THE GLOBAL FUTURE OF SOCIAL POLICY

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Introduction

It is a real pleasure to visit Brazil and speak to you at Fluminense University. Not just because of the beauty and fascination of the country and city, but because it is, in social policy terms, a hopeful country. Though still ravaged by neo-liberal impositions, like everywhere else, it is developing a rights-based social welfare system, not just a piecemeal set of programmes to patch up obvious social problems. The innovations of the Lula presidency and the continuing investment in, for example, health provision during the Rousseff presidency shows that the classic role of social policy – as a countervailing ethic and movement to unrestrained economic power - is alive and well in Brazil. This marks off Brazil from the other BRIC countries: Russia, China and India.

Despite the welcome reduction of poverty, there remain of course huge problems and challenges -still one of the most unequal distribution of income and wealth in the world, poor quality services and imbalanced social spending – which this conference will be discussing in detail.

I want to set the Brazilian history of social policy in a global context, which I will do in three parts. First, I summarise social policy in the West, looking at past successes, the current economic crisis, long-term cost pressures, emerging alternatives and drawing from this any lessons which it might offer. Second, I briefly sketch some patterns of social policy across the global South, and set out a way of considering their future. Finally, I consider the biggest global challenge of all: climate change and the imminent threat to the planet on which all human prosperity depends, and consider how social policy might be rethought to tackle this great challenge.

Dilemmas of social policy in the West

Western Europe is the home of the 'welfare state' and the place where its reach, scope and impact is the greatest. Canada and Australasia exhibit similar systems, and the Obama health care act will do something to reduce the US's outlier status. There is much talk now of crisis in the welfare state, but this is not new: it was dominant in the 1970s when I first wrote about the political economy of welfare states. Yet in the three decades up to 2008 total social spending in the OECD continued to grow - by five percentage points of GDP. This was partly driven by big expansions in Spain, Portugal and Greece which were catching up after democratisation, but there was growth too in the Anglophone countries. Elsewhere there was some retrenchment. There are wide differences in social policies across the OECD and the idea of three or four distinct 'welfare regimes' is widely accepted.

Now these established welfare systems are facing twin crises: the aftermath of the current financial crash, and a longer-term crisis of financial sustainability. Let me look at each in turn.

The impact of the financial crash on welfare systems has been severe. Governments pledged large sums to bail out the financial sector – most notably in the UK, home of the City of London, where 12% of GDP was committed of which about half has so far been used. Then the slump in economic output led governments to implement fiscal stimulus measures – a dramatic example of international Keynesian action, illustrating the dire threat to the world economy posed by the financial crisis. Third, with falling output and rising unemployment the 'automatic stabilizers' provided by the welfare state swung into action – benefit payments rose and tax revenues fell, which provided further economic stimulus. Most important, the drop in output greatly reduced tax revenues. Altogether these factors led to a rise in fiscal deficits which ramped up overall government debt. At the same time real incomes fell sharply: in the UK they will not recover to 2008 levels until at least 2015 – a longer slump than the Great Depression of the 1930s. By any measure this is the greatest crisis for Western economies since the 1930s.

Explanations of the financial crisis differ, but many would agree that it resulted from the neo-liberal counter-revolution that replaced Keynesian economic theory and policy in the late 1970s. The new neo-classical economic paradigm rejected Keynes' distinction between uncertainty and risk, abandoned a distinct macro-economic method, and claimed that markets were profoundly self-stabilizing. With the triumph of these ideas, government intervention in numerous areas of the economy was rolled back and financial markets were 'unleashed'. In addition, this new model undermined the share of wages, boosted profits and worsened the inter-household distribution of incomes. In the US this switch was so extreme that real wage levels have scarcely improved since then. To maintain consumption demand household debt was massively extended, what Colin Crouch has dubbed 'privatised Keynesianism'. The result of financial deregulation and soaring debt was the titanic crisis in 2008, in which only the actions of major states prevented a wholesale collapse of the capitalist system.

But following this initial reaction, just one policy option has been pursued throughout the Western world – austerity. In order to get borrowing and debt down, government spending has been cut and taxes raised – though the ratio is heavily biased towards cuts (in the UK by 3:1). This has exacerbated the existing drop in real incomes and consumption spending to worsen the economic downturn and, in many countries, deficit levels and public debt. In the Eurozone this has stressed existing weak structures to generate a further crisis. The 2012 European Stability Mechanism which established a permanent bail-out fund may buy some time, but the absence of a sizeable Eurozone fiscal agency is a looming constraint. Outside the Eurozone the reaction of the UK government stands out. The Coalition government has chosen to use the opportunity to impose very large cutbacks which are targeted to bring down the share of public spending below US levels by 2015. As a result, the recession will be longer-lasting than in many leading European economies.

The *second*, long-term economic crisis in the welfare state reflects two cost pressures which have been understood for a long time. First ageing populations, *ceteris paribus*, raise spending on pensions, health and care services, and at the same time, due to declining share of the workforce, reduce growth rates. The *ceteris* is never *paribus* and policies are being put in place across Europe to counteract these pressures. For example, the pension age has been raised in many countries and in some it is now linked to life expectancy resulting in progressively longer working lives. Nevertheless researchers project a sharp rise in 'age-related' social expenditures over the next few decades.

The second cost pressure is due to the inevitably slower productivity growth in social services – the 'Baumol effect' – which requires more to be spent each year just to maintain service quality. This will lead to constant pressures to cut benefits and services elsewhere. According to Peter Taylor-Gooby, this will predominantly impact on support for working-age families and children where electoral support is much weaker than for pensions. But privatisation and contracting-out have been discredited as alternatives - if anything they raise these cost pressures.

Putting the twin crises together, the prospect is for 'permanent austerity' in the developed welfare states, as Paul Pierson predicted more than a decade ago.

The dominant European strategy on offer to deal with this is *social investment*: 'activation policies' to get adults into work and keep them there, improved family and leave policies to help reconcile work and family life, tax credits, more investment in education, training and skills, and 'early years intervention' to prepare children for schooling and avoid disruptive social problems. But in the face of the twin crises it is difficult to shift substantial resources in this direction. Another emerging policy proposal is *prevention*: to deal with social problems 'upstream', for example obesity, before they become chronic 'downstream'. But to do this effectively will require a big shake-up in economic regulation and existing state bureaucracies. I return to this later.

A more radical strategy is dubbed *pre-distribution* in the UK: tackling at *source* the tremendous rise in factor inequality that has marked the OECD world, and especially the US and UK, over the past three decades. This would entail strengthening trade union powers, raising the minimum wage and re-regulating the labour market to enhance workers' rights, controlling rents, and regulating or taxing very high incomes.

But this left strategy faces two problems. First it entails challenging neo-liberal orthodoxy which still exerts such a power over economic thinking, despite the lessons of the greatest financial crisis for eight decades: 'the strange non-death of neo-liberalism' according to Colin Crouch. Second, and linked to this, the concentration of power in unelected financial institutions has weakened traditional democratic counter-balances and instituted what Hacker and

Pierson call ‘winner-takes-all politics’. Wolfgang Streeck goes so far to claim that the ‘plutocracy’ is now so rich as to be immune from system failure, that elite interests have become divorced from interest in the survival of the capitalist system. This is a despairing conclusion! But without going this far, it is certainly harder, both ideologically and politically, to shift direction.

Nevertheless, I think this history does offer some general lessons for Brazil. First, wherever possible invest upstream to prevent social problems arising in the first place; develop social investment and preventive policies alongside compensation and curative services. This may have some relevance for Brazil, given its high expenditure on the aged compared to children, and on transfers compared to services. Second, and following from this, regulate and tax critical areas of the economy, including the distribution of factor incomes; integrate more closely economic and social policy. Develop more precautionary paths of economic development that pursue stability and equity, not just growth per se.

Social policy across the global South

Of course it is not possible to generalise about such a vast topic. I will first draw on our cross-national analysis to identify the main patterns of welfare across the global South, in order to place Brazil within this pattern. Then I will ask whether the experience of Western welfare states can in any way be repeated in the South.

In research at the University of Bath under the *Wellbeing in Developing Countries* programme we have developed a new conceptualisation of welfare regimes to understand the nature and diversity of social policies in the global South. A regime approach can recognise, on the one hand, the commonalities across the countries and regions of the South, while on the other hand identifying systematic patterns within it. To map this we undertook a cluster analysis of 65 countries outside the OECD in 2000 and ranked them according to their ‘distance’ from social policies and welfare outcomes in the OECD world. This resulted in eight different clusters, though this analysis does need updating.

The first cluster, and the closest to Western welfare states, we label proto-welfare states. They share in common relatively extensive state commitments to welfare provision and relatively effective delivery of services plus moderately extensive social security programmes and superior welfare outcomes (by, it must be stressed, the standards of the non-OECD world). Apart from Costa Rica, this cluster comprised two distinct geographical zones and historical antecedents: some countries of the former Soviet Union and its bloc members and the relatively industrialized countries of southern South America, including Brazil. Brazil's place here reflects its fast industrialisation and the democratisation phase culminating in the 1988 Federal Constitution. The neo-liberal wave imposed new macro-economic constraints but these were somewhat modified by the post-1988 governments and the innovative social programmes undertaken by the Workers Party government.

It is interesting to compare the three other BRIC countries. *Russia* suffered much harsher privatisation, deregulation and rollback of social programmes, with declining welfare outcomes such that male life expectancy fell back to 59 years. It can be regarded as a severely degraded proto-welfare state. *China* can be described as pursuing so far a successful, non-democratic capitalist growth state, but with some renewal and investment in social programmes. China´s economic take off has cut its proportion of the global poverty population from 41% in l981 to 16% in 2005. Such turbo-growth also creates great insecurities but the government shows some recognition of this by, for example, developing rural medical assistance. *India* lags far behind, with modest expenditure and a plethora of social programmes alongside high levels of youth and female illiteracy, severe child malnourishment and highly gendered outcomes, according to such indicators as the population sex ratio. This betokens high levels of insecurity among the mass of the population. Thus we find a highly variegated pattern of welfare and illfare systems across the global South and even among the BRICs.

What are the prospects of European-style welfare states developing across the South? In a paper with Goran Therborn I attempt to answer this question drawing on comparative welfare state scholarship. We argue that the development of Western welfare state can be explained in terms of the confluence of five factors: the history of industrial capitalism, new class interests, new state institutions, new formative ideas, and a relatively benign post-war international environment.

None of these predisposing factors, we argue, are present across much of the global South. *Economic development* and employment is based more in the informal sector, with big industry as enclaves within this. *Interests* are much more fragmented so rights-based coalitions are much harder to form – that around the far-reaching Brazilian constitution being a notable exception. Despite the global spread of 'democracy' and related *institutions* there is no simple relationship between it and the emergence of real social rights or of effective governance. Outside the West there are powerful indigenous *ideas* of social justice but rights based policies have usually flourished where elements of originally Western thought are adapted, as in the Theology of Liberation in Brazil.

Finally, the last precondition – a benign *international environment* – has been absent, except for the unprecedented opportunities of access to global markets afforded to certain countries and regions. Rather policies advocated by the Bretton Woods institutions after 1980 denigrated the possibility of successful public action. The sequence of Poverty Reduction Strategy Papers, followed by targeted assistance programmes marked some progress, but without any notion of an integrated social policy model. The ambitious Millennium Development Goals recognised wider human development aims. But, according to the UN Research Institute for Social Development, these continued to ignore issues of inequality, of an enabling macro-economics, and of the political and social relations that structure power and exclusion, all of which were critical in the emergence of Western welfare states.

The outcome has been a narrowing of the policy space afforded to many governments in the South. There are signs that this is changing. And in certain countries, including Brazil, the predisposing factors have been more favourable, enabling the policy space available to government to be expanded.

Three conclusions follow. First, the developmental paths of European welfare states are not likely to be repeated. Second, an array of social programmes already exist in the global South, but they do not yet coalesce into an alternative 'social policy model'. Third, these programmes are likely to expand in favoured locations, but they will move forward along their own paths. Social policy is a continually creative process, not a list of practices to be learned from Beveridge or other Western models. The challenges facing the South are formidable, but their very different character and contexts will stimulate new forms of social policies as yet unimagined, as well as the adaptation of proven programmes from Europe and the West.

The big future challenge: climate change

In this brief third section I want to introduce the goal of *sustainability* with reference to climate change, and to consider some of the ways this goal can be incorporated into social policy and indeed improve social policy.

There is a strong scientific consensus that global warming is happening, that it is largely man-made, that it is global, cumulative and potentially destructive, and that it will have to be brought under control sooner or later if disaster is to be avoided. This consensus is accepted by most Western governments, and the EU has played a leading role in implementing, and going beyond, the Kyoto Agreement. This European-wide goal entails the introduction of quite stringent *climate mitigation* programmes.

Different countries have widely different *responsibilities* for climate change and suffer different *impacts*. The attribution of responsibility is disputed, but most analysts who have studied the problem from an ethical perspective have concluded that the goal of equal per capita emissions is the *minimum* standard of distributive justice. (A more radical one would take into account the historical emissions of countries over the last century). If equal per capita is the standard, then the USA and the EU have up to now the overwhelming responsibility for climate change. But over the next three decades they will be joined by rapidly developing countries including the BRICs.

As regards impacts, the consensus remains that tropical regions of the world, which are predominantly developing countries, will be more negatively impacted than temperate regions. On balance these responsibilities and impacts combine to create a ‘double’ injustice, a point regularly made on a world scale by the BASIC and G77 groups of countries.

Brazil is exceptional here. Its CO2 emissions per head are 2.1 tonnes, greater than India but well below China (5.3t) and Russia (12.0) and indeed less than half the world average. However, CO2 is only part of the picture; when we include the impact of other GHGs and of the disappearance of carbon sinks, notably forests, Brazil's level more than doubles to 5.4t, similar to China but still a little below the world average. In aggregate Brazil moves up from 8^{th} to the 5^{th} greatest emitter in the world, with 55% coming from deforestation and land use change (these figures are for around 2007).

So in terms of carbon and energy per unit of GDP Brazil does very well. It also has a legislated National Climate Change Policy, an emerging (but still vague) framework plan to implement it, and a successful reduction in the rate of deforestation. But against this can be set a steady rate of economic development, soaring demand for food products which encourage land clearance for agribusiness, and the future exploitation of vast deepwater oil deposits. The stage seems set for a classic clash between development and climate sustainability. As some like to put it: 'Clear the Mato Grosso and alleviate global hunger or protect it and save the planet'.

The West is in no place to lecture given its historic responsibility for accumulated global emissions, unsustainably high current emissions per head, very high average incomes, and the export of industry and emissions to the developing world. Thus Brazil's negotiating position is a just one: to reject any use of climate change arguments to circumscribe it's and developing nations' human development programmes. But the equation of *human* development with business-as-usual *economic* development is not justifiable anywhere in the modern world. Still more is this the case when the goal is *sustainable* human development. Thus Brazil stands as an important litmus test of the possibility of green development and green capitalism.

What are the implications for social policy? Are there any? First, there will be widespread *risks* to habitats, livelihoods and human wellbeing, especially if, as looks very likely, the target of keeping the rise in global temperature below $2^{o}C$ is already lost. Thus, public and social policy must face up to new and more egregious risks alongside those traditionally addressed by social policies. Second, *adapting* environments to climate change will be very costly, especially for poorer countries and peoples. Third, *preventing* or mitigating climate change will be costly and, as we are discovering in the UK, will almost always impact most heavily on poorer households and regions. In Europe and the US, households situated in the upper part of the income distribution contribute more to carbon emissions in absolute terms than lower income households; but poor households suffer most from environmental degradation; and common environmental policy measures tend to have regressive effects, burdening lower income households more. Within these countries there is thus a *triple* injustice. There are plenty of emerging challenges here for social policy!

I would argue we will require very different and innovative social programmes to deal with these challenges. Rather than simply 'compensating losers', we will need to develop what I call 'eco-social' programmes to pursue both wellbeing and sustainability goals. In Europe this would require a Green New Deal to invest in transforming urban and transport infrastructure and to adapt buildings to near-zero emissions. In Brazil and Latin America no doubt they would take different forms. Furthermore, changes in *consumption* would need to be encouraged and synergies exploited. For example, research in the UK shows that a shift in transport from driving to more walking and cycling, and reductions in meat-eating, could bring about significant reductions in major diseases *and* greenhouse gas emissions. In turn this could save up to 10% of the current National Health Service budget. So eco-social policies could achieve some win-win combinations.

The bottom line is that a world of 9 billion people cannot conceivably pursue, let alone achieve, the 20th century 'American way of life'. It seems to me that Brazil and certain other fast-growing economies in the South are better placed to seize these opportunities and develop radical, sustainable and equitable eco-social policies. You are better placed to cut through to a different economic, social and environmental path of development towards sustainable prosperity. We shall watch with interest!