

The End of Cohesion?

Organisation for Economic Cooperation and Development, Societal Cohesion and the Globalising Economy: What Does the Future Hold?, Paris, 1997

Francis Fukuyama, The End of Order, Centre for Post-Collectivist Studies, Social Market Foundation, London, 1997

Reviewed by Winton Bates

THE OECD publication *Societal Cohesion and the Globalising Economy* is based on papers presented at a conference held in December 1996 to 'stimulate innovative thinking about ways to maintain future societal cohesion in the face of a dynamic economy that thrives on a high degree of flexibility'. This raises the question of why a dynamic OECD economy that thrives on a high degree of flexibility would have any difficulty in maintaining societal cohesion.

Robert Lawrence (Harvard University) paints scenarios of the likely relationship between economic growth prospects and social outcomes over the next 15 years. The scenario he considers most likely, 'the doldrums', is a continuation of slow economic growth in OECD countries. He argues that 'while this may not be an explosive scenario, there are several elements in it that are disquieting' (p. 34). The plight of the poorest Americans would be likely to worsen as a result of a reduction in welfare benefits. Europe would continue to experience high unemployment. Japan's institutions would also begin to come under pressure, with lay-offs more common and diminished opportunities for young educated workers. Lawrence further argues that future growth rates will depend largely on the gains from technology and globalisation. He paints a rosy picture of the 'cyber-euphoria' likely to result if pay-offs in these areas are beyond current expectations, and a dismal picture of worsening social problems, including increased racial tensions, that are likely if the new technologies create disruption and dislocation.

In contrast to the technological determinism of Robert Lawrence, Henry Lepage (Institut Euro 92) argues that economic policy reforms that have eliminated inflation in many countries and put their governments 'on a diet' provide grounds for optimism. His vision for the next two decades is of a world of higher productivity gains. He suggests that, although income distribution will be unequal, this issue will become relatively unimportant because people will again be able to plan safely for the long term and provide for their own futures. He also suggests that there will be a return to the values of a society founded on the rule of law and individual rights.

Two other contributors present opposing views on the role of government in providing income security. Claus Offe (Humboldt University of Berlin) argues for provision of 'basic income' as a 'citizenship right'. What he has in mind involves paying people not to seek work (in order to offset the effects of labour-saving technical change) rather than attempting to minimise work disincentives.

Dennis Snower (University of London) views welfare programmes that have become the basis for 'an unemployed way of life' as a potential source of problems in achieving both prosperity and social cohesion. He believes that the welfare state cannot be relied upon to provide security:

In retrospect it can be seen that, just as many of the common OECD policy systems amplified the favourable social and economic developments of the 1950s and 60s, so they are amplifying the unfavourable developments that have occurred since then. This could be called the 'quicksand effect'. It signifies that, in the long run, the prevailing policy systems have not provided firm foundations for supporting people against poverty and uncertainty and promoting prosperity and social cohesion. Rather, the more people need to be supported, the greater are the political and economic pressures on governments to reduce that support. The prevailing systems, in other words, are a bit like quicksand: they start giving way as soon as enough weight is placed on them. (p. 42)

Snower suggests that social safety nets should be modified to provide beneficiaries with 'greater economic incentives to overcome the contingency' (p. 43) for which this social insurance is being provided. It is arguable that some OECD countries, including Australia, are making important steps in this direction.

The OECD Secretariat's overview (by Wolfgang Michalski, Riel Miller and Barrie Stevens) does take a clear position on the need for reform of the welfare state. The theme of the overview, reflecting the original objectives of the conference, is the perceived need for 'balance' between economic flexibility and societal cohesion. The authors acknowledge that competition and structural change are 'a motor of the economic growth and prosperity on which cohesion can thrive' (p. 7). However, they accept without question the view that the welfare state is 'central to providing citizens with a sense of security and reason to be committed to the society in which they live' (p. 13). They also argue that a policy of promoting flexibility by reducing the role of government would need to deliver 'considerable prosperity' if it was 'to gain the widespread commitment upon which societal cohesion depends' (p. 16).

When large numbers of people have become dependent on the state to provide them with income, it is obvious that many will be displeased if taxpayers vote to withdraw their support. It seems to me, however, that this provides a strong case for reducing the burden that the welfare state imposes on taxpayers before unrealistic notions of 'entitlement' become more deeply embedded in the quicksand. It seems reasonable to expect that those OECD countries in which a relatively high proportion of the population depends for income on the redistribution activities of government (rather than on mutually beneficial transactions with other citizens) will tend to have the greatest difficulty in coming decades in maintaining widespread commitment of their citizens to basic institutions.

Francis Fukuyama, famed author of *The End of History and the Last Man*, approaches the issue of societal cohesion from a different perspective. Whereas the main focus of the OECD volume is on income distribution and redistribution policies, the main focus of *The End of Order* is on family breakdown. Fukuyama describes the decline in the nuclear family that has occurred during 1965-95 in most OECD countries as 'the great disruption', and cites impressive evidence that the decline of the nuclear family and the absence of paternal influence over many young males has been responsible for a sharp increase in violent crime. He associates the decline of the nuclear family with the decline of the social norm of male responsibility, under which men accept responsibility for the consequences of their sexual activities: by marrying, and devoting a substantial part of their lifetime earnings to support of their wives and children.

What are the causes of this 'great disruption'? Fukuyama considers a range of factors, but settles on 'birth control and working women' (p. 45) as the main causes. He argues that with women able to take the 'pill' and to support themselves and their children, many men have felt liberated from norms requiring them to look after their sexual partners who got pregnant. This theory appears to fit the facts as to why the 'great disruption' occurred when it did and why it has not yet occurred, for example, in Japan. It seems to me, however, that the theory is not entirely adequate because it does not take account of the fact that, rather than being supported by working women, many single-parent families are supported by welfare payments.

The important question is what, if anything, can be done about social problems associated with the 'great disruption'. While Fukuyama does not see the welfare state as the cause of these problems, he certainly recognises that it does not provide a solution: 'even if it were affordable, it is not clear that the state can adequately perform the socialisation functions traditionally played by other, smaller-scale social groups and without hastening the demise of those very groups' (p. 121).

Fukuyama concludes with the thought that a religious revival might rectify the situation. He refers to historical precedents, including the role of the Wesleyan movement in the 19th century. Perhaps something similar could happen again, or, alternatively, large numbers of taxpayers might just decide that they are tired of picking up the bills for irresponsible behaviour by others. This could be sufficient to initiate public policy reforms which, as Fukuyama acknowledges, could help restore to males an incentive to take responsibility for their children. A good place to start in thinking about this is the proposal by David Green (1996) that fathers who neither marry the mother of their children nor have custody of them should be required to pay full maintenance.

Reference

- Green, D. (1996), *From Welfare State to Civil Society: Towards Welfare that Works in New Zealand*, New Zealand Business Roundtable, Wellington.

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