United Nations
Research Institute
for Social Development

Social Policy in a Development Context

Report of the UNRISD International Conference
23–24 September 2000, Tammsvik, Sweden

Contents

This two-day conference, organized by UNRISD in collaboration with the Olof Palme International Center (OPIC) and funded by the Swedish International Development Cooperation Agency (Sida), was concerned with the meaning and role of social policy in the context of development. It was the first activity of the Institute's project on **Social Policy in a Development Context** and brought together over 40 participants, representing academic and research institutions, and national and international agencies. This three-year research project, with several thematic components and a strong dissemination programme, is now being further developed at UNRISD, drawing on the contributions to the conference.

The participants had been asked to prepare a short note commenting on the project's background paper[1] and identifying research themes. The background paper tackles the following problem: *How can social policies be used to enhance social capacities for economic development without, in the process, eroding the intrinsic values of the social ends that policy makers claim to address?* It argues that this requires rethinking social policy away from its conception as a residual category of "safety nets" that merely counteract developmental disasters, and toward its conception as a key instrument that works in tandem with economic policy to ensure equitable and sustainable development. Developments in economics and other disciplines have revived interest in this problem, with new analysis bringing to the fore "social" issues that had thus far been neglected. Furthermore, political necessities and policy shifts have made it imperative to rethink the role of social policy in the context of development.

The problem of the relationship between social welfare and economic performance, the paper argues, has a long pedigree. Although much contemporary criticism of economic development is directed at the absence of "social dimensions" as core concerns, most of the pioneers of economic development were drawn to the subject because it addressed issues of poverty. They considered the elimination of poverty the central preoccupation of development, and economic growth an important *instrument* for achieving that goal. However, in more recent years, the dominant position has been that they are inherently in conflict. Hence social expenditure is seen merely as paying for social consumption. As such it is considered to have a negative impact on economic development because it reduces savings and, therefore, investment.

The opposing point of view restates the trade-off thesis in favour of equity. Here the use of social policy as an instrument is unacceptable on principle, because it downplays the importance of social goals. Usually, crit-

[1] Thandika Mkandawire, **Social Policy in a Development Context: An Issues Paper**, PP SPD 8, UNRISD, Geneva, 2001.

ics of "instrumentalization" are engaged in project or micro-level activities to empower social groups or directly address problems of poverty. With their attention fixed on the livelihood strategies of individual households or communities, however, many of them fail to relate these micro-level strategies to macro-level social policies or economic performance. As a consequence, social development has tended to focus on needs, whether these are expressed as "basic needs" or "sustainable livelihoods". While such a focus has served as a healthy reminder of what the purpose of economic development is, it has also tended to give social policy a residual character (again, as something that entails costs and is thus likely to slow economic development).

During the conference, 25 speakers presented their comments on the background paper and led discussions. Their contributions and discussions are re-grouped in the present conference report under four broad themes: (i) social policy and macroeconomic policy: integrating "the economic" and "the social"; (ii) industrialization, employment and social policy; (iii) globalization, social security and the privatization of welfare; and (iv) welfare regimes, social settlements and livelihoods: is a North-South dialogue on social policy useful?

(i) Social Policy and Macroeconomic Policy: Integrating "the Economic" and "the Social"

One of the most fascinating discussions at the conference centred on the meaning of social policy, and whether it is legitimate to separate it from economic policy. Several speakers contested the division between "economic" and "social" policy, arguing that it is a false dichotomy. According to this point of view, the separation of economic and social implicitly assumes that there exists an objectively definable economic sphere that is distinct from other spheres of life. But this is a problematic assumption to make. The market—the economic institution *par excellence* of neoclassical thinking—can be defined only with reference to the rights and the obligations of its (legitimate) participants. These are in turn products of various (explicit or implicit) political decisions, and not some "scientific" law of economics. As it has frequently been argued, the market itself is a political and social construct. Likewise, the term "economic policy" is very often used as shorthand for policy whose underlying structure of rights and obligations is relatively uncontested—or, more likely, to suggest that it should not be contested. Thus, accepting the dichotomy between economic policy and social policy amounts to endorsing, tacitly at least, political and social values that perpetuate the segregation of these two spheres in the *status quo*.

"The best way to pursue social policy is to correct the biases of economic policies."

Others argued that there are some distinctions to be made between economic and social policy (although different from those advocated by neoliberals). These distinctions reflect differences that stem from divergent rhythms and modalities of, on one hand, the market-driven commodity economy and, on the other, the non-market-based care economy. There are also different institutional responsibilities for economic policy and social policy; different policy analysis communities, interest groups and lobbies.

These issues have long been subjects of debate among political economists and sociologists. The present interest owes a great deal to the questioning of the neoliberal consensus that has coincided with an apparent rediscovery of "the social". But this revalidation of "the social", as several participants argued, has many problematic features. It is happening mainly at the micro level, and on terms that are compatible with neoclassical microeconomic thinking. Concepts like "social capital" blur and obscure the tensions between capital accumulation and social reproduction—tensions in which the distinctions between the economic and the social need to be grounded. At the macro level, however, "the social" is still very much seen as an afterthought—as "sound" macroeconomic policies that emphasize market-based criteria, stabilizing the price level and reducing the role of the state continue to be designed, and then social policies "added on" to achieve socially desirable outcomes.

The World Bank's Comprehensive Development Framework was mentioned as one illustration of this approach. It takes "prudent" fiscal and monetary policies as its essential backdrop, while the specification of what these are is treated as beyond discussion. Likewise, the International Monetary Fund's (IMF's) concern with social policy in the context of debt relief initiatives is about adding on new sectoral policies to help those adversely affected; it is *not* about reconsidering the design of macroeconomic policies.

Yet contrary to the woefully inadequate way in which "the social" has been adopted by the international financial institutions (IFIs), the fundamental purpose of integrating "the economic" and "the social" is to rethink the former so as to design macroeconomic policies that are capable of generating favourable social (as well as economic) outcomes. While there was no consensus among conference participants as to the usefulness of maintaining the distinction between economic and social policy—some clearly found the distinction useful, while others felt it would unduly constrain the research and policy agenda—there was considerable agreement about the necessity of revisiting macroeconomic policies and removing their social biases, which were identified as the "deflationary bias" and the "male breadwinner bias".

Rethinking macroeconomic policy

For the past 20 years macroeconomic policy has been blindly pursuing cutbacks in aggregate public expenditure and the money supply in order to reduce deficits and curb inflation. This has been carried out in conjunction with a series of changes at the micro level to remove "distortions" and promote market efficiency. In other words, the main goals of macroeconomic policy have been low inflation and balanced budgets, regardless of the implications for social development (and, indeed, growth).

"Despite all the reforms, global growth has been slower over the past 20 years than before—that is the bottom line. Inequality has been rising over the same period in about two thirds of the countries where orthodox policy reforms have been introduced. And there is a massive increase in instability—related to financial, currency and banking liberalization—which provides negative incentives for the investors."

Yet, as one speaker argued, it is important to reiterate the point that these have not always been the priorities of macroeconomic policy. Social development—expressed in terms of full employment—lay at the heart of Keynesian economic thinking, which underpinned policy debates for much of the postwar period. During the interwar years, neoclassical thinking had insisted that recessions had to be countered by reductions in wages and in public expenditure, with disastrous social and political consequences. Keynes took a different course. His argument in essence was that money constrained human development by being kept in short supply so that there was not enough effective demand to generate full employment, and the shortage was made worse by governments giving priority to balanced budgets and "sound finance".

"We have to insist that there are more than two alternatives. We do not have only the choice between an IMF-approved 'responsible policy', on one hand, and hyperinflation and falling per capita income, on the other."

Contrary to the central lesson drawn by Keynes from the interwar experience, for the past two decades the IFIs have promoted stabilization (shock therapy) and structural adjustment policies in most developing and transitional economies that have depressed growth, led to massive inequality and social polarization within and between countries, and reduced the role and capacity of the state. Even among conservatives it is now accepted that stabilization tends to be excessively deflationary and therefore triggers recessions that are "greater than necessary". Besides, the period over which market reforms were implemented witnessed slower growth rates in virtually all regions of the world, than during the previous 15 years.

In light of this failure, some fundamental questions about macroeconomic policy need to be reopened, and some of the key components of orthodox stabilization policy need to be questioned. What constitutes a "sound" macroeconomic policy? What is a sustainable budgetary deficit? Even the IMF's own evaluations have indicated that the criteria (for reducing budgetary deficits) adopted by the Fund in different countries have been far too restrictive. Above what rates does inflation become costly for an economy? Again, there is ongoing debate on this, but research is showing that inflation rates of less than 40 per cent are not costly for an economy in terms of output. Under what conditions can external liberalization work? And, more importantly, what needs to be done when those conditions do not prevail? In order to address problems of poverty, deprivation and increasing inequality, the most urgent task is to grasp the distributional implications of these key macroeconomic decisions. Without a major transformation in macroeconomic processes and decisions, the policy community will still be running after the problem and trying to fix it with safety nets and other residual rescue packages.

More broadly, the increasing liberalization of financial markets has induced governments to adopt policies that are primarily aimed at maintaining their "credibility" in financial markets, such as high interest rates, tight monetary policies and fiscal restraint. The result is a "deflationary bias" in macroeconomic policy that prevents governments from dealing effectively with recession, unemployment and underemployment. The rise in real interest rates has raised the share of output accruing to financial rents and reduced that accruing to wages and profits.

Yet, as other participants cautioned, the removal of the "deflationary bias" would not by itself deal with all systemic sources of social bias in macroeconomic policy. Feminists draw attention to another macro-level systemic social bias: women face "entitlement failure" not only through the deflationary bias but also through the "male breadwinner bias"—the bias that comes from assuming that the unpaid care economy is articulated with the market economy of commodity production through the wage paid to a male breadwinner, which largely provides for the cash needs of his dependents. The male breadwinner bias constructs the ownership of rights to make claims on the state for social benefits around a norm of full-time, lifelong working-age participation in the market-based labour force. Those whose participation does not fit this norm typically have lesser rights. Hence if macroeconomic policies are to produce socially egalitarian outcomes, full employment must be complemented by entitlements for those in part-time and informal paid work, and for those who provide unpaid care.

In short, the pursuit of neoliberal policies over the past 20 years has produced very poor results—not only in terms of poverty and income distribution, but also as far as economic growth is concerned. Some of the key components of orthodox policies have been questioned. Despite the accumulated evidence of failure, and the recent moves by the policy community to revalidate "the social", there has been very little change in the objectives pursued through macroeconomic policy. Whether economic policy has actually entered a post-Washington consensus phase, participants concurred, was questionable.

Macroeconomic policy, democracy and social dialogue

Macroeconomic policies address financial constraints—and financial constraints depend on the pattern of ownership and control of financial resources and the willingness of different groups of people to pay taxes and buy government bonds. These constraints are not predetermined; they are shaped, to a large extent, by social and political conditions. Sometimes policy makers make the mistake of trying to circumvent financial constraints by printing more money while leaving the structure of financial power intact. Such an approach does not inform the public about the social content of macroeconomic policies. Which groups are currently strong enough to set the parameters and which groups are forced to adjust their activities to the parameters set by others? Whose contracts will be honoured and whose contracts will be broken? As such, the social biases in macroeconomic policy remain obscure.

Referring to the 1997 crisis in East Asia, one speaker argued that what the IMF effectively did in that context was to "bail out" the financial institutions, while the workers and other popular groups were denied their entitlements. The macroeconomic policies that the IMF prescribed did not simply have a negative social impact. Their design embodied profoundly unjust social content, prioritizing the rights of creditors over the human rights of the peoples of East Asia. This was not because there was no "sound" alternative macroeconomic policy available, but because the IMF chose to prioritize the interests of the financial institutions.

Macroeconomic policy will always be a balancing act. The tensions between capital accumulation and social reproduction must be clearly grounded in open social dialogues, because this is what is needed in order to relate macroeconomic policies more directly to social development and social rights. Since the early 1990s there has been a strong wave of democratization in most regions of the world that should, in principle, strengthen social dialogues, make them more inclusive and allow the poor to have more voice in the polity. In theory, a political democracy works on the basis of one person-one vote, and the distribution of votes, unlike the distribution of incomes and assets, is equal. Given the numerical preponderance of the popular social strata, their needs and demands should be reflected in the priorities set by the political system.

In practice, however, the relationship between democratization and the delivery of social welfare is far more complex and indeterminate. To illuminate the complexities, one of the conference participants distinguished between "performance legitimacy" and "democratic legitimacy". An authoritarian regime might seek to bolster its legitimacy by arguing that it alone can deliver desired policy results (performance legitimacy). This might include the delivery of social services and amenities. But the problem here is twofold. First, not all authoritarian regimes deliver good performance. When they fail to perform they become prone to delegitimation. Alternatively, by delivering good performance an authoritarian regime may overcome the reasons for fearing democratic instability. Here, too, performance legitimacy has proved time-limited. By contrast, democratic legitimacy means "we all share responsibility for our policy achievements, and for our policy mistakes". If performance proves poor, a democratic regime does not necessarily lose legitimacy—in principle, democracy offers the safety valve of the collective ownership of policy making and access to electoral alternation. A regime depending on performance legitimacy may be under great pressure to deliver social policy benefits of one kind or another. In the 1980s, when many Latin American regimes could no longer sustain active social policies, they switched to democracy. This meant that

"In Europe, at least, we seem to have gone back somewhat to an earlier period when economic policy was supposed to be a matter for bankers, civil servants and a few experts."

"Ironically, the 'openness' of capital markets is conducive to an absence of 'openness' in policy discussions, for fear that the wrong signals will be sent and the volatile sentiments of capital markets will be disturbed. It is difficult to have a policy dialogue when some of the key players do not have a stake in the outcome beyond the next few hours."

political stability could be attained despite the liquidation of welfare policies. Democratic legitimacy thereby sanctioned bad social performance.

There is an additional factor that complicates the relationship between democracy and social policy. Despite the global tendency toward democratization, there is another trend gathering strength with globalization: the increasing technocratic style that seems to inform the making of economic policy in many countries (and in multilateral economic institutions). This is making it very difficult to have a social dialogue on macroeconomic policy. What is important to emphasize is that the possibility of determining macroeconomic policy through an open social dialogue is being foreclosed *not* by the technical requirements of macroeconomic policy (as is often claimed), but by fear of pre-emptive exercise of the "exit" option by financial institutions. Their ability to "exit" rather than join in a policy dialogue is in fact the result of the openness of capital markets.

(ii) Industrialization, Employment and Social Policy

Broadly speaking, it can be argued that the two "labourist" models of development that competed during the middle decades of the twentieth century—welfare state capitalism and state socialism—were both based on the promotion of full employment and the security of labour. The economic, regulatory and social policies that these models promoted were intended to achieve progress in all types of labour security. These ranged from labour market security (through the provision of adequate employment opportunities and state-guaranteed full employment) and employment security (through protection against arbitrary dismissal), to work security (through protection against accidents, and safety and health regulations), skill reproduction security (through widespread opportunities to gain and retain skills through apprenticeship and training), income security (through minimum wage machinery and comprehensive social security) and representation security (through a collective voice in the labour market).

"In every era and in every society, social policy of some sort is given priority. Social policy is not something that fades and comes back. It is an issue that is always there in different forms."

The welfare state has been politically underpinned by corporatist arrangements for dealing with distributional conflicts—that is, conflicts of interest between capital and labour. Under corporatism, in return for leaving managerial functions largely in the hands of management, there was to be some redistribution, whereby income would shift in favour of workers and lower income groups. Labour unions and workers struggled for what amounted to a gradual "decommodification" of labour through raising the "social income"—not just raising money wages, but shifting a growing share of remuneration into enterprise benefits and state benefits.

The experience of "late industrializers" is particularly pertinent here because it provides a powerful argument for rethinking social policy. It has been argued that late industrializers were likely to evolve different institutional forms in order to exploit their lateness and to catch up. More specifically, the state was bound to play a much more active role in these countries compared with the pioneer industrializers. However, as the background paper argues, what has rarely been explicitly theorized is that among the institutions adapted for such late industrialization were those dealing with social policy: these same latecomers were among the pioneers of the modern welfare state. In other words, implicit in late industrialization was social policy that served not only to ensure national cohesion (as is often asserted of Bismarck's innovative welfare legislation), but also to produce the social pacts and the human capital that facilitated industrialization. The conference presentations on the European and Asian late industrializers explored and elaborated this theme.

Diverse historical trajectories have led to the emergence of corporatist arrangements in the European late industrializers like Finland, Austria and Sweden. Grappling with a sensitive security context and the ever-present possibility of war, Finland, like Austria (and indeed the Republic of Korea and Taiwan Province of China), "could not afford failure". Beginning in the 1930s, and intensified by the experience of war, there were popular mobilizations and nationalist movements. Nationalism was perhaps the key ingredient at this juncture, but there were other social movements as well, like the labour movement and the autonomous churches that created a society where "everybody belonged" to some greater entity. This factor, together with a meritocratic state bureaucracy, in effect set the foundation for a corporatist arrangement capable of resolving capital-labour conflicts. In this framework, organized economic agents deal with distributional conflicts and reach key economic decisions. This arrangement has implied long-term class compromise in which workers abstain from using their full bargaining power and the state guarantees a high level of investment and capital accumulation, as well as basic public services and social security transfers.

At first sight, the experiences of the Asian late industrializers would seem to diverge from this model. This is, partly at least, because the "Asian model" has been mystified by both its proponents and its critics. It is important, however, to resist the idea that East Asia has been a "social policy-free zone", one of the speakers cautioned. The first problem with this argument is that it is based on the misconception that East Asian countries did not have many social policies because they did not have many social problems. In reality, social peace in East Asia is a relatively recent achievement. It is sufficient to go back only 20 to 30 years in order to find wars, military *coups d'état*, race riots and massacres in almost every country of the region—even the Republic of Korea, despite being one of the most homogeneous societies in the world. More importantly though, it can be argued that these countries achieved social peace and reduced social tensions by employing a wide range of implicit and explicit social policies.

A closer look shows that successful East Asian countries pursued social policy as handmaiden to their aspirations of rapid industrialization. While East Asian countries are low spenders on welfare, the state has nevertheless played an important role as a regulator, enforcing welfare programmes without providing direct finance. The social policies pursued include land reform (for example, China, the Republic of Korea and Taiwan Province of China); some degree of protective measures for ordinary workers (for example, legal priority for wage claims over other claims in case of enterprise bankruptcy); public housing (especially in Hong Kong and Singapore); ethnic redistribution; restrictions on luxury consumption (especially in Japan, the Republic of Korea and Taiwan Province of China); and government-administered rural micro-credit programmes. Moreover, to a significant extent, social welfare activities were embedded in the corporate structure. Those fortunate enough to work in the large Korean *chaebols*, for example, receive housing benefits, subsidies for their children's education, medical insurance and so on, in addition to benefiting from the famous lifetime employment system. While corporate welfare is inferior to a citizenship-based welfare system, it may nevertheless operate to prevent the emergence of private provision and thereby help prevent worse forms of social polarization.

Recently, some of these implicit social policy measures have come under attack due to changing national and international circumstances. Some measures, such as the protection of small retailers, are criticized for being a covert form of protectionism that is unacceptable in the era of globalization. Others, such as corporate welfare, labour protection and an ownership ceiling for farmlands, are criticized for reducing international competitiveness. Job quotas for different ethnic groups are attacked by both insiders and outsiders for being inefficient and unfair. While some of these criticisms are valid (and there is certainly room for improvement), what they tend to miss is the bigger picture: what the East Asian countries have been "buying" with these sometimes (but not always) inefficient and sometimes unfair social policy measures are social cohesion and political peace, which have been the foundation of their prosperity.

The 1997–1998 crisis brought out some of the serious weaknesses of the East Asian welfare model (the "developmental welfare state", as one speaker called it). Most importantly, the crisis demonstrated that the model's viability depended on high growth rates and that, in times of crisis, the system could not provide the social safety net that welfare systems are supposed to. In other words, the institutional arrangements of the East Asian welfare system were based on the implicit assumption that full employment could be maintained. Built on successful integration into global markets, the model was also vulnerable to external factors.

In countries like the Republic of Korea, the policy response to the crisis has on the whole been positive. Political democratization and its interactions with the fallouts from the region's economic crisis seem to have prompted the search for more universal social provisions, such as the Employment Insurance Programme and the extension of the National Pension Programme. Indeed, it was argued that exposure to economic vulnerability (globalization) and the unfolding democratization of politics have provided a strong impetus for the welfare state in the Republic of Korea to evolve some distance away from its original incarnation as the "developmental welfare state". These are, however, very recent developments. Kim Dae Jung's government has not had a parliamentary majority and has had to enter into a coalition arrangement with a small third party that has proved unstable. Moreover, the tripartite committee (government, business, labour) that the government set up when elected has fallen into disuse because the business community has refused to cooperate. In these circumstances it remains to be seen how far the government can implement its "social democratic" objectives.

Labour market insecurity

Encouraging as some of these recent developments in East Asia may be, for the rest of the developing world the prospects seem rather bleak. To begin with, the "labourist" model was in fact never universal in its coverage. Not only was the entire *working* population not covered by its legal and social provisions—in particular those engaged in voluntary work, care work or community work, who were largely excluded—but a significant part of labour in the developing world never gained the wide spectrum of rights that became institutionalized under the welfare state.

In India, for example, only a small proportion of the workforce is in the organized sector—on regular wages or salaries, in registered firms and with access to state social security system and covered by its statutory framework of labour laws. A massive trend toward casualization of the labour force began even prior to the current era of liberalization. Since the 1970s the corporate sector has been attacking unions and deliberately casualizing labour forces and informalizing production through subcontracting and the like. State policy—on the ground—is therefore supporting the further erosion of rights at work and of rights to social security. During the decade of the economic reforms (the 1990s), the informal sector grew fastest and absorbed the most labour: in agriculture, manufacturing, construction, petty trade and services. Well over half of the unorganized workforce is classified as "self-employed"—a category that covers a wide range of contractual conditions, many of which thinly disguise forms of wage labour. The occupations of self-employed people and the "markets" for labour are persistently embedded in social institutions of caste, class, gender, state and so on. One clear upshot of all this is that it is not just the unemployed who are destitute, but also the mass of workers.

"Social policy is economic poliwcy because it regulates the most fundamental and abundant economic factor, particularly in developing countries: labour."

There have nevertheless been several important initiatives to provide state-mediated social security to the population. The welfare interventions set up in Tamil Nadu in 1989, through the distinctive redistributionist politics of its left-leaning state government, are an example. They include pensions for the aged, widows, agricultural labourers and physically handicapped people; survivor benefits; maternity assistance; marriage grants; and accident relief. Even so, the great majority of those eligible are not covered, particularly women. It was suggested that the absence of rights at work means that the idea of entitlement to state-mediated social security is completely unfamiliar to potential beneficiaries, as are the exchanges and procedures through which such an entitlement may be accessed. Another example, at the national level, is the system of social security—relatively generous by national standards—offered to public employees.

Since 1991, Indian rural development policy has also undergone a comprehensive reorientation. Land reform has been largely jettisoned. Public investment in rural infrastructure and irrigation has slowed down drastically. The new policy of targeting food subsidies excludes vast sections of malnourished people from the public distribution system. Reliable village data indicate that changes in national banking policy have had a rapid, drastic and potentially disastrous impact on the debt portfolios of the landless labour households. The withdrawal of formal sector credit for the village poor created a vacuum that the informal sector has rushed to fill. Every indicator of indebtedness that has been used shows that the exploitation of the rural poor in the credit market has intensified with economic liberalization.

It may be argued that even though liberalization has been highly regressive, significant numbers of people were "left out" and deprived of social rights even when developing country governments pursued various models of import-substitution industrialization (ISI). Yet the implicit premise in current policies promulgated by IFIs—that industrialization and employment are obsolete and "old-fashioned" policy objectives—must be strongly resisted. Whatever might be said in retrospect against the policies of the ISI period, concerns about employment and public-sector support of industrialization had a home *within* the policy thinking about economic development itself. Today, concerns about employment, particularly through the support of domestic firms, have no such home, and are no longer considered "serious economic development." These concerns have now been relegated to the realm of safety nets, and small-enterprise and informal-sector specific programmes. The focus on small firms and the informal sector, in turn, leads to blanket exemptions from paying taxes, and from observing environmental and labour regulastions. This largely undermines the social policy agenda. It is also devoid of the kind of strategic vision that can assist firms to become more productive and to help enhance employment objectives.

Moreover, despite the anti-subsidy rhetoric, in practice governments tend to subsidize industries in a variety of ways. One of the most conspicuous forms involves subsidies to attract multinational firms to a particular country or state—in addition to the well-known tax exemptions, infrastructure investment, credit provision on highly favourable terms, and discounts on energy and water supplies. Though the degree of subsidy may not be as great as during the period of ISI, the more important difference is the *ad hoc* nature of the subsidies, in which each one is the result of a particular deal—a "devil's deal" as one speaker described it. It is not clear whether this is any better or worse, in the aggregate, than the previous state of affairs. But it is clear that these subsidies are more the outcome of individual deals—with local as well as foreign firms—than of a strategic development vision, let alone a vision that includes sustainable employment objectives.

Whereas under Keynesian influence governments used macroeconomic policy to produce full employment, and microeconomic instruments to curb inflation, with the ascendance of neoliberalism, the role of macro- and microeconomic policy has been reversed. Macroeconomic policy is now expected to stabilize the price level, primarily by cutting public spending, while microeconomic policies are expected to encourage employment, by removing "rigidities". This constitutes a total reversal of priorities: governments have effectively surrendered the pursuit of full employment through economic policy. Most participants concurred that models of ISI, and industrial policy more broadly, with their strategic focus on nurturing national industries and providing employment, have become increasingly marginal to the central project of economic growth. But they offered different assessments of what strategies are needed to tackle this situation.

broken down, and nowhere in the world is the working class becoming a majority. The idea of constructing systems of mutual insurance around recognizing people's contributions to society—and not only their contributions to paid work—is going to become vital, therefore, for devising systems that are universal, inclusive and based on citizenship. It was also argued that given all that has happened over the past two decades with increasing "openness" and "flexibility", what is needed at present is a universal approach that gives income security and voice security to everyone, rather than getting caught up in nostalgia for a mythical "Golden Age" and in "fighting yesterday's battles".

Others argued that it is crucial to reinstate the Keynesian development vision, thereby legitimizing pursuit of the twin goals of national industrialization and full employment—at least as the starting point. This agenda would require bringing both the developmental state and national trade unions back into the picture, rather than allowing them to slip into oblivion. This would provide the opportunity to build essential institutions for regulating aggregate demand and cross-border flows, and provide the basis for an inclusive social dialogue in pursuit of security and prosperity for the majority (rather than enriching the elite).

Whether the goal is to construct "new" models or to reinstate models that have worked well in the past, what both arguments require (or assume) is the existence of a central administrative capacity that has the necessary reach throughout society and the necessary durability over time to sustain a developmental social policy. In many countries such political conditions are not in place: there is widespread state failure in many regions, and patchy and uneven state coverage in others. Building

"We have to reconsider the notions of 'labour' and 'work' because the failure of the twentieth century was to legitimize labour but not work—like caring work, voluntary work and community work. If we are going to re-embed social policy, then we are going to have to legitimize all forms of work in that process."