

Welfare policy and beyond

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Outline

- Question: How to rethink welfare policy in terms of promoting social welfare in general terms?
 1. Context
 2. Measurement of social welfare
 3. Policy and institutional options
 4. Systemic questions

Context

1. Facts
2. Values

Context: facts

- Societal angst
 - Low trust in institutions
 - Eurobarometer: political parties/national government/national parliament/social media/big companies/press/trade unions/EU/public administration/regional or local public authorities/TV/UN
 - Inequalities and stagnating living standards
 - Identity movements, anti-liberalism

Survey USA 2017 (1041 respondents)

Which of the following sentences better defines the word "democracy"?	
Everyone participates in the decisions	47%
The leaders are chosen in free elections	49%
Don't know	4%

Should one seek to have:	Yes	Maybe	No
"Democratic families"	36%	35%	29%
"Democratic schools"	33%	35%	32%
"Democratic army"	24%	32%	44%
"Democratic companies"	37%	38%	25%
"Democratic government"	62%	25%	13%
"Democratic church"	28%	36%	36%

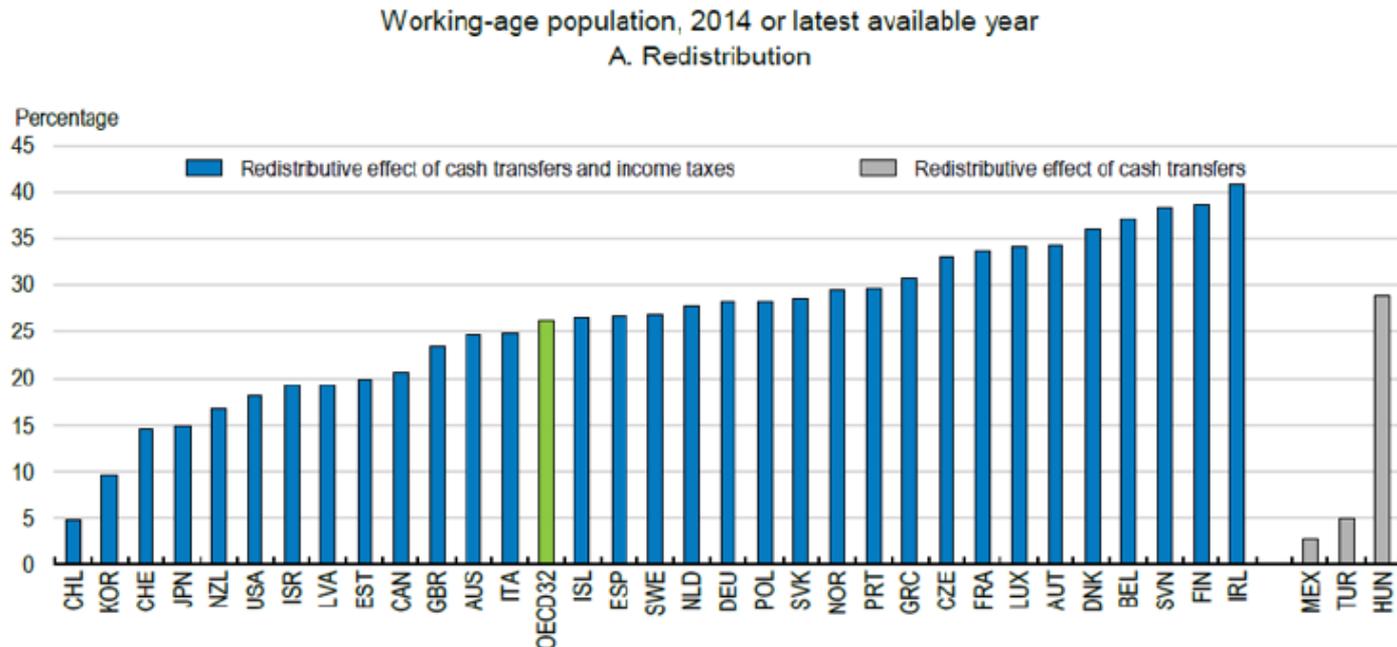
Distribution of power between:	Actual shares (average among respondents)	Ideal shares (average)
Politicians	48	36
Lobbies and special interests	35	20
Ordinary citizens	17	44

Source: IPSP
The Conversation

Context: facts

- Globalization
 - Control loss (econ + pol) but national variations are still possible

Figure 2: Percentage of reduction of the Gini coefficient

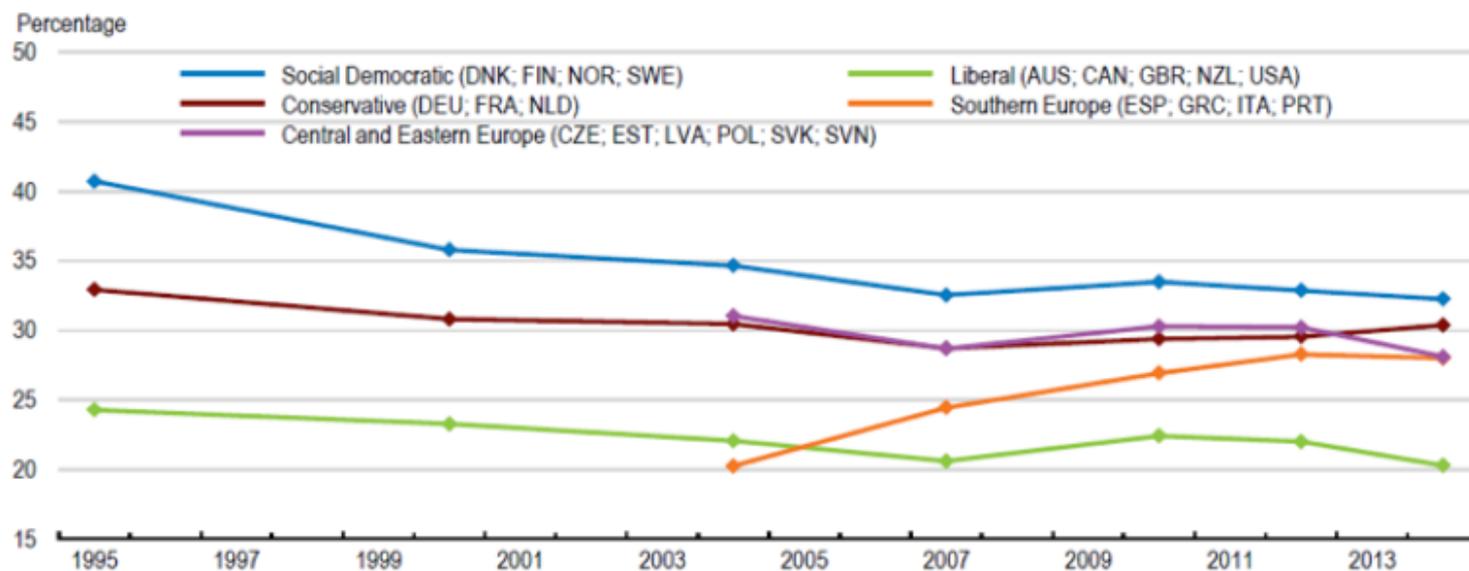


Source: Causa and Hermansen (2017).

Context: facts

- Globalization
 - Stress on redistribution (mobile factors)

Figure 10: Average redistribution trend by welfare model, working-age population

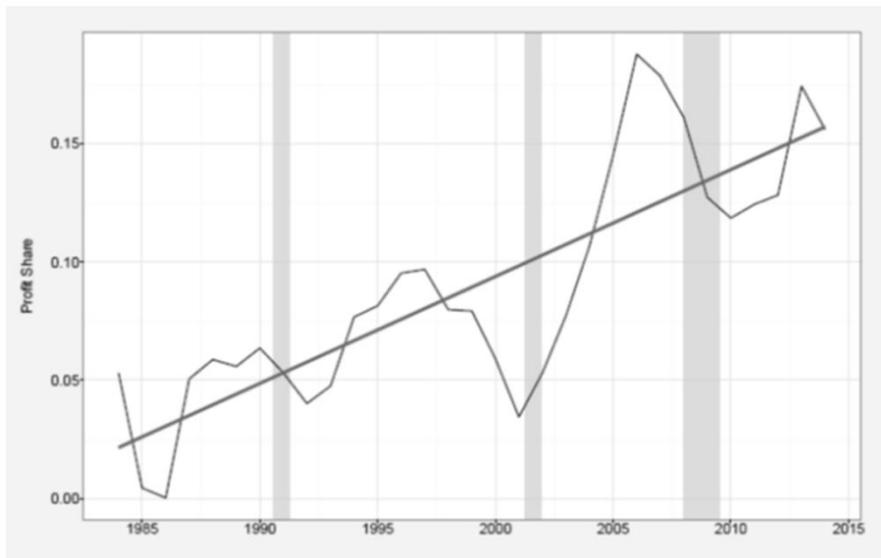


Source: Causa and Hermansen (2017).

Context: facts

- Globalization
 - Labor market disruptions
 - Market concentration, superstars

Figure 6.2: Pure profit share in the US non-financial corporate sector 1984-2014



Barkai 2015

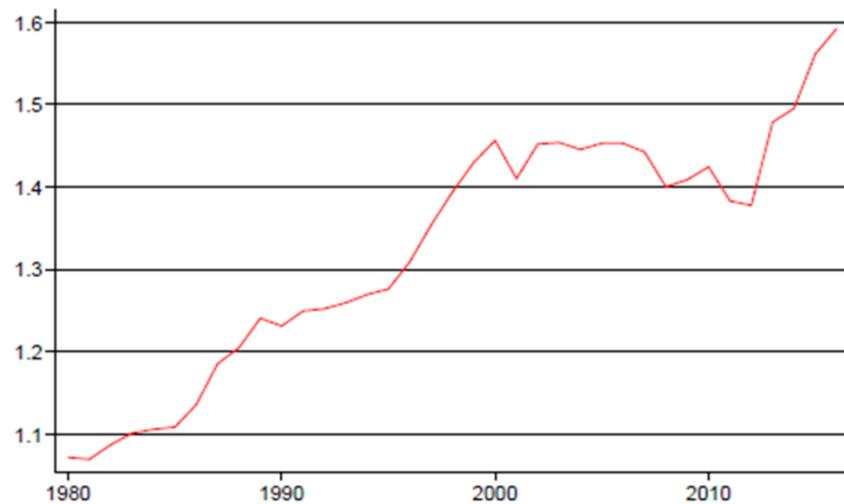


Figure 1: Global Market Power

De Loecker and Eeckhoudt 2018

Context: facts

- Mounting challenges
 - Tech wave
 - Ageing, health costs
 - Public and private debt
 - Migrations
 - Environment

Context: values

- End of Washington consensus, death of ideologies
- Interest in equality of opportunity, mobility
- Relational egalitarianism, governance
- Beyond GDP, happiness wave

Measurement of social welfare

1. Outcomes vs opportunities
2. Social relations
3. Happiness vs preference-based indicators

Measurement:

outcomes vs opportunities

- IOp empirical literature (after Roemer): selects variables depicting “circumstances” and examines association with outcomes (parametric or non-parametric)
- Challenges:
 - Not causal
 - Controversial:
 - Contentious set of variables (lower bound?)
 - Dubious morality (criticism by Anderson, Scheffler, Kanbur & Wagstaff, Mounk)

Measurement: outcomes vs opportunities

- Proposal:
 - Yes, track association between circumstance variables and outcomes, but consider several subsets of variables (e.g., race, race+gender, race+gender+ parental education): proxy for problematic causal mechanisms
 - Estimate max predictive value (method promoted by Brunori et al. SCW 2019 and used in www.equalchances.org) for each sample separately
 - Construct measures of IOp that allow for inequality aversion over outcomes (within types)
 - Include consideration of measures that are based on the idea of respecting people's values (can incorporate libertarian features)

Measurement: social relations

- Existing approaches:
 - Social capital (Putnam, Jackson)
 - Social interactions (Durlauf, Akerlof)
 - Social status (happiness studies)
 - Job quality (demanding, autonomy)
- What is missing is how the quality of social relations (comprehensively measured) affects well-being:
 - How much weight in preferences
 - How constitutive of people they are

Measurement: social relations

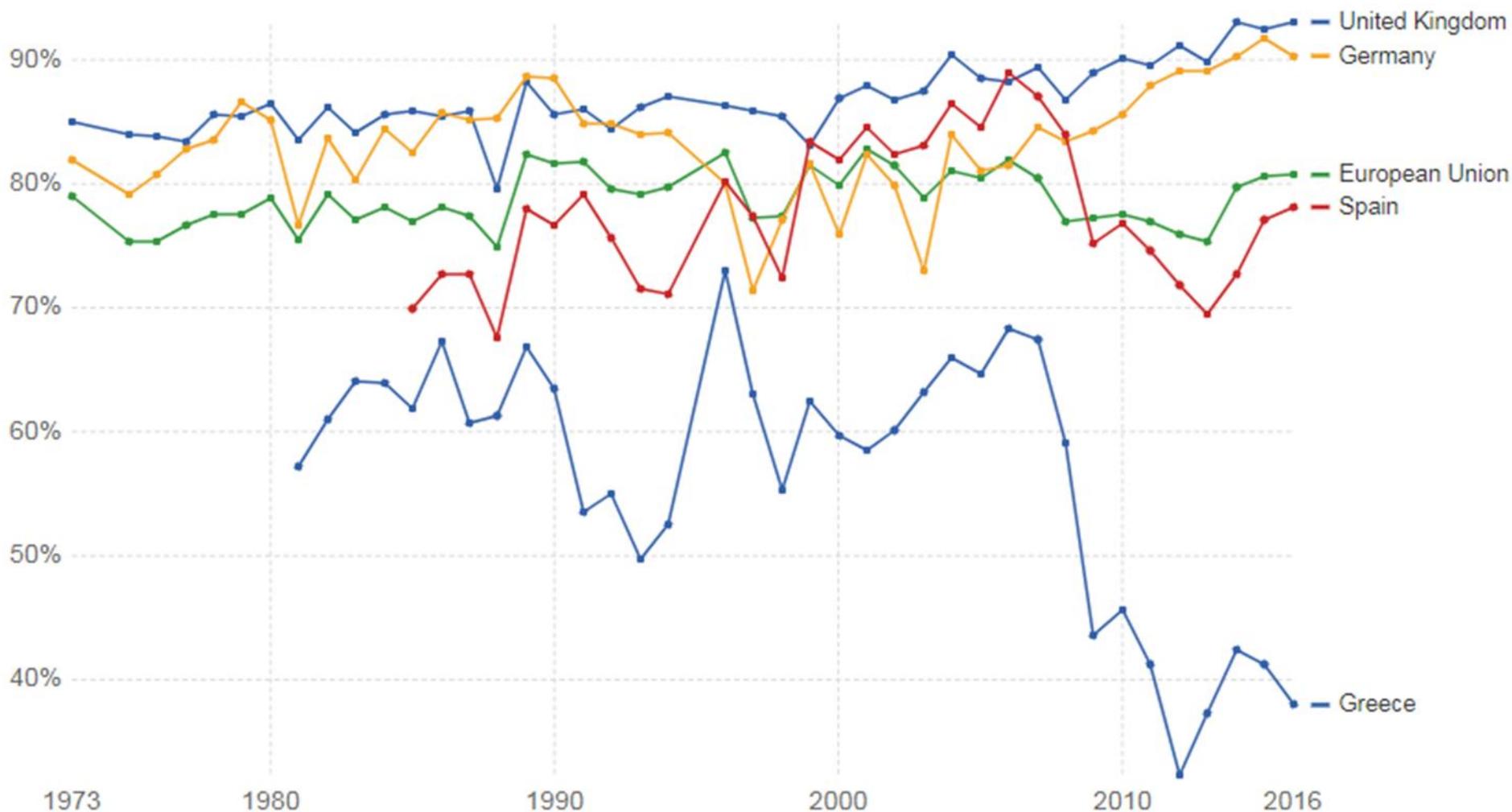
- Comprehensive measure of the quality of social relations:
 - Individual-centered
 - Covering all spheres of interactions
 - Include power and status
- Weight in preferences: stated preferences?
- Constitutive:
 - Evidence? Health consequences
 - If confirmed, great source of externalities

Measurement: happiness

- Key problems:
 - Comparability
 - Easterlin paradox
 - Latino effect (Marquez-Padilla & Alvarez EBull 2018)
 - Weak correlation with other multidimensional measures (Decancq & Neumann Handbook chapter 2016)
 - Fairness (opportunities, resources, preferences...)
- But not pure noise!
- Should we find ways to clean the data, or improve the questions?

Share who say they are 'very satisfied' or 'fairly satisfied' with their life

The full question asks: "On the whole are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the life you lead?"

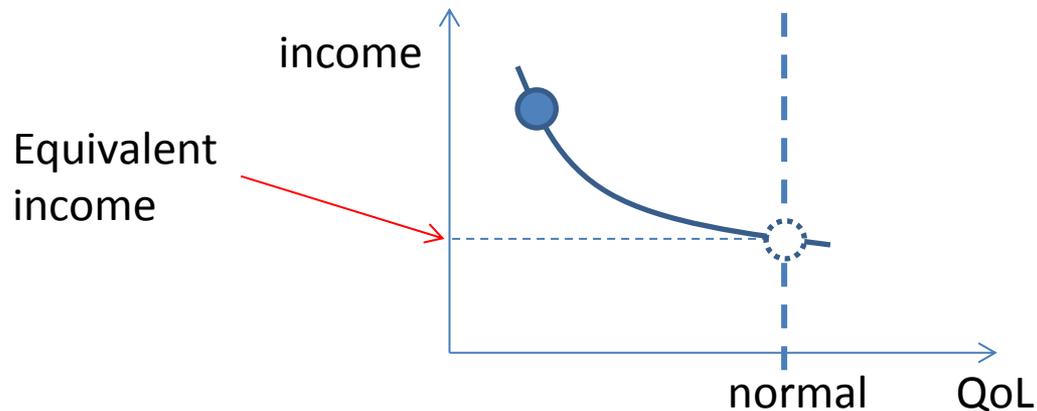


Measurement: happiness

- Clean the data:
 - Identify systematic shifts in scale use
 - Also check for differences in understanding
 - This can be done by specific surveys and then applied to data sets
- Improve the questions:
 - Clarity (time frame, scope of question)
 - Scale determination (vignettes?)

Measurement: happiness

- The fairness challenge (Decancq et al. 2015):
 - Suppose Pareto
 - And comparison by income when other dimensions are at “normal” level
 - Then equivalent income is the correct measure for interpersonal comparisons



Taking stock

- Uncover and track determinants of outcomes rather than pretend to estimate opportunities
- Invest on the quality of social relations
- Clean or refine SWB
- Invest in fairness and preference-based approaches

Policies

1. Rescue the losers
2. Prepare the players
3. Change the rules of the game

Policies: Rescue the losers (post-market redistribution)

- Universal programs: better coverage, larger support
- Basic income: =inverting the timing of taxes and subsidies --> more secure
- Respect freedom (low marginal tax rate on low income? Fleurbaey-Maniquet JEL 2018)

Policies: Prepare the players (pre-market redistribution)

- Education:
 - Select, train and reward teachers at their social value (compare with home care)
 - Transition toward lifelong education system due to quick technical change
- Inheritance:
 - (Atkinson) move toward a recipient tax: there is nothing wrong about leaving a large bequest, but it is unfair to receive a large one

Policies: Changing the rules of the game (in-market predistribution)

- Promote competition
- Promote productivity via minimum wage
- Promote democratic organization (esp. firms)
- Directing technological innovation (slow down?
Excessive risk and obsolescence)
- Curb/tax social and environmental externalities
- Tax rents (market power, capital gains, CEO pay, legal and banking services, male bonus)
- Reform electoral system and consultation procedures (funding, lobbying, media, voting rules)

Impacts on well-being indicators

- Break problematic associations with race, gender, parental wealth/education/occupation
- Improve quality of social relations, both at home, in neighborhoods, and at work
- Enhance subjective well-being
- Reduce inequalities in equivalent income
- Restore trust in institutions, increase control

Systemic questions

1. Scandinavian model revisited
2. Capitalism ended?
3. Globalization barrier?

All in Scandinavia?

- Scandinavian model:
 - central bargaining
 - wage compression
 - universal programs
 - flexicurity
- What about a decentralized social-democratic model:
 - decentralized bargaining (democratic organizations)
 - minimum wage
 - universal programs
 - flexicurity

The end of capitalism?

- Market economy: curb commodification
- Finance: tame rent-seeking
- Labor subordination: real bone of contention
 - Anachronism in the democratic age
 - Associated with cost-externalizing model
 - Associated with treatment of labor as cost
 - Linked with low trust and low productivity
 - Unavoidable without regulation (democracy is a public good, labor contract is like vote selling)
- Production partnerships would be very different and not so different

Globalization barrier?

- Pressure on redistribution
 - Fight tax evasion
 - CEOs? Democratic institutions attract better leaders
- Pressure on capital control
 - Scandinavia partly debunks that
 - Basic condition is to provide good returns
 - Democratic firms, even more than family firms, are immune to LBOs

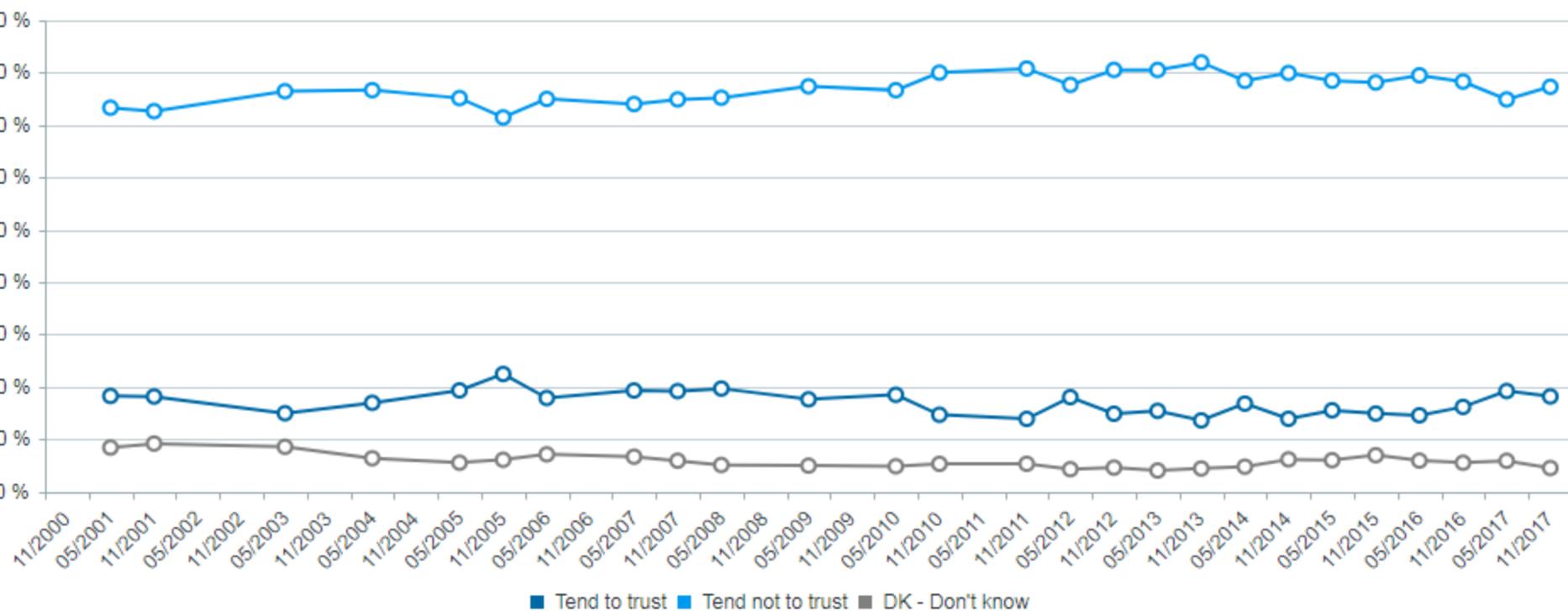
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Appendix

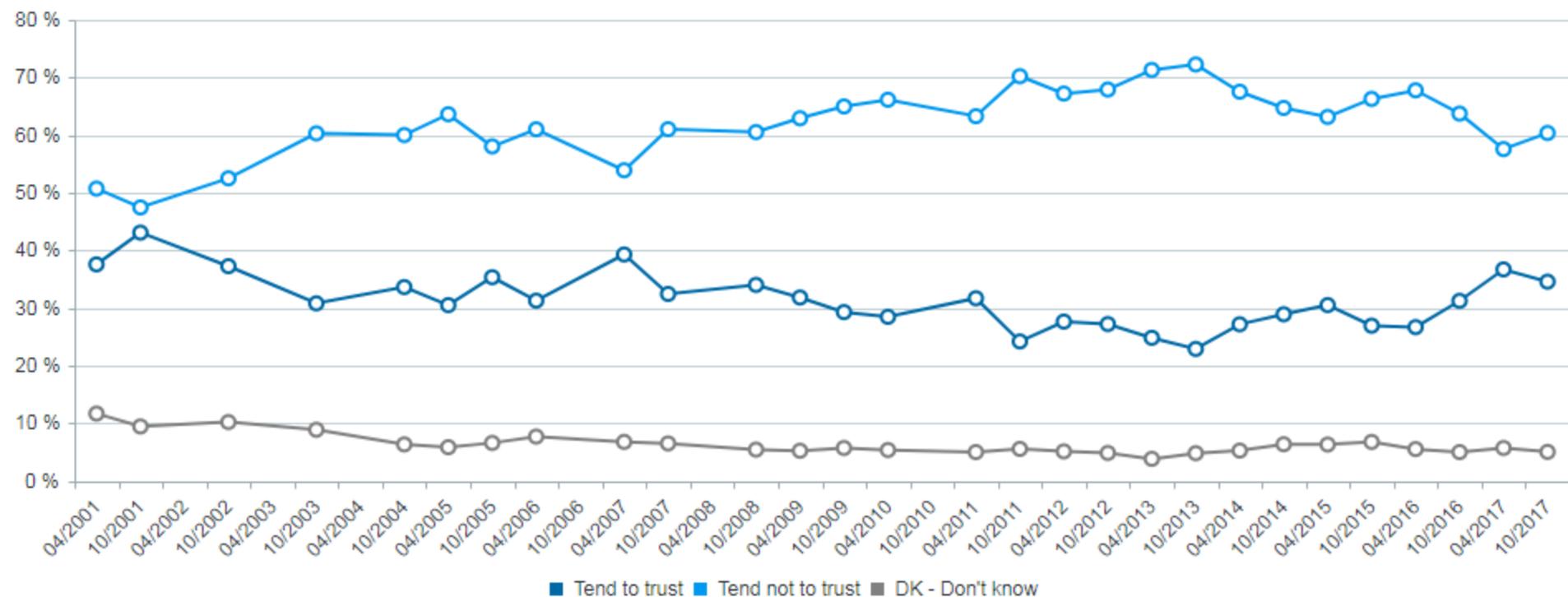
I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

Political parties
European Union (from 11/2000 to 03/2018)



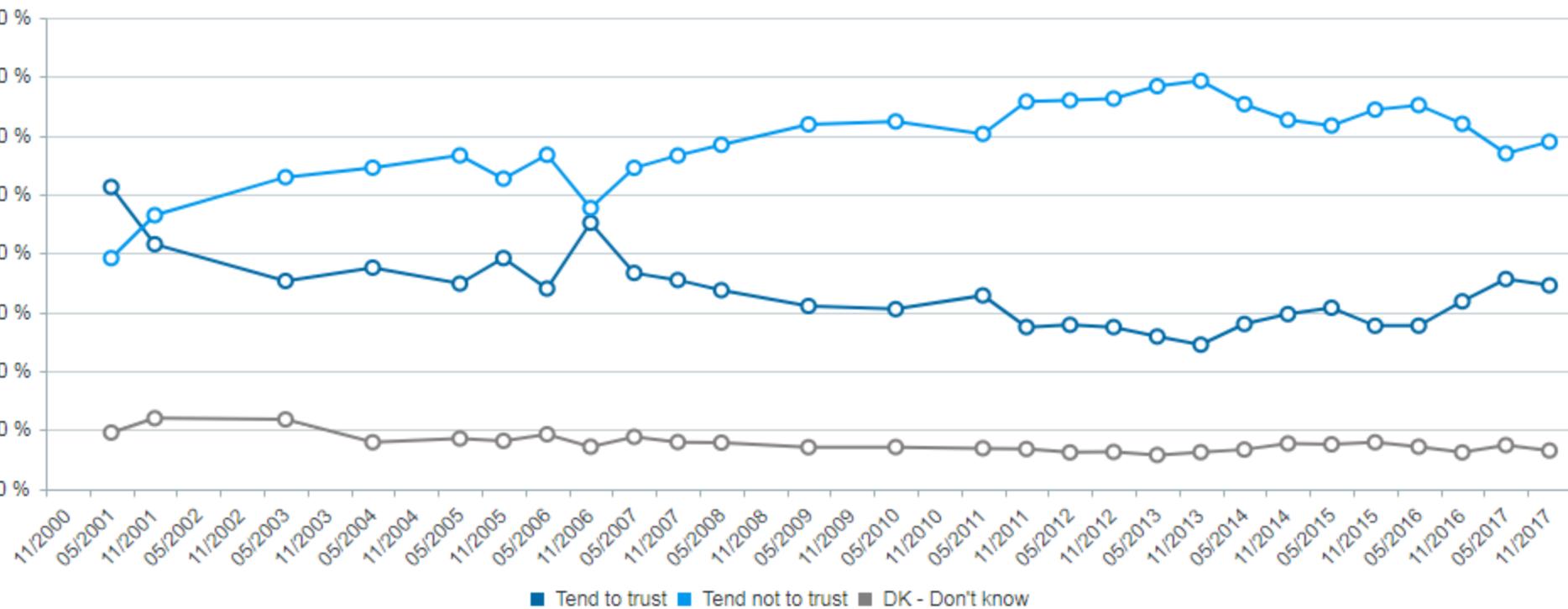
I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

The (NATIONALITY) government
European Union (from 04/2001 to 03/2018)



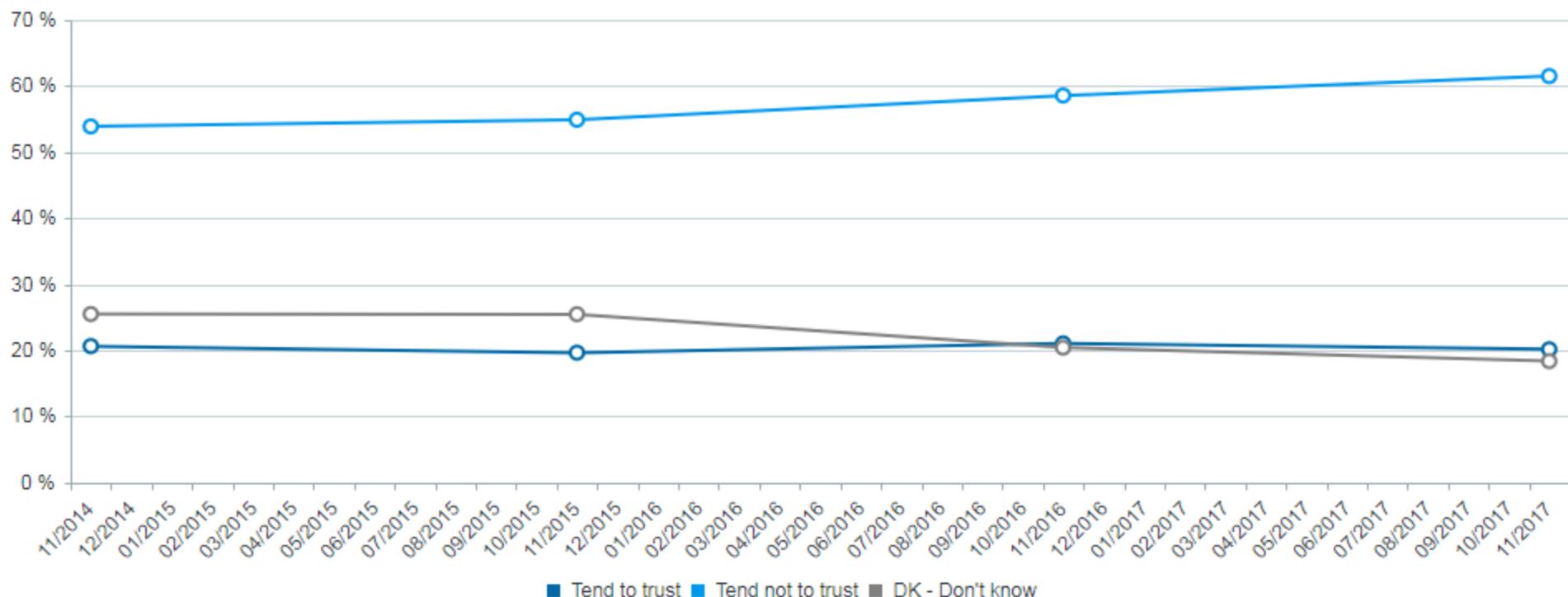
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The (NATIONALITY) Parliament
European Union (from 11/2000 to 03/2018)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

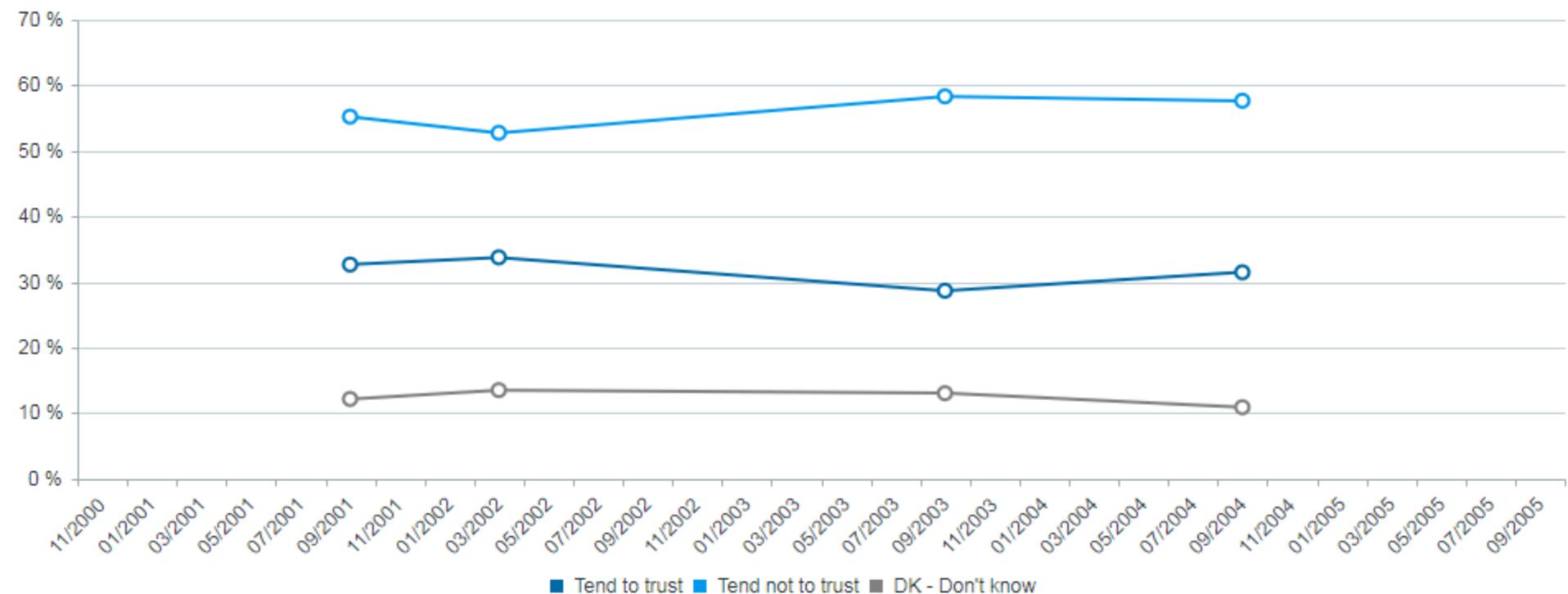
Online social networks
European Union (from 11/2014 to 11/2017)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

Big companies

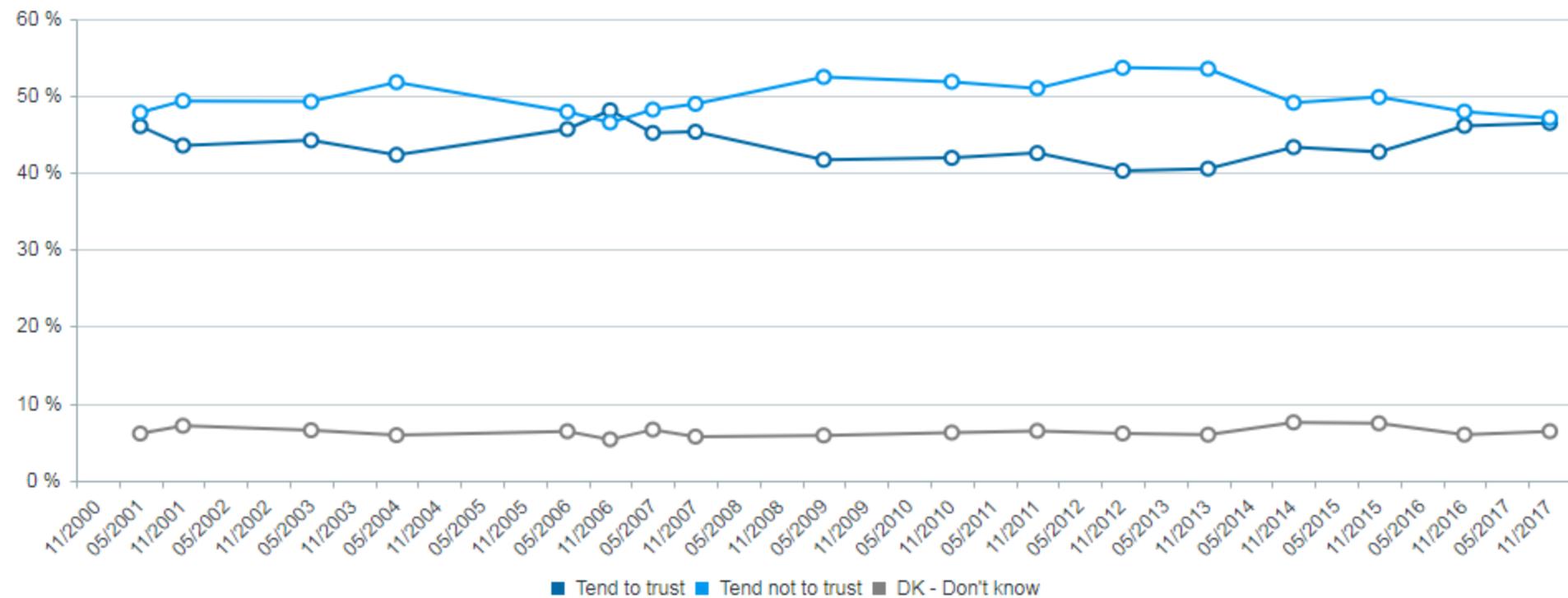
European Union (from 11/2000 to 10/2005)



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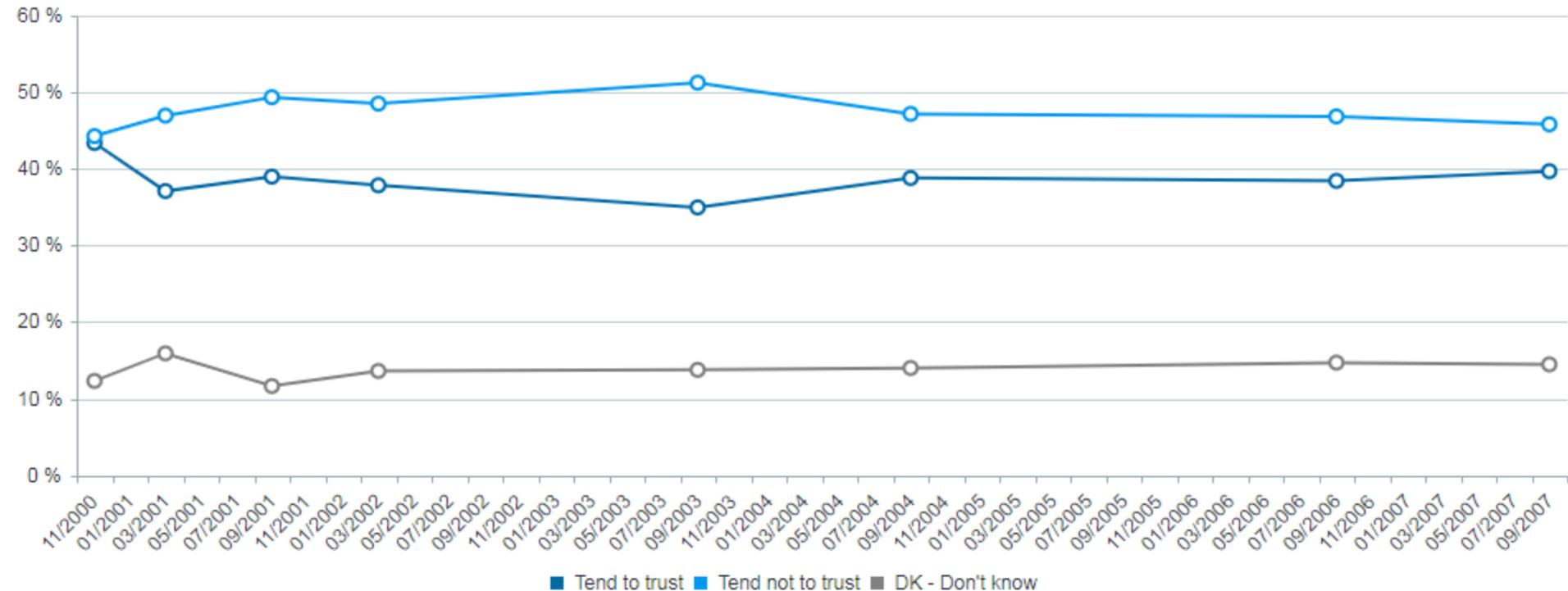
The press

European Union (from 11/2000 to 11/2017)



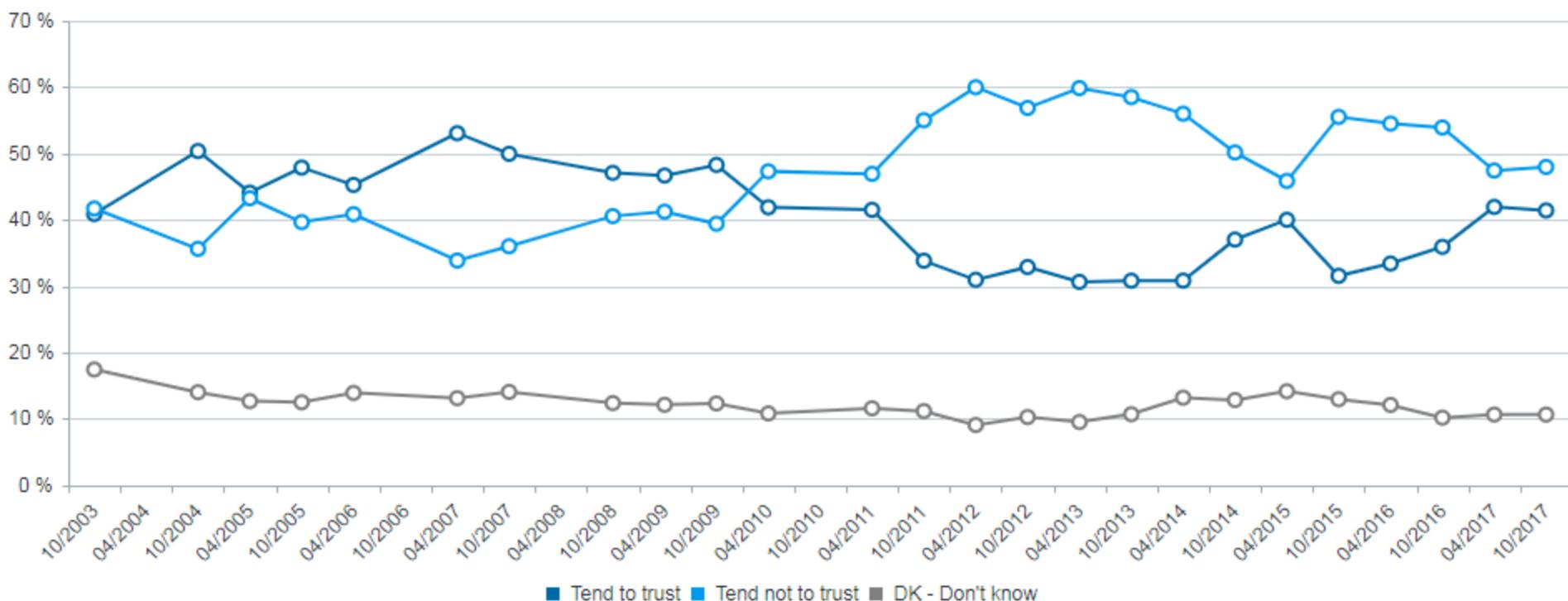
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Trade Unions
European Union (from 11/2000 to 09/2007)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

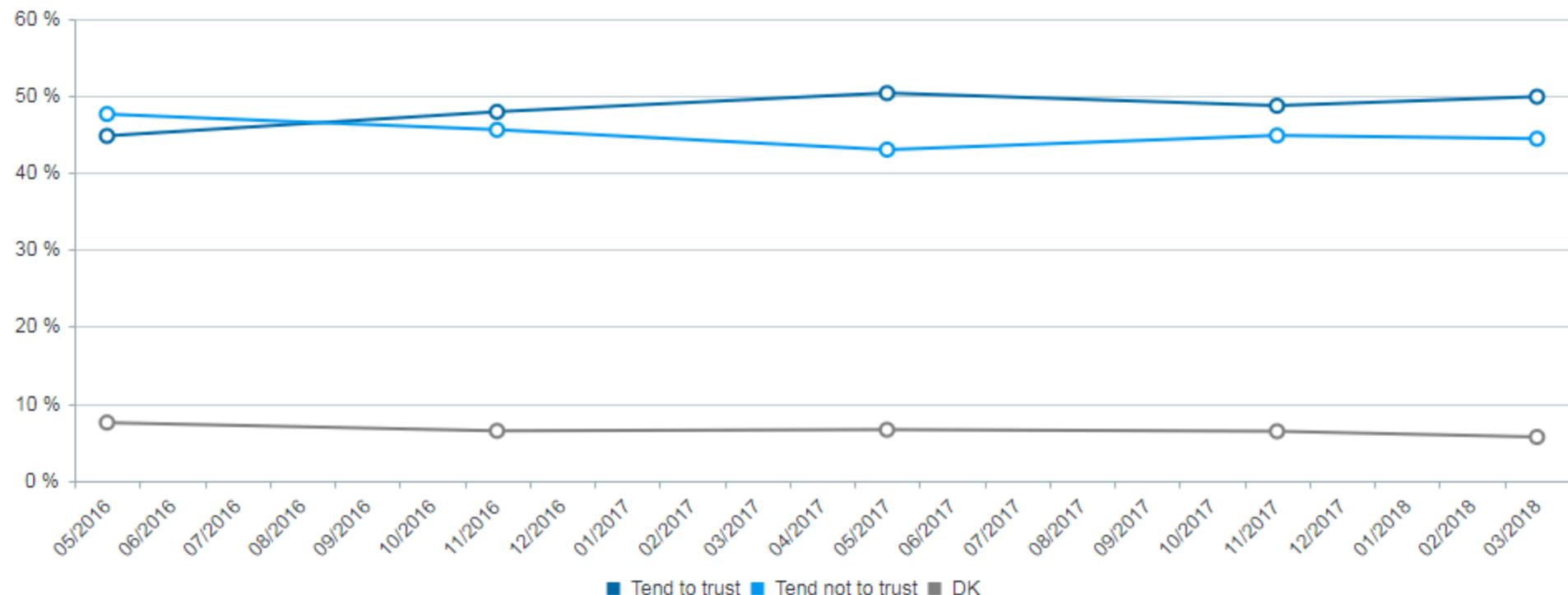
The European Union
European Union (from 10/2003 to 03/2018)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

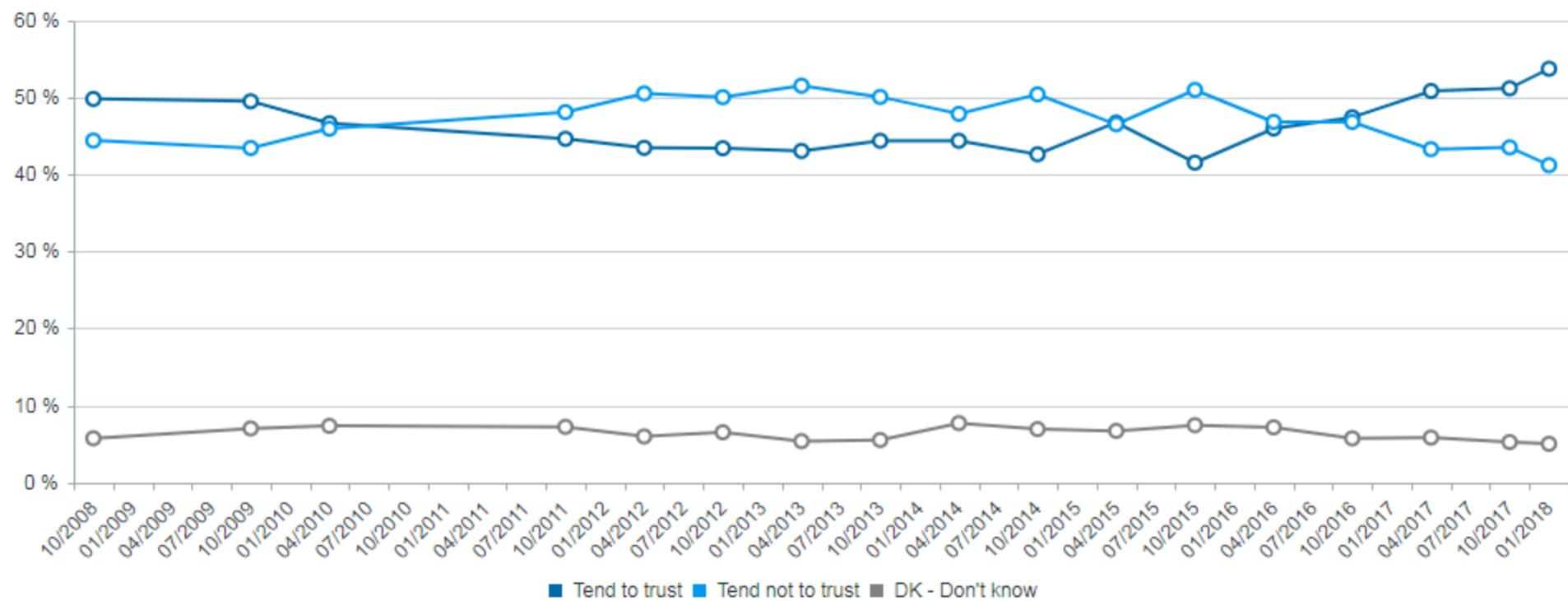
Public administration in (OUR COUNTRY)

European Union (from 05/2016 to 03/2018)



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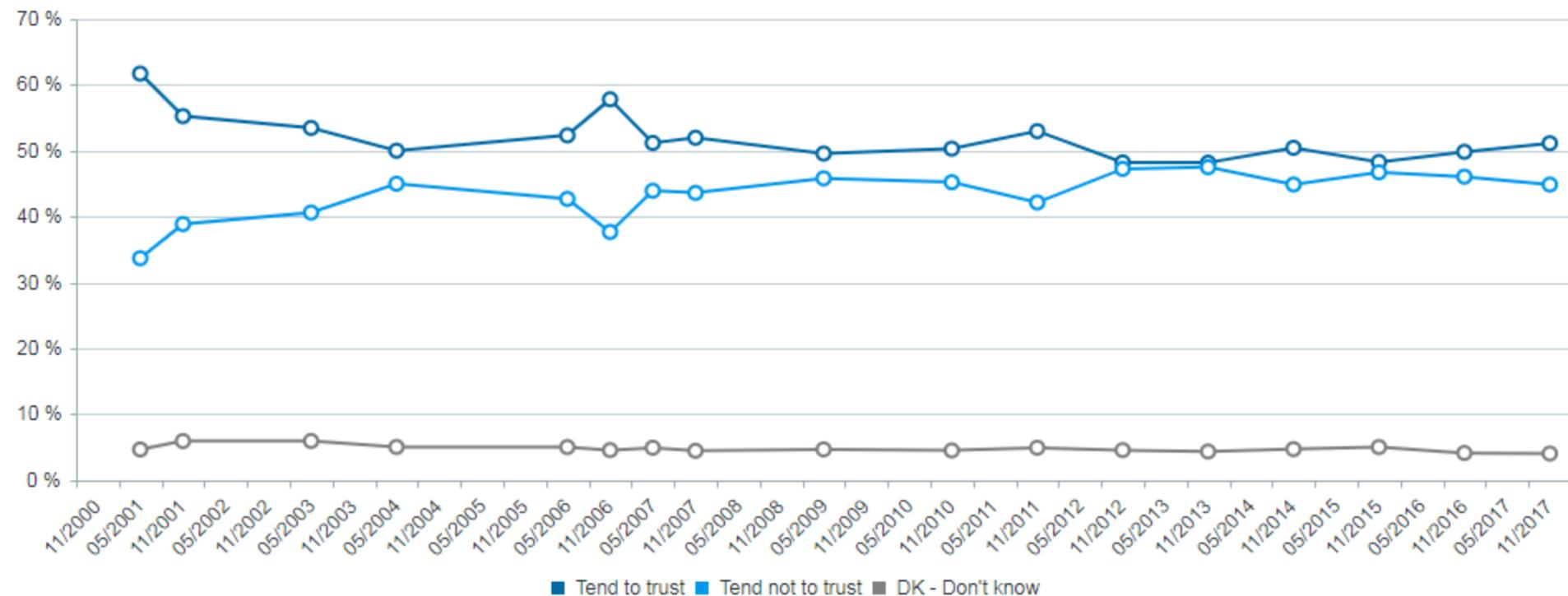
Regional or local public authorities
European Union (from 10/2008 to 03/2018)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

Television

European Union (from 11/2000 to 11/2017)



I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

The United Nations
European Union (from 11/2000 to 03/2018)

