

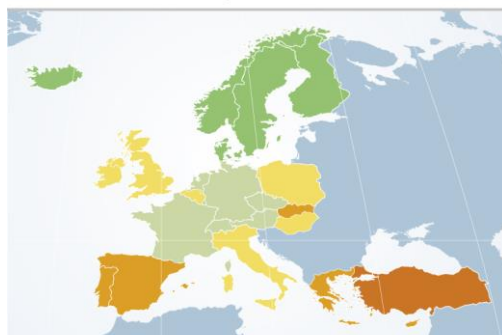


The "social" in the social market economy – Justice in Europe.

The social market economy is coping with its most threatening crisis to date. Not only has it been caught in the global financial and economic crisis, but it has also slipped internally into its own deep crisis (of confidence). Some are posing the "social question" anew, while others are focusing their questions on the "social" of the social market economy. Either way, social justice and participation are core requirements for a sustainable economic and social model. These concepts include central aims such as poverty prevention and inclusion, which as socio-political modes of activity are also subject to cross-national comparison and assessment.

Focus

Social Justice in Europe



Distribution of Social Justice:



Source: Empter/Schraad-Tischler, 2011.

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The extent to which social justice is realized in individual OECD member states varies considerably. Building from the concept of participatory justice, and computed on the basis of 21 quantitative and eight qualitative indicators, the Justice Index results show contrasting levels of social justice throughout Europe: "Just" states are marked with green and comparatively more "unjust" states in red. The qualitative indicators are derived from expert assessments of the pertinent policy areas, while the quantitative indicators are based on OECD data. The resulting ranking can be found on page 6.

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1. The social in crisis?

All developed economies, even those of the liberal Anglo-Saxon nations, have long since implemented social safety nets. In the United Kingdom and the United States, minimum wages have been adopted and gradually increased, and low income earners were subsidized by the state through "negative income tax" policies. Obama's health-care reform represents one answer to the new social question in the United States. Even in China, no topic is so openly and critically discussed as is the social question - there, a social security system is being established, minimum wages are being raised and even a rudimentary employment law is being adopted.

While all this does not constitute a "social market economy," what is happening bears de facto resemblance to the experiences of the founders of the German social market economy in the post-war period. Precisely because the workings of the free market tend to generate significant asymmetries and centrifugal social forces, it is necessary to contain social inequities in order to ensure the sustainability of economic development, societal cohesion and political stability.

This balance between individuals' free self-determination and autonomy on the one hand, and social responsibility and solidarity on the other, is a constant work in progress, demanding a consensus-capable understanding of "social justice" that in turn must be operationalized as a practical mode of socio-political activity. However, it is precisely in defining this

"social" aspect of an economy that consensus seems to be lost in public discourse and in political debate.

At the same time, the modern understanding of participatory justice provides us a concept of justice that is broadly acceptable in society and which, at its substantive core, can be described as a sustainable conception of a social market economy just as well as can the European economic and social models. The "social" aspect of an economy in this sense manifests itself in fair market participation opportunities for all, and lends itself to empirical cross-European comparison on the basis of the Sustainable Governance Indicators.

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2. Social Justice

There is no doubt that "social justice" is a central constitutive element in any political community: If there is a clear (even if only perceived) lack of justice within a society, social coherence and the stability and legitimacy of the political order are endangered in the medium to long term.

Social justice – more than merely formal equality of opportunity

The liberal ideal sees justice achieved through rules of the game that are fair and applied equally to all. Only in this way can a formal—but not substantive—equality of opportunity be created. Under such an understanding of justice, the degree of "social" is assessed in terms of the greatest possible equality for all, and therefore with reference to equitable procedures and rules.

The underlying blind spot of formal equality of opportunity, however, remains the question of whether individual abilities and capabilities can actually utilize opportunities offered in a simply formally equitable manner – thus, this viewpoint ignores the individual prerequisites and conditions that must be fulfilled for fair and equitable participation for all in a market society (freedom, transparency, social security, capabilities).

Social justice - more than mere distributive justice

In contrast, concepts of distributive justice, particularly those focused on a just distribution of outcomes, have traditionally been concerned with equality of income and wealth distribution within a society. However, the effort to ascertain a fair amount of equality or inequality lacks an appropriate standard, a fact which tends to render debates on distribution difficult or even arbitrary. This is true whether one appeals to justice associated with performance ("equal pay for equal work") or with needs ("socio-cultural subsistence level").

Alongside these prevailing conceptions of justice, redistributive social transfers have become the primary instrument of the welfare state. The degree of "social" is measured in terms of the volume of redistribution, or the overall social expenditure. However, this neglects participatory justice, reducing participation to no more than an aspect of a society's material prosperity. The blind spot in this conception of justice remains the "purposelessness" of the use of transfer payments, because their socio-political implications center on a financial compensation for exclusion, rather than serving as an investment in inclusion itself.

Social justice is participatory justice

However, if we are to understand in the social market economic concept something more than an economy corrected through socio-political interventions, the emphasis of social justice must be placed on investment in societal integration and inclusion, rather than on financial compensation for exclusion. Instead of an "equalizing" distributive justice or a simply formal equality of opportunity in the form of equally applied rules of the game and codes of procedure, the concept of participatory justice is concerned with guaranteeing each individual genuinely equal opportunities for self-realization through the targeted investment in the development of individual "capabilities."

Thus, within the scope of his or her own personal freedom, every individual should be empowered to pursue a self-determined course of life, and to engage in broad social participation. Particular social backgrounds, such as membership in a particular social group or otherwise unequal starting-point, would not be allowed to negatively affect personal life planning.

Understood in this way, participatory justice aims primarily at the equitable allocation of qualitative initial conditions (such as access to markets and civic participation, education, employability, health and social skills), and only secondarily at quantitative material outcomes (income and wealth).

This focus on capabilities and participation avoids the blind spots of an efficient-market-driven, simply formal procedural justice on the one hand and a compensatory distributive justice on the other, and thus ultimately establishes a bridge between rival political ideologies.

It expands the formal equality of opportunity to enable all, no matter what their individual conditions of need or qualifications, to genuinely utilize their opportunities. It legitimizes and sets on an objective basis the redistribution of resources within a community as an essential means of genuinely empowering all to seize the opportunities around them.

Against this background, participatory justice serves as a socially acceptable concept of justice for a sustainable economic and social model, which is to be understood as a framework of rules and guidelines for a participatory society that activates and enables its members.

With functioning markets as the dominant mechanism of coordination for economic and social life, society and state must actively enable each individual's inclusion and participation, thus empowering each of its members. The individual must – within the scope of his own individual freedom – be simultaneously encouraged and challenged to take advantage of the opportunities and possibilities furnished him by the state and society. Neither a redistributive social policy nor a socially motivated regulatory policy can achieve this goal alone. Rather, this requires a comprehensive and active social policy, aimed at the market inclusion and participation opportunities of all, as well as – the economic crisis showed this clearly – a common value system that extends beyond the sphere of pure market activity. This is how the “social” of the social market economy can be measured.

3. Participatory justice in European comparison

Drawing on this conception of participatory justice, and building on previous work by Wolfgang Merkel and Heiko Giebler from 2009, a comparison of the 23 European OECD countries from the standpoint of justice can be made, using the findings of the Sustainable Governance Indicators 2011 as a basis. To this end, "social justice" is differentiated into six target dimensions (see Empter/Schraad-Tischler 2011 for the sub-indicators):

1. Poverty prevention
2. Access to education
3. Inclusion in the labor market
4. Social cohesion and equality
5. Health
6. Intergenerational justice

According to Merkel/Giebler, the first three dimensions – "poverty," "education" and "labor" – carry the most significant conceptual value, which is why each are weighted more heavily in the creation of the index. "Poverty prevention" carries a threefold weight, "education access" and "labor market inclusion" are each counted twice in the final calculations, and the remaining three dimensions are considered only once.

Poverty prevention

The effective prevention of poverty plays a key role in measuring social justice. Under conditions of poverty, social participation and a self-determined life are possible only with great difficulty. Poverty prevention and poverty reduction must thus be seen as constituent components of market access (cf. for example, Muhammad Yunus' sense of "wealth from below") and

civic participation. The share of people in (relative) poverty can accordingly serve as an equivalent surrogate for the group of "excluded." The prevention of poverty is in a certain sense a *conditio sine qua non* for social justice, and thereby takes precedence to the other dimensions from the perspective of justice theory. For this reason, "poverty prevention" is weighted most strongly - in this case, given triple weight - in the overall ranking.

Access to education

Equal access to good-quality education is another essential factor in providing capabilities and opportunities for advancement ("vertical mobility)." Participation depends in large part on this public good. To this end, the state must take care that genuinely equal educational opportunities are available to every child. Social or cultural background must not be allowed to adversely affect educational success. On these grounds, the "access to education" dimension is weighted doubly in the justice index. The dimension considers efforts to provide early childhood education; the role of socio-economic background in students' economic success, drawing on the latest PISA data as a basis; and finally a qualitative expert assessment of educational policies, focusing particularly on the provision of high-quality education and equitable access opportunities.

Inclusion in the labor market

The labor market's degree of inclusiveness is likewise of outstanding importance to social justice, as an individual's status is defined in large part by his participation in the workforce. Exclusion from the labor market substantially limits individual capabilities, contributes to an increase in the

risk of poverty, and can even lead to serious health stresses. This dimension is therefore also counted doubly in the overall ranking. In order to do even rudimentary justice to the complexity of this dimension, four indicators apiece were used in the representation of employment and unemployment. Alongside the overall employment rate, the specific rates for 55- to 65-year-old workers, for immigrants as compared to natives, and for women as compared to men are considered. In addition, the labor market inclusion dimension examines the overall unemployment rate, supplemented by the long-term unemployment rate and the degree of labor market exclusion experienced both by young and by low-skilled workers.

Health

An assessment of social justice must also take into account the issue of health as it also relates to equal opportunities for self-realization. Healthy living conditions depend to a large extent on an individual's socio-economic context. Albeit identifying meaningful and comparable indicators is not an easy task, there are 'however' some indicators giving us a basic impression of differing degrees of fairness, inclusiveness and quality between the countries' health systems. We use three quantitative indicators and one qualitative indicator. The qualitative indicator from the Sustainable Governance Indicators 2011 survey assesses to what extent policies provide high-quality, inclusive and cost-efficient health care. The three quantitative indicators are "perceived health status," "infant mortality" and "healthy life expectancy at birth".

"What matters is the equitable distribution of participation opportunities."

4. The European Justice Index 2011

The European Justice Index 2011 shows countries' strengths and weaknesses in each individual target dimension of participatory justice. Quantitative indicators generally refer to the OECD data for the most recent year in which comparable information for all countries was available. Some indicators are not the subject of regular surveys, which means in some cases, it has been necessary to resort to data from the mid-2000s. The qualitative indicators take the form of expert surveys conducted in 2010, and refer to the years 2008 and 2009 (see Empter/Schraad-Tischler 2011 for the index's development and detailed results).

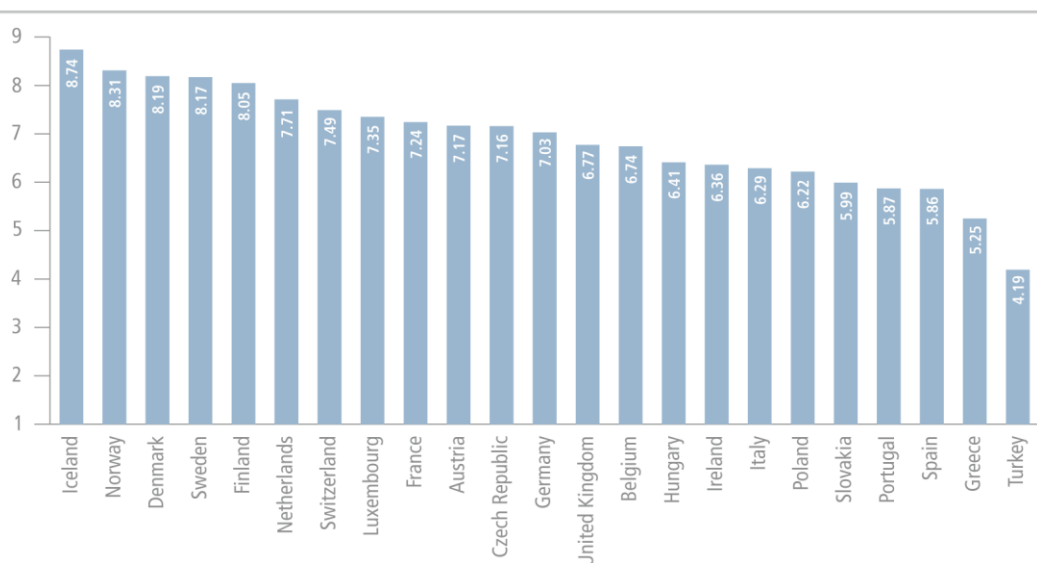
At the top of the ranking are the Nordic countries of Iceland, Norway, Denmark, Sweden and Finland. The Netherlands and Switzerland might also be included in an expanded top group, although the north-

ern European countries remain in a class by themselves. All of them attain particularly good results in the central dimensions of poverty prevention and access to education.

After Luxembourg, France, Austria and the Czech Republic come Germany and the United Kingdom, followed by Belgium, Hungary, Ireland, Italy and Poland. Collectively these countries form the broad mid-range of the index, although each country has particular strengths and weaknesses in individual sub-indicators. It should be noted that no clear clustering into the well-known types of welfare states can be observed within this group.

The slots in the lower tail of the comparison are filled by Slovakia and with Portugal, Spain and Greece by a group of three southern European countries that have been hit hardest by the financial and economic crisis. Turkey is trailing the field with considerable distance of more than one index point.

SJI Index Social Justice



Quelle: Empter/Schraad-Tischler, 2011.

Conclusion

Even before the onset of economic crisis, the need to integrate economic regimes and an attention to sustainability, to blend "capabilities" and social equity, had become a global phenomenon. In a globalized economy, there are no mechanisms able to mitigate the side effects or the system-critical long-term effects of market-economic dynamics. Thus, there is need both for a concept of regulation and a set of institutional rules that can ensure social cohesion.

The basic idea of the social market economy offers a conceptual framework, capable of achieving consensus, for establishing a link between the economy and social justice. Its principles entail the maximum possible stability for the economic framework, in the sense of a fiscal, social and environmental sustainability that keeps intergenerational justice closely in mind.

But only by focusing on the participation of all in the market economy does the social market economy transcend the narrower sense of an economic regime to become a model for a socially just society. This is because the ethical and moral foundations of the social market economy lie precisely in the fact that it - in accordance with the principles of subsidiarity and solidarity - treats the responsibility of the community as coequal and complementary to the responsibility of the individual. Moreover, in accordance with the principle of sustainability, it takes seriously its responsibilities to tomorrow as well as those owed to today.

Instead of focusing solely on quantitative growth goals, an active social policy must rather be increasingly oriented toward the goal of improving the quality of life of eve-

ry member of society. Quality of life should be understood as individuals' opportunity to lead lives consistent with their own visions, in which their underlying participation needs are fulfilled as far as possible, without in the process threatening the opportunities for participation or quality of life of future generations.

Such an understanding of the social market economy in the sense of Sen's "capabilities" imperative, translated in well-understood ways - poverty prevention, education, labor market inclusion, an active social welfare state, enabling market access and civic participation - offers operationalizable modes of activity for societal cohesion and social peace, the promise of a solidarity-driven social security fabric, and an appropriate "participation for all." Because indeed, enabling autonomy and solidarity in society is above all a precondition for the political promise of "well-being for all."

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Global current account imbalances - China-bashing is no solution - Policy Brief 2010/01

Discussion of global trade imbalances is becoming so heated that some are already warning of a global currency war. Many see a quick appreciation of the yuan as a panacea for the reduction of these trade imbalances. However, this approach itself carries the danger of a worldwide economic downturn. In addition, an abrupt and massive yuan revaluation would change nothing with respect to the high U.S. consumer demand, or the export surpluses of other fast-developing Asian countries. The global current account imbalances can only be reduced through a mixture of measures that must involve deficit- and surplus-running countries alike.

V.i.S.d.P

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