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Social Justice and the Varieties of Welfare Capitalism
Individuality, Sufficiency, and Institutional Flexibility

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I. Introduction

The social well-being of individuals in advanced industrial societies is traditionally thought to depend upon three different institutions: (i) the market economy; (ii) the family; and (iii) the welfare state. All advanced industrial societies have relied upon the success of their national economies to generate wealth. They have relied upon families to care for the young, the sick, and the old. And they have relied upon the welfare state—the bureaucratic provision of unemployment benefits, old age pensions, health care, and child support etc.—to compensate for the failures, risks, or insufficiencies of the market economy and the family.[i] From this traditional perspective, the welfare state plays first and foremost a compensatory role. Welfare state scholars and policy makers have long debated the optimal levels of compensation. Political philosophers have proposed various theories of social justice to assist them.

In recent years, a new vision of the welfare state has begun to emerge. On this view, the welfare state plays an interactive role in the reconciliation of work, family-life, and education over the course of an entire life-cycle.[ii] Recent policies adopted in Sweden and elsewhere that encourage men to take family-leave are exemplary of this new interactive welfare state. Welfare state scholars and policy-makers are now debating how to design policies that serve the varied interests of employers and employees, men and women, parents and non-parents, the elderly and the young. Clearly, the design of such policies raises a number of important normative philosophical issues, including (i) the nature of solidarity in diverse, open societies; (ii) the conception of human flourishing that underpins the new interactive welfare state; and (iii) the limits of state authority in the regulation of work and familial life. While these normative philosophical issues tend to lie beneath the surface of debates by welfare state scholars, the task of political philosophy is to explore these issues directly.

Contemporary political philosophers have, however, had surprisingly little to say concerning the normative issues posed by the new interactive welfare state.[iii] Indeed—with the exception of some feminist-inspired political philosophers—contemporary political philosophy has little to contribute to the design of policies and institutions that affect the balance of work and family-life. The aim of this paper is to propose "individuality" as an evaluative criterion and "institutional flexibility" as a structural feature of the new interactive welfare state. We argue that this welfare state ought to make

possible a life of reinvention over the course of an entire life-cycle, while providing all individuals with sufficient opportunities and resources to cover the risks of leading such a life. Our normative position is avowedly "perfectionist;" it rests, in other words, on a particular conception of human flourishing. But this conception is quite consistent with a diverse open society, a robust private sphere, and a limited form of government.

We take as our point of departure the observation by comparative political economists that that there exist a limited number of distinctive types of welfare regime. Underpinning this observation is an idea of institutional complementarity, which is to say that welfare policies, institutions, and (at least for some theorists) conceptions of solidarity generally all fit together in a mutually-sustaining state of equilibrium. This observation is lost on many political philosophers, who seem to think that policies and institutions can be combined in more or less any way that the philosopher prescribes. Philosophically, there is no reason why an open immigration policy cannot be combined with a tightly solidaristic society with cradle to grave welfare policies; yet practically, this might not be a viable option. To pursue this point further, we need to say something about institutional complementarity and the varieties of welfare capitalism.

I. "Anglo-Saxon Capitalism" and Its Alternatives

The scholarly literature on the comparative political economies of advanced industrial societies has generated a number of different taxonomies that purport to identify different types or models of welfare capitalism. For present purposes, it is worth noticing two different sets of taxonomies. Both are concerned with the degree of equality generated by different institutional configurations. But they differ in their focus on the *mechanism* that generates equality. One set focuses on the degree of equality achieved through the market economy. This approach is premised upon the assumption that economic institutions (and more specifically "firms") can be organized in a more or less equality-generating fashion. The other set focuses on the role of the welfare state in promoting equality by means of state-directed redistribution. Let us briefly discuss the ideal typical models that result from these two contrasting approaches. We will review models of capitalism first and then models of welfare states.

I.1. Ideal Types of Capitalism

As already mentioned, one set of taxonomies focuses on the differences and similarities of economic institutions among advanced industrial societies. The two most influential taxonomies of economic institutions—one developed by the corporatist literature and the other by the Varieties of Capitalism (VOC) literature—distinguish: (i) "pluralist" and "corporatist" countries; and (ii) "coordinated market economies" (CME) and "liberal market economies" (LME). Because there is a high degree of overlap between, respectively, the concepts of "corporatism" and CME, and the concepts "pluralist" and LME, we will focus here on the contrast between CMEs and LMEs.[iv]

A CME is defined as a form of capitalism with the following institutional characteristics: (a) highly organized unions and employers both with formal roles in the polity; (b) strong worker representation at the company-level—i.e. work councils and company unions; (c) collective wage bargaining systems—either at the national or industry-wide levels; (d) corporate governance systems that protect "stakeholders" rather than shareholders; (e) heavily regulated labor markets (strong employment protection, in particular), and (f) well developed social protection programs that insure

workers' skill investments. An LME, in turn, is largely defined by the lack of the very institutions just described (Hall and Soskice 2001, Estévez-Abe et al. 2001, Gourevitch and Shinn 2005). Thus an LME lacks highly organized unions and employers' associations with formal roles in the policy process. It also lacks collective wage bargaining or company-based worker representation. Its corporate governance system favors shareholders over stakeholders; its labor markets are not as heavily regulated; and its welfare benefits are meager.

> The distinction between CME and LME is important, because each model sustains very different types of economic behavior. Simply put, the CME ideal type describes a model of a capitalist economy that emphasizes long-term institutionally-embedded relationships; the LME ideal type emphasizes short-term market relationships. For many advocates of the CME model of capitalism, this model is well-qualified to deliver relatively egalitarian outcomes.[v] How? What are the causal mechanisms at work here? The main causal argument proceeds as follows. CMEs are rich in institutions that promote long-term mutual commitments among key economic actors, such as workers, employers, and capital providers. Long-term mutual commitments enable economic actors to overcome their short-term self-interest. Stable long-term employment relations, allow for cooperative industrial relations, which permit forward-looking investments in human capital. When institutions allow employers to make credible promises to their workers, the more likely it is that workers will cooperate with capitalists to improve productivity. Typically, workers will seek, as part of their bargain with employers, some commitment on employment security and an equitable share in the profits. Equitable distributions are also a consequence of the coordinated wage setting mechanisms of a CME, which produce relatively compressed wage structures—and thus greater income equality.

LMEs lack all of the institutions necessary to reduce inequality within the market. By granting a greater role to shareholders, LMEs create a short-term profit orientation. Likewise, their relatively unregulated labor markets facilitate easy "hire-em and fire-em" employment practices. The industrial relations are more adversarial than cooperative, because there is no institutional guarantee for long-term employment. Indeed, the absence of company level worker representation and well-organized employers' associations make cooperative industrial relations very difficult whether at the company, industry or national levels. Given the short-term time horizons of shareholders in liberal capitalism, corporate managers have no option but to layoff workers in bad times. Lack of coordination in wage bargaining systems, in turn, leads to much greater levels of income inequality within the market.

I.2. Ideal Types of Welfare States

The most influential taxonomy of welfare states—that found in the work of Esping Andersen (1990)--has created three ideal types based on different benefit principles—"benefit eligibility," "benefit formula," and "benefit generosity." Benefit eligibility can itself be based on three different factors: (i) contribution into a social insurance system; (ii) citizenship; and (iii) needs. Benefit formulas can themselves be determined on a flat-rate basis (everyone gets the same amount) they can be earnings-related. Finally, benefits can be either generous (relative to average wage income) or they can be meager.

On the basis of these distinctions in benefit principles, it is possible to distinguish three ideal typical welfare states—a liberal model, a conservative model, and a social democratic model. The liberal ideal type provides need-based, flat-rate and meager benefits. The conservative ideal type

provides generous earnings-related benefits based on a person's contributory history. The social democratic ideal type provides the most generous benefits to everyone based on citizenship.

For many scholars who rely upon this taxonomy, the conservative and social democratic welfare states are preferable to the liberal alternative, because citizens are less dependent for their economic well-being on the vagaries of the market economy.[vi] The less successful members of a liberal welfare state will thus run the risk of being reduced to low paid "Mcjobs," while their counterparts in conservative and social democratic welfare states can live off social wages to secure a more "respectable" way of life.

Much of the social scientific literature that employs either of the aforementioned taxonomies tends to prefer CMEs to LMEs and Conservative or Social Democratic welfare states to the liberal alternative. Although the normative grounds of these preferences are rarely made explicit, income equality is typically the factor that drives this evaluative judgment. In short, the worst of all worlds is to inhabit a capitalist system resembling the LME and a welfare state resembling the liberal model.

Figure 1. Typologies of Welfare Capitalism

		Varieties of Welfare States		
		Liberal	Conservative	Social Democratic
Varieties of Economic Institutions	Coordinated Economy (CME)	Cell I	Cell II Austria, Belgium, Germany, Japan, Luxembourg, the Netherlands (pre-reform), and Switzerland	Cell III , Finland. Norway and Sweden
	Liberal Market Economy (LME)	Cell IV Anglo-American countries	Cell V	Cell VI Denmark, the Netherlands (post-reform)

France, Italy, Spain and Portugal are considered to be mixed cases of LME and CMEs; and belong to conservative welfare states. They should therefore be located in between Cell II and Cell V.

Figure 1 places, for purposes of illustration, some advanced industrial states in a matrix of six cells created by combining two ideal types of capitalism and three ideal types of welfare states. Note that the distribution of countries in Figure 1 does not reflect *our* evaluative assessment, but the general perspective of the empirical literature reviewed in this section. What is important to note here is that Anglo-American countries are typically all lumped together in "the worst of all worlds" cell (Cell IV: LME and liberal welfare state).

The tendency of mainstream comparative studies of advanced industrial societies is thus to portray, whether implicitly or explicitly, Anglo-American countries as morally inferior types of capitalism when compared to the Euro-Japonica models. Euro-Japonica models of capitalism are believed to be more humane, because they provide greater income equality.[vii] But how central is income equality to an overall assessment of a social justice? Before pursing this question further at a philosophical level (in the following section), it is worth noting some of the criticisms raised against the mainstream welfare capitalism taxonomy by feminist scholars. Feminists' attempts to gender the welfare state have produced the most insightful attempt to apply a new normative criterion to evaluate welfare states, which then was followed by numerous empirical applications.

A number of feminist scholars have noted that advanced industrial societies can be compared on a variety of different dimensions of equality, including "gender equality." A state with relatively high levels of income equality may have low levels of gender equality. Here it becomes important to recognize that some welfare states treat women but primarily in their roles as dependent housewives or mothers, while treating only men as autonomous citizens (Orloff 1993, Pateman 1988). Other welfare states, in contrast, treat men and women as equal citizens. The difference turns on the fact that in the former welfare state women receive the benefits through their husbands; while women in the other type receive the benefits directly. Feminist scholars focus on this difference, because they think that the welfare state ought not to treat half the adult population (females) as less than full and equal citizens. They argue that the welfare state should not reinforce the pre-existing gender relations and claim the welfare state should promote economic independence and autonomy of women.

Feminist scholars have criticized Esping-Andersen's three-way taxonomy of welfare states—liberal, conservative and social democratic welfare states—for its lack of attention to gendered dimensions of inequality and disadvantage embedded in different welfare states (Orloff 1993, Sainbury ed. 1994, 1999). A similar line of criticism might be applied to the CME-LME distinction. Just as the three types of welfare capitalism omit factors important to the lives of women, so with the CME-LME distinction. Thus Germany and Japan—prototypes of CME—for instance, are more egalitarian than the US when it comes to distributive equality. Nonetheless, the economic institutions in Germany and Japan tend to lock men and women into rigid gender roles (Brinton 1988, Gottfried and O'Reilly 2002, Estevez-Abe 2005, 2006). It is structurally more difficult for women in Germany and Japan to combine work and family than their counterparts in the US. It is also structurally more difficult for men (and women) to change their careers.

Side effects of institutional rigidities in CMEs do not solely concern feminists. The very institutions of CME that lock economic actors into long-term relationships also limit citizens' choices to reverse their past decisions to try something new. In economies where citizens are expected to settle for a specific occupation early in their life and commit to it long-term, those who explore alternative life styles get penalized. Rigidities in labor markets, educational systems and human resource management practices within enterprises reduce the scope of choices citizens can make over the course of their life time. Economists and political scientists are generally preoccupied with the issue of insider /outsides cleavages in so far as they affect income distribution and macro-economic performance.

This preoccupation has led some to emphasize important differences within the CME camp. Scholars who draw attention to differences among CMEs tend to focus on different roles that welfare states play (Esping-Andersen 1999, Huber and Stephens 2001, Pontusson 2005). A sub-category of CMEs—Nordic countries and Belgium—possess welfare states, which ensure a fair treatment of labor market outsiders alleviating the material cost of being an outsider. Nordic countries also possess large welfare states that provide childcare and elderly care. As a result, women are highly active in the

labor market in these countries. This is not true in the case of other economies with rigid institutional characteristics—Japan and Continental and Southern European countries. Can all the negative consequences of rigidities be compensated by better welfare benefits? We do not think so. As advocates of *flexicurity* argue, the combination of flexible labor markets and adequate levels of social protection might be necessary to overcome outsider/insider problems and highly gendered division of labor that emerge in CMEs (Wilthagen 1998). To determine the normative implications of different institutional arrangements in advanced industrial societies, a lot more needs to be said about the concept of "social justice" and how that concept relates to the concept of "social well-being." Before we turn to the normative discussion, it might be useful to elaborate further on the kind of social solidarity that sustains different models of welfare capitalism.

I.3. Two Faces of Social Solidarity

Any system of social protection presupposes a conception of social solidarity, however limited it might be. The scope of social solidarity is pertinent to benefit eligibility requirements. Contributory benefits require the least stringent form of social solidarity. It is one's contribution that accrues her entitlement. In this sense, it is more like a state-administered insurance scheme. This is why contributory programs are often referred to as social insurance schemes. For need-based and universalistic benefits, the story is very different. They rely more on social solidarity than contributory programs. Universalistic benefits are provided to every citizen—and often to residents. Similarly, conditional upon needs, need-based benefits are also promised to every citizen and resident. Both types of benefits are financed by general tax revenue. These benefits are sustained with an implicit assumption that it is relatively easy to define who the citizens/residents are. Immigration challenges this assumption.

It is not simply strong labor movement that sustained high levels of social solidarity in universalistic Nordic welfare states. Stability in who the residents were was also crucial in sustaining social solidarity. Generous universalistic benefits presuppose that all residents are similarly committed members of the same collective. They have not been created for a world where some people just come and go as they see fit. It is worth noting that Nordic countries, while being generous to refugees, have not been very open to immigrant labor. Compared to other advanced industrial societies, the inflow of foreigners into Nordic countries has until recently been much smaller in scope (OECD 2002, Figure I.1). It is known, for instance, that the Swedish government requires employers hiring foreign workers to pay for Swedish language instruction. Most of the Nordic countries opted for mobilizing native-born housewives instead of importing foreign labor during the postwar economic boom. Social solidarity might thus be accompanied with limits placed on absorption of foreign labor.

English-speaking countries, in contrast, have established similarly universalistic but less generous welfare states. Except for the US, all these countries offer universalistic health care and many need-based benefits. Most of these countries have also stayed out of any policy commitment to mobilize housewife's labor--such as generous public provision of childcare, paid maternity, and childcare leaves. Perhaps not accidentally, this group of countries has also been most open to immigrant labor. In a new era of globalization and EU enlargement, rich countries face ever larger inflows of foreign migrants. Scandinavian countries now face a similar demographic context to the English-speaking countries. This new demographic context frames the debate over social justice and the new interactive welfare state.

II. Social Well-Being in an Open Society of High Productive Capacity

In their account of the future of the new European welfare state, both Esping-Anderson and Vandenbroucke invoke a Rawlsian conception of justice as their normative standard.[viii] "Our adoption of a Rawlsian yardstick," as Esping-Anderson puts it, "should resonate well with the prevailing view among European welfare states." In mind here is the prioritarian conception of justice (the so-called "difference principle") that Rawls defends in *Theory of Justice* (1971).[ix] It is worth noting, however, that Rawls's later work (including, most importantly, *The Law of Peoples* [1999]) introduces some distinctions that call into question the applicability of this prioritarian conception of justice to the Europe that actually exists today.

Rawls's initial theory of justice was worked out for a closed, domestic society that found itself in a world of other closed domestic societies. For Rawls, the strong duties of solidarity—the duties that sustain a demanding form redistribution to the least well-off—apply only between people who share a common national citizenship. They do not apply across nations, between human beings as such. Indeed, between human beings as such we owe only duties of charity. For Rawls--although he himself does not put it this way—the nation-state and the global community presuppose different social ontologies, which in turn call for different standards of justice.[x] Rawls makes clear this commitment to the nation-state in an exchange of letters with Philippe van Parijs, where he also expresses his hostility to the project of European Integration.[xi]

In his answer, Rawls appears to be skeptical of whether the duties of social solidarity will survive the abolition of Europe's nation-states and the creation of a more integrated polity. This leads him to make the following remark:

> One question the Europeans should ask themselves, if I may hazard a suggestion, is how far–reaching they want their union of be. It seems to me that *much would be lost if the European union became a federal union like the United States*…. The large open market including all of Europe is the aim of the large banks and the capitalist business class whose main goal is simply larger profit. The idea of economic growth, onwards and upwards, with no specific end in sight, fits this class perfectly. If they speak about distribution, it is [al]most always in terms of trickle-down. The long–term result of this — which we already have in the United States — is a civil society awash in a meaningless consumerism of some kind. I can't believe that that is what you want (emphasis added).[xii]

While Rawls's remarks on the EU are made only in a personal letter and cannot be taken as a considered position, these remarks coincide with his earlier assumption of a closed domestic society as the site of distributive justice and with his view--expressed forcefully in his *Law of Peoples*-- that "the affinity among peoples is naturally weaker (as a matter of human psychology) as society wide institutions include a larger area and cultural distances increase."[xiii] Broadly stated, there are three possible ways of responding to Rawls's argument at this point: (i) to share his commitment to the liberal nation-state and to hope for the disintegration of the European project; (ii) to challenge his assumptions concerning the possibilities of solidarity in a large, open, culturally-diverse European-wide society; and (iii) to accept these assumptions, but to rethink the nature of the welfare state in such a society. Since the disintegration of the European project is neither likely nor desirable; and

since Rawls's psychological assumptions seem plausible and have empirical support; we intend in this paper to pursue the third strategy (iii).

Like Rawls (and, before him, Emile Durkheim), we think that welfare policies and institutions presuppose some conception of solidarity. Furthermore, conceptions of solidarity are constrained by such factors as (a) the openness of borders to outsiders; (b) the degree of ethno-religious homogeneity; and (c) the nature of productive activity. It is certainly possible to imagine a society with closed borders, no ethnic minorities or religious disagreement, and with an economy based upon a simple subsistence form of farming. Such a society would make possible and depend upon certain types of human character—distrustful of foreigners, intolerant of the different, and capable of physical labor. Regardless of what we think of such a society and the characters that sustain it, that society is not ours. Modern European society, in contrast, is characterized by the three following basic social facts.

(a) The Fact of Openness.

Modern European societies are now open in varying degrees to non-native born populations. The causes of this increased openness are numerous, a feature which underscores the extent to which openness is now an inescapable condition. Perhaps the most important source of openness is the existence of the European Union, which establishes a European-wide border (the "Schengen Boundary"), which precludes European nation-states from limiting entry by members of other European states. If European Law establishes a legal form of entry that European states must recognize, so International Law establishes other legal forms of entry—such as, for example, the entry afforded to refugees. These legally-grounded forms of openness coincide with openness born of economic interests and technology. Clearly, it is the economic interests of modern European societies to attract skilled immigrants for their knowledge-based industries and unskilled immigrants to fill posiins in the service sector. More generally, many European societies face falling fertility rates, which mean that it will be hard to care for the elderly without even greater immigration. If these economic considerations refer to the demand-pull factor on immigration levels, there are also some important cost-push factors. To the extent that African and Asian societies remain under-developed, there will always be a stream of immigrants fleeing these societies. For many people, it is simply too costly to remain in these poor societies.

(b) The Fact of Constrained Disagreement.

As modern societies become increasingly heterogeneous—immigrants providing merely one cause of this—so these societies find it increasingly difficult to rely upon a single overarching conception of the good or authoritative way of life. The individual members of advanced industrial societies tend to belong to groups, sub-cultures, and pursue niche lifestyles, all of which militate against a single national creed. It is no longer possible, if it ever was, to organize modern society on the basis of a shared religion that covers all aspects of personal and social morality. Modern societies are characterized by the fact of disagreement.

One response to disagreement is coercion. Modern European societies, however, have learned that coercing people in the name of a single set of substantive beliefs is not a recipe

for stable social relations. These societies now draw a distinction between an area where disagreement is allowed (the truths of religion, for example) and an area where disagreement is constrained. The most important such area of constrained disagreement concerns the status of the free and equal citizen—"the bare citizen," as he or she might be termed.[1] All members of modern society are deemed to have the rights and duties of citizens; and there can be no disagreement on this fact.

(c) The Fact of High Productive Capacity.

Advanced industrial societies are capable of providing greater levels of wealth to larger numbers of people than any other society in history. Through the application of technological knowledge, these societies—knowledge-based societies, as they have been called-- produce more than their members need for subsistence. Their citizens also live much longer than anywhere else. Until recently, people lived perhaps five to ten years after they retired. Today, many live double that or even longer. Citizens of these societies also spend more years at school.

The fact of high productive capacity is itself a function of a cluster of different factors to do with the complex organizational structure of advanced industrial societies. These societies depend upon: (i) the creation of new scientific and technological knowledge; (ii) entrepreneurial activity that adds social and economic value to new scientific and technological knowledge, (iii) schools, colleges and universities that permit the free pursuit of this type of knowledge; and (iv) the creation of non-essential goods and services that citizens enjoy as ways of enriching their lives. Technologically enhanced productive capacities of advanced industrial societies have changed citizens' life style and their consumption patterns. An average consumer in an advanced industrial society enjoys goods and services not vital to their subsistence, such as Flat Screen TVs, Ipods, computer games, ball game tickets, and art (both cheap reproduction and expensive originals). The huge growth of the service sector reflects the scope of productive capacity of advanced industrial societies. Any conception of justice suitable for an advanced industrial society must be designed for people capable of operating and benefiting from a society with high productive capacity.

These three interlinked factors (open societies, the fact of disagreement, and the fact of high productive capacity) together form a conception of society. We claim that this (I) *conception of society* constrains both (II) *the conception of person* that can plausibly be thought to flourish in such a society, and (III) *the conception of fairness* that can regulate this society. Together (I) (II) and (III) form the basic organizing ideas of a theory of social justice. Now it might be objected at this point that our characterization of society is mistaken, that it emphasizes some features while ignoring no less important features. Furthermore, it might be objected that our account begs the question in favor of a particular type of society, the merits of which are themselves a matter of deep disagreement. But it is important to recognize that any theory of social justice designed to apply to advanced industrial societies must make some interpretative judgments concerning the features of society that might serve as "organizing ideas."[xiv] What we (*qua* theorists) look for are features of modern society that are relatively *fixed* (in the sense that it is difficult to imagine our way of life in the absence of this feature), relatively *foundational* (in the sense that so many other features of our society depend upon

[1]. For a discussion of this point, see Glyn Morgan. "European Integration and the Need for Justification," *Constellations* (2007):

them), and relatively *uncontroversial* (in the sense that they are widely—if not unanimously—accepted as defining characteristics).

Granted this conception of society, the task then becomes to identify (II) *a conception of the person* that fits comfortably within such a society. Here it is important to recognize that this conception of society allows for a wide range of ways of being in the world. The sole absolute requirement is that all members of society recognize the rights and duties of the bare citizen. But this requirement does nothing to specify the design of any social and economic institutions. If we are to draw guidance concerning the shape of a new welfare state, we need to specify a conception of the person that is not merely compatible with the society described above (as is the case with the bare citizen), but is likely to flourish in such a society. This is not to say that there is only one possibility here. We hold merely that *the capacity for individuality* is a central feature of our idea of the person; that this capacity is intrinsically and instrumentally desirable; and that institutions ought to cultivate and reward this capacity.

The capacity for *individuality* involves, in short, the capacity for creation, invention, discovery, and originality. Such a person not only draws pleasure from her own life of activity, but adds value to the economy and provides (through her creative activities and colorful character) pleasure to others. Part of our justification for emphasizing *individuality* derives from its role in sustaining an advanced industrial society characterized by, what we termed, the fact of high productive capacity. A society of this sort—which we assume to be a genuine historical achievement—requires people who possess this capacity for individuality. There exists, in short, a close and important "fit" between this type of person and this type of society. But saying this is simply to beg the question why an advanced productive society is desirable at all. Many societies, both now and in earlier periods of history, have never known our levels of productive capacity, were they accordingly impoverished or inferior? Many contemporary pluralists argue that they are not.[xv] But these pluralists tend to neglect two significant features of highly productive advanced industrial societies. First, these societies are—at least for North Americans, Europeans, and Japanese--our fate. We (*qua* members of any particular society) can repudiate this type of society only at the price of being dominated by foreign societies of this type. In other words, highly productive advanced industrial societies are powerful, both economically and (potentially) militarily. For us to turn our back on this type of society—in favor of, say, something akin to a simple pastoral society—is to make ourselves vulnerable to the power of those peoples who embrace this type.

Second, the capacity for individuality makes possible a rich and rewarding life. This capacity has been celebrated by a variety of different social and political theorists. The capacity for individuality is, for instance, closely tied to the idea--celebrated by the earlier Romantic theorists--that creativity lies at the very core of what it is to be a full human being. Through our capacity for individuality, we make our own unique mark on the world. In doing so, we create a unique or distinctive *persona* that seeks recognition from others. The capacity for individuality is no less importantly tied to the notion that human beings ought to be free to choose their own path through life. Self-chosen activities (whether these take the form of a hobby or career) are thereby expressions of a personal style, a distinctive identity. Ideally, it ought to be possible to choose these activities from a wide range of options. People are different; and the capacity for individuality will work itself out variously in different people.

The capacity for individuality does not necessarily entail something so demanding as the development of a wholly unique personal character. There is a more modest dimension to the capacity for individuality that is even more important: namely, *the capacity for reinvention*. As noted earlier, in advanced industrial societies, people tend to live for a very long time. Given longevity and

rapid technological advancements, it is important that people are allowed the scope to pursue a variety of different projects over the course of their lives. Many people will want to pursue different activities—including different jobs--at different stages of their lives. It follows then that the division of labor by sex or age is no longer as viable as fifty years ago. Men live a lot longer after they retire just as women live a lot longer after they have raised all their kids. On a passive level, reinvention occurs as one adjusts to the rapid pace of technological advancements or to different demands corresponding to various life stages. Those whose previous training has become obsolete reinvent themselves by retraining. People also go through different stages of life course reinventing themselves—first as children, students, workers, parents, and so on. On a more active level, reinvention is about choice. People should be able to choose who they are or might be rather than adjusting to what their society assigns them to be such as primary chare givers for women and primary earners for men. People should be able to rethink their career choices or life styles at different points in their lives. The society should provide both men and women opportunities for reinvention.

The capacity for reinvention allows us to escape the fate of being defined by any single, particular fixed "role." Under the social conditions of longevity and technological advancement, a fully developed life will be one that has pursued a variety of different plans, projects and careers. The romantics' aspiration of abolishing the division of labor will thereby be achieved over the course of a person's whole life and not, as Karl Marx naively believed, over the course of a mere day. It follows from this account of the importance of reinvention—a central dimension of the capacity for individuality--that advanced industrial societies have a sufficient degree of "institutional flexibility." In the next section, we argue that a necessary feature of a socially just society is that it possesses sufficient "institutional flexibility" to make possible the capacity for reinvention.

III. Institutional Requirements of Individuality: Flexibility

Given that individuality lies at the core of what we termed *social well-being*. And given further that the capacity for reinvention is a central dimension of individuality, then what institutional features sustain individuality? This question ought to lie at the center of the normative debate over the merits of different models of welfare capitalism. Whether a country possesses such institutional features or not becomes *the* key to evaluating how well that country promotes *social well-being*. *Individuality*, in short, requires *institutional flexibility*. By *institutional flexibility*, we refer to the ability of social, economic and political institutions to accommodate career and life-style choices that citizens make over the course of their lives. We particularly emphasize the institutional prerequisite for what we term *reinvention*.

A Society without Institutional Flexibility

Some examples might be useful in clarifying *institutional flexibility*. Let us first begin by considering a society that lacks any *flexibility*. Think of a country where social conventions are so rigid that young girls are expected to marry at a young age to become wives and mothers. In this society, women do not have access to higher education and employers simply do not hire women. Public policy only perceives women as "dependents of full citizens"—i.e. daughters, wives or mothers. As such, women have no recourse to divorce or inheritance. In such a society, women have virtually no choice.

This does not necessarily mean that this society lacks redistributive justice. Both the state and social conventions may ensure that no woman suffers from poverty because of gender. When social conventions define the family unit more extensively, unmarried women can be productive members of the extensive family. An extended family unit might consist of multiple female members, not all of whom carry out reproductive responsibilities. Even in the absence of an extended family, the state can intervene to make sure that unmarried women and widows are taken care of by means of various welfare benefits such as survivors' pension, whereby daughters and wives are entitled to pension benefits of their fathers and their husbands after their death. Redistributive justice, which might alleviate poverty among women, does not increase women's choices *per se*. Redistributive justice aims at reshaping the allocation of resources—as a result of market transactions—it does not aim at maximizing the flexibility of life choices citizens make.

Institutional flexibility and *inflexibility* do not just affect one sex. In the afore-mentioned example, it is not just women who are stripped of choices, but so are men. Men, as heads of the family have to fulfill various obligations regardless of their will. The greater welfare-providing functions bestowed in men—while generating power within the family and the community—restrict the range of life choices men can choose from. Their family responsibilities constrain men's choices just as they constrain women's. A husband who is aware that his family's welfare depends upon economic security he provides is likely to forego his risky dream of becoming a freelance write for instance. Furthermore, we can also think of gender-neutral *institutional inflexibility* such as a strict caste system that dictates what occupations one can engage in. Under a caste system, both men and women are bound by the caste of their origin.

Institutional Flexibility/Inflexibility in Advanced Industrial Societies

Certainly, the extreme cases discussed so far would only occur in undemocratic countries. Extreme forms of gender-specific institutional inflexibility seem only plausible in Afghanistan under *Taliban*. Similarly, a caste system would be unconstitutional in advanced democracies. Are democratic capitalist countries free of institutional inflexibility? Not so. Institutional inflexibility is not a unique feature of undemocratic countries. A comparison of advanced industrial societies reveals that their states, markets and the families accommodate individual choices to varying degrees.

Systematic discrimination in the labor market—discrimination against older workers, women and minorities—provides a good instance of institutional inflexibility. An overt discrimination arises when employers have an explicit or implicit idea that only certain types of people should perform specific tasks. This can and does happen in advanced industrial societies. The state, however, can intervene in its remedial capacity to remove institutional inflexibility. Some countries, for instance, make it illegal to discriminate against people on the basis of sex, religion, age and race. In such countries the state thus ensures that access to education and positions in and outside the market is available to all those who meet the requirement. Other countries are more lenient on discrimination. While the US government strictly polices its society, the German or Japanese governments have been lenient on sex-based work discrimination. Until very recently, for instance, there existed no penalty for employers, who categorically excluded one of the sexes from the hiring process in these countries. Regulatory intervention to eliminate discrimination broadens the scope of choices for those groups of citizens who have been denied access to certain occupations in the market as well positions in non-market organizations (i.e. private clubs, government, public sector). In other words, anti-discriminatory interventions enhance the *institutional flexibility* needed to develop and act upon the capacity for individuality.

Overt discrimination is not the only source of institutional inflexibility that arises in an advanced industrial democratic society. Some labor market institutions are inherently less flexible and, consequently, systematically reduce the range of choices available to citizens. More specifically, certain types of hiring and training methods lead to very inflexible labor markets, where people get trapped in jobs they chose as young adults with very little chance of lateral movement.

Think of a country, where the educational system is geared towards vocational training. All young people are sorted either to academic or vocational tracks at a young age. Institutional inflexibility maximizes when: (i) job entry is strictly based upon a specific vocational certificate a person earns; and (ii) the vocational schools only accept students of certain age groups. Under these conditions, what one decides to do at the age of 16—or at a younger age—will define that person for the rest of her life. If she decides that she wants to try out something new, say, at the age of 32 (still a young age), she finds no means to re-train herself or re-enter into a different employment. Some European countries actually have had systems like the one described here. Germany is a classic example of such a system. Its educational system is vocationally-focused. It also discriminates people on the basis of their age. Together with a very systematic school to work transition means a narrow window of opportunity for occupational choice during one's life course. Inflexible vocationally-based educational systems also exacerbate gendered occupational choices. Sorting students into different jobs at an early age exacerbates potential effects of gender stereotypes (Charles et. al. 2001). When it is difficult for people to change their jobs later in their lives, highly gendered occupational tracks will prevail to a much greater degree than what people might really want. A non-age-restrictive general education system is likely to allow men and women more options (Estévez-Abe 2006).[xvi]

Another institutional rigidity comes from very strong employment protection. Strong employment protection creates insiders and outsides in the labor market. Those who managed to get good jobs upon leaving school are protected, while those who did not will become outsiders. Strong employment protection promotes the development of an internal labor markets making it difficult for outsiders to apply for insider jobs. Let me illustrate one consequence of strong employment protection. Strong employment protection means that employers find it difficult to cut back on manpower during the downturn in the business cycle. Employers can either cut back on new hires or push older workers out by means of early retirement. Either way, we have a problem. Young workers who came out of school during the downturn in the business cycle face trouble finding insider jobs. Unless they live in a society with flexible educational systems with relatively loose school-to-work transition pathways, these young workers will be penalized for the rest of their life. They will simply become underemployed without any chance of staying longer in school to ride though the downturn in the market. The longer they remain underemployed, the worse their future job prospects will be. Early retirement, at first, does not seem like a bad idea as far as "retired workers" are generously compensated for. Even when these "retired workers" are not so old and might be willing to go back to work, a labor market with strong employment protection is biased against older workers.

Strong employment protection is also biased against people who interrupt their work to try something else. Once one leaves a good inside job for whatever personal reasons, it is difficult to get back in. Lack of flexibility in the labor market potentially affects both men and women negatively. Women (or men) who quit their first job to enjoy motherhood (or fatherhood) will find a vast array of occupational choices foreclosed if they desire to redefine themselves not as primary caregivers of their offspring but by means of their métier. Motherhood and fatherhood are not the only potential problems that arise in a society. Think of a person who tried out acting for five years and failed. In a society with little labor market flexibility, this person will find it hard to reenter the labor market to get a good job. When the job entry is restricted as in the German case described above, this failed actor will have little chance to reinvent himself. Societies with inflexible labor market institutions—

including strict employment protection and restrictive vocational training—make pursuits of individuality extremely costly.

In contrast, the scope for choices and changes is a lot greater in countries with flexible labor market institutions. When access to vocational training is open to a broader age cohort and a well-developed external labor market exists for a broad range of jobs (not just unskilled jobs but good skilled and professional jobs), citizens get a chance to experiment. After saving enough money, an ocean lover can take time off from paid work and sail around the world for three years if so wishes. She can enter the labor market or retrain herself for a different job. Likewise, a computer wiz can drop out school and try to build his Microsoft. If her efforts fail, she can always go back to school and restart.[xvii]

Patterns and expectations of family relations also vary across advanced industrial societies. Social expectations for marriage, having children, caring for children and frail elderly at home are significantly stronger in some countries than others. Divorce is more readily accepted in some countries than others. Patterns of division of labor between men and women within the household vary cross-nationally, too. Societies with rigid expectations for gender roles within the family are likely to strip men, who desire to be stay-home fathers, of possibilities to do what they want as much as they restrict choices of women who want kids and careers. Just as the state can intervene to remedy discrimination, the state can also intervene to offset the consequences of institutional inflexibility such as strict gendered division of labor at home by publicly providing care services—i.e. childcare, elderly care.

Despite the important remedial role of the state, the state itself can be a source of institutional inflexibility. Policies that assume a particular kind of family structure and work trajectories can limit other choices by inadvertently penalizing choices that divert from "the norm." When the government decides on the hours of instruction for compulsory education assuming that mothers will be at home waiting for the children at 2pm in the afternoon, this policy decision reduces the range of mothers' choices (Meyers, Gornick and Ross 1999). Or think of age restrictions that governments impose on licensing examinations for lawyers and accountants, for instance. They severely limit older citizens' range of choices. Similarly, think of a contributory social insurance scheme for old-age pension designed for a specific type of beneficiary in mind—like a male worker with a very stable job, who begins to work at the age of 22 and continuously works until his retirement age. Social security contribution thus has to be initiated by the age of 22 and full pension benefits are only paid to those who have contributed for 40 years by the time they turn 65. This system severely punishes anyone who deviates from "the norm"—parents who took time off to stay home with their children; anyone with atypical work trajectories. It is not just women who are penalized but anyone who interrupts work will be penalized. Big monetary penalty will prevent citizens from pursuing life trajectories they desire. The big gap between maximum and minimum levels of public pension benefits in countries that adopt contributory social insurance schemes indicate that this kind of penalty is real rather than hypothetical.

Institutional Requirements

It follows from the preceding discussions that, in order to maximize the scope of individuality within the society, three key institutions—state, market and family—need to be flexible. It is important to note that these three institutions are in a complementary relation to one another. Flexible (inflexible) labor markets lead to flexible (inflexible) family arrangements, which, in turn, support flexible (inflexible) labor markets. The state plays a crucial role in the mix for its remedial potential. The state can intervene to offset inflexibility of labor markets or family. The other side of the coin is

that, whether intended or not, the state can also preserve or exacerbate inflexibilities within the market and the family.

(1) Flexible Labor Market: Education, Employment Protection and Regulations of Hours/Employment Contract

Labor market flexibility is one of the most important institutional requirements to facilitate and encourage individuality. Educational and vocational training systems free age-specific biases are more likely to promote flexibility. Educational systems should be open to men and women from all ages to facilitate career changes, retraining and upgrading of human capital. Entry into educational and vocational training programs should be based on objective criterion rather than selection by employers. Educational systems that better enable citizens to experiment and recreate their identities along the long lifespan are more likely to make them more productive members of the society.

A well-developed external labor market, where there are multiple job entry points for people in different age cohorts, is more flexible and hence desirable from the perspective of individuality. Such a labor market and the afore-mentioned flexible educational and training systems are complementary to each other. In this regard, strict employment protection might not be desirable. Economic security should be provided to citizens by means other than restricting the terms of employment.

Once employment protection is uncoupled from economic security, it is possible for employers to offer different employment contracts—both short-term and long-term. Furthermore, the state can step into in its remedial role to expand the range of possible working hours. Men and women, and the young and the old can choose to combine paid work and other unpaid activities.

(2) Flexible Family:

Flexible family means that there exists no sex-based expectation for division of labor within the family. Two adults can form a pair based upon their shared notion of what a family should look like. A man who wants to be a stay-home father can be happily married to a woman who values her identity primarily as a worker, for instance. Or the two partners may opt for a family type, where the two people decide to split both unpaid and paid work equally. Flexible family arrangements, as stated earlier, require a flexible labor market institution. In countries whose labor markets are inflexible tend to have more make breadwinner-led traditional families than otherwise.

It is noteworthy that strong employment protection correlates with the predominance of traditional male-headed families, high marriage rates of low-skill women and—somewhat ironically—overall lower fertility rates (Estévez-Abe and Hethey 2008, Esping-Andersen 1999, 2002). In countries with strong employment protection such as Germany, Italy and Spain, low skilled women are more likely to have multiple children while remaining housewives. Educated women in these countries are much less likely to have multiple children (Esping-Andersen 2002: 82). Stricter gender roles and penalty that inflexible labor markets impose on mothers clearly affect educated women more negatively as their life choices are more limited than otherwise.[xviii]

(3) Flexible Welfare State

The state can play a remedial role to reduce inflexibilities that might exist in the labor markets and family structures.

Instead of imposing regulations that create inflexibility in the labor market such as strong employment protection, the state should offer economic safety net unrelated to one's job status. The welfare state should eliminate social welfare programs that are designed specifically for a particular life-style and work trajectory; and, instead, adopt more "choice-neutral" benefits. Universalistic benefits that do not make eligibility requirement and benefit levels contingent upon a specific family decision or occupational decision promote more flexibility in the labor market and the family. Very inclusive contributory systems—such as the US social security system for old age pension—can offer equally viable alternatives to promote individuality.

Here the institutional proposals by the advocates of *flexicurity* are instructive. They advocate leveling of social welfare benefits between full-time regular workers and other types of workers (part-time and short-term contracts). Universalistic benefit structures take care of this leveling that is needed for a fair and flexible society.

(4) Remedial State

Frank Vandenbroucke, the former Belgian Minister of Social Affairs and Pensions, speaks of the rise of an activist welfare state, which activates housewives and old workers as workers (Vandenbroucke 2002). Clearly, the welfare state does not simply insure citizens against risks, but more actively changes the range of options available to them. Various mother-friendly social policies provide the best examples of the ways in which the state actively intervenes to increase the range of options for its citizens. We, too, consider an active involvement by the state to promote individuality is essential. Because Vandenbroucke uses the term "active" to also mean the state's role in activating various groups in the labor market, we choose a different term "remedial" to describe the active role of the state in achieving a flexible society where individuality flourishes.

The remedial state should police against discrimination in hiring and training to insure that different groups of citizens get second and third opportunities to reinvent themselves..

Until the labor market and the family structure become flexible, the state also remedy disadvantages suffered systematically by a specific group such as women by programs like public childcare (or childcare vouchers when there is a market option) or elderly care.

Paid leaves should not only be given to the old and parents. Citizens should be granted what we might Citzens' Sabattical Leaves to recharge, reinvent or create something. Just as workers accumulate paid holidays, sabbatical credits will be given to years spent in paid work or in various unpaid activities deemed as social services. In other words, productive activities get socially recognized and rewarded in the form of assistance to explore individuality.

In short, our idea of institutional flexibility as something that promotes individuality pushes us further from the notion of flexicurity, which primarily concerns increasing employment flexibility for employers while securing safety nets for workers.

IV. The Requirements of Social Justice: Sufficientarian not Prioritarian.

The normative argument of this paper rests upon two organizing ideas: (I) *a conception of society* characterized by (a) the fact of openness (b) the fact of disagreement; and (c) the fact of high productive capacity; and (II) *a conception of the person* as possessing a highest-order interest in exercising the capacity for individuality. These two organizing ideas provide us with a conception of social well-being. They do not provide us, however, with a complete account of social justice, because nothing as yet has been said about the obligations or duties owed by members of society to each other. Typically, we think of a society as unjust when—no matter how high a level of social well-being some of its members have attained—members fail to secure an appropriate standard of well-being for all. We need, in short, a third organizing idea: (III) *a conception of fairness*.

This third organizing idea is more controversial than the other two, because some social and political theorists deny that modern societies need a conception of fairness. Friedrich Hayek, for instance, argues that the members of an advanced industrial society—"a great society," as he terms it—owe each other nothing more than "commutative justice"—the duty to keep promises, contracts , and to deal honestly with each other in their personal transactions. Hayek considers the very idea of "social justice," in contrast, to be meaningless and dangerous. The idea is meaningless, he argues, because a great modern society is not a corporate entity held together by a shared ethos but a collection of impersonal individuals. The idea of social justice is dangerous, he thinks, because, he thinks that any form of redistribution requires a state capable of interfering with the price-setting mechanism of the market. An interventionist state will yield market inefficiencies that will make us all worse off.

Hayek's critique of social justice is not, however, persuasive. Indeed, there are two basic problems with Hayek's line of argument. First, Hayek himself allows that that society must make some "charitable" provision for the sick, the elderly, and others who cannot survive through benefits secured by market transactions. Hayek, in short is committed to some basic level of a welfare state; he thus allows that some conception of social justice (even if he does not want to describe it as such) must operate. Second, Hayek's argument that state intervention destroys the price-setting mechanism of the market is wrong. The modern welfare state has discovered mechanisms of redistribution that are market-neutral (see Peter Lindert).

If we can accept the need for some conception of fairness, the key question then becomes—how much do we (qua members of an advanced industrial society) owe each other? John Rawls' answer to this question—an answer shared by many social democratic egalitarians—is that we ought to recognize "a principle of reciprocity." Viewed from this perspective, the members of an advanced industrial society—free and equal citizens, as Rawls describes them—ought to ensure that the basic structure of society (its political and economic institutions, in other words) is organized in such a way that it maximizes the well-being of the least well-off. Rawls thinks that pay-scales and tax rates ought to be structured so that any inequalities benefit the poorest. Rawls is not a strict egalitarian but a *prioritarian*.. He thinks that paying everyone the same would be economically inefficient. Inequalities are acceptable if they lead to a greater net social output from which the poorest members benefit. The poor, in short, have a priority on our attention. We must as a society be able to look the poor in the eye and say that we have done the best we can for them. They in turn will feel a sense of

loyalty to institutions knowing that despite their relative misfortune, the basic institutions of society have been organized in their interest. This is to satisfy the principle of reciprocity.

No modern society comes close (as Rawls acknowledges) to meeting this very demanding standard of reciprocity. Part of the problem here is that Rawls' argument wholly rejects the idea of desert, an idea which is widely shared amongst members of modern societies. Contrary to Rawls, most people think that their skills and intelligence are rightly "theirs" and they deserve to enjoy the benefits that they derive from these skills and intelligence. A further problem in Rawls's argument is that his account of reciprocity is closely tied to a neo-Rousseauan conception of citizenship that is no less widely shared than his views about desert. Thus for Rawls, we must prioritize the well-being of the least well-off, so that they can enter the public world of citizens without any stigma attached to their less fortunate status. But this argument exaggerates both the tendency of people to draw their civic status solely from their material well-being and it exaggerates the overall importance of the public world of citizens. Still another problem with Rawls's prioritarian approach to social justice is that it requires us to care about the least well-off regardless of their overall well-being. Thus in a Beverly-Hills type society where two-thirds of us are multimillionaires and one third of us are millionaires, the multi-millionaires would see their wealth flow to the millionaires. This does not seem like a requirement of any principle of reciprocity worth defending.

The most plausible alternative to Rawls's demanding prioritarian conception of social justice is an idea of fairness anchored in a conception of, what Adam Smith termed, "the necessaries and conveniences of life." From this perspective, we owe each other the goods (the necessaries and conveniences') sufficient to lead a decent life, a life without hardship, poverty, and shame. This "sufficientarian" approach allows considerable inequalities. It assumes that people do deserve at least some of the benefits that accrue to their skills and good fortune. And it recognizes that in a modern society, people cannot be expected to treat each other with that level of reciprocity that belongs amongst members of a family or amongst close friends.

One of Rawls' objections to sufficientarian standards of social justice is that they are vague. He contends that once an attempt is made to specify what exactly is entailed by "the necessaries and conveniences of life" or by " a decent life," then a sufficientarian standard will resemble his own prioritarian standard. The only way of meeting this objection is to specify in some detail what "sufficiency" entails in the specific context of a society of high productive capacity whose members possess a highest-order interest in acting upon their capacity for individuality.

At this stage, we have only a few tentative remarks available. Our governing philosophy here is that everyone ought to have *a sufficient opportunity for reinvention.* In other words, all citizens ought to have an opportunity to pursue a trade or career. But more than this, they ought to have the opportunity to change their trade or career over the course of their lives. A socially just society will have in place mechanisms that allow citizens to train and retrain. More important than redistributive measures necessary to minimize the gap between rich and poor—the obsession of social democratic egalitarians—a socially just society will have the institutional flexibility and the support mechanisms that allow individuals to pursue many trades and careers over the course of their lives. It will never, in our socially just society, be too late to start again. Individuals will never be too old to enter a trade or career. One specific policy that we believe is called for here is for vigorous anti-age discrimination legislation.

We conclude this section with a few questions (we wish we had all the answers) that arise from the general approach to social justice and the varieties of welfare capitalism that we have adopted.

(i) "Individuality" is a perfectionist standard—in other words, individuality defines what political theorists sometimes call "the good life for man." But is "individuality" a "state perfectionist" standard or merely an "individual perfectionist" standard? This question (put to us by Philippe Van Parijs) concerns the role of the state in privileging the lives of people who find "individuality" an attractive way of life. But what about those who find "individuality" burdensome or unpleasant? Can it be said that the type of society we describe is fair to them?

(ii) "Individuality," as we understand it, entails, a life of invention and (crucially) reinvention. But is invention/reinvention an end in itself or a means to finding the right or better way of life for that individual.

(iii) Is invention/reinvention economic efficiency-enhancing/ efficiency neutral/ or efficiency-diminishing?

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[i] For a detailed discussion of "functionally equivalent" ways to protect citizens from market-based and non-market based risks, see Margarita Estévez-Abe, *Welfare and Capitalism in Postwar Japan* (Cambridge: Cambridge University Press, 2008), Chap. One.

[ii]. This sentence summarizes a view expressed by Franck Vandenbrouck in his account of "new social needs," see Gosta Esping Andersen ed., *Why We Need a New Welfare State* (Oxford" Oxford University Press, 2002), x.

[iii]. Not one of the major journals in political philosophy (*Ethics, Journal of Political Philosophy, Philosophy and Public Affairs*) has, for instance, published an article on family leave policy [check this].

[iv] Others have similarly distinguished two types of capitalism. Ronald Dore, Michel Alber. This section relies on the Varieties of Capitalism literature that has produced the distinction between CME and LME, because this literature has more systematically discusses a wider range of institutions that compose different models of capitalist economy.

[v] For details, see Estévez-Abe, Iversen and Soskice 2001, Hall and Soskice 2001.

[vi] Esping-Andersen (1990) uses an idiosyncratic concept "decommodification" to describe the liberation of man from the market forces.

[vii] Michel Albert's book represents the populist end of this debate. At the academic end, the neo-corporatist literature has demonstrated how compressed wage structure and good macro-economic performance is compatible. The Varieties of Welfare Capitalism literature does the same thing (Estevez-Abe et al. 2001, Hall and Gingrich 2004). Peter H. Lindert (2004) shows how large welfare states have not hindered economic growth. Ronald Dore (2000) attacks American-style capitalism for its focus on shareholders over stakeholders such as workers.

[viii]. Esping Anderson (2000), x, 9, 10.

[ix]. Simply stated, a prioritarian conception of justices prioritizes the non-relative position of the least well-off.

[x] For a helpful discussion of this point, see Philip Pettit, "Rawls's Political Ontology," *Politics, Philosophy, and Economics* (2005): (4)2, 157-172.

[xi]. John Rawls and Philippe Van Parijs. "Three letters on *The Law of Peoples* and the European Union," *Revue de philosophie économique*, 7, 2003, pp. 7-20. Available at http://www.uclouvain.be/cps/ucl/doc/etes/documents/RawlsVanParijs1.Rev.phil.Econ.pdf For a discussion of this letter see, Glyn Morgan, John Rawls: Eurosceptic? European Integration as a Realistic Utopia. Available at SSRN: http://ssrn.com/abstract=1113223

[xii]. Rawls, "Three Letters," 5

[xiii]. Rawls, *Law of Peoples*, 112

[xiv]. Consider here Rawls' observation (1999, 25) about the status of the fact of reasonable pluralism: "The public political culture is not unambiguous; it contains a variety of organizing ideas that might be used instead."

[xv]. Gray (1995); for a critique see Morgan (2005)

[xvi] We do not have the space to go into the details here, but apprenticeship-based training systems negatively affects women's opportunities to choose occupations freely. This occurs, because, under the dominant pattern of division of labor at home, women are more likely than men to discontinue work; as a result, employers who take in apprentices possess more preferences for hiring males (see Estévez-Abe 2006).

[xvii] We are not making an economic justification to say that flexible institutions are more conducive to entrepreneurship—although this is a plausible argument. In this paper, for now, we are solely interested in making a case for *individuality*. It is worth noting that some of reform advocates in Japan are demanding flexibility in order to stimulate entrepreneurship.

[xviii] Studies suggest that mothers suffer from a lasting loss in their life time earnings in more inflexible labor markets than in others (Ondrich et al. 2002, Ruhm 1998).