employment; stabilization of markets encouraged investment, which increased productivity, which lowered the real costs of consumption goods, which, along with wage increases, spurred further consumption and rising living standards for all. By correcting unfaier market distributions, it provided for the general benefit. Organizationally, too, social democracy married class and universal appeal. In everyday politics and governance, strong industrial union movements made deals with "monopoly" capital directly - in centralized systems of wage-bargaining - or through the state - classically, exchanging wage moderation for commitments to increased social welfare spending and guarantees of full employment. By relieving some of the competition among capitalists, these deals facilitated cooperation between the classes in meeting the more stringent standards on capitalist performance they also imposed.

This combination of particular and universal was no product of nature, or mere ruse of reason. Instead, it depended on a set of background conditions that included, most prominently:

- A nation-state capable of directive control of the economic environment within its territory. This control assumed a national economy sufficiently insulated from foreign competitors that the benefits of demand-stimulus could be reliably captured within its borders, and a monetary policy apparatus sufficiently insulated from world-wide financial flows to permit unilateral correctives to recession. Moreover, the sheer competence of the state in managing the macro-economy provided a material rationale for participation in national political discourse.
- The organization of capital into a system dominated by mass production and an economy dominated by large, lead, stable firms in different key industry clusters. Such firms provided ready targets for worker organization, and levers in extending the benefits of organization throughout the economy they dominated. In the mass production setting, firm stability also meant career stability for workers within them. That stability in turn facilitated the evolution of the "industrial" model of union organization. Moreover, it gave experiential immediacy to class consciousness.
- The preeminence of class concerns in the politics of equality. This dominance owed to the existence of a more or less determinate working class, the strength and

superiority of whose organization dwarfed other secular, non-business organizations and concerns. The distinctiveness and integrity of this class were, in turn, fostered by mass production itself, which limited the force of traditional craft divisions and visibly clarified the distinctive interests of labor and capital. All of this has now changed, and the terms of the changes carry important implications for an egalitarian political project.

- The state is now a less resourceful ally. Internationalization is part of the story: it has qualified demand management policies by qualifying the degree to which demand will be met by domestic firms, and enlarged domestic capital's possibilities of exit from egalitarian regimes. Changes in the problems the state is asked to address have also highlighted the limits of state competence. With a greater recognized range of social interests and less self-regulation by disintegrating communities, the state is asked to regulate more broadly and extensively than in the past. But it often lacks the local knowledge needed to determine appropriate standards or the most appropriate means to their satisfaction in diverse circumstances; its monitoring and enforcement capacity, especially in areas requiring compliance across numerous, dispersed, and volatile sites, is inadequate; so too is its ability to administer solutions that demand coordination across policy domains and communities of interest. As a result, the state is commonly, and in considerable measure properly, perceived as incompetent.
- Traditional mass production has collapsed, resulting in increased social heterogeneity. Competition among firms has vastly increased, with attendant changes in the organization of production. Those changes are diverse: greater dynamism in (often loosely coordinated) small firms, more decentralization and horizontal coordination within large firms, and, within and across more decentralized units, increased variation in the terms and conditions of work, the structures of career paths and rewards, the market ability of heterogeneous skills. The common thread running through these changes is that they disrupt the commonalities of experience that provided the foundation of traditional industrial unionism. Even before it is enlarged by variations across worksites, moreover, workforce heterogeneity is underscored by increased mobility of workers across firms, the casualization of much employment, and the increased distance of worksites from homes.

Increased workforce heterogeneity complicates the regulatory problem of developing of general standards on economic performance and wage and benefit equality. At the same time, it disrupts the politics of such equalization. By reducing the importance of relatively stable employment for workers performing relatively common tasks in relatively stable firms, the decline of mass production has unmade the working class as a mass agent. Moreover, because the articulation of work and family within the welfare state meant that conceptions of class were gendered, the increases of women's labor market participation have had similar effects. In brief, workforce heterogeneity now approximates the heterogeneity of the broader society, qualifying the working class as a determinate agent of that society's transformation.

- The broader class of citizens who might support egalitarian ideals is itself more politically heterogeneous. For a generation now, interests not best organized from the standpoint of formal class positions - interests in gender or racial justice, self-government by national groups, ethnic rights, the environment - have been expressed with a robustness and intensity exceeding those of class. Moreover, they are not seen as reducible to class concerns, and are jointly pursued at least in part through cross-class alliances. As a result, any mass egalitarian politics limited to class concerns would likely be doomed. But no new, more capacious solidarity

appears to be emerging out of this heterogeneity of interests. Nor is there any obvious basis in everyday life and culture for such emergence.

With its means of administration widely regarded as incompetent or worse, its social base fragmenting, and its political cohesion come unstuck, social democracy fell on hard times. Moreover, the depth of these troubles underscore the need to look for a fundamentally different institutional model. They underscore, too, that such a model cannot simply derive new institutions and policies from compelling principles of justice - as though egalitarians could simply assume a freestanding and motivationally forceful commitment to their principles. It must instead take the sources of disruption of social democracy seriously. And that means presenting an institutional model that promises to rebuild collective problem-solving capacities and harness them to egalitarian practice, reconstruct a social base of support for such practice, and describe a politics that might advance it.

### **3. The Solution**

The associative democratic idea is to focus that effort of rebuilding and reconstruction on associations intermediate between state and market, and deliberative arenas built around such associations.

This thought naturally emerges from three ideas, each interpreted against the background of the diagnosis of social democracy's troubles. First, any well-functioning democratic order requires a social base. Beyond the world of voters and parties, secondary associations - organized groups intermediate between market and state - are needed to represent otherwise underrepresented interests, as with trade unions or other independent worker organizations. Without them, there is no hope of meeting the conditions of political equality or distributive equity: Poorer interests will go unrepresented; and if they do go underrepresented, then the balance of political and economic bargaining power will defeat norms requiring real equality of opportunity and priority to the least advantaged.

Second, associations (singly and in coordination) can work as problem-solvers, thus adding to public regulatory competence - particularly important because of current limits on state capacity. We see this, for example, with the joint role played by unions and employer associations in establishing standards on worker training in all well-functioning training systems, or the role that environmental organizations sometimes play in helping to define standards on the use of toxics, or the role of health and safety committees in workplaces in monitoring the enforcement of standards.

Third, the right kinds of association do not naturally or spontaneously arise, either for the purposes of assuring fair political equality, or for the problem-solving required in a successful egalitarian order. Nor, putting aside fortuitous contributions of nature and spontaneity, is there any evident tendency for them to emerge out of the current heterogeneity of political aspirations.

Putting together the need for a social base, the importance of expanding problem-solving competence, and the fact that such environment and competence do not arise spontaneously and are not on the political horizon, we arrive at the strategy of associative democracy : to use public powers to foster egalitarian-democratic ideals through associative means. In particular, where manifest inequalities in political representation exist, confounding the norm of fair political equality, the associative strategy recommends promoting the organized representation of presently excluded interests. Where associations have greater competence than public authorities for promoting greater distributive equity, or solving collective problems that are important to advancing the

general welfare - in part by solving problems in ways that help to hold firms in place - it would encourage a more direct and formal governance role for groups. The idea is not that groups should displace public authority, or merely proceed more actively alongside it, much less that they should simply help to accumulate the social capital on which successful democratic politics depends. Instead they should be relied on more self-consciously, and considered more explicitly, in the design of public programs, as mechanisms to expand that capacity.

The benefits of associative democracy for fair political equality seem clear enough. So we concentrate here on its capacity to relieve some of the difficulties in problem-solving now faced by democracies - difficulties which, if not relieved, will prevent any egalitarian project from getting off the ground.

How might associative democracy provide such relief? Generally speaking, the idea of a substantial regulatory role for associations reflects a sense of the limits of the capacity of the state to solve problems efficiently and competently at diverse sites. These limits appear in four kinds of cases:

- (a) When the sites at which a problem arises and requires address are too numerous and dispersed for easy or low cost centralized monitoring of compliance with regulations. Even if uniform and stable regulations across such sites were appropriate, these conditions would suggest a need for decentralizing the capacity to monitor compliance. Discussions of workplace health and safety regulation commonly emphasize this problem: too many workplaces for a central inspectorate to review.
- (b) When the diversity of sites at which similar problems arise suggests that problem solvers at different sites will want to employ different means to achieve similar aims and also to specify their aims differently.
- (c) When the volatility of the problems faced at particular sites suggests that a need for continuous reflection on means and ends, and the importance of adjusting both in light of new information about the environment.
- (d) When the complexity of problems and solutions - where problems are substantially the product of multiple causes and connected with other problems, crossing conventional policy domains and processes - implies that the appropriate strategy requires coordination across those domains. Urban poverty, local economic development, and effective social service delivery are among the familiar problems that occupy this class. Solving them plausibly requires cooperation across quite different institutions and groups - for example, lending institutions, health care providers, technology diffusers, education and training establishments, housing authorities, community development corporations, neighborhood associations.

The associative idea is to address these limits to problem-solving through explicit reliance on the distinctive capacity of associations to gather local information, monitor compliance, and promote cooperation among private actors. It is, in effect, a program of more direct citizen participation in deliberative problem-solving. When problems are more or less functionally specific - corresponding roughly to the first three classes of cases just described - associative governance is not uncommon. As a general matter, examples are most developed in the areas of workplace regulation and training, and rely on institutions controlled by the traditional "social partners" of labor and capital. The use of plant committees to enforce occupational safety and health regulations, for example, or



groupings of trade unions and employers to facilitate technology diffusion, or employer and union associations to set standards on training, are all familiar. The lessons of practice in these areas might be more explicitly generalized to include non-traditional parties.

As the scope of associative efforts moves beyond functionally specific problems to issues that are decidedly more sprawling and open-ended - as in the urban poverty or regional economic development examples - models are less clear. Here the associative strategy recommends the construction of new arenas for public deliberation that lie outside conventional political arenas. The aim of these arenas would be to establish the coordination between among private and public actors necessary for problem-solving.

That, anyway, is the idea. But even if all agree that the state's problem-solving capacities are limited - particularly in a high diversity, high-volatility, high-complexity environment - why suppose that deliberative arenas would represent an improvement? Simplifying a much more complex story, the rationale for thinking they might proceeds as follows: The parties to the discussion are presumed to have relevant local knowledge, and to be well-positioned to understand changes in local circumstance; moreover, they can put that information to good use because they understand the terrain better than more distant actors and have a more immediate stake in the solution. Furthermore, assuming a shared concern to address a problem, a fair background, and an expectation that the results of deliberation will regulate subsequent action, the participants would tend to be more other-regarding in their political practice than they would otherwise be inclined to be. The structure of discussion - the requirement of finding a solution that others can agree to, rather than pressuring the state for a solution - would foster debate that respects and advances more general interests. Other-regardingness would encourage a more complete revelation of private information. And this information would permit sharper definition of problems and solutions. In addition, pursuing discussion in deliberative arenas, with enduring differences among participants, would incline parties to be more reflective in their definition of problems and proposed strategies for solution; it would tend to free discussion from the preconceptions that commonly limit the consideration of options within more narrowly defined groups, thus enabling a more complete definition and imaginative exploration of problems and solutions. Monitoring in the implementation of agreements would also be a natural byproduct of ongoing discussion, generating a further pool of shared information. And, if things work, the result would be a mutual confidence that fosters future cooperation.

In short, we have some promise of getting locally-tailored strategies, based on high levels of information, mutual concern, and reflection.

Still, it might be said that associative democracy is an improbable direction for egalitarian strategy because the role of organized groups in problem-solving would tie political identities to those groups rather than to the position of equal citizen. That tie, in turn, would undermine the integrative function of a democratic state and the position of equal citizen within it, thus undercutting the social base of support required for an egalitarian order.

This concern misconceives, we think, the associative project, and the central role of problem-solving within it. The point of associative democracy is not to foster traditional group solidarities, but to construct less organic solidarities through a deliberative process of defining and addressing common concerns. It is one thing for a well-funded union, with a well-defined identity to be asked to participate in the design of training standards

of obvious concern to it as well as the broader society. It is very different for a new or under-funded community environmental organization to gain resources and greater organizational life in exchange for helping to design an environmental "early warning" system, which is to provide notice of emerging problems of pollution, before they become unmanageable. In this case, support for the group is tied to public service. Similarly, we might imagine a neighborhood association and economic development corporation in a poor community receiving assistance conditional on their jointly organizing a training program for parents and a child care program for trainees as part of a broader job-training effort. What is important in these cases is that group participation and public support are tied to a project of public advantage.

The solidarities characteristic of such efforts will be the bonds of people with common concerns - for example, a concern to fight persistent urban poverty - and who treat one another as equal partners in addressing of those shared concerns. Deliberative arenas established for coordinated problem-solving bring together people who have shared concrete concerns but very different social identities, and who operate under considerable uncertainty about how to address their common aims. Successful cooperation within them, fostered by the antecedent common concerns of participants, should encourage a willingness to treat others with respect as equals, precisely because discussion in these arenas requires fashioning arguments acceptable to those others. The structure of discussion within them - aimed at solving problems rather than pressuring the state for benefits or solutions - would require people to find terms that others can agree to. In this respect a social world in which solidarities are formed in deliberative arenas is distinct from social world in which arenas (other than the state itself) have a more particularistic cast. The bonds they foster are most closely analogous to the solidarities of citizenship than to the narrower group identities associated with factional politics.

#### **4. What About Equality?**

Assume that this associative democratic strategy is plausible and desirable. Still, as attentive listeners will have noticed, our original question remains. What happens when an associative democracy adopts explicitly egalitarian strategies? What, then, are the effects of internationalization? More pointedly, is there any reason to believe that the associative strategy we have suggested as a worthy successor of social democracy would be supportive of, or robust given, the introduction of policies - like those associated with social democracy - designed to achieve fair equality of opportunity or to maximize the well-being of the least advantaged? Admitting some room for maneuver as to means, we think, once more, that the answer is "yes".

Before explaining why, let's first clarify the terms of the question. A more associative democracy would, to be sure, contribute to equality in many ways. By making politics more attentive to problems in the "natural" distribution of political power, it would meliorate inequalities in that distribution. By strengthening social problem-solving capacities, it would generate more public goods and a more robust sense of the social, and thus weigh against the grossest forms of neglect, particularism, and defection. By improving the efficiency of public regulation it would extend it. By generally increasing capacities to respond to economic change, it would expand the range of those capable of making that response - and thus preserving or improving their labor market position. By explicitly widening the range of those citizens and groups from whom contribution was sought, it would naturally widen as well as the range of those rewarded for such contribution.

Still, inequality-generating market capitalism would remain, and an order that tied fate to fate on labor markets - even more associatively ordered and regulated labor markets - would fail even minimal application of egalitarian-democratic norms. In short, even in the ideal associative case, policies with the explicit purpose and effect of detaching welfare from the vagaries of personal endowment and luck, not to mention the business cycle, are required. As ever, justice must be aimed at to be achieved.

The precise form of those policies, however, is open to discussion. Social democracy sought to meliorate the consequences of the exercise of capitalist property rights through popular organization and political power. Leaving the basic assignment of those rights undisturbed, it countered them with unions, political parties, and the welfare state - all essentially intent on income redistribution to particular sub-categories of citizens (the aged, the poor, the disabled, the unemployed) judged to be needy. The degree of particularity, of course, varied across welfare states. In the most advanced Nordic cases, a substantial "social wage" was assured to all adults. In the US case, outside universal income and medical insurance for the aged, efforts were generally more "means-tested" - limited to those with substantially substandard incomes. But today, the first sort of strategy is questioned on fiscal and labor-supply grounds; at great cost, it provides income to many who do not need it, while its very generosity creates dependency traps for potential labor market participants. And the second sort of strategy has always suffered (today, almost fatally) from the lack of political support that follows from its narrowed focus on the very poor - programs for whom tend to be poor programs, without the resources to move individuals from dependency.

More sensible, in our view, would be generic, asset-based, redistributive strategies: In effect, a "citizen dividend" of supports - including not just income and insurance but productive assets and market rights themselves - with implicit targeting to the needy poor and the middle class. That strategy might operate within a "tax universalism" scheme that taxed social as well as private income, with a progressive rate structure defined over the combination of income from both sources. Such a scheme might combine the political popularity of generic programs with the greater efficiency of means-tested ones. As an added source of stability, we would also favor some shifting of the redistributive package forward in the life-course, with a greater share of benefits devoted to getting children off to a good start. While preserving access to insurance and other supports for adults - we don't favor an unforgiving, "we get you you to the starting line, and you're on your own thereafter" policy - its essential aim would be to ensure fair access to labor markets before income is earned rather than principally correcting for the results of unequal chances through post-tax transfers.

Such a system would have a natural affinity to associative democracy. The latter seeks to remedy the mismatch noted earlier: to accommodate changes in the organization of capitalism - supply-side productivity problems and the need for improved coordination to solve them, greater heterogeneity of skills and tasks in production, and the increased relative importance of human capital - by more deliberately harnessing social organization to the achievement of productive ends, submitting regulatory regimes to more exacting standards of efficiency, improving human capital systems, and otherwise promoting a supply-side egalitarianism of enhanced equality in economic endowment. Even as it imposes social standards on markets, it accepts their competitive operation. And it responds to the decline in organic solidarities by attempting to develop, through deliberative arenas dedicated to recognized social problems, a form of universalism and other-regardingness disciplined by pragmatic achievement, prominently including achievement in the economy itself. A higher social wage with more focus on

redistribution of productive assets and market rights (facilitated by tax universalism) has much the same quality. It would be a highly flexible, individually-centered, market-friendly sort of egalitarian policy. It would contribute to equalizing individual productivity; indeed, it would substantially motivate egalitarianism through that contribution. And its generic character would help ensure coverage of the least well-off both directly, and indirectly by expanding the social base of the welfare state - and then in a way that explicitly promoted a new sense of shared citizenship, and norms on contribution and reward within the broader polity that citizenship helps describe.

This affinity, moreover, need not only be appreciated in the abstract. Equalization of assets makes the popular administration associated with associative democracy more plausible. By increasing labor's bargaining power, a higher social wage drives the economy toward the "high-road" production systems which depend essentially and visibly on contributions from organized people. Greater equality in the possession of productivity-enhancing assets both widens the range of those able to make such contribution, and the need to organize them to make it. And bottom-line protections of all facilitate cooperation among them, as more equalized assets gives assurance that trusting action will not be mortally risky.

In any case, in making the argument that internationalization is not fatal to egalitarianism, we take this sort of set of egalitarian policies as our guinea pig - as the supplement, in program and policy, to associative democratic politics.

## **5. Does Internationalization Erase This Picture?**

In tandem, a more associative politics under conditions of greater equality in basic income and productive assets provides, at least plausibly, a powerful antidote to the rootlessness of capital and degeneration of social solidarities that threaten traditional egalitarian regimes - even under conditions of internationalization. So we claim. The considerations that lead us to this conclusion are best appreciated, in the first instance, at the sub-national level, in the operation of regional labor markets.

Despite all the talk of international wage equalization, vast variation in the productive factors purportedly being equalized across trading regimes, and the contribution of social organization and public policy to holding those factors in place, permit us still to assert room for maneuver in the organization of trading economies. Indeed in the US case, newly beginning to be approximated by OECD Europe, stagnating wages and rising inequality result less from international pressures themselves than from policy choices and failures of social organization at home.

Specifically - consider the usual caveats on generalization to be in place - we have made "low-road" strategies of response to new competitive pressures too easy and "high-road" strategies too hard. Low-road firms compete by keeping prices down, which means keeping costs down - beginning, typically, with wages. Applied across the economy, low-road strategies lead to sweated workers, economic insecurity, rising inequality, poisonous labor relations, and degraded natural environments. High-road firms focus on quality competition (with higher wages supported by customer willingness to pay for higher quality), require continual innovation in quality, and thus depend on more skilled and cooperative workers. Generalized, high-road strategies are associated with higher productivity, higher pay and better labor relations, reduced environmental damage, and greater firm commitment to the health and stability of surrounding human communities (needed to attract and keep skilled workers and managers). Firms can make plenty of

money on either path, but social gains are vastly greater on the high road. The principal political-economic failure of the past two decades in the US is that we have not made the collective choices necessary to move the economy to it. Moving to the high road is associated with various transition costs, and staying on it depends on a variety of social supports: effective educational and training institutions; better functioning labor markets, with fuller information about requirements for job access and advancement; advanced infrastructure of all kinds; modernization services and other means of diffusing best manufacturing practice; and, throughout, barriers to low-road defection. Such supports have the character of public goods, with jointness in supply coupled with jointness in production - intense collaboration among a variety of actors - when not provided directly through the state. As such, they cannot be provided by individual firms; they need to be provided socially. And we have not provided them.

In an associative order, such goods could be provided within properly-organized regional economies, which typically have the requisite scale and scope to provide themselves with distinctive production systems. And, once provided, they would incline firms toward production strategies that relied upon them, and via those strategies toward investment in additional capacity within those regions themselves. In addition to improving the economic health of regions, the effect of this would be to tie down a growing share of investment, which would in effect be investment in locationally-immobile public goods. The devolution of more productive assets to workers would have the same effect, achieved through simpler means: given their affective bonds and particularistic sources of identity, people move around less frequently than firms and currency; and local investment provides them with the double bounce of market return and improvement in the quality of their community life. As the capacity of the region grows accordingly, the ability to capture local demand locally also grows, fostering local well-being. As the density of advanced firms increases, cross-learning and all manner of efficiencies in joint production can be realized, leading to the increasing returns on investment that follow from agglomeration. And all this, by contributing to density and income, provides an expanding base for traditional public goods - contributing to greater equality by making less of life's quality determined by private income - and generous egalitarian policies. Rising income in a context of lessened need reduces resistance to paying the taxes that are the "price of civilization" - especially when, as in our proposed scheme, there is implicit targeting based on those private incomes and a greater share of social expenditure is directed those manifestly innocent of laziness. Finally, the breadth of the supports arguably makes citizens more willing to pay for them.

Returning to the internationalization issue - to the extent that the supports for egalitarian policies are needed only within particular regions, then, there appears to be no problem. That is, assuming an appropriate national or supra-regional policy and institutional background for productive solidarity at the regional level, we can think our way toward some sort of sustainable, even vibrant, democratic ordering at that scale.

The issue, of course, is whether that background itself could be manufactured in the same way the regional one was, and whether it, like the regional institutions, would have the requisite social base. What might be thought more likely - even inevitable, given competition among regions, and their inability to set the terms of global competition - is political balkanization. Differences in the wealth of regions would persist; rich regions would withdraw from any broader regime requiring contribution in excess of reward, exacerbating those differences; as regional inequalities compounded, the costs of cooperation across them would rise and enticements to defection proportionately increase. The minimal (regional) scale for productive solidarity might thus become the maximum

one as well. But this, assuming some significant regional dependence on appropriate supra-regional institutions and policies, would amount to saying that the minimum itself would be unstable.

How, then, might we plausibly imagine the production of supra-regional solidarities within the scheme just outlined - more pointedly, would this sort of regional ordering would itself lead naturally to the production and maintenance of such solidarities, and would the politics associated with regionally-ordered associative democracy naturally lend themselves to extension.

Again, we think the answer is "yes" - with several forces contributing to that extension.

To begin with the least powerful, but not powerless: basic notions of fairness and increased perception of common risks would provide some base for broader solidarities. On fairness, the notion of equalizing capacities for contribution - which we assume to be operative at the regional level - knows no particular bounds. Nor does the notion (also institutionalized) of increasing the relative weight of social income and public goods in the welfare mix, and implicitly targeting such income on the basis of private income. On risk, the sheer volatility and unpredictability of effective competitive strategies should alert even members of successful regions that their well-being may not be permanent. Whatever the relationship is between solidarity and economic security, it appears not be to linear. At moments of security, common humanity is easily recognized. As insecurity increases, *saue qui peut* politics find widened audience. But generalized insecurity may lead to generalizing insurance mechanisms against the risk that all believe themselves to face - and something like that generalized sense of insecurity, and the need for joint action to contain it, is central to the associative order we imagine.

More directly, however, there are reasons to think that regions would recognize the need for a national framework in order to further their own local invention.

Fear of competition from other regions would be one aspect of this. For the poor, the need for access to productive inputs and markets from the better-off provides some reason for mutual governance. For the more powerful rich, fear of low-roading by poorer regions - and thus an eating away of the margins of their high-road enterprises, defection to the low-road by them, resulting tax base erosion, declines in public goods - provides the same.

Whatever Hobbes may have thought, mutual fear is probably not the most compelling social cement. More positively, then, the same interest in mutual learning and problem-solving that operates intra-regionally should also extend across regions. That is, regions seeking increased capacity would naturally look to others (as well as within themselves) to help provide capacity, to provide performance benchmarks, or to reconcile their productive strategies with those pursued elsewhere. Those looking for improvements in their administrative or economic practice will look for examples elsewhere. And the harnessing of such interest joint production or accommodation, or learning, requires some framework for discussion, and assurances to those in that discussion, analogous to those provided at the regional level.

Putting these forces together, we can imagine a supra-regional associative politics, and attendant egalitarian policies, finding broad support from diversely-situated regions. As at the regional level, solidarities could in some measure be induced through attention to problem-solving, and discrete supports for neglected representative institutions or

cooperation among non-neglected could be provided on terms widely recognized and accepted. Premising economic interdependence, supra-regional authorities could reasonably require, as a condition of their support for regional ones, limits to destructive regional competition and affirmative efforts to compare practices and realize gains from cooperation. And the clear interest of the most powerful regions in their doing so would provide centrifugal pressures for feeding the "center" enough resources to make such incentives compelling. It is not much of a step to imagine the reconstruction of encompassing governing institutions.

And while the relation of these more functionally rooted institutions to existing national ones is uncertain (working out that relation is the central task of new constitutional theorizing), dim outlines can already be grasped. Legislatures would be more devoted to specifying the ends of action than the means, and to providing resources needed by local problem-solvers. Executives and administrative agencies would be more devoted to organizing private support for action, and facilitating the coordination of separate problem-solving bodies, rather than simply assuming additional administrative tasks themselves. The dividing lines between government and associative forms of regulation would be found through experiment more than constitutional dogma. And the judiciary would be less privileged as an interpreter of the specific requirements of constitutional order, while more directive in specifying the considerations required of other, more popular arenas of deliberation.

For future egalitarians, certainly, there would be much to struggle and ponder over. Maybe they would, finally, discover that deep inequalities of human chances and fates come with the human territory, or join their libertarian friends in condemning egalitarianism as disguised paternalism. What we find less plausible is that growing economic interdependence, even on a global scale, will provide the great, decisive, insuperable barrier to realizing egalitarian values. Indeed, at risk of overstatement, it internationalization strikes us as a distinctly secondary problem, almost a distraction to the real task at hand - a distraction that reflects current limits on political imagination rather than explaining them.

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