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**The Central European Perspective on  
the Social Quality of Europe**

(This text was not compared to the final edited text, there may have been minor editorial changes.)

***1. The Changed Welfare Paradigm - The individualisation of the social***

Times have, no doubt, profoundly changed since the Golden Decades of the post-war welfare consensus, the maturation of the ‘old’ twentieth century paradigm leading to relatively strong welfare states or social states in the First World. In Dahrendorf’s assessment, countries which belonged to the „happy few” of the first world combined at that time ‘economic opportunity, civil society and political liberty’<sup>1</sup>. This, though, is only part of the story. The underlying idea of the social project after World War II was the *modern liberal* belief in the perfectibility of society, in the existence of rational means to *reduce injustices without gravely harming freedoms*. One of its purposes was the more or less explicit endorsement of *public commitment for the whole process of social reproduction*, including the enhancement of physical and social life chances for the present, and for the future generations. Social citizenship based on civil, political and social rights promoted a new type of social integration and the respect for human dignity. The main depository of public responsibility for these complex objectives has become the state, albeit social actors of ‘civil society’ had been instrumental in defining the role of the state.

The modern societal project has not been fully implemented anywhere. Poverty amidst plenty has remained a problem in most countries. Social integration has remained fragile and often defective. The state and its bureaucracy had become an entity with their own aims and interests, evading the constant control of civil society. Still, the project made important headway in many respects. The secular plague of deep poverty and of the anxiety about the risks of human existence - sickness, ageing, loss of a job, and such like - were greatly relieved at least in the First World.

The consensus about the legitimacy and sustainability of the welfare state has started to dissolve from the mid-seventies on. A new set of ideas about the society we have to live in has gradually emerged - albeit its

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<sup>1</sup> Dahrendorf, Ralf (1996) Economic Opportunity, Civil Society and Political Liberty. UNRISD Discussion Papers, DP 58, March 1995.

constituent elements may not be new at all. (I described the new paradigm elsewhere<sup>2</sup> so I shall just mention some of its major characteristics.) This new project is not yet a reality. Rather, one may observe an ubiquitous process leading into this direction which allows one to reconstruct a coherent 'model'.

The *main objective* of the new paradigm is to assure the prevalence of market rationality, the increase of economic growth and profitability. This seems to be a must in the face of the threats of an increasingly competitive international environment in which markets - moving towards deregulation - dictate the rules of the game. The almost exclusive concern with the economy and 'unfettered markets' implies the rejection of the former public responsibility for human reproduction together with its underlying values; the dismissal of the idea of an integrated society. It ignores the processes of segregation and social exclusion due to basic inequalities in social and physical life chances, and thereby it declines to mitigate them by deliberate social interventions. It also repudiates most forms of solidarity including (perhaps enforced) solidarity between generations which used to be an integral part of smooth social reproduction. In short, the essence of these endeavours is the *individualisation of the social*<sup>3</sup> (Guillemard 1986, Rosanvallon 1995).

The dominance of formal market rationality makes social policy considered an adjunct to the economy. This may be nicely expressed in the formal language of economists. Balczerowicz<sup>4</sup> suggested for instance that 'Social policy -- SP in what follows -- should be defined *by its instruments and not by its proclaimed goals* (reducing inequality, alleviating poverty, reducing individual economic risk), as intentions do not necessarily become reality.' According to him the relevant question is 'how various states or types of SP affect the rate of economic development, or -- in other words -- which states of SP are incompatible with the rapid rate, (SP<sub>inc</sub>) and which can co-exist with fast and sustained economic growth (Sp<sub>c</sub>).' This contrasts singularly with an accepted approach of the social sciences which implies the assessment of the outcome of any activity, including economic activity, against 'certain criteria of ultimate ends'<sup>5</sup>, some value scale such as, for

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<sup>2</sup> Ferge, Zs. (1997) - The Changed Welfare Paradigm - The Individualization of The Social. *Social Policy and Administration*, Vol.31. no.1. March 1997, pp.20-44

<sup>3</sup> See - Guillemard, Anne-Marie (1986) *Le déclin du social*, Presse Universitaire de France, and Rosanvallon, Pierre (1995) *La nouvelle question sociale. Repenser l'État-Providence*, Seuil.

<sup>4</sup> Balczerowicz, Leszek (1995) Economic Development and Social Policy. (an outline). Address delivered at the Fourth Central European Forum: Providing Social Welfare under Conditions of Constraint, Vienna, December 15-16, 1995. Emphasis added.

<sup>5</sup> Weber, Max (1968) *Economy and Society*. New York: Badminster quoted in Wallerstein, Immanuel, 1996. *Social Science and Contemporary Society*. *International Sociology*, March, p. 13.

instance, the satisfaction of needs or the distribution of the results of economic activity.

The context of the new paradigm is - more or less obviously - the globalisation of the economy. This occurs simultaneously with technological and information 'revolutions'. Since globalisation concerns mainly the economic actors, transactions, and institutions, a *new power constellation is on the rise*. During the emergence of the national welfare regimes, the main actors had been the market, the state, and civil society. They could, under democratic conditions, co-operate and, at least to some extent, control and limit each others' 'colonising' endeavours. *On the global level this relative equilibrium among different forces is weak or missing*. The countervailing forces of the global market or global capital - „international governance” and international civil society - are weak, underdeveloped or non-existent. This means that the logic of a pluralist society we are committed to is violated: one actor is dominating all the others. What this means in impoverishing the life world (using the expression of Habermas) can only too well be understood by somebody who - having lived under state socialist 'absolutism' - has known a period of an even worse hegemony, the domination of politics over all other spheres of life.

The *social consequences* of these developments are relatively clearly recognised by now.. The gap between rich and poor countries is increasing, with some countries having a diminishing chance and hope to join the main stream. The 'productivist' competitive economies start an upward spiral in boosting efficiency and a downward spiral of labour costs and taxation in order to attract or not to drive away foreign capital. There are basic changes in the *labour market* connected on the one hand to deregulation, and on the other to deindustrialisation and 'jobless growth'. Market deregulation entails the weakening of *labour law* which has been an important instrument not only of better labour and wage conditions, but also of assuring status and dignity for the wage workers<sup>6</sup>. The consequences are increasing labour mobility and flexibility, the proliferation of atypical or precarious and usually unprotected jobs, the large-scale emergence of the 'working poor' because of low wage, and most importantly large-scale, long-term unemployment.

The new trend entails a fundamental transformation of the former *instruments* of social policy. *Universal solutions* or access tied to citizenship are meant to be altogether *abolished* as too costly, leading to so-called leakage of the taxpayers money. *Social insurance* based on employment and contribution paid is to undergo fundamental changes so as to become more 'market-conform'. It has to be *purged* as much as possible from its solidaristic or redistributive components; its level and scope have to be *lowered* in order to make place for private insurance. The void thus created is meant to be occupied by social *assistance* selectively offered to the 'truly needy'. *It is this process which implies the delegitimation not only of the*

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<sup>6</sup> Castel, Robert, 1995. *Les métamorphoses de la question sociale. Une chronique du salariat*. Paris: Fayard.

*technique, but also of the raison d'être of the collective protection against collective risks.*

A further significant development concerns the acceptability of poverty in its absolute and relative forms. The European welfare paradigm regarded poverty as unacceptable and attempted its reduction or prevention. This was a relatively new historical development. As Mollat, a historian of poverty put it: 'Considered in its usual way of understanding as deprivation, poverty was permanently present throughout the Middle Ages. Nobody ever thought about its abolition... until the moment when the contemporaries of the Renaissance and the Reform started to develop a feeling of shame seeing situations unworthy of human beings'<sup>7</sup>. According to another historian, with 'the vast increase of wealth offered or achieved by modern technology... *poverty is no longer widely accepted as inevitable or desirable, and its abolition is widely advocated*'<sup>8</sup>.

*In the new paradigm poverty, even poverty in the midst of plenty, is no more considered a scandal.* Unemployment, poverty and other social plights are re-accepted as 'natural', as belonging to the 'human condition'. Hence they are perceived as impossible to be radically reduced by public efforts. This reversal of the attitude of politics towards poverty holds true even if a 'minimum safety net' is emphatically put on the agenda. A minimum safety net may, at best, prevent starving even though a safety net without holes is probably a rare animal. However, it *institutionalises* the feeling that poverty has become 'normal'. Of course this is not an argument against a safety net if everything else fails, it just points to its inadequacy.

Another consequence is the *fragmentation* or atomisation of the citizenry. The escalation of social assistance represents a clear case in point. The former beneficiaries -- citizens at large or insured persons -- constituted collective categories. By contrast the 'truly needy' -- who are easily and with increasing frequency becoming the deserving 'truly needy' -- are just a disjoint set of individuals. Surely, the probability of the self-organisation of the scattered and more and more fragmented poor is slim.

Fragmentation may also entail *group conflicts* around scarce resources. The generational conflict is a case in point. The practically ubiquitous process of ageing requires some remodelling of the pension system. This may be done in many different ways. However it has been suggested almost fifteen years ago that 'the social security system was becoming increasingly generous to the elderly while adopting a more severe attitude towards ... welfare payments for children'<sup>9</sup>. Thus the problem was cast in a way suggesting not that children are too badly but that the aged are

<sup>7</sup> Mollat, M.: *Les pauvres au Moyen Age*. Hachette, 1978. France, p.9.

<sup>8</sup> Hobsbawm, E.J. (1968) Poverty. In D. L. Sills, ed. *The International Encyclopaedia of the Social Sciences*, The Macmillan Company and The Free Press., Vol.12. p.401.

<sup>9</sup> Preston, S.H. (1984) 'Children and the elderly: divergent paths for America's dependants', *Demography* 21: 435-57, quoted in Johnson, Paul and Jane Falkingham (1992) *Ageing and Economic Welfare*. Sage Publications, London, Newbury Park, New Delhi.

too well treated. The idea that there could be a trade-off *only* between these two groups was taken up ten years later in case of the transition countries. Commenting on the poverty of children in Central Eastern Europe a World Bank expert commented: „I tell people in Eastern Europe that their pension policy is impoverishing their children. *The demands of pensioners are taking food out of the mouths of working people's children*”<sup>10</sup>. Let me add that pensioners may not be the main losers of the transition - but they are also among the losers. These stances ignore that citizens are still very much in favour of ‘abstract’ or impersonal solidarity with the elderly even if personal family help remains of undiminished importance practically all over Europe<sup>11</sup>.

A major development is a general onslaught on *social rights* argued for by many advocates of the new model<sup>12</sup>. The withdrawal of statutory social rights is a powerful instrument particularly if and when the idea of ‘the rule of law’ is emphasised.

The new cult of individual responsibility is not yet reality. It is a threat, but the number and strength of its advocates appear to grow. We do not know as yet what its future impact will be. But the outcome may not be fully predetermined. That is why it would be important to know more about existing and potential countervailing forces.

## ***2. The impact of the new paradigm in the European Union: inroads or fundamental reversal?***

### **2.1. Controversial facts**

The impact of the paradigmatic change leads almost inevitably to the retraction of the welfare institution and the weakening of social security in the countries of the European Union. However, the picture is blurred.

Economic growth slowed down from decade to decade since the sixties, yet resources *have almost continuously increased and have remained plentiful* even in the Union<sup>13</sup>. Meanwhile, in quite a few countries -- in 11 out of 18 figuring in the Inquiry into Income and Wealth<sup>14</sup> and in 7 out of 10

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<sup>10</sup> *The Economist*, 16 December, 1995, Emphasis added

<sup>11</sup> See for instance Walker, Alan, ed. (1996) *The New Generational Contract. Intergenerational relations, old age and welfare*. UCL (University College London) Press Ltd. London, and the results of the European Observatory on this issue.

<sup>12</sup> For instance Sunstein, Cass (1994). *Against Positive Rights*. Manuscript. (CEU, Budapest).

(The) World Bank (1999) *World Development Indicators*. Washington: The World Bank.

<sup>14</sup> Joseph Rowntree Foundation (1995) *Inquiry into Income and Wealth*. Vol. I. II. (Chaired by Sir Peter Barclay). York: JRF

countries<sup>15</sup> in a study on OECD countries -- the distribution of resources seems to have increased, sometimes significantly, during the eighties. However, despite strong rhetoric to the contrary social expenditures did not shrink. No doubt the former spectacular increase of social expenditure was slowed down or sometimes stopped after the mid-seventies but there was no significant cutback in any of the OECD countries<sup>16</sup>. In fact public expenditure as a percentage of GDP was 37.1 in 1980, 39.1 in 1990, and 42 in 1993. Social expenditure went up between 1980 and 1990 from 19.6 to 21.5 %. There was perhaps some convergence because, for instance, there was a decrease in high-spending Sweden and a spectacular increase in low-spender Greece, but in most countries the absolute value of social expenditures increased. Overall state revenues and expenditures did not change dramatically since the early nineties, either (Table 1). The stability or increase of expenditures does not mean overall improvement - on the contrary. Needs have increased with lasting unemployment and the growth of the number of single-parent, usually female-headed households - but the level and quality of their provisions have as a rule deteriorated. Also, many countries started trimming existing benefits, and in some of them relatively significant changes have occurred, such as the privatisation of the Dutch sickness benefit scheme or the weakening of solidaristic elements for instance in the Swedish or Italian pension reform.

Two recent books mapping individual country's responses leave one with mixed impressions, with both hopes and fears<sup>17</sup>. Nevertheless Esping-Andersen concludes after having reviewed the existing trends that in the West 'the cards are very much stacked in favour of the welfare state status quo'<sup>18</sup>.

## 2.2. Search for New Solutions in the 'First World'.

The social consequences of the new project described above are disturbing for everybody concerned with the quality of the society one lives in. It is clear for all those with some 'left' commitments that the unfolding of the new paradigm is dangerous for freedom and democracy, and also for the moral basis of smaller and larger communities. Surely former arrangements

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<sup>15</sup> A.B. Atkinson, L. Rainwater and T.M. Smeeding (1995) *Income Distribution in OECD Countries. Evidence from the Luxembourg Income Study*. Organisation for Economic Co-operation and Development, OECD 1995, Paris.

<sup>16</sup> OECD data quoted and analysed in Hill, Michael (1996) *Social Policy: A comparative analysis*. Prentice Hall - Harvester Wheatsheaf; London New York Toronto, and in George, Vic and Peter Taylor-Gooby (1996) *European Welfare Policy. Squaring the Welfare Circle*. Macmillan Press Ltd; Houndmill and London, p.10.

<sup>17</sup> See Esping-Andersen, Gosta (ed.) (1996) *Welfare States in Transition. National Adaptations in Global Economies*. SAGE Publications. London - Thousand Oaks - New Delhi, and George and Taylor-Gooby 1996, n. 5.

<sup>18</sup> Esping-Andersen, n.6. p. 267

have to be changed in order to remain effective under the new conditions, but the complete reversal of the former logic seems threatening. Hence an intensifying search for new instruments and new solutions. This search may be belated and hesitant because western social democracy was too complacent about the achievements of the Golden Age and was not prepared for the welfare 'counterrevolution'. It may also be ineffective because the proponents of new ideas - whether they know it or not - are also influenced by the logic of competition and may thereby weaken each others arguments instead of forming a *collective intellectual* attempting to 'influence politics as autonomous subjects by first asserting their independence as a group'<sup>19</sup>. Still - there are new ideas worth pondering. Without attempting to do a scientific typology of all the new solutions, let me mention some of the strands which offer food for thought and hope. These ideas are forged by intellectuals or professionals who, despite the emerging power of a new technocracy and the monolithic endeavours of the new ideology try to continue to do what has always been their job: they question the status quo, they search for alternatives, and they try to give voice to the voiceless.

One of the important arguments is about *work*. There are many -- Adrian Sinfield in England, Guy Standing belonging to the ILO, Guy Roustang or Robert Castel in France, and the list is almost endless -- who still believe that a society in which 10 to 30 per cent of the citizens are made superfluous, and have no place under the sun, is not only morally repulsive. It is also doomed to become a society of oppression and of demeaning dependency. They also think that a job, or if you wish, a socially approved way of earning a living, is basic if one wants a full recognition and identity in a modern society. The standard argument against this stance is that full employment as we have known it - with safe and protected jobs, strong labour rights, employees' participation - is *definitively over*. Hence the assertions that the claim for stable and decently protected jobs may be outdated. The other reservation about this argument is that it may be easily understood or misinterpreted as a plea for jobs at any price. If one sticks to the principle that the equilibrium between giving and receiving, between rights and obligations is to be assured because of the age-old social norm of reciprocity, then one soon arrives to the idea that workfare is better than welfare. Workfare, though, may soon be transformed into 'forced work', as unfree and as demeaning as any social assistance can be.

Sociologically speaking, the ideas about the *unconditional right to life* are at the other end of a scale. This approach is strongly voiced by B.I.E.N, the Basic Income European Network. The idea that all members born into a society have at least a right to survival is certainly not new<sup>20</sup>. But its proponents gain ground. The idea was taken up even by neo-liberal thinkers

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<sup>19</sup> Bourdieu, P. and Loic J.D. Wacquant (1992) *An Invitation to Reflective Sociology*. The University of Chicago Press. p. 58.

<sup>20</sup> It is enough to read Karl Polanyi about arrangements in tribal societies in Polányi, Karl, (1944): *The Great Transformation*. Beacon Press

proposing a negative income tax scheme. But the ‘left’ has become increasingly active. B.I.E.N held already its 8th International Congress in Amsterdam with a massive scientific and political attendance in 1998. The principle is to decouple work and income. Even though the proponents of the basic income may not use this ‘discourse’ the project is very close to what Sweden tried to achieve: the *decommodification* of labour. One should work because this is the best way of human development and self-actualisation, and one should get a livelihood as a human right. The main arguments about this solution concern (1) its affordability: a decent basic income means very high taxation which might meet with strong resistance (Atkinson’s arguments (1991) are worth considering); (2) its neglect of the social support which can be mobilised for a scheme which, after all, is heavily relying on enforced social solidarity even with those considered feckless or unworthy, which is straining social cohesion even more than the so-called enforced solidarity of the pension schemes; (3) basic income is meant to be a right tied to *citizenship*, so many are concerned about migrants, immigrants, and the curtailment of their rights or their freedoms; (4) the viability of a scheme which ignores the age-old social norms of reciprocity.

In between these two solutions we find a host of ideas. Out of them I find particularly interesting the efforts to rethink the *role of the state* in societal matters. I mention only three lines of thought. One of them starts from the recognition of ‘government failures’ which may be at least as important as market failures. The reforms needed include decentralisation to the local level in instances where this is possible (an issue which in itself is extremely difficult); heightened participation in designing public programs; the closer control of the operation of public agencies; much more information and much more transparency in all the dealings of the government. In short, the objective is to make *democracy work* in social policy. This, of course, needs an active civil society. I do not know about any counterarguments against this proposal: the only problem is how to achieve it under conditions when the citizenry seems to become more and more alienated from the powers it feels unable to control.

The second interesting conception about the changing role of the state has cropped up in the report of the Commission on Social Justice<sup>21</sup> (1994) and comes back in the programs of the ‘New Labour’ or Social Democratic Parties. The idea is to shift from the *state as redistributor to the state as investor* - investor in the future via life-long education and many other instruments to give chances to those born in the wrong places. One crucial element in this approach is the idea of Frank Field, British MP and former leader of the Child Poverty Action Group, that one of the main tasks is to ‘cut the supply routes to tomorrow’s underclass’ even if we cannot do enough about the predicament of those already ‘disaffiliated’ from the society they live in. It is not difficult to imagine what this involves in government

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<sup>21</sup> Commission on Social Justice (1994) *Social Justice: A Strategy for National Renewal*, Vintage, London



responsibility in terms of preventive action in health, education, housing, generalised social services and such like. Hence one of the objections which may be raised is that this solution may not well serve cutting state spending.

The third argument about the state takes into account the consequences of globalisation. It is almost inevitable that economic globalisation curtails the freedom of self-determination and autonomy of the nation states. It was already mentioned that an 'international state' trying to curb international trends with disastrous social consequences between and within countries is weak. There are, though, attempts to argue, on the one hand, that social movements, trade unions among others, have to fight for maintaining some national governmental autonomy at least in the field of social affairs. On the other hand there are spokesmen for building up an 'international state' concerned also with the well-being and rights of people <sup>22</sup>.

I guess my list could be lengthened. But ideas are weak if there is no social force behind them. Therefore I should like to draw attention to the many assets of the European Union or the First World which may help to defend welfare arrangements 'by adjusting and changing' the status quo.

One asset is *history*. In truth, the 'welfare state' has been the end product of a social contract forged through generations. Most components of the European welfare state grew organically, prompted by, proposed to, perhaps forced on, but eventually legitimated by, the *electorate*. The uprooting of such a system may encounter very strong resistance.

The *strongest asset* of the Union is, in fact, its *civil society*, which may mobilise itself. 'Civil society' has been deeply involved in the construction of the welfare state, and albeit the welfare state did not deliver all its promises the majority was quite well served by it. The onslaughts on welfare arrangements have been met with strong *resistance* on several occasions, in quite extreme form in France in the winter of 1995 or in Germany in the spring of 1996. Even without mass mobilisation, civil society has many potential ways of action. One of them is corporate bargaining involving, at least, trade unions in the shaping of the new systems.

And last but not least many *supra-national agencies* take a new or strong stance. The Council of Europe in its most recent revision of the European Social Charter (open for signature since the 3rd May 1996) aims at strengthening safeguards of fundamental economic and social rights. The United Nations had a World Social Summit for Social Development Commitment in 1995 where over 100 countries endorsed the Copenhagen Commitment proposing to fight exclusion, poverty and unemployment. declared 1996 the International Year for the Eradication of Poverty and the next decade 1997 - 2006 the International Decade for the Eradication of Poverty. The European Commission has set up a 'Comité des Sages' in 1995. This Comité has emphasised the importance of a social dimension of integrated Europe. In the view of the Chair of the Comité, 'Civic rights and social rights are becoming interdependent. *In the European tradition they are*

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<sup>22</sup> Fischer, Joschka (1996) Solidarität und Globalismus. *Transit* 12, Winter

*inseparable*. „Freedom and the conditions of freedom” are the mirror image of „democracy and development”<sup>23</sup>. While the report recognises the importance of a minimum income and strongly advocates it, it also repeatedly emphasises the dangers of increasing inequality. It accepts the idea of personal responsibility, but completes it: ‘There is a need for an instrument combining economic security with a means of enabling individuals to take responsibility for their personal development’. The Comité also expressed its feeling that ‘Europe was in greater danger than it realised and that the „social deficit” was fraught with menace. Europe cannot be built on unemployment and social exclusion, nor on an inadequate sense of citizenship. Europe will be a Europe for all, or it will be nothing at all’<sup>24</sup>.

I would like to draw only one conclusion from this amalgam of ideas and processes. Out of the new ideas listed above many are in collusion. On the face of it, a full employment strategy contrasts with a basic income approach. The strengthening of an international state may militate against retaining some freedom of movement of the national state. I am convinced, though, that these contradictions are more apparent than real. And perhaps more strength could be put behind the words if we realised that the combination of ideas may be an asset.

### ***3. Some implications of the changing spirit of times for the societal policy in „transition countries”.***

The collapse of state socialism came too late - and not only because it meant that those living in it had to live for too long in a bad political and economic system. From the perspective discussed here it came late because at its advent the post-war welfare consensus was by and large over in the west.

At the time of the transition though all opinion polls seemed to suggest that pure capitalism, especially in its 19th century form, was not what the majority of citizens expected. They aspired, rather, to a market economy "that promises affluence with low levels of social inequality and unemployment - apparently a sort of Swedish welfare state written large"<sup>25</sup>. According to more recent information, for instance the results of the SOCO five-country study<sup>26</sup>, a large majority of the Central European countries

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<sup>23</sup> European Commission (1996) *For a Europe of civil and social rights*. Report by the Comité des Sages chaired by Maria de Lourdes Pintasilgo. Directorate-General for Employment, Industrial Relations and Social Affairs. Brussels, p.5

<sup>24</sup> Ibid., p.13

<sup>25</sup> Myles, John and Robert J. Brym (1992) *Markets and Welfare States: What East and West Can Learn from Each Other*. In: Ferge-Kolberg(eds.)(1992) *Social Policy in a Changing Europe*. Boulder, Colorado, Campus and Westview

<sup>26</sup> The survey furnishing these data was carried out as part of the SOCO project initiated and co-ordinated by the Institute for Human Studies, Vienna. The countries covered included the Czech Republic, former East Germany, Hungary, Poland and Slovakia. The first results are presented in the International report on the Social Consequences of the Transition. See for the main results Ferge Zs. et al. *Societies in*

would still be very much in favour of a sort of social democratic social state. By contrast the majority of the freely elected governments having taken office since the transition are committed to a smaller or larger extent to the new paradigm of neo-liberalism including a minimal state and the dominance of the market.

The downgrading of the state and the cutback of the welfare system as the main or only culprit of public (over)spending are on the agenda in most countries of Central and Eastern Europe. The ubiquitous arguments seem to sound more pervasive, perhaps more aggressive than elsewhere, and, at least in some cases, there is a higher degree of compliance with the new ideology than in the developed democracies of Western Europe. The causes of a more assertive ideological style (used both by home and foreign ideologists) and of less home resistance to the dismantling of the institutions of social policy are manifold. Let me tentatively mention some of the plausible causes for the overshoot.

(1) First of all, the transition countries are mostly poor. State revenues have rapidly dwindled because of the overall fall in production; because they privatised first the most profitable industries or activities and kept forcibly the 'losing propositions'; because the power of the state to collect taxes and contributions is weakening because of non-compliance or for fear of discouraging capital, especially foreign capital; because of the black economy; sometimes because of too close links between the new economic and political elite who are in turn the debtors and the collectors; because the willingness to pay taxes and contributions is caught in a vicious spiral with deteriorating services; because the relationship between the government and the citizens is not based on mutual trust, and so forth. In countries which are heavily in debt the servicing of debts intensifies the difficulties.

(2) Cutbacks in state spending are therefore justified. It requires, though, some explanation why the welfare system had become the main target of the cutbacks so that the percentage of social expenditures shrink within a smaller GDP (Table 2). The role of neo-liberal economists is one factor. The much stronger power positions of the economic actors - resulting for instance in astronomical sums lost in the privatisation processes or devoted to the 'consolidation' of the banking sector - is another. The reluctance of the new rich to support the new poor, or to share less unequally the burden of the transition, is an easily understandable sociological fact. The explicit recommendations of the supranational agencies play an important role, too.

Taken all this into account immediate cutbacks may be explained. The above reasons do not justify though neither the *long-term* commitment to the rejection of state responsibility in all matters of public well-being, nor the

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*transition* (1995) International report on the Social Consequences of the Transition, a survey carried out as part of the SOCO project initiated and coordinated by the Institute for Human Studies, Vienna. Cross-national report on five countries, prepared by Zsuzsa Ferge, Endre Sik, Péter Róbert, Fruzsina Albert. Institute for Human Studies, Vienna.

feeble efforts to spread more evenly the current burdens, nor again the ease to cut social spending coupled with the languishing efforts of cuts in other fields. So additional, less economic reasons have also to be reckoned with.

(3) A structural reason may be that the totalitarian systems (even in their later, less dictatorial period) had a stifled social structure. The ideological and political system prevented the emergence of groups with capitalist inclinations (competitiveness, search for ownership and profit-making activities). These groups did exist, though. Many of them have already found their way into the former power elite. Their way of action has been much less inhibited than under conditions of a gradual capitalist evolution. Indeed, even unlawful actions could find easy self-justification as reactions against former oppression. This is all the more true because part of this group belongs to the descendants of the pre-war ruling class whose wealth had been confiscated in the early years of Stalinism, and whose families had undergone harsh political persecution in the subsequent years. The other members of this group (at least in Hungary) are those who entered the path to entrepreneurship under 'state socialism', but could not go the whole way because of the political limits.

(4) One of the fundamental reasons might be that the values underpinning social policy have become more delegitimated or more corrupted than in the Western stable liberal democracies. Responsible politicians argue in Central-Eastern Europe against those who reaffirm the inevitability of intergenerational solidarity for instance in these terms: 'Society has rejected long ago the enforced solidarity between or within generations. ...We have to spell out clearly that this bogus enforced solidarity (embodied for instance in the big systems of pension or health) has already become a major obstacle of economic growth'<sup>27</sup>.

(5) The cause for less resistance is easy to understand. One of the most important and most positive results of the change of the system is the advent of political democracy, and the (re-)emergence of civil society. However, it will take some time until civil society becomes strong enough to be able to defend itself and the rights, social rights included, it considers essential. Also, actions of the civil society may not be effective if the political class is not sensitised to their importance. While the governments may ignore public expectations in the most traditional democracies, too, the democratic reflexes or instincts of the governments in the new democracies are even weaker.

Because of the weak resistance of civil society, the strong commitment of governments to monetarist principles, and genuine economic trouble, the former system of social provisions had already been profoundly modified in most transition countries, and further changes are expected or prepared. To name only just a few developments:

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<sup>27</sup> Békesi László (1996) Az államháztartási reform (The reform of the state budget) *Kritika*, 1996. november.

(i) Universalism or near-universalism has practically disappeared. The clearest case in point is the fate of the schemes serving families and children. Family allowance and parental grants used to be employment-related or (later) universal. Currently most of these benefits had become means-tested although even the World Bank advised against it<sup>28</sup>, and their real value had been largely eroded (Table 3).

(ii) The standards of insurance schemes had been lowered everywhere. Unemployment benefits are increasingly seen as a disincentive. Conditions of access are therefore made harsher and workfare is largely seen as preferable to 'welfare', i.e. assistance. The standards within the health system are continuously reduced, and conditions of the sick pay are made more stringent. Pensions, usually only lower pensions may have been indexed to wages but wages have declined everywhere. The consequence is the recommended 'flattening' of the distribution of pensions, a loss of relative security. Also, the present pension systems are moving under outside and inside pressure towards a three-pillar model recommended originally by the World Bank<sup>29</sup>. The legislation about a mandatory private funded money-saving scheme has made a rapid headway in the last years (Table 4).

(iii) Social assistance used to be a marginal instrument under the former system mainly because the need for it was denied. It is currently becoming extremely wide-spread. While the necessity for more social assistance is self-evident because of increasing poverty, there are major problems with the assistance schemes. Targeting is dubious because of the large grey and black economies. This makes income declarations spurious breeding tension among recipients and non-recipients. The standards of social assistance are usually too low to be of genuine help. The right to assistance is missing in most countries, and local discretion plays a too large role. This clashes singularly with the market logic which is based on automatism instead of case-by-case decisions, and on predictable and enforceable contracts. The predilection of marketers for this anti-market arrangement is noteworthy.

The consequences of this development are worth noting. The transition was accompanied everywhere by a deep economic crisis from which many countries involved have started to recover in the last years. The most important consequences are well-known: a 20 to 50 per cent drop in production; a by and large similar drop in personal incomes; high inflation rates; the rapid emergence of high unemployment; a significant increase in the inequalities of income and wealth entailing the increase of old, and the emergence of new forms of poverty. On top of these problems, the deliberate

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<sup>28</sup> Barr, N. ed. 1994. *Labor Markets and Social Policy in Central and Eastern Europe. The transition and beyond*. Published for the World Bank and the London School of Economics and political Science. A World Bank Book. Oxford University Press.

<sup>29</sup> See (A) World Bank Policy Research Report, 1994. *Averting the Old Age Crisis. Policies to Protect the Old and Promote growth*. Published for the World Bank. Oxford University Press.

dismantling and discrediting of welfare schemes has created additional difficulties. The feelings of insecurity, and anxiety about jobs, the health system, pensions, being able to assure the future of one's children have become strong and widespread<sup>30</sup>. Inadequate answers to these cataclysms and the load-shedding of state responsibility have led to deceived expectations (Table 6 and ). Recent evidence shows also that despite the very high rates of taxation, only a minority would opt for the decrease of taxation and services. This minority is higher than in present-day England but quite close to the British mood over a decade ago (Table 8).

In other words the major flaw of the former system, the absence of democratic consensus-building may still be missing. The equilibrium between means and expectation had certainly be restored but without selling out the future. This is because people need *hope* about a better future - hope that they will be able to live and age in dignity, hope for the future of their children. The current politics and social policy do not seem to assure this hope. The dangers of deceived expectations are many, from resignation and political passivity to the turn to populism, to a demagogic but strong government.

*A final note about 'Europe'.*

The future of Central Eastern Europe, including its quality of life depends on whether the new countries can (are allowed to) join the Union and, if yes, what Union. In Central-Eastern Europe there is at least a majority favourable to the integration realising that inclusion may be costly but 'apartheid' may lead to disastrous marginalisation. The acceptance of the newcomers under the present conditions is not easy, though. The rich western countries may be frightened by the burdens imposed upon them by the newly arriving poor relatives with all their economic, political, ethnic and other troubles<sup>31</sup>. Meanwhile the poorer members may be apprehensive because of the new competitors for already scarce resources. Fears about the loss of national independence or identity are not absent in the West, but they seem to be more common in case of some nationalist groups in the East.

The motives of the pro-integration groups in the CEE countries are also diversified. Some may hope for economic advantages. A politically vocal larger group expects political advancement, a strengthening of legality, more guarantees for the irreversibility of the democratisation of political institutions and processes, perhaps also a sort of 'absolution' from the collective crime of the past of having belonged to the wrong political system.

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<sup>30</sup> Ferge Zs. (1996) Social Values and the Evaluation of Regime Change. *Innovation*, Vol.9. No.3. 1996

<sup>31</sup> In 1995, 9 of the transition countries including some in Central Asia had war on their territories. The number of estimated deaths over this population of 49 million was around 380.000, and the number of refugees and internally displaced persons to 7 million. See Milanovic, Branko (1996) *Income, Inequality, and Poverty During the Transition*. Manuscript of a forthcoming book, draft version of August 1996., p.6.

All these explicit hopes and fears relate predominantly to the political and economic domains.

The conditions of admission are not crystal clear either. We are not sure whether admission will be granted if and when the candidates fulfil conditions defined by the current members, or if and when their inclusion will correspond to their interests. It ought to be clear that the two constellations do not necessarily coincide.

Interestingly enough the issues concerning the social quality of life and, particularly, public or state responsibility in these matters is conspicuously absent in CEE from the public discourse relating to the European integration. We have already shown that the acceptance of the new paradigm meets with much less resistance in Central and Eastern than in Western Europe. *This also means that the countries which would like to join the Union* may destroy institutions which may ultimately become conditions of admittance. I do not know about any instance where this dilemma would have been pointed out by responsible agents of the Union to those aspiring to admittance. It would be important to reflect on the underlying rationale of this disturbing unconcern.

If I am right in assuming that the western democracies have still a chance to safeguard the core of the former welfare arrangements, then - ironically enough - the eastern countries try to join Europe while restructuring their social policy in a way which is at variance with the 'European' practices and solutions. If I am wrong and the former welfare edifice is altogether crumbling, then the irony is that the 'Europe' people from the East of the Union want to join may be fading away just when the opportunity to join it becomes a tangible possibility. In this case the future of a good or improving quality of life is slim both for the old members and the newcomers.

Table 1

Government revenue and expenditure in percentage of GDP  
Various countries, 1991-1997

Western European Countries		
	% of revenues	% of expenditures
<b>Austria</b>		
1991	35	39
1993	37	41
1996	36 (37*)	40 (42*)
<b>Denmark</b>		
1991	38	39
1995	39	41
<b>France</b>		
1991	41	44
1993	41	47
1996	42	47
<b>Greece</b>		
1991	23	37
1996	22	33
<b>Netherlands</b>		
1991	34	37
1993	35	38
1996	28(45*)	30 (48*)
1997	27	29
<b>Portugal</b>		
1991	34	42
1993	34	45
1996	34	42
<b>Sweden</b>		
1991	43	43
1993	39	51
(1996*)	35 (42*)	39 (46*)
1997	37	38



Table 1 continued

Central and Eastern European Countries		
	% of revenues	% of expenditures
<b>Bulgaria</b>		
1991	37	40
1993	33	45
1997	33	33
<b>Czech Rep</b>		
1993	35	35
1996	31 (35*)	31 (36*)
1997	30	31
<b>Estonia</b>		
1991	24	22
1993	29	28
1996	34 (33*)	33(34*)
<b>Hungary</b>		
1991	51	55
1993	48	56
1996	42 (40*)	45 (43*)
<b>Latvia</b>		
1995	15	19
1996	31(30*)	32(31*)
1997	37	36
<b>Poland</b>		
1994	42	44
1997	39	41
<b>Romania</b>		
1991	36	34
1993	34	31
1996	28	31
<b>Russia</b>		
1995	14	17
1996	13 (19*)	20 (25*)
1997	12	17
<b>Slovenia</b>		
1993	43	42
1997	40	42

Source: IMF International Financial Statistics, December 1998. Own calculations.  
 Data in ( ) and marked by an \*: World Bank 1999:234-236. The data are in the majority of cases identical, but in some cases there are more or less significant discrepancies I am unable to explain. The World Bank presents data only for 1996.

Table 2a

State expenditures on social welfare-social policy 1989-1996, Hungary only,  
in % of the GDP and in real value, 1989=100

	In % of GDP					Items in real value	
	1989	1991	1993	1995	1996	1996/1989	1996/91
Consumer price subsidies	2,6	1.8	0.6	0.6	0.7	23	40
Health care	5,7	5.3	5.1	4.3	4.5	69	87
Education	7,0	5.5	5.2	4.3	4.1	51	76
Housing subsidies	3,5	2.5	1.1	1.2	0.9	22	35
Unemployment	0,0	0.7	1.7	0.9	0.7	*	102
Pensions	9,1	11.5	11.4	10.4	9.9	95	88
Social assistance	0,3	0.6	1.0	0.9	0.8	232	136
Family support	4,0	4.6	4.1	2.7	2.2	48	49
Sick-pay	1,2	1.3	1.1	0.8	0.5	36	39
<i>Total</i>	<i>33,4</i>	<i>33.8</i>	<i>31.2</i>	<i>26.7</i>	<i>24.3</i>	<i>63</i>	<i>73</i>

Table 2b

Total state expenditures on social welfare-social policy 1989-1996,  
in real value by year, 1989=100

Year	Consumer price index	Real GDP index	Social expenditures		
	1989=100		in % of GDP	in real value	
				1996/1989	1996/1991
1989	100	100.0	33,4	<b>100</b>	
1991	174	85.0	33.8	<b>86</b>	<b>100</b>
1993	262	81.9	31.2	<b>77</b>	<b>89</b>
1995	399	85.6	26.7	<b>68</b>	<b>80</b>
1996	494	86.7	24.3	<b>63</b>	<b>73</b>

Source: Lelkes, Orsolya (1999) 'A great leap towards liberalism? The Hungarian Welfare State' (Manuscript) ; CSO Yearbooks, own computations

Table 3.

Public expenditure on family and maternity benefits in CEE countries,  
1989-1995

	1989	1995	GDP, 1989=100	In real terms, 1989=100
	In % of GDP			
<b>BULGARIA</b>				
Family Allowances	1,6	0,9	76,5	43
Maternity and child care	1,1	0,3		21
<b>CZECH REPUBLIC</b>				
Family Allowances	1,2	1,0	85,3	71
Maternity and child care	0,3(1990)	0,6		171
<b>HUNGARY*</b>				
Family and maternity	4,0	2,7	83,0	56
<b>LATVIA</b>				
Family and maternity	0,4	1,6	50,0	200
<b>ROMANIA**</b>				
Family Allowances	2,9	0,7	82,2	20
Maternity and child care	0,3	..		
<b>SLOVAKIA</b>				
Family Allowances	2,9	1,5 (1994)	86,9	45
Maternity and child care	1,0	0,9(1994)		78

Sources: UNICEF (1997) *Children at Risk in Central and Eastern Europe: Perils and Promises*.  
Economies in Transition Studies. Regional Monitoring Report No.4. :95 ; \* Budget data . Only  
countries with available data for both years

Table 4  
PENSION REFORMS IN THE TRANSITION COUNTRIES

Country	COMPREHENSIVE REFORM PROGRAM			SECOND (MANDATORY, PRIVATE, FUNDED) PILLAR INTRODUCTION			MAJOR FIRST (PUBLIC, PAYG) PILLAR REFORM			MAJOR THIRD (PRIVATE, VOLUNTARY) PILLAR INTRODUCTION		
	In preparation	Approved	Legislated	In preparation	Approved	Legislated	In preparation	Approved	Legislated	In preparation	Approved	Legislated
Hungary			X			X			X			X
Latvia		X			X				X	X		
Kazakhstan			X			X			X			
Poland		X				X		X				X
Croatia		X			X			X			X	
Romania	X			X			X			X		
FYR Mac.	X			X			X					
Russia	X			X			X				X	
Slovenia	X			X			X			X		
Bulgaria	X			X			X				X	
Cz. Rep.	X								X			X
Slovak Rep.								X			X	
Ukraine	X			X			X				X	
Armenia	X								X	X		
Georgia	X								X		X	
Lithuania	X								X		X	
Estonia									X			X
Albania					xx				X		x	
Kyrgyz Rep.	X							X		X		
Uzbekistan	X						X			X		
Azerbaijan	X						X			X		
Moldova	X						X				X	
Belarus							X					
Bosnia & Herc							X			X		
Tajikistan							X					

Source: Rutkowski, Michal (1998) 'A New Generation of Pension Reforms Conquers the East – A Taxonomy in Transition Economies' *Transition*, August 1998, pp.16-19, , completed for Albania based on the information offered by Merita Xhumari, Albania

Table 5

Reported number of regular and occasional social assistance  
per 10.000 population  
(Countries for which data are available)

	1989	1993	1995
<b>REGULAR SOCIAL ASSISTANCE</b>			
Bulgaria	915	1089	999
Czech Rep.	95	691	1041*
Hungary	116	355	623
Latvia	-	1572	2509
Poland	273	410	469 *
Slovakia	41	1026	930
Slovenia	41	155	179
<b>OCCASIONAL SOCIAL ASSISTANCE</b>			
Bulgaria	388	982	896 *
Czech Rep.	241	541	513 *
Hungary	793	2115	2382
Latvia	-	368	5567
Poland	262	738	770*
Slovakia	83	219	229*
Slovenia	203	80	237

\*1994

Source: Unicef (op.cit.) 1997:152

Table 6

*Evaluation of the regime change**Percentage of respondents according to whom the new system is better or worse\**

	<b>Czech R.</b>	<b>Hungary</b>	<b>Poland</b>	<b>Slovakia</b>
<b>The new system is better</b>				
1991	71	31	51	43
1995	57	26	44	32
<b>The new system is worse</b>				
1991	14	40	23	35
1995	23	51	39	51

\* Source: See n.32. Germany was not included in the survey done in 1991.

Table 7

*Percentage distribution of households according to their opinion about the adequacy of income inequalities*

	<b>Czech R.</b>	<b>Poland</b>	<b>Hungary</b>	<b>Slovakia</b>
<b>Income differentials 5 years ago</b>				
Too small	25	19	5	17
Acceptable	65	65	74	73
<b>Too large</b>	<b>10</b>	<b>16</b>	<b>21</b>	<b>10</b>
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>Income differentials now</b>				
Too small	9	7	3	15
Acceptable	24	13	8	11
<b>Too large</b>	<b>67</b>	<b>80</b>	<b>89</b>	<b>74</b>
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

\* Because of a translation error, data relating to former East Germany could not be used.

Source: see n. 26.

Table 8.  
*Taxes and state spending - England*

If the government could choose	1983	1994	Hungary, 1996
	in % of valid answers		
<i>decrease taxes, spend less</i> on health, education and social security	9	4	16
keep taxes and spending on current level	57	35	56
<i>increase taxes, spend more</i> on health, education and social security	34	61	28

Source: for England: Taylor-Gooby, Peter (1995) *Comfortable, marginal and excluded. Who should pay higher taxes for a better welfare state?* In R. Jowell et al: *British Social Attitudes, the 12th Report*. SCPR, Dartmouth. For Hungary: Hungarian Panel Study 1996, questions sponsored by the grant of OTKA.

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***A short preamble prompted by my brief stay Hong Kong  
- June 1999***

The paper was written before I ever came to Hong Kong. In 1999 I had for the first time in my life encountered there one of the East-Asian welfare states. I learned a lot about the welfare arrangements there and the debates and dilemmas surrounding it. I also learned about the deep 'anti-statism' in most of the countries concerned, coupled with a deep belief in self-reliance. I recognise of course that individual autonomy and self-reliance, as well as family solidarity are important and basic values. I do not see them, however, as necessarily undermined by the public arrangements in Western (or for that matter in renewed Central-Eastern) Europe.

This is not the place to sort out all the differences of opinion. Let me just mention one factor entailing a difference in perspective. It seems to me that the debate is not about the same 'state'. There is a difference in the quality of the relationship between the 'state' and the citizens in the political democracies of Western Europe and in East Asia. I do not mean that over there, in Europe, we love the state. On the contrary – there may be distrust and rejection of an intrusive Leviathan. However, most social policy arrangements pension and health insurance in the first place were forced upon the state by the citizens. Hence they value it and never consider it 'dependence' to participate in a public scheme. Former 'state socialist' countries are starting to gain this experience with the advent of political democracy after 1990. This difference in the relationship to the state may explain also some divergences in

the evaluation of human rights, social rights, or citizen's rights that have an overwhelming importance in the old and new European democracies, and seem to be less of an issue in East Asia.

I could not build into the following paper all that I have learned and experienced in Hong Kong. But I think more discussion of the differences in the concepts and perspectives would be useful for Europe, and probably also for East Asia. I therefore welcome the opportunity to be able to present these thoughts to a Hong Kong audience.