

Democracy, Public Finance, and Property Rights in Economic Stability: How More Horizontal Capitalism Upscales Freedom for All

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Economic stability has become a visible problem of social justice. Despite this, a paradigm to justify distribution of stability both inside and outside production is lacking. This paper offers one kind of response by examining how a notion of property rights in stability changes how we conceive of the economic aspects of democratic rights and their rooting in common ownership and control of resources. To elaborate, the paper considers implications for the relation between egalitarian principles and policies and examines links between progressive public finance and the distribution of economic stability in more horizontal and hierarchical capitalist states.

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In this article I identify the extension of economic stability as a problem for justice and examine the implications for public finance as a source of economic citizenship and in turn for egalitarian theories of rights and democracy. The idea that a person deserves a sense of stability is common in liberal thought. For Rawls, famously, it is impossible to specify entitlement through moral worth in production.¹ However he thought stability of expectations is important to enable a person to make and revise a rational life plan.² Personal liberty—and as an extension, the likelihood of forms of democracy—are also commonly tied to material security, both social and personal.³ In what way, however, can the

1. John Rawls, *A Theory of Justice*, 2nd ed. (Oxford: Oxford University Press, [1971] 1999), 274.

2. *Ibid.*, 88–89.

3. Robert Bates, *Prosperity and Violence* (London: W.W. Norton and Co, 2001); Carole Pateman, "Democratizing Citizenship: Some Advantages of a Basic Income," *Politics and Society* 32 (2004): 89–105.

modern economy secure for individuals a sense of stability in the anticipation of outcomes from their choices and actions?

To address this question, this essay explores three specific assumptions. The first is that stability as a source of freedom (here developmental freedom) can be best understood in relation to the level and distribution of the control that individuals can exercise over relevant activities and dimensions of time.⁴ The second is that though property (as access to resources) is still a key to stability, the resources at stake are so varied today that the relation between property and stability warrants revision. The suggestion, therefore, is to think of property rights in stability as a general state that is socially defined by several forms of economic security and the ties between them.⁵ In this context, “property rights in stability” refers to an overall frame that can raise a person’s confidence that she can control her life. Rights to economic security, on the other hand, relate to contributory institutions or streams of resources. To follow, the third assumption is that this framework has implications for how we conceive of democracy in relation to justice and economic stability. It suggests that democracy as a system of equality of liberty must be able to safeguard economic stability so that the rights and finance involved are not easily revoked through the electoral process or markets. One avenue I assume to be critical is public finance, given its potential impact on economic security in many dimensions. Hence more or less progressive public finance thus understood may be seen as key to how more horizontal and hierarchical forms of capitalism differ in terms of the distribution of developmental freedom via access to effective property rights in stability.

An underlying premise of this line of analysis is that the highly integrated but more deregulated modern global economy tends to concentrate and destabilize the security of income and other social opportunities for attaining control. In this complex and dynamic context, it is harder even for middle groups and the better off to control activities and time directly through investment in particular social relations or personal property. This contrasts with a past in which, in theory, individual property in housing or land was also a feasible means of stable employment, income, and social relations.

Thus, one effect of the way the modern economy tends to concentrate opportunity, as apparent in the more deregulated or hierarchical market economy, is to highlight the significance of the democratic state’s constitutive

4. Louise Haagh, “Developmental Freedom and Social Order: Rethinking the Relation between Work and Equality,” *Journal of Philosophical Economics* 1 (2007): 119–60.

5. Louise Haagh, “Basic Income, Social Democracy and Control over Time,” *Policy and Politics* 39 (2011): 41–64.

role in creating more, and more equal, opportunity for economic stability.⁶ More and more equal opportunity are in this context connected. For instance, equal quality of schooling, which relates to the form of public finance, is also a general source of security as it tends to make competition more even and stable and hence to raise incentives for public support of families and of private and public investment in a diverse set of secure opportunities. A key hypothesized reason is that a more progressive form of public finance, as shaped by a high level of public finance in GDP by means (typically) of high marginal rates and a high median level of tax, will tend to legitimize multiple shared institutions of economic security.

Specifically I propose to pursue the implications of these hypotheses for democracy and liberal theory by assessing the systemic elements of the more effectively extended (shared) form of property right in stability that is in evidence in the Nordic (more horizontal) market economies as compared to the more hierarchical capitalism of classical liberal states. In particular I will assess the challenge that this contrast poses in respect to an influential alternative liberal thought of promoting more strict egalitarian routes to stability, such as in the form of an equal basic income for all and, in addition—for neo-liberals—private property, in both cases as in contrast with state coordination of social security.

Strict egalitarian rights or private property are viewed by in particular left egalitarian and new right liberals as permitting more autonomy in transactions, and hence more personal freedom and a more democratic polity than the traditional welfare of, especially, the Nordic states, given the latter's role in the design and provision of welfare inside and outside production. In contrast to this (Nordic) example, equal liberty is thought to be better protected through (interpersonally neutral) private property or—in social policy—equal shares and outside production. This is seen as more likely to raise everyone's freedom and to enable direct citizen engagement in the design of and participation within institutions.

One response to this critique, however, is to ask why we should assume that these objectives are more likely to be realized by restricting egalitarian policy to one dimension or by adopting a purely procedural view of democracy? Doing so can detract from the need to assess how, in a concrete and general sense, the stability of expectations Rawls emphasized, and which comprises a more widely held positive feature of private and personal property in liberal theory, might come about. The main difference between liberal positions lies not in the value of stability as a personal good, but in what makes it happen. As I discuss later, left

6. The term *hierarchical market economy* extends on Benn Ross Schneider, "Hierarchical Market Economies and Varieties of Capitalism in Latin America," *Journal of Latin American Studies* 41 (2009): 553–75.

libertarians see a high value of basic income as the source of personal stability par excellence. For right liberals, on the other hand, private property and a minimal state would promote a set of stable, self-reliant households or persons.⁷ The position here is to stress instead the need for a more complex frame of rights to security, as generally understood by postwar liberals and social democrats, as Rawls hinted at but did not spell out. A benefit of considering the role of the democratic state in relation to more egalitarian aspects of economic security is that we can analyze how different forms of coordination may impact the overall quality of liberty that individuals can hope to enjoy even where its precise form differs between particular persons. In turn, this can help to answer the question whether political coordination of production or centralized distribution are necessarily at odds with raising the self-governance of time or citizen inclusion within institutions, and even if more shared forms of security may raise the quality of freedom for all.

To explore these concerns more systematically, the essay proceeds as follows. The first section situates the notion of property rights in stability as a form of economic citizenship and as a basis for an institutionalist methodology for understanding how developmental freedom and control over time are supported. The next section then looks at the role of public finance in relation to this kind of liberty and at how it was weakened in the context of global deregulatory reforms. From this follows first an assessment of the need to acknowledge the democratic state's multi-layered form and its strategic role in raising multivariate security. Second, this leads to a discussion of the constructive consequences for egalitarian theory of considering competing notions of equality and freedom within a broader security-centered framework of justice. Finally, the last section examines empirically how elements of progressive public finance in proto-typical Nordic states can support a combination of different aspects of economic security and thereby in practice improve individuals' overall control over time and their participation within institutions.

Developmental Freedom and Property Rights in Stability

As those with the least income and skills were more at risk of unemployment and homelessness, and smaller more exposed businesses became prone to

7. For instance like Friedman's "Robinson-Crusoes." See Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1982 [1962]), 12–13. The values of stability and planning as positive essences of private property are also highlighted by Green, where in his sympathetic portrait of the New Right, he discusses private property or user rights as sources of both stable (and environment friendly) production as well as of personal stability; and where he cites John Burton, the research director of the Institute of Economic Affairs, as linking private property with having "a stake in the future." See David E. Green, *The New Right* (New York: Harvester Wheatsheaf, 1987), 88–89.

failure, the economic crisis of 2007 revealed how inequality of resources concentrates effective rights in stability. It thus highlighted the weakening and basic flaw of the compensatory welfare state, which Rawls famously linked with rectification (as income) only at “the end of each period.” For Rawls, the failing lay in not effectively promoting a “property-owning democracy” that would ensure “. . . widespread *ownership of productive assets* and human capital (educated abilities and trained skills)” at the start of each period. Doing so would “put all citizens in a position to *manage their own affairs* and to take part in social cooperation on a footing of mutual respect *under appropriate equal conditions*.”⁸

The question that arises from this, however, is in what sense the equal self-development referred to can be achieved through property in a modern economy. How is a sense of property (stability) to be secured during “each period” if particular rights or sources of property do not give individuals sufficient power to shape their lives in a dynamic economy? Consider that the meaning of property, of owning something in one’s name (or legally), becomes highly diluted as a source of control when it is more uncertain, as when it depends on marketized mortgages, or jobs are reliant on speculative capital, or (in public employment) squeezed states. The crisis thus accentuated a two-fold challenge of the modern economy: It made evident how the distribution of stable expectations is a problem for justice, and it led us to question how far expectations of stable opportunities themselves can still be directly secured via particular sources of property.

In response, it may be useful first to ask what the general value and meaning of self-government is, of which stability is an integral part. A general meaning discernible in Rawls, and in the liberal tradition broadly, is what is here referred to as a kind of developmental freedom in the form of control of activities and dimensions of time. T.H. Marshall, in asking what citizenship ought to mean, referred to the neo-classical economist Alfred Marshall in conceiving it as a state in which all may enjoy the leisure of self-ownership of time, to “live like gentlemen.”⁹ Notably Rawls linked human rationality and well-being itself with an Aristotelian principle of self-development as control over learning, outcomes of learning (stable expectations), and, more generally, life-plans.¹⁰ Even advocates of the very minimal state, like Rand, saw “thinking and productive work” as the “two essentials of the method of survival proper to a rational being,” and Hayek’s ideal was of a “person’s acting according to his own decisions and plans.”¹¹

8. Rawls, *Theory of Justice*, xv (emphasis added).

9. Alfred Marshall, *Principles of Economics* (Basingstoke: Macmillan, [1890] 1925), 3, 4. Cited in Thomas Humphrey Marshall, *Citizenship and Social Class* (Cambridge: Cambridge University Press, [1949] 1992), 5, 6.

10. Rawls, *Theory of Justice*, 374.

11. Ayn Rand, *The Virtue of Selfishness* (New York: Signet, 1964), 23. Friedrich A. van Hayek, *The Constitution of Liberty* (London: Routledge [1960] 1999), 12.

This raises the question, then, as to what extent institutions play a role in this self-motivation by being formative of the stability that allows it to flourish. What can actually create the “assured private sphere” that Hayek sees as the foundation of freedom? What are the “set of circumstances” with which others should not be able to interfere?¹² Are private property and the minimal state really enough? As if in answer to this, liberal egalitarian scholarship has begun to link human flourishing to broader aspects of material security including in the spheres of time and employment and social and gender relations.¹³ Relatedly, survey research has shown that while control over time is indeed of strategic value to people, the stability that sustains it cannot today be constructed by individual sources of property or persons alone.¹⁴

These findings have important implications for the welfare debate, in particular as regards to the common concern—reinforced in neo-liberal literature—that socially granted stability or rights may reduce individuals’ sense of responsibility for outcomes and thereby induce passive reliance on others.¹⁵ The above way of presenting the problem in terms of the motivating role of control permits us to assume instead that individuals enjoy responsibility in the form of shaping the outcome of their allocation of time and activities: To give persons basic stability is not to guarantee outcomes as independent of effort, but to raise the opportunity for self-development returns to application and learning.

In turn, the upshot of this is that the problem at hand can now be presented as one of how individuals’ developmental freedom, in the sense described, is institutionally shaped. What are the implications for the practical role of the state and for rights inside and outside production, of attempting to realize a form of economic citizenship, as consists not just in rights to basic welfare in areas such as initial education and health—as emphasized by postwar liberals, or in passive assistance—which is what Mead feared would lead to de-motivation¹⁶—but also in rights to an equal quality of education and to opportunities for stability in the realm of production.

To consider this possibility it is necessary first to describe the actual forms of control that are most critical to self-development and then consider how external constraints can affect them. In other words we need a more precise and

12. Hayek, *Constitution*, 13.

13. Martha Nussbaum, *Frontiers of Justice* (Cambridge: The Belknap Press of Harvard University Press, 2006), 77–78. Pateman, “Democratizing”; Haagh, “Developmental.”

14. Louise Haagh, “Working Life, Well-Being and Welfare Reform: Motivation and Institutions Revisited,” *World Development* 39 (2011): 450–73.

15. For example, in connection with the Friedmans’ well-known objection to guaranteed final outcomes, as well represented in Lawrence M. Mead, *The New Paternalism: Supervisory Approaches to Poverty*, ed. Lawrence M. Mead (Washington, DC: Brookings Institution Press, 1997), 4–5. See Milton and Rose Friedman, *Free to Choose* (San Diego: Harcourt Inc.), 128–49.

16. Mead, *The New Paternalism*.

operational definition of developmental freedom. To do so we can capture control as a constant source of self-development by distinguishing three dimensions of developmental freedom. One is control over activities in the long term (dynamic control). A second involves being able, at any time, to do different activities (static control).¹⁷ And a third (constant control) entails access to forms of permanent security that can allow a person to attain a balance between activities without being tied to a particular one. Envisaging these types of control allows us to operationalize developmental freedom as a composite concept—in developmental psychology having both regular¹⁸ and long-term¹⁹ control is recognized as central to happiness. So, for instance, dynamic control might mean having a stable occupation and income. Static control might mean having regular time for this occupation and also for leisure and care. Finally, constant control entails a separate underlying access to general welfare. In all, the more control that a person has as a whole, for instance to balance dynamic and static control and retain access to general welfare (constant control), the stronger the sense of developmental freedom she can hope to enjoy (top of the pyramid, Figure 1).

But, finally, how can wider forces in the external environment improve the chances that this overall state of control is attained, that is, to enjoy control in all three dimensions? I want to argue that this is a function of the degree of general extension of a sense of property right in stability as derived from a bundle of sources. Individuals today are more dependent on vast and complex distribution networks beyond their control. In this context, stability of expectations has become a non-tangible aspect of opportunity and of ownership in this sense which can only be secured through a mix of social security and strict egalitarian rights both inside and outside production. This is what makes the positive connection between stability and responsibility as highlighted before.

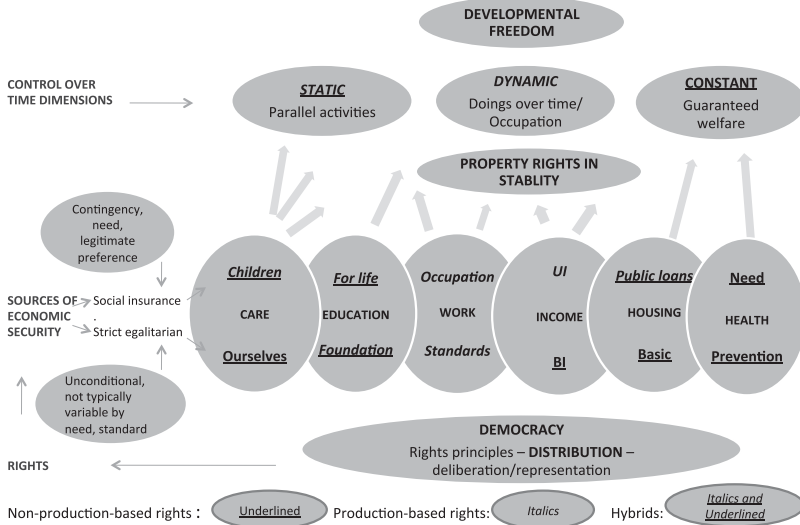
Indeed, this four-fold mix is uniquely important in a modern setting, where individual freedom is highly valued yet insecurity is a major risk. The greater separation between the occupational and the familial realms of activity and economic security potentially gives the individual greater autonomy from familial relations. However, it also poses a risk to her social security. Therefore, the response that optimizes real autonomy is one that offers more independent sources of economic security in each of the three core realms of social activity or being—the familial, the occupational, and the personal, that is, to enjoy at the same time, static, dynamic, and constant control.

17. Haagh, "Basic Income, Social Democracy and Control over Time."

18. Nancy Cantor and Catherine A. Sanderson, "Life-Task Participation and Well-Being: The Importance of Taking Part in Daily Life," in *Well-Being—the Foundations of Hedonic Psychology*, ed. Daniel Kahneman, Ed Diener, and Norbert Schwartz (New York: Russell Sage Foundation Publications, 1999), 231.

19. Christopher Peterson, "Personal Control and Well-Being," in Kahneman *et al.*, *Well-Being*, 288.

Figure 1
Property Rights in Stability—Sources and Impacts



The upshot for egalitarian theory is that the modern economy generates demands for rights along strict egalitarian dimensions (to raise basic autonomy), as well as for rights to social security, that is, for more resources, where relevant, to generate equal opportunities for stability and to respond to needs. An example of the first kind of right is the unconditional right to a basic life-time income for all, a basic income (BI). In principle, its defense can be likened to that of the unconditional right to vote, and to universal preventive health care or initial schooling. In practice the BI furnishes something like the basic control and autonomy that, in the past, private ownership of land or common access to the forest (which the modern strict dependence on employment removed) might afford, but for everyone.²⁰

Yet the BI's strict egalitarian formula makes it, on its own, an inadequate response to modern uncertainty. It is well known that even the more equal landed economies of the past also relied on social insurance (e.g., the oft-cited farmers' associations in Nordic states).²¹ Today, achieving the same independence and

20. Pateman, "Democratizing," 3. Note that varieties of guaranteed subsistence have also been advocated by neo-liberals, for example F. A. Hayek, *The Road to Serfdom* (London: Routledge and Kegan Paul, [1944] 1971), 89–90; Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, [1962] 1982), 192.

21. Ha-Joon Chang, "Under-Explored Treasure Troves of Development Lessons—Lessons from the Histories of Small Rich European Countries (SRECs)," in *Doing Good or Doing Better—Development*

solidarity together demands a more extensive and mixed set of rights to security (both directly—for individuals—and in the form of more stable production). As an example, constant control (guaranteed welfare) does not in itself create dynamic control, in the form of occupation stability. The latter rests on additional rights to secure opportunity in education and work, for example through support for private employment and enterprise, and for rights to public employment and unemployment insurance (see Figure 1). It is these separate rights (in production) that translate the right to constant welfare (outside production) into a positive choice. In turn, static control is needed to enrich dynamic control (e.g. through reduced hours of work) by allowing persons to pursue an occupation and also do other things (like raising a family). It is by this means that dynamic control (through occupational ties) does not, of necessity, come to rely on self-exploitation (lack of children, lack of leisure, lack of health, and so on).

In turn, the foundations that in theory would be likely to support this mix of egalitarian principles both inside and outside production are also necessarily complex. They reside in multiple institutions that in being independently organized and funded can seem to belong either inside or outside production, but whose internal organization in reality affect rights in other domains (in Figure 1 the form of personal property or rights involved are referred to as hybrids). Education, for instance, is not tied to but shapes production. The level of access to childcare, which is key to static control, may depend on other productive activities. Likewise, standards in work may be hybrids, if their aim (again, to raise static control) is to make room for other productive activity. Examples include more than less stable pay (to aid predictable lives outside of work), or universal work-time (reduction) that can stem competitive pressures that would otherwise drive time for care and leisure (and hence women) outside the market.²² Notably, these systems can also be a source of support for, in particular smaller, businesses if backed by forms of social insurance or subsidy. In sum, the link between these institutions is what provides the systemic context of support for developmental freedom and that clarifies what economic citizenship, understood as effective property rights in stability, generally warrants.

Progressive Public Finance and Horizontal versus Hierarchical Capitalism and Welfare States

Yet what makes it likely that such a complex structure might be supported in a particular state? On a macro-scale, how are the above institutions connected?

Policies in a Globalising World, ed. Monique Kremer, Peter van Lieshout, and Robert Went (Amsterdam: Amsterdam University Press, 2009).

22. Alberto Alesina, Edward Glaeser, and Bruce Sacerdote, "Work and Leisure in the U.S. and Europe: Why So Different?" Harvard Institute of Economic Research, Discussion Paper No. 2068, (April 2005).

Is a systemic perspective, such as in the institutions of development literature is typically linked with good economic outcomes (productive investments and skills), also applicable here? In neo-liberal and post-libertarian egalitarian theory, a political preference for “spontaneous” over “made” orders entails that such a methodology and perspective are strongly rejected.²³ By contrast, in institutions of development theory, generating a coincidence of interest requires a high level of purposeful coordination between institutions.²⁴ Is this also true, and how so, for effective property rights in stability, as it is for investment? The answer here is based on the observations already made in respect to the unique nature of the modern economy. These suggest that individuals are not naturally free to set their own standards (to control time or work on their own) where competitive processes tend to drive both interpersonal relations and production to become intense and unstable. This reality has raised the relevance to effective democracy of a central mechanism for giving control back to individuals in many dimensions, including through promoting more stable production. Progressive public finance (PPF) thus shall be broadly understood below as a tax nexus that is politically more likely and structurally more capable of supporting both human and stable economic development across groups in society. Meanwhile, I assume that this would likely involve a high level of taxation in GDP in a way that is not only progressive upwards, but that also entails a fairly high level of taxation on average earners.²⁵ This is because an upshot would be to render the shared finance and formation of common interests and spontaneous commitments to secure economic stability both inside and outside of production in reality likely. For instance, high marginal rates contribute to lowering inequalities of income which would otherwise lead to a hierarchical model of opportunities in education and occupational life (through high education fees). High overall public finance also ensures that the quality of common services is comparable to private provision and therefore that more groups have effective access to services.

23. Friedrich A. von Hayek, *Law, Legislation and Liberty, Vol. 1* (London: Routledge, [1973] 1998), 36–54. In Friedman this is also evident in the resistance to outcome-oriented policy, notes 7 and 15, above; and it is explicit in the post-libertarian advocacy for BI, and even in Rawls (see below, in section on Egalitarian Theory).

24. Ugo Pagano, “Property Rights, Asset Specificity, and the Property Rights of Labour under Alternative Capitalist Relations,” *Cambridge Journal of Economics* 15 (1991): 315–42; Ha-Joon Chang, *23 Things They Don’t Tell You about Capitalism* (London: Allen Lane, 2010); Peter Hall and David Soskice, *Varieties of Capitalism—The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

25. This is notwithstanding that one might envisage higher contributions from financial transactions, wealth, land, capital gains, and other (non-wage) sources, which generally were also higher in countries with higher taxes on wages before retrenchment in all countries since the 1990s. The point here is to show how the balance between public and private finance in general has a systemic impact on property rights in stability.

In turn, PPF in this sense can capture much of the essence of T.H. Marshall's practical notion of (social) citizenship as a balance between public and private finance that favors an equal quality of welfare "that the provided not the purchased service becomes the norm of welfare."²⁶ In contrast to the more exclusive emphasis in neo-liberal theory on private property, this postwar liberal idea of citizenship regards individual property (as rights) as constituted by common as well as private property.²⁷ What is common in our analysis—public resources—is what enables individuals to have economic security in the form of property rights in hybrid aspects of stability such as more equal schooling and employment returns (see section on Public Finance, below). Common and hybrid forms of property as our four-fold mix of rights (strict egalitarian rights and social security inside and outside production) also then becomes a basis for secure private property—a house or material possessions—and of greater freedom of contract.

In summary, we can say that progressive public finance is in these senses more democratic. On the tax side it represents a higher level of sharing (assuming, as I discuss below, that not all market outcomes are inherently just). On the regulatory side, it is likely to raise the quality of shared security and of secure opportunities on which individual autonomy and social engagement depend. In short, PPF can be considered a "fundamental (democratic) institution"²⁸ that enables the positive interaction between other institutions. In Figure 1 this dynamic is presented as a layered institutional approach to understanding the links between (developmental) freedom and property rights in stability. The model hypothesizes that the libertarian distinction between made and spontaneous orders is overdrawn: PPF creates the foundation for the emergence of institutional complementarities and processes between free individuals that allow more democratic spontaneous orders to be formed and evolve. Without PPF, property and power might not in effect be dispersed.

Next, and to test the above, a comparative analysis of welfare states will be based on the two ends of the familiar spectrum between the social democratic or Nordic and the classical liberal market or Anglo-Saxon economies (LMEs or ASES²⁹). However, our focus is on how public finance affects institutional

26. Marshall, *Citizenship*, 34.

27. Crawford B. Macpherson, *Democratic Theory* (Oxford: Oxford University Press, 1973), 125–26.

28. Daron Acemoglu and James A. Robinson, *Economic Origins of Dictatorship and Democracy* (Cambridge: Cambridge University Press, 2006): 209–10; Daron Acemoglu, Simon Johnson, and James A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (2001): 1369–401. Also cited in Peter Evans, "Extending the Institutional Turn: Property, Politics and Development Trajectories," in *Institutional Change and Economic Development*, ed. Ha-Joon Chang (London: Anthem Press, 2007), 39.

29. Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990); Hall and Soskice, *Varieties*.

complementarities for shared security and on dynamics of system resilience and change. This analysis must begin with a recognition of the way all countries have faced growing competitive pressures through globalization. The Nordic countries' early and radical reduction of corporation tax (in Denmark for instance from 40 percent in 1982 to 25 percent in 2010) and their cuts to marginal rates of income tax—are important examples.³⁰ But having recognized this, a relevant consideration is the role that the overall extent of progressive public finance plays in creating forms of system resilience in which domestic institutions of education, welfare, and work interact to concentrate or equalize access to secure opportunities and promote developmental freedom for all.

Therefore, and as a counterfactual to the Nordic cases, our analysis will begin by indicating how the quality of the contrast between these states and the classical LMEs is shaped by a transformation of the latter models into something similar to what Schneider terms a (more) hierarchical market economy (HME).³¹ For Schneider a hierarchical model of the liberal market economy is typified in Latin America in terms of the existence of business concentration (diversified business groups, multinational corporations), and atomistic labor relations and low-skilled labor.³² Concentration of economic power entails a displacement of economic insecurity to labor in the twin form of low skill and job security, features which Pagano also associated with the liberal market economy and Standing has recently linked with globalization.³³

The hypothesis I add is that the link between concentration of economic power and insecurity is more broadly systemic and tied to a greater predominance of less productive and more unstable activities, as critically enabled where the state's fiscally based regulatory or/and democratic powers are weak (as in Latin America).³⁴ Palma refers to a process of "Latin-contagion" in the form of a tendency in the U.K. and U.S. to distribute excessive and unproductive resources to the top 5 to 1% of the income distribution,³⁵ whereas Phillipon

30. Organization of Economic Cooperation and Development, OECD Tax Database (OECD, 2010).

31. Schneider, "Hierarchical."

32. *Ibid.*, 355.

33. Pagano, "Property Rights"; Guy Standing, *Beyond the New Paternalism* (London: Verso, 2002); Guy Standing, *Work after Globalisation* (Cheltenham: Edward Elgar, 2009).

34. Diego Sanchez-Ancochea and Iwan Morgan, *The Political Economy of the Public Budget in the Americas* (London: University of London, 2008); Suzanne Duryea, Olga Jaramillo, and Carmen Pagés, "Latin American Labor Markets in the 1990s: Deciphering the Decade," *Stanford University Working Paper No.137*, June 2002.

35. Anthony B. Atkinson, "Income Tax and Top Incomes over the Twentieth Century," *Revista de Economía Política* 168 (2004): 123–41, at 128; José Gabriel Palma, "Homogenous Middles versus Heterogeneous Tails, and the End of the 'Inverted U': The Share of the Rich is What It is All About," *Cambridge Working Papers in Economics* 1111 (2011): 35; José Gabriel Palma, "The Revenge of the Market on the Rentiers—Why Neo-Liberal Reports of the End of History Turned out to be Premature," *Cambridge Working Papers in Economics* 0927 (2009).

and Reshef point to the social disutility—in the form of permitting speculative waste—of financial sector speculation and bonus pay,³⁶ as enabled by the failure of public regulation and finance to address inequalities as would be needed to disperse opportunities and—in our analysis—render the legitimacy of institutions of shared security likely.³⁷

Notably, in the rise of this new inequality, earned income is shown to be key (relative to wealth), which Atkinson, following Piketty and Seaz, has attributed to a “winner take-all payoff structure” that allows already powerful skills-groups and corporations to consolidate their pre-existing positions globally under open capital and labor market conditions.³⁸ Conversely, he expected that progressive taxation would even the pay structure indirectly by reducing “the number of people entering occupations where the most talented collect the whole of rewards.”

But one might go even further and also question the notion that markets—in particular deregulated and hierarchical markets—facilitate a close link between talent and pay at all. Note that Atkinson implicitly likens “talent” with ability to command high financial reward when in fact the problem of the hierarchical model of the deregulated economy is precisely that the—already at times tenuous—relation between (productive) talent and market reward is diluted, in this case through weak regulation and weak dispersion of real productive activity.³⁹ In turn this seriously questions the notion that high pay disparities are of themselves a form of social utility—by rewarding (socially useful) talent—an

36. Phillipon and Reshef estimate that between 30% to 50 % of the growing wage differential in the U.S. between the financial and productive sectors since the 1980s is due to rent seeking, induced by deregulation which allies high wages with moral hazard (excessive risk). Thomas Phillipon and Ariell Reshef, “Wages and Human Capital in the U.S. Financial Industry: 1990–2006,” *NBER Working Paper 14644* (2010).

37. This concentration of income at the top is evident in the significant difference in the top-to-bottom decile distribution: 4.1 in Japan, 6.1 in the Nordic countries, 12.5 in Anglophile countries (U.K., New Zealand, Ireland, and Australia—minus the U.S. and Canada), and 19.8 in the U.S. See Palma, “Homogenous,” 25. In the U.K. the share of the top 1% more than doubled between 1978 and 2000, from 4.2% to 9.4% of national income after tax, following a very similar trend to pre-tax income (Atkinson, “Income Tax,” 128).

38. Atkinson, “Income Tax,” 135, 137; Thomas Piketty and Emmanuel Sáez, “Income Inequality in the United States,” *Quarterly Journal of Economics* 118 (2003): 1–39.

39. Note how the market, by aggregating individual decisions, may affect pay in a way that has no equivalence to the ranking of values or talents that a consumer would actually make. Consider for instance the pay of a first-rate foot-baller and doctor, respectively: Given the choice, we can assume most people would value a doctor over a foot-baller, but this is not reflected in market pay: In this case the foot-baller’s inflated pay is merely the consequence of a massive aggregation of each individual’s more regular but in the end lesser preference for football in relation to health. One might also point to the artificially privileged position to command excessive pay of footballers and top investors in what in both cases are institutionally highly selective positions—positions which given the *social value* of health we could not ethically permit a doctor to hold. On worth and pay in general, see Haagh, “Developmental,” 138–39.

empirical claim that also underlies the neo-liberal objection to equal quality of welfare or schooling⁴⁰—and that—in being largely taken for granted—has also formed a problematic background to liberal egalitarian theory (as I later examine).⁴¹ In summary, it may be shown that there is a likely link between the concentration of occupation positions and pay and the devotion of resources toward less stable and socially useful development, which in turn is an outcome of the weakening of the state's fiscal and strategic development powers.

Progressive Public Finance, Democracy, and Egalitarian Theory

The upshot for democratic theory of this hierarchical trend is three-fold: it illustrates the way the formation of rights inside and outside production are linked, even under weak regulation; therefore how developmental freedom relates to the whole distributive structure; and, hence, the importance of the democratic state's role in simultaneously more stable development and the redistribution of rights. But this potentially central role of the state in turn raises concerns for liberal theory in light of the growing preoccupation within this school with greater individual autonomy from the state and society. As an example, Dominique Leydet in the *Stanford Encyclopedia of Philosophy* (SEP) contrasts Marshall's liberal view of citizenship, in which the representative democratic state is a source of rights, with the revival of a republican view of citizen direct creation of and involvement within institutions.⁴² This tendency to emphasize the destructive aspects of the relation between state organization and social order, on the one hand, and to contrast individual rights and participation, on the other, is also captured in Offe's distinction between a collectivist-statist and a new left-libertarian view of rights⁴³ and between outcome and procedural

40. Friedman, *Free*, 136–37.

41. Notably, the idea that a more hierarchical structure (of pay in particular) is needed to motivate those with the greatest talent has been recently challenged: the talented will pursue their talent without reference to the scale of unequal rewards. Ugo Colombino, Marilena Locatelli, Edlira Narazani, and Cathal O'Donoghue, "Alternative Basic Income Mechanisms: An Evaluation Exercise with a Microeconomic Model," Institute for the Study of Labor Discussion Paper Number 4781 (February 2010), 1–36.

42. Dominique Leydet, *Citizenship*, *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta (Stanford, CA: University University, Fall 2011 Edition). See also Giovanni Sartori, *The Theory of Democracy Revisited* (Chatham, NJ: Chatham House, 1987), Chapter 8, especially 244–47; and on post-libertarian egalitarianism, Andrew Williams, "Liberty, Equality and Property," in *Oxford Handbook of Political Theory*, ed. John S. Dryzek, Bonnie Honig, and Anne Philips (Oxford: Oxford University Press, 2006).

43. Claus Offe, *Modernity and the State* (Cambridge: Polity, 2006), 158. Incidentally the latter emphasis is shared with right libertarians, for example, Hayek's emphasis on the technocratic safeguard of procedural "rules of conduct" and a limited scope of elected majority rule; Hayek, *Law*, 43–54; and Vol. 2, 35–36.

ideas of democracy.⁴⁴ In this sense Hayek's objection to "made orders" extends right across the liberal spectrum.

Meanwhile, an area of liberal discourse where, as observed, this perceived conflict is especially clear, is in relation to the case for a basic income for all. The basic income or BI—a right not generally recognized—would remove the state interference that is tied to "willingness-to-work" and means tests, and instead make a small income an unconditional right for ordinary residents and citizens in the same sense as rights to schooling or health. In particular, the idea that even a small income should be given to everyone has generated rich theorizing around the appropriate relationship between individuals and the state in relation to the sphere of production. For left libertarians, the BI can be seen as a key source of liberation and constant welfare (see Figure 1) in a modern context of high insecurity because it relieves the individual from direct societal pressure to work. Moreover, it is seen as a core material condition of supporting women's freedom from dependence on the male bread-winner role.⁴⁵

And yet, many left-libertarian and post-libertarian Rawlsian perspectives also link the BI with the attainment of greater freedom from a state that potentially ties people to organized forms of production.⁴⁶ This therefore raises the question of whether the BI defense on freedom grounds really requires a more encompassing ideal of individual property—and a retreating state—as the procedural basis of individual autonomy and choice in production. Is it necessary to attach the neo-republican view of furnishing a material basis for more equal participation within institutions to a separate distributive paradigm around individual property as (basic) equal shares and, in this context, a more purist procedural view of democracy? Notably, this reasoning resembles the neo-liberal critique of the state, including an idea of spontaneous orders which holds that private property is the origin of economic development, democracy, and freedom of choice.⁴⁷ The methodological likeness that this seems to create between the left-libertarian or neo-republican and the neo-liberal views obscures the key difference: that the dominant left-libertarian and also the post-Rawlsian defense of basic income aim to free individuals from the market-led coercion to work and, being concerned with individual (or social rights-based) forms of property in addition to private

44. Offe, *Modernity*, 254–55.

45. Pateman, "Democratizing."

46. Catriona McKinnon, "Ethical Attractions of Basic Income," *Basic Income Studies* 1 (June 2006): 1–3, at 3.

47. To Everest-Phillips this is simplistically based on Locke's thesis of voluntary consent between holders of (pre-defined) property. Instead he points to the reality of mercantilist ideology and a strong centralized and relatively autonomous fiscal state. Max Everest-Phillips, "The Myth of 'Secure Property Rights': Good Economics as Bad History and Its Impact on International Development," *Working Paper 23—Strategic Policy Impact and Research Unit* (London: Overseas Development Institute, May 2008), 13–17.

property, must rely on a strong redistributive center.⁴⁸ By contrast the neo-liberal concern with a more encompassing role of private property and enterprise as sources of spontaneous order has come to be associated in practice not only with a weakening of the redistributive state but also and contrary to the theory itself with both a general diminution and greater hierarchy of control by private agents, a process also described as creating an increasingly “defensive state” and “defensive democracy” vis-à-vis coercive forms of market rules and powerful players.⁴⁹ More than that, it seems increasingly true that this hierarchy is legally upheld by supra-national unaccountable institutions, thus belying the idea that today the market is an individual-led spontaneous order between individual holders of private property.⁵⁰ An example is the European Court of Justice (ECJ) ruling # C-271/08 (14 April 2010), which dismissed the German government’s petition, supported by the governments of Denmark and Sweden, against the European Commission, to allow unions freedom of choice of pension provider (thus to be excluded from competition rules that favor the lowest bid).⁵¹ The unions wanted to choose their own provider on other long-term criteria. Here, then, a simple notion of market freedom as the rule of price not only legally trumped the contractor’s freedom of choice—the origin of spontaneous order par excellence—to contract on its own criteria (here, other than short-term price). It also thereby set incentives to a form of economic development that always puts the immediate price, and therefore often established, larger, global, and locally less accountable players, above quality, product development, and/or social relations, and hence, over time, the lower instability that these development objectives and/or services tend to entail. In other words, while neo-liberal theory can support an ideal of economic stability (e.g., as derived from property) as a source of self-government, in reality this link today is made to rest too strongly on a market-led notion of private property.

In short, the critical question is not whether democracy can be made so localized that individuals directly control or consent to all institutions or rights that affect them; nor is it whether free markets might allow them to do so:

48. On this see Louise Haagh, “Basic Income, Occupational Freedom, and Anti-Poverty Policy,” *Basic Income Studies* 2 (2007): 1–6, and Pateman, “Democratizing,” 92.

49. Emilio Santoro, “A Historical Perspective: From Social Inclusion to Excluding Democracy,” paper prepared for the project Human Rights of People Experiencing Poverty, organized by the DGIII Social Cohesion Department of the Council of Europe (February 2011), 12–13.

50. This supra-nationally enforced supremacy of a market-led notion of private property then also, conceivably, stands in tension with the legislative safeguards that Hayek envisaged would protect individual and national sovereign rights, including so that individuals could anticipate the actions of government in particular cases. See Hayek, *Law*, Vol. 3, 100–10. Instead it brings into being the coercive state that he feared that neo-classical market theory might create, *Ibid.*, 65, 67.

51. *Chartered, Institute of Personnel and Development, European Commission v. Federal Republic of Germany* supported by the Kingdoms of Denmark and Sweden [2010] EUECJ C-271/08. This can be found at: <http://www.cipd.co.uk/global/europe/ireland/employment-law/recent-cases/european-court-of-justice.aspx>.

Governance will always involve many layers, just as economies will always generate distributive patterns. A more relevant question is how far and when the core background institutions are egalitarian in supporting freedom and participation in practice. Here I extend on a point made by Dowding, Goodin, and Pateman,⁵² that although problems of justice and of democracy are not the same, since democracy must render the details of justice open,⁵³ both nonetheless rely on certain systemic—and in this sense enduring—forms of equality. The additional claim I make is that these systemic forms of equality necessarily carry with them an equally (for democracy and justice) critical element of economic stability. Therefore democracy can never be purely procedural as this always reduces the calculable elements of risk that are the basis for real freedom of contract and as it tends to favor the merely powerful.

In summary, the promotion of constitutional “rules of conduct” as a stable safeguard against majority tyranny and to protect individual sovereignty,⁵⁴ or the protection of national and local political sovereignty against global markets, including their sway over passing democratic majorities,⁵⁵ though coming from different ideological paradigms, may be seen as ways of forging a basis—legal or political—for preserving more localized and individual forms of control over social processes—and in that sense spontaneous orders—that are here interpreted as depending on the safeguard of multiple and permanent material rights through—in a modern economy—progressive forms of public finance. Finally, this supports the view that a multi-layered conception of the democratic state and the liberal (or legal) view of rights can, under appropriate conditions, comprise the claims for more autonomous and equal participation of the neo-republican and left libertarian-perspectives, including in basic income discourse, as examined next.

Egalitarian Theory and Egalitarian Rights

The Basic Income and Social Insurance

The BI exemplifies the drive toward greater autonomy and personal choice that is, as argued, a trend of the modern economy and that also typifies the concern with greater freedom from state control that is increasingly emphasized

52. Keith Dowding, Robert E. Goodin, and Carole Pateman, “Introduction: Between Justice and Democracy,” in *Justice and Democracy*, ed. Dowding, Goodin, and Pateman (Cambridge: Cambridge University Press, 2007), 14.

53. Keith Dowding, “Are Democratic and Just Institutions the Same?” in *Justice and Democracy*, ed. Dowding, Goodin, and Pateman, 32–35.

54. Hayek, *Law*, Vol. 3, 100–104.

55. Santoro, “A Historical Perspective.”

in liberal discourse. Because the BI frees the individual from state scrutiny over her life style, and in particular her employment, decisions, it embodies the idea of privacy as a human right that, when it emerged as a legal category in the U.S. in the 1970s, was referred to as “the right to be let alone—the most comprehensive of rights and the most valued by civilized men.”⁵⁶

It is apt to recall, however, that the BI is only one among other relevant sources of economic stability and individual autonomy. Its attraction to its supporters today is partly that it does not properly exist as a right.⁵⁷ A key challenge therefore, as said at the outset, is how to endorse it without losing sight of the collective and production-based aspects of other contributory forms of security. The BI's strict egalitarian formula can appear to demand a more general application of a similar principle: an individual-focused and led kind of egalitarian welfare that therefore posits as an alternative to universal services, organized employment, and social security (the false distinction between made and spontaneous orders again). For instance, the BI's procedurally neutral form has appealed on a practical level as a more direct means to control work and time as compared with societal tools like work-time regulation and minimum wages.⁵⁸ It is seen as offering scope for the individual payment of or organizing of work or care.⁵⁹ Some proposals envisage that it might replace universal schooling, unemployment insurance, and organized care,⁶⁰ and its finance has been linked to flat or even regressive taxation.⁶¹

56. Cited in David A. J. Richards, “Human Rights as the Unwritten Constitution: The Problem of Change and Stability in Constitutional Interpretation,” *University of Dayton Law Review* 4 (1979): 295–303, at 303.

57. It exists in the form of a small natural resource dividend in Alaska (American Political Science Task Force Report 2011, 64) and—more tentatively—Iran. Brazil has created a law to implement a basic income at future discretion. See Eduardo Suplicy, “Basic Income and Employment in Brazil,” *Basic Income Studies* 2 (2007): 1–6. Universal tax-free allowances and credits are also considered a close equivalent. See Anthony B. Atkinson, “How Basic Income is Moving Up the Policy Agenda: News From the Future,” paper presented at the 9th Congress of the Basic Income Earth Network, International Labor Office, Geneva, September 12–14, 2004). But a basic income as a fully unconditional and universal right financed by general taxation and with a permanent foundation along the lines of initial schooling or basic health is still a proposal.

58. Daniel Raventós, *Basic Income—The Material Conditions of Freedom* (London: Pluto Press, 2007), 136–37.

59. Gisela Dienster, Plenary address on Basic Income at the Decent Work conference, 26–29th May, Salzburger Anstöße, Center for Ethics and Poverty Research, University of Salzburg, 2009; Anne A. Alstott, “Good for Women,” in *What's Wrong with a Free Lunch*, ed. Philippe van Parijs (Boston: Beacon Press, 2001), 77.

60. Borgerlønbevægelsen, *Borgerlønbevægelsen* (2006) Basisindkomst (borgerløn)—hvorfors og hvordan? 3 modelforslag (www.borgerloen.dk).

61. Flat taxation, akin to a strict egalitarian formula, has been seen as a way to make the case for BI more readily understood and attractive politically. See Anthony B. Atkinson, *Poverty in Europe* (Oxford: Blackwell, 1998), 147.

The problem, then, is that if the value of the BI is thus to be maximized and/or taxation is to be flat or even regressive, then the finance for and legitimacy of other egalitarian principles and areas of economic security of the more horizontal welfare state (see Figure 1) will be crowded out. A mix of egalitarian principles, and therefore coverage of more groups and situations in society, is at the root of more multi-dimensional systems of income security.⁶² In Denmark, for instance, unemployment insurance (UI) operates as a higher tier of protection of the incomes of those who work and it receives a significant subsidy from general taxation (around 30%). To provide a similar quality of coverage, the scheme treats people unequally in respect to the absolute protection of previous pay (in Denmark starting at around 90%—to a certain threshold). This means that higher earners often do receive more—to an upper limit (though they also contribute more). This absolute inequality, however, enables a higher quality of freedom for all, in this case as the life style of a middle earner is also supported. In addition, the scheme has a strong needs component, as lower earners are subsidized. When individuals do not or no longer qualify, general taxation will cover their basic income support. Notably, this lowest tier has tended to be higher than the flat rate in Britain. In summary, the point of this case is to show how a complex interaction of egalitarian principles is needed to in practice support a notion of equal security.

Indeed one can venture the guess that it is the higher level of mutuality in the diversified Danish structure (its inclusiveness of more egalitarian principles) that explains not only the system's very high rate of voluntary subscription (at 77%) but also the relatively less punitive control of users' behavior, since the system is not the preserve of the poorest class. The relevant contrast is Britain, where as an aspect of the rapid trend toward greater hierarchy the state has rolled back labor protections, including unemployment insurance,⁶³ and where the state is known to exercise the most immediate job search controls of benefit claimants in Europe (though these have also grown more common in Nordic states). According to the OECD, "For job seekers reporting requirements seem to be most rigid in the UK, where they need to list details of every application at each fortnightly signing."⁶⁴ The British system thus exemplifies the link between low mutuality (or deeper hierarchy), on the one hand, and weak support of the middle class and greater control over the poor by the state, on the other. For instance, the fiscal pressures that typically increase with deregulation have tended to generate discourses that support making limited resources more conditional and targeted at small

62. Louise Haagh, "Equality and Income Security in Market Economies: What's Wrong with Insurance?" *Social Policy and Administration* 40 (2006): 385–424.

63. Jochen Clasen, "Social Insurance and the Contributory Principle: A Paradox in Contemporary British Social Policy," *Social Policy and Administration* 35 (2001): 641–57.

64. OECD Employment Outlook 2007, 223.

populations.⁶⁵ Therefore, although there is not a BI in Nordic countries (the lowest tier is means-tested and conditional), and unions are skeptical (partly as its defense has been linked with cuts to social security), the chances that a BI reform would protect the poor is better as compared with Britain, where a flat-rate (a more BI-like strict egalitarian formula) operates.⁶⁶

The case of UI, and other rights in production, raises, however, a question as to how such schemes can be justified, given that they may support those who are already successful in the productive economy. To many liberals and to left libertarians, they overly extend the role of the state beyond the serving of basic needs and in particular are unfair to the poor or the less capable because they support the middle class, and earners, respectively. Should public expenditure not go first or only to those left outside of production who have less income and perhaps less talent or opportunity to fend for themselves? In other words, even if higher mutuality (and overall public spending) is more effective for the poor, is publicly supporting those who earn also just? In addition, resistance to the specification of rights in production is also connected with the hope that leaving production alone will lead to a less intrusive state and greater personal freedom and direct democracy. In response, I consider below ways that a focus on security as a source of personal control can help overcome these different concerns about freedom and fairness.

The Justice Framework Inside of Production

The difficulty in promoting a scheme of rights both outside and inside production *in principle* derives from the evident problem of specifying moral desert in the market.⁶⁷ How are we to know who deserves what, when the market itself is quite erratic in measuring skill and worth. On the other hand, what the

65. Although the financial crisis of 2008 contributed heavily to Britain's budget deficit, after the public bail-out of private banks, it was primarily public employment and welfare beneficiaries who were publicly targeted as wasteful expenditures. The child benefit came under attack as a universal benefit for the first time in 2010.

66. Denmark is argued to be among the few countries (along with Britain) that—given what is already spent on income support—has the resources (Colombino *et al.*, "Alternative Basic Income Mechanisms"). But if as Atkinson ("Income Tax") argues, the most likely route to a basic income is an administrative reform to tax "through the back door"—in effect giving individuals their tax free amount—and this amount is lower than current income support and other benefits, like housing and child-benefits, that the poorest can claim, then the benefit of a reform in the short-term would be limited (here I agree with Pateman, "Democratizing," 90, 93). Therefore it is in Nordic countries with higher general benefits that a gradual reform would have the least regressive effect. On the unions' skeptical position, see Vanderborgh (2006), and proposals to cut significant areas of social security (Borgerlønbevægelsen).

67. In respect to the latter, as Rawls puts it, "the better endowed are more likely, other things equal, to strive contentiously, and there seems to be no way to discount for their greater good fortune. The idea of rewarding desert is unpracticable" (Rawls, *Theory of Justice*, 274).

market demands, in the form of skills and effort, may be unrelated to a person's genuine efforts (moral desert, as Rawls observed).⁶⁸ In addition, would attempting to devise schemes not take away one of the freedom-enhancing aspects of markets by allowing the state too much power to design the good? These concerns in liberal thought are not so different from those that have led the European welfare tradition to often associate de-commodification largely with rights outside of production (including in the BI defense).⁶⁹ By contrast, the assumption here is that it is only when security is more broadly systemic—hence where it also includes the middle class and production—that general security and hence individual liberty are in reality likely.

In this light, the way forward proposed here is to see how linking freedom directly to control of activities (developmental freedom) may reveal how rules of exchange and production in practice affect the individual's position both within and outside production. The upshot would be to indicate how different freedoms always relate in some way that is beyond the individual's control. Further, as institutions inevitably shape this relation, an implication is to have us consider what set of standards should frame the legitimate scope and limits of resource inequalities as well as the key areas of pooling of risk.⁷⁰ In many ways this is preferable, from a liberal egalitarian perspective, to leaving inequalities and the distribution of security to be wholly determined by markets or neo-classical notions of social utility, as for instance where even Rawls credits a socially efficient distribution of talents and their reward to the market.⁷¹

With this in mind, then, we might consider that another way to interpret genuine effort as a source of non-moral desert is to link it to purposeful investment in activities (the Aristotelian principle⁷²) and thus attach it to well-being

68. Rawls, *Theory of Justice*, 274.

69. This is insofar as organized production is responsive to market relations. See John Vail, "De-Commodification and Egalitarian Political Economy," *Politics and Society* 38 (2010): 310–36. There are, of course, many exceptions. Esping-Andersen, *The Three Worlds*, 204–17, began discussing occupational systems within welfare states. Arjun Jayadev and Samuel Bowles, "Guard Labor," *Journal of Development Economics* 79 (2006): 328–48, also do this. Per Kongshøj-Madsen, "Denmark: Flexibility, Security and Labour Market Success," *ILO Employment and Training Papers* 53 (1999), linked up cross-cutting institutions in his discussion of the Danish "employment system," and so on.

70. Haagh, "Developmental Freedom," 136–43, 149–51.

71. Though Rawls broadly took market rewards to be no reflection of merit or effort (and therefore, redistribution might be found elsewhere), he did appear to assume that market rewards are a good enough guide to encourage personal investment in training and reflect consumer demand (taste) and in that sense that the competitive economy "works" to produce these relationships without a need of a set of state-directed rights in production; see Rawls, *Theory of Justice*, 274. This is a strong indication that Rawls did not concern himself with or recognize the institutional and systemic nature of the market economy and therefore how he—and in general liberals in his tradition—had not the analytical tools to consider how the design of institutions might enhance the stability of expectations within production.

72. Rawls, *Theory of Justice*, 274–76; Haagh, "Working Life".

rather than moral worth. This, arguably, is what the idea that individuals deserve stability of expectations seeks to address. The upshot is to position individuals as worthy of equal support in some way, not just in learning (schooling), but also in working life (inside production).⁷³ It follows that we have a value of equality of secure opportunity but a reality of inequality of resources for this that needs to be altered. In turn, it is in this critical respect that the horizontal welfare state is hypothesized to perform more effectively than the hierarchical one.

On the question however of specifying a justice framework in the realm of production—to in practice realize greater stability of expectations—liberal egalitarian theory has offered only a partial guide. For instance, Rawls gave well-founded reasons for such a framework, but provided very little by way of a practical steer for how to evaluate legitimate inequalities or for how primary goods might entail particular rights. His position is in this, as noted, indicative of the rejection of economic systems analysis that is common—though as I argue not necessary—to liberal analysis. From this follows a tendency to overlook the relation between security for different groups, and thereby to in practice permit a cash-oriented and charity-based focus on the poor and a general dilution of citizens' rights.

An example of the practical problem is Rawls's general criterion, the difference principle, according to which new distributions should favor the least well off. This is commonly recognized as hard to apply. On the one hand, if taken literally, it would seem to lead to perfect income equality, if every public action must favor the poorest, at least in the income dimension.⁷⁴ On the other hand, the difference principle is sometimes interpreted to justify limited public distribution on the grounds that the poor actually benefit from more inequality if it raises growth. The upshot is to legitimize low taxation on higher earners on motivational grounds. As pointed out already, this pay-motivation argument does not work well on its own (it is unlikely to be itself a source of social utility). But, equally important, nor is a pure pay-motivation argument consistent with Rawls's own reasons for restraining social utility in favor of his primary goods (for instance in education).⁷⁵ Nor is it obviously compatible with his view of

73. This position is thus relatively neutral as to the form of production (self-employed, public, collectively owned enterprises, wage labor, and so on). To be precise, the position would be that to deliver property rights in stability requires forms of social support both inside and outside production. Clearly regulated or subsidized forms of credit offer greater support, but, as generally argued here, the more sources of security, the more stable (and potentially flexible) the overall economic system is likely to be.

74. Philippe Van Parijs, *Real Freedom for All—What (If Anything) Can Justify Capitalism?* (Oxford: Clarendon Press, 1995), 96, 132.

75. Rawls, *Theory of Justice*, 63, 73, 92.

reciprocity as connected with a scheme of everyday cooperation,⁷⁶ or with the idea of fraternity that had inspired the difference principle from the beginning.⁷⁷

Suppose, then, that perfect income equality is not feasible and inequality may be something we wish to tolerate, perhaps to promote personal freedom and free exchange including (within limits) the inequalities of reward that this carries with it. The upshot is to give scope for considering how inequalities (of market income or of talent or luck) that are morally arbitrary in procedural terms might be allowed on freedom grounds. This is Pogge's argument, where he indicates that the freedom to labor and derive fruits from one's abilities, such as they are, is part of what it means to lead a free life.⁷⁸ Accordingly, not all outcomes should be predetermined by society or potentially reduced (for instance by a system of tax that aims at full equality) by other individuals' needs. This resonates with the libertarian case for BI. In short, the fact of the inter-connected economy should not mean that we owe everything we achieve, monetarily or otherwise, to society.

This position offers a way of responding to the concern that designing production overly determines the individual good without thereby losing sight of the economy's strong systemic aspects and hence the important constitutive and redistributive roles of the state. In other words, the state in an interconnected economy may be pivotal in the promotion of both welfare and subsistence guarantees and varied and stable opportunities and, in this sense, of permitting stability of expectations and hybrid property rights in various forms. Its role however should not be to determine all individual outcomes, including in the income dimension. The exception would be to in general restrain inequalities of income and positions (through taxation and access to quality health care and schooling, and so on) where such inequalities prevent the general extension of property rights in stability.

Considering for instance the realm of production, the promotion of equal security may be a basis for the emergence of general standards which, regardless of the level of skill and day-to-day levels of striving, stabilize expectations and thereby raise dynamic and static control for all. For instance, this can occur via rules about

76. *Ibid.*, 84, 88.

77. *Ibid.*, 90–91. Rawls's arguments for compensating on moral grounds and allowing market rules on social utility grounds do not link up: if motivation is tied to an institutional prism of self-development, then pay inequalities should play a smaller role, nor are high differentials in market pay necessarily a good indicator of economic performance and therefore social utility. Market pay (see note 39) is only a partial indicator of skill or worth. Other reasons to value markets include the prevention of monopoly, the scope for new ideas and innovation (also stressed by Hayek who was skeptical about the value of neo-classical perfect competition or price equilibrium theory, Hayek, *Lau*, Vol. 3, 65–77), and personal freedom, but these all presuppose central measures to decentralize (redistribute) economic security. See Haagh, "Developmental Freedom."

78. Thomas W. Pogge, "Can the Capability Approach be Justified?" in *Global Inequalities*, ed. Martha Nussbaum and Chad Flanders, *Philosophical Topics* special issue 30:2 (Fall 2002): 167–228, at 58. Page references in this article are according to the Web-based version of the paper (<http://philosophy.faculty.ucsd.edu/faculty/rameson/courses/pogge1capability.pdf>).

work time, pay scales or promotion and access to occupational shifts through accessible business capital or public employment and training). Notably, Marshall saw such standards—predictable rules about wages and promotion in work—as a precondition of any “general principles of social *justice*” in the realm of production.⁷⁹ On the other hand, he emphasized how predictable rules in work would also be conducive to the acceptance of “dynamic inequalities”—different positions and outcomes as tied to performance, and thus, in this sense, both fulfillment-based and (some) monetary economic incentives.⁸⁰ Indeed to Marshall, therefore, there was no necessary conflict between justifying a role for the state in promoting property rights in stability in production on grounds of social utility (as arise from rewarding the application of sustained learning and skill with stable positions and pay) and individual freedom (as personal control and expression). Both are enhanced by developmental aspects of work motivation.

This serves then to illustrate how Marshall’s more interventionist discourse, as compared with Rawls’s, may present a clearer practical representation of Rawls’s own aspirations; again the made versus spontaneous orders distinction that represents a wider rejection of the state in liberal theory is over-extended. To conclude, we might say that the aim of reducing inequalities in the sphere of stability rather than just money, offers a means to preserve greater individual autonomy as well as a form of incentive to work that arises from self-realization and a promise of stable rewards.

A second related reason, then, in addition to permitting inequalities on freedom grounds, to reduce inequalities through the sphere of stability, is to equalize the opportunity structure, not just in initial assets, but also in the more full realization of property rights in stability. High and progressive taxation is directly critical to equal schooling because it raises finance for schools while reducing incentives for fees. It thereby affects later opportunities in work by diversifying stable occupational chances and their public support. This is one likely reason why, as argued below, rights across production and non-production-based welfare have turned out to be stronger in Scandinavian states.⁸¹ Notably, as Rothstein has shown, the high tax paid by higher earners in Nordic states means that although many services and benefits are universal and thus received by higher earners as well (see note 86, below), and business enjoys social support, the Nordic state remains more redistributive than the British, where transfers

79. Marshall, *Citizenship*, 42, emphasis added. Jeffrey Moriarty, “The Epistemological Argument against Desert,” *Utilitas* 17 (July 2005): 205–21, is a liberal egalitarian pragmatic defense of standards in work.

80. *Ibid.*, 48.

81. Marshall recognized this relation, how “the enrichment of the universal status of citizenship, combined with the recognition and stabilization of certain status differences through the linked systems of education and occupation” was made legitimate by the lowering of income inequality and the raising of “common experience.” Marshall, *Citizenship*, 44.

target the poor.⁸² Finally, this answers the question of the justice of universal as against targeted welfare: if the individual transfer seems more just for the poor in the British case, it is only because the whole distributive structure (beyond passive assistance) is omitted from view.

Third, and related, a justification for PPF in terms of equal security—and on freedom grounds—can also be made by extending the logic of van Parijs's defense of non-production-based rights to income security (the BI) to the sphere of production.⁸³ As van Parijs notes, the relation of the BI to employment is a "paradox" (not a "contradiction"), because the independence (from employment) that the BI guarantees also increases choice in employment.⁸⁴ The argument here is that a new, equally productive, paradox arises once the BI is granted, as its defense on the grounds that it enables the freedom to control life plans outside of production demands an equivalent freedom to control life plans inside production. This is true if the freedom to choose employment is to be real or equivalent, in this case, to the freedom not to choose it. In other words, promoting stability in production is just on the grounds of equivalent freedoms between workers and others. And it is also relevant as a just compensation to those who, through organized labor, raise resources for everyone's welfare.⁸⁵

In short, the claim for individual independence does not replace but strengthens the claim for social security, and vice versa, in a modern context in which individual independence is highly valued but invariably relies on social security. The very argument for new kinds of independence—the left libertarian and liberal claims for BI—are, or must be, at the same time claims for social security. The upshot is that statist-collectivist and liberal or neo-republican and libertarian visions are not, in practice, at odds. In this context, finally, it is also possible to envisage the state as less intrusive and more supportive of individual freedom insofar as the key means to both lowering inequality and redistributing security is the fairly impersonal medium of high and progressive taxation, examined next.

Public Finance and Property Rights in Stability—A Comparative View

High and progressive taxation is the source of a more horizontal capitalism as exemplified in Nordic states in the form of shared security. But how is it

82. Bo Rothstein, *Just Institutions Matter—The Moral and Political Logic of the Welfare State* (Cambridge: Cambridge University Press, 1998), 146–50, 154.

83. Van Parijs, *Real Freedom*, 121.

84. Philippe Van Parijs, "Basic Income versus Stakeholder Grants," in *Redesigning Redistribution: Basic Income and Stakeholder Grants as Cornerstones of a More Egalitarian Capitalism*, ed. Bruce Ackerman, Anne Alstott, and Philippe Van Parijs (London: Verso, 2005), 206–7.

85. Haagh, "Basic Income."

constructed, and how is it effective in raising the quality of developmental freedom for all? It is an important discussion (not pursued here) as to why states would in the first place institute high and progressive taxation and support a Marshallian principle of equal welfare, for instance starting with schooling. Certainly it is not the case that states always invest more in all dimensions of economic security. For example, the U.K. spends quite a bit on income security and health but not on other forms of equal security; it is in this sense an anomaly.

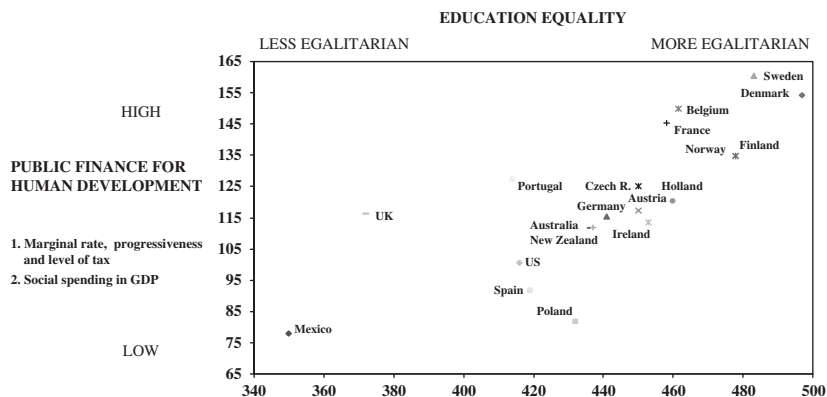
However, although some states, like Britain, do spend a fair amount on basic social services, health, and income support, there is an order effect. Above a certain level, and with only a few exceptions, it is the states that spend more, on more dimensions of economic security, that also have the highest spending on each (in the OECD). This shows that their form of capitalism is systemically—tendentially—more horizontal, and that positive complementarities between institutional sources of economic security are both likely and tending to upscale developmental freedom for all. In other words, above a certain level of public finance there is a form of spontaneous order in the formation of more positive complementarities between institutions as are favorable for equal security and developmental freedom for all. Firstly, shared services in household income is both higher on average and more equally distributed among quintile groups in more horizontal states than in those where means-tested benefits play a more significant role.⁸⁶ Conversely, the states with the lowest levels of developmental freedom spend the least all across.⁸⁷ Secondly, among pertinent reasons, we can clearly identify high and progressive taxation (and vice versa) as the underlying source of these systemic (part-spontaneous) differences between horizontal and hierarchical models (as predicted in Figure 1). Below I indicate these effects through visual correlations between relevant composite variables, looking at OECD countries, which illustrate the spectrum of capitalist states. Note that it is not suggested that public finance is the only pertinent distinction between capitalist states in terms of the impact on developmental freedom, or that other factors do not intercede in shaping this link, only that public finance is a critical foundation for the likelihood that positive complementarities happen.

Accordingly, Graph 1 relates the level and progressiveness of public finance and education equality across the OECD. The two composite measures relate to

86. In the U.S. and the U.K. this value is less than 10% for the highest quintile in the income distribution (in the U.K. it is also surprisingly low for the lowest quintile), while in Denmark and Sweden it is double that (17 and 19%, at the same time as also being the highest for the poorest quintile (less so in Finland; OECD, *Growing Unequal*, 2008). The value of public services per household is high for the poorest group in the U.S., but this is in a context of rising income poverty and the highest child poverty rate in the sample. From the second decile on, the value of public services to households declines rapidly, as predicted in our theory, given the overall structure of tax and spend (OECD, *Growing Unequal*).

87. See also Haagh, "Developmental Freedom," on such effects using cluster analysis.

Graph 1
Public Finance and Education Equality, Mid-2000s



*X: Overall private/public schooling resources inequality—Composite index of (1) public education expenditure in GDP (*10); (2) students in publicly funded schools (> secondary); (3) spending on education that is public; (4) student–staff ratio, private schools as percent of state schools (to maximum of 100); (5) rate of change in education spending (2000–2005), public as percentage of private; (6) population that has attained at least upper secondary education; (7) 15–24-year-olds unemployed or not in the labor force (10–); + (8) 15–29-year-olds in education.*

See Appendix Table A2 for data and sources

*Y: Public Finance for Human Development—Composite index of (1) upper marginal tax rate (marginal personal income tax and social security contribution rates for average single person without dependents at multiple of 167 percent of the average wage; (2) 167 percent multiple as percent of 67 percent multiple—to indicate progressiveness of tax (/10); (3) total tax revenue as percent of GDP; and public expenditure in GDP in 2005 on income support, pensions, social services and health (*1).*

See Appendix Table A1 for data and sources.

different ways that the balance between public and private finance may be expressed. For tax, I use the marginal rate, the progressiveness of tax, and the level of tax in GDP (for effective capture), as well as levels of core public social spending in GDP, giving a measure of progressive public finance as common property, both taxation and spending. The measures for equal schooling are self-explanatory: they depict the extent and direct outcomes of a Marshallian balance in education. This includes the size and relative role of public resources, the effects of private finance on education quality (using teacher ratios), changes over time in the Marshallian

balance (public versus private finance, the proportion of young people who are active in education or employment, and school attainment).

Recall that the Marshallian balance refers to the level of equal quality of welfare as this is shaped by public provision: in our general framework, the level of shared security as key to distinguishing the more horizontal from the hierarchical form of capitalist state. The graph points to the similarity in this key aspect of opportunity inequality in the more hierarchical economies and how it relates to public finance. Britain is an interesting partial outlier (an anomaly): It has an average tax level for the OECD, but this does not translate well because of the growing impact and hierarchical nature of private finance in opportunity goods. It has a higher (but not more progressive) level of tax than Mexico, and far higher social spending, on income transfers especially. Yet Britain also has higher inequality in the private and public finance of schools, which we argue would likely be detrimental to more equal opportunity for control over working life as a whole. Here then the Marshallian balance is weak. For instance, the ratio of students to teachers in the private sector is only 39% of the ratio in the public sector, even lower than that of Mexico at 66% and of Chile at 63%. Other countries with low ratios include the U.S. at 68%, Poland at 77%, Italy at 71%, and Turkey at 47%.⁸⁸ The increasingly flat structure of tax, combined with private pay inequalities, drive this imbalance. In Britain, radical deregulation of both labor markets and social security, with unemployment insurance scrapped in the 1980s,⁸⁹ induced one of the fastest growing uninsured pay gaps in the OECD. This paralleled a growing education divide, as private educational fees rose by 83% in real terms between 1992 and 2010, almost three times the rise in average incomes.⁹⁰ Half of this rise occurred since 2005.⁹¹

The problem here, then, is not so much the existence of fee-paying schools, or the number attending them in the U.K. (only 7%), but the level of fees and hence the education system's hierarchical structure. This can be contrasted with a more horizontal one in the Nordic states—thus an illustration of the two types of state in the formation of spontaneous orders in the direction of hierarchy or dispersion of power as (partially) shaped by public finance. In Denmark the fee constitutes about 10% of the fee in Britain (and attendance is more universal, at 34% in the capital, and 13% overall in 2010). In turn the low fees can be directly attributed to public finance: first, the lower income inequality resulting from progressive taxation; second, the high public spending on education (see Table A2 in the Appendix); and third, the high public subsidy of privately (parent)

88. Haagh, "Basic Income," elaborated from OECD, *Education at a Glance* 2008; see Table A2.

89. Jochen Clasen, "Social Insurance and the Contributory Principle: A Paradox in Contemporary British Social Policy," *Social Policy and Administration* 35 (2001): 641–57.

90. *Telegraph*, 18 June 2010.

91. *Telegraph*, 15 January 2010.

governed schools (at between 85% and 100% of a state school budget).⁹² By contrast, the weak Marshallian balance in British education has ushered in a low efficiency ratio of public spending, defined as the degree to which the rise in public education spending has an equality impact. Between 1995 and 2004, for instance, public spending in Britain grew by 146% (against 138% for the OECD as a whole), a much higher rise than spending in Denmark.⁹³ However, the value of this rise was only 84% of that in private spending. In Denmark the two sectors were neutral.

In turn, as the limit to the rise in public spending in Britain was reached, inequality grew, in some respects canceling out the significant effort in public investment. Indeed, despite one of the highest levels of growth in educational spending, Britain retained one of the highest proportions of 15–19 year-olds not in education in the OECD. With the exception of Ireland, Britain has also seen the most significant growth in the number not in education or employment in this population. The important point here, then, pertains to the different long-run (in this sense spontaneous) effects of public finance aimed, as in Britain, at providing basic assets in a system of high inequality, and public finance that is guided by the pursuit of low inequality of economic security, in effect treating education as a commons, as in the Scandinavian states. The latter do not prohibit school fees, but commercialization (here, the level of fees) is counteracted intentionally.

In short, education exemplifies how horizontal capitalism is more effective in terms of the efficiency of public spending for equality of opportunity for economic stability. Palma reasonably observes that education levels in a population have been overestimated as a determinant of income distribution (citing Chile as having a high level of enrollment in tertiary schooling).⁹⁴ However, as shown here, the role of education in distribution, more broadly conceived as labor market opportunities, depends on how inequality within education is analyzed. Rather than just inequality between levels, we should be assessing inequality within levels—the Marshallian balance—as a critical ingredient in the horizontal type of capitalism and welfare state. It is here that possibilities for appropriating access to certain occupation opportunities—to dynamic control—are likely to happen.

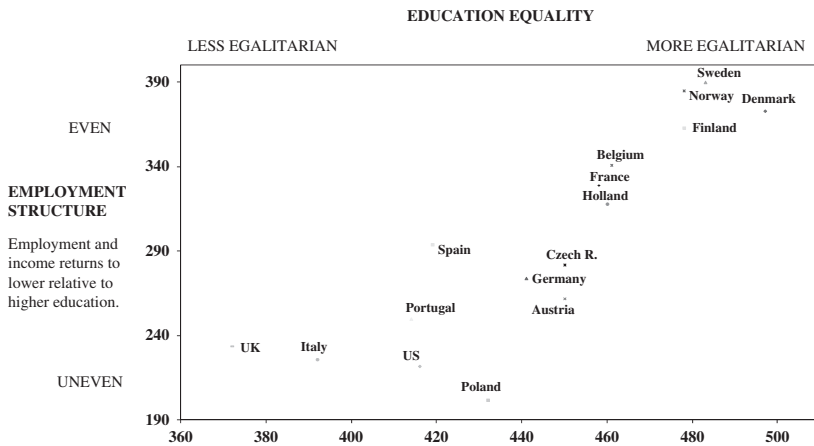
92. All tables can be found in the Appendix. According to the Danish Education Ministry's paragraph 107, the public subsidy of the independent schools should be of a level "to correspond in principle to the cost of running a state school, minus monies paid by parents," which was set in 2002 at a yearly amount of Danish kroner 7,600 (Undervisningsministeriet 2004), approximately £80 per month in today's currency, which is then a fraction of the monies paid by parents to British private secondary schools.

93. Elaborated from OECD Education at a Glance, 2008, and Haagh, "Basic Income."

94. Palma, "Homogeneous Middles," 22.

A measure of this is mapped in Graph 2, which sets school equality against the degree to which those of lower education can enjoy commensurate levels of employment and income stability. The graph shows that this distance is consistently lower in countries with school equality and consistently higher in countries with school inequality. The presumed reason for this is the way

Graph 2
Public Education Finance and Equal Diversity, Mid-2000s



*X: Overall private/public schooling resources inequality—Composite index of (1) public education expenditure in GDP (*10); (2) students in publicly funded schools (> secondary); (3) spending on education that is public; (4) student–staff ratio. Private schools as percent of state schools (to maximum of 100); (5) rate of change in education spending (2000–2005), public as percentage of private; (6) population that has attained at least upper secondary education; (7) 15–24-year-olds unemployed or not in the labor force (10–); + (8) 15–29-year-olds in education.*

See Appendix Table A2 for data and sources.

Y: Level, equality and quality of employment integration—Composite index of (1) lower secondary education employment rate, females; + (2) lower secondary employment rate as percentage of tertiary education employment rate, females; + (3) lower secondary income return rate relative to tertiary income return rate, females; (4) percentage of the population that earns more than twice the median and subtracted from 200 to make the figure run from high to lower wage dispersion, both gender, and (5) female unemployment rate 10—rate to minimum of 10.

See Appendix Table A3 for data and sources

greater equality at the basic levels leads to more structured opportunities for those with lower qualifications. In turn this reveals in a concrete way how PPF connects rights inside and outside production, as this difference impacts on the distribution of occupational chances. The evidence is again the much higher general public spending on occupational life (training, unemployment insurance, and public welfare employment, Table A4). In these economies, access to stable work is, as a result, not a matter of (de-)selection but of (diverse) allocation.⁹⁵

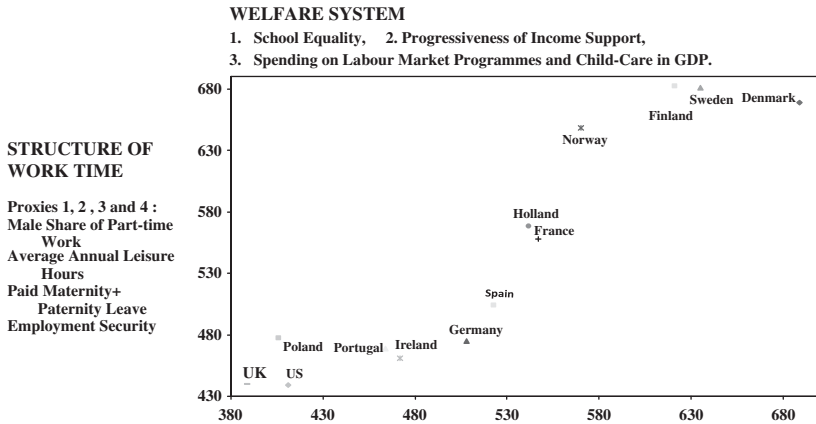
The effect of income transfers in reducing relative poverty is also lowered where public funding is not able or designed to deliver equal quality family benefits or real incentives to work.⁹⁶ These benefits are very important to support the second dimension of control over time (static control). The role of the Marshallian balance (expressed in equal quality welfare—constant control) in supporting dynamic and static control is mapped in Graph 3. The x-axis is an index of aspects of equal quality welfare, including, therefore, sources of degrees of constant control (e.g., the generosity of unemployment insurance). It combines indicators of how public finance has affected welfare (e.g., schooling, income support, training, and child-care). The y-axis, on the other hand, includes specific measures of actually attained dynamic and static control over time, which shapes individuals' ability to balance occupational life with leisure and care. Static control is expressed in the level of leisure time, the equal distribution between men and women of part-time work, and the level of paid time for care. Dynamic control, meanwhile, is measured through a number of elements of average and equal employment and earned income security. These comprise the average length of jobs, the level of short-term jobs, the relative income and employment return rates to education of women, the unemployment rate of women, and overall wage dispersion; the raw data can be found in Table A5.⁹⁷ In

95. Note that the index for relative employment and income returns focuses strongly on women. Women naturally face greater barriers to equality in occupational life, owing to their shorter fertility and traditional child-rearing roles, which tend to stratify the choices and positions of women. A relatively more equal employment and income return of women with less education is then a good indicator of the sustained effects of more equal education in occupational life.

96. The Nordic countries have much higher rates of public spending, for instance at 0.7% and 0.6% of GDP in Denmark and Sweden in 2005, as compared with 0.4% in the U.K. (Table A4). Out-of-pocket cost for dual earners earning 167% of the average wage, for instance, is higher in the U.K. and Ireland (45% in the U.K.) than anywhere else in the OECD. Although subsidies reduce this for lone parents, the average lone parent still pays 21% of earnings, and lone parents on 67% of average income pay 14.5% of earnings, compared to 8.4% in Denmark, 4.1% and 4.8% in Finland and Sweden. See OECD, *Babies and Bosses—Reconciling Work and Family Life* (2007), 155–56. To this we should add the higher levels of funding of work opportunities and training in employment transitions in Nordic countries. Public spending on training, mainly for the unemployed, was 1.43% of GDP in Denmark, compared with 0.10% in the U.K. in 2005 (Table A4).

97. The Scandinavian states score consistently higher on all variables, except slightly less on average leisure time than Holland and Germany. The latter, however, have a very low male participation

Graph 3
Structure of Time and the Welfare System, Mid-2000s



X: Welfare system—Composite index of (1) School Equality, Score 2 From Table A2, Column 10, (2) start replacement rate of unemployment insurance (in benefit system of average wage), and (3) public spending on training and job-creation and child-care in GDP

See Appendix Table A4 for data and sources

Y: Structure of Work Time—Composite index of (1) MALE SHARE OF PART-TIME WORK: Males' part-time share as percent of females' share/2; and (2) AVERAGE ANNUAL LEISURE HOURS:

3,000—average annual hours actually worked by person in employment 2006/100; (3) PAID MATERNITY AND PATERNITY LEAVE: Months of paid maternity and paternity leave;
*(4) EMPLOYMENT SECURITY: (i) percentage of jobs in 10 years; + (ii) 50—percentage of long-term unemployed (more than 1 year); + (iii) 50—unemployment rate; (iv) lower secondary education employment rate, females; (v) lower secondary employment rate as percentage of tertiary education employment rate, females; (vi) lower secondary income return rate relative to tertiary income return rate, females; + (vii) distance of highest fifth of earnings to median (expressed as *2 and subtracted from 200 to make the figure run from high to lower wage dispersion), both gender; and (viii) female unemployment rate.*

See Appendix Table A5 for data and sources

short, the graph expresses the level of extension of effective property rights in stability as defined by both relative levels and overall increases in the quality of developmental freedom that all can hope to enjoy.

To summarize, there are lessons to learn from the more distributive or horizontal (Nordic) welfare state in terms of its broadly constitutive role in

in part-time work, suggesting that the higher leisure is not gender-balanced. See further Haagh, "Basic Income".

generating property rights in stability. Redistribution of property rights in stability in these cases also translates into and/or has a parallel in more participation within institutions. In this sense it can be seen to support both the right libertarian preference for spontaneous order and the libertarian and neo-republican advocacy of more direct forms of citizen creation of and engagement within institutions. For instance, we saw how a more egalitarian education system, permitted by the way taxation lowers income inequality and raises public spending, is a likely key source of greater equality of stable opportunities for employment and of more equal participation in institutions of work such as employment, unemployment insurance, and unions, in Nordic states.⁹⁸ In addition, the high public subsidy of independent schools (at over 85% depending on country), is a core condition of both citizen equal choice of and democratic engagement of parents. The trend toward a 100% subsidy in all the Nordic states, led by Norway and Sweden (in Norway by a right libertarian party), shows how egalitarian public finance has been constitutive of both a practice and growing demand for de-centralisation.⁹⁹ Finally, as progressive public finance also permits greater spending on services like child-care, parental leave, and training, it supports more equal participation for women in the institutions of both work and the family.

By contrast, the British case is interesting for thinking about what a trade-off between production and non-production-based rights might bring about in the form of stratification or hierarchy. The contradictory nature, in this sense, of British institutions has allowed the continuation of (negative) dynamic trends, acting through labor markets and income distribution, to further weaken the Marshallian balance. A wage study of seven OECD countries shows that the rise in the annual earnings of parents was about three times lower in the 1990s in Britain than in Norway (one of the more conservative Nordic states). In Norway, earnings of the lowest 10% among paid mothers went up between 1991 and 2000 by 96% and that of fathers by 5.8%, whereas transfers went up by 33.6%. In Britain annual earnings of the 10% lowest paid fathers went down by 8.2%, whereas those of mothers in this group went up by 29% and social transfers went up by 39%.¹⁰⁰

98. Unionization rates have fallen by between a half and two-thirds in Anglo-Saxon states (except Canada), whereas in Nordic states the decline has been much less pronounced.

99. Socialization of finance is combined with detailed rules to ensure that independent schools are democratically governed (ultimately by parents). In Denmark this forms part of the constitutional emphasis on compulsory education (but not state schooling): Undervisningsministeriet (2004), Bilag 3., *Privatskoler i Danmark*, <http://pub.uvm.dk/2004/oeed/bil03.html>, points 95–97; a tendency also—since the 1970s—championed by the right libertarian parties, in Norway (Fremskrittspartiet) in favor of a 100% subsidy of independent school. See Stortinget, 3).

100. UNICEF, *Child Poverty in Rich Countries*, Report Card No. 6, (Florence: Innocenti Research Centre, 2005), 16. The OECD Questionnaire on Income Distribution and Poverty shows that the ratio of the rich/poor measured as the difference between the 10th and 1st decile is still lowest in Denmark at 4.6, followed by Sweden at 4.7, the U.K. at 8.6, and the U.S. at 16.

This shows that women were gaining in earnings, but in Britain less than in Norway, and less than the gain in income support.

These above-labor market and distribution trends, in short, help explain why, despite high benefit levels relative to the median wage, and despite a significant reduction in child poverty rates in the 1990s, Britain has continued to have one of the highest poverty rates of any OECD country in Europe.¹⁰¹ The U.K. reduced its rate to 15.4%, but in a context of sustaining a high level of minimum income support relative to the average wage.¹⁰² The poverty rate remained five times higher than Denmark's.

So, the British is a best-possible compensatory scheme in a deregulated economy, in the sense that the lowest value of income protection for single-headed households is the highest in the OECD relative to the average wage. This is at 70 %, followed by Denmark at 61%, with an OECD average of 41%, in 2005.¹⁰³ However, the compensation rate of initial average income protection (also including the UI scheme) is higher in Denmark, at 76% of the average wage, compared with 63% in Britain in 2008.¹⁰⁴ The absolute value of the lowest benefit is also higher in Denmark.

Hence, the fact that the domestic relative value of the lowest income compensation in Britain is high is not an expression of low overall inequality, or high overall equal opportunity for security. Rather it is an indication of how higher inequality of income, welfare, and opportunity in hierarchical market economies is shaped by the top-end distribution, as permitted by tax. In this context there is little spontaneous order in the sense that more individuals can freely engage. Moreover as this state of affairs is institutionally crafted, it is not itself a sign of many individuals' spontaneous choice. The resulting hierarchy in work is accompanied by stratification in work-time. Britain, for instance, has a particularly large gap between the hours worked by top and bottom earners among select countries in the OECD: the top group of earners work 3 times as many hours as the bottom, as compared with 1.6 times in the U.S. and 1.5 in Austria.¹⁰⁵ In short, this is an instance of negative institutional complementarities: higher incomes are traded for lack of control of time, and vice versa.

101. The child poverty rate in the U.K. before taxes and transfers was 25.4% in 2005, compared with 11.8% in Denmark, 18.1% in Finland, 15.5% in Norway and 18.0% in Sweden. These four countries all reduced this rate further through transfers to below 5%—in Denmark to the lowest level, at 2.4% of median income. UNICEF, *An Overview of Child Well-Being in Rich Countries*. Report Card No. 7 (Florence: Innocenti Research Centre, 2007).

102. UNICEF, "Child Poverty," 2005, 21.

103. OECD, *Society at a Glance* (2009), Chapter Six, Equity Indicators, Table EQ4.1.

104. OECD, *Benefits and Wages* (2010), Table 39720238.

105. Gary Burtless, Janet Kornicky, Peter Frase, and Timothy Smeeding, "Income Distribution, Weekly Hours of Work, and Time for Child-Rearing: The U.S. Experience in a Cross-National Context," *Luxembourg Income Study Working Paper 489* (January 2010), 37.

In summary, when combined with greater job insecurity of low skill groups (Graph 2) these trends show how raising the fortunes of the least well off in society—Rawls's difference principle—does not depend on concentrating resources on them alone or on a fictitious spontaneous market order. More likely it rests on supporting a distributive structure of high mutuality in general, that is, on a more horizontal capitalism as sustained by a high level of public finance and a regulatory role for the state in the promotion of equality of resources in education and of rights in production. In Britain, the assisted and working poor and middles have in common low dynamic control in the form of low effective income, time control, and overall job security incentives to work.¹⁰⁶ The subordination to the productivity drive that this entails pertains to both the highly and lowly skilled: neither win in terms of control of their time. This contrasts with the horizontal capitalism of the Nordic economies, where equal security and secure opportunity in relation to education, work, and time for both sexes, at the start of and during each period, is intentionally supported through public finance.

Conclusion

In conclusion, this essay has argued that economic instability raises a particular problem for social justice today that at the same time poses a constructive challenge to liberal theory. Personal stability as a source of control over time and activities has traditionally been thought a critical aspect of freedom. However, a rise in unrestrained competition in recent decades has supported the emergence of a more hierarchical capitalism in the more deregulated economies and hence has rendered personal stability as a collective good both increasingly necessary and difficult. The emergence of this model, and the complex and dynamic nature of the modern economy generally, present the problem of economic citizenship in the form of attaining a more encompassing structure of economic security than either the neo-liberal or the traditional notion of citizenship as social rights to basic welfare can really support. It is simply no longer reasonable to tie equal liberty to particular forms of property or to envisage individual rights, in the form of compensation as income, as sufficient sources of material security. Today this minimalist model of capitalism, the welfare state, and democracy is overly permissive of hierarchy in income and in opportunities for economic stability.

This is the background for my argument that economic citizenship is best conceived as an overall state of property right in stability drawn from a bundle of sources that in a modern economy are likely tied to underlying distributive conditions as are permitted by progressive public finance. Notably, although there has been significant retrenchment of states' redistributive powers across the

106. This is recognized in UNICEF *Child Poverty* (2005), 28.

OECD, there remain critical differences in the levels of coordinated freedom as property rights in stability in different states. The Nordic states are not a perfect frame for developmental freedom (for instance, access to basic income support remains conditional and means-tested). But nonetheless the strong institutional complementarities for shared security have both rendered the state comparably less directly controlling and moved public policy further in the direction of support for equal quality welfare.

In contrast, a hierarchical form of capitalism that limits the extent of shared security and the overall quality of freedom for all has emerged as more typical of liberal market economies that have further deregulated the state's fiscal and regulatory powers. The growing influence of this model and its pitfalls necessarily make public finance a critical element in global debates about justice. The evidence presented here supports a multi-layered liberal view of democracy in which public finance plays a key role as a foundation for the distribution of economic stability and citizen participation within institutions.

But to endorse a coordinating role for the state poses a challenge to egalitarian thinking about rights in different dimensions, including, in particular, rights in production. These are broadly invisible in the post-Rawlsian and post-libertarian paradigms of pro-poor or basic or strict forms of equality. The three core problems are the presumed implications for social justice, utility, and liberty. Three key concerns, however—the perceived link of pay with motivation (and social utility), the amoral nature of support for the able and of pay itself, and the idea of a controlling state—can be re-considered once the institutional nature of the economy and the value of security to developmental freedom are properly recognized.

The institutional view of the economy makes it evident that a key coordinating aspect of public finance is the way it shifts behavior toward alternative motivation and production incentives for all through security in welfare and occupational life. This shows that the liberal and in particular Rawls's view of well-being in economic life as attached to stable activities need not be divorced from a discussion of alternative development models and therefore of rights in production. Moreover, the institutional view makes it easier to see how a distributive structure that favors security across several dimensions contributes to the independence that the BI promotes and why its likelihood and effects will be enhanced when set in a broader redistributive frame.

In this context, high and progressive public finance becomes fundamental both to justice and to a deepening of modern democracy. PPF, by supporting a more horizontal form of welfare state, is likely to enable policies to be more effective for the distribution of freedom. The systemically higher social equality that PPF promotes raises the efficacy of particular policies (as exemplified above for schooling) in advancing more equal opportunity for economic control. In

other words, it is through the multivariate redistributive structure itself that the developmental freedom of each individual is raised. This is also the most important argument in favor of high and progressive taxation against the claim that it reduces personal liberty. Consider that even the rich in a highly uneven economy ultimately face higher uninsured risk than the poor in an economy of more even and multivariate economic security. The former may have much higher control of their time than the poor, but their overall property rights in stability are still lower than those of the poorest citizen of a more equal or horizontal economy. This link between distribution and liberty suggests, then, that the difference principle is best realized through a broad attempt to reduce inequality both of income and economic security, as opposed to a more singular focus on protecting the poor, or (as Rawls rightly rejected) attaching pay to moral worth in production.

Fourth, and finally, therefore, a more differentiated liberal view of rights, one that combines strict egalitarian and social insurance elements with a view of raising stability as a foundation for freedom, is also more likely to support the left and right libertarian and neo-republican concerns about direct democracy and real freedom of contract. This is given the enabling of greater personal autonomy alongside the kinds of collective resources and local institutions, not to mention leisure time, that would make more equal participation at different levels—whether in the family, the sphere of work or in institutions like schools—in reality likely.

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Appendix

The sources for the tables in the appendix are all from OECD reports:

OECD questionnaire on Income Distribution and Poverty. OECD.

OECD (2010a) Benefit and Wages 2010.

OECD (2010b) Family Data-base 2010

OECD (2010c) Questionnaire on Income Distribution and Poverty

OECD (2010d) OECD Factbook

OECD (2010e) OECD Social Family Database

OECD (2010f) OECD Tax Database

OECD (2009) Society at a Glance 2009

OECD (2008a) Social Family Database 2008

OECD (2008b) Education at a Glance 2008

OECD (2008c) Reforming Corporate Income Tax, OECD Observer, Policy Brief, July.

OECD (2008d) Growing Unequal

OECD (2007a) Employment Outlook 2007

OECD (2007b) Babies and Bosses—Reconciling Work and Family Life.

Table A1
Public Revenue Progressiveness and Public Expenditure on Human Development, OECD, Mid-to-Late 2000s

Country	1		2	3	4		5	6
	Progressiveness of tax:		Total tax	Public	Public expenditure		Share of	Public
	(i) upper marginal tax rate	(ii) upper as % of lower marginal rate/10, 2007–2008	revenue in GDP, 2007	revenue score: 1 + 2	(i) education and	(ii) social spending	total (public +private social spending) (50—the percent), 2005	finance score: (1) Column 3 and (2) Column 4ii
	(i)	(ii)			(i)	(ii)		
Denmark	63.0	14.7	48.9	126.6	8.3	27.6	41.1	154.2
Finland	58.5	10.7	43.0	112.2	6.3	22.2	46.0	134.4
Sweden	67.2	13.9	48.2	129.3	7.0	31.1	41.3	160.4
Norway	53.7	12.5	43.4	109.6	7.0	25.1	41.3	134.5
Germany	44.3	7.4	36.2	87.9	4.5	27.6	39.9	115.5
Holland	52.0	9.5	38.0	99.5	5.2	20.7	21.5	120.2
Belgium	69.4	9.7	44.4	123.5	6.0	26.5	35.3	150.0
Switzerland	42.8	13.9	39.7	96.4	5.7	20.7	20.7	117.1
Austria	41.9	7.3	49.2	91.1	5.4	26.1	43.5	117.2
France	59.6	13.3	43.6	116.5	5.7	28.7	40.7	145.2
Spain	28.0	6.2	37.2	71.4	4.2	20.3	47.8	91.7
Portugal	55.6	11.8	36.6	104.0	5.4	23.5	42.5	127.5
Italy	61.1	11.4	43.3	115.8	4.4	24.2	42.3	140.0

Hungary	64.8	11.8	39.3	115.9	5.5	22.7	49.6	138.6
Czech Republic	55.9	11.8	36.4	104.1	4.3	21.1	48.1	125.2
Poland	45.2	10.0	33.5	88.7	5.5	22.9	49.8	111.6
Slovak Republic	42.8	9.6	29.8	82.2	3.9	17.3	44.4	99.5
Ireland	49.0	15.6	32.2	97.6	4.8	15.9	42.6	113.5
United Kingdom	47.7	11.7	36.6	96.0	5.4	20.1	24.9	116.1
United States	43.3	12.7	28.3	84.3	5.1	16.2	11.1	100.5
Australia	44.8	11.4	41.9	98.1	4.8	17.9	32.4	116.0
New Zealand	39.0	18.6	36.0	93.6	6.2	18.0	47.8	111.6
Mexico	29.8	20.8	20.5	71.1	5.5	6.8	47.0	77.9

Sources: Column 1: (1) Marginal personal income tax and social security contribution rates for average single person without dependents as multiple 167% of the average wage (average annual gross wage earnings of adult full-time manual and non-manual workers). (2) 167% multiple as percentage of 67% multiple—to indicate level of progressiveness of tax/divided by 10 (OECD, 2010a). (3) Total tax revenue as percentage of GDP, 2007. Source: OECD (2008b). Column 2: OECD (2008b). Column 4: (i) OECD (2005, 2008a). (ii) OECD (2005, 2007c; income support, pensions, social services, and health). Column 5: OECD (2010d).

Table A2

School Attainment, and Public-Private Resources/Students in Primary and Secondary Schooling, OECD, Mid-to-Late 2000s

Country	1	2	3	4		5	6	7	8	9		10	
	Public educational expenditure as % of GDP 2005	Students in publicly funded schools (secondary), % 2006	Spending on education that is public, % 2005	Student/staff ratio: (i) state (ii) private, 2007		4.(ii) as % of 4i	Rate of change in education spending, 2000-2005, public as % of private	Public education capacity score: (Column 1*10)+Column 2, 3, 5 (to maximum of 100), and 6/(10)	Population that has attained upper secondary. Age 25-34, % 2006	15-29-year-olds expected: (i) unemployed or not in labor force (x), (ii) (10-x), (iii) in education, 2006		(i) 7+8+9ii and 9iii (ii) 2+3+5 (to max of 100)+8	
				(i)	(ii)					(i/ii)	(iii)	(i)	(ii)
Denmark	8.3	100	98	11.8	12.6	107	104	391	88	0.9/9.1	8.7	497	386
Finland	6.3	100	100	9.9	12.5	126	79	371	90	1.6/8.4	8.3	478	390
Sweden	7.0	100	100	12.1	11.4	94	120	376	91	1.6/8.4	7.7	483	385
Norway	7.0	100+	99	-		100	105		83	1.2/8.8	6.8	478	382
Germany	4.5	100	98	15.8	13.9	87	105	341	84	2.0/8.0	7.8	441	369
Holland	5.2	100	96	16.2	16.2	100	136	362	81	1.0/9.1	8.0	460	377
Belgium	6.0	100	95	9.1	9.7	107	101	365	82	2.1/7.9	6.5	461	377
Switzerland	5.7	94	100				81		88				
Austria	5.4	100	97	10.5	11.8	112	72	348	87	1.7/8.3	6.4	450	384
France	5.7	99	94	13.9	15.5	111	98	360	82	2.0/8.0	7.7	458	379
Spain	4.2	95	94	11.2	15.0	134	108	342	64	2.4/7.6	5.6	419	353

Portugal	5.4	92	100	8.0	8.9	111	102	356	44	1.9/8.1	5.9	414	336
Italy	4.4	95	96	10.3	7.3	71	58	312	67	3.0/7.0	6.4	392	329
Hungary	5.5	100	98	11.3	11.1	99	166	369	86	2.6/7.4	7.1	470	383
Czech Republic	4.3	100	92	10.4	10.3	99	81	342	94	2.1/7.9	6.4	450	385
Poland	5.5	97	98	12.8	9.2	77	256	353	64	2.6/7.4	7.9	432	336
Slovak Republic	3.9	100	90	14.1	13.2	94			94	2.8/7.2	6.3	—	378
Ireland	4.8	99	97	15.5	16.3	105	128	357	82	1.6/8.4	5.2	453	378
United Kingdom	5.4	94	87	18.6	7.2	39	62	282	76	2.2/7.8	6.1	372	296
United States	5.1	91	95	15.7	10.7	68	92	314	87	1.9/8.1	6.7	416	341
Australia	4.8	100	84	12.3	11.9	111	95	342	80	1.7/8.3	6.8	437	364
New Zealand	6.2	96	85	17.0	15.9	94	70		78	2.1/7.9	5.7	436	353
Mexico	5.5	88	83	35.8	23.8	66	78	300	39			350	—

Sources: OECD (2008a, b; 2007b). Column 2: includes both public and government-dependent private institutions, as distinct from pure fee-paying independent schools (combined average of primary and secondary schooling). +Norway based on 2000. 2005 figure not available. Columns 4–5: lower secondary education. Column 6: rate of growth of public relative to private, primary, secondary, and post-secondary non-tertiary, 15–29-year-olds. Norwegian and New Zealand figures estimated from tertiary education.

Table A3
School Relative Employment and Income Returns to Education, Female, Mid-2000s

Country	1	2	3	4	5	6	7	8	9
	Lower secondary education employment rate, females 2006	1 as % of tertiary education employment rate, females 2006	Relative lower secondary education income return rate (irr), females 2006	Relative tertiary education irr, females 2006	3 as % of 4	Earnings dispersion Score: 200–(*10), both gender 2005	Female unemployment rate. Score: (10–rate, to minimum of 0), *10	Participation rate in education/training (25–64-year-olds of lower secondary as % of tertiary). Both gender, 1 year, 2003	Composite variable Columns 1+2+5+6+7+8
Denmark	55	63	84	126	67	5.9 (141)	4.1 (5.9)	40.7	372.6
Finland	61	73	97	146	66	7.7 (123)	6.6 (3.4)	37.0	363.4
Sweden	65	73	86	126	68	6.3 (137)	5.1 (4.9)	42.1	390.0
Norway	59	68	81	135	60	6.9 (131)	2.5 (7.5)	32.0	385.0
Germany	49	61	83	153	54	10.3 (97)	10.0–	12.5	273.5
Holland	52	62	72	155	46	7.1 (129)	3.8 (6.2)	23.1	318.3
Austria	49	61	71	158	45	11.2 (88)	4.6 (5.4)	13.5	261.9
Belgium	45	55	81	134	60	3.9 (161)	7.9 (2.1)	20.0	341.1
Switzerland	58	71	77	159	48	7.9 (121)	4.3 (5.7)	18.2	321.9
France	60	77	82	146	56	9.3 (107)	8.2 (1.8)	27.3	329.1
Spain	50	63	78	141	44	8.4 (116)	10.2–	21.4	294.4
Portugal	74	87	66	173	38	16.5 (35)	8.5 (1.5)	14.8	250.3
Italy	43	56	73	138	53	13.6 (63)	7.4 (2.6)	8.3	225.9
Czech Republic	40	52	73	163	45	7.4 (129)	8.0 (2.0)	14.3	282.3
Poland	30	37	76	165	45	11.3 (87)	12.9–	3.4	202.4
Ireland	48	56	68	168	40	13.9 (61)	3.3 (6.7)	25.0	236.7
United Kingdom	48	55	69	177	38	12.9 (71)	3.6 (6.4)	15.2	233.6
United States	46	59	63	170	37	14.8 (52)	3.8 (6.2)	21.4	221.8
Canada	53	67	68	144	47	16.2 (38)	5.2 (4.8)	17.1	226.9

Sources from which figures are elaborated: Columns 1–5: OECD (2008a, Appendices). Column 6: elaborated as follows: 200–(*10) of the percentage of the 25–64-year-olds population that earns more than two times the median (OECD, 2008a). Column 7: female unemployment rate, all levels of education (OECD, 2008a). Column 8: OECD (2008a). Norway's position is a conservative estimated figure based on the information available on relative positions on return rates to education and spending on education in GDP.

Table A4*Public Spending on Labor Market Programmes and Characteristics of Income Maintenance Systems, Mid-2000s*

Country	1	2	3	4	5	6	7
	Replacement rate of unemployment insurance—average start rate*	Training and job creation, public. % in GDP, 2005	Administration of job placements. % in GDP, 2005	Public spending and child-care, as % of GDP, 2005	Public spending score: (1) Col. 2*100, (2) Col. 4*100, (3) Col. 4 (i*10), (ii*1) of Table A1, (4) Col. 5 of Table A1	Composite variable for school equality (from Table A1)	Composite welfare system variable: (1) Col. 1, (2) Col. 2(*100), (3) Col. 4(*100), (4) Col. 6
Denmark	90	1.43	0.04	0.7	364.7	386	689
Finland	90	0.71	0.10	0.7	272.2	390	621
Sweden	80	1.10	0.08	0.6	312.4	385	635
Norway	75	0.63	0.08	0.5	249.4	382	570
Germany	67	0.62	0.08	0.1	184.5	369	508
Holland	70	0.84	0.18	0.1	188.2	378	542
Austria	55	0.46	0.07	0.3	199.6	379	510
Belgium	52	0.85	0.04	0.2	226.8	375	532
France	66	0.66	0.16	0.4	232.4	375	547
Spain	65	0.65	0.03	0.4	215.1	353	523
Portugal	65	0.52	0.04	0.0	172	347	464
Italy	40	0.40	0.01	0.2	170.5	329	429
Hungary	65	0.20	0.04	0.1	157.3	383	478

Table A4 (continued)

Country	1	2	3	4	5	6	7
	Replacement rate of unemployment insurance—average start rate*	Training and job creation, public. % in GDP, 2005	Administration of job placements. % in GDP, 2005	Public spending and child-care, as % of GDP, 2005	Public spending score: (1) Col. 2*100, (2) Col. 4*100, (3) Col. 4 (i*10), (ii*1) of Table A1, (4) Col. 5 of Table A1	Composite variable for school equality (from Table A1)	Composite welfare system variable: (1) Col. 1, (2) Col. 2(*100), (3) Col. 4(*100), (4) Col. 6
Czech Republic	45	0.12	0.04	0.1	134.2	370	480
Poland	32	0.38	-	0.0	165.7	336	406
Slovak Republic	50	0.17	0.01	0.1	127.7	378	455
Ireland	13	0.51	0.04	0.3	144.3	378	472
United Kingdom	41	0.12	0.21	0.4	151.0	286	389
United States	50	0.10	0.01	0.1	98.3	341	411
Australia	70	0.19	0.13	0.2	137.3	377	486
New Zealand	28	0.27	0.02	0.1	164.8	353	418
Japan	70	0.08	0.10	0.2	113.6	361	459
South Korea	50	0.10	0.01	0.1	92.2	378	448
OECD	73	0.46	0.07			358	498

Sources: Column 1: Based on Vodopivec (2004, 53–58) and Haagh (2006). Column 2: Public spending in GDP on training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives (OECD, 2007a). Column 3: Public Employment Services and Administration, of which placement and related services only (Ibid.). Column 4: OECD (2010e).

Table A5
Structure of Employment Time (OECD, 2006)

Country	1 Average annual leisure hours	2 Share of part- time employ- ment	3 Share of part- time employ- ment males	4 Share of part- time employ- ment females	5 Males' part- time share as % of female's share	6 Paid maternity (i) and paternity (ii) leave (full-rate), weeks, and total (iii)			7 Job security (both gender): (i) % of jobs 10 years, (ii) 50 – % of long-term unemployed (more than 1 year), (iii) 50 – unemployment. Total = iv				8 Composed variable (CP): (1/50)+(5*2)+ (6iii *3)+(7iv), Final score (CP+Col. 9, Table A3)	
						(i)	(ii)	(iii)	(i)	(ii)	(iii)	(iv)		
Denmark	1,577	18.1	11.4	25.6	45	18.0	2.0	20.0	26.8	40.9	46.7	114.4	296	669
Finland	1,392	11.4	8.1	14.9	54	16.9	5.7	22.6	38.7	33.4	43.6	115.7	319	682
Sweden	1,417	13.4	8.4	19.0	44	9.6	9.3	18.9	36.4	37.2	43.9	117.5	291	681
Norway	1,593	21.1	10.6	32.9	32	9.0	6.0	15.0	34.7	42.3	47.4	124.4	263	648
Germany	1,660	21.9	7.6	39.2	19	14.0	–	14.0	41.2	4.5	42.5	88.2	201	475
Holland	1,664	35.5	16.8	59.7	28	16.0	0.4	16.4	39.5	25.2	47.0	111.7	250	568
France	1,532	19.9	5.1	22.9	22	16.0	2.0	18.0	43.1	14.6	42.6	100.3	229	558
Spain	1,282	11.1	3.9	21.4	18	16.0	2.0	18.0	34.2	19.8	40.4	94.4	210	504
Portugal	1,306	9.3	5.9	29.4	20	17.0	2.0	19.0	45.8	5.8	42.4	95.4	219	469
Hungary	1,210	2.7	1.5	4.2	36	16.8	1.0	17.8	35.1	7.4	42.2	84.7	234	
Poland	1,042	10.8	6.5	16.3	40	18.0	4.0	22.0	40.5	24.8	42.9	108.2	275	477
Ireland	1,443	19.9	7.7	34.9	22	18.2	–	18.2	31.4	21.0	44.3	96.7	224	461
United Kingdom	1,312	23.4	9.9	38.8	25	9.3	0.3	9.6	30.4	25.4	44.7	100.5	206	440
United States	1,191	12.6	7.8	17.8	44				27.0	33.7	44.2	104.9	217	439
New Zealand	1,241	21.3	10.1	34.5	29									
South Korea	698	8.8	6.3	12.3	51									

Source for all columns, figures from OECD (2007a, 2008c), statistical annex, unless otherwise specified. Column 1: Leisure hours defined as 3,000—average annual hours actually worked by person in employment 2006. Column 2: Part-time employment as a share of total employment, 2006. Column 6: OECD (2006/2007).