Foreword

The premise of this fine collection of essays has become unfashionable in recent decades. The rise of the neoliberal order, the Washington Consensus, ‘there is no alternative’ and la pensée unique, entailed a decline of professional interest, among economists, in social institutions and the structures of economic life.

As part of this, trade unions, wage norms, workplace standards and social insurance programs have come to be seen by many economists and political leaders as obstacles to rather than instruments of progress. We are told – even by the King of the Netherlands – that the ‘welfare state has ended’. It is to be replaced by something called the ‘participation society’. The irony of hearing this from the lips of a monarch, whose family activities cost the Dutch taxpayer some 100 000 000 euros per year, was perhaps not entirely lost on his subjects.¹

Janine Berg and her colleagues at the International Labour Office present a different view. They argue that participation occurs through, and is mediated by, organizations, institutions and governments. Workers organize into unions to contest for rights in the workplace, for decent wages and social protections. Institutions consolidate gains, creating structures of precedent on which more gains can be based. In principle – if not always in practice – governments represent the expression of democratic will. Democratic politics and its consequence – the welfare state – are therefore the essence of participation and not some contradiction to it.

Moreover, though battered, besieged and often declared dead, the welfare state survives. It survives because it has to. It survives because in the modern world the alternative is chaos. There is a libertarian fantasy that economies can be re-based on individual saving, self-reliance, de-unionization, privatized health, education and retirement, and deregulation and de-supervision of markets. It is a fantasy with powerful backing, to be sure, but lobbies cannot turn fantasies into functional economics.

In the modern world, private markets depend on the assurance of quality that only effective regulation and supervision can provide. Without that, they have a strong tendency to collapse; people will not
patronize markets or industries that they cannot trust. In the modern world, private markets also depend on the purchasing power of their customers, stable and consistent through time, which only effective social insurance and good wages can assure. Without that, they have a strong tendency to decay. People will not spend if they have no incomes they can rely on.

There are strong efforts to destroy the welfare state, and they have taken their toll. We see the consequences in the ongoing dysfunction of American banks. We see it in the ongoing crisis of the European periphery—a crisis of insolvent governments, failing institutions and declining demand. We see the consequence of a failure to construct the welfare state in the first place in the social stresses of India, of rural China, and many other regions. On the other hand, we also see the benefits of building a welfare state, even at this late date, in the recent progress of Brazil, Argentina and Ecuador.

The purpose of this book is to survey the major labour market and social welfare institutions around the world. This volume therefore brings together papers on trade unions, wage standards, pension protections, fixed contracts and part-time work, redistribution and social insurance, and public goods. It concludes with consideration of the specific effects on women, migrants, and youth.

In my view and that of these scholars, the essence of economic development lies in the defense, consolidation, and gradual expansion of social institutions, of social norms and standards and of social insurance. As shown here, the extent of these institutions varies greatly across the world. And the variations coincide closely with the common distinction between developed and developing countries: the stronger the institutions, the higher the state of development. This is not accidental.

Good governance, social stabilization and economic justice are not luxuries that weigh down and impede the process of development. They are the essence of development itself. They are what distinguish the successful countries from everyone else. At some level, we all know this. This book provides the documentation required to carry the point.

For this reason, those who would replace the great economic institutions of the past century with fanciful phrases about ‘self-reliance’ and ‘participation’ are not in the vanguard of some new form of progress. They are merely the wrecking crew. Much will depend on whether they can be stopped. In this book, Janine Berg and her ILO colleagues make a valuable and timely contribution to that end—and therefore to the cause of economic justice.
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