ADDRESSING INEQUALITIES

The Heart of the Post-2015 Development Agenda and the Future We Want for All

Global Thematic Consultation

INEQUALITY AND THE UNIVERSALISTIC PRINCIPLE IN THE POST-2015 DEVELOPMENT AGENDA

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Abstract
Two risks are becoming increasingly evident in the initiatives to address inequality in current discussions on the post-2015 development agenda. One is the de-politicisation of policy debates about how to actually address inequality and the second is an obsessive focus on inequality indicators irrespective of the social and institutional processes influencing these indicators and their longer term implications in terms of social integration. For instance, targeted cash transfers to the poorest can bring about quick reductions in the Gini index by lifting the lower tail end of an income distribution even though the broader structure of inequality might be left untouched in the process, especially if cash transfers are not funded progressively. This is important because much of the social dynamics related to inequality occur above this tail end. Inequality measures can mask stratification and segregation between poorer and middle social strata, or else exclusionary processes occurring among middle social strata that can have important implications for social mobility. From this perspective, a politicisation of the policy context informing the post-2015 development agenda is urgently needed in order to allow for the integration of a holistic social policy perspective into discussions on inequality. The risk of not doing so is that the agenda can be (and is often being) subverted towards orthodox policy agendas that undermine social integration and fragment citizenship rights in many contexts. Moreover, the paper argues that shifts towards more universalistic principles in social policy are crucial to bring about more egalitarian and equitable processes of social integration and citizenship.

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Introduction

The MDGs have been criticised for their lack of attention to inequality as opposed to the ample attention given to absolute indicators of poverty, both money-metric and multidimensional (e.g. see Saith 2006; Fischer 2010; 2012; and Fukuda-Parr 2010). However, two risks are becoming increasingly evident in the initiatives to address this lacuna in current discussions on the post-2015 development agenda. One is the de-politicisation of policy debates about how to actually address inequality and the second is an obsessive focus on inequality indicators irrespective of the social and institutional processes influencing these indicators and their longer term implications on social integration. In both cases, a politicisation of the policy discussion is urgently needed, in particular to allow for serious consideration of universalistic principles of social policy as cornerstone strategies of inequality reduction.

The first risk relates to the currently emerging consensus about inequality that appears to be taking place among mainstream multilateral institutions, think tanks, and other platforms of global ideational dissemination, which risks masking a de-politicisation of policy debates about how to actually address inequality. In other words, simply naming the issue does not solve the intractable policy and ideological debates that have plagued this issue over the past thirty years. Moreover, the pressure to conform to consensus within multilateral processes might well induce a tendency to censor the less orthodox positions within these debates, despite the fact that these positions have led the criticism of worsening inequality under the mainstream policy paradigm over the last thirty years. Hence, a de-politicisation of policy debates over the issue of inequality might in fact hinder our ability to revise and recalibrate the development agenda away from its current comfort zone.

The second risk is the tendency, much as with poverty in the MDGs, to focus on inequality indicators – in income, health or education – irrespective of the social and institutional processes influencing these indicators. Of particular importance is the degree to which poorer and middle social strata,[1] or various other social groupings, are integrated (or segregated), given the centrality of this dimension to the longer-term social and political sustainability of any poverty and/or inequality reduction strategy. In addition to this common insight from the field of social policy, another problem with an exclusive focus on inequality indicators – particularly the Gini index – is that these do not necessarily reflect a wide range of adverse social processes occurring across middle social strata and that can have important consequences on mobility, stratification and cohesion. Indeed, a lack of attention to middle strata can inadvertently reinforce a tendency to attribute various inequality-induced social disorders to poverty, thereby reinforcing conservative phobic impulses to segregate the poor from other social strata, even though the opposite is arguably required in order to move towards lasting socially-inclusive development.

From this perspective, there is a necessity to integrate a holistic social policy perspective into discussions on inequality in the post-2015 development agenda and, in particular, the key role of universalistic modes of social policy in both rich and poor countries as some of our most

[1] I avoid the use of the term 'middle class' because the precise meaning of this term has become excessively nebulous in its recent usage by economists and multilateral institutions, particularly in terms of definitions based on non-poor income status, starting from incomes as low as two PPP dollars a day, e.g. see Ravallion (2010). Such definitions are absent of any precise sociological meaning.

powerful policy tools to date for dealing simultaneously with poverty and inequality, especially in combination with broader developmentalist agendas. Indeed, from a broader (classical) political economy perspective, universalistic social policy and associated policy approaches (such as progressive fiscal policy) are essential complements to productionist development policies such as industrial policy given the exclusionary tendencies of the latter. The contention here is that shifts towards more universalistic principles in social policy (which may include elements of targeting) are crucial to bring about more egalitarian and equitable processes of social integration and citizenship. However, such issues are fundamentally political, not merely technical. Hence, they require a politicised engagement within current development agendas in order to create the space for serious deliberation of these possibilities, rather than relying on the apparently apolitical moral ground of goals and indicators, as I have argued with respect to the MDGs. The risk of not explicitly anchoring future development agendas within politicised policy debates is that these agendas can be (and are often being) subverted towards policy agendas that possibly undermine inequality reduction and/or fragment citizenship rights in many contexts.

This is argued in three sections. The first offers some examples of how the recognition of inequality and related distributive issues such as employment can be used to advocate the current development policy orthodoxy. The second section offers an institutionalist political economy understanding of universalism in social policy as an umbrella term reflecting a set of guiding principles along three dimensions: access/coverage; cost/price; and financing. This understanding can help to shed light on the diversity of institutional matrices involved in social policy around the world and to avoid simple dichotomies, such as between ‘targeting’ and ‘universalism,’ or ideal-types, such as the stereotypical northern European welfare state circa 1975. Third, this understanding is brought back into the question of evaluating inequality within broader questions of social integration. The conclusion offers some reflections on the necessity of politicising the policy debates along these lines in the post-2015 development agenda.

1. Beyond consensus: theoretical paradigms on inequality reduction

In recent years there has been an increasing recognition that current levels of inequality around the world are a problem and need to be addressed. In addition to moral reasons, arguments are made that high levels of inequality have become economically inefficient and exacerbate a whole range of social ills that impact the poor and non-poor alike (e.g. see Wilkinson and Pickett 2009). In development policy, such arguments have come to supersede the received wisdom that some rising inequality is inherent to the development process, as per commonly misinterpreted renditions of Lewis (1954) or Kuznets (1955).[2] Since the *World Development Report 2006* on equity (WB 2005) – the closest the World Bank could come to mentioning

[2] For instance, Milanovic (2011: 8) suggests that rising global inequality ‘flies in the face of the two theories’ predicting the opposite – the Kuznets curve and the Hecksher-Ohlin-Samuelson theorem. On the former, it is useful to revise the original, because Kuznets (1955) warned against drawing predictive conclusions from his analysis, especially for poorer developing countries. Milanovic also misrepresents Kuznets in claiming that Kuznets argued that ‘in preindustrial societies, almost everybody is equally poor so inequality is low’ (p.9), which is an inaccurate understanding of Kuznets’ original article. Arthur Lewis (1954) was also clearly concerned about forms of national and global inequality that undermined development.

equality at the time – and especially since the recent financial crisis, a consensus appears to have emerged among mainstream international institutions on the need to address inequality, alongside closely related and hitherto sidelined distributive issues such as work and employment.

However, recognising the problem does not necessarily solve of the question of how to deal with the problem. A similar quandary has been inherent in the MDGs given that there is no formal clarification in the MDGs of the policy means that should be used to achieve the targets of multidimensional poverty reduction despite the ample indicators to identify when these targets would be achieved. Many have obviously come to fill the void of formal policy guidelines, more or less reproducing the spectrum of political and ideological policy positions that pre-dated the MDGs, albeit the MDGs have arguably facilitated a de-politicisation of these policy debates and have thereby given the upper hand to the more orthodox positions within the spectrum (see Fischer 2010; 2012).

Similarly, the politicised contention surrounding the issue of inequality is not so much about the end of reducing inequality but about the policy means of how to do so. There are many positions in this regard. Indeed, rising inequality and polarisation were long recognised in early development economics in the 1960s and 1970s – particularly by the Latin American 'structuralists' – and were central to the criticisms of structural adjustment and Washington Consensus style reforms in the 1980s and 1990s by a whole slew of less-than-orthodox economists and other social scientists. Simply naming the problem now does not solve these intractable policy debates of the past. Rather, as with the MDGs, there is a risk that an emerging consensus about inequality now might again mask a de-politicisation of the policy debates and allow the discussion to be usurped by orthodox policy agendas that have arguably been at the heart of rising inequalities over the last thirty years in the first place.

Perhaps the best example of this predicament can be drawn from a recent issue of *The Economist*. The lead editorial of this special issue on inequality ('True Progressivism,' 13 October 2012) acknowledges that 'inequality has reached a stage where it can be inefficient and bad for growth,' although an article further in the same issue by Zanny Minton Beddoes (the economics editor of the magazine) also questions the evidence of rising global inequality. Beddoes cites a ten-year old paper by Bourguignon and Morrisson (2002) and presents data (up to 2008) in a figure showing that the rising global Gini index plateaued in the 1980s at just above 0.65 and then declined from the 1990s onwards. She therefore claims that '[B]y that measure, the planet as a whole is becoming a fairer place.' However, these results have been hugely contested. Notably, the figure in question also cites an article from 2011 by Branco Milanovic – Lead Economist in the World Bank research group – although the data in figure is inconsistent with Milanovic's own work. Citing OECD (2008), Milanovic (2011: 8) notes that income inequality 'has been on the rise – or stagnant at best – in most countries since the early 1980s' (besides some recent exceptions in Latin America). He also notes that preliminary data for 2008 seem to indicate that global inequality (measured by consolidating household income surveys from across the world and converted at purchasing power parity prices) declined from a high plateau of about 70 Gini points in 1990–2005 (about 5 points higher than the global Gini cited by Beddoes) to about 67–68 points in 2008, which was still much higher than global inequality fifty or one hundred years ago. He explains that the 'downward kink in 2008' (not necessarily a trend) is explained by the financial crisis; 'if sustained (and much will depend on

China's future rate of growth), this would be the first decline in global inequality since the mid-19th century and the Industrial Revolution' (ibid: 11).[3] In light of these much more up-to-date findings, apparently referred to by Beddoes, it is evident that *The Economist* is here involved in a partial and somewhat deceptive art of narrative creation.

On the basis of this evidence, *The Economist* editorial argues that a new form of 'radical centrist politics is needed to tackle inequality without hurting economic growth.' In identifying culprits, the editorial gives a passing mention of implicit subsidies to large Wall Street banks and the restrictive practices of highly-paid professions such as doctors and lawyers, but the brunt of blame is saved for state-owned enterprises and monopolies in China, oligarchs in Russia and India, and 'the most unfair transfer of all – misdirected welfare spending…' referring to social spending on the relatively wealthy. The fact that housing subsidies to the richest fifth of the population in the US (or 'in America') through mortgage-interest relief is four times the amount spent on public housing for the poorest fifth is the only evidence provided for this assertion. Otherwise, there appears to be a conflation in the editorial between welfare (i.e. social assistance) and more general social spending, such that we are led to presume that general public provisioning in education and health care amounts to welfare spending.

In terms of policy, the editorial advises a Rooseveltian attack on monopolies and vested interests, greater transparency in government contracts and effective anti-trust law in the emerging world in particular, continued market reform (such as in the economy of the European Union), and school reform (such as that currently undertaken by the Conservative Government in the UK, which many have decried as reinforcing social inequalities). With a gall that would seem to belong to a bygone era when labour unions actually held of modicum of power in the US, the editor asserts that 'no Wall Street financier has done as much damage to American social mobility as the teachers' unions have.' The editor also advises targeting government spending on the poor and young, ending universal subsidies (such as fuel subsidies in the 'emerging world'), and unaffordable pensions. 'But the biggest target for reform is the welfare states of the rich world,' which should be addressed through raising retirement ages, means-testing public spending, and using some of the saved cash for education (in the reformed and union-free school system, we presume). Reforming taxes is the last advice. Beddoes reiterates these points and concludes that 'although the modern global economy is leading to wider gaps between the more and the less educated, a big driver of today's income distributions is government policy.'

Despite claiming to draw from the ideas of both Left and Right, the diagnosis and the cure proposed by *The Economist* are essentially the same as the neoliberal policy package that has been on the mainstream policy agenda since the 1980s and 1990s, which many would argue is at the root of increasing inequalities over this period. In particular, the implication of welfare state reform is that public spending should not be given to the relatively-wealthy, but only targeted to the deserving poor through improved means-testing, in combination with New Public Management style reforms to the public sector (such as increasing choice in the education system – often a discourse for backdoor privatisation). Public sector unions should be disarmed (the last bastions of labour unions in the US, after those of the private sector have

[3] This hope might not be met given that the Gini index in China increased sharply from its 2007 level of 0.49 (according to Li 2012: 47) to 0.54 in 2010 (according to the latest data analysed by Su 2012: 73).

been all but crippled since the 1980s) and market-distorting labour laws (such as those in Europe) and various loosely identified government policies should be dismantled. This is combined with the usual policy advocacy for further liberalisation and market reforms related to competition and transparency (particularly with respect to emerging economies).

Similar narratives have abounded in the mainstream literature with varying hues of nuance, if not rebounded with increasing vigour in the aftermath of the recent financial crisis. *The Economist* simply provides – as it usually does on most current issues – one representative and particularly seductive narrative for relatively easy public consumption. Nonetheless, the ideational undertones pervade even more moderate positions, such as that found in the latest *World Development Report 2013: Jobs* (World Bank 2012). The focus of this report on employment (via the lexicon of 'jobs') as a core element of poverty reduction, inequality and social inclusion is a welcome addition to the WDR canon, following the lead of recent reports from other major international organisations (e.g. UNCTAD 2010). However, the focus on paid employment rather than work, particularly unpaid work, might be considered a step backwards from the previous WDR on gender equality, which could have opened the potential for a wider perspective on work and inequality to be introduced into subsequent WDRs.

Moreover, in noting that most jobs are created by the private sector, the report argues that the primary role of government is to set the conditions for job creation by the private sector, not the direct provisioning of employment (see WB 2013: 257). Farming and informal sector activities are most likely included within this conception of private sector because otherwise the public sector does account for a significant proportion of formal non-farm employment in most developing countries. For instance, state-owned units in China accounted for 19 percent of total urban employment in 2010, or about 28 percent formal urban employment, including formally registered private enterprises and self-employed individuals (calculated from CSY 2011: tables 4-2 and 4-6). In the US, direct government employment (i.e. not including employment generated by government outsourcing) accounted for 16.5 percent of total non-farm employment in July 2012 (calculated from the US Bureau of Labor Statistics) – a non-negligible share that plays an important stabilising role in the employment dynamics of the US, particularly in times of economic downturn when the private sector is net destroying rather than creating employment.

In addition to this general position, the *WDR 2013* reserves its policy advice for the final two chapters. The advice is reduced to three considerations: 'fundamentals,' i.e. macroeconomic stability, an enabling business environment, human capital and rule of law; a tempered approach to labour policies in ways that avoid market distortions and the stifling of labour reallocation, and that support social protection for the most vulnerable; and policy priorities aimed at removing the market imperfections and institutional failures preventing the private sector from creating more 'good jobs for development' (ibid: 257). Chapter nine ends with a focus on the need to deregulate restrictive labour market regulations, a promotion of export processing zones as a way to bypass regulations that prove stubborn, and a more general advocacy of further trade liberalisation, especially in services such as utilities, finance and telecommunications, including the encouragement of transnational takeovers of domestic firms in these sectors as a means to increase efficiency and productivity (one these last points, see ibid. 307-09).

Absences in the report are also telling. There is little discussion in the report of the relationship between industrial policy and employment besides a few passing and generally derogatory comments (e.g. pp. 37, 217, 218 and 247).[4] Instead, the report proposes that 'targeting the investment climate' should be framed as tackling market imperfections or government failures that are preventing jobs in labour-intensive sectors such as agriculture and small enterprises, or else in particular concerns such as women's labour force participation. Similarly, the role of universal public provisioning of health care and education is absent from the discussion on human capital. The only brief discussions of universalism address the role of social protection in inducing formalisation of labour forces, although the report advises caution in this regard (e.g. pp. 210-12 and 276). It is generally ignored that both state-led industrial policy and universal provisioning of basic health care and education were keys to the employment and growth successes in countries such as South Korea and Taiwan (except one qualified mention of universal education in South Korea on p.177).

It is important to understand how the emphasis in these policy positions is underpinned by a deductive reasoning based on neoclassical economic theory. The foundational neoclassical reasoning need not necessarily lead to the policy advice of *The Economist* and many economists have used neoclassical deductive reasoning to justify state intervention, industrial policy, trade protection, or universal public provisioning and welfare (such as Dani Rodrik, Amartya Sen, or Joseph Stiglitz, to name a few of the most famous). However, the reasoning can be identified as neoclassical on the basis of the deductive principle that a perfect market – if this could ever exist in reality – leads to the most efficient and pareto-optimal outcome possible. Overtime, it also leads to greater equality (as per factor price equalisation theory). Hence, the ultimate (or abstract) solution for both efficiency and equality is found in free and perfect markets.

The slippery slope of the neoclassical paradigm is then based on the degree to which market imperfections are recognised in reality, are considered to be tractable, are deemed to produce second, third or worse-order outcomes, and whether these outcomes are judged as superior or inferior to the option of state intervention in the market. In essence, the case for state intervention is argued by way of the degree of diversion from a perfect market possibility. Modern welfare theory would hold that a second-best free but imperfect market outcome is better than state intervention in most settings, and thus restricts state intervention to a very limited range of activities and responsibilities, such as rule of law, enforcement of contracts, and some aspects of public provisioning where externalities are too great for markets to internalise (e.g. see a good presentation of this position in Lal 2002[1983]). We might say that the neoliberal policy position – which is closely informed by modern welfare theory – is one that adopts the view that close-to-perfect markets (i.e. markets in which outcomes are better than state intervention in most cases) are attainable as economic and social realities.

Hence, according to this logic, the best way to achieve both economic efficiency and greater equality is to prevent obstructions to free markets and to strive to perfect markets as much as possible – particularly through strengthening market-supporting institutions such a private property rights and contract law. The target of state action should be restricted to these

[4] Albeit, on p.218 there is favourable mention of the discussion of industrial policy framed within a theory of comparative advantage by Justin Lin, former chief economist of the World Bank. Two other approaches are also briefly considered, although none of the stronger positions in support of industrial policy are presented.

objectives and to the provisioning of state welfare to those falling through the transitional cracks of imperfect markets during the course of transition to market perfection. Some latitude is often allowed for state involvement in the provisioning of basic services so long as this involvement is conducted in market harmonising ways and does not crowd out the possibility for the private sector to supersede this role if and when it can. It is precisely for these reasons that *The Economist* argues for getting rid of market distortions as its main policy advice to address inequality and that public social spending should only be used for those who qualify as deservingly needy (others can presumably purchase social goods for themselves through private providers). It is also for these reasons that the World Bank advocates trade liberalisation, labour market deregulation, and policies to correct market imperfections as its pillars to support 'good job' creation, and hence as a means to address poverty and inequality.

However, this logic has been at the core of the dominant policy paradigm that has arguably induced much of the rising inequality over the last 30 years. In their defence, proponents of this paradigm would retort that it has been the continued obstruction of markets by government policies or other collective actors such as trade unions that has been preventing the outcomes predicted by theory. This is the reason why government spending and policy are repeatedly emphasised in *The Economist* issue as the big drivers of inequalities today. Obviously, to paraphrase Karl Polanyi's criticism of the laissez-faire utopia of economic liberalism: because the ideal free market is never attainable as a reality in a complex modern economy, it can always be argued that the failures of economic liberalism are not that markets were liberalised, but that they were not liberalised enough.

Alternative theoretical views might start from within the neoclassical paradigm itself through a stronger recognition of market imperfections as inherent to modern economies and possibly intensifying as these economies become more complex and opaque, thereby justifying more established forms of government regulation of the market system. The imperfect information approach pioneered by Joseph Stiglitz and colleagues is a good example of this view. However, this approach still remains within a broader neoclassical paradigm insofar as it accepts the perfect market outcome as its deductive abstract reference point, against which government intervention is to be justified.[5]

Instead, a real departure from the broader neoclassical paradigm starts with a rejection of the dichotomy between state and market as a meaningful basis from which to understand the modern economy, especially at the macroeconomic or aggregate level. For instance, a Keynesian view (from a post-Keynesian reading) starts from the understanding that even perfect markets can fail. In particular, aggregate 'pseudo' markets dealing with employment or savings and investment fail regularly because the institutional mechanisms driving supply and demand in these aggregates are simply not coordinated in the manner supposed of markets. Hence, it cannot be assumed that even perfect markets will move towards equilibrium without the intervening presence of some form of regulatory non-market coordination, especially in these aggregate pseudo-markets. Such a post-Keynesian institutionalism is similar to the insights of Karl Polanyi, who argued that the expansion of modern market systems is predicated precisely on the expansion of the regulatory function of modern states, or of Joseph Schumpeter, who argued that this regulatory function tends to increase proportionally in both

[5] See Fine (2001) for an alternative reading of why Stiglitz is essentially neoclassical.

private and public entities with the increasing complexity of economic and social systems (i.e. the managerial, regulatory and planning components of modern private corporations are proportionately much greater today than they were in the past). These alternative views lead us to a more subtle understanding of the social and institutional structures of the modern economy and their relation to inequality, or how both market as well as non-market provisioning systems need to be understood as social and political institutions involved, at their core, in processes of social ordering.[6]

2. Universalism in Social Policy

The idea of social policy lies at the core of our understanding of modern institutional processes of social ordering and inequality. Social policy in this sense refers to the range of publically or collectively provided, funded and/or regulated services and interventions in a society, which influence the distribution of and access to goods and resources, including, as defined by Mkandawire (2005), 'the access to and the incidence of adequate and secure livelihoods and income.' Obviously, other objectives include human development outcomes such as health and education, which may or may not have an income effect.

In practical terms, this includes social services such as health care and education, as well as social security or protection. Social protection receives most of the attention of late as a more narrow view of social policy, whereas it is properly understood as a subset of social policy and it has been commonly divided according to three categories: social insurance; social assistance (i.e. welfare); and standards and regulations (formal and/or informal) such as labour standards and regulations, or child protection.[7] However, health and education provisioning more generally play a central role in both social policy and inequality dynamics. These two social services usually constitute the largest shares of government expenditure in countries with at least a modicum of public provisioning in these sectors (education is usually the largest, more than three times health care spending in the case of China, for instance). They involve potentially large impacts on household expenditures (particularly if commoditised), for both poor and non-poor, however defined. Education has huge implications for social mobility and the structuring of education systems goes to the heart of social stratification and the social reproduction of inequality. Both health and education systems touch a core nerve of social politics because they structure the ways that various social groups and classes might come into contact with each other in moments of intimacy and vulnerability.

From a broader (classical) political economy perspective, social policy can be understood as playing an important redistributive (or circulative) role in an economy, particularly through education and health spending. Social policy also plays an important role in regulating distributive outcomes via its effect on wages and other aspects of employment (such as the role of child care and early school provisioning on women's labour force participation).[8] It has served as the primary policy realm in which most direct public action on poverty reduction is implemented (poverty reduction via growth can be considered indirect, i.e. trickle down via the employment and demand effects of growth). Social policy is fundamentally

[6] See Chang (2003) and Harriss-White (2003) for discussions of some of these points.
[7] See an introductory overview by Hujo and Gaia (2011).
[8] For studies on the effect of social policies on women's labour force participation, see İlkkaracan (2012a; 2012b).

political given that it serves as the basis for defining and instituting citizenship rights, distributing public goods, redistributing wealth, and articulating some of the main mechanisms of integration and segregation within societies.

In terms of institutional modalities, the formative debates in the field of social policy have been between targeting and universalism. Targeting as an institutional modality in this sense refers to the main approach to social policy under the dominant neoliberal economic policy paradigm from the 1980s onwards, in response to the void created by welfare state retrenchment in the North and fiscal crises in the South, and as epitomised by the targeted social safety net approach of the World Bank (or else by the views of *The Economist* cited above). According to this approach, publically funded and/or provided services or benefits are to be targeted selectively to the (identified) needy, such as means-tested welfare. In practice, the targeting of services (such as health care and schooling) usually takes place through differentiated provisioning systems, separate from privately or publically-funded systems servicing middle and upper social strata. Conversely, a universalistic modality essentially implies that all are serviced through the same publically-funded provisioning systems.

The contention in the seminal work by Mkandawire (2004; 2005) on synthesising these social policy debates with parallel debates in the field of development studies is that universalistic approaches have been much more successful at poverty reduction (and inequality reduction) than targeted approaches. Targeting, he explains, has been variously advocated since the 1970s on grounds of efficiency, expediency and even equity although there has been ample research demonstrating that targeting is not necessarily efficient, expedient or equitable. Moreover, he highlights the paradox that, historically, poverty alleviation was most successful when it was not necessarily the primary focus of social policy, as opposed to other priorities such as late industrialisation, state consolidation, demand stabilisation, political cohesion, or else sheer survival (as in the case of the innovation of universal health care in the UK during the Second World War).

From this perspective, universalism has been at the core of modern social policy since it emerged in the nineteenth century alongside modern nation states and modern notions of rights.[9] Universalism has also been central to development studies given that the first countries to move towards more universalistic principles in social policy were not industrial leaders such as the UK but industrial late comers such as Germany, Japan and Sweden, and universalistic social policy played a key role in their strategies of late industrialisation, as classically discussed by Gershenkron (1962). Universalistic principles in health and education were also central to the development strategies of South Korea and Taiwan from the outset of their industrialisation efforts in the 1950s.[10] Indeed, it is misguided – at least from historical example – to state that poor countries cannot afford universal social policy given that successful industrialisers have always relied on it in various ways from very poor starting points. Instead, there is arguably an historical precedent that, the later an industrialiser, the greater the imperative to innovate

[9] See Anttonen et al (2012) for an excellent overview of universalism in social policy. The institutionalist political economy approach presented here of conceiving universalism along three dimensions (access/coverage, cost/price, and financing) can be seen as complementing their presentation.

[10] See Mkandawire (2005) and Mehrotra (2000).

shifts towards more universalistic forms of social provisioning earlier than would be predicted by the past experience of more industrialised countries.[11]

However, the basic principle of universalism – that all are treated the same – quickly becomes complicated in practice, especially in polarised societies. Indeed, the classical dichotomy between targeting and universalism has led to a certain degree of confusion in the recent policy literature, particular the recent social protection literature. For instance, targeting often plays a role within universalistic systems, as classically articulated by Skocpol (1991) with reference to the targeting of special needs or disadvantages within integrated universalistic systems of provisioning.[12] Moreover, some degree of targeting is almost always required for certain aspects of social protection, such as food relief, and even some of the most universalistic systems include important elements of means-tested targeting, such as welfare in Canada. However, this understanding of targeting as a specific policy choice is different from the broader understanding of targeting as an institutional modality, whereby an entire system of publically-funded provisioning is organised along the lines of selectivity. It is this latter meaning that has been the focus of criticism by authors such as Mkandawire (2005).

Similarly, the terminology of universalism is often used to refer to an ideal type located in one world region at one point in time (e.g. the UK circa 1970 or Sweden circa 1980) and hence it is argued that it is not applicable to poor countries today. Alternatively, it has come to be used in certain contexts in such a generic way that its meaning has been rendered nebulous. For instance, there has been a subtle shift in the implied meaning of universalism towards a narrower connotation of universal coverage or access, such as all children attending school, regardless of how such schooling is provided or financed, or all people accessing health insurance, regardless of whether this insurance covers the totality of health care expenditure needs. While universal coverage is obviously a necessary condition of universalism, it is not a sufficient condition.

Rather, universalism is best understood as an umbrella term to reflect a set of guiding institutional principles. In an attempt to clarify and systematise these guiding principles in a manner that is attuned to policy making across the globe, and building on the work by Mkandawire (2004; 2005), I have come to categorise these guiding principles along three dimensions: access/coverage, cost/price, financing. Within each dimension, we can think in terms of a spectrum from strong to weak (or absent) universalistic principles underpinning an institutional system of social provisioning. This approach is useful because it takes us away from the dichotomy of targeting versus universalism and towards a method of identifying shifts towards stronger or weaker universalistic principles, along with their equalising or disequalising potentials, as well as the institutional obstacles potentially blocking such shifts.

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[11] See this argument in Fischer (2011b).

[12] As pointed out by Mkandawire (2005: 5), post-modern and/or feminist scholars have criticised universalism along these lines, in that purportedly universalistic policies have often reflected fundamental underlying societal biases, such as racial or gender biases. In turn, this implies that a degree of selectivity is required in order to allow for the practice of affirmative/positive action and other forms of preferentiality for disadvantaged or discriminated groups. In response to these criticisms, Mkandawire (2005: 5-6) notes that the 'most women-friendly' policies are found in societies where universalism is also an integral part of social policies. More generally, he also advocates for the notion proposed by Skocpol (1991) of targeting within universalism as a means to adapt to difference and diversity.

Access/coverage:
As stated above, the universalistic principle is not simply that all people access a social good or service (e.g. education or health care), but that this access is provided through integrated systems, whereby all people access the service through the same organisational channels or entities, through which needs and standards can be assessed and managed collectively within the system along principles of equity. Hence, a universalistic health system implies that everyone accesses the same hospitals and clinics, wherein the same quality of service is provided to all without discrimination and triage is organised according to need rather than means (i.e. the ability to pay or other financial considerations). This is not necessarily a public versus private sector issue given that private sector provisioning can (and often does) occur within such integrated systems (such as private schools or private clinics). Universalism within such systems is determined by the degree to which private providers are regulated and/or managed as an integrated part of the system and are accessible to all on the same terms regardless of their private status.

For instance, an example of strong universalism within an education system would imply that schools are organised under an integrated and unified organisational structure (such as a ministry of education), which regulates quantity and quality within whole system according to universal criteria applied as equally as possible to all. This does not imply that no streaming or targeting takes place within the system given that all school systems implicitly or explicitly stream students from fairly early ages (e.g. towards academic versus technical education, or the targeting of learning disabilities). The question is whether streaming or targeting is organised in an integrated manner within a unified institutional structure accessed by all students, wherein all students are evaluated according to the same standards and treated according to ability or need rather than status or means.

Conversely, weaker universalism within an education system would imply that the school system is stratified or segmented such that different school systems serve different categories of people according to different standards and that these parallel systems do not necessarily feed into each other, whether in principle or in practice. Hence, certain students (e.g. poor rural students) are streamed into a school system by virtue of their status (poor and rural), which by consequence of the type and quality of schooling, locks these students into a segregated and subordinated stream that prevents most of them from entering other streams of education at a later stage (such as more academic streams), regardless of their ability. A strong universalistic principle would seek to correct this by providing mechanisms to correct for the disadvantages faced by schools in poorer localities (through funding and also human resources) and assuring that these schools remain integrated with the more advantaged parts of the system.

Targeting in this sense is not necessarily a useful concept when applied to a system of education provisioning (versus, say, social assistance to help poor people pay for tuition fees or to ‘condition’ them to send their children to school). Pure targeting as an exclusive institutional modality applied to education provisioning would imply that publically-funded schooling is only provided to certain means-tested categories people (e.g. the poor) and all others would access schooling through private means, either in separate schools or else in the same schools. In this sense, pure targeting probably rarely exists within the organisation of education systems given that publically funded schooling usually occurs at all social levels even if segregated. From an inequality perspective, it is more revealing to analyse how and at what levels public funding and/or provisioning occurs.[13] The more important principle within sectors such as education or health care is whether the system as a whole is integrated or stratified/segregated, not necessarily whether parts of the service are targeted towards specific groups of people.

This understanding also helps to clarify much of the confusion regarding targeting within universalism, as per Skocpol (1991). There is a world of difference between targeting special needs or disadvantages, such as maternal health needs or learning disabilities, within an integrated system where needs assessments of the population can be managed in a comprehensive manner, rather than in a stratified and fragmented system where different standards are already in force in different parts of the system. High degrees of relatively unregulated private provisioning render this consideration especially problematic, such as in the health and education systems of many developing countries and also the US.

Moreover, targeting need not imply weak universalism, although in effect, selectivity is usually implemented through segmentation and even segregation of social provisioning systems between different social groups (typically, between poor and middle social strata, or also between different ethnic groups, such as the minority education system in China). Indeed, segregation often constitutes much of the political appeal of targeting as middle and upper classes seek to obtain their own privileged access without needing to rub shoulders with lower classes (and often ethnicised classes, increasingly so in Europe and the US).

Modes of regulation within such systems also help to distinguish stronger from weaker universalistic principles. Stronger forms of universalism tend to regulate of the quality of service provisioning as a regular part of managing the process of service provisioning (partly because this is made possible by integrated provisioning), whereas weaker forms of universalism tend to rely more on the measurement of outcomes whilst people exit the system. For instance, a high degree of fragmentation in an education system can prevent the ability to regulate and manage quality through the course of education provisioning, and hence such systems usually rely heavily or exclusively on standardised testing as a means to evaluate the quality of learning outcomes in the passage of students to higher levels of schooling.

As is obvious from the analysis of this dimension, education and health care are the sectors where universalistic principles have been practiced most comprehensively in strong cases of universalistic social policy, in contrast to other areas such as public housing or various aspects of social security, where less achievement has been made towards universalistic principles even in ‘advanced’ countries.[14] For instance, there has been much recent confusion with regard to whether the Mahatma Gandhi National Rural Employment Guarantee Scheme in India should be considered a universal programme given that it does not impose means testing on those who claim their right to receive employment. Many claim that it is universalistic for this reason, although in effect it represents a form of self-targeting – one of the classic forms of

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[13] For instance, in many Latin American countries, such as Brazil, the tertiary level of education is well subsidised and public universities are some of the best, whereas the opposite holds at the secondary level, with the ironic result that the students who manage to access the affordable and high quality public universities are those whose families had the resources to pay for private secondary schooling. See DiJohn (2007).

[14] For instance, Stamsø (2009) discusses the segmented nature of social policy in Norway with respect to housing policy in terms of tax benefits for home owners and targeted subsidies for those outside the property market.

targeting. Targeting need not diminish its universalistic credentials, although it is hard to imagine how such social assistance programmes are universal with respect to the integration criteria given that they are clearly designed exclusively for the poor working at the lowest wage strata of the rural economy, with no equivalent at higher levels of employment. The degree to which universalism should be applied in the direct provisioning of employment is of course debatable – short of the state assuming a collectivist role in the labour market. Such contention is much less pronounced with respect to health and education, particularly if there is a strong political consensus that public provisioning in these sectors should not be commoditised (which is not the case in the US and in much of the Global South).

With regard to social protection, universalism in this dimension mostly applies in the area of social insurance (such as with universal pension schemes or universal health insurance), but much less so with respect to social assistance (although there are initiatives in this direction, such as basic income grants or the social protection floor recently mandated by the International Labour Organisation).[15] Certain categories of social assistance are by their nature – often by definition – only destined for certain categories of people deemed to be in need and/or worthy of assistance. Hence, pure targeting is much more common as an exclusive institutional modality in social assistance, which is why it becomes an important issue in poverty reduction policies. The differentiation between strong and weak universalistic principles within social assistance is more along the lines of whether the provisioning of assistance is based on rights-criteria or means-tested criteria, with the recent trend of micro-conditionalities (as in conditional cash transfers) constituting a compounded form of means-testing.

Cost/price:

The second dimension that can help to identify a spectrum from strong to weak universalistic principles in social policy is related to how the costs and prices of provisioning are determined within a system. A strong universalistic principle would imply that costing and pricing are decommodified, meaning that the prices of the provisioning are not determined by market intermediation as if commodities (i.e. through an auctioning process between supply and demand), but instead are managed through administrative means, and costs are thereby internalised and socialised within the system. As a corollary, users of a universalistic service are not usually faced with the effective price of the service at the time of use, which is discussed in the third dimension below.

Again, the education and health care sectors are the most relevant here, and to a lesser degree social insurance, whereas this dimension is less relevant for social assistance, which by definition is non-contributory and does not impose a monetary price on the recipient. With regard to health care and education, this dimension goes to the heart of the perversities of what Karl Polanyi called 'fictitious' commodification, in this case treating health or education as commodities even though they are not 'produced' for buying and selling on the market (unlike real commodities).[16] Applying market intermediation to the pricing of health services, health insurance, or education is problematic not only because markets in these services tend to be

[15] See Bachelet (2011). For an excellent review, see Ocampo (2012).
[16] See Mackintosh (2006) for a discussion of health along these lines.

highly imperfect given the monopolistic practices that often occur within the provisioning of these goods (such as a locality being serviced by only one hospital, insurance provider, or school). It is also problematic because health and education are not alienable or negotiable like commodities (hence the intellectual perversion of the now-dominant 'human capital' discourses). This is particularly the case with health, given that the inevitable human condition of ill health debilitates bargaining power precisely at a time of greatest need, leading to a stark asymmetry between user and service provider. This asymmetry can become particularly perverse whence applied to a market setting. Similar principles apply in education, particularly given the degree to which schooling can be crucial for reproducing class and privilege (or 'social capital' in the Bourdieuian sense). Hence, in the absence of quality alternatives due to an underfunded and undermined public education system (such as in many parts of the US), the price of private schooling can be bid upwards well beyond reasonable levels for the norms of a particular community, thereby powerfully reinforcing social inequalities according to means rather than need or merit. To use a mainstream economics terminology, because health care and quality schooling are to a large degree demand-inelastic, they carry a huge potential for rent-seeking from the cartel-like activities of private profit-seeking actors.

Conversely, a financially sustainable and affordable operation of a health insurance system, for instance, is predicated on a complementary control of costs within the associated health system. This point was noted, for instance, by President Obama himself during the debates over health care reform in the US, despite his subsequent inability to enforce such control on the US health care system. Similarly, health insurance programmes in India (such as micro-insurance programmes) or in China (such as the rural health insurance system) are only able to make minor dents on large catastrophic health expenditures by households, partly because of the inability to control costs within the actually or effectively privatised health care systems of both countries – a problem that often faces huge institutional barriers to overcome given that it is usually entrenched in a variety of vested interests extending across providers and vying ministries.[17]

Financing:

The third dimension of universalism relates to the modality of financing. This is closely related to the second issue of cost and price, although it is distinct because it addresses how users pay for the system. In strong forms of universalism, financing generally takes place indirectly (i.e. not at the time of need) through progressive forms of taxation (i.e. progressive income tax, corporate tax, or capital gains tax). In weak forms of universalism, financing takes place directly (i.e. at time of need), through often regressive forms of payment (such as out-of-pocket payments for health care, school tuition fees, or user fees).

Social insurance is most closely related to this dimension given that the principle operating behind insurance is about making the financing of a service more indirect (hence more universalistic), through socialising the costs of such financing for users. Indeed, private insurance is no different from public insurance in this respect, except that it operates according to a profit-motive, usually with less regulated costs or prices, and with a smaller pool in which

[17] See description of this in Lin (2012) and also see a review of prominent debates on health care in China in Chen and Xu (2012).

to socialise costs, and for these reasons is often less efficient, more costly, and more risk-prone than integrated public systems.

Financing is closely related to the cost/price dimension in that direct financing is usually predicated on commodified systems of costing/pricing, whereas decommodified systems mostly operate through indirect forms of financing as this is the most effective way to socialise costs in the widest possible manner. However, as research by van Doorslaer et al (2005) has analysed with respect to health systems in Asia, the specific balance between these two extremes and along these two dimensions can have a huge bearing on the poverty and vulnerability impacts of out-of-pocket payments in various health systems. Generally, greater reliance on out-of-pocket payments combined with weaker control of costs and prices (or strong commodification) was strongly associated with a much greater poverty impact of catastrophic health expenditures in the cases they studied, circa the year 2000 (and controlling for level of GDP per capita).

Moreover, understanding the interplay of these two dimensions can also help to clarify much of the institutional tensions associated with reforming social policy systems, as mentioned above. Attempts to control costs within a health system that is largely financed directly usually leads to strong resistance to reform because it undermines that financing of provisioning units within the system, or else shifts towards more progressive indirect forms of financing can be difficult to sustain in financial terms when prices are commoditised and costs high. The huge challenge in social policy reform towards more universalistic principles is found in this need for systemically-coordinated changes, which at heart is a fundamentally political issue, not a technical one. For instance, while most people agree on the principle of sending all children to school or all people having access to health care, it is clear how the other dimensions of universalism are potentially rife with intense political dispute, as observed in the recent battles over health care reform in the US.

3. Universalism, Inequality and Social Integration

From this institutionalist perspective, it is clear how inequality needs to be evaluated from a broader holistic political economy perspective that integrates these three dimensions of universalism underlying modern social policy, in interaction with other structural and institutional factors operating in the spheres of production and (initial) distribution. Moreover, this evaluation needs to be understood as fundamentally political, in the sense that it goes to the heart of distributive conflicts. Hence, the discussion of inequality needs to be similarly politicised so as to avoid that it becomes dominated by one particular policy agenda implicitly representing particular interests within these distributive and redistributive struggles.

It is in this holistic evaluative spirit that Mkandawire (2005: 6) – drawing from work by Korpi and Palme (1998) and Rothstein (2001) – has pointed out that many of the arguments on the greater potential for inequality reduction in targeted versus universalistic policies has been partial and misconceived. These arguments tend to focus only on the partial transfer effect of social spending (holding all else constant) rather than also considering the inequality impact of how such spending is funded, and the dynamic political economy interactions between these two as shifts are made towards more targeted approaches. Hence, the fact that universalistic systems are generally funded by progressive taxation makes them particularly effective at reducing inequality, given that non-redistribution in transfers (such as when all people are provided with the same benefit) is more than compensated by redistribution in taxation. Indeed, as demonstrated by Rothstein (2001), even a flat rate tax funding an equal transfer payment to all results in a substantial reduction in income inequality. The inequality reduction effect would be even greater with progressive taxation.

A poignant example of these misconceptions can be demonstrated, for instance, in an article by Appleton, Song and Xia (2010) with respect to China. Interestingly, the authors inadvertently make a critique of targeted welfare, albeit only after their argument is correctly re-interpreted. They argue that government anti-poverty programmes in China had little impact on urban poverty between 1988 and 2002. Instead, through an econometric analysis of urban household survey data, they contend that urban poverty had fallen almost entirely due to overall economic growth rather than 'redistribution.' The misconstrued element in their argument is that they refer not so much to redistribution but, more specifically, to targeting given that China's urban anti-poverty programmes were heavily oriented towards means-tested targeting within an overall retreat from more universalistic principles over the 1980s and 1990s, including the rapid erosion of most pre-existing redistributive and/or social security systems, and a notably regressive shift in the burden of taxation (e.g. see Khan and Riskin 2001). In this context, it can hardly be said that targeted poverty reduction programmes constituted a strong case for redistribution. Rather, targeted social assistance probably represented one of the few marginal factors compensating an overall regressive shift in the social policy regime of China. Hence, it comes as no surprise that most poverty reduction could be shown through econometrics to have come from growth, although this can hardly be used as a case against redistributive polices. With this corrective in mind, the argument of these authors otherwise corroborates well with the insights from the social policy literature discussed here.

Obviously, according to this logic, the redistributive potential for targeting could be strong if integrated within a broadly progressive social policy regime, including progressive taxation. Indeed, this would be the logic behind the idea of 'targeting within universalism' (Skocpol 1991), both in terms of its redistributive potential as well as its ability to address diversity, disadvantage and special needs without eroding broader universalistic principles. However, as Mkandawire (2005: 7) points out, targeting and selectivity without this universalistic basis usually undermines political support for both progressivity in taxation and for maintaining the size of transfers directed towards the poor. Hence, according to the 'paradox of redistribution' of Korpi and Palme (1998: 681), the more benefits are targeted to the poor rather than being equally distributed to all, the less likely poverty and inequality will be reduced.

The problem of exclusion errors in targeting add to this problem given that shifts towards targeting and selectivity usually involve the erosion of more generalised social security provisions that could cover people in the event that they are not effectively identified by a means-testing approach (i.e. in the event that targeting fails).[18] This consideration becomes all the more acute in contexts of rapid socio-economic change, such as urbanisation, whereby many of the more traditional rural-based social security systems – which are often taken for

[18] For instance, Kerstenetzky (2011) notes two estimates of exclusion rates from the *Bolsa Familia* in Brazil at 46 percent (2006 data) and 59 percent (earlier data). She also notes that the Bolsa has generally had lower exclusion errors than the *Oportunidades* programme in Mexico given that it is a larger programme.

granted by urban policy makers and economists – become ineffective or break down. Yet, as Mkandawire consistently notes, poor countries also have among the least administrative capacity to be able to target precisely, especially when shifts to targeting occur in parallel with economic crises and severe fiscal retrenchment, as has been the case in many poor countries since the successive debt crises and structural adjustment programmes from the early 1980s onwards.

From a perspective of social integration and social inequality, perhaps the most perverse implication of targeting and selectivity as institutional modalities reside in their political and social implications. Because targeting usually entrenches segmentation in provisioning systems, this tends to reinforce social and economic stratification by separating middle classes from the services accessed by the poor. As a result, the political voice of the middle classes is also removed, à la Hirschman, from these services as well.[19] In the best of pro-poor times this can lead to short-term bouts of poverty reduction and even inequality reduction, as has occurred in recent years in Brazil under the various targeted poverty alleviation programmes of the Lula Administration. However, sustaining these gains requires strong political commitment and leadership in order to maintain funding, supply and quality within these provisioning systems servicing the poor. Yet, this condition for sustainability is undermined precisely by the institutionalised segmentation of provisioning systems encouraged by these targeting approaches, particularly once politics turn less pro-poor (as happened in Chile with the elections in January 2010). The resulting political economy paradox was best expressed by Richard Titmuss (1968) – although often attributed to Amartya Sen – that targeting of services to the poor usually results in poor services.

The danger of reinforcing stratifying and subordinating tendencies can be illustrated by the current agenda of social protection, in particular conditional cash transfers (CCTs), which are now strongly promoted by the World Bank and constitute a major component of the World Bank response to inequality and social inclusion. Besides the problematic moral issues related to the use of conditionalities to manage the behavioural dispositions of 'the poor' (e.g. see Rodger 2012), which are usually directed towards women and children and often imply considerable degrees of unpaid time commitments, CCTs are usually targeted through segmented systems of social provisioning. Evaluations of such programmes usually show a poverty reducing impact via increased consumption at the very least (which is a fairly obvious result to all but the staunchest opponents of welfare), as well as some increase in health care and schooling (although this is also often related to simultaneous improvements in the provisioning of these services). There is also some evidence that the expansion of CCTs can bring about quick reductions in inequality largely through their transfer effect on the bottom end of the income distribution. However, evaluations of the longer term employment or development impacts are less clear, which is arguably due in part to the fact that such programmes are mostly implemented through often poor quality and poorly funded systems of segregated social provisioning, aimed at servicing the poor. As a result, they tend to have little transformative power on broader social relations or social mobility, although they do reinforce institutional segregation and policy practices of targeting, in lieu of other potentially more transformative strategies of social policy.

[19] See the seminal work of Bob Deacon on this issue, e.g. Deacon (2012).

This has precisely been the dilemma of the much-lauded Progresa/Oportunidades conditional cash transfer programme in Mexico. The programme has shown some degree of success in raising consumption levels, certain health outcomes, and school attendance and enrolment rates (e.g. see earlier studies in Skoufias 2005). These results were obtained with relatively low operational expenses, in large part because the programme was implemented through an already well-established network of clinics and schools servicing the targeted rural populations (as distinct from the subsidised network servicing the urban middle classes). However, even its proponents such as Levy (2006) admit that increased coverage was achieved at the cost of lower quality within this overstretched and segregated network. At that time the programme had no impact on the academic performance of students or on their later employment prospects. Thus, while it had a positive impact on absolute human development indicators, it did so at the cost of entrenching the segmentation of provisioning systems and probably reinforced social stratification as a result. Similar outcomes have been noted with the Bolsa Familia in Brazil (e.g. see Kerstenetsky 2011). Several recent literature surveys of cash transfers have also consistently noted the problem of improving school performance or employment prospects with cash transfers (e.g. see DFID 2011).

Again, the potential for targeting to bring about marginal improvements in poverty, education and/or health is not in question (if, that is, targeting actually induces an increase in resources transferred to the poor). If a poor person is given ten dollars, it should be no surprise that his or her income would be ten dollars higher by the end of the year than it otherwise would have been without such a transfer. The hope or assumption underlying many cash transfer schemes is that the person's income would increase by more than ten dollars due to some sort of micro-multiplier effect unleashed by the transfer, such as when the extra cash allows the person to overcome other obstacles to increasing their productivity or returns to labour (this is often referred to as overcoming the poverty trap). The fear of those warning about the perverse incentives induced by welfare is that the income of the person receiving the transfer would be less than ten dollars at the end of the year, due to the substitution of some work for the welfare received, to the extreme that the income would not have changed at all due to some perverse threshold effect. These narrow questions and debates underlie the pervasive attempts that dominate the literature on cash transfers to measure the income impacts of cash transfer schemes on the overall income of beneficiaries.[20] However, it should come as no surprise if the increment in income brings the person above a poverty line – say, if their income was previously five dollars below this poverty line. Rather, the broader concern here is in the stratifying, segregating and subordinating trajectories brought into play by the institutional modalities used to enact such marginal improvements. These are potentially very counterproductive for any long term strategy of poverty reduction, particularly if and when resource transfers to the poor decrease rather than increase as a longer-term consequence of targeting, as has often been the case.[21]

[20] See an interesting study on this by Brito and Kerstenetsky (2011).

[21] Again, Mkandawire (2005: 13, citing various authors) discusses this budgetary 'paradox of targeting' whereby resources directed towards the (targeted) poor actually fall sharply during or after the shift to a targeting regime is made, thereby undermining the claim that such targeting allows for the *same* amount of resources to be used for greater poverty reducing impact. As pointed out by Ghosh (2011: 5), such reductions can also be partly masked by

The much-noted case of Brazil is also worth highlighting in this respect. There are debates in Brazil concerning the extent to which the Bolsa Familia – a targeted conditional cash transfer programme – has been the main cause of inequality reduction in recent years, versus other policies such as minimum wage legislation, which might have contributed significantly more.[22] Soares et al (2010: 41) calculate that between 1999 and 2009 – during which the Gini coefficient in Brazil fell from 0.591 to 0.538 – reduction in labour income inequality accounted for 59 percent of the Gini reduction, whereas the Bolsa accounted for only 16 percent and the non-contributory indexed (targeted) pension system for 15 percent. In personal communications with Fabio Veras from the International Poverty Centre in Brazil, where much of these studies have been piloted, he commented that this is no surprise given that labour income accounts for around 70 percent of total income. Moreover, it remains an open question whether the labour income effect was due to increases in minimum wage, reductions in returns to education, a tighter labour market (the unemployment rate has never been so low), or to the increased formalization of employment (email communication, 5 July 2011). However, the fact that so much inequality reduction has occurred within labour income is, in itself, a notable achievement, given that this source has more usually been disequalising rather than equalising in the past.

Hence, this particular pattern of inequality reduction would appear to validate the labourist and developmentalist agenda of the Lula administration, in combination with a favourable climate for primary commodity exports and the impact of Chinese investment and demand over these years (and despite monetary policies of high interest rates), much more so than the targeted social protection programmes. The contribution of the latter has nonetheless been significant (especially if one would make the argument that cash transfers – conditional or otherwise – raise the reservation wage rates of the recipients and reduce labour supply, thereby tightening the labour market and putting upward pressure on wages for low-skilled labour). Commenting on earlier inequality decomposition analyses by Soares et al, Kerstenetsky (2011: 5) also notes that the inequality reduction impact of the Bolsa Familia is considerable given that it accounts for a much smaller share of (average) household incomes than its share in inequality reduction. This is explained by the fact that the transfers of the Bolsa are targeted to the poorest households; their appearance in average household incomes would be small even though their weight in the incomes of the poorest households would be large. The immediate impact on inequality is therefore brought about through raising this lower tail end of the income distribution through the cash transfers (this would be the case even if these poorest households would not necessarily be lifted above the poverty line as a result, which Kerstenetsky notes is often the case). In contrast, the other factors effecting inequality (such as those occurring in the labour market) would be felt much more broadly throughout the income distribution.

From this perspective, the relatively minor contribution of these targeted cash transfers must then be balanced with their potential perverse impacts on social integration. For instance, Lavinas (2006: 103) has argued that, despite a law approving the right of a basic income,

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the shifting of some expenditure items, such as when spending on publically-provided services to poor people is diverted to fund conditional cash transfer schemes.

[22] See Kerstenetsky (2011) for some discussion on the role of minimum wages.

'Brazilian social policies are increasingly focused on increasing the number of means-tested income programmes while making them conditional on a proven lack of resources and targeting only the very poorest segments of society for a limited period.' In order to counteract this tendency, she proposes that the government should move from means-tested programmes such as the Bolsa to basic income programmes such as the adoption of a universal child benefit scheme. Similarly, Kerstenetsky (2009) argues that the current emphasis on selectivity in the Bolsa Familia scheme has resulted in financial and political constraints to its expansion, whereas less selectivity in the scheme, and hence less separation between those who pay for the scheme and the beneficiaries, as well as, paradoxically, higher expenditures, could ensure wider adoption and political support for the scheme.

In Kerstenetsky (2011: 9-11), she notes that, to a certain respect, political processes undermining the Bolsa already came into play in 2007 when the Brazilian Senate rejected a government proposal for maintaining one of the main sources of funding for social programmes such as the Bolsa, which was supported by a concerted attack on the Bolsa in the media. The rejection 'represented a concrete threat of stagnation for existing social programs, for it impaired the planned and announced expansions, leaving to the executive the conception of alternatives.' She thus suggests that 'we must inevitably ask if the conflict over the [proposal] would in some way anticipate a reversion or saturation of the solidarity indirectly revealed by opinion polls and would constitute a permanent challenge for social programs (especially Bolsa Família), their continuity and necessary expansion.' Notably, in contexts where the political conditions for maintaining support for redistribution are not as optimal as in contemporary Brazil, such erosions can be even built into cash transfer schemes, such as when funding is only mandated for a temporary duration (say, five years), or when transfers are not sufficiently indexed to inflation, or else when a strong emphasis is put on the 'graduation' of recipients from the schemes.

Inequality, inclusion and power beyond poverty[23]

As mentioned above, the inequality reduction brought about by targeted cash transfer schemes mostly comes about through lifting the lower tail end of an income distribution without necessarily impacting the distribution above this tail end (particularly if the transfers are not funded through progressive forms of taxation). Hence, while producing a short-term reduction in the Gini index, they can nonetheless leave the broader structure of inequality untouched. This is important because much of the social dynamics related to inequality, such as stratification, subordination or exclusion, occur above this tail end or above the thresholds usually used for poverty evaluation (absolute or relative, income or multidimensional). Hence these social dynamics are not necessarily reflected by conventional inequality measures or considered by policies that target the bottom end of the income distribution.[24]

Indeed, this is a dilemma of social inclusion approaches that treat inclusion as the alter ego of exclusion and, in turn, approach the identification of social exclusion as more or less the same as relative or capability poverty, or else as horizontal (i.e. group based) inequality (see

[23] This section is drawn from Fischer (2008 and 2011a).

[24] Wilkinson and Pickett (2009) also observe that inequality seems to have an effect not just on the poor but also the non-poor.

Fischer 2008 and 2010 for detailed reviews on definitions and measures of social exclusion). Beyond the important insight that the problems of poverty are more often the result of exploitative inclusion rather than exclusion per se, care must also be taken because inequality measures can mask important exclusionary processes occurring among middle social strata – that might be related to inequality even if not reflected by inequality statistics – which can be very politically contentious and that can undermine the effectiveness of poverty reduction strategies, particularly those predicated on upward mobility. In this sense, it is more important to focus primarily on social processes of stratification and subordination and to use inequality data as one partial insight into these broader questions of social integration (or segregation).

Three situations can be used as examples to highlight this caution. One is where processes of subordination, stratification and segregation lead to various disadvantages, discriminations or long-term poverty trajectories even when there are no obvious short-term poverty implications. This consideration is especially important in contexts of structural transitions such as urbanization and migration, rising education levels, or changing livelihoods patterns. During such structural transitions, the immediate distributional implications of change might not be obvious, but powerful stratifying processes might nonetheless be at work. Exclusions in certain domains (such as legal status) can enforce subordinated forms of inclusion/integration in other domains (such as labour markets). This point is similar to the concept of 'adverse incorporation and social exclusion' proposed by Hickey and Du Toit (2007), except that their treatment is restricted to the space of poverty, whereas this consideration also applies to the non-poor (however defined).

For instance, in the process of urbanisation, some of the most intense exclusionary pressures – as well as political grievances – might be faced by relatively elite and/or upwardly mobile rural dwellers, such as high school and university graduates. They would be among the most educated and mobile among their respective rural societies, even though they might be disadvantaged in comparison to urban dwellers and/or face a variety of institutional exclusions in their integration into the urban society.[25] Migration in China serves as a strong example. Processes of exclusion – i.e. obstructed access to certain sectors of employment or various social services (rather than a lack of employment or services) – are arguably most strongly faced during the migration of rural residents to urban areas through institutionalised systems of residency status (Ch. *hukou*). While these migrants might be relatively poor in the urban areas (although in many cases they are not),[26] in general they were relatively wealthy in the rural areas before migration, in line with the widely accepted observation in migration studies that migrants, on average, tend to be wealthier, more educated and more entrepreneurial than the norm in their sources of emigration. In contrast, the rural poorest avoid these urban exclusions by virtue of their entrenchment in agriculture. According to this logic, wealthier rural households – which tend to be more integrated into urban employment systems via one or more family members – would be more exposed to exclusion than poorer rural households, and movements out of poverty through the predominant vehicle of migration might intensify rather than alleviate experiences of exclusion among these wealthier households. Similarly, anti-

[25] For a detailed analysis of this in the context of Western China, see Fischer (2009).
[26] See Hussain (2003, pp. 19-21), who finds lower poverty rates among migrants than among local residents in one third of cities of a 31-city sample in China in 1999.

poverty policies oriented towards encouraging urbanisation would tend to aggravate these exclusionary processes. These implications would be difficult to capture through standard income, basic needs, capability, or relative measures of poverty, or even through inequality measures.

Other poignant examples can be drawn from international migration from the Global South to North America or Europe. When more stringent rules and procedures are imposed on the immigrants involved, including profiling or the criminalisation of illegal immigration, it is unlikely that the increased stringency is able to stop – or is even intended to stop – such immigration, which continues to be demanded in a widening variety of sectors of employment for various structural reasons. Rather, stringency allows for stronger mechanisms of subordination and segregation during the integration of such immigrants into the receiving labour hierarchies; they are thereby not 'excluded' in an absolute sense, although certain exclusionary processes allow for their more subordinated inclusion. Moreover, these processes might have little correlation with poverty given that the targeted immigrants are often well educated and are often not poor even according to the standards of the recipient countries. Nonetheless, despite the lack of correlation with various measures of poverty, these exclusionary processes are very important for understanding the resulting stratification of labour hierarchies, which could well lead to future trajectories of impoverishment, discrimination or disadvantage.

Second, an understanding of exclusions occurring among the non-poor can help clarify the obstacles faced by poor people attempting to escape poverty through upward mobility, or else in poverty reduction strategies predicated on upward mobility, such as education or entrepreneurship, versus improving the terms of labour. For instance, the idea that education is good for poverty reduction is in large part based on the presumption that those receiving education will subsequently move into higher strata of employment. However, this idea is problematic when the targeted sectors of employment are already subject to strong exclusionary pressures. Indeed, this insight puts into question the mainstream human development emphasis on absolute levels of education without a matching emphasis on employment creation, particularly employment that corresponds with the needs and expectations generated by educational improvements. In other words, exclusions experienced by those higher up in a social hierarchy can lead to a variety of knock-on effects lower down in the social hierarchy, for instance, in terms of outright obstructions to upward mobility or ideational influences regarding the perceived value of education among lower social strata.

Finally, an understanding of how exclusions occur among the non-poor helps to counteract the tendency to blame inequality-induced conflict on the poor. In other words, if no further qualification is made, the common suggestion that rising inequality exacerbates conflict implies that inequality raises the relative disparity of poorer sections of society, thus raising their discontent and their propensity for engaging in conflict. However, we know from actual studies of conflict that most conflicts involve considerable degrees of elite participation, especially in leadership and also in core support. There is no doubt that poor people are also often involved, although, similar to migration, sustained engagement in conflict usually requires resources, which many poor people presumably lack. By refocusing our attention towards exclusionary processes occurring at middle and upper strata of a social hierarchy, we can better understand why the non-poor might also come to be aggrieved by rising inequality, even though this might be difficult to identify through standard inequality measures.

Indeed, the recent revolution in Egypt serves as a poignant example of this last point. Despite a dominant discourse of grievance – even among its participants – that identifies severe economic inequality as a trigger for the revolution, there is actually very little indication within the trends of available poverty and inequality data that would be suggestive of this trigger (Bargawi and McKinley 2011). This is not to suggest that there was no such basis for grievances, but that our metres of poverty and inequality measurement might be inappropriate given that these do not reflect exclusionary pressures occurring among the middle strata of a social hierarchy, from where the driving force of such political movements arguably emerges, as was evident in the case of the urban demonstrations in Egypt.

Conclusion

Viewed from an institutionalist perspective of social policy, with particular emphasis on the principles of universalism, it is clear how the de-politicising allure offered by various indicators of either poverty or inequality can obfuscate the very political (and politicised) choices about the ways that societies provide public goods and social security to their citizens, and the very political processes of social integration and stratification more generally. The seductively technocratic appeal of the MDGs, for instance, with clear goals and indicators grounded in an authoritative and scientifically-informed battery of poverty measures, has potentially served to depoliticise these choices and processes among the general lay public, if only through the force of incomprehension and resulting deference to presumably better informed experts. De-politicisation thus serves to veil underlying agendas, particularly with respect to the normalisation of targeting and segmentation within social provisioning systems. This potential is equally present within a revised focus on inequality within the post-2015 agenda, if not more so than with poverty because inequality goes to the heart of power relations within and across societies, and yet measures of inequality are potentially less intuitive for general lay comprehension than poverty measures.

Hence, the challenge for the post-2015 development agenda lies in seriously re-engaging with development debates about how to create genuinely redistributive structures and institutions at national and global levels. These are political challenges given that they cannot be resolved through technocratic solutions, but require choices to be made about the types of societies we wish to inhabit and how we wish to treat each other within and across these societies. In this respect, the post-2015 development agenda would carry more political and policy salience for poverty and inequality reduction if it were explicitly anchored within a wider social policy lens, including a more comprehensive consideration of the meaning of genuine universalism within social policy as a holistic guiding institutional principle, rather than simply as an indicator to be achieved (such as enrolling all children in schools regardless of the quality of the schools). Given the paramount importance of these social policy modalities in determining patterns of social integration as well as citizenship rights, they should be central concerns in any broader inclusive development agenda. Conversely, insofar as we recognise high levels of inequality as problematic, the censor of universalistic social policy from mainstream agendas implies abandoning at the outset some of our most powerful policy tools to date for dealing with inequality and poverty simultaneously, particularly when combined with developmentalist policy strategies.

If the goal is to return to these more progressive and transformative development agendas, then a holistic understanding of universalism needs to be rehabilitated from decades of neoliberal obfuscation and explicitly presented as a viable policy goal. For this purpose, it would be much more effective to refer explicitly to these politicised policy modalities rather than to rely on the apparently apolitical moral ground of indicators, as has been the case with the MDGs. Such explicit anchoring is necessary in order to render more transparent the political choices and institutional trajectories that such development agendas are often used to legitimate. The risk of not explicitly anchoring future development agendas in politicised policy debates is that these agendas can be (and are often being) subverted towards policy agendas that possibly undermine inequality reduction and/or fragment citizenship rights in many contexts, primarily by way of reinforcing social polarisation through processes of stratification, segregation and subordination.

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