IS THERE A PUBLIC PHILOSOPHY IN CENTRAL-EASTERN EUROPE?
EQUITY OF DISTRIBUTION “THEN” AND “NOW”

Zsuzsa Ferge

MONOGRAPH NO. 6
FROM THE SERIES
TOWARD A NEW PUBLIC PHILOSOPHY:
A GLOBAL REEVALUATION OF DEMOCRACY AT CENTURY’S END

CARNEGIE COUNCIL ON ETHICS AND INTERNATIONAL AFFAIRS
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As part of an ongoing program on public philosophy titled "Toward a New Public Philosophy: A Global Reevaluation of Democracy at Century’s End," the Carnegie Council on Ethics and International Affairs has initiated a workshop series to address current conceptions of democracy around the world. Approaching democratic theory and practice through the lens of ethics, the Carnegie Council has begun to map the values intrinsic to public policy making. In part, the project is driven by the disparity in public policy practices across democracies. While many states have formally claimed to be democratic, ethical norms clearly vary across societies, creating a wide spectrum of democracies in the world today.

This monograph is a reworked and updated version of a paper presented at the October 1997 workshop “What Do You Deserve? Public Philosophy, Welfare, and Changing Social Contracts.” This particular workshop aimed to assess social welfare policy in the light of trends toward integration in global markets. It concentrated on the influence of globalization on the social contract in a number of democracies, including those in the developing world, states in transition, and the postindustrial welfare state. Above all, it asked the question: What are the differences in the social contract across democratic states? How are these contracts formulated and what are the political, economic, and social factors that cause them to change? Further, who should benefit from social welfare policies?

The workshop took up case studies of public philosophy in the United States, Hungary, Japan, Germany, the United Kingdom, and Chile. Specifically, it examined the philosophies behind welfare policy in each society, given the recent climate of cutbacks. Particular emphasis was given to the question of whether a dominant paradigm for public philosophy could be discerned, and to what extent it might be “Western” in nature. In many cases, there was a theoretical conflict between community solidarity and individual choice as the appropriate models for public philosophy. The workshop also addressed the role of culture in the formulation of public philosophy and the extent to which public philosophy is deliberative and/or reflects elements of participatory democracy. In addition, it evaluated the volatility of public philosophy in transitional democracies.

The social welfare workshop was the second in the Carnegie Council’s public philosophy program. The first workshop analyzed and compared the models of public philosophy in Western and Asian states. The goal of the public philosophy program is to develop a more nuanced understanding of the normative values underlying public policies as they relate to a globalized world.

The following papers from the Carnegie Council series on public philosophy are available as individual monographs:

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Public philosophy may be understood as the search for a broad view about how to live in a given society. It depends on the conditions of the society in question whether public philosophies will emerge at all, and whether a broad consensus will be achieved. For even a temporary consensus to be reached, the necessary conditions include not only freedom of thought and expression, and the institutions of consensus-building, but also a relatively integrated society.

This paper first reviews the above-mentioned conditions in Hungary (and to some extent in Central-Eastern Europe) in the last decades. It concludes that the simultaneous presence of all the conditions for a public philosophy was seldom achieved. The chances have improved with the last regime change, but there are still impediments. The second part of the paper describes a set of arguments relating to the basic ideological debate on the respective roles of the state and of the market, touching also on the role of civil society. It then turns to the impact of the old and new dominant views on the principles of (re)distribution. The thesis of the paper is that the views representing conflicting ethical stances never have had an equal chance to influence politics, essentially because they are supported by unequally powerful interests.

Public Philosophies, Ideologies, and Their Sociopolitical Context

According to Isaiah Berlin, ethical thinking deals with the systematic investigation of inter-relationships between people, with the way their ideals, their ideas, their value systems, and their interests shape their dealings with each other.1 These analyses, together with reflections about objectives one should pursue, and how one should live and act, may be applied to groups, to nations, indeed to the whole of humanity. When the interpersonal is projected onto groups, then ethical thinking takes on a new dimension. According to Berlin, a public philosophy is nothing else but ethics applied to society. In what follows, that is how “public philosophy” will be understood.

It almost goes without saying that the formulation of alternative world visions, or the search for the “good society,” requires freedom of thought and expression and appropriate political institutions of free debate. Whether a political consensus will ultimately be reached seems to depend, moreover, on the structure of the given society. The success of consensus-building depends on the nature of prevalent social differences (be they religious, ethnic, class-based, or other), on the nature of the clashes between group values and interests, and on the resources they command to support their interests. When values and interests are incompatible and resources are unequally distributed, then it will be hard to achieve a consensus. Acquiescence will be obtained at the price of the subordination and in extreme cases the spiritual or physical annihilation of weaker groups.

The formulation of alternative world visions may even be nipped in the bud if a strong and intolerant ideology comes to dominate. Indeed, a public philosophy will be termed an ideology when it comprises explicit political objectives and aims to ascend to power. If it succeeds in this aim, it may become the dominant ideology. Under conditions of dictatorship, it may preclude the formulation of alternative

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public philosophies, or heterodoxies. Then it may turn into an intolerant “orthodoxy.” Orthodoxies try to bring into harmony the existing order and the way it is perceived by imposing a false representation of reality as “natural,” as the only possible way of organizing society. If this imposition is successful, it precludes or makes unthinkable finding fault with the status quo. Under certain conditions, spiritual dictatorship may become real dictatorship, with the means of severely sanctioning heterodoxy, provocative, or antagonistic views about the given world. Out of the various historical constellations in which this situation has prevailed (as during the Catholic Inquisition or modern dictatorships), Bolshevism produced an extreme form of totalitarianism, with an unusually intransigent orthodoxy as the dominant ideology.

A Brief Reminder of Pre-War Hungary

Before World War II, conditions in most countries of Central-Eastern Europe were not auspicious for the formation of a consensual public philosophy. The exception was Czechland, with a modern market economy and relatively moderate social differences. Under those circumstances a predominantly social democratic public philosophy could shape the country’s political profile. In the other parts of the region, Hungary included, the political systems allowed only limited freedom for heterodox thinking, even where the country formally had a parliamentary system. Also, with deep social cleavages and rigid hierarchies, the social gulf remained almost insurmountable. Relative social peace was achieved at the price of subduing or ignoring dissident voices. The instruments used ranged from the imposition of a potent religious orthodoxy to policing methods, including both censorship and physical repression. No wonder, then, that in those countries the defeat of the prewar system (and Nazi rule during the last years of the war) was warmly greeted by many.

The Post-War Scene: The Welfare Ideology of the Totalitarian Regime

The first two years after 1945 were years of hope. It seemed that the prewar ossified social structure could be replaced by more modern arrangements, as ushered in for instance by the Hungarian land reform. Republics replaced authoritarian single-person rule with kings or governors, and civil and political freedom seemed to have been attained. However, from 1947 or 1948 on, the Soviet Union managed to bring “loyal” communist parties into power and to gradually enslave all of the “satellite” countries. Under communist dictatorship the conditions were, if anything, more inimical to consensus building about the shape of society than in most former periods. The new communist rule was officially based on the “public philosophy” of Marxism, but the theory had been rapidly transformed into a dominant ideology or orthodoxy. No alternative vision was tolerated.

What is relevant from the present perspective is that the new dominant ideology was originally a competing public philosophy. Despite its claim to be a “materialist” philosophy, Marxism always had a strong idealist stream about the possibility of ameliorating people’s conditions and social arrangements. It also included persuasive beliefs about the values and norms of a life worth living. All of this amounted to a forceful ethical component.

Whether this ethical stance is judged today as right or wrong, Marxist philosophy did not represent a lethal danger as long as it was no more than the voice of a rebellious prophet. As usual, the problems started when one of the prophets became a secular leader who acquired the power to transform his philosophy into a dominant ideology, and then into an intransi-

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gent orthodoxy, destroying those considered opponents or heretics.

The long-term objective, “communism,” referred to a Paradise for which no sacrifice was too great. Hence the massive annihilation of its real or fictitious enemies. But some of the midterm objectives had immediate relevance for improving people’s everyday life. Most of these objectives belong to what I call the realm of societal policy. They had been strongly endorsed by the prewar workers’ or left-wing movements. They included such institutional arrangements as full employment, free education, a public health system, a widespread social security system, and a price system giving practically everybody access to basic necessities despite a low gross national product. The implementation of these objectives was based on state ownership. The near-abolition of private ownership, together with the state’s monopoly of violence, precluded private resistance to the centralization of the national product.

How these ethical considerations were then understood and implemented is a complicated story, all the more so because there were wild variations among countries. However, the balance is far less negative in the field of social policy than in economics or politics. Some major social problems were at least partly solved. The development of “human capital” went a long way. Prewar large-scale poverty and huge social distances were reduced. Particularly from the 1970s on, full employment and income security reached even the minority Roma (Gypsy) population.

In other words, the welfare arrangements under socialism promoted a process of social modernization and helped to spread Western processes of “civilization” to the East. (It is probably true that improvements would have been more significant under a democratic system, but this speculation is idle, as these countries were robbed of this option.) In all likelihood, the gains contributed to the relatively painless adjustment—at least in some countries—of large segments of the population to new requirements following the regime change.

**Public Philosophies after the Regime Change: New Opportunities**

The indubitable gain of the regime change is the newly acquired freedom in many areas of life and the construction of a democratic political framework. No doubt, the mechanisms do not always work perfectly; institutional channels may not be used without adequate means, and citizens are not well prepared to articulate their interests or to find the best ways of making their participation effective. But these problems are to be found almost everywhere, not only in the “new democracies.” Hungary and a few other East-Central European countries have joined the group of nations in which most institutions of a modern liberal democracy exist. On the whole, the general situation is favorable for the emergence and confrontation of public philosophies.

While the mechanisms of democracy are put in place, their effectiveness is limited. In reality, regime change represented a historical challenge that none could handle in a fully satisfactory way. One of many reasons is that the historical time was too compressed. Events unfolded so rapidly that there was no opportunity to follow the royal road of democratic politics. In other words, there was no opportunity to formulate alternative views on the “good society” when the die had not yet been fully cast.

The newly liberated spontaneous social forces started to operate immediately, and practically without restraint. Hence the gains and losses have been distributed in a foreseeable way. The winners were those who inherited some (real or symbolic) capital from one of the former pre- or postwar systems, or succeeded in accumulating them towards the end of the last regime before the transition. They occupy the elite positions, and they have succeeded in privatizing the majority of the national wealth, at least those parts that
have not been sold to foreign entrepreneurs. The rest became temporary or permanent losers.

By now, the pace of change has gradually slowed. The public discourse on basic social options may have started, but there are some factors hindering it:

(i) The form of the new society, capitalism, has become "natural," about which heterodox question are not raised. This ban is not enforced. Rather, after the utter failure of state socialism, a sort of "pseudo-dox" belief has been reestablished about capitalism as the only, or even the "natural," social formation.

(ii) The social structure, albeit still in formation, has acquired its main characteristics, including increasing inequalities and emerging mechanisms to assure the transmission of these inequalities. Even if the pseudodoxic relation to this reality cannot be imposed any longer, many of its components have become accepted as legitimate or "natural."

(iii) One of the explanations for the above problems is that the new "philosophy" of the globalizing world, the neoliberal-neoconservative ideology, has acquired dominance. The degree of a country's freedom to accept or to reject this ideology is curtailed because of global economic constraints that are particularly strong in transitional states. Because of their weak economic position, they cannot very well resist the pressures of supranational monetarist forces. They also have to prove that they sincerely reject their tainted past. The proponents of this line of thought are predominantly economists, legal scholars and political scientists, or political philosophers. They are joined by high-level politicians, often connected to the financial world, as well as by (Hungarian or foreign) financial experts.

(iv) The role of "civil society" is weaker than one would wish. Also, most of the proliferating nonprofit organizations are oriented toward service delivery. A minority have also taken on a "voice-function," but the central authorities have not yet learned how to listen to these voices. Most opinions opposing the new official orthodoxy are close to the modern European welfare ideology. They are usually voiced by social or political scientists, social policy experts, people working in the helping professions (medical doctors, social workers), a few "converted" economists, writers, and artists. Some politicians may have sympathy with the arguments below, but few actively endorse them or promote their implementation. These views also have a large but silent public support.

A THEORETICAL DEBATE: THE STATE AND THE MARKET

The omnipotent party-state had to be dismantled. This was necessary if the economy was to be turned around, if the stifled social forces were to be revived, if, in short, society wanted to return to sanity or at least to the "maximum feasible normality" under modern conditions. The withdrawal of the state from its former role in the economy has been widely approved on all sides as the precondition for rehabilitating the market. For the rest, the debate about the future of the state has in almost all instances focused on just one out of many possible issues. The attack on the big state has become predominantly an attack on the welfare

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functions of the state. The leitmotif has been the alleged or real contradiction between coveted economic growth and exaggerated social spending. The opponents of this trend come from different traditions to be spelt out below. The arguments are not particularly original on either side. Still, some of the views of both sides will be reproduced here in order to give an insight into the scope of the arguments.

Supporters of the Market

One example of the extreme pro-market, anti-state position is that of Czech economist J. Kinkor. He negates the validity of such concepts as the public interest and the public good; he maintains that the state must stop interfering not only with the economy, but also with education, health care, culture, and housing. All these must be regulated by free market exchange. He has crowned the argument by qualifying unemployment as a purely individual problem in which “the foolish battle of governments with unemployment is nothing other than a distortion of this extremely valuable information source.”

Another example of pure neoliberalism may be found in the writings of Leszek Balcerowicz, the Polish politician and economist, who has expressed his aversion to the concept of social justice and his predilection for private, as opposed to public, “solidarity.” He has also taken a strong position in favor of formal market rationality as the dominant social rationality and economic growth as the unique criterion of social success. Social policy may be tolerated if it promotes this objective, without having autonomous objectives about social coexistence. Both of the above authors are apparently insensitive to the social consequences of the operation of the economy. Also, they fully ignore the ethical dimensions of economic or political action.

The above critique does not fully apply to the Hungarian economist János Kornai, who seems to be increasingly open to ethical considerations. Kornai coined the expression “premature welfare state” to describe the social policy of state socialism. He implied thereby that the Hungarian state in the 1980s was overdeveloped in proportion to its economic development. He suggested in 1992 the introduction of another “pure” model, one that strictly limits state responsibility for public welfare. “[The state] gives financial help from the taxpayers’ money only to the needy.” Otherwise, everybody should find individual solutions to their problems through nonprofit and for-profit insurance companies or other marketed services. The state’s role is only to build up the legal framework for the operation of the institutions in question.

In Kornai’s later writings one may observe a slow shift. In a paper written in 1996 he explicitly takes on the moral dimension and some social considerations. Two ethical principles are spelled out—with a slightly misleading vocabulary. The first principle is “human dignity.” This has always been a key concept in public policy, referring to the protection of the individual’s self-respect, a concept akin to

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empowerment. In Kornai’s paper it is understood in a more restricted way, as the simultaneous increase in individual autonomy and responsibility: “Everyone, come what may, is responsible for his or her own life. Basically, we must all take care of ourselves” [my emphasis].

The second ethical principle is “solidarity,” another key concept in European social thought and practice. It has acquired many meanings. It may refer to the “brotherhood of man” in general, or to mutual and reciprocal assistance not in line with market logic, or, less often, to help offered to the weak. Kornai uses it only in this last sense. Solidarity in his paper signifies that “those who are suffering, in trouble or disadvantaged must be helped.” Solidarity is thus reduced to charity that covers only part of the ethical dimension of redistribution. It is not yet clear whether this shift represents a new public philosophy or not.

**Arguments in Favor of the State**

Let me first add a cautionary note: it is acknowledged by the participants of these debates that the state may come in all forms and may be the source of all evil. What is meant by “the state” in the following arguments is a state built on democratic principles.

(i) The most widespread of the counter arguments is probably that negating the “common good” and public responsibility for public well-being is in stark contrast with a European tradition that is at least two thousand years old. After all, “It was Aristotle who maintained that while states originate in the need to safeguard life, their **telos**—their ultimate goal—is the morally Good Life.” The “common good” was an important leitmotif of politics throughout European history, although one might wonder how often it was taken seriously. The ethical dimension is manifest in this argument. Most recently it was George Soros who revived this tradition, with the advantage of a most intimate knowledge of the market: “Laissez-faire capitalism holds that the common good is best served by the uninhibited pursuit of self-interest. Unless it is tempered by the recognition of a common interest that ought to take precedence over particular interests, our present system is liable to break down.”

(ii) According to certain political analysts or philosophers, the slogan of the “minimal state” is dangerous under given conditions. A strong state may be exceptionally important when all institutions undergo basic change, when everything has to be legislated, when the new laws have to be enforced, and when self-restraint is at its weakest everywhere. The absence of a strong state may lead to total chaos (as in Russia).

(iii) A third view, shared by those attentive both to current developments and to the political dangers of impoverishment, formulates misgivings about the current welfare cuts. It asks whether this is a good time for welfare cutbacks and the rapid marketization of social policy schemes. One does not need much imagination to realize that the consequence has to be the rapid fragmentation of society, and the inability of smaller or larger

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11 Péter Kende, “Erős, republikáns állam nélkül ki fogja egyben tartani a magyar társadalma?” (Who will hold together Hungarian society without a strong republican state?), in *És mi léleg, ha nem léleg Társadalmiok az állammal a szükség esetén* (And what if it fades away: essays on the state at the end of the twentieth century), Csaba Gombár, Elemér Hankiss, and László Lengyel, eds. (Budapest: Helikon- Korridor, 1997), 358-80.
groups to satisfy their most basic needs. The escalation of housing costs, of medical expenses, and of education is particularly threatening, and so are the dangers connected with widespread deprivation of children.

Destitution and anxieties stemming from these trends as well as from the threat of unemployment are on the increase, and may cause long-term social, physiological, and psychological damage. The political dangers (for instance, of right-wing populism) are not to be ignored, either. As George Soros has put it: “By . . . declaring government intervention the ultimate evil, laissez-faire ideology has effectively banished income and wealth redistribution. . . . Wealth does accumulate in the hands of its owners, and if there is no mechanism for redistribution, the inequities can become intolerable.”

This line of thought leads us to recent endeavors in the European Union to find a new public philosophy. A growing number of citizens are concerned about the deteriorating quality of public life. Hence the new approach takes as its central concept the quality of society. The European scholars involved suggest that social quality rests on the degree of economic security, the level of social inclusion, of solidarity, and of autonomy or empowerment. These objectives require the involvement of a strong, if reformed, state and large-scale public debates about the society worth having. This approach has raised much sympathy in Hungary. (More than 100 social professionals signed a slightly modified version of the Amsterdam Declaration endeavoring to attract the attention of politicians to the conditions instrumental in promoting social quality in Hungary.)

A final argument (my own) takes a less ideological approach. It invokes history, particularly the relationship between the “welfare state” and the problems of social coexistence or civilization. It endeavors to think through the present consequences of the reversal of a historical trend. The argument will be only briefly summarized here, and I will spell out only some of its conclusions.

Civilization refers to norms, rules, conditions, attitudes, human relationships, and the psychological makeup of people that make social coexistence possible. These rules are particularly important in the modern world with its increasing density and ever longer chains of human interdependence. While the norms of civilization usually emerge at the top of society, they may not “trickle down” spontaneously. Hence they have to be made accessible for the majority, or forced on them, by various civilizing agents. In this process the state has played an important role. It was the only agency able to organize the process on the national level, and to collect the resources to finance it. Its participation helped overcome the “free rider” problem.

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The withdrawal of the state from its welfare functions in East and West alike seems to be a dangerous process. This is all the more true because it goes hand in hand with the process of (economic) globalization, which may curtail the relative autonomy of traditional nation-states. More important, it increases in all realms of life the pressures serving the interests of capital without considering human costs, losses, or suffering. The single-minded concern with reducing the social functions of the state is contributing to and sometimes triggering a process of decivilization. The first signs of this danger may already be glimpsed in the increased level of insecurity, which may have long-term consequences; in the escalation of crime; in the extreme forms of poverty, such as homelessness; and in the processes of social exclusion amidst plenty. The first victims of decivilization are those who were the last to be reached by the civilizing process—an alternative explanation of increased criminality, or of the emergence of an “underclass.”

We have come full circle. The main function of the early modern state was the defense of society against attacks from inside and outside. Within the country this meant the defense of private property and the “war against the poor.” Gradually “assisting” and “civilizing” functions, in which welfare redistribution has become an important instrument, were added to policing functions. The current revolt against redistribution may not really aim to minimize the state, but it contributes to change the balance between the state’s oppressive and its enabling functions. With this switch it increasingly serves those who have the most to lose and to fear. Thus the weakening of the welfare state may, or indeed has to, go together with the strengthening of the police state.

The conclusion is that the weakening of the welfare state, the undermining of the idea of the common interest or good, and the apotheosis of individualism threaten the quality and the legitimacy of tolerably democratic states. Although these views are closer to the aspirations of the majority of citizens than are those of the partisans of the market, their proponents do not have much political muscle, and their political influence is therefore slight.

**Principles of Distribution and Their Practical Implications**

**Polanyi’s Patterns of Integration**

There are countless statistical, economic, historical, ethical, and other approaches to distribution. I am selecting only one approach. The question is, what sort of relationships emerge among people in the process of acquiring the resources to satisfy their needs?

My starting point is that the access to resources is always based on, and creates, social relationships or bonds of various types. Following Karl Polanyi, they may be thought of as patterns of social integration. The main types distinguished are (besides the household economy, the *oikos*) reciprocity, redistribution, a complementary and strictly regulated market,

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18 As shown by a plethora of data referring to both East and West. For the transition countries see Zsuzsa Ferge et al., *Societies in Transition*, international report on the Social Consequences of the Transition (Vienna: Institute for Human Studies, 1995). For Europe in general, Taylor-Gooey and Swallors, eds., *Attitudes Towards Welfare Policies in Comparative Perspective*.

and a dominant and self-regulating market. These patterns of integration harbor some kind of economic transaction, some movement of goods. However, the motivations of the behavior in the transaction are usually complex. Only in the last case, the self-regulating market, are the economic motives, namely economic gain, disembedded and dominant. My objective here is not to reiterate Polányi’s arguments but to apply them to present conditions. (It is possible that Polányi himself would have disagreed with this use of his theoretical framework.)

If all or most patterns are taken into account, including those left out by Polányi (including for instance theft, winnings, or charity), they may be ranged on several continuums. One dimension may be seen in terms of the symmetry or asymmetry (hierarchy) of the relationship between the parties. According to Polányi, reciprocity assumes symmetrical relationships between the partners, and those signing a market contract are also in principle in an equal position. Redistribution may occur under various more or less unequal relationships, but it implies some centralization of goods and is therefore either already based on unequal power relations or may very rapidly lead to the emergence of such inequalities. Charitable giving is always based on a hierarchical bond and usually strengthens it.

A second “dimension” is a Weberian or “Polányst” dichotomy. It describes whether an apparently symmetrical (asymmetrical) relationship is such in a formal or in a substantive sense.

The position of the partners in a market contract is practically always equal in a formal, legal sense. The outcome of the contract is predetermined, though, by the partners’ bargaining positions. These may depend on the equilibrium/disequilibrium of demand and supply, or on the degree of organization of the partners (on the monopoly of producers, on the degree of unionization and the strength of trade unions, on the relationship between the partners and the political power, and so forth). In other words, formally equal relations may be highly asymmetrical in a substantive sense. Hence the formally/legally equal partners may sign economic contracts for which the outcome is disproportionately advantageous for one of them.

The definition of reciprocity also emphasizes the symmetrical relation between the partners. For Polányi this is all the more easy because he takes his examples from tribal societies which are relatively homogeneous. But reciprocity survived the tribal societies. It flourishes within the extended family, in various solidaristic communities. It survives in most of our gift relations, in the exchange of services, and also in the unwritten contracts between various groups, for instance between generations. The conditions have changed, but some characteristics of the reciprocal transaction have not. Indeed, these transactions are constructed so as to produce substantive symmetry. The moral or affective contents and the sense of mutual obligations and trust underpinning the unwritten contract help to attain this objective.

Charitable giving assumes without exception asymmetrical relationship, both in a formal and a substantive sense, and the act itself reinforces the inequality. The one-sided giving may make a moral debtor of the receiver who owes at least gratitude to the generous benefactor. This is an inferior and often humiliating position recognized as such already 800 years ago by Maimonides. On his “ladder of charity” of

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21 Moses Maimonides, Mishne Torah, “Gifts to The Poor” (Chapter 10), par. 7-18.
eight degrees the fourth degree is “to give cheerfully, proportionately and even unsolicited, but put the bounty in the poor man’s hand, thereby exciting in him the painful emotion of shame.”

A third “dimension” of the patterns of integration could be constructed according to the relative weight of their economic and noneconomic, or moral, substance. On one end of the scale (where the market would be situated) the noneconomic (social or moral) considerations have to be absent from the transaction. Somewhere in the middle—as with redistribution and reciprocity—there may exist a delicate balance between economic and moral or social considerations. Out of the moral issues a special importance is attached to the right of life, of the survival of the individual. The social considerations may be very complex. One omnipresent element is the concern with the survival (reproduction) and the integration of the given community. At the other end of the scale one would find the noncontractual, one-sided alms-giving or assistance, completely hiding its economic rationality under the veil of the moral obligation to “protect the vulnerable,” and inevitably creating formally and substantively unequal relationships.

It seems that while Polányi’s patterns of integration do exist in real life, there is not always a clear-cut boundary between them. Social insurance is a case in point. It has been built up essentially as an institution of redistribution. When it gives earnings-related benefits following the so-called equivalence principle, then it also contains elements of a market contract. However, it is certainly not a pure market transaction. For instance, pensions may be proportional but not equal with the contributions paid in. The difference is due to equity considerations. Social insurance endeavors to offer equitable treatment to those who would lose out under pure market conditions, such as workers who lose their working capacity because of unhealthy conditions, or women who have a longer life expectancy than men. It also brings in some equity between generations working and aging under very different conditions.

The unclear mixture of the various principles has produced a hazy “contract” deeply marked by the idea of reciprocity. This solution may be seen as a sort of “white lie” when it produces positive redistribution in favor of more disadvantaged groups, for example, the equal pension terms for women with a longer life expectancy. Or it may be a “black lie” when it leads to negative redistribution, profiting for instance the most fortunate, who also enjoy a longer life expectancy. As a rule, though, even the black lies have yielded less unequal outcomes than the pure market solution if we take into account the income elasticity of goods like higher education. Historical evidence suggests that insured have welcomed the symbolism, or the “white lie,” incorporated in the principles of social insurance. From the end of the nineteenth century workers accepted (sometimes reluctantly) the obligation to join pension schemes because the “purchased right” was devoid of the demeaning impact of one-sided charity, and freed them from the stigma of assistance. In other words, redistribution and reciprocity could be merged within one scheme, and other principles could be blended with them.

In modern societies centralized redistribution has acquired an important role to correct, to complete, or to replace the market. Reciprocal or solidaristic logic occupies an important place within redistributive institutions. Indeed, this mix appears to have offered the best solution for social policy because it has honored the age-old norm of the approximate balance between rights and obligations (or give and take), and may have combined nonetheless economic functions with human feelings, moral considerations, social rationality, and symmetrical or substantively equal relationships.

My contention is that the essence of the
most developed welfare societies of twentieth-century Europe has been the peaceful coexistence of pure market contracts with “hazy” contracts operating in the field of centralized redistribution, that were strongly infused with the logic of reciprocity and the acceptance of the unconditional right to life. Hence the role of one-sided and demeaning charitable donations could be strongly limited.

**Distribution under state socialism**

The conceptual basis of distribution under the socialist regimes became the “socialist principle of distribution”: “from each according to his/her abilities, to each according to his/her work (or achievement).” In practice this meant that jobs had been created (more or less artificially) in sufficient number to enable everybody to have a job as if based on a “right” to employment. Simultaneously, gainful employment became an enforced legal obligation, and non-work a punishable offense. The gain or desert of the employed was not defined either by market forces or by collective bargaining, but by political will. In this sense even work-related income could be characterized as centralized redistribution. However, it contained a strong, albeit distorted, reciprocal element; the employment contract meant an arbitrarily defined balance between giving and taking, between the work and its reward.

Despite full employment, there were many—the children, the sick, the aged—who could not work for a living, and therefore genuine redistribution also had a role to play. However, “distribution according to need” was considered the principle of a later stage, that of “communism.” Hence its role was severely limited by another well-known maxim declaring that “he who does not work should not eat.” Many still think that this is a socialist maxim. In fact it originates in the Bible, in the Second Letter of Paul addressed to the Thessalonians. Its real meaning is still a debated issue, but under state socialism it was taken at face value.

Saint Paul’s maxim legitimized denying help to those who did not fill the preordained mold. Need in itself did not constitute entitlement. Thus “the right to life,” a basic moral stance of any humanistic ethic, was not recognized, with grave consequences. First, if able-bodied persons did not or could not accept the terms of an enforced reciprocal arrangement they were treated as “deviants.” They—and the family members depending on them—did not have any moral or legal right to benefits. A second and graver outcome was that provisions for those who were unable to offer any valuable contribution to the community at any time during their lives (the permanently sick and handicapped) were either inadequate or nonexistent. Let us add that the claim rights of those who have been usually considered throughout history as the most “deserving” poor, as “vulnerable people to be protected,” have, on moral grounds, rarely been rejected. I do not imply that this ethical maxim has in fact always been applied, but it was seldom contested as a matter of principle.

A further paradoxical characteristic of redistribution under these governments was that the right to it was based on enforced reciprocity (a job), but the idea of genuine reciprocity was rejected. Therefore all state provisions were presented to the subjects as *gifts* from a benevolent state.

**Difficulties with the Principles of Distribution**

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22 For instance the right to a child allowance depended in Hungary (as in most similar countries) on whether one parent had at least 21 days of employment during the given month.

After the collapse of state socialism, markets, the labor market included, reacquired their previous legitimacy. Most of the former “planned economies” have regained economic sanity and have become (with more or less difficulty) market societies. They have also encountered distributional problems similar to those in the more economically developed parts of the world. Thus in what follows I am treating concerns present in both East and West, although their gravity may vary from country to country.

The market. Pure, transparent, and calculable market contracts are not only economically rational, but also socially irreplaceable in many cases of need. This holds in principle for labor contracts, too; however, two basic limitations are inherent to labor contracts.

The first is the increasing disequilibrium between labor demand and supply, which, although rarely discussed as such, is a form of market failure. Hardening economic competition leads in many countries both East and West to the reduction of labor, and to lasting massive unemployment.

The other problem concerns wage distribution, which appears to be the neutral outcome of market contracts but in reality is shaped by the substantively unequal power position of the actors. Because of labor’s weak position, the ethical dimension of the wage system is seldom if ever touched upon. Under present conditions, it is important to raise awareness of at least one area of ethical concern, regarding the concept of “the living wage” strongly endorsed by the International Labour Organization. It means that one or eventually two salaries in a household should be sufficient to cover not only the most essential needs, but also to assure an acceptable and dignified life.

At present the living wage is unattainable for many. In the countries of Central-Eastern Europe part of the problem is the overall low level of production. Another reason for insufficient wages is the deregulation of the labor market, similar to an increasing number of western countries. There is everywhere a growing number of so-called atypical jobs, which are in fact low-paid and largely unprotected. In Central-Eastern Europe an additional problem further aggravating the situation is the otherwise rational changes in the price system. The price of many formerly subsidized basic needs—energy, water, sewage, medication, and the like—have been increased to the “world price level,” out of all proportion to the increase in household wages or benefits. The ramifications of this problem cannot be treated here, but the consequences (from cutting the water supply to eviction) should cause real concern: they mean not only financial hardship, but irreversible social exclusion.

Redistribution. With the increasing dominance of the market, the two bases of democratic welfare arrangements come into question. Reciprocal or solidaristic “hazy” contracts appear not to conform with the market. The unconditional right to life is undermined. As Viviane Forrester repeatedly asks: “Faut-il ‘mériter’ de vivre pour en avoir le droit?” Does one have to “deserve” to live in order to have a right to life?

The official explanation is that social expenditures are unsustainable. They harm economic growth because resources for investment shrink, and the benefits themselves represent disincentives. The implication is that public social expenditures have to be cut back without undue concern for the consequences.

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24 L'horrure économique, p.16.

I believe that other factors are more important than the official explanations in accounting for the changed attitude toward social expenditures, particularly in relatively wealthy countries that have seen a nearly continuous rise in GDP since the mid-1970s, simultaneous with markedly increased inequalities of income and wealth. On the one hand, the “hazy” contracts are being rejected not because they do not conform with the market (an innocent allegation), but because they harm the interests of the market. The objective is to recapture for the private market as much as possible from social policy territories such as health, education, and pensions. Therefore universal benefits are to be abolished, and social insurance is to be scaled down. Those who are unable to mobilize the resources for the marketized goods and services may turn to the state for help as a “last resort.”

On the other hand, the legitimacy of the reciprocity principle, built into both universal grants and social insurance, was weakened as a consequence of structural change and ideological efforts. The system was able to operate smoothly as long as most benefits could be tacitly perceived in terms of reciprocity. This era ended when full or almost full employment was given up by the dominant ideology, and the deteriorating job market was forced upon people as the only possible reality. In the case of children it was no longer possible to assume that when they grew up, they would “reciprocate” the free grants and free education that they had received by working and paying taxes and contributions. In the case of unemployed adults, their situation could no longer be seen as transitory. In the case of the elderly, they would be perceived less and less as having been useful for “society” during their active years, and therefore pensions would not be seen as a delayed reciprocal reward.

Thus the reciprocal elements built into the universal and the insurance schemes are becoming “too costly” for those who can still pay. Those who are to be (or who have been) social burdens have to be squeezed out from these schemes. They cannot remain partners in a reciprocal relationship. When they are left without the reciprocal support, they become objects of charity because of enduring ethical norms. In other words, they have to turn to social assistance.

When many are forced onto the assistance rolls, both from the universal and the insurance schemes, the number of the “needy” starts soaring. The moral obligation to help the needy is one-sided: the “haves” have to give to the “have-nots.” The enlightened self-interest that was instrumental in building up decent reciprocal schemes disappears. Thus when the have-nots become too numerous, they will be seen as a huge burden even if provisions are far lower than they were under reciprocal arrangements. Because of the one-sided burden, the moral obligation will sooner or later weaken.

The further consequences are well known. One is the tax revolt; another is an increasingly stringent selection process among the needy. An obvious means for selection is to revive the age-old categories of deserving and undeserving poor. The distinction between them is never objective; it follows a social and historical logic. The severely and congenitally handicapped have been and may still be considered “deserving” (This may be a reaction against Fascism that killed them, and Bolshevism that left them unprovided for. But the “postmodern” inclination to respect those who are different may also play a role.) The anticipated uncertainties and arbitrariness in the selection process essentially concern the able-bodied. It is for instance almost unpredictable under what conditions single parents or unwed mothers will be seen as deserving or undeserving. Families with more than the “average” number of children may also be judged either as exceptionally deserving or as irresponsibly undeserving, depending on the times and on who they are.

The deserving poor will retain a weakened
right to life. They will be offered charitable assistance without conditions other than a more or less humiliating means test combined sometimes with a behavior test (to control, for example, how they educate their children).

The undeserving will be “offered” a choice. If they don’t accept the new terms of assistance, to which I shall presently turn, they will be left out in the cold. They may starve, or steal, or scrounge, or beg; the unconditional right to life is suppressed. Their other choice is to accept the terms of an entirely new type of contract, which I term a pseudo-reciprocal pseudo-contract. A typical example is the introduction of forced work or workfare in the guise of a genuine market contract. In reality it is not a market contract, because it is not contracted between two free, formally equal agents. It is not a genuine contract because there is no negotiated bargain but an absolute constraint to accept the terms dictated by the stronger partner. And it is not reciprocity because it is not based on substantive equality; because there cannot be any time gap between giving and taking; and because the ethical or trust element is absent. In fact, it is a travesty of reciprocity because the relationships underlying it are hugely and openly asymmetrical and are meant to remain so. It is not much better than social assistance with unusually harsh behavior tests and intrusions into private life, uncharitable charity as it were. It also involves a paradox: there are huge efforts to denounce the “enforced solidarity” of the previous all-encompassing social insurance schemes because they have inhibited the freedom of participants. Meanwhile there is increasing support for “enforced reciprocity,” a far stronger abuse of freedom, but one that is reserved for the poor. The problem in my opinion is not contractualism per se but the rigid rejection of all not purely market contracts—with the exception of these “immoral and hypocritical” pseudo-contracts.26 The complexity of human relations cannot and should not be forced into one single logic.

The end result of the above transition is likely to be a new structure of the patterns of integration. Market relations seem to stretch out infinitely, occupying new territories. The logic of reciprocity (and with it that of solidarity) is banned from, or at least heavily curtailed in, the public domain. The scope of redistribution will also be trimmed and divided among three institutions. First will be a withered social insurance dominated by the logic of the market. Second will be charitable assistance concerned with precise targeting of the truly needy and truly deserving. And finally will be the new “pseudo-reciprocal pseudo-contract” described above. The consequence of these changes will not only be to further increase income inequalities and poverty, but also to contribute to the withering away of the idea of equal citizenship and the belief that each person’s human dignity has to be respected.

The inevitable conclusion is that this outcome must be corrected for the sake of social peace, the safeguarding of a tolerably civilized life, and the prevention of massive social exclusion. Economic growth may solve part of the problem. But growth may not create jobs (perhaps it will do the opposite), and it does not automatically filter down to reduce inequalities in physical and social life chances. A stronger civil society and a stronger state would be needed (both nationally and on the global level) to try to bring home that a decivilizing process,


or the breakdown of the world as we know it, is a real danger if people do not accept the necessity “to share: either income, or work or both.”

A sort of conclusion

Right after the collapse of “state socialism,” a void or confusion reigned with regard to basic social values or worldviews. The social structure itself was undergoing a fundamental upheaval. With the slow consolidation of the new structure, interests and values are on their way towards solidification. Different “public philosophies” are also slowly emerging, at least in the countries that have preserved social peace, and political democracy is gradually gaining ground.

However, the various public philosophies do not have the same weight. A slightly domesticated variant of the neoliberal/neoconservative orthodoxy occupies a dominant place, and is espoused even by those political parties that, on the basis of their names, belong to the political left. There is therefore practically no force that would tame the interests that enforce individualism in the name of “economic growth.” This is happening at the expense of solidaristic solutions, and is breaking the bonds between and within generations, between the less and the more fortunate. The ethical dimension is being disparaged. The dangers of growing anxiety, of social dislocation and exclusion, and ultimately the very real danger of a process of decivilization are ignored. All this is true on the global level, but it is particularly palpable in the former totalitarian systems that were suffocating for other reasons.

No doubt, the newly won political freedom cuts all ways. Therefore this orthodoxy may also be challenged, for example in the name of “old” European values belonging to the heritage of the Enlightenment or of social democracy. Only time will show whether social forces will emerge to reaffirm the values and principles that contribute to improving the “quality of societies.”