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# Inclusion and Exclusion in the Liberal Competition State

The cult of the individual

Richard Münch



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# **Inclusion and Exclusion in the Liberal Competition State**

This book examines the increasingly international division of labour that promotes transnational integration. It analyses the change in worker solidarity as it moves from collective national welfare to a transnational inclusion of workers from various links in the production chain.

Examining three types of welfare regimes within the USA, Germany, Denmark and Sweden, the author addresses how and why globalization is furthering the change from the welfare state to the competition state. The book considers in particular the change to solidarity taking place because of the internationalization of labour division; a change away from the segmented and differentiated system of nation states with strong internal national solidarity to broader, more inclusive and cross-border labour identity and inclusion. Analysing the deeper moral consequences of a globalized labour society, such as the paradigms of inclusion and justice, this book considers the implications of transnational labour on national welfare politics, and looks at the increasing significance of the transnational and national politics of inclusion in social policy, education, minority rights, immigration and gender equality.

*Inclusion and Exclusion in the Liberal Competition State* will be of interest to scholars and students of political science, sociology and social policy studying welfare state change.

**Richard Münch** is Professor of Sociology at the University of Bamberg, Germany.

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A comparative analysis  
*Riccardo Pelizzo and Frederick Stapenhurst*
- 46 Inclusion and Exclusion in the Liberal Competition State**  
The cult of the individual  
*Richard Münch*

# Figures

1.1	Interdependent fields of social change	6
1.1	Patent specialization, Germany and USA 2006–2008	13
1.2	A comparison of innovation regimes in social and liberal market economies	16–18
1.3	Medium high technology 1988–2008 and employment rate 1988–2008	31
1.4	Employment in services 1988–2008 and employment rate 1988–2008	34
2.1	Public expenditure and economic openness OECD	44
2.2	Population, transport, communication, world trade, INGOs, ratification of ILO Conventions, GATT and WTO accession 1960–2010	51
2.3	Gini ratio, USA	61
2.4	<i>Question 1: V153 Status differences are acceptable, by education over time</i>	69
2.5	<i>Question 2: V152 Income differences raise motivation, by education over time</i>	70
2.6	<i>Question 3: V169 State is to supply provision in case of illness, hardship, unemployment and old age</i>	77
2.7	<i>Question 4: V197 Should social benefits be cut in the future or should they be extended</i>	78
3.1	The double structure of authority in the national and transnational fields of politics	96
3.2	State and civil society I	124
3.3	State and civil society II	124
4.1	Unemployment rates 1980–2008 Germany, Denmark, Sweden, United States	146
4.2	Employment protection and employment rate	151
4.3	Employment protection and women employment rate	152
4.4	Share of aggregate income 1967–2009	153
4.5	Net migration rate – employment ISIC 6	155
4.6	Net migration rate – earnings dispersion	156
4.7	Union density and earnings dispersion P90/P10	157



4.8	P50/P10 percentile ratio of gross earnings and annual job growth	158
4.9	Crime rate in the USA	159
4.10	Incarceration rate in the USA	159
4.11	Earnings dispersion and property crime	160
4.12	Crime and incarceration	161
4.13	Household and family is women's job	180
4.14	Costs of childcare and fertility rate	181
4.15	Children (0–3 years old) in day care and fertility rate	182
5.1	Total robberies (1975–2008) in selected OECD countries	219
5.2	Incarceration rate and crime rate in the USA	220
5.3	Unemployment rate and qualification, West Germany/West Berlin	223
5.4	Unemployment rate and qualification, East Germany/East Berlin	224
5.5	Educational attainment and unemployment	224
5.6	Trade union density	226
5.7	The rise of service sector employment	227
5.8	Gross foreign direct investment (% of GDP)	229
5.9	Hourly labour costs in manufacturing (US\$) 1980–1995	230
5.10	The decline of industrial sector employment	231
5.11	De-industrialization, globalization, relative exclusion and deviance	235
C.1	Class structure and results of the Hessian state elections of 25 September 1983	253
C.2	Class structure and results of the Hessian state elections of 18 January 2009	254
C.3	Education and voting behaviour at the Hessian state elections on 18 January 2009	255
C.4	Causal factors, pathways and stations of societal change	260
C.5	Interdependent processes of societal change	263

# Tables

1.1 Indicators of education and research, government action, economic achievement and inclusion in the labour society	25
1.2 Share of the technology industry in manufacturing exports 2008/2009	26
1.3 Germany's industrial R&D sectors in an international comparison from 1991 to 2005	29
1.4 Growth of OECD trade in production depending on industry and technology intensity 1996–2005	30
1.5 Correlation matrix	32–33
1.6 Employment rate 1988–2008	35
2.1 Basic features of three welfare states	46
2.2 Poverty rates in OECD countries	62
2.3 To be national/European in the future (% by demographics)	67
2.4 Activities of the state in selected fields of social and economic policy	76
3.1 Volunteering in the USA (I)	125
3.2 Volunteering in the USA (II)	126
3.3 Volunteering in OECD countries	128
4.1 GDP growth, public social expenditure and labour market performance of different countries	144–145
4.2 Attitudes towards equality of opportunity and equality of outcome	148
4.3 Attitudes towards activities of the state	149
4.4 Inequality of income within different groups of education in the USA 1973–2001	154
4.5 Relative volume of strikes (cross-national)	163
5.1 Robberies: detailed results for measuring inequality according to OECD	242–243
5.2 Robberies: detailed results of WIDER measurements of inequality	244

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# Contents

<i>List of figures</i>	viii
<i>List of tables</i>	x
<i>Acknowledgements</i>	xi
 Introduction: inclusion and exclusion in the emerging world society	 1
1 Economic change: from incremental to radical innovation	11
2 The change of solidarity: the causes and consequences of international labour division	37
3 Symbolic change: the new cult of the individual	90
4 Institutional change: liberal, conservative and egalitarian adjustment to international labour division	140
5 Relative exclusion and disintegration: convergence in the liberal competition state?	213
 Conclusion: the interdependent change of economy, solidarity, politics and justice	 246
 <i>References</i>	 264
<i>Index</i>	297

# Introduction

## Inclusion and exclusion in the emerging world society

The crash of the financial market in Autumn 2008 has called for enormous coordinated state activities in order to restabilize the world economy. This historical moment has brought back to our minds that no stable economy can exist without rules established and controlled by coordinated state power. Some commentators have used this crisis to argue for re-establishing coordinated state control of the economy on a broader scale including the state's responsibility for people's welfare. To meet such claims would, however, draw back the deep-going processes of liberalization that have taken place everywhere over the past two decades. Such a return to the status quo ante is very unlikely to occur. It is the goal of this study to find out whether and why this is the case.

We aim at understanding and explaining the change of the old welfare state towards the new liberal competition state, which is taking place in the context of the globalized "knowledge-based" economy (Cerny 1990: 204–232; 1997, 2000, 2005, 2010). The competition state is an "enabling state" (Gilbert and Gilbert 1989) and a "social investment state" (Giddens 1998). This change of the state's role is part of the rise of neo-liberal governmentality (Lemke 1997; Dean 1999; Rose 1999; Jessop 2006; Foucault 2008; Miller and Rose 2008) in the framework of the global knowledge society (Stehr 1994; Jakobi 2007). The special focus of this study is on the moral consequences of international labour division, which can be summarized as a change from collective national welfare to individualized transnational and national inclusion. The study addresses particularly the change of solidarity taking place on the tracks of the internationalization of labour division. It is a change away from the segmentally differentiated system of nation states with strong internal national solidarity and weak transnational solidarity, complemented by the strict differentiation between the in-group morality of widely shared equality of results within nations and the out-group morality of inequality of opportunity and results between nations. The change goes in the direction of a new network solidarity both across and within nations, which is accompanied by the increasing significance of justice as fairness in the sense of rewarding achievement under the condition of equal opportunity within and between nations as well. This change of justice by way of transnationalization implies a turn away from the prominence of the national politics of welfare and towards greater significance of the transnational and national politics of

## 2 Introduction

inclusion in the broader sense of not addressing exclusively problems of social policy, but also – and with increasing significance – education, minority rights, immigration and gender equality.

Because the change is rather deep-going we can speak of a change of the paradigm of inclusion and the paradigm of justice. In a nutshell: the modern “cult of the individual” (Durkheim 1964: 172) is being transnationalized to reach beyond the solidarity of the citizens of nation states. The cult of the individual makes the dignity of the human individual a sacred and untouchable thing. The human individual is conceived as a moral person capable of leading an autonomous and responsible life respecting the dignity of any other person. For a long time, this cult was institutionalized exclusively in the constitution of the modern nation state and was shared exclusively by national citizens. In the meantime, however, it has been transnationalized by processes such as the increasing inclusion of non-national residents in the sharing of basic rights on the territory of the nation state (Soysal 1994), particularly promoted by jurisdiction (Joppke 1999); the active promotion of human rights by the United Nations’ Declaration of Human Rights and the European Convention on Human Rights as well as the extension of individual rights beyond national borders within the European Union’s single market by the jurisdiction of the European Court of Justice and the World Trade Organization’s turning down of trade barriers.

In the emerging societal order beyond the nation state, moral universalism joins the ethics of individualism in a novel way. This development goes beyond economic liberalism and includes the global realization of human and civil rights which, however, do not possess the substantiation they had in the nation state, and even more so, the national welfare state. The formal rights to freedom and equality are given priority over political and social rights. Transnational economic integration and the rise of a global society under the auspices of human rights are two sides of one and the same coin and cannot be separated from each other. Hence, both sides affect each other.

We observe a new development boost towards moral universalism and ethical individualism, which pushes the moral particularism based on preferring one’s own fellows, and the ethics of obedience to authorities to the background. Moral universalism relies on the principle of justifying fundamental norms for interpersonal relationships through general agreement in an open and egalitarian discourse; the ethics of individualism designates the appraisal of a lifestyle marked by self-responsibility and mutual respect. The human and civil rights form the concrete legal frame for the entanglement of moral universalism and the ethics of individualism; ever since the United Nations’ human rights declaration of 1948, these rights have witnessed increasingly wider acceptance worldwide (Habermas 1992: 15–60; Dunne and Wheeler 1999; Risse *et al.* 1999; O’Brien *et al.* 2000). An elite of moral pioneers creates the new yardsticks, which are spread beyond the existing national borders across national societies by transnational actors. This includes transnational social movements committed to the worldwide acknowledgement of human rights, but also scholars advancing the global scientific discourse; experts cooperating in the development of

international standards for the global trade and the protection of health and environment; and, not least of all, the managers of multinational businesses creating a worldwide network of trade and labour division. These are the “cultural others” representing the principles of the “world polity” and advising national governments in an apparently “disinterested” way (Meyer 1997; Meyer *et al.* 1997). The moral pioneers become carriers of moral universalism, because they meet the necessary requirements of socialization in an exemplary way: the broadest reach and the highest number of social groups to participate in (Simmel 1908/1992: 456–511, 791–863). In that way, they acquire the highest possible level of individuality while, at the same time, getting acquainted more than others with justifying their decisions in the light of their consequences on the most distant and highest possible number of affected parties. The scope of the – at least imaginary – discourse on justifying their own decisions tends towards universality. This means that they will approach most closely the situation in which they can choose only such principles as a guideline of their actions, which would meet with the agreement of any potential participant in a discourse that would be open basically to everybody and to any argument (Habermas 1981). Under these terms it is not possible to grant an advantage to one party that would be denied to another party without any restriction to particular groups. Each and everyone is entitled worldwide to acquire a share of the globally produced wealth in the same way (cf. Münch 2001b; Brunkhorst 2002; Koenig 2005).

It is getting increasingly difficult to justify the collective allocation of wealth, because it does not take the individual contribution to the whole as a criterion of assessment, but the mere membership in a group blessed by affluence. Under these conditions, all that can be justified is, first of all, the distribution of the share of wealth in proportion to the individual achievement contributed to the global whole – no matter how this proportionality is measured. This idea is inseparably linked with the principle of keeping the door to the allocation of wealth open to each individual. It would be a contradiction in itself if the shares in wealth were distributed according to achievements, but if access to the provision of achievements were not offered to each and every one at equal terms. It is also necessary to support those people who are impeded in contributing through no fault of their own, because it would be another contradiction in itself if remuneration was made according to achievement while those who are less capable through no fault of their own were treated just like those who are more capable right from the start. In this case, it would not actually be their individual achievement that is being assessed, but instead a result of their efforts that has been determined by disadvantaging outside factors.

But what about the differences in achievement that remain despite all measures of support? What should be the extent of income or wage differentials in order to trace the differences in achievements adequately? What share should be given to the least capable people? It will hardly be possible to find generally valid answers to these questions. The solution will depend on how weak performance is being interpreted; what consequences are expected to result from more or less wage or income differentials and from a higher or lower baseline

#### 4 Introduction

for the whole society; furthermore, it is important to see what idea of the human individual is being envisioned. If everyone is considered equally capable, if equal opportunity is offered to him/her as to all others, then a distribution depending on capability alone is justified. The baseline need not guarantee more than the subsistence level and what is required to keep society from drifting towards rebellion or crime. If people are considered ready to achieve only if they are given a sufficient amount of incentives, a higher wage or income differential will be opted for. All those, however, who assume basically existing inequality, will concede a higher level of collectively shared wealth to less capable people. This will be the case even more, the more it is coupled with the assumption that people can achieve more, if they are supported by recognition through society that is largely independent of achievements. It is easy to note that the first argumentation involves a preference for a "liberal" model of society as it has been realized most strikingly in the United States. The second argumentation, instead, leads us to a preference for the Continental European "social" model of society. The principle of the liberal model is the *individual* participation in wealth under the terms of achievement, equal opportunity and fairness on the basis of a minimum level of commonly shared wealth. The principle of the social model is the *collective* participation in a large base of shared wealth beyond which only a smaller part of wealth is distributed individually under the terms of achievement, equal opportunity and fairness (Lessenich and Ostner 1998; Zukunftskommission der Friedrich Ebert Stiftung 1998; Goodin *et al.* 1999; Alesina and Angeletos 2005).

The central question arising in this context regards the impact of the increasing international labour division on the structure of solidarity and the viability of the liberal or social model of society. Does international labour division undermine national and promote transnational solidarity? Does it favour the liberal model of society instead of the social one? Or will different cultural traditions and institutional settings maintain different models of society? Will the United States continue with the liberal model, while Europe will go on with the social model (cf. Scharpf and Schmidt 2000; Alber 2006)?

Without any doubt, the institutional order of the transnational economic space will not be stabilized without introducing widely acknowledged legitimacy principles. As long as the Europeans believe in the legitimacy of the social model, they will continue to support its establishment in the legal regulation of economic transactions. The question arises, however, as to whether this can be done successfully in the long run, when the cultural superstructure loses the necessary structural foundations of the segmentary differentiation into national economies and nation states. In that case, a tension will arise between the collectivistic ideas of the superstructure on the one hand, and the individualization of the social structure and the actual living conditions on the other hand. In this context, the transnationally acting moral pioneers play a crucial part. They ensure an opening to the outside, which makes competition for scarce goods fiercer on the inside. Human rights, civil rights and wealth must be shared with more people now than in the past. Hence, the problem of "moral hazard" becomes more heated. Since



everybody is exposed to fiercer competition, and since the moral pioneers put the alien on an equal basis with the familiar, fears are growing that support independent of achievements will be exploited frequently. The necessary collective solidarity, which would be in a position to carry a large base of commonly shared wealth, is lacking. The emergence of a transnational economic space levels the difference between in-group and out-group morality and calls for the same ethical standards both inside and outside, which necessarily create a wider scope for individual inclusion according to achievement, equal opportunity and fairness as opposed to the ethic of the welfare state thus pushing back to the same extent collective inclusion in the sense of equal participation in the collectively produced wealth (cf. Mackert and Müller 2007).

The balance between collective and individual inclusion shifts toward the individual one. The modern “cult of the individual” as specified by Emile Durkheim (1964: 172; 1973a, 1973b), or in the words of Talcott Parsons and Winston White (1964): “institutionalized individualism”, actually reach their global dimension (Meyer and Jepperson 2000; Münch 2001a). This need not necessarily mean, however, that American conditions will prevail in Europe all of a sudden. Yet it does mean that the tension between the segmentary welfare ethic and the opening to the outside generates legitimization conflicts and nationalistic countermovements, which accompany the structurally enforced path towards the liberal model. After all, the European welfare states are in a position to interpret the liberal model in such a way that they add new bonds from their own tradition to the new reality, which do not exist in the United States, but which are nevertheless adequate in structural terms. As this development is driven by moral pioneers, it appears unavoidable that a lot of time will pass until practicable new symbioses will be found between structural conditions, legal regulations and cultural traditions in the wake of the new legitimization conflicts. It will take some time until the global economic space will be characterized less by anomie and will attain a new, structurally adequate institutional order.

The study carried out in this book tries to understand and explain the paradigmatic change of inclusion and justice and the transnationalization of the cult of the individual in five major steps. The first four steps are focused on one basic field out of four interdependent fields of change, which together make up the whole process of change: economic change, change of solidarity, symbolic change and institutional change (Figure I.1). Each of these four basic fields of change will be investigated in the book’s first four chapters. The fifth chapter will focus on the disintegrative consequences coming about with the outlined transformation of solidarity. We will especially look at relative exclusion within national societies emerging from the turn away from collectivistic forms of social inclusion (family, class, trade unions) and towards individualized forms (educational and occupational achievement) in the global and post-industrial economy. Relative exclusion implies increasing rates of delinquency. Because collectivistic forms of social inclusion have lost legitimacy and effectiveness in the global and post-industrial economy, liberal strategies of activation and deterrence (e.g. policies of zero tolerance) gain in significance, legitimacy and effectiveness.