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Horizons of Social Democracy: Social investment or transcending capitalism?

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Horizons of Social Democracy:

Social investment or transcending capitalism?¹

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Abstract

Starting from the identification of two sets of social democratic proposals in contemporary policy debates, this essay aims to explore horizons for social democracy. The alternatives reviewed are the social investment welfare state and Thomas Piketty's 'transcending capitalism' blueprint. The paper, after articulating the social democratic fingerprints of each alternative, sets out the terms for a conversation between them with a view to assessing frontiers for social democratic ambition. The main contribution of the essay is in the design of the investigation: it is an imagined dialogue, in the 'making sense' tradition, since a real dialogue between the two camps of ideas has yet to take place. The constructed dialogue reveals the contrast between 'labour might' (social investment) and 'capital democratisation' ('transcending capitalism') as well as the need for an all-encompassing social democratic alternative.

Keywords: social democracy; social investment; Thomas Piketty; democratisation of capital; fair equality of opportunity

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1. Introduction

In this article I explore horizons for social democracy via an imagined conversation between two influential contemporary social democratic alternatives. These are the newest version of the welfare state, that is, the ‘social investment welfare state’, and Thomas Piketty’s ‘transcending capitalism’ blueprint. In fact, in contemporary academic debates, the survival of social democracy as a policy benchmark seems to depend either on the sweeping reform of the good old welfare state promised by the former, or on a radical attack on economic inequalities of the ‘takeoff-of-the-rich’ kind, advocated by the latter. Currently, these perspectives talk past each other, creating an as yet unseized opportunity to assess potential collaboration with a view to enlarging horizons for social democracy.

When speaking of social democracy, I mean both a set of political ideals and ‘really-existing’ societies where the set of ideals approaches some level of realisation. Among the ideals, I include in addition to liberal and political freedoms, prominently, social and economic equality. As for really-existing social democratic societies, I refer to those, such as the semi-fictional ‘Nordenland’ (my suggested name for the compact of Nordic societies), that harness market economies for their broadly egalitarian ends.² Taken together, both political ideals (a thick version of equality of opportunity, in particular) and Nordenland’s achievements provide the benchmarks I use for making the comparative analysis of the two contemporary social democratic blueprint candidates discussed here: the new social investment welfare state (hereafter NWS) and Piketty’s transcending capitalism (hereafter PTC).

One preliminary way of depicting the contrast between NWS and PTC is to hypothesise that they differ with respect to the relative importance each accords to state-led *re-distribution* and *pre-distribution*. One might say: the ‘repair’ and ‘prepare’ functions of social states. NWS, as an heir of the traditional welfare state, would concentrate on after-the-market tax-and-transfer redistribution, and thus overlook issues of structural inequality, while PTC would concentrate on pre-distribution, i.e., before-the-market public interventions such as market regulation and distribution of economic assets, and thus discount compensatory tax-and-transfer interventions as of less importance.

² I assume that taking Nordenland as an embodiment of social democratic society is apt since the participating countries (Norway, Denmark, Sweden and Finland) arguably fare better than any other advanced democracy in terms of a large array of social democratic achievements. For reference, see Kenworthy (2019 and 2020).

Appearances are deceiving though, as I shall argue. The seemingly hot debate opposing re-distributivists and pre-distributivists – at least when it comes to social state configurations – has produced more heat than light. At this point, there seems to be some consensus that the two kinds of interventions are if anything trivially complementary.³ Just to illustrate: social benefits may be needed for poor families to be able to keep their children attending school and improve their future chances in the labour market; social insurance benefits may be needed for workers to be able to attend training programs that help improve their labour market reinsertion. Moreover, a case might be made that the *same* policy affects distributive outcomes before and after the market: for example, public pension influences one's economic decision to supply work.⁴ In that case, the re-pre distinction would seem more fruitful to indicate the dual function of social policies than to identify distinct styles of social states. In fact, as I shall argue, it is mostly at the level of normative debates that the 're versus pre' dilemma is kept alive, referring as it were to how socially transformative redistribution and predistribution can really be.⁵

In this connection, while managing the distinction between NWS and PTC by means of the re versus pre opposition seems not to work, the re versus pre debate is worth a second shot as some perspective might thereby be gained. From that vantage point, we for example see that PTC clings to a set of distinctly pre-distributive policies that are absent in NWS (e.g., the democratisation of property) while, conversely, NWS thrives on an array of multifunctional re and pre interventions (e.g., parental leave and flexicurity⁶) that are glossed over by PTC – even though, to repeat, this mutual sidestepping is not illuminated by a postulated alignment with a full-blown 're' or 'pre' social policy style.

By bringing the case before the tribunal of my chosen benchmarks (Nordenland and a thick version of the political ideal of equality of opportunity), I will propose instead that the fundamental distinction between NWS and PTC is located elsewhere: even though both are committed to the same set of social democratic ideals, including the realisation of similar notions of social justice, NWS and PTC differ with regard to their assessments of social problems and the range of what is possible. This distance, while not unbridgeable, is more

³ See, for example, the contributions to *The Predistribution Agenda* edited by Chwalisz and Diamond (2015), in particular the chapter by Huber and Stephens.

⁴ See Esping-Andersen and Myles (2011) for an early discussion.

⁵ See, for example, Thomas (2017) and O'Neill and Williamson (2012) for sustained normative debates.

⁶ This amounts to the coupling of flexible labour markets with social security and (re) training policies.

consequential for each side than either seems aware, and horizons for social democracy might benefit from open debate and explicit consideration of modes of reconciliation.

The organisation of the paper is as follows. In Section 2, I will present my take on the redistribution-predistribution debate with the dual purpose of arguing, first, that it is not this distinction that enlightens the issues behind NWS and PTC differences and, second, pinning down what can be rescued from that debate as useful clarification of horizons for social democracy. In Section 3, I will review NWS and PTC blueprints in terms of problems and possibilities as each sees them. In Section 4, I will work out opportunities for and limitations to reconciliation. Section 5 closes the paper with final remarks on horizons for social democracy.

2. Redistribution, predistribution

Since the inception of social states, distribution – that is, how capitalist economies distribute the fruits of the riches they create through market mechanisms – has been a central concern and a major normative justification for state intervention. And while social states have ever since been altering market (or primary) distribution by means of various interventions, outside attention often concentrates on the mechanisms of direct taxation and cash transfers, that is, those means whereby states promote a measurable and sizably less concentrated secondary distribution.⁷ Very often these interventions are summed up under the label of ‘redistribution’ and welfare states are then conflated with redistribution. A different social state orientation would be to concentrate instead on interventions geared up to affect market distribution itself – the capabilities people take to the market and how markets reward them – that is, pre-distributive interventions.

The criticism of the redistributive welfare state in favour of a more pre-distribution-prone one arises both from those who consider that redistribution has gone too far and from those who consider that it has not gone far (or deep) enough. Among the former, one prominent argument, which took root in the public debate in the UK soon after the Conservative Party formed a

⁷ In fact, OECD statistics measure redistribution as the difference between Gini indices before and after the welfare state tax-and-transfer to individuals.

coalition government in 2010, is mainly budgetary and relating to the political economy: in the face of both increasingly worrisome distributive issues (poverty and inequality) and — especially after the 2007-8 crisis — fiscal constraints, welfare states should focus not so much on collecting more revenue and delivering more transfers (a move that was likely to face increasing public resistance), but should rather focus on policies that better prepare (as well as drive) people to engage in the labour market and should also set living wages with which businesses should comply. So, instead of ‘repair,’ ‘prepare’; instead of socialising costs, push them to individuals and businesses.⁸

Curiously, this transmogrified version of the original pre-distribution argument was the guise under which the perspective of Jacob Hacker (the American political scientist who coined this strange name, ‘pre-distribution’) was received in debates in Britain and the US. Hacker himself in his 2011 seminal paper had devised pre-distribution more in line with the second assessment mentioned above, i.e., that the welfare state had not gone *far* enough, that market economies and economic policies were reproducing and amplifying inequalities to an extent to which bare redistribution would never be a match, and that, as a result, pre-distributive preventative measures would be key. In Hacker’s view, expansionary social states should *also* engage strongly in modifying the rules of the market game, tilting the balance towards macroeconomic management, public investments, real investment in the creation of good jobs, and workers’ bargaining power and participation in profits.⁹

In a related, though more critical mood, political theorists, also following Hacker’s initial ‘pre-distribution’ calling, started to criticise the redistributive welfare state for not going *deep* enough into the roots of the distributive problem, that is, the increasing concentration of property or capital, which underlies the increasing inequalities of contemporary capitalism. Most of the political-theoretic criticisms, claiming a more ancient heritage than Hacker’s paper, explicitly echoed John Rawls’ late disapproval of ‘welfare state capitalism’.¹⁰ For Rawls, the fact that the welfare state intervenes rather late, i.e. over an already settled distribution of economic advantages, is not anodyne. The timing of the intervention is critical as it carries damaging consequences to the real value of political freedoms: concentration of capital in few

⁸ This discussion took place mainly in the British mainstream press. See, for example, *The Guardian* (2012, 2013).

⁹ See Hacker (2011, 2015).

¹⁰ Rawls (2001). It was a late disapproval because this was not explicit in Rawls’ previous works, and most of the secondary literature had since the publication in 1971 of Rawls’ *A Theory of Justice* worked on the assumption that the workings of the welfare state accorded with Rawls’ twin principles of social justice.

hands means concentration of power and control over the lives of those who lack it, in the end condemning the majority to a politically dominated position. This also means that what is left for redistribution is doomed to be residual, not really life-transforming, let alone socially transforming. This position by Rawls is avowedly reminiscent of an even earlier heritage, that is, James Meade's early thoughts on a socioeconomic system named 'property-owning democracy', in which democratisation of capital occupies centre stage.¹¹ Meade is also the original reference of criticisms of the welfare state reported in O'Neill and Williamson's edited volume.¹² Alan Thomas' 2017 study, which is largely a criticism of the welfare state's ineffectiveness in view of the 'return of capital' as documented in Piketty (2014), mounts a defence of the social state centred on capital sharing, along Rawlsian lines.

One way of mapping out the debate thus far is by distinguishing a 'feasibility' and a 'radical' take as far as the choice between redistribution and pre-distribution goes, whereby the old redistributive welfare state and the socioeconomic system it engenders should be replaced with something else. In the terminology of New Labour, this would be the 'enabling welfare state'; in that of the radical critics, it would be the 'property-owning democracy'. If we were to follow this argument, we would have to conclude that the NWS with its productivist social policies (we will come back to this in Section 3) is a rejoinder to the feasibility objection, while PTC with its tax and property reforms (see Section 3) is an answer to the radical calling. Things are a little more complicated, though.

To start with, there are evident problems with the mentioned pre-distributivist assessments of what the welfare state is and does. For one, while the Hacker plea might be broadly seen as a call for a *complement* to the many policies which he sees as under the purview of the welfare state, the more damaging criticism by Rawls, calling for a *replacement* of the political-domination-prone welfare state, is far from fair. He compares really existing welfare states (in fact, he seems to be talking about the American or liberal social-assistance version of the welfare state, certainly not about Nordenland) with (a short description of) a property-owning democracy undisturbed by real-life snags. Also, there is no consideration of the resource-sharing activity of real world welfare states which are, of course, more than systems of cash benefits and income taxation, but also comprise ample provision of key social primary goods

¹¹ Meade ([1964] 2013).

¹² See O'Neill and Williamson (2012).

through many services. In fact, in the tradition of T.H. Marshall and Richard Titmuss, the welfare state is advocated, and was in fact so built during the 20th century especially in Nordenland, not so much as a system for social assistance for the poor, but rather as a universal provider of socially-protecting and socially-promoting resources.¹³ Moreover, when it comes to the details of the alternative, full-blown socioeconomic system as proposed by Thomas (2017) — a relative of the ‘property-owning democracy’ — much of the policy-mix that is then described, including education and public health services and social security, largely coincides with what is already in place in Nordenland, the main absent element being capital-sharing schemes. Although the inclusion of such schemes might signify a lot on the way to really transformative welfare states, as Thomas (2017) rightly points out (we’ll come back to this in Section 3), he nonetheless overlooks not only the pre-distributive consequences of nominally redistributive policies, but also the redistributive preconditions (e.g. direct taxation) for pre-distribution including capital-sharing. In short, Nordenland is arguably more pre-distributive — and property-owning-democracy is more re-distributive — than this literature appears prepared to concede.

More generally, as noted in the introductory Section, an aspect that often goes unnoticed is that the same social policy may bestow both redistributive and pre-distributive effects. For example, public education is a typically pre-distributive policy in that it helps to promote skills that workers take to the market, and enhances the disposable incomes of families with school-age children; direct taxation, typically redistributive, may imply more or less willingness to claim high wages and to offer additional work hours; in-work benefits, a redistributive cash benefit, may increase labour supply or decrease market wages; pensions affect work preferences of the elderly and other household members; and so on. In sum, it seems no exaggeration to say that, one way or the other, every redistributive policy affects economic behaviour and every economic behaviour affects revenue up for redistribution. In the end, ‘pre’ or ‘re’ interventions — although they may in a few cases correspond with specific policies and thus refer to genuinely different policies (maybe democratisation of capital is an example of a purely pre-distributive policy) — more often than not speak to different functions of the same policies.

Moreover, if we think in dynamic terms we see that the straw man of an old welfare state, committed to after-the-market handing out of cash benefits, does not fit the welfare state,

¹³ See Marshall (2009) and Titmuss (1974).

certainly not now, and arguably also not in the past. We now see that pension funds helped finance housing, unemployment insurance helped increase wages (and also fostered innovation and productivity), maternal leave helped boost the economic participation of women, family allowances helped expand schooling, to name a few. The Marshallian sense of universal participation in social wealth was there from the start, especially in the tax-funded universalist cradle of the 20th century welfare state. More generally, while policies and policy packages have over time been enlarged in Nordenland, many old-time policies unleashed unpredicted effects, some good, some bad, which prompted re-signification and recalibration, also in view of changing circumstances, more often than not towards more effectiveness with respect to the pursued egalitarian goals.¹⁴

Crisscrossing the feasibility and radical positions in the ‘re versus pre’ debate, a different perspective is disclosed by Anthony Atkinson’s *Inequality: What Can be Done?* (2015). Atkinson, fearing an enlarged role for markets in contemporary societies with which he associates increasing inequality, argues for a complex mix of nominally pre-distributive and more traditional welfare state policies. So, to the latter he adds an array of policies for capital-sharing, such as social inheritance and various forms of progressive taxation, the impact of which he deems to be even larger in the primary than it is in the secondary income distribution.¹⁵ To start with, it is of significance that Atkinson does not oppose redistribution to pre-distribution even though he explicitly refers to ‘pre-redistributive’ policies. But he does so as a reminder that these currently overlooked policies are perhaps needed now more than ever. He basically blames pre-market unequal wealth endowments and market mechanisms for the high and increasing income and wealth inequalities of our time, so that many of his proposed supplementary policies to what welfare states already do (or could do, with a couple of reforms) target these drivers. Aiming at equality and assisted by a Citizens’ Council, democratic governments should also play a role in spreading property, regulating the demand and supply sides of labour (employment and pay levels and scale), regulating capital (improving small savings of the bottom half) and product markets (competition policy in favor

¹⁴ To illustrate, unemployment insurance has been recalibrated and associated with training and retraining opportunities, as in flexicurity-type policies driven to increase employment; childcare has been revamped from the original targeted-to-the-poor design to a universalist one, including being available to the children of unemployed parents, aiming at both enhanced child development and economic participation or qualification of parents; paid maternity leave was extended to both parents and a daddy-month was later introduced in view of the lower take-up by fathers.

¹⁵ E.g., a high marginal tax-rate having the effect of discouraging people from claiming high salaries in exchange for their labour in the labour market.

of distribution), and influencing the direction of technology (e.g. via state procurement and public investment).

We see that Atkinson's eclectic proposal comprises the restoration of classic pre-distribution interventions – regulatory ones (especially in the labour market) as well as state-induced investments — which have been excluded from the repertoire of real-life welfare states (arguably, not from Nordenland) ever since the Conservative Revolution of the 1980s.¹⁶ In fact, as far as his pre-distributive package goes, it is as much a comeback of past policies, such as minimum wages, strong unions, pay scales, progressive taxation, whose retrenchment he blames for income concentration, as it is a radical advocacy of not-yet experimented with deeply distributive policies, such as Meadean forms of capital sharing, whose absence he deems largely responsible for the takeoff of capital concentration. In the end, Atkinson's position is not driven by budgetary considerations. Though he claims his egalitarian policy mix to be economically efficient, he is more concerned with its being effective in countervailing inequalities. Neither is it driven by the ambition to replace the welfare state with an alternative socioeconomic system such as Rawls' property-owning democracy. If anything, Atkinson's interest is in updating the welfare state in face of the new circumstances of increasing wealth and income inequalities and the melting down of labour markets. And the formula would be a combination of reform, restoration and radical change.

3. The New Welfare State (NWS) and Piketty's Transcending Capitalism blueprint (PTC)

Talk of the need for a 'new welfare state' sparked in policy and academic circles in the 1990s and early 2000s as a consequence of the austerity policy climate prevailing in the 1980s. This new welfare state, which under the circumstances should reinvent itself as a consistent package of *productive* social policies, would be the rejoinder to widespread calls for retrenchment. While a number of variants claim to be the more appropriate answer to that call, the NWS blueprint presented here is the *social democratic* variant, as discussed in *Why We Need a New Welfare State* (Esping-Andersen *et al.* 2002) and later developed in other publications during

¹⁶ This refers to the neoliberal policy-paradigm shift championed by Ronald Reagan and Margareth Thatcher, in the US and the UK, respectively, in the 1980s

the first two decades of the 21st century.¹⁷ It includes a recalibration of traditional welfare state policies in tandem with the advancement of a package of new – or seen under new lights – social policies, such as early childhood interventions, lifelong learning, and flexicurity. To an important extent, this blueprint coincides with a deep awareness — and the subsequent articulation — of the inner workings of the Nordenland socioeconomic experiment, increasingly perceived as a successful case deserving special attention.

To start with, the NWS is neither an abandonment nor a plain replacement of the old ‘compensatory’ welfare state. If anything, it is a vindication of it in new terms — new functions of old policies or new forms of integrating pre-existing policies in tandem with other interventions into larger arrangements to face what it sees as new circumstances. The general idea is to reconfigure the welfare state as much as a public insurance scheme as a self-conscious engine of productivity- and solidarity-enhancing policies¹⁸, operating through interventions which simultaneously perform pre and redistributive functions, or, more in line with the NWS’s own jargon, ‘pre-pare, bridging, and re-pair’ functions.¹⁹ Among the ‘prepare’ policies are early childhood education and care (ECEC), education at all levels, and health; among the ‘bridging’ ones are active labour-market policies such as training and retraining programs, lifelong learning, active ageing, and family—work reconciliation policies such as paid parental leave (including separate mother’s and father’s leaves), flexible work time, elderly care and, again, childcare and schools. Among the ‘repair’ policies are social transfers, such as those that integrate classic social security, including social insurance and assistance. But in fact most, if not all, of these policies are multifunctional (see, for example, the argument that ECEC helps to boost children’s cognitive and social skills and life prospects, female employment, fertility rates, more balanced gender norms), and, if anything, complementary (see, for instance, how unemployment insurance may be designed to work in tandem with upskilling active labour-market policies, such as in flexicurity policies, while various transfers such as paid leave and family allowances lubricate many of the services provided). They are underscored by a number

¹⁷ See Esping-Andersen *et al.* (2002). For a short selection of references including a perspective on varieties of social investment as well as in-depth discussions of multiple aspects of the social democratic variant, see Morel, Palier and Palme (eds) (2012). For a detailed discussion of the social-investment paradigm of social policy, including conceptual, methodological, policy and political-economy aspects, see Hemerijck’s monograph (2012) and Hemerijck (ed. 2017); the latter includes critical appraisal of the paradigm as well as applications and uses of social investment.

¹⁸ Hence, a response to both the feasibility and radical calls mentioned in the previous sections, even though the latter is somewhat mitigated, as we discuss more ahead.

¹⁹ See Morel, Palier and Palme (2012) for some of this terminology. Anton Hemerijck, in various publications, names them ‘stock, flow and buffer’ interventions.

of assumptions regarding their ability to promote highly productive (with high levels of employment in well-paying jobs) and socially equitable societies, both on class and gender counts. Most of the assumptions have found support in empirical evidence. They betray, in short, the fundamental belief that there is no necessary tradeoff between efficiency and equity — that the welfare state may actually promote both goals — and that reconciliation does not mean social justice at its cheapest: far from it.

All in all, this range of policies is committed to an ideal of equality: equality of life chances, regardless of people's social origin, family background, gender (a blind spot in the old, male-breadwinner-oriented welfare state). Moreover, it emphasises the reiterated (if need be) removal of obstacles on the way to a bigger and fairer participation of (citizen-) workers in the increasing social wealth. Remarkably, its focus is on labour. More and more productive workers are able to claim better wages in the bargain with employers over the social surplus; wages resulting from diminished education or training premiums will also deliver more balanced wage-distributions; inter-generationally, the diminished importance of family background in life chances and expected rewards from work is to be promoted by early interventions and lifelong learning policies, especially designed to undercut these automatic processes; lifelong learning is also expected to boost intra-generational mobility and thus better rewards along the way; a whole number of family policies see to it that care is not an activity to be borne exclusively by women, thereby equalising their expected status as economic participants and wage-earners with that of men. There also is an important solidarity component in that higher aggregate productivity is to sustain a robust welfare state, in particular, a substantial social fund providing for social assistance.²⁰

The problems for which this new welfare state—social investment blueprint claims to be a social democratic solution are the so-called ‘new social risks of post-industrial societies’. These include ageing societies (which are caused by increasing life expectancy and decreasing fertility rates, which diminish the size of the active population while increasing the inactive one), female employment (and challenges related to care supply, especially in view of increasing family demand), structural change towards the service sector and the knowledge economy (with their dual labour markets, increasing jobs either in the low-paying, low-skilled subsector or in the high-paying, highly skilled subsector), the technological revolution (fewer

²⁰ Hemerijck (2012) names this normative feature of the new welfare state as ‘capacitating solidarity’.

jobs in the manufacturing sector), and deep changes in family structures (less reliance on traditional family solidarity). Taken as general constraints are globalisation and fiscal pressures (due to increased global competition and capital mobility) so that the range of the (im)possible includes less labour market regulation and ‘leave capital alone’ strategies, thus no talk of progressive taxation or capital sharing. The proposal is in a way an update of the post-War capital—labour cooperation but, with labour now in a much weaker position, the task today is to increase the productive might of workers, which the new social policies are designed to facilitate.

But NWS and Nordenland differ somewhat. For instance, the key role of labour-market institutions in Nordenland is underappreciated by NWS. Although labour markets in Nordenland have become more flexible since the 1990s — meaning that it has become easier to hire and fire workers — other institutions such as wage-setting ones are pretty much intact (and their distributive role cannot be underestimated)²¹. Unions are strong, collective bargaining is all-encompassing, and corporatist institutions, including labour organisations, are prominently involved in the design of policy reforms, including in ways of formalising labour contracts in the so-called gig (or platform)-economy.²² Other less visible micro-interventions refer to within-firm mechanisms such as discretionary learning (whereby workers have autonomy in the work process to establish its goals and ways of reaching them)²³ and workers’ participation in companies’ boards, which among other things influence investment decisions and executive pay (this seems important in order to cap one of the forces of income concentration at the top).²⁴

Those institutions are in principle not incompatible with the focus on a social investment welfare state; they can be incorporated therein as ‘beneficial constraints’ urging firms to invest in training and innovation to increase productivity.²⁵ But not even in Nordenland which, as

²¹ See, for example, Huber, Huo and Stephens (2015), Bazillier (2015), Jaumotte and Buitron (2020), Kenworthy (2019).

²² See ETUC (2020).

²³ Eurofound (2009).

²⁴ *Idem*, Piketty (2020), Kenworthy (2020).

²⁵ ‘Beneficial constraints’ is an expression coined by Streeck (1997). According to *Oxford Reference* (2020): ‘It refers to institutions that constrain employer behaviour, and which may initially be resisted as a consequence, but which generate beneficial consequences for business in the longer term. Streeck’s initial example was the system of codetermination in Germany, which inhibits employer freedom to restructure businesses and requires them to share information and consult with worker representatives. The effect of this restriction, Streeck argues, has been to encourage the development of a long-term cooperative relationship between German employers and their employees, which in turn has provided the basis for competition on the basis of quality enhancement and high

mentioned, mixes NWS with enhancing labour's bargaining power by means of strong labour-market institutions, is capital the object of taxation; neither is progressive taxation key, nor is capital-sharing experimented with. These measures are not the focus of social policy — neither there, nor in the NWS blueprint.

In a way, this is the exact symmetric to Piketty's 'transcending capitalism' blueprint. In fact, when contrasted with NWS, what PTC lacks in detailed policies-complementarities-functionalities, it exudes in attention to capital. PTC is a plea for attention to property rights as the central component of any fundamental critique of contemporary capitalism and the effort to conceive a more socially just socioeconomic system. There is a general indictment of 'proprietary regimes', but especially of capitalism, for generating unjustifiably high inequalities, that is, inequalities that do not work for the general good (economic growth) or that of the least disadvantaged (equitable growth). This is particularly the case with 21st century capitalism. Moreover, Piketty blames centre-left parties in advanced democracies for, having disregarded concentration of property, giving up on the effort to imagine alternative forms of property beyond those experimented with in the failed socialist experiments of the 20th century. In the end, in place of state ownership of the means of production, these parties and similar ones had come up with nothing less than capitulation to capitalist property and 'proprietaryism', that is, the ideology of sacralisation of private property rights. Implicitly, this is a criticism of all variants of contemporary welfare states, including Nordenland.

In both *Capital in the Twenty-First Century* (2014) and *Capital and Ideology* (2020), the 'return of capital' is central, described as a phenomenon that combines the astonishing increment of the stock of wealth (or capital) and the slow pace of economic growth (the famous $r > g$ inequation) with the increasing concentration of wealth in a few hands (due among other things to the growing importance of inheritance). In Piketty's 2014 book, the sole reform that is advocated is the introduction of a progressive wealth tax, hopefully a *global* wealth tax – a tax levied on capital with a view to capping the increasing returns. But in his 2020 book a more extended blueprint is devised.²⁶

value-added and allowed German manufacturing to thrive in world markets. Other institutions that might function as beneficial constraints are minimum wage laws, training levies, and union recognition procedures.'

²⁶ See Piketty 2014 and 2020 in the list of references.

So, it is in Piketty's 2020 book that PTC is presented in full. It is a plan for social ownership and circulation of property underscored by a series of progressive taxes, including progressive inheritance and wealth taxes (inclusive of financial wealth) and income taxes (including capital incomes of financial origin). Social ownership or co-determination stands for workers' equal participation in firms' boards, including in decisions as far as investment plans and executive compensation go. Progressive taxes would be levied on wealth with a view to both funding a universal social inheritance (an equal amount of capital to be delivered to all citizens at a certain age) and on income to fund the welfare state (including education, health and social security, and, within the latter, a basic income guarantee similar to a negative income tax). But it is fair to say that, except for reserving the bulk of taxation for the welfare state, the latter is mentioned almost as an afterthought. Again, rich detailing is devoted to within-firm co-determination (which may impact distribution by influencing executive pay and shrinking the market value of companies), circulation of property (Piketty's name for Meade's and Atkinson's social inheritance) and a kind of education voucher that would be given to every student as his/her fair share in the public education expenditure.

In short, beyond the purely confiscatory role Piketty had assigned to a wealth tax in his previous 2014 work, in his TC proposal he envisages a nobler use for it, which is circulation of property. This solution comes as the culmination of a long and problematic history of inequality and proprietarianism. In this connection, the use of the term *circulation* deserves some comment. It refers simultaneously to the recognition of private property as legitimate and the need for limitations on it; true, both are already enshrined in tax systems in capitalist economies, but limitations need deepening. PTC, therefore, is not an upfront anti-capitalist blueprint, though the name 'participatory socialism in the 21st century' might suggest otherwise. Rather, it is a plea for a mitigated — since there is a question of capping the gains — and more democratic — since there is a question of turning property into a shared opportunity — capitalist property. In the capitalism of our times, as the assumption behind PTC goes, property is concentrated in the hands of the few, accumulates thanks to higher returns accruing to higher amounts of it, and remains in the hands of the few by inheritance. *Transcending* (Cambridge dictionary: going further, rising above, being better) capitalism means curbing these concentration—

accumulation—transmission automatic processes, without abolishing private property and markets, i.e., capitalism itself.²⁷

When it comes to concerns with feasibility, PTC has something in store to render it sustainable at the national level. This is the proposal of international collaboration on information about wealth and global alignment on tax justice among countries or regions. And while such conditions, which are key to support progressive advances over property, are presented as yet an additional blueprint (it is not clear at all how to get from here to there) on the side of hope, PTC recruits indirect evidence: that history has on many occasions shown the impossible to be possible, and there may be signs of changes in international treaties regarding an exchange of information on wealth ownership of nationals which might leverage national decisions on taxing capital. PTC also claims that there is some space even at national levels that could be more profitably occupied by a progressive agenda.

While the big and small politics of PTC is undeveloped (that of NWS is way more developed for obvious reasons), let us examine here PTC's fixation on capital. That is a consequence of considering economic inequality to be the main societal problem of our time and the engine of inequality to be the unfettered concentration at the top of both income and wealth distribution. Moreover, it is assumed that, if unchecked, this state of affairs can only get worse. Both the 2014 and the 2020 books produce overwhelming evidence of the first association, and worrisome indications of the second one. And while *Capital and Ideology* mostly assumes, rather than articulates, the obnoxious consequences of a very small elite grabbing basically all there is to own (though there is clear indictment as to the injustice of this predicament), it presents a documented diagnosis of the current distributive predicament along the following lines: during most of the 20th century, a coincidence of non-deliberate events and chosen policies produced an important compression of economic inequalities. And it was only when these policies started to be demolished, in the final decades of the 20th century, that the huge inequalities of 19th century '*laissez-faire* capitalism' start to return. This institutional

²⁷ In the literature, beyond state ownership of the means of production, typical of Soviet-style socialism, many other forms of democratisation of property within the boundaries of capitalist economies have been conceived, e.g. workers' individual and collective ownership of shares, or participation in profits and in companies, workers' cooperatives, state-holding sovereign wealth funds on behalf of citizens to whom it distributes dividends, the citizen's stake in social inheritance, which is the PTC favourite, not to speak of the citizen's partial control of privately-owned property under the form of what Piketty calls social ownership, which may include caps on control by large shareholders. Useful references on this topic include Thomas (2017), Piketty (2020), Atkinson (2015), Scheve and Stasavage (2016), Bowles and Gintis (1999), and Freeman (forthcoming).

architecture included market regulations: labour, financial, and housing markets, to name a few, public investment and property, and progressive taxation. To go back to a similar distributive situation, some of those interventions would have to be reinstated and new ones added, particularly those driven to alter wealth-ownership concentration. The underlying concern is with lost opportunities, that something needs to be done regarding the power that comes with wealth ownership, the power to command opportunities for improving one's life (to start a business, to own a house, to choose education and training trajectories), the power not to have one's life prospects under the control of others.

We may well imagine a dialogue between PTC and NWS in which the former criticises the latter for glossing over the real site of inequalities – wealth ownership – while the latter criticises the former for neglecting the crucial role of welfare-state policies in strengthening the position of labour under the current conditions. There is a question as to whether the two sides would accept the imagined claims of the other – the NWS would retort, to the claim that capital should be a matter of concern, that the constraints imposed by globalisation and tax competition are hardwired in contemporary capitalism; PTC would reply, to the claim that strengthening the economic muscle of workers (men and women) should be key in a social-democratic project, that wealth-concentration plays a more protagonist role. But these claims may also be balanced from an external viewpoint, in an effort of reconciliation, to which we now turn.

4. Reconciliation?

*To reconcile theories with one another
is to render them mutually consistent.*²⁸

Insofar as differences between NWS and PTC were already presented in the last Section,²⁹ the task facing us now is to decide whether these should count as an 'inconsistency'. And while

²⁸ *Stanford Encyclopedia of Philosophy* <https://plato.stanford.edu/entries/reconciliation/#TypImp>.

²⁹ A brief summary would include NWS highlighting features such as policies and policy-packages, labour muscle, labour and capital cooperation, social (in)mobility, economic and socio-demographic drivers of social problems, and PTC highlighting pecuniary resources, capital sharing, labour and capital conflict, wealth inequality, and political-institutional drivers of social problems. More generally, NWS could be reduced to a policy package and PTC to a normative blueprint. But both have ambitions: NWS has normative ambition and PTC has policy ambition. Anton Hemerijck, in personal communication, suggests a further distinction: the sociological take of NWS, including family and demographic drivers of social change and gendered concerns, contrasting with PTC's economic analysis of social disadvantage.

this latter possibility cannot be dismissed out of hand, I shall instead try to make sense of reconciliation. One obvious starting point is to look for complementarities in terms of how NWS and PTC address distinct features of social reality. But this would still leave much else to be explained, insofar as lacunae in both blueprints suggest not so much oversight as implicit objections. So, bearing in mind the mutual objections, I shall explore the possibility of complementarities by assuming that NWS and PTC are on the same page so far as normative aims are concerned; the differences between them then shift from having different aims to differing over how best to translate their ultimate aims into policies.

I assume that both NWS and PTC are designed chiefly to follow the normative lead of fair equality of opportunity – a notion famously articulated by John Rawls as his second principle of social justice but arguably his most consequential principle of economic equality.³⁰ Roughly, and this is my take on it, that principle rules that, in a fair society, jobs and valuable positions are allocated to people on grounds of competence and, most importantly, irrespective of social or family origin.³¹ Under the circumstances of our market economies, in order to be faithful to the spirit of that principle it is not enough to guarantee that people attend equally good schools where they may develop competences or freely engage in labour markets where they can get rewards from those: family background and inherited wealth keep playing decisive roles. In order to move along successfully, up the educational system from one level of schooling to the next, factors such as household material conditions, family configuration and stability, enriching family environments and early investments in offspring are crucial; access to quality higher education is especially demanding, particularly in respect to the quite opaque forms of horizontal stratification within higher education systems. In the same way, in order to secure jobs, not only do family background and schooling histories directly matter, but so too do social connections, which are often associated with family and class background. And progressing through the job market and securing high-value positions depends very much on those connections, rather than just on an individual's abilities and motivation. Even talents and willingness to develop skills — something seemingly beyond the purview of Rawls' rendering of the notion of fair equality of opportunity — are influenced by factors such as prenatal conditions and lived experiences within and outside the family. In the end, incomes accumulated by the advantaged turn into wealth, which is transmitted through the family, and

³⁰ The more famous 'difference principle' only rules out inequalities that do not benefit the least advantaged, after the freedoms and, especially, the opportunity principles have already done most of the equalising job.

³¹ Discriminatory differentiation is ruled out by the liberal freedoms.

ends up finding ways of shifting the balance of power in favour of policies that disproportionately benefit wealth-owners. In addition to these problems, which are abundantly documented in the scholarly literature on social and economic opportunities, economic changes may quickly render competences either useless or overvalued, while turning contingent income-differences into durable wealth-inequalities, as for instance may already be happening with the rapid advance of digitisation.³²

Certainly, the many guises, moments and instances along the life cycle under which many of those socially segmenting obstacles present themselves, call for social policies of the social investment kind: the relentless search for, and the making up of, the opportunity that is lacking. Hence, health care, early childhood, and even prenatal interventions³³ meant to improve the benefits of schooling, lifelong learning meant to reinstate or reform an unseized opportunity in the labour market, cash benefits of various kinds meant to ensure that the policies are realised — to recall just a few of the most important interventions. A social state blueprint should take care to prefigure and design such policies and to ensure that they intervene before the obstacle leaves irreversible scars. But often the ultimate source of multiple obstacles that lead up to socioeconomic inequalities is economic inequality itself — and it is not important whether economic advantages were ‘earned’ or not, insofar as these spill over to other domains, such as social opportunities and political life, where the influence of economic inequality is usually felt in favour of the continuation of the processes that produce and reinforce the advantages. Economic wealth is in itself an opportunity to access the most valuable positions and a ‘meta-opportunity’ to get the credentials for those positions. So, leaving economic wealth and its intergenerational transmission free from the restraints imposed by fair equality of opportunity runs the risk of badly weakening that principle’s ability as guardian of justifiable inequalities. This seems especially so in face of the take-off of top incomes and wealth of the last four decades,³⁴ which seems, incidentally, to be a problem even in egalitarian Nordenland.³⁵

³² Refer, for example, to the review article on inequality of opportunity by Corak (2013). See also Tilly (1998) for the importance of lived experiences. On family formation and stability, see Moullin (2015); on horizontal stratification in higher education, see Corak (2013) and Piketty (2020); on the importance of luck associated with technological innovation, see, for example, Van Parijs (1997).

³³ For the more recent attention to prenatal environment, refer, for example, to Gluckman *et al.* (2008) and Almond, Currie and Duque (2018).

³⁴ On the rise of wealth and income inequality, see Atkinson (2015), Piketty (2014, 2020), Huber, Huo and Stephens (2015), Kenworthy (2019, 2020), OECD (2018).

³⁵ See Huber, Huo and Stephens (2015), Piketty (2014, 2020) and Kenworthy (2019, 2020). Corak (2013), in particular, shows intergenerational bottom-up mobility to be high but immobility to be persistent at the top of the earnings distribution in Sweden. Esping-Andersen (2014) tracks the same phenomenon in Denmark. Kerstenetzky

It is at this point that the non-responsiveness of NWS to wealth-concentration is called into question, in an imaginary dialogue between NWS and PTC. The NWS advocate might reply quite realistically that the range of possibilities discourages going after economic capital, either via progressive taxation or via outright circulation; tax competition under globalisation would render this move self-defeating due to the credible threat of capital (read: investment) flight. Of course this reaction cannot be fully satisfactory, at least to the extent that the second-best solution (leave capital alone) would result in the aggravation of the first-worst problem which is inequality.³⁶ There is the empirical question as to how certain one should take this capital-flight consequence to be, as well as how certain is it the case that capital-stay means real investment.³⁷ In this connection, accepting tax-competition as an immovable motor may be dangerously self-fulfilling: capital gets addicted to low tax rates and bids for ever lower ones, constraining countries at best to the social state option of NWS. Yet another problem of ‘accepting globalisation as it is’ is the lowering of the value of labour itself, the valorisation of which is the flagship of the NWS, through increasing labour market deregulation. We may wonder, will upskilling active labour-market policies be a match to artificial intelligence and the swelling of low-end service-sector employment? In fact, current inequalities are as much about the concentration of income and wealth distribution at the top as they are about the emptying of the middle of income distribution, and that emptying in addition to technological and structural changes seems to be due to laxer labour market regulation.³⁸

and Guedes (2020) document the increasing redistributive effort devoted to taming increasing market income-inequalities in Denmark in the aftermath of the Great Recession.

³⁶ It might be argued that NWS does not consider economic inequality the problem to be addressed in the first place. But I do not think this is the position undertaken by that perspective. And to the extent that my judgment is correct and economic inequality is deemed to be the fundamental problem to be addressed, NWS cannot ignore income and wealth concentration at the top of the respective distributions since these have been the main (though not the exclusive) drivers of contemporary inequalities. It could alternatively be argued that what happens at the top should not concern us provided the rest of us are faring pretty well, including without much inequality among the rest of us. But this would be tantamount to ignoring the detrimental effects of huge concentration at the top on political and social cohesion, as well as the need for institutional processes and procedures to be perceived as fair, and the fact that very wide dispersions of income and wealth may simply be perceived as shocking. In any case, even political theorists who do not define themselves as ‘egalitarians’ consider extreme inequalities to be unjustifiable on account of their detrimental consequences, and thus in need of brakes. See Scanlon (2018) for a discussion of why inequality matters.

³⁷ OECD (2018) reports mixed effects associated with progressive taxation, and the introduction of wealth taxes in particular, pointing to a more multidimensional problem concerning mobile capital, including the fact that capital may continue to be invested in the country from which the owner has fled. Recently, over 80 of the world’s most famous millionaires signed a letter publicly calling for higher taxes on the richest; see Oxfam (2020).

³⁸ See Atkinson (2015).

On the other hand, the ‘capital’ quality, in Pierre Bourdieu’s sense, of social investment remains underappreciated by PTC. Bourdieu suggests the use of the category ‘capital’ to signify a sort of energy or power that materialises in different contexts, giving its owners advantages they may explore – capital, which is that power, is plural in its many different manifestations.³⁹ This is a concept akin to the idea of opportunity. In fact, many of the policies within the policy package of NWS either directly promote or indirectly foster the spread of capital. The most conspicuous is educational capital – starting with early interventions such as ECEC and continuing throughout lifelong learning and training and retraining programs with a view to enhancing the skills and real freedoms of workers. Moreover, the universalistic character of most NWS policies, mostly related to services, makes it easier for people to set up connections, that is, social capital, that are broader than those that would have been foreseen from the vantage point of social or family origin alone. We may speculate about the likely effects of those rather broad bonds on public culture and the public sphere (for example, social trust tends to be higher in Nordenland than elsewhere, and the welfare state seems to have something to do with this)⁴⁰. The same is true of the cultural capital that is normally transmitted within families and which is to an important extent spread more broadly thanks to early intervention institutions such as ECEC policies in accordance with Nordenland’s practice.⁴¹ We could also point to the collective capital that social services seem to build up while strengthening social cohesion, not least via the socialisation of consumption. These qualities of social investment, namely the ability of its institutions to generate capital other than economic capital in the strict sense of economic property — capital essential for protection against social risks as well as for the promotion of desired individual and social ends — were all black-boxed in the ‘welfare-state-taken-as-a-whole’ part of PTC.

By the way, black-boxing the welfare state, even more so a 45%-of-GDP one as envisaged in PTC, is not inconsequential. Consider, for example, PTC’s proposal for education, which is summarised as the distribution of an equal individual endowment to be allocated in education or training according to one’s own liking: how could a public educational or training system be planned on those individuals’ choices alone? Moreover, how about complementarities between education and other policies, and what about those other policies to begin with? More generally, similarly robust welfare-states, such as France and Denmark (over 35% of GDP, in

³⁹ Bourdieu (1979).

⁴⁰ See Sonderskov and Dinesen (2014) and Kenworthy (2020).

⁴¹ For a thorough discussion, refer to Esping-Andersen (2009).

each country), perform quite differently in terms of unemployment, employment and female employment-rates, gender equality, relative poverty, and Gini inequality⁴² – all of them to the advantage of Denmark where NWS is in full swing – so that the nuts and bolts of the welfare state seem critical.

Again, however, as distinct from NWS, which sets aside the democratisation of property while PTC reserves a robust-in-money-terms role for the welfare state, PTC's lapse remains important even if one considers economic capital-sharing to be a central strategy to rein in contemporary inequalities. This is likely to be the case even if we, along with PTC, take the somewhat optimistic view that there are ways out of the severe constraints imposed by globalisation on capital-sharing, such as the building of transnational institutions to improve transparency and cooperation for the exchange of information and to enforce tax justice. The latter may or may not happen; PTC places its bet on the expansion of those institutions, from their uncertain and feeble current state, into substantial and effective transnational regulators. Yet there remain justifiable worries associated with a blueprint (PTC) in which fairly spread but essentially individualised resources – individual stakes in the social inheritance and 'voucher-like'⁴³ allocations in the education system — occupy centre stage and societal ties and bonds are left undeveloped. Looked at from that particular angle, NWS seems less individualistic and market-oriented than does PTC.

In the end, any accommodation among NWS and PTC with a view to providing ample horizons for social democracy seems to require awareness of the demands implicit in the social democratic ideal of social and economic equality, as embodied, as here suggested, in fair equality of opportunity. That awareness should include the recognition of one's own shortcomings. Thus, glossing over the need for changes in 'globalisation as we know it' leaves the hands of the NWS quite tied, including its ambition to strengthen the position of labour, while concentrating on economic capital distracts PTC from needed transformative societal changes about which, having in mind its radical drive, it is surprisingly mute.

⁴² See Kerstenetzky and Guedes (2020) for comparative figures.

⁴³ To be sure, Piketty does not use the term 'voucher' and the endowment is meant to be used in the public system alone, so that, as distinct from the traditional use of educational vouchers, we are not facing a two-sided market transaction. I thank Fabio Waltenberg for bringing this point to my attention. Undeniably, however, there remains a market aspect to it, which is the consumer's choice.

5. Concluding remarks: horizons of social democracy

While the image of either an endless race between skilled workers and ‘robot owners’ or a world of capital owners ‘without qualities’ is hardly appealing, a combination of workers (and not only them) as the owners of the robots and the possessors of real freedoms to develop manifold capabilities is certainly more enticing. But Nordenland — which, to recall, includes labour market regulations in addition to the provisions of NWS — would, when combined with interventions suggested by PTC, such as circulation of property and progressive taxation of wealth, stand for an even more significant enlargement of social democracy’s ambition. In part, this ambition was incorporated into Atkinson’s eclectic social state reform proposal, in which he, while not explicitly engaging with NWS, included interventions such as market regulation (including financial markets) and macroeconomic policies. Seen therefore from a third-person perspective and with the assistance of the fair equality-of-opportunity lens, horizons of social democracy may be even vaster than that devised in a combination of NWS and PTC.

The array of interventions just described, other than the outcome of a simple operation of addition, reflects the (currently known) manifold mechanisms and processes that shape socioeconomic inequalities, and may be accommodated within an enlarged conception of the welfare state. As suggested by Esping-Andersen in the Introduction to his 1990 classic *The Three Worlds of Welfare Capitalism*, the welfare state, beyond a solid package of benefits and services (the narrow view), should encompass a broad range of interventions to counter the inequalitarian forces of capitalist market economies (the broad view). In a way, Nordenland does much of this — except for the democratisation of capital — including inducing the emergence of new productive paradigms (beyond distributive and consumption ones) such as green investments. Crises, such as that of 2007-8 and the current one, have been used as occasions for steering the economic system in new directions. We wonder how the challenges of artificial intelligence, climate change and the pandemic will play out in terms of social democratic imagination. Artificial intelligence, in particular, directly calls into question the ownership of robots, which are expected to eliminate jobs or, at best, leave low-paying and menial jobs for the majority of the property-less humans. In this connection, and in line with the broad view just referred to, Atkinson suggested that states should engage in influencing the direction of technological progress itself. Not unrelatedly, climate change and the pandemic are likely to stimulate a serious revision of current production and consumption patterns.

A final remark concerns an aspect of the welfare state that is seldom commented upon — which is odd, considering how much it has changed over its more than one hundred years of existence and how much it has accounted for *varieties* as well as *varying* capitalisms. That aspect is its adaptability to changing circumstances. That quality along with experimentalism is especially striking in Nordenland. We may only intuit that the specifically democratic component of doctrinal social democracy, the playing out of liberal and political freedoms, must have been critical to the development of those attributes.

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