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*Implementing Productive Welfare: from  
philosophical theory to everyday practice*

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**Korea Institute for Health and Social Affairs**

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## 1. Introduction

When they were preparing the agenda for their International Symposium on Productive Welfare, the organizers wisely designated one of the five plenary sessions for a review of its philosophical principles and policy objectives. Three papers were presented in this session. Professor Stein Kuhnle explored the democratic credentials of productive welfare philosophy. Professors Neil Gilbert and Ramesh Mishra examined its economic connotations, respectively with regard to the institutions of the competitive market and the process of globalization. Welfare institutions make up the third major component of what is generally described today as the modern pluralist nation-state. All three contributors discussed the normative linkages between democratic, economic and welfare values.

All of these components are embodied in the Republic of Korea's model of productive welfare. The title of this model is distinctive, insofar as it implies a degree of institutional interdependence between the ends and means of the competitive market and the agencies of social protection. The key assumption that underpins this model is the belief that both sets of institutions can be made to complement each other in the production and enhancement of welfare. In this respect, welfare is conceptualised as having both a material and a moral dimension.

In this retrospective paper I will give further attention to the philosophical principles or values that seem likely to shape the ends and means of Korea's productive welfare policies in the years ahead. I will, however, give particular attention to the ways in which these principles conflict with or complement each other in a pluralist political context, how these conflicts can best be reconciled or accommodated, and - most importantly - how they can be put into practical effect.

The academic literature of social policy is replete with normative models of welfare systems in which their authors set

out the core principles or values that they believe ought to direct and shape the ends of social policy. These models cover a wide range of ideological perspectives. Some give priority to individualist values and the role of the non-governmental sector in raising living standards and enhancing social welfare. Others commend collectivist values and argue that government agencies ought to be the main funders and providers of social services.

In the middle ground between these ideological extremes, welfare pluralists advocate models based on a combination of individualist and collectivist values and an institutional 'mix' of statutory and non-statutory forms of welfare provision. The Korean model of productive welfare fits clearly within the compass of this pluralist middle ground.

Formulating normative models of welfare is a necessary but relatively straightforward task in the making of social policy. It is far more difficult to translate these abstract principles into practice. In democracies, governments will only succeed in doing so if they are able and willing to raise and spend the necessary revenues on an equitable basis in ways which command the respect and support of their citizens. Conversely, citizens as tax-payers and social service users, must accept their responsibilities in ways which command the confidence and trust of their governments.

Dr Kyung-bae Chung draws attention to the reasons why many Korean citizens lack confidence in the integrity and competence of their government. He argues that the past mismanagement of economic crises, the pursuit of sectional interests at the expense of the public interest, corruption and lack of transparency and accountability in the conduct of political affairs have all contributed to Korea's crisis in public confidence (Kyung-bae Chung, p. ).

Professor Sang Kyung Kim focuses on the urgent need to restore the government's confidence in the personal integrity of those citizens who cheat on their tax-returns and their benefit

claims. He describes these practices as a black market of corruption which currently accounts for revenues in excess of twenty per cent of Korea's gross domestic product. He argues that the "curtailment" of this black market is "one of the most serious barriers" to the successful development of Korea's productive welfare policies (Sang Kyung Kim, p. ). In default of an effective remedy, this "black market" will become a "black hole" in Korea's welfare universe that drains away its public revenues and public confidence in equal measure.

## 2. Setting the Issues in Context

Many other nations throughout the world face similar threats to the solvency of their welfare budgets. Some have had notable successes in reducing the incidence of tax evasion and benefit fraud as well as in raising the standards of conduct in public life. There are, however, no ready-made and universally relevant strategies to hand that one nation can take over and adopt from other nations for its own purposes without modification. Nevertheless, nations can learn from the experiences of others, provided that they are careful to adapt these strategies in ways that build on the strengths of their own distinctive political cultures. Such transfers of knowledge and experience are most likely to succeed when they occur between nations that have reached roughly similar stages of political and economic development, are moving in similar political and economic directions, and confront similar kinds of political and economic challenges.

In his paper on 'Democracy and Productive Welfare', Stein Kuhnle draws attention to the many different kinds of function that welfare systems perform (Kuhnle, p. ). In addition to the provision of social services, they also act as agents of political and social stability. They can be understood as both a response to democratic pressures for social reform and social justice and as



one of the institutional means by which democracies can create those conditions of political stability without which the continuous production of wealth would not be possible. Kuhnle goes on to describe the ways in which the dual processes of industrial growth and democratisation have begun to complement each other in the Republic of Korea since the mid-1990s - despite the impact of recurrent economic crises. Indeed, President Kim Dae-Jung's productive welfare policy proposals can best be understood as a bold attempt at turning an economic crisis into an opportunity for creative change and national renewal. Other industrial nations throughout the world are facing similar challenges to their political and economic stability under the impact of global change.

Professor Kuhnle also speculates about the likely future outcomes of the President's productive welfare initiative. He suggests that, if these policies are successfully implemented, Korea will eventually move "more in the direction of a so-called social democratic Scandinavian type of welfare regime, and in its modern topical disguise". At the same time, he predicts that many of the cultural characteristics of this new regime will remain distinctively Korean (Kuhnle, p. ).

Professor Gilbert suggests that Korea has already begun moving in a different normative direction. He describes the model of productive welfare as "the Korean version of the Enabling State", a type of welfare state regime which has much in common with Titmuss's "industrial-achievement" model. Both of these models are characterised by "a common core of market-orientated social policies that emphasise the importance of work and private responsibility". They describe the kind of welfare state regime which relies on selectivist rather than universalist forms of service provision. Professor Gilbert points out that in such a pluralist welfare system there is always a danger that the values of the competitive market will come to dominate those of the statutory social services. He argues the case for what he describes as "a healthier balance between state

and market forces” (Gilbert, p. ).

At this point it is worth noting that, in the 1970s, when Titmuss was setting out his three contrasting models of social policy, the concept of welfare pluralism was rarely, if ever, used by social policy analysts. In his three-fold typology, Titmuss defines his “Residual Welfare Model of Social Policy” as one in which statutory social services are only provided to people in need as a last resort when family and charitable aid have failed. He defines his “Industrial Achievement-Performance Model” as one in which social needs are met “on the basis of merit, work performance and productivity”. His third and ultimate “Institutional Redistributive Model” is defined as one in which social welfare operates “as a major integrated institution in society, providing universalist services outside the market on the principle of need:... it is basically a model incorporating systems of redistribution in command-over-resources through time” (Titmuss, 1974, pp.30~32).

In my view, the Korean model of productive welfare incorporates elements of both the industrial achievement and the institutional redistribution models, as Titmuss defines them. Productive welfare philosophy, as its title clearly indicates, attaches as much importance to the economic values of self-help and competitive efficiency as it does to the social values of solidarity, welfare rights and redistributive justice.

The Korean model of productive welfare is also based on a network of partnerships between both the state and market institutions and the statutory and non-statutory sector social services. It is these kinds of partnership that place the model unequivocally within the pluralist tradition of social policy. Titmuss was opposed to any type of welfare system that would be described as pluralist in our current terminology. He was sceptical of all claims that it might be possible to achieve 'a healthier balance' between the claims of statutory welfare and market forces without prejudice to the redistributive ends of social policy.

The hard experience of the 1980s and 1990s has taught most

governments and social policy analysts that the kind of welfare state regime that Titmuss preferred and defined as an “institutionally redistributive” model was fundamentally flawed simply because it polarised the values of the economic market and statutory welfare and elevated the one to the detriment of the other. Private markets, he argued, fostered egoism and alienation - statutory social services fostered altruism and social integration. There is no doubt, as Professor Gilbert observes, that “the free market is a place where vigorous virtues vie with villainous vices” but so, for that matter, are the statutory social services which can be prone to the vices of inefficiency, undue secrecy, insensitivity to consumer choice and even corruption (Pinker, 1993, pp.58 ~ 60).

Titmuss thought that the redistributive ends of statutory social services were self-evidently morally superior to those of the competitive market. He also assumed that the ends and means of competitive markets could be subordinated to those of social welfare without detriment to economic productivity. Competitive markets, however, are neither amoral nor morally inferior institutions. They are not driven exclusively by self-interest. Indeed, they can only operate effectively on the basis of trust. The challenge Korea faces today in the context of productive welfare, as Professor Gilbert suggests, is to find ways of extending and strengthening the social responsibilities of competitive business enterprises and establishing a more equal relationship between the values of the competitive market and those of the statutory social services (Gilbert, p. ).

At the start of this essay, I suggested that the concept of welfare possesses both a material and a moral dimension. This moral dimension can best be defined as a commitment to upholding and raising personal and collective standards of social responsibility in both of the related fields of wealth creation and social protection. These standards of responsibility should be seen as being equally binding on governments, employers and citizens alike. Only from such a commitment will it be possible to develop networks of social solidarity and interdependence that are

strong enough to provide Korea's productive welfare policies with a shared sense of moral purpose and philosophical credibility. Korea must achieve this goal if it is to succeed in a highly volatile global economy.

The successful development of productive welfare policies also requires a commitment to setting all policy objectives within the constraints of something like the 'golden rule' that the British and some other Western governments are currently trying to follow. Jenny Scott defines this rule in terms of a requirement that,

“over the economic cycle, the government will borrow only to invest. In other words, it can issue bonds and add to its debt if it is going to spend the proceeds on building more schools and hospitals. But spending on things like unemployment benefits must come out of tax revenues. In this way it can run a total budget deficit over the cycle, but not a current one” (Scott, 2001, p.288).

In Addition, government debt must be held down at a prudent level, relative to GDP over the whole economic cycle.

Globalization undoubtedly increases the risk of conflicts between the ends and means of competitive markets and social welfare institutions. It also makes it more likely that the consequences of such conflicts will have seriously adverse effects on living standards and job security. Nevertheless, it has always been the case that business cycles can have damaging as well as beneficial effects on personal and collective well-being. What has changed in recent years is the sheer momentum with which global markets have grown more powerful and all-pervasive.

Professor Mishra addresses these and other related issues in his paper on 'Globalization and Productive Welfare' with reference to a range of nation-states, including Korea. He does, however, focus our attention on the contradictory consequences that frequently affect systems of social protection in a global economy.

“On the one hand”, he argues, “the commodification of the

economy increases insecurity, undermines existing forms of social protection and thus underlines the need for an adequate social safety net in an open globalized economy. On the other hand, the disruption of the economy, resource constraints and fiscal austerity and the ideology of privatization militate against building programmes of social welfare” (Mishra, p. ).

Ramesh Mishra makes these points with regard to the newly industrializing countries. He goes on to suggest that the impact of globalization on Western industrialized countries takes a more “indirect and diffuse form”. These countries have long standing traditions of democracy and social partnership which have so far allowed them to resist any drastic residualisation of their statutory social services. In conclusion, he sets out a case for developing a common framework for the study of globalization and its impact on the welfare systems of all the main types of society. Globalization, he argues, is a dynamic process which seems to be producing a degree of convergence in systems of social protection across a great diversity of societies. At the same, even the wealthiest industrial nations remain potentially at risk of instability and destabilization. For this reason alone, they should also have vested interests in developing more effective international regulatory institutions.

### **3. Towards a Philosophy of Productive Welfare**

Under the impact of globalization, some degree of value convergence is already taking place across the broad spectrum of different kinds of welfare state, or welfare society, regimes in the world today. The general trend is towards the middle ground of welfare pluralism. In democratic societies, however, it seems likely that significant differences will persist with regard to such issues as the balance that is struck regarding the division of

formal welfare responsibilities between statutory and non-statutory agencies and, similarly, the division that is struck between formal social services and the informal networks of social care based on families and neighbourhoods.

These differences will persist in democracies because elected governments must take account of the customary values and beliefs of their citizens, notably with regard to their views on the status of citizenship, the scope and limits of entitlements and responsibilities and the terms on which and the extent to which social services should act as agents of redistribution. Stein Kuhnle, for example, suggests that the idea of social entitlement as a right of citizenship is not deeply rooted in the political culture of Korea (Kuhnle, p. ). This may well be the case at the present time but the concept of familial duty or obligation has always been a powerful factor in Korean society. It is also worth noting that, in recent years, Western conceptualisations of the status of citizenship have begun to attach as much importance to its duties as to its rights.

At the informal levels of everyday life, familial and civic notions of obligation and entitlement change over time in response to the impact of external political, economic and social developments. Familial notions of obligation and entitlement can frequently conflict with the rights and duties of citizenship and the pursuit of more general national interests. When ordinary people lack confidence in the integrity of their governments, they are more likely to resort to forms of tax evasion and benefit fraud in defence of what they see as the best interests of their families.

At the same time, it is in the context of family life that we learn to accept restraints on our more selfish dispositions and show consideration for other people. We become moral beings as family members and through example and the lessons of experience. Familial altruism may be a limited form of altruism but it is the mainspring from which all our other moral concerns for other peoples' welfare flow. As we mature and become

active citizens of a wider community, our notions of obligation and entitlement also grow more extensive and take on the character of social rights and duties.

This gradual extension in our range of social awareness is driven by a combination of egoistic and altruistic considerations. We learn from personal experience that familial altruism alone cannot guarantee our welfare in an uncertain world. We learn that collective forms of social provision - statutory and non-statutory - are sensible ways of pooling risks and helping each other in times of need. The compassion we feel for those less fortunate than ourselves is also an important factor but, as I once wrote, the welfare institutions of a society can best be understood in terms of "an unstable compromise between compassion and indifference, between altruism and self-interest" (Pinker, 1971, p.211).

Nevertheless, this growth in moral development from a familial to a civil awareness of our obligations and entitlements is most likely to occur in societies where some elements of the trust we repose in our closest relatives and friends extends outwards to the institutions of civil society and government. Trust grows only in social contexts where promises are kept, obligations are discharged and entitlements are met.

#### **4. Citizenship and Productive Welfare**

The concept of citizenship, expressed in legal terms and sustained by popular sentiment and practice, will play a vitally important role in giving practical reality to the abstract principles of productive welfare philosophy. The legal components of citizenship are already clearly set out in the constitution of the Republic of Korea, notably in the stipulations of Article 10. The welfare components of these constitutional rights, however, have not yet "been translated into real rights, because economic growth

and development [has] consistently been prioritised over welfare” (D. J. Welfarism, 2000, pp.8~9).

As Hyung Shik Kim points out, the concept of citizenship “as a mechanism for integrating the principles of market economy and welfare objectives” has long been a subject of debate among Korean policy makers and social policy scholars (Kim, H. S., 2000). Apart from these economic and social considerations, the concept of citizenship is certain to have important implications for the future re-unification of North and South Korea.

The writings of T. H. Marshall stand out as having a significant relevance to the political, economic and social objectives of President Kim Dae-jung's productive welfare programme. Marshall developed a theory of welfare and citizenship that was explicitly pluralist in character and positive with regard to the roles of both competitive markets and statutory social services in the generation of welfare. In many respects, his approach to these issues has affinities with the values and aims of Korea's productive welfare policy plans. Marshall defined citizenship as

“a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed” (Marshall and Bottomore, 1992, p.18).

citizenship in this sense becomes a basis for social solidarity in Marshall's welfare theory.

Marshall identified three key elements in the status of citizenship. The first of these elements includes our civil rights and obligations with regard to “personal liberty, freedom of speech, thought and faith, the right to own property and to conclude valid contracts and the right to justice” (Marshall and Bottomore, 1992, p.8). Economic rights and obligations are, of course, intrinsic to this definition. The second of these elements is “the right to participate in the exercise of power” either as a voter or as a representative. The third element encompasses our social rights and



obligations “to a modicum of economic welfare and security ... and to live the life of a civilised being according to the standards prevailing in the society” (Marshall and Bottomore, 1992, p.8).

Marshall's essay on Value Problems in Capitalism explored the problem of reconciling the claims of democracy, socialism and welfare in a free society (Marshall, 1981). In contrast to Titmuss' unitary model of society, Marshall sets out a pluralist model of “democratic welfare capitalism” in which “the rights of citizenship inhibit the inegalitarian tendencies of the free economic market, but the market and some degree of economic inequality remain functionally necessary for the production of wealth and the preservation of political rights” (Pinker, 1995(a), p.119).

Marshall was in no doubt at all that the task of abolishing poverty must be “undertaken jointly by welfare and capitalism; there is no other way” (Marshall, 1981, p.117). In Marshall's mixed economy of welfare the aims of collectivist social policies and the operation of competitive markets will, at times, conflict but in his view these “apparent inconsistencies are, in fact, a source of stability, achieved through a compromise that is not dictated by logic” (Marshall, 1981, p.49).

Marshall believed that economic, political and social rights all expressed different dimensions of welfare, and that it was not possible to go on extending any of these rights at the expense of the others without crossing the critical threshold at which the relationship between freedom and security becomes one of diminishing marginal utility (Pinker, 1995(b), p.113).

Since Marshall's death in 1981, major policy changes have transformed the institutional map of British social welfare with the introduction of internal markets and purchaser/provider contracts within the statutory sector, the privatisation of large sectors of the public services and the growth of occupational welfare schemes. Overall levels of public expenditure on the statutory social services, however, have remained high despite sustained efforts to contain and cut them. There has been a

fundamental paradigm shift towards the pluralist middle ground between the extremes of collectivism and individualism.

There is no doubt that under the present Labour Government the state will continue to play a major role in the funding and the provision of social services. Nevertheless, it is equally certain that new kinds of public/private sector partnership will be encouraged and that the role of the private sector in the fields of pension provision, health care, housing and education will be expanded.

In the past, policy analysts like Titmuss supported the idea of the state as the main provider of social services because they were convinced that only the state could guarantee the social rights of citizenship. They believed that these rights could be guaranteed if they were embodied in statute law and delivered by governments that were accountable to their citizens in parliament and through the processes of democratic elections.

To a considerable degree these expectations have not been fulfilled. In Britain today, millions of elderly citizens have paid a lifetime of pension contributions only to find that, in their retirement, their incomes must be supplemented by selective means tested benefits. If they become so infirm that they require long-term community or residential care and cannot pay for it they must, again, submit to means tests of their incomes and capital assets before help can be provided.

Nevertheless, the expectations that are currently being invested in the occupational and private sector services may also remain unfulfilled with the passage of time. Occupational and private sector schemes are subject to the pressure of market forces. The value of investments and annuities can fall as well as rise. When they fall, members of such schemes receive lower retirement incomes than they originally expected.

## 5. Citizenship and Welfare Pluralism

As more of the social rights of citizenship become dependent on the integrity and efficiency of the non-governmental sector, governments will have to play a more assertive role as regulators and indirect guarantors of civil rights in market contexts. Citizens may enjoy more choice as purchasers of non-governmental social services but they will need easier access to impartial advice if they are to make wise and well-informed choices. In the 1980s and early 1990s, many British citizens received bad advice and were sold the wrong kinds of pensions. In recent years, the private pension sector has been subjected to much more stringent statutory regulation. The private sector pension industry has also had to strengthen its own self-regulatory mechanisms.

As welfare systems become more pluralist, they also become more dependent on non-governmental agencies as direct providers of social services. In the statutory welfare sector, the linkages between the status of citizenship and social rights are legally defined. Similar kinds of protection will have to be developed in the more volatile contexts of non-statutory market relationships if the rights of citizens as welfare consumers are to be adequately safeguarded. In such contexts, the principle of consumer sovereignty will be tested to its limits with regard to the rights of the poorest citizens who will always be the weakest bidders in competitive market contexts. And it is extremely questionable whether the private welfare sector will be able or willing to meet their needs at premiums that they can afford.

Insofar as Korea's new model of productive welfare will be based on a pluralist network of public and private sector partnerships, its government will also have to assume a more pro-active regulatory role with regard to the non-statutory social services if the rights of citizens as consumers are to be adequately protected. It will also have to retain a substantial responsibility for meeting the welfare needs of its poorest citizens.

Writing in the 1960s and 1970s, Titmuss opposed the growth of the occupational and private welfare sectors on the grounds that non-statutory welfare agencies were an impediment to the kinds of income redistribution that he favoured. He also criticised their lack of accountability to their policy holding customers and questioned the extent to which occupational based welfare schemes provided “both freedom of choice in welfare benefits (pensions, medical care and so forth) and a sense of participation in the organization and administration of the system” (Titmuss, 1974, p.141). These questions still have relevance to current debates about the ends and means of welfare pluralism, the status of citizenship and the degree to which the non-statutory welfare sector should be made accountable to government for the conduct of its business. Titmuss, however, was writing on these matters in the 1960s and early 1970s and he tended to assume that the integrity and accountability of government itself was both self-evident and beyond question. No such assumptions are made in today's political climate of general scepticism and disenchantment.

Insofar as Korea's model of productive welfare is based on a model of political as well as welfare pluralism, these issues of public confidence extend beyond the immediate concerns of social policy. Citizens need to be convinced that people who hold high office in government and the other institutions of civil society are held as accountable for their personal conduct as they themselves expect to be. Indeed, it can be argued that those people with the greatest access to power and influence are more likely to use their positions of authority for personal profit than anyone else. Consequently, their conduct should be subject to more rather than less public scrutiny.

Throughout the late 1980s and early 1990s, there was a marked increase in the level of public concern about the apparent decline in the standards of conduct in British public life. This crisis of confidence followed a series of high-profile cases in which Government office-holders and Members of Parliament were accused of exploiting their positions for personal financial gain

(Committee on Standards in Public Life, 1995, pp.106~107).

In 1994, the Government of the day responded to these concerns by setting up a Committee on Standards in Public Life. The Committee's terms of reference required it:

"To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.

For these purposes, public life should include: Ministers, civil servants and advisers; Members of Parliament and UK Members of the European Parliament; members and senior officers of all non-departmental public bodies and of national health service bodies; non-ministerial office holders; members and other senior officers of other bodies discharging publicly-funded functions; and elected members and senior officers of local authorities."

(Committee on Standards in Public Life, 2001, p.1).

In the following year, the Government appointed a Parliamentary Commissioner for Standards who was made responsible for monitoring the effectiveness of the Register of Members' Interests outside the House of Commons, advising the Parliamentary Select Committee on Standards and Privileges on all proprietorial matters relating to the disclosure of interests by Members of Parliament and investigating complaints about their conduct in cases where she believed such investigations were necessary.

In its First Report of 1995, the Committee on Standards in Public Life set out seven principles to be applied in determining where the boundaries of acceptable conduct should lie in public life. It also recommended that urgent remedial action should be taken to maintain and enforce these standards. The seven principles laid down were those of selflessness, integrity,

objectivity, accountability, openness, honesty and leadership.

The Committee, however, went further than prescription and exhortation. It recommended that all public bodies throughout the United Kingdom should be required to prepare their own Codes of Conduct that incorporated the seven principles. They were also required to set up internal monitoring procedures and independent forms of scrutiny, designed to maintain and enforce these principles.

Since its establishment in 1994, the Committee has published seven reports covering its extensive enquiries across a wide range of British public institutions. Detailed comment on its findings and numerous recommendations is not possible in a short essay of this kind. Nevertheless, the clear and consistent message that comes through all of these reports is the Committee's insistence that the seven principles must be operationalised and incorporated into the daily practice of Government and other public institutions at all levels - and that there should be "appropriate penalties for failing to observe Codes of Conduct" (Committee on Standards in Public Life, 2001, p.10).

In addition to the formal institutions of central and local government, much of the day-to-day conduct of British public affairs is delegated to a variety of single purpose non-governmental and extra-governmental agencies which are wholly or largely publicly financed. They include quangos (quasi-autonomous non-governmental organizations) and other kinds of quasi-governmental agencies which play a major role in the day-to-day management and delivery of social and other public services.

As Butcher observes, this whole field of service provision "is surrounded by definitional uncertainty" and their steady growth has been widely criticised because they are insufficiently subject to "democratic accountability and control" (Butcher, 1995, pp.51 ~ 51). There are currently 5,750 such extra-governmental organizations in Britain today and they are responsible for spending over 50 billion of public money. The ultimate responsibility for the appointment

of most of their non-elected members rests with Ministers.

The Committee on Standards has reviewed these arrangements and recommended that these appointments should be subject to closer independent scrutiny by a Commissioner for Public Appointments. A Commissioner was appointed in 1995. Vacant posts are now advertised and appointments are made on merit with conditions of greater 'transparency' and 'openness'. Quangos fulfil many useful functions in the conduct of British public life but they are still widely criticised for their lack of accountability in an increasingly 'consumer-orientated' society (Dearlove and Saunders, 2000, pp.315~317). At the same time, it should be noted that most of these agencies recruit a proportion of their committee members from the general public. They offer considerable scope for the involvement of so-called ordinary citizens who want to become active in the conduct of public life.

Many other statutory and non-statutory bodies are involved in the regulation of British public life. The Audit Commission for Local Authorities and the National Health Service in England and Wales regulates stewardship and efficiency of these authorities. The Charity Commission undertakes similar duties with regard to the 187,000 registered charities in the United Kingdom. The Financial Services Authority regulates the activities of the occupational and private pensions, life insurance and investment industries. It also works closely with the various self-regulatory bodies of these industries. Disputes between policy holders and insurance companies that cannot be resolved at these levels of mediation may be referred to the offices of the Insurance Ombudsman.

In the more general field of civil rights, aggrieved citizens can appeal for remedy to statutory bodies like the Equal Opportunities Commission, the Commission for Racial Equality, the Health and Safety Commission and a diversity of other Tribunals that mediate disputes between citizens and service providers, employers and so forth.

Conversely, successive Conservative and Labour Governments have required the statutory social security agencies to enforce stricter checks on the incidence of benefit fraud. Labour's New Deal social welfare programme includes a Benefits Integrity project designed to discover and sanction fraudulent claimants and to encourage genuinely needful citizens to claim benefits to which they are entitled. In 1997, benefit fraud was costing the Government and tax-payers in the region of 1.7 billion a year. The value of benefits not claimed by eligible citizens was in the region of 1.14 billion. The Inland Revenue now enforces stricter deadlines for the assessment and payment of income and other taxes and imposes financial penalties on individuals and companies that fail to meet these requirements.

The law and statutory forms of control and regulation have a vitally important role to play in the maintenance of social order and the conduct of public life. There are, however, some cogent reasons why these regulatory tasks ought not to be left exclusively to the agencies of government. First, governmental agencies do not possess the skills and competencies that are required to regulate all of the institutions of civil society. Secondly, whenever they attempt to do so, they soon acquire too much power and become oppressive, inefficient and unaccountable in the conduct of affairs. Thirdly, and most importantly, nations only become genuine democracies when their citizens become actively and continuously involved in running and regulating their own lives with a minimal degree of government intervention. Fourthly, democratic freedoms and most likely to flourish when as much regulation as possible is based on voluntary consent rather than the threat of legal sanctions.

This is not to deny that government will always have a vitally important role to play in the regulation of civil affairs. Indeed, throughout the nineteenth and twentieth centuries, there has been a steady growth in the powers and activities of the state affecting the institutions of civil society and the day-to-day lives



of ordinary people. The growth has continued regardless of the political complexion of governments.

One of the few counterweights to this long-term trend towards centralisation has been the parallel growth of self-regulatory bodies in British civil society. Self-regulation has developed most successfully in major industries like advertising, the press, aviation, insurance, gas, electricity and water, as well as in all the major professions. They regulate their activities and deal with complaints from members of the general public in accordance with the requirements of their own codes of ethical conduct. Many of them also appoint members of the general public to serve on their regulatory councils.

The history of nineteenth century political and social thought shows that all the great advocates of liberty warned against the rising tide of statutory encroachments on the institutions of civil society. They vested their hopes in the growth of intermediate self-regulatory and voluntary associations which would mediate between the state and the individual citizen and would prevent the undue concentration of power and influence in the hands of politicians and government bureaucrats.

The principles and practices of self-regulation have always occupied a central and distinctive place in the context of British civil society. The case for self-regulation rests on the premise that in complex democratic societies self-imposed rules are likely to carry a greater moral authority and, consequently, to work with greater effectiveness than externally imposed legal rules.

Self-regulation works well because it is accessible to everyone, rich and poor alike. It is generally fast and flexible in its conduct of business and it operates at no cost whatever to the government or tax-payers. Nevertheless, since self-regulation depends on voluntary compliance it can only work effectively if its codes of ethical conduct are based on the civic traditions and customary values of the industries and occupations which it oversees and the general public which it serves and protects.

Self-regulatory codes of conduct must be informed by the realities of everyday professional practice and the expectations of ordinary people. These practices and expectations are, in turn, underpinned by their attachment to more general principles of ethical conduct and formal doctrines of natural rights and obligations.

These formal doctrines may claim to have universal validity but the business of self-regulation is a highly practical activity. Regulators have to apply general principles - which often conflict with one another - to specific cases as they arise in specific societies, each of which are characterised by their own distinctive political and civil cultures. For these reasons, any society that decides to encourage the growth of self-regulatory institutions can learn much of benefit in general terms from the experience of other societies. It must, however, develop its codes of practice from the ethical components of its own distinctive culture.

We also need to remind ourselves that in democratic pluralist societies the opportunities for active civic participation in public life extend far beyond the boundaries of formal governmental and non-governmental institutions. In the contexts of social welfare, family members provide countless unpaid acts of care and support to each other, their friends and neighbours, without need or benefit of expert advice. Schools, churches, neighbourhood associations and informal volunteer groups all have significant contributions to make in the renewal and enrichment of community life. At the same time, it is important to remember that pluralist societies are characterised by a high degree of cultural diversity. In seeking to nurture the growth of responsible citizenship and the bonds of social solidarity, it is vitally important - in the interests of personal freedom - to respect and tolerate these cultural differences. Too little social control leads to anarchy but too much control - notably at the informal levels of everyday life - produces new kinds of authoritarianism. As in the formal conduct of political and public life, we have to find a middle way between extremes.

Finally, we must take account of current trends in the international economy. Over the past twenty years, as we have noted, the globalization of industrial production and trade has given rise to much speculation and uncertainty about the future development of national welfare states. This process of globalization is already beginning to undermine the economic sovereignty of independent nation states, the welfare expectations of their citizens and the institutional frameworks of interdependency and reciprocity through which these expectations are met.

The real challenge that faces governments throughout the global world of today is that they cannot guarantee the right to work for their citizens. Consequently, governments can only place on citizens an obligation to seek work and citizens, for their part, are obligated to demonstrate a genuine willingness to seek work and to accept the offer of a job if they are unemployed. This trend towards placing more emphasis on the obligations of citizenship than on its concomitant rights and entitlements has been given added momentum by the processes of economic globalization.

When sovereign nation states lose control over their own economic and political policies, their citizens are effectively disenfranchised. When international authorities are unable to regulate the free play of global market forces, we reach the point at which the gradual evolution of civil, political and social rights comes to a halt and then goes into reverse. Citizens, thereafter, will live as hostages to economic forces which neither they, nor their governments, control.

In the years ahead, it will not be possible to reconcile the imperatives of competitive market capitalism and social protection unless we are willing to sacrifice some elements of our national sovereignty and become more outward looking and inclusive in our thinking about the ends and means of social welfare policies. All the past challenges that we faced and the compromises that we reached in the creation of our national welfare states must be

confronted and resolved again in the context of a global economy.

"We have to find a new kind of global middle way between the extremes of competition and co-operation because: we cannot pursue the philosopher's tone of market individualism without unravelling the delicate strands of interdependency that hold civil societies together. No can we give unqualified support to the collectivist ideologies of equality, fraternity and co-operation. If we neglect the imperatives of wealth creation, we will end with equal shares in poverty. Ideologies, like material goods and services, are subject to a law of diminishing returns. As with material goods and services, so with the doctrines of individualism and collectivism - and for the same reason - no single political ideology can encompass or reconcile the diversity of human principles and desires that find expression in the institutions of a free society." (Pinker, 1995(b), p.83).

If we fail to resolve these issues at an international level, we will end by destroying the institutional frameworks of democratic citizenship and social protection that have taken us so long to build at the national levels of economic and social policy. If we succeed, we will begin making the global future into our future. We will stop treating the global economy as if it were a phenomenon driven by impersonal and unaccountable market forces. Given the necessary political will, these forces can be better regulated and made more accountable. But the exercise of prudent budgeting and responsible self-regulation must always begin at home in the context of independent nation states.

Finally, it needs to be emphasised that welfare expenditures and other social costs are not impedimenta to wealth creation. These forms of social protection were key elements in the structures of political order and solidarity which have made possible the continuous creation of wealth in competitive markets since the end of the nineteenth century. This positive association

between competitive markets and social protection has been developed and sustained throughout the greater part of the twentieth century in the contexts of many sovereign nation states. The challenge facing us in the coming century is to make this mixed economy of work and welfare function more effectively in the context of a global economy, without detriment to the status of citizenship and the legitimate claims to social welfare associated with that status.

## 6. Conclusion

In this essay, I have tried to describe what I consider to be the essential philosophical and institutional preconditions for the successful development of productive welfare policies or - for that matter - all other kinds of pluralist welfare policies, so I have given particular attention to the institutional and cultural foundations that must be firmly established before citizens will begin to trust in the integrity of their governments and, conversely, governments will begin to trust in the integrity of their citizens. I have also argued that democratic societies work best and democratic freedoms are most secure when legal sanctions and statutory regulations are complemented by an extensive measure of voluntary compliance and self-regulation on the part of individual citizens and the institutions of civil society.

I have made extensive reference to examples drawn from British experience in regulating the conduct of public life. In doing so I am mindful that, despite the impact of recent reforms, financial scandals and abuses of power and influence still occur from time to time across all the dimensions and levels of public life. And they will continue to do so because no regulatory system will ever be perfect. Nevertheless, I remain convinced that significant progress has been made in recent years and that the current state of affairs is much better than it would have been had these reforms not been implemented.

A welfare society - a distinct from a welfare state - is a society in which people assume a substantial degree of responsibility for their own welfare and the well-being of their families. These informal networks of concern and social care provide the moral and cultural foundation on which the formal structures of statutory and voluntary social services develop. Taken together, these interactive networks and structures make up the institutional elements of welfare pluralism and productive welfare. Although conflicts of interest and value frequently arise between these institutional elements they are, in the last analysis, dependent upon each other. The welfare of many individuals and families would be jeopardised if statutory social services were to disappear. Conversely, the statutory social services could not compensate for or provide adequate substitutes if the structures of familial altruism ceased functioning.

It is an encouraging portent for the future development of Korea's productive welfare model that it makes provision for building closer partnerships between its statutory and non-statutory social services.

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