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JOURNAL OF SOCIOLOGY & SOCIAL WELFARE

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SPECIAL ISSUE: AUSTERITY VERSUS STIMULUS: INTERNATIONAL CHALLENGES FOR SOCIAL WELFARE

Howard Karger, James Midgley and Subas Risal
Special Editors

INTRODUCTION TO THE SPECIAL ISSUE <i>Howard Karger, James Midgley, and Subas Risal</i>	3
AUSTERITY VERSUS STIMULUS: THEORETICAL PERSPECTIVES AND POLICY PRESCRIPTIONS <i>James Midgley</i>	11
THE BITTER PILL: AUSTERITY, DEBT, AND THE ATTACK ON EUROPE'S WELFARE STATES <i>Howard Karger</i>	33
BETWEEN RETRENCHMENT AND RECALIBRATION: THE IMPACT OF AUSTERITY ON THE IRISH SOCIAL PROTECTION SYSTEM <i>Fiona Dukelow and Mairéad Considine</i>	55
ITALIAN WELFARE IN THE AFTERMATH OF ECONOMIC CRISIS: NEOLIBERAL REFORMS AND LIMITS TO THE PATH DEPENDENCY APPROACH <i>Ijin Hong</i>	73
DEFICIT-DRIVEN AUSTERITY POLICIES: EFFECTS ON LOCAL GOVERNMENT AND SOCIAL WELFARE IN THE UNITED STATES <i>David Miller and M. C. (Terry) Hokenstad</i>	93
WEATHERING THE STORM: BOTSWANA'S CULTURE OF CARE <i>Lengwe-Katembula Mwansa and Gloria Jacques</i>	109

CONSIDERING POST-CRISIS STIMULUS MEASURES: WELFARE POLICY AND SOCIAL INCLUSION IN BRAZIL <i>Lenore Matthew</i>	127
---	-----

QUEENSLAND'S BUDGET AUSTERITY AND ITS IMPACT ON SOCIAL WELFARE: IS THE CURE WORSE THAN THE DISEASE? <i>Greg Marston</i>	147
--	-----

BOOK REVIEWS

<i>The Origins of Active Social Policy: Labour Market and Childcare Policies in a Comparative Perspective.</i> Giuliano Bonoli. Reviewed by James Midgley.	167
---	-----

<i>Sustainable Failures: Environmental Policy and Democracy in a Petro-Dependent World.</i> Sherry Cable. Reviewed by Chris Williams.	169
--	-----

<i>Mental Health and Social Policy. Beyond Managed Care</i> (6th ed.). David Mechanic, Donna D. McAlpine, and David A. Rocheftort. Reviewed by Christopher G. Hudson.	172
---	-----

<i>Family Policy and the American Safety Net.</i> Janet Zollinger Giele. Reviewed by Mary Ann Kanieski.	174
---	-----

<i>The New Black: What Has Changed – and What Has Not – with Race in America.</i> Kenneth W. Mack & Charles Guy-Uriel (Eds.). Reviewed by Johnnie Hamilton-Mason.	176
---	-----

<i>The Globalization of Supermax Prisons.</i> Jeffrey Ian Ross (Ed.). Reviewed by Ann Marie Rocheleau.	178
---	-----

<i>The Idealist: Jeffrey Sachs and the Quest to End Poverty.</i> Nina Munk. Reviewed by Edward U. Murphy	180
---	-----

<i>Ethics.</i> Sarah Banks (Ed.). Reviewed by Jennifer R. Zelnick.	182
---	-----

Austerity Versus Stimulus: An Introduction to the Special Issue

HOWARD KARGER

JAMES MIDGLEY

SUBAS RISAL

Special Editors

The Great Recession or Global Financial Crisis of 2007-2008 began with the collapse of several major financial institutions in both Europe and the United States. This crisis had a major impact on the well-being of citizens around the world, including the U.S. and Europe, where unemployment soared, many thriving but marginal small businesses were shuttered, and homelessness skyrocketed as highly indebted families were unable to meet their mortgage obligations. Small investors lost heavily, and as savings and pension funds dramatically declined in value, the incomes of many older people fell. Throughout Europe and the U.S., new housing developments were frozen, public spending was severely cut with negative implications for health care and education, and credit became virtually unavailable after having been plentiful in the 1990s and early 2000s.

In the U.S., approximately \$700 billion was authorized by the Bush administration to prevent a collapse of more financial institutions after Lehman Brothers was allowed to default in 2008. The then newly elected Obama administration allocated around \$800 billion to its stimulus program, and in addition, two large automotive manufacturing firms (General Motors and Chrysler) were saved. Ford was given a line of credit which it did not use (Nanto, 2009).

At least on the surface, it appeared that by 2010 the most dramatic elements of the financial crisis has eased somewhat in the U.S. For instance, the unemployment rate dropped from

9.2% in 2009 to 7.3% in late-2013. The Dow Jones Industrial Average went from 6,626 in March 2009 to more than 16,000 in November 2013, a high that broke the record of 13,806 set in October 2007. Beneath the surface, however, the impact of the recession continues to lead to even greater income inequality: the September 2013 U.S. unemployment rate of 7.2% was 2.2 points higher than the same month in 2005; inflation-adjusted 2012 median household income (the latest figure available) fell to \$51,017 (the lowest inflation-adjusted annual income since 1995) or 8.3% below 2007. While median income fell, income inequality worsened. The U.S. Census Bureau's measure of inequality, the Gini index, remained at almost 0.48 (a 1.00 is 'perfect' inequality) in 2012, which was unchanged from the record high set in 2011. Inequality represents an upward trend from 1967, when the Gini coefficient was 0.40 (Ruffing, 2013). Moreover, the 0.46 U.S. Gini coefficient in 2003 was significantly higher than in other comparable industrial countries, including the United Kingdom (0.34); Germany (0.28); France (0.27); Canada (0.32); and Italy (0.33) (United Nations University, 2013). The harsh economic conditions experienced by many Americans—i.e., high unemployment, high levels of poverty, and declining living standards—also characterize the lives of hundreds of millions of people across the globe.

The initial response of the Eurozone to the 2007-2008 recession involved the bailout of major banks and the extension of credit to several sovereign governments. The cost of these bailouts amounted to hundreds of billions of Euros. To maintain the integrity of the Euro currency, numerous banks, as well as governments of member states that were facing escalating bond rates, were rescued. Of these, the governments of Greece and Cyprus attracted international attention because of the severity of the conditions attached to the loans (He, Jacobs, Kuper, & Ligthart, 2013).

In other parts of the world, such as China, the government launched a major stimulus initiative worth \$586 billion to soften the impact of declining export sales to Western countries. The stimulus package was directed to areas such as housing, transportation, health, education, infrastructure, industrial subsidies, and tax cuts. The largest portion of the stimulus was directed at public infrastructure,

reconstruction work in disaster areas, housing, social programs, and technology advancement. Similarly, the government of Brazil intervened to promote economic growth, and has invested heavily in social protection, and particularly in its famed *Bolsa Familia* program. The *Bolsa Familia* is a conditional cash transfer program that provides financial aid to poor Brazilian families. Similar to U.S. welfare reform, eligible families must ensure their children attend school (free education is provided if parents cannot afford it) and are vaccinated. More recently, the newly elected government of Japan under Prime Minister Abe's leadership has adopted a massive stimulus program designed to reflate the economy.

As the fiscal situation appeared to be stabilizing, if not easing, criticisms of government responses to the crisis accelerated. In the U.S., controversy increased when the Obama administration and the Congress enacted the Affordable Care Act (Obamacare), which many conservatives believe will further increase the national debt. By the 2012 election, the debate had become highly polarized. The Tea Party movement and its allies in Congress campaigned vigorously against the President's policies, which they claimed were plunging the nation into long-term economic stagnation. On the other hand, many of the President's supporters as well as progressive columnists and economists, such as Paul Krugman, complained that the government had not done enough to reverse the effects of the Great Recession. The populist Occupy movement, which camped in public areas such as Zuccotti Park near Wall Street, helped drive the debate by juxtaposing the enormous benefits that accrue to the wealthiest one percent compared to the stagnating and falling incomes of the vast majority of the population. Writing in the *Wall Street Journal*, entrepreneur Tom Perkins (2014) compared the discrimination against America's 1% to the plight of Jews in Nazi Germany, including Kristallnacht.

These different perspectives, which reflect the wider austerity versus stimulus debate, were present during the U.S. presidential election of 2012, and appeared to have had some impact on its outcome. For instance, Obama's decision to rescue the automobile industry increased his support in swing industrial states, while Romney's contention that

allowing inefficient firms to go bankrupt was compatible with the American market system, rang hollow in the light of his earlier support of the Wall Street financial bailouts. At the same time, many Americans remain skeptical of the idea that the government should increase the national debt in an attempt to stimulate economic growth. The idea that everyone should sacrifice to balance the budget has implications not only for the country's continuous political struggles, but also for the very core of social policy and social well-being.

This argument has been used with some success by the Conservative Coalition government in Britain, which has used the recession and the resulting deficit as a cover for retrenching social programs. Some venerable programs, including the universal child benefit program introduced on the recommendation of the famed Beveridge Report, became means-tested, and other social assistance programs were capped. The previous Labour government's innovative matched savings Child Trust Fund was simply abolished (Allen, 2010). The rhetoric (and resonance) of shared sacrifice in the face of the recession appeared to have muted public protest. Carefully crafted by U.S.-based think tanks, the ideological message was simplified into a folksy household maxim: "Like families, a government should not overspend and must live within its means." Lost within this homespun wisdom was an important point: Government spending is not like family spending, and the economy is far more complex than an individual family budget.

In contrast to the UK, Mediterranean countries, such as Greece and Spain, had little patience for self-sacrifice. The idea of sacrifice has little resonance among the millions of people who lost their livelihoods and cope as best they can with the daily challenge of social deprivation. Here the social services can barely cope with the devastating social consequences of the crisis. By mid-2013 the Greek unemployment rate reached an unprecedented 27.6% (under 25 youth unemployment was 55%), the overall poverty rate was 20%, and health conditions were threatened as hospitals and clinics ran out of supplies. Educated and skilled Greek workers are migrating in search of employment, thereby diminishing the human capital needed to rebuild the economy (Gow, 2012).

This special issue of the *Journal of Sociology and Social Welfare* examines the austerity versus stimulus debate and its effects in

an international context. Framed by the events of the recent Great Recession, the special issue not only seeks to examine governmental responses that reflect the austerity versus stimulus debate, but more broadly examines the way wider ideological currents and changing social and economic realities have affected social policies around the world. The long-term trend away from Keynesian interventionism and “welfare statism” towards greater individual and familial responsibility, the use of markets and the commercialization of welfare, all contributed to a fragmented and less effective system of provision that failed to respond to the crisis as Keynesians had originally intended. Nor did the adoption of market-based social policies in the last few decades ensure social well-being as neoliberals had predicted. The experiences of the countries represented in this special issue offer interesting and cautionary lessons for social policy in the future.

The special issue begins with an introductory article by James Midgley, which examines the theoretical basis for the austerity versus stimulus debate and discusses the policy options derived from analyses of the causes of economic cycles. Drawing on the history of economic thought, Midgley shows that the current debate is rooted in accounts of the workings of market economies that go back to the 18th century and which offer very different normative interpretations of the role of the state in economic affairs. These analyses continue to shape policy approaches today, and although generally classed either as neoliberal or Keynesian, the situation is much more complicated than this simple dichotomy suggests. Offering a nuanced account of the austerity versus stimulus debate and its implications for both economic and social policy, the paper discusses the way social welfare policies and programs in different countries have failed to respond adequately to the serious social consequences of the recent crisis. The article concludes by arguing that ideology and power play a crucial role in determining how nations address pressing social needs in recessionary times.

This is followed by Howard Karger’s article “Does Europe’s Debt Crisis Spell the End of the Keynesian Welfare State?” which examines the belief held by many European bankers, investors and economists that the global financial crisis and the debt problem was caused by the spending and

borrowing required to maintain overly generous welfare programs, a bloated public sector, high pension levels and too many generous subsidies. Based on the idea of 'expansionary austerity,' their solution lies in Draconian austerity measures designed to discipline economies through severely cutting government budgets and social programs. This article then examines the austerity programs adopted by several indebted European nations, the rejection of Keynesian economics, the introduction of (International Monetary Fund [IMF]-like) Structural Adjustment Programs into the European context, and the social and political dangers that can result from implementing austerity measures that lead to the erosion of benefits, entitlements and social rights.

Fiona Dukelow and Mairéad Considine analyze the impact of austerity on the Irish social protection system. The analysis examines Ireland's wider financial and economic crisis and its status as an "early adopter" of an austerity response which has continued under European Union/IMF intervention. The authors focus on how the crisis instigated a discussion around the cost and design of the social protection system, which led to a strategy of retrenchment and reform. Three core elements in this narrative—generosity, sustainability and suitability are identified.

Ijin Hong discusses recent developments in the Italian welfare state. In particular, Hong examines how the unaddressed regional and intergenerational inequalities left the Italian welfare unprepared for the 2008 economic crisis. Neoliberal austerity measures adopted to address the risk of economic default contributed to the further worsening of living conditions for the Italians. The article attempts to understand Italy's neoliberal shift by describing main social policy reforms, visiting previous academic research on welfare outcomes, and by finding a new interpretive frame for understanding the shift.

David Miller and M. C. (Terry) Hokenstad's article on "Deficit-Driven Austerity Policies" examines the impact of quasi-austerity policies on local government and the provision of social welfare and other services in the U.S. The authors discuss austerity policies and the welfare state in relationship to reduced revenue sharing with local communities, where the effects are the most noticeable and detrimental.

Lengwe-Katembula Mwansa and Gloria Jacques examine the successful initiatives made by Botswana in terms of good governance, and meeting the social needs of the population in the context of the Millennium Development Goals. Most dramatically, Botswana was able to lower its poverty rate from 47% in 1990 to 20.7% in 2010. The authors also examine the future challenges facing Botswana's economy and the provision of social need to its citizens.

Lenore Matthew's contribution, "The Global Financial Crisis and Stimulus in Brazil," examines how the onset of the 2008 Global Financial Crisis (GFC) slowed Brazil's economic growth and threatened the goal of decreasing poverty and inequality. To counter the effects of the crisis, the Brazilian government implemented a growth-with-equity stimulus plan that targeted poor families with the goal of building human capital. The article examines the impact of the stimulus package and suggests that it had positive effects on the economy, but mixed results when it came to the well-being of the poor. Matthew contends that real improvements in the life of the poor may be less positive than is reflected in governmental reports.

Lastly, Greg Marston's paper examines Queensland, Australia, where the government has instituted severe austerity measures using fear tactics and rhetoric that seems to come straight out of the American Tea Party. Specifically, the fear was that unless public debt was slashed and the public service sector downsized, Queensland would become the Spain of Australia. This comparison was built on a false sense of crisis that helped to mask neoliberal economic reform. In addition, the newly-elected Queensland government also passed laws limiting civil liberties and political freedoms. This paper discusses the resistance to authoritarianism and austerity and the impact this had on the population and social services.

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Austerity Versus Stimulus: Theoretical Perspectives and Policy Implications

JAMES MIDGLEY

University of California-Berkeley
School of Social Welfare

Attempts to respond to the negative social and economic effects of the Great Recession have been cast in terms of the austerity versus stimulus debate. Although oversimplified, this debate reflects wider theoretical analyses of market economies and normative prescriptions for enhancing their functioning. Referencing the historical evolution of economic thought, these theories and their policy implications for responding to recessions are summarized and their relevance for social welfare is examined in the light of recent events.

Key words: austerity, stimulus, social welfare, Great Recession, economic thought

The austerity versus stimulus debate has become prominent since the onset of the Great Recession in the autumn of 2007. Advocates of austerity policies urge governments to retrench public spending, ease taxes and regulations and adopt other measures that will restore business confidence prompting entrepreneurship, investment and economic revitalization. On the other hand, advocates of stimulus policies urge governments to increase public spending through borrowing in order to create employment, maintain incomes and stimulate consumption so that demand for goods and services will increase and foster growth and prosperity.

However, it is simplistic to reduce the debate to these polar opposites, since few governments have, in fact, taken a clear position on either austerity or stimulus, and some have adopted measures that give expression to both positions. In addition, many have responded haphazardly to the recent recession, and often their responses have been shaped by electoral pressures. Economists themselves are divided on which

Journal of Sociology & Social Welfare, June 2014, Volume XLI, Number 2

policies are likely to be the most effective. Some have taken a very clear position arguing vigorously for either austerity or stimulus, while others propose a pragmatic mixture of the two. Nevertheless, a preference for either austerity or stimulus can be detected in the policy preferences of different governments. These two approaches have also featured prominently in political and media discourse in recent years.

The debate reflects wider ideological differences about how market economies function and how they should function. This invariably involves a larger debate about the role of government in economic and social affairs, which has a long and rich intellectual history. Although complex, there are opposing arguments on the question of state involvement which have direct relevance for the austerity versus stimulus debate. One position is that the economic market is self-equilibrating and that governments should refrain from intervening so that its unencumbered internal mechanisms can function and produce prosperity for all. The other posits that widespread prosperity will only be achieved when efficient governments committed to promoting the well-being of their citizens direct the economy for social ends.

These two positions are discussed in this article with reference to the problem of 'business cycles' which appear to be inherent in market economies. Since the 18th century, economists have been aware that periods of prosperity are followed by periods of declining economic activity which may lead to a recession, high unemployment and falling living standards. In addition to documenting the occurrence of business cycles, various explanations of their causes have been offered. Perhaps most importantly, different normative accounts of how their negative effects can be remedied have been formulated. The current policy debate about austerity versus stimulus is based on these conceptual endeavors.

Since the debate has direct implications for social well-being, social welfare scholars should understand its intellectual origins and better appreciate policy proposals for addressing the negative effects of economic volatility. The article begins with a brief discussion of opposing conceptual representation of market economies and explanations of the causes of economic cycles, and it then considers competing policy proposals for responding to these cycles. It concludes by reviewing

the limited social welfare literature on the issue of austerity versus stimulus and discusses its relevance to social welfare.

Conceptualizing the Economy and Explaining Business Cycles

In his extensive history of economic thought, John Kenneth Galbraith (1987) points out that systematic academic enquiry into economic institutions can be traced back to the 18th century when some Enlightenment thinkers began to speculate about the nature and dynamics of economic growth. Some argued that growth occurs because enterprising individuals create surpluses which are reinvested, stimulating more economic activity and generating employment, higher incomes and prosperity. Reflecting earlier mercantilist ideas, others took the view that nations become prosperous because they have strong governments that promote investments, protect the domestic economy and secure advantage in international trade. Although rooted in classical political economy, these two positions continue to shape economic analyses and policy prescriptions today.

However, these positions represent a simplistic dichotomy of a complex body of explanatory and normative theory on growth and prosperity. While Adam Smith is often associated with the view that prosperity flows from the natural workings of the market economy and the rational pursuit of self-interest by enterprising individuals, he also believed the governments have a role to play by, for example, preventing the formation of monopolies, maintaining a legal framework for trade, and promoting education. Similarly, John Maynard Keynes is usually linked to the view that government should direct the economy, but he also believed that long-term prosperity depends on forging a strong partnership between the state and business. Other economists, such as Karl Marx and Thorstein Veblen, do not fit neatly into these two categories. Nevertheless, the market and state interventionist positions continue to dominate economic analyses and policy prescriptions for attaining prosperity. They are also central to contemporary explanations of business cycles.

Also known as trade or economic cycles, perennial fluctuations in economic performance have been extensively

documented, but their causes and the extent to which they are amenable to policy remedies are hotly disputed. Similarly, there is no standardized definition of these cycles or of the difference between economic fluctuations, recessions, slumps and full-blown depressions. In addition, different types of downturns are often treated as if they were the same phenomenon, when it is obvious that a downturn caused by financial speculation such as the recent Great Recession and one caused by the oil shocks of the 1970s are very different. To complicate matters further, some scholars believe that each recession is unique that no generalizations about their causes are possible.

Economists attribute business cycles either to external or exogenous factors such as war, bad harvests or climatic adversity, or to endogenous factors such as the supply of money or the level of consumption. In addition, financial bubbles, panics and manias have, as Charles Kindleberger (1978; Kindleberger & Aliber, 2011) demonstrated, been a major cause of economic instability over the centuries. He also drew attention to the fact that many economic crises are the result of fraud and corruption. One of the first explanations of the endogenous causes of slumps came from Thomas Malthus in a debate with his friend, David Ricardo, over the cause of the post-Napoleonic recession of the early 19th century. He is also credited with articulating the first underconsumptionist theory of recession, claiming that the failure of capitalists to reinvest profits in industry reduced production and employment with the result that consumption fell, causing a slump. Ricardo disagreed, citing the views of the French political economist Jean-Baptiste Say, that there can be no underconsumption in a market economy if prices adjust and create their own demand. This idea was subsequently adopted by neoclassical scholars and remains influential today.

Say's analysis drew on Smith's formative notion that the market forces of supply and demand create a natural equilibrium which, when disturbed, will automatically be rebalanced by the internal workings of the market. Smith's Newtonian view of the economy as a highly integrated and harmonious system laid the foundations not only for Ricardo and Say's writings, but for John Stuart Mill, the neoclassical marginalists and Alfred Marshall, whose mathematical models of the

workings of the economy exerted enormous influence. Since then, the neoclassical conception of a self-regulating economy that automatically resolves economic cycles has been widely accepted in economic and policy circles. It found expression in Friedrich von Hayek's highly influential work and in the writings of Milton Friedman, as well as a large number of contemporary neoclassical thinkers who are today popularly known as neoliberals.

The argument that markets do not automatically equilibrate and that governments should adopt policies to address economic cycles and their deleterious effects can be traced to Jean Charles Sismondi, who published one of the first systematic studies of economic recessions in 1819. In times of economic boom, he argued, competition and the drive for profits rapidly increase production, which in turn results in overproduction and declining profits followed by falling wages, unemployment and a decline in consumption. Although he conceded that this problem might resolve itself in the long run, it causes widespread suffering. Influenced by Robert Owen's work, he argued for a socialist, state-managed economy that would foster economic stability. Marx was sympathetic to his ideas, agreeing that economic downturns are associated with the falling rate of profit, but he also argued that they were symptomatic of capitalism's crisis tendencies and a precursor to its ultimate collapse. As is well known, both he and Friedrich Engels dismissed the argument that government should intervene, since the problem will only be resolved when the capitalist mode of production is replaced by socialism.

Marx's work influenced Joseph Schumpeter (1939), who was one of the most important 20th century scholars of business cycles. He disagreed with the neoclassicists and their static conception of the economy as a stable, self-regulating system and, adopting the historicism of Hegel, Marx and the German Historical School of Economics, he focused on long-term economic growth and argued that bursts of innovation brought about by creative entrepreneurs propel the economy towards prosperity. However, he believed that this process is accompanied by volatility and constant renewal, characterized by the "creative destruction" of inefficient enterprises. Downturns are an integral part of the process of creative

destruction which occurs when entrepreneurial innovations are emulated by less able imitators, resulting in the overproduction of mediocre goods and services and a general decline in economic activity. Eventually, the downturn is corrected by a new spurt of innovation and renewed growth. Despite their volatility and destructive effects, recessions purge and renew the economy and are essential for long-term prosperity.

Working with Ludwig von Mises, Hayek (1931) attributed business cycles to monetary factors which occur when easy credit stimulates the overproduction of consumer goods, distorting the economy and causing prices and ultimately wages to fall. Although Keynes described Hayek's interpretation as a "frightful muddle," it contributed to the formulation of monetarist explanations that subsequently became highly influential. At this time, the American economist Irving Fisher augmented the monetarist analysis by arguing that financial crises can be eased if reserve banks manipulate the money supply by adjusting interest rates. His formative ideas had a major influence on Keynes and subsequently on Friedman's monetarist theory which contends that economic stability is dependent on a sound monetary system. Restricted money supply due to high interest rates dampens growth and causes a downturn which leads to recession. On the other hand, easy money causes inflation and harms the economy. These views have had a major influence on policy, but it will be shown that both Fisher and Friedman were reluctant interventionists contending that the economy's self-regulating mechanism should not be disrupted through injudicious state intervention.

Keynes took a different position. Rejecting the neoclassical paradigm and Say's work in particular, he argued that downturns are not a temporary aberration but can result in permanent stagnation. Challenging the belief that a depressed economy will recover in the long run, he famously quipped that "in the long run we are all dead." He also took issue with those who claimed that if wages were allowed to adjust to demand, unemployment would disappear. Falling wages, he countered, would not only immiserize workers but reduce aggregate demand, having wider negative effects. Having specialized in probability theory as a student, he also challenged the neoclassical idea that future economic events could be predicted with a high degree of reliability. Uncertainty, he argued,

plays a major role in economic downturns.

Keynes's explanation of the causes of business cycles is complex and some argue, ambiguous and even contradictory. Certainly, his ideas evolved in the light of changing policy events during his lifetime, but essentially he argued that slumps are due to a fall in aggregate demand caused by excessive savings and a lack of productive investment. When investment falls, production and employment decline, leading to a downward spiral which, unless checked, causes a recession. He claimed that monetary accumulation does not necessarily result in productive employment-generating investments but often fosters reckless speculation, which results in financial bubbles. This idea influenced Hyman Minsky's (1986) analysis of financial crises, which was also shaped by the ideas of his teacher, Schumpeter. Minsky formulated a stadial model of financial bubbles which posited that during times of rapid growth, confidence and speculative borrowing escalates, eventually reaching the point when debts cannot be repaid, triggering a financial collapse. Known as the financial instability hypothesis, his work has been widely commended for its prescient relevance to recent events.

Keynes was also concerned that excessive speculation created anxiety among investors whose natural "animal spirits" were inhibited by the risk of financial collapse. Sensing a looming downturn, they hoard cash, further curtailing investment and demand. He also drew attention to the role of international factors, pointing out that the obsession with maintaining the gold standard at the time was highly detrimental. In addition, he made a novel contribution to understanding business cycles by showing that bad policy can cause and exacerbate economic downturns. His experience at Versailles at the end of World War I and his subsequent writing on the subject revealed the extent to which he recognized the role of policy ineptitude in creating economic instability.

Friedman and Anna Schwartz (1963) made a similar argument, claiming that the Great Depression was caused by the Federal Reserve Bank, a government agency which had failed to ease the money supply, turning a mild economic downturn into a major recession. As noted earlier, monetary factors are central to Friedman's analysis of business cycles. Together with Hayek, he is regarded as the doyen of modern

neoliberalism, and both have also been at the forefront of the attack on Keynes's analysis and policy prescriptions. Their writing also inspired new versions of the neoclassical approach, such as the efficient market hypothesis, real business cycles theory and rational expectations. These contend that markets are inherently efficient and that provided governments limit their involvement, economic downturns will only occur occasionally. Indeed, neoliberals such as John Taylor (2009) argue that since the 1980s, the adoption of market reforms have been accompanied by relatively little financial turbulence. Although the recent Great Recession has dented neoliberal optimism about the efficiency of markets, sharp differences about how to deal with its effects have not been resolved. These include differences among neoliberal scholars themselves about the nature and extent of state intervention. As will be shown, some believe that government intervention in the form of austerity policies is appropriate, while some others contend that the market can resolve economic downturns without state interference.

Normative Perspectives and Policy Options

The failure to formulate a standard explanation of the causes of business cycles has impeded the formulation of a standard, agreed upon prescription for addressing their negative effects, and today a variety of policy options are available. Although these are often encapsulated within the austerity versus stimulus debate, it was noted earlier that this is an oversimplification. Nor is it simply a matter of government intervention versus non-intervention. Few neoliberal scholars today advocate a radical laissez-faire position and, as will be shown, some statist recommend the adoption of austerity measures. Clearly the issues are complex and require an analysis that draws on the insights of the major schools of contemporary political economy which offer different policy prescriptions for responding to recessions.

The first policy approach reflects the work of Keynes and his followers, who advocate a proactive role for governments in economic management. Although Keynes's ideas are usually associated with the use of countercyclical policies, his biographer, Robert Skidelsky (2009), points out that his

prescriptions for achieving long-term stability are of greater significance than his proposals for responding to crises. Rejecting the neoclassical position, as well as democratic socialism and communism and their advocacy of nationalization and centralized economic planning, Keynes favored policies that enhance the functioning of markets. These include monetary policies to control inflation and foster growth, as well as fiscal policies which involve manipulating tax rates and increasing public spending. If used judiciously, both would promote investment, stimulate demand and create employment.

Keynes initially agreed with Fisher that business cycles can be managed through monetary policy, but he was subsequently persuaded that fiscal measures were also required. However, Robert Cord (2007) observes that, contrary to popular belief, he was cautious on the question of deficit spending and argued that a balanced budget is necessary for long-term economic health. While he favored deficit spending during downturns, fiscal policy should primarily be used in times of prosperity to promote investment and maintain employment. In this regard, the state has a pivotal role to play in what Keynes called the “comprehensive socialisation of investment” (Skidelsky, 2009, p. 97). It should not only invest in infrastructure but “organize” investment by forging a strong partnership with the business community. Greater international cooperation to address crisis tendencies in the global economy is also needed. Also, as mentioned earlier, Keynes was critical of what he regarded as bad policy and published withering critiques of inept politicians on this issue. Sound policy is dependent on a technocratic and efficient state that proactively fine-tunes both monetary and fiscal policy for the benefit of its citizens.

Keynes’s policy prescriptions were subsequently developed by his own students, such as Richard Kahn and Joan Robinson, and by numerous admirers in the United States and elsewhere, including luminaries such as Paul Samuelson, Gunnar Myrdal, James Tobin, John Kenneth Galbraith, Paul Krugman and Joseph Stiglitz, to name but a few. Keynesianism also influenced social policy. Social insurance and other cash transfers, which had been introduced in many Western countries in the early decades of the 20th century, were linked to Keynesian policies and viewed in economic rather than welfare terms as helping to maintain demand and to function

as “automatic stabilizers” in times of economic downturn. Although Keynesianism is credited with promoting steady growth and widespread prosperity in the Western countries in the 1950s and 1960s, it appeared to be less effective in addressing the phenomenon of “stagflation” which emerged in the 1970s. Extraordinarily high levels of inflation but persistent unemployment were impervious to Keynesian remedies, and coupled with the effects of the oil shocks, paved the way for the popularization of neoliberal policies. It was only with the onset of the Great Recession that Keynesian prescriptions have again attracted attention.

Many progressive commentators (Blinder, 2013; Grunwald, 2012; Krugman, 2009, 2012; Kuttner, 2013; Stiglitz, 2010, 2012) propose the use of stimulus measures based on Keynesian ideas which they contend will revive the economy. Although applauding the Obama administration’s recovery package (authorized in terms of the American Recovery and Investment Act of 2009), they argue that it did not go far enough and is in part responsible for the country’s slow recovery. The second policy approach is based on the neoclassical approach which is comprised of different strands including monetarism, rational expectations and the efficient market hypothesis. These all posit that the unencumbered market economy will of its own accord generate growth and prosperity. Impenetrable mathematical models formulated by contemporary neoliberal scholars have demonstrated that markets cannot be manipulated by investors, corporations, politicians or bureaucrats, but that the rational behaviors of millions of individual economic actors are in the aggregate the basis for market efficiency. Since it has been “scientifically” proven that unencumbered markets cannot fail, attempts to regulate them are not only unnecessary but counterproductive. Similarly, rational expectations theory contends that people anticipate government policy decisions, rendering them ineffective. These ideas have been widely adopted since the Reagan years and also justified financial deregulation in the 1990s.

Nevertheless, it has been shown already that few neoliberal economists believe that governments have no role to play. Instead, as Hayek argued, government should create favorable conditions for entrepreneurs and investors to pursue profits,

and this requires low taxes, deregulation, denationalization and other policies that promote innovation and competition. In a recent account, Taylor (2012) restates these ideas, outlining the key principles on which sound economic policy should be based. These include the centrality of markets and the rule of law, a limited role for government, incentives and a predictable market-friendly policy framework. Keynesianism, he claims, does not provide a predictable framework, because its continual economic fine tuning is subject to error and creates uncertainty. Like Friedman and Schwartz, Taylor (2009) attributes recessions to economic mismanagement. The Great Recession, he claims, was the result of deficit spending by the Bush administration, unrealistically low interest rates and haphazard action in response to the bank failures of 2008. Also, like Friedman, he believes that the money supply should not be frequently manipulated but governed by a fixed target, such as Friedman's constant monetary growth rule or his own Taylor rule, which automatically adjusts money supply in the light of changing events. This creates a stable and predictable environment for investors and entrepreneurs and maintains sound economic "fundamentals."

By ensuring the fundamentals, governments prevent recessions from occurring, and in the unlikely event of a downturn, most neoliberal scholars believe that governments should embrace austerity policies. As will be shown, only a few economists, such as Schumpeter, believe that recessions should be allowed to run their "natural" course. By implementing austerity policies, the state signals investors and entrepreneurs that it is serious about promoting recovery, that it will live within its means, and above all, that taxes will not be raised to meet deficits. In this climate, entrepreneurs will confidently invest in the resurgent economy. Reserve banks augment this approach by easing the money supply and providing ready credit for investment. As confidence is boosted, new investments create businesses and jobs and foster what is sometimes referred to "as expansionary austerity." Contrary to the Keynesian view that austerity is deflationary, neoliberal scholars believe that austerity actually promotes growth. Studies by Alberto Alesina and his colleagues (Alesina & Ardagna, 1998; Alesina & Perotti, 1995) contend that many countries which

have adopted austerity policies have been restored to normal economic functioning. Deficit spending not only exacerbates the problem but, as Carmen Reinhart and Kenneth Rogoff (2010) claim, it impedes growth. Although Mark Blyth's (2013) detailed analysis of the evidence strongly disputes these findings, they have been widely used to support of the neoliberal agenda.

Schumpeter is associated with the neoclassical position, but as was noted earlier, he disagreed with its static view of the economy and argued instead that the long-term health of the economy depends on a dynamic process of growth characterized by creative destruction, renewal and regeneration. Although recessions have unfortunate social effects, they are necessary for development. In this regard, his ideas echo the Social Darwinist belief that evolutionary change through natural selection improves society and that protecting "the weak" through social welfare programs is harmful. Accordingly, governments should not intervene to mitigate or correct recessions, nor should they seek to prevent them. Although Schumpeter's ideas resonate with some politicians and members of the business community, his proposals are not widely accepted today. As presidential candidate Mitt Romney realized during the 2012 election, recommending the liquidation of bankrupt automotive firms is not electorally popular. On the other hand, David Stockman's (2013) recent restatement of the Schumpeterian approach attracted widespread media attention.

The third policy approach is associated with the imposition of austerity policies by the European Central Bank at the behest of the German government which has funded rescue packages for several of the Union's member states. Known as *ordoliberalism*, it requires a strong state which forges durable corporate arrangements with the business community and trades unions within a policy framework that shapes market behavior. As its name implies, ordoliberalism seeks to maintain an orderly economic system which minimizes conflict between labor, business and the state. It also promotes economic growth, and particularly industrialization, in collaboration with all partners. Social policies that support economic development and promote solidarity are integral to the ordoliberal model. The

state invests heavily in infrastructure, supports educational and training programs that prepare workers for industrial employment and maintains fiscal discipline. Budget deficits are not only viewed as harmful because they impede growth but because they undermine the whole system.

Although ordoliberalism is market-based, its advocates reject the neoliberal view that the decisions of myriads of individual economic actors are the source of prosperity and believe instead that the market should operate within a system of rules that facilitates competition. Of particular importance are rules that prevent large corporations from creating monopolies and dominating the economy. Ordoliberalism is in many respects similar to Keynesianism and also to the corporatist approaches adopted in European countries such as Austria and Sweden (Williamson, 2010). However, unlike Keynesianism, it rejects deficit spending as well as continual economic fine-tuning, relying instead on a comprehensive, rule-based or "constitutional" economic system which is maintained by laws, central banks, technocrats and a large number of boards, advisory committees and other entities that negotiate and secure consensus from different partners in the corporate system.

The ordoliberal approach was formulated in the 1930s by Walter Eucken and his colleagues at the University of Freiburg. It is rooted in the 19th century industrialization policies of the Prussian government, which invested heavily in education and infrastructure and secured the support of nascent industrialists for its effort to enhance its global status. These events were bolstered at the time by writings of Friedrich List who claimed that the British commitment to *laissez-faire* was little more than a ploy to maintain its own imperial position. Since then, German governments have disavowed market liberalism and relied instead on a strong state to direct economic development. Although sullied by Nazi totalitarianism, this approach was revived with the support of the Marshall Plan after World War II and, in the guise of the Social Market Economy, it shaped the country's impressive economic and social development. Despite facing serious economic challenges following reunification, the government's continued commitment to economic corporatism has ensured widespread prosperity. However, with the adoption of labor flexibility and economic

liberalization policies in recent years, there is concern about whether the ordoliberal model can be sustained.

Variations of the ordoliberal model which to different degrees combine corporatism, Keynesianism and French *dirigisme* are found in other countries, and perhaps most notably in the developmental states of East Asia which emerged as major industrial nations after World War II (Leftwich, 2000; Woo-Cumings, 1999). However, as the East Asian financial crisis of the late 1990s reveals, state-directed development is not immune to recession and even stagnation. Nevertheless, austerity has not featured prominently in their responses to economic downturns. In fact, they and other rapidly growing economies in the developing world have quite successfully adopted stimulus policies. For example, the government of China implemented a massive stimulus package in the wake of the Great Recession and has been able to maintain steady, albeit somewhat slower growth in recent years. A vigorous reflationary policy was also introduced in Japan following the recent election of Prime Minister Shinzo Abe and his government.

The final policy approach, which is not grounded in a coherent theory of political economy, advocates a cautious response based on experiment and incremental decision-making. As an opinion piece in *Business Week* (Engardio, 2008, p. 22) in the early months of the Great Recession summarized: "Forget Adam Smith—whatever works!" Arguing pragmatically for a mix of austerity and stimulus, this approach proceeds incrementally to test various options. However, it is subject to electoral pressures so that a fluid and even haphazard response often emerges. Decisions to implement austerity or stimulus proposals frequently falter, resulting in incoherent policy decisions. For example, Philippe Pochet and Christophe Degryse (2010) report that the European Union's comprehensive economic recovery plan of 2008 unraveled as the crisis worsened, electoral opposition in Germany to rescue packages increased and struggles between the Union's leadership intensified. The result, as Blyth (2013) notes, is a chaotic situation which has in fact exacerbated the problem.

Similarly, the Obama administration retreated from its original stimulus approach in the face of sustained political opposition and, in the light of the current stalemate in the Congress, the situation has become muddled. However, the Federal

Reserve resolutely adheres to its monetary policy. In Britain, the Conservative Coalition's original commitment to austerity was also eased after it suffered several byelection defeats, even though the government insists that it will balance the budget. On the other hand, countries such as Greece and Cyprus have been subjected to the callous dictates of austerity with devastating consequences for their citizens. Faced with these confused policy responses, the International Monetary Fund (IMF) recently urged its member states to proceed cautiously and experiment with a mix of austerity and stimulus policies. The intervention of the IMF serves as a reminder that global economic forces have further complicated matters and affected policy responses directed at resolving domestic problems.

Social Policy Responses

Policy recommendations for mitigating the effects of recessions are usually couched in economic terms, but as recent events reveal, recessions have serious social consequences. In the United States and other Western countries, unemployment soared and the incidence of poverty and deprivation increased in the wake of the financial crisis. Millions of families lost their homes through mortgage foreclosures and many elderly people struggled to make ends meet as their pension fund accumulations dwindled. Rising public sector deficits resulted in severe retrenchments in education, health and social services with detrimental implications for social well-being. Even in developing countries that were not directly affected, falling commodity prices and demand for their export goods reduced the incomes of millions of workers. The human costs of these events are huge and require a coordinated and systematic social policy response.

Prior to the great depression of the 1930s, responses to economic downturns were nonexistent or haphazard, and it was only with the Roosevelt administration's New Deal that a systematic approach which integrated social and economic interventions was implemented. There were similar developments in Europe. Although the New Deal and the adoption of the Beveridge proposals in Britain are often seen as "welfarist" innovations, both were an integral part of wider economic policies designed to promote recovery and promote long-term

prosperity. The German social market economy mentioned earlier is another example of how social and economic policies were closely linked at the time. By integrating economic and social policies, social programs not only served as automatic stabilizers during recessionary periods but contributed positively to economic prosperity.

Since then, the close association between economic and social policy has been severed. Changing economic and social conditions, as well as rising affluence and individualism, accompanied by electoral resistance to public spending have contributed to the relegation of social welfare as of secondary importance to economic policy. As Midgley (2008) suggests, these changes have also been fostered by the popularization of the neoliberal argument that social spending is inimical to economic growth. Paradoxically, social policy scholars such as Richard Titmuss (1974) and T. H. Marshall (1950) contributed to the separation of welfare and the economy by arguing that social policies should be motivated by altruism and social rights rather than economic criteria. These developments had a major impact, contributing to the segregation of economic and social policy, as well as the fraying of the so-called safety net. Today, welfare programs no longer function effectively as automatic stabilizers, nor do they promote wider economic goals.

For example, increasingly stringent enrollment and other requirements have reduced the coverage of unemployment insurance as well as benefit levels in the United States. Similarly, the abolition of the country's social assistance program for families with children in 1996 and its replacement with a new welfare-to-work program (known as Temporary Assistance for Needy Families, or TANF) has seriously undermined the welfare system's role as an automatic stabilizer. In a recent study of TANF coverage, Keith Bentele and Lisa Nicoli (2012) report that take-up has fallen to historically low levels, even though need has increased dramatically. Sasha Abramsky (2012) notes that budgetary supplements to the program, which were introduced as a part of the Obama stimulus package, were inadequate, and some states even declined to accept these funds. In Arkansas, Alabama and Mississippi, less than 15 percent of families in poverty received TANF benefits

during the recession. The Supplemental Nutrition Assistance Program (SNAP), previously known as food stamps, has more extensive coverage, but benefits levels are also low. To make matters worse, Congress proposed major reductions to the program in 2013. Natasha Pilkauskas and her colleagues point out that although the food stamp program alleviated hardship during the Great Recession, its ability to function effectively in the future may be undermined by budgetary reductions (Pilkauskas, Currie, & Garfinkel, 2012).

Although these social programs have been severely retrenched and face further cuts, they continue to play a critical role in preventing destitution among very poor people in the United States. As Luke Shaefer & Kathryn Edin (2013) contend, the incidence of absolute poverty would be even worse without them. Jared Bernstein (2013) agrees, pointing out that programs such as food stamps, tax credits and health-care assistance, which were boosted by the Obama administration's stimulus initiative, kept as many as fifty million people above the federal government's poverty line—this figure includes approximately nine million children. In view of recent Congressional battles over public spending, he is not optimistic about the future of these programs.

Naren Prasad and Megan Gerecke's (2010) comprehensive overview of policy responses to the Great Recession shows that the governments of many Western countries failed to use social welfare programs to respond to the crisis. In many cases, these programs are underdeveloped or had been weakened over the years. Although some European countries had programs that had a positive countercyclical effect, they were in a minority. Bernard Casey (2012) notes that even in Europe, the response was highly uneven. In some cases, governments retrenched social spending, while in others they responded haphazardly to political pressure and increased spending. For example, in Sweden, automatic reductions to the state pension program, which are required when revenues decline, were suspended in response to these pressures (Scherman, 2012). In Britain, the Conservative Coalition cynically used the financial crisis to introduce a number of "welfare reforms," claiming that the budget deficit requires sacrifices from everyone, including those receiving benefits. Social assistance payments

were capped, the country's historic universal child benefit program was means-tested, and its child savings account abolished.

In many developing countries, social protection programs were also retrenched in response to the recession. Anna McCord (2010) reports that the governments of many developing countries were more concerned with reflation rather than meeting increased social need. Part of the problem is that relatively few of these countries have well-developed social insurance or social assistance programs. George Mpedi (2009) contends that the situation in Africa is particularly dire. On the other hand, Prasad and Gerecke (2010) point out that recessions have in the past prompted social welfare expansion. In addition to the examples of the United States and Britain given earlier, they note that developing countries such as Mexico and Korea introduced new programs in response to financial crises. The expansion of social protection in Korea in the wake of the 1997 financial crisis has been particularly well documented (Hwang, 2006; Kwon, 2001). The Great Recession, Prasad and Gerecke suggest, may also foster a recommitment to social welfare.

Karl Polanyi (1944) famously made a similar observation in his account of how the welfare state emerged as a reaction to the excesses of rampant 19th century capitalism. However, there are few indications that an effective countervailing force has emerged. The Occupy Movement, which expresses the anger of millions of ordinary Americans about the financial crisis and the privileges enjoyed by the top one percent of income earners, passed without significant reforms. Although new regulations have been imposed on the financial industry, Robert Kuttner (2013) and others doubt whether they will be effective. Certainly, financial elites continue to wield enormous power, and the extreme inequalities which scholars such as Raghuram Rajan (2010) and Robert Reich (2010) believe actually caused the recession have not been addressed. Although Krugman (2012), Stiglitz (2012), Kuttner (2013) and others argue that the current deficit can be addressed by raising taxes on those with high incomes, there is little if any political support for these proposals. In addition, recent Congressional hearings on tax avoidance by large multinational firms are

unlikely to produce any significant changes. On the other hand, attacks on social programs such as food stamps, Medicare and Social Security continue unabated. Clearly, sharp differentials in power, income and wealth continue to shape policy responses to the Great Recession.

A much more vigorous social policy response is needed if the serious social consequences of financial crises are to be addressed and if long-term prosperity is to be assured. A solid intellectual basis for social welfare that has electoral appeal and can be championed by progressive politicians is sorely needed. In the 1930s, Keynesianism offered an intellectual framework of this kind which, coupled with Beveridge's work and that of European Social Democrats, legitimated social spending. Since the 1980s, neoliberal economics has offered an equally effective intellectual counterargument. There is an urgent need for a reinvigorated theory that provides a viable rationale for social welfare. This will require that the current obsession with static welfare state typologies, as well as rhetorical indulgences based on postmodernist and abstract critical theories, be transcended with workable, pragmatic proposals (Stoesz, 2005). The growing interest in social policy circles in the interface between economic and social policy, and in social investments that can revitalize social policy's contribution to economic development, may form the basis for proposals of this kind.

It could be that an opportunity has been missed to formulate new and politically viable approaches in response to the social crisis resulting from the Great Recession. However, it has brought the issues into sharp focus. Certainly, many more people today are supportive of the need for concerted action. Indeed, many have been affected by the crisis. A renewed commitment to address the challenge by formulating innovative and appropriate social policy responses and advocating for their adoption is now required.

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The Bitter Pill: Austerity, Debt, and the Attack on Europe's Welfare States

Howard Karger

University of Queensland, Australia
School of Social Work and Human Services

There is a general belief among many European policymakers that the current debt problem in some Eurozone countries is caused by the unsustainable levels of governmental spending required to maintain overly generous welfare state programs, a bloated public sector, overly generous pension levels, state subsidies, and low user fees for services. Their proposed solution lies in implementing stringent austerity measures designed to discipline debt-ridden governments by cutting public budgets, reducing the number of public sector workers, curbing social benefits, and sharply narrowing the scope of the welfare state. Based on a belief in 'expansionary austerity,' this approach repudiates a key Keynesian principle for dealing with a recession—namely, the use of government spending to pursue full employment. This paper will examine the austerity measures forced upon several heavily indebted European nations by the 'Troika'—the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF). Also examined will be the introduction of components of the IMF and World Bank's Structural Adjustment Programs (SAP) into the Eurozone context, and the resulting social and political instability.

Key words: austerity, European Commission, European Central Bank, International Monetary Fund, World Bank, Structural Adjustment Programs, welfare state, Keynes

A tense consensus existed in Western nations around the view that Keynesian economics (and the modern welfare state it spawned) has provided the social and political stability necessary for economic growth. Even in the U.S., where Keynesianism is relentlessly attacked by conservative economists, policymakers and think tanks, the critique fell by the

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wayside as the Congress turned to Keynesian demand-side measures to shore up an economy crippled by the global financial crisis (GFC) (Blinder & Zandi, 2010).

Desperate times required measures which would have been unthinkable only five years earlier. The 2009 Keynesian-inspired and stimulus-based \$840 billion American Recovery and Reinvestment Act (ARRA) created jobs, provided economic relief for those hard-hit by the recession, funded infrastructure (e.g., education, health, energy) growth and maintenance, expanded unemployment benefits, and used federal tax incentives to stimulate consumption. Unlike the Europeans, U.S. conservatives stopped short of demanding the large-scale layoff of public sector workers, and Congress avoided devastating cuts in welfare programs.

This approach stood in sharp contrast to the European choice of austerity over stimulus. Ironically, the European bankers and policymakers—not the Americans—led the charge to reduce the size and scope of the public sector, dismantle key welfare functions, and diminish the public's expectations around state provision of services. Although U.S. conservatives loaded the anti-Keynesian ammunition, European policymakers fired the gun.

Expansionary Austerity

Harvard professors Alberto Alesina and Silvia Ardagna maintain that since 1980 large and decisive spending cuts have been followed by economic growth (Coy, 2010). Specifically, they argue that "spending cuts adopted to reduce deficits have been associated with economic expansions rather than recessions" (cited in Berman, 2011, p. 12). They note that austerity measures stimulate growth by placating bond markets (lowering interest rates and encouraging investment), and by reassuring citizens that harsher fiscal adjustments will not be needed later, thereby stimulating consumer spending. Austerians like Alesina and Ardagna argue that spending cuts are a better way to shrink deficits (and stimulate growth) than tax increases (Coy, 2010). Alesina and Ardagna's (2009) theories were debunked by *The Economist*, the IMF and the Center for Budget and Policy Priorities, who found that austerity measures resulted in increased growth in only nine of the 107 cases

cited (Avent, 2010; Berman, 2011). An IMF report further debunked Alesina and Ardagna's theories by finding that when measured correctly, austerity was contractionary rather than expansionary (Guajardo, Leigh, & Pescatori, 2011).

In their 2010 influential paper, 'Growth in a Time of Debt,' Harvard economists Carmen Reinhart and Kenneth Rogoff maintained that government stimulus programs only exacerbate debt problems and should be quickly replaced by austerity measures (2011). The crux of their argument was that when a nation's debt reaches 90 percent of its GDP, it leads to unmanageable interest costs and becomes a drag on an economy. When Thomas Herndon, a graduate student at the University of Massachusetts, found errors in Reinhart and Rogoff's Excel spreadsheet data, the authors maintained that despite the error, high debt levels lead to slow economic growth. Economist Miles Kimball crunched Reinhart and Rogoff's data and found no evidence for their conclusions. Economist Arindrajit Dube found evidence that Reinhart and Rogoff had reversed the relationship—slow growth causes higher debt, not the other way around (Gongloff, 2013).

Austerian-based academic papers were greeted uncritically because they provided the ammunition conservative policymakers needed—namely, cutting spending and welfare state functions in a depressed economy will spur on economic growth. This orientation disintegrated under serious academic scrutiny and the real-world experiences of countries that adopted austerity measures. Ari Berman (2011) attributes the austerian influence to an influential and aggressive 'austerity class'—a center-right coalition of politicians, policy analysts and technocrats—who have appointed themselves the 'impartial' custodians of economic policy. Their goal is to protect the investments of banks over the well-being of citizens, and their claims are legitimized by think tanks who warn that high debt will lead to a national bankruptcy.

The Attack on the European Welfare States

The Eurozone debt crisis led economically strong nations, like Germany, to implement fiscal oversight and control of their less well-off southern European neighbors. This oversight pressured smaller and weaker economies into implementing tough

austerity measures and some of the deepest public sector cuts in a generation. The oversight also highlighted the hypocrisy of the stronger economies. For instance, when the euro was introduced in the 1990s, Germany insisted on a guarantee that Eurozone countries would adopt sound fiscal principles, including restricting their total borrowing to less than 3 percent of GDP with debts of less than 60 percent. The second criteria was dropped, since Germany's debt to GDP ratio was above 60 percent (Knight, 2011).

There is little doubt that many European nations are in the midst of a debt crisis and a recession. Some are even in a depression (Krugman, 2013). Despite this, the Eurozone is debating whether a recession or governmental debt is the biggest problem. The moribund economies of Greece, Ireland, Italy, Spain, Portugal and others have resulted in diminished market confidence, as evidenced by the high (and often unsustainable) interest rates they are forced to offer on their bonds (BBC News, 2011a). The hope of stronger EU nations is that economically fragile economies will step back from the abyss without defaulting on their debt. To accomplish this goal, the 27 EU member states set a target to cut deficits to no more than 3 percent of GDP by 2014-2015 (BBC News, 2011a). Meeting that goal would require Eurozone nations to enact strident austerity measures.

Cyprus

Cyprus was an example for other indebted nations who might not take austerity seriously enough. The EU and IMF loan bailout deal for Cyprus included deep spending cuts, overhauling outdated state companies, and the effective confiscation of billions of euros deposited in Cypriot banks. In exchange for a \$13.2 billion emergency aid package, Cyprus was forced to agree to EU demands that it basically confiscate up to 60 percent of a depositor's holdings above \$132,460 held in two of the country's largest banks (Bank of Cyprus and Laiki Bank). In turn, Laiki Bank was dissolved and merged into the Bank of Cyprus (which also absorbed Laiki's crippling billion dollar debt). The 2013 austerity measures resulted in a 16.3 percent unemployment rate (more than 30 percent for those under 25). The bailout package essentially converted a banking crisis into a recession, as the IMF predicted a 9 percent drop

in Cyprus's 2013 GDP (some economic modelling suggests 24 percent) (Higgins, 2013).

Greece

Greece typifies the economic basket case of some southern European nations. Despite huge bailouts from the EU and the IMF, some economists fear that it will be impossible to cut Greece's 2013 \$410 billion debt (160 percent of GDP) without defaulting. Moreover, despite severe austerity measures (or perhaps because of them), Greece's debt grew by 24 percent between 2012 and 2013. This was the largest rise in the EU, which saw the debt of 24 out of 27 member states increased over the 12-month period (Ekathimerini.com, 2013). Since 2010, Greece has been frozen out of the international financial markets because of its debt and weak economy, and has been kept afloat and inside the Eurozone solely through a \$318.2 billion EU and IMF bailout (Papachristou & Maltezou, 2013).

Despite Greece's weak economy, the EU and IMF pressured it into adopting severe austerity measures as a precondition for a bailout (BBC News, 2011a). The first round of austerity measures led to a wave of protests (some violent) and crippling strikes. In an attempt to cut \$65 billion by 2015, unpopular austerity measures included a new property tax, the suspension of 30,000 civil servants on partial pay, deep cuts in public employment, and the sale of state assets. Another \$41 billion in budget savings was expected to be realized through personal and business tax increases and spending cuts. Some of the new taxes affected people earning as little as \$12,000 a year.

Opponents claimed that the harsh conditions set out by lenders condemned Greece to years of painful spending cuts and job losses, a prophecy borne out by the 2013 high 27.6 percent unemployment rate (60 percent for those 25 and under) (BBC News, 2011a; Higgins, 2013; Reuters, 2013a; Segall, 2011). To add salt to the wound, the promised Eurozone aid to Greece of \$315 billion was parceled out in tranches to make sure the country adhered to the conditions laid out by the Troika (Kitsantonis, 2013).

Greece's austerity-driven contraction wreaked havoc on the overall economy. The IMF—which helped coerce Greece into austerity—grossly underestimated the pain. In its 2013

report, the IMF acknowledged that Greece's economic contraction between 2009 and 2012 was around 17 percent, instead of its forecast of 5.5 percent.

Greece adopted yet another round of austerity measures in 2013 which called for thousands of civil service workers to face layoffs and wage cuts. The plan specifically called for putting 25,000 civil servants (e.g., teachers, municipal police officers, school janitors and others) into a "mobility plan" that docked their wages ahead of involuntary transfers or outright dismissals. These austerity measures were intended to satisfy EU finance ministers and pave the way for the release of \$9 billion in rescue loans. The response was predictable—thousands of Greeks demonstrated against the plan (Kitsantonis, 2013).

Italy

Italy had a public debt of more than \$2.6 trillion and a debt-to-GDP ratio of 130 percent in 2013. This was coupled with a decline of 1.5 percent in the GDP, further pushing Italy into a recession that began in 2011 (Totaro, 2013).

Before leaving office, the former Berlusconi government adopted an austerity package worth about \$91 billion that included raising healthcare fees, cuts to regional subsidies, cuts in family tax benefits, and cuts in the pensions of high earners. A second round of austerity measures worth \$40 billion was developed by former Prime Minister Mario Monti in 2011. Monti's measures included: raising sales taxes; increasing the wealth tax on property and assets, including second homes, yachts, private jets and luxury cars; and curbing tax evasion (equal to about 17 percent of Italy's GDP). (Tax evasion is also a big problem in Greece.) These measures also called for public sector salary cuts and limiting new hires (i.e., only one employee replaces every five that leave). The 2011 reforms raised the pension age to 62 for women (rising to 66 in 2018) and 66 for men. Pension payments lost their value when they were de-linked from inflation for all but the lowest payments (BBC News, 2011a; BBC News, 2011b). Lastly, the VAT was increased to 23 percent. There are two major components to addressing debt: cutting spending and raising taxes. When broken down, roughly \$17 billion of the \$40 billion in cuts fell on pensions and local authorities, while \$23 billion was recouped through tax increases (Nardelli, 2011).

One of the areas hit hardest by austerity measures is health care. Italians saw out-of-pocket healthcare costs grow by 160 percent from 2005 to 2011, with further increases of copayments expected in the foreseeable future. The increased copay may help explain a 9 percent reduction in pharmaceutical expenditures in 2012 (Benassi, 2013).

While Monti's austerity policies helped bring the budget deficit closer to EU guidelines, it also led to a recession that pushed the jobless rate to 12.5 percent (youth unemployment hit 38 percent), a 20-year high (Totaro, 2013). In 2013, disgruntled Italian voters overwhelmingly rejected the austerity measures of the Monti government and the EU. Monti's electoral slate received only 10 percent of the vote; roughly 55 percent of the electorate voted for political parties that rejected the EU reforms (Schwarz, 2013).

Portugal

Portugal is one of the more economically problematic Eurozone nations. Its 2013 debt was \$271 billion, or 124 percent of its GDP, a number which is expected to rise (Bugge, 2011; *countryeconomy.com*, 2013). As a result, Portugal had to pay about 5.4 percent interest rate on its bonds in late 2013, one of the highest rates in Europe. Portugal became the third Eurozone country to receive an EU and IMF bailout of \$103 billion in 2011 (Barley, 2011).

In exchange for the bailout, Portugal adopted severe austerity measures that included: increasing the work week of public employees to 42 hours (one of the longest in the EU) without extra pay; sharp cuts in public sector wages, including a 5 percent cut for top public sector wage earners; the suspension of holiday and year-end bonuses for civil servants and pensioners; tax hikes for high earners; a VAT rise; and cuts in health, welfare and education spending. Portugal also slashed its military budget (BBC News, 2011a; PressTV, 2011a). Taken together, these austerity measures helped drive Portugal deeper into a recession, as its economy contracted by 2.3 percent in 2013 (a third consecutive year of recession). Unemployment hit a record high of 18 percent (Thompson, 2013; PressTV, 2011b). Public reaction to the austerity measures, combined with the moribund economy, and the high unemployment rate, forced a governmental crisis and the resignation of the finance minister in 2013 (Hesse & Zuber, 2013).

Spain

Spain is an important Eurozone nation. Its economy is five times larger than Greece's and accounts for 12 percent of the Eurozone's combined GDP. Spain's population is roughly twice the size of bailed-out Portugal, Ireland and Greece combined. Hence, Spain's economic success or failure will have a major impact on the future of the Eurozone (Tremlett, 2012).

Similar to other Eurozone nations, Spain's GDP contracted by 1.5 percent in 2013. Its budget deficit was 6.5 percent of GDP compared to EU's target of 3 percent (CNBC, 2013). Unlike other troubled Eurozone nations, its 2013 public debt ratio to GDP was 85 percent, lower than the UK and France, and close to Germany's 82 percent. At the same time, Spain's 2013 unemployment rate was 23.6 percent with an under-25 rate of 55 percent (*The Guardian*, 2013).

Policymakers have generally relied on the high spending levels of southern European countries to explain the crisis. For example, Greece did not tax (or adequately enforce existing taxation) sufficiently. It overspent and then it lied about its debt level. Portugal overspent and borrowed too much. Italy was wracked by a series of corrupt and fiscally incompetent governments (Knight, 2011). Spain exploded the myth that the Eurozone's debt problems resulted from too much borrowing and profligate public spending. Unlike its Southern European neighbors, Spain had a balanced budget until the GFC in 2008. As its economy grew, its public debt to GDP ratio continued to fall (until 2007) unlike other Eurozone countries, including Germany. In large measure, Spain was a victim of the GFC and the collapse of the housing market which was driving its economic growth (Knight, 2011).

Spain adopted austerity measures similar to other financially strapped Eurozone nations, including large spending cuts, a freeze on public sector salaries and hiring, a 5 percent cut in government worker pay, an increase in the retirement age to 67, a 28 percent increase in the tobacco tax, and higher taxes for the rich. In 2012 the conservative government of Mariano Rajoy acceded to the pressure by Berlin and Brussels and introduced another round of austerity measures that raised taxes, and cut spending on healthcare, education, and social services. Similar to Greece, Spain has experienced widespread anti-austerity protests with makeshift tent cities organized by young

people fearing a grim future of unemployment (BBC News, 2011a; Independent, 2011).

Iceland

Iceland had a different response to the GFC than many other indebted European nations. Before the GFC, Iceland was one of the richest nations in the world. Credit was abundant as Icelanders borrowed to buy consumer goods, summer houses and expensive vacations. Despite the warning signs, the government and Central Bank failed to regulate the financial elite that were driving the nation into near bankruptcy.

In 2008, former Prime Minister Geir Haarde announced that Icelandic banks were insolvent and the country was in crisis. By then, Iceland's debts were \$110 billion, or ten times the government's budget. Panic broke out as shops sold out and people stockpiled food. It was the start of a cycle that saw individuals and companies going bust. Haarde was forced to resign only days after his address (Kvam, 2011b).

In response to the crisis, the government nationalized the three largest Icelandic banks that had engaged in irresponsible financial speculation. Creditors were forced to absorb most bank-related losses. The government also imposed capital controls to protect the country's currency and tightened financial regulation (Sherter, 2011). In 2008 Iceland received a \$4.6 billion loan by the IMF (Kvam, 2011a).

Iceland protected welfare benefits before it began cutting budgets. Government officials used the Keynesian principle that the best way out of a recession is by boosting (not cutting) government spending and putting money in the pockets of people most likely to spend it (Sherter, 2011). To stimulate demand, the government increased the state minimum pension by 20 percent in 2009 and taxes were reduced for the lowest pensioners. This strategy also included levying higher taxes on the rich while protecting the economic interests of the poor.

The Icelandic government implemented a debt relief program for businesses and households based on the belief that no one should have debt exceeding 110 percent of the value of their property (Kvam, 2011a). With the cooperation of banks and pension funds, the government helped highly indebted individuals and businesses reduce their debts. This

helped many individuals and businesses (who had sustainable loans before 2008) avoid the financial deterioration that occurred in some Eurozone countries. The debt relief program also allowed businesses to freeze their debts and continue operating, although they could not incur further debts that might be needed for investment, growth and job creation.

Under pressure from the IMF to seek a balanced budget, a “stability pact” was reached in 2009 between government, trade unions and employer organizations that included sharp public sector spending cuts and tax hikes. Despite the stabilizing economic reforms, the Social Democrats lost popular support by a series of policy mistakes, tax hikes, a leniency toward foreign creditors, soaring prices, capital controls that limited investments, and the government’s inability to deal with soaring household debt. In 2013 Icelandic voters dumped the Social Democrats and returned a center-right government that promised protection of social security, and better welfare and job creation. This landslide election victory was also seen as a rejection of IMF-enforced austerity, the bailout terms and EU membership (Reuters, 2013b)

Austerity and the Repudiation of Keynesian Economics

In 2013, President Obama urged Greece to balance austerity with growth as it seeks to recover from the financial crisis: “We know from history that those countries that are growing, those countries where employment is high and people are increasing their productivity ... have an easier time reducing their debt burden than those countries where people are feeling hopeless” (Lederman & Olster, 2013). A similar plea was made by former U.S. Treasury Secretary Timothy Geithner in 2011, who urged European governments to not withdraw stimulus spending that supports growth. The Europeans took a hard line in their response: “We don’t see any room for manoeuvre in the euro area which could allow us to launch new fiscal stimulus packages” (cited in Neuger & Christie, 2011).

Europe’s austerity measures are bound together by a rejection of the basic Keynesian principles that have guided economic policy since the end of World War II. Whereas Keynesian economics requires governments to spend more in recessionary times, the Troika is forcing weaker Eurozone

countries to make deep cuts in public expenditures. As noted earlier, these austerity measures are rooted in the belief that the cause of Europe's financial crisis lay in decades of reckless over-spending and over-borrowing to pay for overly generous welfare programs, pension systems and bloated public sectors. Rhetoric aside, before the GFC, Spain and Ireland ran budget surpluses and had low debt levels. While Spain's debt was 31 percent of its GDP, Ireland's was only 12 percent. Both were below Germany's debt level. Instead of profligate spending, these economies fell victim to a banking crisis and credit boom driven by cheap interest rates and irresponsible lending practices, which morphed into financial panic and a severe recession. The cause was not overspending per se, but credit and asset bubbles that proliferated in the wake of weak fiscal regulation in the U.S. and Europe (Schwenninger, 2011).

Nobel laureate Paul Krugman (2012) points out that economic experts have been consistently wrong about the short-run effects of budget deficits. For one, Eurozone deficits have not sent interest rates or inflation soaring. The Eurozone inflation rate fell to a meager 1.2 percent in mid-2013 and the central bank's benchmark interest rate was less than 1 percent (Stoukas, 2013). While Krugman (2012) acknowledges the importance of debt, he believes that public spending to lower unemployment is more important.

The harsh austerity measures imposed on vulnerable Eurozone countries illustrate how disconnected economic technocrats and policymakers are from the suffering of ordinary Europeans. Apart from marked differences in the severity of austerity measures—anywhere from light to devastating cuts—there are also striking similarities. Across the board, one hard-hit group are public sector workers, who in some cases, are being used as scapegoats for economic woes. Under some austerity measures, civil servants are facing pay cuts from 5 - 25 percent; are having bonuses and holiday pay cut; are having their retirement age raised; are being put on unpaid involuntary furlough; and are having their work weeks extended, often without extra pay. Public sector freezes and massive layoffs are a common strategy for Eurozone governments desperate to shave budgets to meet EU targets. Among other things, these freezes and layoffs result in additional—and often impossible—workloads for the remaining public workers.

Another hard-hit group are low- and moderate-income families who are experiencing cuts in welfare benefits, family support allowances, disability pensions, and governmental subsidies, including pharmaceutical and transportation subsidies. This group is also facing higher user fees for public services, especially in healthcare.

European governments are pressured to make it appear that the pain and hardship of austerity measures are being spread evenly among the classes. As such, there is a presumed balance between spending cuts and higher taxes, although austerity measures seem to lean more towards spending cuts. While taxes are raised (and benefits cut) on small and medium incomes, there are also tax increases for corporations and the rich. (Ireland is an exception since the government has refused to raise the 12.5 percent corporate tax rate, the lowest in the EU.) Overall, the pretense of equitably socializing the pain of austerity is disingenuous, since tax increases and benefit cuts have a differential impact on various economic classes. For instance, a significant rise in the VAT (a common austerity measure to raise revenue) will have greater impact on a family earning \$12,000 a year than one earning \$500,000. The loss of a public sector job is not an equivalent hardship to a 50 percent luxury tax on a yacht or jet. Even a significant rise in the personal income tax of very high wage earners has far less impact on them than a small tax increase does on a low or moderate income family. While higher corporate taxes may appear equitable, the costs are often passed on in higher prices or cuts in the labor force.

There is a clear message in Eurozone austerity measures: Repayment to creditors is more important than pushing an economy into recession and high unemployment. Severe austerity measures will invariably lead to lower levels of consumption, higher unemployment, and greater social instability as young workers lose hope of ever finding work. Paul Krugman (2011) points out that:

... the nations now in crisis don't have bigger welfare states than the nations doing well—if anything, the correlation runs the other way. Sweden, with its famously high benefits, is a star performer, one of the few countries whose GDP is now higher than it was

before the crisis. Meanwhile, before the crisis, “social expenditure”—spending on welfare-state programs—was lower, as a percentage of national income, in all of the nations now in trouble than in Germany, let alone Sweden. Oh, and Canada, which has universal health care and much more generous aid to the poor than the United States, has weathered the crisis better than we have. The euro crisis, then, says nothing about the sustainability of the welfare state.... (p. 14)

Applying Structural Adjustment Principles to the Eurozone

The austerity-driven economic policies of the Troika share the same lineage as the shock policies the IMF forced upon developing countries as a prerequisite for loans and assistance. SAPs were mandated by the IMF and the World Bank as a condition for developing countries to secure new loans or to lower interest rates on existing ones. The goal was to ensure repayment of debt by reducing a country's fiscal imbalances through spending cuts in health, education and social services; imposing higher user fees on state services; privatizing and selling off state assets; deregulation; eliminating trade barriers; and by monetary reform. Borrowers who failed to meet these conditions could be subjected to various fiscal penalties. Critics argued that financial threats to poor countries constituted blackmail, since they had no recourse but to comply. Critics of SAPs also claimed they compromise a nation's sovereignty, since an outside organization is dictating economic policy based on decisions made thousands of miles away (Karger, Iyani, & Shannon, 2007). Although SAPs were originally designed to address the economic conditions of developing countries, a SAP-based approach has been applied to heavily indebted Eurozone nations. As such, the critiques of SAPs above all too frequently apply to some southern Eurozone nations as well.

The IMF uses conditionality (i.e., conditions attached to a loan or aid) in developing countries to make sure loans are paid back (Dreher, 2004). With Eurozone borrowers, the conditionalities are based on austerity measures that lower the deficit regardless of the consequences to employment or the

health and welfare of the population. In that sense, these conditions are harsher than those imposed on developing countries, since the IMF and World Bank require these countries to submit a Poverty Reduction Strategy Paper (PRSP) developed within a broad-based participatory process (Palast, 2003; World Bank, 2002). A PRSP is not something required of Eurozone borrowers.

There is a lack of evidence around the effectiveness of SAP-like approaches (Public Broadcasting System, n.d.). Sherle Schwenninger (2011) notes that in Greece the EU austerity program has set in motion "a vicious cycle of recession and debt, whereby austerity leads to recession, which in turn produces even larger deficits and debt, which in turn prompts calls for more austerity... ." (need pp #)

Paul Krugman (2011) argues that:

austerity has been a failure everywhere it has been tried: No country with significant debts has managed to slash its way back into the good graces of the financial markets. For example, Ireland is the good boy of Europe, having responded to its debt problems with savage austerity that has driven its unemployment rate to 14 percent. Yet the interest rate on Irish bonds is still above 8 percent—worse than Italy. (p. 14)

The Dangerous Road

Forcing a severe SAP-like approach into the European context can have dangerous consequences. For instance, the slowdown in growth can exacerbate the current anti-immigrant backlash in Europe as jobs become scarcer and immigrants are seen as lower-paid competition. The dearth of jobs and benefits can also lead to an exaggerated form of nationalism ripe for extreme right-wing or fascist political movements. Sigmar Gabriel, Chairman of the German Social Democratic Party, warns that the austerity measures being imposed on Europe indicate how little we learned from the rise of the Nazi Party. Gabriel points out that the Chancellor of the Weimar Republic, Heinrich Brüning, cut successive budgets during the Great Depression. The end result was six million unemployed Germans who were fodder for a rising Nazi party (McGreevey,

2011). A similar warning was issued by Nikos Hatzopoulos, president of a Greek trade union:

the wave of spending cuts that drives the social insurance system to the brink of collapse and Greek society to extreme poverty, is not the way. The collapse of the welfare system could trigger extreme unprecedented social tension within Greece in a first phase and a domino effect across Europe. (CNC World, 2011)

Gabriel and Hatzopoulos' warnings help explain the growth of far right-wing, anti-immigrant and pro-fascist parties across Europe. These groups include Austria's Freedom Party (formerly led by Nazi sympathizer Jörg Haider); Belgium's Flemish Block, Danish People's Party, France's National Front, Germany's Republican Party, German People's Union and National Democratic Party (largely neo-Nazi youth protest movements), Greece's Hellenic Front, and Italy's Northern League and National Alliance (pro-fascist). Other right-wing groups include Netherlands Pim Fortuyn's List (LPF), and Liveable Netherlands, Norway's Progress Party, Portugal's Popular Party, Swiss People's Party, and the British National Party (*The Guardian*, 2011).

Although France's far-right National Front, now led by Marine Le Pen (daughter of the founder Jean-Marie Le Pen), has moderated its positions somewhat, it still espouses a halt to immigration, reclaiming French sovereignty from the European Union, restoring the death penalty, and implementing "national preference" to reserve jobs, financial aid and public housing for French citizens over foreigners (Crumley, 2011). In a surprise vote, Le Pen placed third in the 2012 French presidential election with almost 18 percent of the vote.

Hungary is an epicenter of the neofascist movement in Europe. A 2012 survey by the Anti-Defamation League found that more than 60 percent of Hungarian respondents said that Jews "talk too much about the Holocaust" and 73 percent said Jews have too much power in the business world. Compared to 2009, the survey also found that "levels of anti-Semitism have increased most dramatically in Hungary, as well as in the UK and Spain" (Jovanovski, 2013).

Hungary's Jobbik Party was founded in 2003 by a group of Protestant and Catholic university students. It came to international attention when it received almost 15 percent of the votes in the European Parliament elections. In 2010 it became Hungary's third largest political party, capturing almost 17 percent of the vote. Jobbik is a virulently anti-Semitic and anti-Roma (Gypsy) party that proposes to abolish abortion, re-establish the death penalty, and create a special police unit to deal with "gypsy delinquency." Jobbik also operates a paramilitary arm called the Hungarian Guard (Hockenos, 2010; Ostrovsky, 2013; Stancil, 2009). Marton Gyöngyösi, a Jobbik MP, typified the anti-Semitism when he called for the creation of a "registry" of Jewish MPs and government officials in Hungary.

Perhaps not coincidentally, Hungary's public debt is the highest in central and eastern Europe, and its 2012 unemployment rate was almost 11 percent (nearly 30 percent for those under 25). It has been under the EU's deficit management procedure since 2006, the longest of any country (Globalpost, 2013).

German economic analyst Michael Mross observes that "Austerity means cuts. That means that you have cut the income of the poorest, that the social welfare will be cut down" (RT.com, 2011). In a modern industrial society, the welfare state acts as a buffer against absolute deprivation; promotes greater social mobility through affordable education, thereby making class lines more porous; redistributes resources; encourages consumption by providing social welfare benefits; and enhances economic productivity by providing affordable health care.

Conclusion

Europe's harsh austerity measures are counterproductive since they are leading to a cycle of recession, high unemployment, greater social instability, and accelerated income inequality. In the end, it is becoming increasingly harder for Eurozone nations to repay their debts in the context of their contracting or moribund economies. After years of harsh austerity measures, countries like Greece, Italy, Spain, Ireland and Italy have yet to return to economic health. If the developing world's experience with SAPs is any indication, the prognosis

for achieving a strong economy through “expansionary austerity” is extremely poor. More likely, continuing severe austerity measures will only lead to more hardship. As the political demonstrations illustrate, Europe’s population—especially the young—are increasingly less able to see a light at the end of the economic tunnel.

The stagnant or deteriorating economies of indebted Eurozone nations has caused the EU to rethink its austerity approach and begin to focus on stimulus and growth. European Commission officials are calling on member states to focus on increasing competitiveness by growth-boosting economic reforms. It is also asking member states to focus on lowering youth unemployment from their current disastrously high levels. At the same time, they are urging austerity measures to continue (Petroff, 2013). In the end, novel solutions—based on growth and stimulus—are needed for countries to rebound from their financial calamity without eviscerating their health, welfare, and education of its citizens.

Note: For consistency, all currency has been converted to U.S. dollars.

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Between Retrenchment and Recalibration: The Impact of Austerity on the Irish Social Protection System

FIONA DUKELOW

MAIRÉAD CONSIDINE

University College Cork, Ireland

This article analyzes the impact of austerity on the Irish social protection system. The analysis is situated in Ireland's wider financial and economic crisis and its status as an 'early adopter' of an austerity response which has continued under European Union/International Monetary Fund intervention. We focus on how the crisis instigated a political narrative about the cost and design of the social protection system, leading to a programme of retrenchment and reform which has blended a politics of blame avoidance with credit claiming. Three core elements in this narrative—generosity, sustainability and suitability—are identified, and against this background, a pattern of multi-dimensional change in social protection across the life course dealing with working age, pensions, and child income supports is analyzed.

Key words: Ireland, social protection policy, austerity, retrenchment, welfare

In the decade of unprecedented growth preceding Ireland's current crisis, debates about its economic and social policy path were frequently framed in terms of 'Boston versus Berlin.' This dichotomy was articulated by a former prominent politician who proffered the view that "[w]e in Ireland have tended to steer a course between the two but I think it is fair to say that we have sailed closer to the American shore than the European one" (Harney, 2000). Such ideas inevitably simplify complex political and socio-economic realities, however the economic policy trajectory closely followed the liberal market model, and in the era of financialized capitalism Ireland became 'a world leader in the financialization of the economy' (Ó Riain, 2012, *Journal of Sociology & Social Welfare*, June 2014, Volume XLI, Number 2

p. 498). Yet in social policy terms, while typically linked with the liberal welfare regime, the range of influences on Ireland's welfare development has meant that its position as a liberal welfare state is open to some ambiguity. It has been observed that it 'defies classification' and is better described as a 'hybrid regime,' with links in particular to the welfare tradition of the conservative/corporatist regime (Cousins, 1997; NESC, 2005). Moreover, many (e.g., Daly & Yeates, 2003; Murphy, 2012) noted that Irish social policy developments since the 1990s steered a different path to those of the UK, the more prototypical liberal welfare regime in Europe.

Ireland's economic crisis emerged as one of the most severe cases following the global financial crisis and the subsequent Eurozone crisis. It was primarily driven by an internally generated collapse of what Hay and Wincott (2012) term the "Anglo liberal growth model" manifest in the bursting of its property and credit bubbles, which had ruinous consequences for the Irish financial system and which were ultimately absorbed by the state. Ireland's rapid turn to austerity, in which it was a forerunner of a wider European turn to austerity, has lent it exemplary status in debates about austerity versus stimulus. On the Keynesian side, it confirms the 'fantasy of austerity' by its continued poor economic performance (Krugman, 2012a, 2012b). For neoliberals, minor signs of economic improvement are taken to indicate expansionary fiscal contraction, a theory that suggests public spending cuts encourage private expenditure and capital investment (Adam Smith Institute, 2011). Within the EU, the Irish case has been elevated as evidence "that the programmes can work" (Barroso, cited in Mackintosh, 2013) and that EU/IMF loan conditions based on 'fiscal consolidation' have been the correct response to the Eurozone crisis. In economic terms, Ireland's crisis response marks the continued influence of its existing neoliberal paradigm (Allen, 2012; Hay & Smith, 2013). In this regard, the Irish case tracks the 'arc of neoliberalism' (Centeno & Cohen, 2012) that remains dominant, the European expression of which Fitoussi and Saraceno (2012) identify as the 'Berlin-Washington' consensus. As such, it appears the so-called 'Boston versus Berlin' dichotomy has presently collapsed into no alternative but the former.

Our focus is to analyze what this 'no alternative to austerity' approach has meant for Irish social protection policy,

identifying it as a key site of Ireland's austerity politics. The article, based on qualitative analysis of crisis-centered political debate and policy change, proceeds as follows. We set a context by outlining the nature of political debate about the crisis, attaching particular significance to how it implicated the cost and design of social protection in both the causes of and solutions to the crisis. We identify three core intertwined elements in this narrative—the generosity, sustainability and suitability of the social protection system. Against this backdrop, changes to social protection policy are analyzed across three areas: working age, pensions and child income supports. Drawing on welfare retrenchment and welfare state change literature and related distinctions between cost-cutting and structural reform, we examine the types and degrees of change being implemented, finding that the dominant pattern of retrenchment is interacting with other crisis-led structural changes, and the majority of the structural changes are leading to further curtailment of the social protection system.

Austerity Politics and the Social Protection System

In contrast to early responses to the crisis inspired by Keynesianism (Hemerijck, 2012; Pontusson & Raess, 2012) and forms of fiscal stimulus in evidence across the Eurozone until early 2010, Ireland's austerity program was already well advanced. Any scope for maneuvering in Ireland was expended on its response to its banking crisis. In autumn 2008, the government guaranteed almost all the liabilities of Ireland's domestic banks, exposing the state to private debts worth approximately 275% of Gross Domestic Product (GDP). This contrasted with more limited guarantees subsequently implemented elsewhere, and when combined with related bank rescue measures, Ireland's policy response ranked as "the costliest banking crisis in advanced economies since at least the Great Depression" (Laeven & Valencia, 2012, p. 20). Ireland's economic contraction, which saw GDP decline by 12.4% between 2007 and 2010, together with its reaction to the banking crisis, led to severe fiscal problems. The general government deficit grew from a surplus of 0.1% of GDP in 2007 to 13.4% of GDP in 2011, and general government gross debt rose from 25.1% to 106.4% of GDP over the same period (Eurostat, 2013). A

concern around the banking crisis was the speed and scale of the turn to austerity. Between 2008 and 2010, fiscal adjustments of almost 9% of GDP were implemented. By the time of the loan agreement with the EU/IMF in late 2010, when Ireland's banking costs were overwhelming the state, the conditions attached represented a continuation of many steps already taken with regard to fiscal policy and welfare retrenchment, and a further adjustment of 9% of GDP was agreed upon for 2011-2013. Over both phases expenditure cuts have comprised approximately two thirds of the adjustments.

Whereas internationally the Irish case became something of a brickbat in the debate between austerity and stimulus, nationally this debate was strongly one-sided. The main political parties all accepted the need for austerity and the wider debt and deficit parameters of the EU Stability and Growth Pact. In making the case for investment and alternatives to austerity, the weak power resources of actors on the left, a long standing hallmark of Irish politics, meant it failed to make much impact on the hegemony of 'there is no alternative.' Pierson's (1994) still influential theory of welfare retrenchment suggests that it is an unpopular and risky move for governments to pursue and that tactics of blame avoidance are typically utilized in the process. However, our focus examines how welfare expenditure was framed in the crisis, not necessarily always in an unequivocally blame-avoidant manner, but in ways which blended with credit-claiming for being fiscally responsible. As Bonoli (2012) notes, this is one of a limited number of ways in which welfare retrenchment can become the object of a credit-claiming strategy. Ireland's weak left, together with the populist tradition in Irish politics dominated by two main parties, Fianna Fáil and Fine Gael (both of which have operated under opaque ideological divisions), may provide conditions compatible with a credit-claiming logic in conditions of crisis. In particular, lack of robust ideological debate in political discourse affords latitude in the simultaneous adoption of 'justification strategies' (Green-Pedersen, 2002) that may seek to avoid blame or claim credit, depending on the policy context.

While Ireland's crisis has multiple dimensions, a core element of political debate and interpretation has been framing the crisis as a debt crisis. This had the effect of opening up government expenditure and the policy choices made prior to the

crisis as objects of critique. In the words of former Taoiseach (Head of Government) Brian Cowen:

As a society, we became over-optimistic about our recent, seemingly spectacular, economic success, and badly overshot the mark. People became impatient with restraint. ...The general attitude was that we could afford to ramp up spending, while simultaneously being a low tax country, as if there were few hard choices to be made. (2010)

Strategies of welfare retrenchment became inextricably linked with prudent economic management, both by the Fianna Fáil/Green Party government in power when the crisis emerged, and by its replacement in 2011 by a Fine Gael/Labour Party coalition.

In contrast with Pierson's (2001) depiction of welfare states entering an era of permanent austerity, the Irish welfare state is often cast as a case of delayed development and appeared to encounter a delayed golden age prior to the crisis. Economic growth of the late 1990s and early 2000s provided unprecedented resources at governments' disposal, thus enabling increased welfare expenditure. At the same time, taxes and social insurance contributions were reduced without fiscal repercussions. Social protection expenditure as a proportion of GDP remained relatively stable (6.7% of GDP in 2001 and 7.7% of GDP in 2007) and on the low side of European expenditure patterns. Moreover, an analysis of social expenditure from 1981 to 2007 (McCashin, 2012) demonstrates how it was subject to a range of trends. It was clearly expansionary in the case of Child Benefits and retrenched in the case of Sickness Benefits, while extension of coverage was the overriding driver of increased expenditure in other programs, such as pensions and unemployment.

In keeping with the framing of the crisis as a crisis of public expenditure, 'generosity' became a new term in the semantic field of social protection. Political debate about the generosity of the system emerged as a justification for its retrenchment, especially in the early stages of the crisis. The idea was amplified with discussion of what became framed as the problem of the generosity of social protection. Government references

to generosity ranged between drawing attention to the generosity of the system as pre-emptive defense of critique against cuts being implemented, to a 'vice into virtue' strategy (Levy, 1999) claiming that cuts would actually preserve the generosity of the system. In the latter case, rate cuts were justified as preventive action against more catastrophic cuts if measures to achieve fiscal stability were not undertaken. The first of two extensive cuts to payment rates were therefore claimed as action to "safeguard the generous system we have" (Lenihan, 2009).

The issue of generosity was closely aligned to debates about sustainability and the need to reach a sustainable pattern of social expenditure. Sustainability encompassed the broad fiscal policy landscape, which was deeply impacted by a collapse in consumption/transaction dependent tax revenue as the credit and housing bubbles burst. Consequently, tax revenue fell by 33% between 2007 and 2010. Political debate drew on a cluster of ideas associated with the notion of fiscal responsibility and fiscal sustainability. Emphasis was placed on adjusting expenditure to sustainable levels, which directly implicated the social protection system, one of the largest areas of current expenditure. Again, a blame avoidance strategy was utilized, citing market pressure as a form of political cover with respect to why cutting expenditure was the only credible option. The confluence of retrenchment with sustainability also became part of a credit-claiming strategy. This again drew on the idea of retrenchment as necessary safeguarding of the social protection system and the vulnerable. A similar diagnosis of the unsustainability of social expenditure remains central, with the current Minister for Public Expenditure and Reform, Brendan Howlin (2012) asserting, for example, that "our current levels of expenditure are no more sustainable than the property bubble that once sustained them."

Concerns about the suitability of the focus and design of the social protection system in the context of unemployment (4.5% in 2007 to 14.8% by 2012) and the needs of the economy came more to the fore as the crisis continued. However, associated debates about structural reform have not been altogether separate from the issue of generosity and cost containment. The relationship between social protection and the labor market, and specifically activation policy, became the object of greater scrutiny, because, as Fitzgerald (2012) puts it, "when

money was abundant, such structural change in programmes was generally off the agenda" (p. 1372). The crisis, therefore, stimulated a debate that potentially indicates a catch-up with more substantive adaptation that has taken place elsewhere, variously labeled as the emergence of the 'new welfare state' (Bonoli & Natali, 2012) and the 'social investment welfare state' (Morel, Palier, & Palme, 2012). The reform agenda of integrating the social protection system with labor market services was further driven by conditions imposed by the EU/IMF. Initial debate revolved around the issue of disincentive effects. This was articulated in ideas about the social protection system being "out of step with labor costs in the rest of the economy" (Lenihan, 2009), and the need to keep the unemployed "as close to the labor market as possible" (Cowen, 2010). More explicit reference to re-orienting social protection has occurred under the current government, which has tended to use a 'vice into virtue' strategy of claiming to transform the moribund legacy of a "passive welfare state to an active welfare state" (Burton, 2012).

The remainder of the article looks at how these framing ideas have influenced crisis-led change in social protection. Although we have suggested that the Irish politics of austerity has not solely been about blame avoidance, Pierson's (2001) conceptual distinction between cost-containment, re-commodification and recalibration is useful to deploy in looking at how ideas about generosity, sustainability and suitability have translated into policy change. Changes have therefore spanned from high visibility cost cutting to re-structuring, though the latter can be difficult to disentangle from the former. As an addendum to this, and to the concept of recalibration in particular, debates about the new welfare state and 'new social policies' have drawn attention to how retrenchment-led change is not only about cutting back existing social protection, but also about introducing new forms of provision and intervention. In this sense, an era of austerity can have multi-dimensional effects; Häusermann (2012) observes that change can simultaneously involve expansion of activation (flexicurity), re-allocation of spending from more generous to means-tested provision (welfare re-adjustment), and in some cases, preservation of existing provision (welfare protectionism).

Irish Social Protection

The Irish social protection system has traditionally been primarily oriented towards the goal of poverty alleviation as opposed to income replacement. It comprises social insurance payments and a corresponding set of social assistance payments covering various contingencies such as unemployment, illness and disability, caring, one-parent families, and pensions. Social insurance is based on pay-related contributions and flat rate payments, and for most working age payments, there is no differential between the value of a social insurance payment and its corresponding social assistance payment, whereas for pensions the differential is 10%. The state (contributory) pension payment is approximately 34% of average earnings which is a comparatively low replacement rate (Organization for Economic Co-operation and Development [OECD], 2011). Replacement rates for unemployment payments also tend to fall below the OECD average (NERI, 2012). Family and child-related income supports comprise a universal Child Benefit (CB) payment with additional means-tested payments targeted at low income families.

The Irish social protection system stands out for having a significant proportion of means-tested payments, typically ranking highest on this indicator in the EU. In 2008 for example, 25.2% of all payments were means-tested compared to 11.1% for EU27 (Eurostat, 2012). Overall, therefore, the Irish social protection system tends to "modify tendencies to extreme inequalities rather than attempting substantial redistribution or universal social provision" (McCashin & O'Shea, 2007, p. 274). In the period prior to the crisis, this orientation was manifest in poverty rates which remained above the EU average, reflecting the fact that while payment rates grew, they remained low relative to average incomes. The poverty reduction effects of welfare payments did improve by the mid-2000s when social protection rates were raised ahead of wage growth rates, and the risk of poverty rate converged with the EU average. However, the impact of subsequent recession and welfare retrenchment is evidenced in increases in at-risk-of-poverty rates (16% in 2011) and a sharp rise in the deprivation rate, which has more than doubled since 2007 (24.5% in 2011). Children remain the age cohort at highest risk of both poverty

(18.8%) and deprivation (32.1%), and the at-risk-of-poverty rate for unemployed people (30.6%) is also particularly high (CSO, 2013). Against this backdrop, the role and impact of the social protection system and its reform remains central.

Working Age Social Protection

Under the justificatory strategy of a generous system, outright cost cutting has formed a large part of the retrenchment measures implemented. Rate cuts were applied to all working age payments in Budgets 2010 and 2011. These cuts, together with the abolition of an extra payment at Christmas, represent a cumulative reduction of 10%. Despite comprehensive rate cuts being a highly visible form of cost containment, relatively little mobilization against them and against austerity more broadly, took place. Pierson's (2001) observation about the institutional design of liberal welfare systems may be applicable, in that systems which have a high means-tested component militate against strong popular support for welfare. More severe rate cuts have been applied to certain social assistance payments. A 51% reduction to Jobseeker's Allowance (JA) for claimants aged 18 and 19 in 2009 was extended to claimants aged 18-21 in 2010, with a 30% cut applied to those aged 22-24. In addition, a 30% rate reduction sanction was introduced where claimants refuse activation. Such change points to the cross-cutting agendas of activation and cost-containment, as well as the ambiguity of activation and ideas such as 'making work pay,' which can emphasize 'carrots' or 'sticks' (Kuhner, 2012).

Substantial re-commodification, a relatively more obfuscating strategy than rate cuts, is also being undertaken. This is particularly evident in the case of Jobseekers Benefit (JB), as qualifying conditions for social insurance payments were tightened and the duration of entitlement substantially reduced. The number of contributions required to qualify doubled, and the duration of entitlement has been significantly curtailed. Other forms of re-commodification concern the complex rules of entitlement and qualifying conditions which vary across the contingency-based system. They include restrictions to entitlements to concurrent payments; changes to income disregards where claimants may work but continue to qualify

for a payment; stricter means-testing; expanding taxable payments; reductions to qualifying adult payments, rent supplement and other additional allowances. The One Parent Family Payment has undergone the most significant change in this regard, stemming from reform ideas first broached in 2006 but substantially stalled until the crisis occurred. Eligibility is now also being based on the age of the parent's youngest child, which is being reduced on a phased basis (from 18 years in 2011 to 7 years for all claimants by 2015).

Although Irish activation expenditure has been highlighted as being relatively high in comparative terms, the crisis has brought the system into sharper focus and opened up the possibility of substantial recalibration. Activation policy has been criticized for being "fragmented and lacking ambition," having a "passive and low-intensity" approach, and lagging behind developments elsewhere (NESC, 2011, p. xv). Given Ireland's conservative and incremental culture of policy making (Kirby & Murphy, 2011), the crisis and the influence of transnational policy actors has stimulated significant institutional reform. Responsibility for activation services has moved to the Department of Social Protection, and a new agency, the National Employment and Entitlements Service, is being established. At the local level, the integration of social protection and activation services is being introduced under a single new service, *Intreo*. Modeled on the UK system, the changes entail a more individualized case management approach than heretofore, including profiling techniques to tailor interventions based on claimant's employability and risk of long-term unemployment. Active labor market programs are also being reformed, to include greater flexibility of qualifying conditions to some, the introduction of some new schemes and the retrenchment of more 'passive' programs. In all, however, the scale of provision falls far short of the scale of the unemployment crisis.

More far-reaching recalibration was signaled by a report which examined the feasibility of introducing a single social assistance payment for people of working age (Department of Social Protection, 2010). It proposed a single payment with different levels of conditionality and support, depending on the distance of the claimant from the labor market. Payment levels, modeled on JA rates and rules, would represent a rate cut for

claimants of other schemes, though it is not clear at present whether such radical reform will progress.

Pension System Reform

Pension system reform has been on the policy agenda for the last two decades, and has been marked by a series of incremental but limited reforms to incentivize supplementary pension arrangements, whilst simultaneously attempting cost containment and addressing inadequacies in state provision. The most recent policy statement, the National Pensions Framework (NPF) (Government of Ireland, 2010a), places particular emphasis on affordability and long-term system sustainability. The core policy principles applied to first-tier pensions appear largely unchanged, as "the State Pension will continue to be the fundamental basis for the pension system" (Government of Ireland, 2010a, p. 14). In fact, the stated 35% replacement target rate represents an improvement on previous policy ambition. Payment rates increased during the pre-crisis period, before being frozen in 2009 when state pensions were the only payments not to be cut in the retrenchment that followed. This treatment could be read as welfare protectionism, in which privileges of existing beneficiaries have been shielded against demands associated with newer/other risk groups. However, it needs to be considered in conjunction with simultaneous welfare re-adjustment measures introduced with respect to social insurance eligibility requirements. The proposal to move to a total contributions approach by 2020, and the increase in the state pension qualification age from age 65 to 66 in 2014, to 67 in 2021 and to 68 in 2028, a comparatively shorter timeframe than in most other European welfare states, indicates the scale of the change (Considine, 2012).

In terms of second-tier pensions, the introduction of personal retirement savings accounts (PRSAs) in the early 2000s marked an effort at re-commodification which sought to make private pension arrangements more accessible. However, PRSAs did not have a significant impact and the NPF proposes that a system of auto-enrolment be introduced to increase supplementary coverage. This measure is proposed for 2014, although its introduction remains contingent on a general improvement in macro-economic conditions. This potential change could be interpreted as path departure in terms of

obligation to contribute to a second-tier pension, although given the longstanding policy to incentivize individual/occupational provision through pension tax benefits; it is simultaneously a policy instrument which gives preference to a significant pre-existing element of provision, with enforcement to broaden coverage. It may therefore be considered a structural change that is potentially significant in terms of the role and reach of quasi-mandatory second-tier provision. However, the existing duality in the system, where half of the workforce already broadly conforms to this policy objective, and the limited reform of core tax benefit arrangements, points to a limited redirection of pension policy preferences to date. High income earners remain much more likely to have supplementary pensions, make higher contributions and benefit from tax relief, while lower earners are less likely to benefit from this tax expenditure at all. Pension tax benefits were set to be substantially overhauled and made more equitable (Government of Ireland, 2010a, 2010b). Measures introduced over recent Finance Acts limit generous tax benefits to the highest income earners, although the mainframe of the tax benefit structure (delivered at standard and marginal rates of tax) remain unchanged. Budget 2013 maintains the status quo in this regard, with focus centered on limiting tax relief to pensions that accrue an income of over €60,000 per annum.

Finally, the Irish variant of the multi-pillar system, and in particular the reliance on the market for the provision of adequate retirement income replacement and the risks to which they are exposed, has been brought into sharper focus by the financial crisis, as Irish pension losses were second only to those of the U.S. in 2008 (Organization for Economic Co-operation and Development, 2011). Approximately 70% of defined benefit schemes in Ireland are in actuarial deficit (Pensions Board, 2012), contribution levels to many private pensions are widely regarded as insufficient, and there is a lack of transparency/clarity around charges applied and the impact of pension fund losses more generally (Stewart, 2011). It is against this wider backdrop that current Irish pension system reform needs to be examined; existing patterns of dualization may be altered, but the direction that will take depends on which elements of the reform agenda are prioritized and the manner of their implementation.

Child Income Supports

Child Income Supports (CIS) evolved in an ad hoc and fragmented way over an extended period; these were designed to meet a range of policy objectives, from alleviating poverty to a state recognition of the costs associated with raising children. The system comprises a mix of targeted and universal provisions, which underwent significant expansion in 2006 with the introduction of an Early Childcare Supplement (ECS), paid in respect of all children age 0-6 years to offset childcare costs. This payment represented a typically liberal cash-based response to the cost of childcare issue. However, the ECS was one of the first welfare payments to be abolished as retrenchment took effect. It was replaced in 2010 with the Early Childhood Care and Education (ECCE) scheme, an illustration of welfare recalibration with an unprecedentedly rapid shift from cash assistance to universal social service delivery. Whatever the shortcomings of the ECCE scheme, its introduction at a time of austerity represents a noteworthy policy departure that engaged simultaneously in rationalizing and updating to accommodate wider policy goals in relation to the care and education of young children.

There has been considerable retrenchment of other elements of CIS since 2008. CB was noted for its cost containment potential and was cut in successive budgets. Eligibility criteria were also restricted, with payments no longer made in respect of 18-year-olds still in education. CB rates have been cut by almost 22% for the first two children, with higher reductions in respect to subsequent children. Some compensatory measures were instituted initially through Qualified Child Increases and Family Income Supplement to protect low income families, although such measures were not applied in more recent Budgets, and some other targeted payments were also reduced.

Pointing to the rapid increases in the cost of CB, which saw the payment rate treble between 2000 and 2007, the need for a more efficient and targeted approach is regularly espoused. Broadly speaking, this efficiency/equity argument divides between preferences to tax CB and/or the removal of its universal basis in favor of targeted means-tested provision. A report on child and family income support (Advisory Group on Tax and Social Welfare, 2012) advocates

the retention of a reduced universal payment and proposes a two-tier CIS payment comprising CB and an automatic supplementary payment (to replace the existing ones) in respect of children whose parents are in receipt of a social assistance payment. Other parents (including those in receipt of social insurance payments) would be subject to application and income-test for the supplementary element of this income support, with a greater degree of means-testing one inevitable outcome of this reform.

No government decision has been made at the time of writing in respect to these CIS proposals, but the discussion points to a shift away from the old 'logics of welfare reform' (Häusermann, 2012) with a particular focus on welfare re-adjustment. Significant retrenchment of universal child income payments has been coupled with greater attention to the new logic of social investment and needs-based child income supports. Wider social service supports in relation to children and families matter to how this may develop, and consideration of the social investment approach is a relatively new departure in terms of the Irish welfare state. In this context, the relatively swift introduction of the ECCE scheme, even at the height of the economic crisis, may point to some shift in policy thinking that has social investment leanings. How far this extends, however, is a far more open question, as the retrenchment imposed through a series of rate cuts and changes to eligibility rules has simultaneously negatively affected the incomes of many families with children.

Conclusion

In this article we have examined how the politics of austerity in the Irish case have been framed by a number of salient ideas, in ways which blend blame avoidance with credit claiming in how changes to the social protection system have been approached. We have located Ireland's policy choices within the wider contradictory neoliberal response to the economic crisis, from which the 'no alternative to austerity,' which simultaneously requires substantial state support of financial systems, has emanated. Turning to examine the impact of austerity on the social protection system, and drawing on

Pierson's concepts of cost-containment, re-commodification and recalibration, it is clear that all three types of change are occurring. Substantial cost-containment and re-commodification across programs for working age adults have blurred the already weak boundary between the benefits attached to social insurance and social assistance payments, while in the case of child income supports, universal payments are being retrenched in favor of targeted forms of support. These trends appear to accentuate the liberal characteristics of the social protection system.

The crisis has also stimulated stronger recalibration, manifest in new types of services and program design for working age adults and children. These are indicative of an effort to re-orient the norms upon which the social protection system has been built, from alleviating poverty by compensating for unemployment and other 'old' social risks, to supporting and incentivizing employment. In the crisis context, however, such recalibration has been subordinated to and limited by the goal of cost-containment, with the effect that rate cuts and sanctions have constituted a significant element of the emerging activation approach. It remains to be seen how individualized case management will evolve in this environment.

The crisis added urgency to a long-standing reform agenda concerning pension sustainability and equity, yet wide ranging tax benefit reform proposed has been only partially implemented, appearing to preserve existing inequities in the system. While the absence of rate cuts to state pensions demonstrates that welfare protectionism can occur even in severe crises, substantial re-commodification is in prospect for future claimants. Altogether, these changes are producing a complex, uneven picture of the impact of austerity on the Irish social protection system, the effects of which are still unfolding. However, the current reform agenda displays less system hybridity than heretofore, with Irish social protection moving towards more archetypal liberal welfare principles and patterns in the ways it is both being retrenched and recalibrated.

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Italian Welfare in the Aftermath of the Economic Crisis: Neoliberal Reforms and Limits to the Path Dependency Approach

IJIN HONG

Sungshin Women's University

The 2008 world economic crisis provided a plausible rationale for policy makers in Italy to push forward long needed welfare cuts, resulting in the neoliberal austerity trend fostered by the Monti government (2011-2012). This paper seeks to understand the logic behind the welfare reforms in Italy after the 2008 economic crisis by describing implemented measures and reviewing available theoretical approaches in literature that could account for the reforms' neoliberal shift from a path-dependent theoretical approach. It is argued that external forces, that is the economic crisis and EU pressures, represented the main trigger, and that political elites marginalized the role played by civil society, with social problems, such as unemployment, worsening as a result.

Key words: Crisis, neoliberalism, welfare reform, Europeanization, advocacy coalition framework

In 2008, a massive crisis hit the world economy: the financial system was collapsing, and the Lehman Brothers financial services company went bust, resulting in great hardships for the American banking system. The negative implications soon affected the European financial system, more vulnerable to shocks in the absence of controlling institutions such as the American Federal Reserve (Eurispes, 2013). Suddenly, the weaknesses of the dominant economic paradigm of neoliberalism and its laissez faire strategies of relegating increasing debt to private households and markets became obvious.

Southern European countries were suffering the most from the financial market instability, caught between the unsustainable costs of their public social insurance systems and the EU requirement to keep their public debt levels under control.

Weak economies such as those in Italy, Greece, Spain and Portugal already had comparatively underdeveloped social protection systems for the vulnerable, and less than developed financial institutions. Moreover, neoliberal individualization of social risks had already started by the time the crisis hit these markets (Guillen & Petmesidou, 2008; ISTAT, 2012; Pizzuti, 2009). Additionally, these countries were already notorious for the politicalization of their welfare systems, or in other words, political cronyism (*clientelismo*) (Ferrera, 1998; Girotti, 1998). The neoliberal strategy of shifting responsibilities for social protection from the public sector to the private sphere of families and the market only resulted in worsened inequality when it came to adequately meeting Italians' social needs.

This study attempts to make sense of the consequences of the 2008 economic crisis in Italy. In particular, I attempt to understand the mechanisms that led this welfare state to adopt decidedly neoliberal social policy reforms: a puzzling strategy, when considering that continental European welfare states, in Southern Europe in particular, are commonly considered difficult to reform (Palier, 2010). What kinds of policy reforms were implemented? What were the most important factors that determined such reforms? Which theories are helpful in gaining understanding of this neoliberal shift in welfare reform in Italy? What kind of lessons can be drawn from the post-crisis Italian welfare state reform experience from an international perspective?

By reviewing previous research in political economy theory and policy analysis, this article provides insights into the social reforms implemented in Italy in the post 2008 economic crisis and the some of the key factors that could have caused the crisis. The aim is to provide a theoretical framework within which political bipartisanship, the influences of the economic crisis and the European Union, poor policy learning mechanisms, and the reduced role of the civil society are all accounted for simultaneously (Crouch, 2008; Natali & Rhodes, 2004; Palier, 2010; Sabatier, 1988).

The article is structured as follows. The second section provides an account of the 2008 global economic crisis, and the factors that could have caused it, with Italy as a primary example. While neoliberal ideology had already been

dominating past legislatures, this economic crisis, in particular, resulted in the rise of more decisive cuts in social expenditure. The third part outlines the reforms that have been implemented in Italy following the crisis. Some of the major reforms included rises in taxation and public expenditure, on the one hand, and more direct cuts in the areas of pensions, labor market, health, and social services, on the other. The fourth part of the study attempts to assemble elements into a useful theoretical framework that can help readers to understand the logic behind the austerity-oriented neoliberal reforms adopted in Italy.

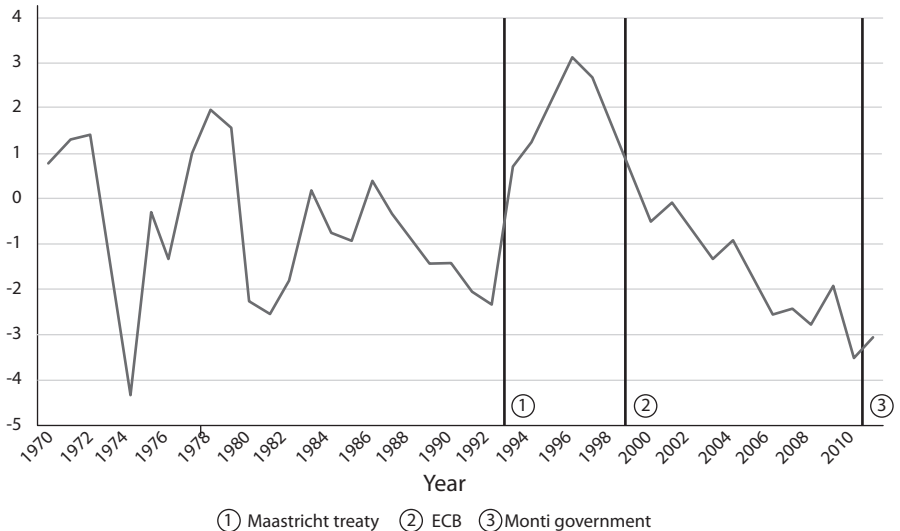
Going past traditional theoretical approaches in political economy, which are based on path dependency approaches (Esping-Andersen, 1990; Hall & Soskice, 2001), I attempt to explain the impact that the recent economic crisis has had on social policy reform in Italy by highlighting pressures from the European Union, and the ensuing lack of policy learning processes and civil society participation. In doing so, I adopt Sabatier's (1988) advocacy coalition framework (ACF) approach. The final section draws some policy implications for reforming welfare states. Understanding the necessity to involve different social actors in welfare reform serves as a reminder of the dangers that an excessive focus on self-referential discourses of policy elites, with consequent neglect of societal needs, can represent for the real economy: namely, increased levels of poverty, unemployment and inequality.

Economic Crisis and Neoliberal Directions

The 2008 global crisis involved the global financial market and uncontrolled flow of capital, therefore differentiating it from previous economic shocks. For instance, Keynesianism strategies were implemented to deal with previous crises: Governments directly intervened in the economy by fostering market demand, enacting protectionist measures, and utilizing industrial policy initiatives put forward by active labor unions. Governments were fostering aggregated demand via expansionary macro policies and employment protection, a strategy that, in the long term, would yield negative consequences for inflation and public debt levels (Crouch, 2008; Pontusson & Raess, 2012). In contrast, the 2008 crisis hit a global economy

that was permeated by neoliberal thinking, according to which public institutions are perceived as an obstacle to the full functioning of markets (Pizzuti, 2012). In such a context, the strategy of demand management, typical of Keynesian governments, was replaced by a new 'privatized Keynesianism,' according to which "new risk markets to ordinary consumers, via extended mortgages and credit card debt, replace the previous capitalist system based on rising wages, welfare state and government-led demand management" (Crouch, 2008, p. 10). In particular, the European Union economy has been heavily influenced by the German neoliberal model of capitalism, in which capital goods production and exports are considered more important than boosting domestic consumer demand. Priority is given to balanced public budgets and the avoidance of inflation (Cesaratto & Pivetti, 2012; Crouch, 2008; Pontusson & Raess, 2012). Despite this emphasis, Germany's governmental debt was at 82 percent of its GDP, slightly less than the United Kingdom's debt of 90 percent.

Figure 1. Current Account Balance Trend in Italy (% of GDP)



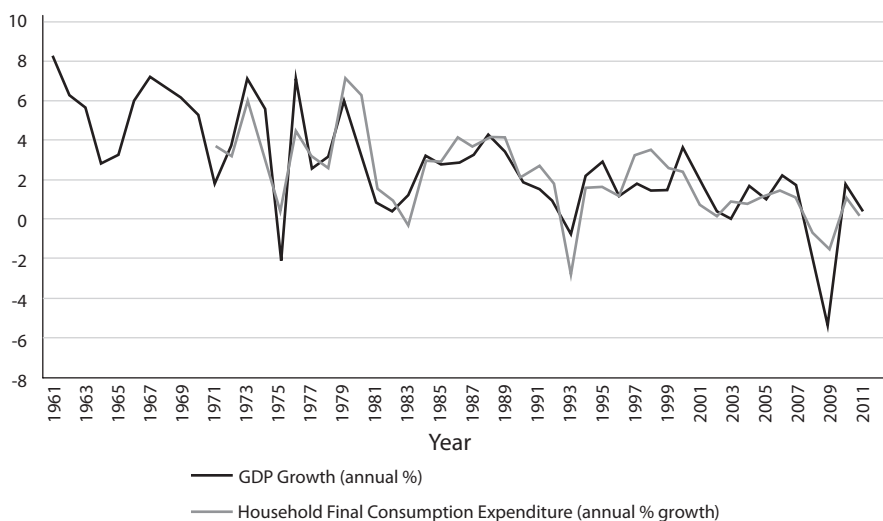
Source: World Bank (2012).

The assumptions inherent in neoliberal ideas (having access to perfect information, perfect competition, and the like) were de facto detrimental to Southern European countries not adequately equipped to directly compete with big

export-led economies, such as Germany. In the absence of an alternative economic paradigm, as Figure 1 illustrates, Italy's political elites, traditionally following a top-down policy making model, have been very keen in responding to external pressures by the EU to redress the national public budget deficit.

Figure 1 displays public account balance trends in Italy since the 1970s. Apart from the oil crisis of 1973, the 2008 financial shock represented the second worst period in terms of the deterioration of public finances. After recovering from the 1970s oil crisis, public spending went through a relatively stable phase that dramatically improved in the early 1990s, when Italian politics was struggling both to regain some credibility from the political bribery scandals (the "Clean Hands" police investigations) and to abide by the economic stability conditions dictated by the Maastricht treaty as a condition for access to the European Union. By the late 1990s, the opening of the European Central Bank (ECB) had been announced as well.

Figure 2. GDP Growth and Household Final Consumption Expenditure (percent)



Source: World Bank (2012).

However, since the end of the 1990s (when full membership to the EU and participation to the monetary union were secured), account balances started worsening again under the Berlusconi

governments. In effect, the economic crisis of 2008 only worsened an already quite dramatic situation, since Italian public debt was already abnormally high by that time. In order to keep the situation under control, and with the collaboration of the Italian President of the Republic, Giorgio Napolitano, Berlusconi was forced to resign and a new government of technocrats led by former European Commissioner Mario Monti was formed on a temporary basis (2011-2012) to take charge of the debt crisis in compliance with European directives.

The Monti government took charge at a time when the Italian economy was already in a dire condition. Falling consumption rates (see Figure 2), however, were not to be overturned by a socio-political strategy that was admittedly neo-liberal and unsupportive of the real economy's aggregated demand. I will now turn to a brief overview of the main social policies introduced during the global financial crisis.

Social Policy Reform Trends

The Italian Welfare State Structure

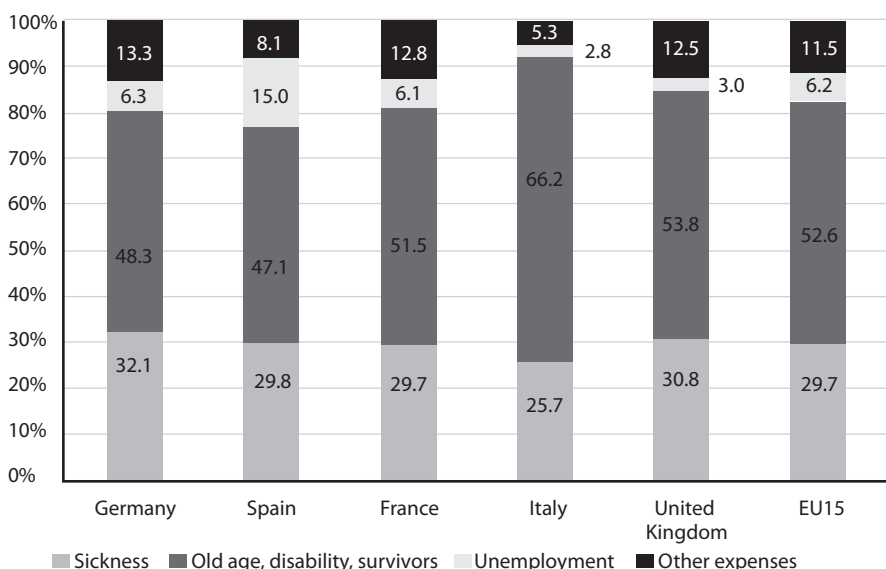
Traditionally, the Italian welfare state had a higher proportion of expenditures dedicated to income protection measures, and most notably, to pensions (see Figure 3 for a comparison with selected European countries). When analyzing total social expenditure trends over the last 30 years, it appears that the immediate aftermath of the economic crisis caused a sudden increase in social expenditure levels, a trend that can be observed for all Southern European countries (Organization for Economic Co-operation and Development, 2012).

But how did this increase in expenditure reflect on the different policy fields? Expenditure trends divided by policy sector show that the prevalence of pensions and health expenditures remained quite robust even in the post-crisis years (Organization for Economic Co-operation and Development, 2012), which seems to suggest that the overall structure of social expenditure in Italy remained substantially the same, similar to the findings of previous studies in other European countries (Chung & Thewissen, 2011; Vis, van Kersbergen, & Hylands, 2011). Also, rises in social expenditure levels measured as percentages of Gross Domestic Product (GDP) might

be biased when national revenues decrease in the face of economic crises.

Although overall expenditure levels might not have changed visibly in the years following the crisis, previous welfare institutions were not left unscathed. Instead, reforms from the Monti government were following a neoliberal logic of welfare cuts and individualization of social risk (Pizzuti, 2009).

Figure 3. Composition of Social Protection Spending in Selected Bismarckian Countries* in 2009 (% of GDP)



Source: Raitano (2012).

*Most continental European welfare states rely mainly on social insurance, a system first introduced by Otto von Bismarck in Germany in the 19th century. This is also a typical feature of the Italian welfare system, so that it commonly is compared with continental European welfare states.

Monti Government's Reforms (2011-2012)

Financial Market

The priority goal for the technocratic government of 2011-2012 was to balance public finances. This was done mainly by increasing the level of taxation—increasing indirect taxes on consumption (Value Added Tax) and on alcoholic products,

reintroducing the local tax on housing (IMU), and also on reducing the fiscal cost of hiring employees for firms (this cost was relatively high due to social contributions levied for pensions and other social insurance systems) (Eurispes, 2013). It was also done by containing public sector costs by cutting budgetary expenses for public education and health, and by adopting a three-year freeze on salary increases, along with limits to new public sector hiring from 2010 (Maino & Neri, 2011).

Pensions

As for pensions, the main intent of the Minister of Labor, Social Policies and Gender Equality, Elsa Fornero, was to speed up the privatization of the pension system conceived by the Amato and Dini reforms in the 1990s. These reforms basically fostered individualization of social risk with the introduction of the Notional Defined Contribution system for calculating the final amount of pensions, and provided incentives for the creation of private sector pensions based on capitalization of funds (Hong, 2012). Pizzuti (2012) has argued that further cutting expenses on pensions in Italy was not justified by the high level of expenditure in pensions compared to other European countries; additionally, because private funds transfer the costs of the volatility of private finance to the final amount of pensions, beneficiaries pay the highest price due to the uncertainty of foreign financial markets. What makes it worse, NDC-based pensions are not adjusted for inflation, and beneficiaries bear additional costs of higher administrative expenses and instability (Pizzuti, 2012).

Labor Market

Labor market reforms were met with high expectations, since they were meant to correct inequalities in the highly segmented Italian labor market, where the level of social protection largely depends on the type of employment contract. The Fornero reform was, however, not adequately addressing these issues: the apprenticeship contract had been introduced; rules for dismissal were modified (granting more discretion to judges); unemployment benefits were not broadened in coverage; and the maximum duration for 'mobility' benefits

(covering the time frame from dismissal to finding another occupation) was reduced. The piecemeal way these reforms were enacted classified them as “incomplete” reform in the eyes of some observers (Lavoce.info, 2012).

Health

Due to the reduction of public funds, the National Health System (SSN) (financed through general taxation) has suffered from budget cuts, leading to the reduction of the number of beds in hospitals. Coordinated facilities for primary care should have been set, but this depended on the successful renewal of national agreements with general practitioners as stipulated in the Balduzzi legislative decree, a legislative frame within which the appointment of new general directors in hospitals, new sanctions for illegal sale of tobacco, and opening hours for pharmacies, among other things, are regulated (Lavoce.info, 2012).

Social Services

Social services and family policies were possibly the areas that suffered the most as a consequence of the post-crisis reforms. While funds for social assistance, child care, and long term care are financed through regional budgets, the 2011 Budget Law caused a serious blow to the amount of public funds allocated to the regions, which in some cases, were curtailed almost completely. Decentralization of powers to local governments with no adequate financial coverage from the central governments illustrated the neglect of social services in a moment when Italian families needed them the most (Maino & Neri, 2011).

In a nutshell, from a social policy perspective, neoliberal strategies of cost containment and increased fiscal pressures on Italian families were not adequately balanced by income and social needs. As a result, overall social vulnerability worsened, with soaring unemployment levels and rising intergenerational, gender, and territorial inequalities, thus contributing to an already difficult social mobility in Italy. As Figure 4 illustrates, unemployment rates have been rising dramatically since the crisis, and dual labor market inequalities seem to have become a more important issue than the gender gap.

In Search of a Theoretical Framework

Classical Social Policy Theories

Italy's social protection and capitalistic production systems have long coexisted under the logic of social insurance and life-long employment for male breadwinners. Following a traditional perspective on social risks, viewed as the loss of income in critical life situations (for example, illness, old age, invalidity), the Italian welfare state developed incrementally by letting the social protection system grow, with social contribution requirements increasing during the thirty years after the end of the war. Those were the years of public expenditure expansion, when concerted negotiations between government, employers, and employees were determining the real level of wage of industrial workers, and social expenditure growth was beneficial to all. More specifically, it was particularly beneficial to the Democratic Christian Party (DC), a dominant political party in those years, that was willing to gather political consensus in exchange for a substantial lack of democratic competition.

Figure 4. Unemployment Rate 1992-2012, per Gender and Age (%)



Source: dati.istat.it (?WorldBank?)

This essentially static political economy system has been variously interpreted in terms of being a coordinated market economy (CME), a Bismarckian corporatist-conservative

welfare state, and a Southern European type of welfare state with its own characteristics, such as a high level of political clientelism, low levels of social expenditure, low levels of redistribution, a focus on income protection rather than on direct social services, and a strong degree of institutional stickiness (Esping-Andersen, 1990; Ferrera, 1996; Hall & Soskice, 2001; Kammer, Niehues, & Peichl, 2012; Palier, 2010; Raitano, 2012; Schroeder, 2008). However, these approaches tend to be problematic in terms of understanding policy change. Previously, I argued that the economic crisis has seemingly triggered a series of neoliberal responses. Is it correct, then, to assume that the crisis alone caused welfare cuts? What was the role of workers and civil society in this respect? Why did policy learning mechanisms not allow social policies to be more responsive to the economy's real needs? Since welfare state classification theories are better suited to provide path-dependency oriented interpretations, here I am attempting to explore some more flexible theoretical frameworks to gain an understanding of the dynamics behind the neoliberal turn in the Italian welfare state.

Understanding Policy Change

The reform window's approach. The Bismarckian welfare systems of continental Europe are commonly understood as being structured in a way that is difficult to reform, so that even when changes are made, they hardly represent a radical change in their welfare state structure (Hinrichs, 2000; Palier 2010). Italy has been no exception to that, as mentioned earlier. However, this does not necessarily mean that changes in welfare are trivial and path dependency theories do not apply. Faced with the task of understanding the nature of such changes, Natali & Rhodes (2004) suggested that the space-opportunity for reforms would be the result of two opposing forces, internal and external. Internally, industrial relations and institutional inertia/stickiness tend to keep the system as it is. Externally, neoliberal dictates of competitiveness and financial sustainability, the Europeanization process, and the need to respond to societal problems, tend to push in the direction of change (Natali & Rhodes, 2004).

Figure 5. The reform window's approach for Bismarckian countries



Source: Natali & Rhodes (2004, p. 3).

The policy arena approach. The policy arena approach is commonly used to understand, through an ideal situation model, what happens inside the policy decision-making process once a social issue has successfully entered the political agenda. A typical diagram presents a vertical structure with arrows progressing through subsequent stages, from top to bottom. The policy making path would start with a public policy crisis marked by the clash between 'old' and 'new' problems (first stage), which would then result in the civil and political actors' mobilization and the creation of coalitions and institutional projects (stage two). Eventually, these conflicting plans and coalitions would compete in the political arena (stage three), and ultimately, the result of such conflicts would be the generation of reform outputs (stage four) (Ferrera, 1993).

Girotti (1998) imagined a more static model for describing the development of the modern welfare state that would resemble a balance between actors in the public administration, the economic system, the civil society, and the government. But ultimately it was the political elites that made final policy decisions in the politics arena, by putting together possible solutions presented from both political institutions (public administration and government) and the socio-economic system (civil society and the economic system). Unfortunately, these ideal-typical schemes do not help us account for policy change/reform.

An alternative approach. Natali & Rhodes (2004) are correct in stressing the importance of external forces determining policy change; however, they are not very specific on the modalities the political struggle would follow. Also, why were real needs of society left unattended in the Italian case? The main limit of the above theories is evidenced by the simplicity with which political competition among different coalitions is imagined. Power balances and the way in which they communicate are, in fact, much more complicated, and external pressures are

not taken into account within the interpretive frames of the policy arena. Why, for example, were trade unions and social movements not successful in influencing political agendas like in the past? What happened to policy learning processes? In the Italian case, it looks as if the political arena was too elitist and narrowly self-referential to respond to the real needs of the society, whereas it was more easily affected by the external influence of the economic crisis and pressures from the EU.

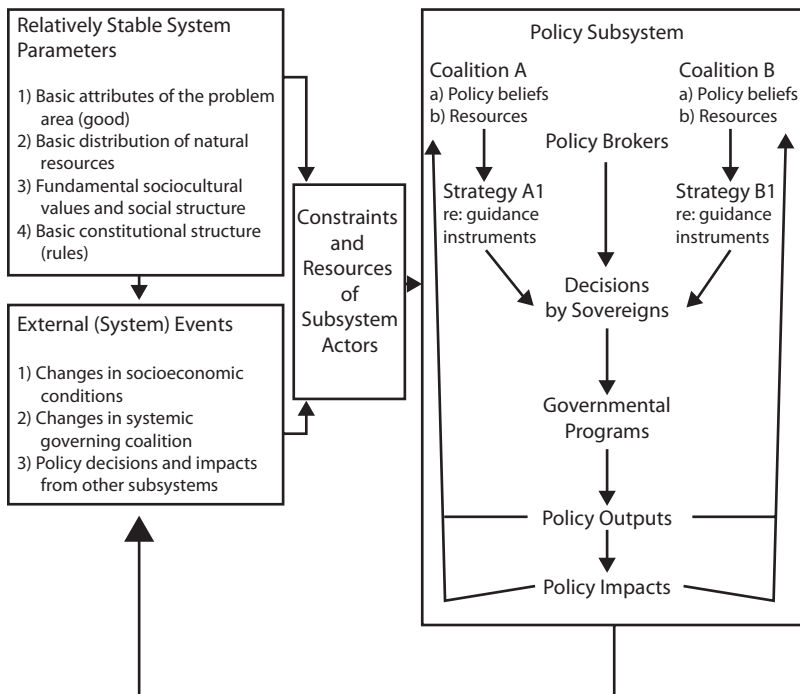
In searching for an interpretive model that could properly account for such external pressures and the real economy, I chose to apply Sabatier (1988)'s Advocacy Coalition Framework (ACF) to the analysis of the Italian post-crisis welfare reforms. While this model has its roots in public policy theory¹, its complexity serves to grasp the dynamics laying behind neoliberalism in the Italian form, since it stresses the role of advocacy coalitions that can successfully influence the policy agenda.

In Sabatier's (1988) view, the policy arena ("policy subsystem") is but one of the areas through which policy outcomes see the light of the day. Other important aspects that give rise to policy reform processes are the real world and its problems, resources, values, and rules ("relatively stable parameters"). "External system events" are represented by external socio-economic and political changes. Summarizing, external systems and stable parameters influence the policy arena by defining needs and tasks that the government needs to take up. However, such influences are not easily injected into the political agenda, since they also have to be efficiently organized at a societal level (e.g., trade unions, social movements) and the constraints and limited resources of subsystem actors (Sabatier, 1988) have to be accounted for. An overview of the ACF theory can be seen in Figure 6.

When applied to the case of Italy, the ACF diagram could be reinterpreted in the form presented in Figure 7. In the figure, arrows connecting one area to another in thicker black whenever these links are stronger, and in lighter black whenever they tend to be fainter. External system events (box no. 1) are, in this case, represented by the concurrent demands of the economic crisis and the EU pressures for fiscal austerity. The policy subsystem area (box no. 2) is depicted as the policy decision making process, and the real economy's relatively stable parameters can be seen in box no. 3. The most peculiar

characteristic for the Italian case consists in the fact that, due to political opportunist strategies of clientelism and big coalitions of governments led by the DC party, democratic competition tended to be restricted. In this light, policy discourses, expectations, paradigms, were not really produced as a result of democratic competition in the policy arena; the preponderance of the DC party led instead to a set of cognitive assumption that were already given for granted. As a result, final decisions and policy outputs were quite self-referential, bearing little connection with the real society. In a word, the cognitive activity of policy elites was trapped in a paternalistic, top-down approach to policy making, with discussion among social parts left to a minimum and weak policy learning mechanisms.

Figure 6. General Model of Policy Change Focusing on Competing Advocacy Coalitions within Policy Subsystems.

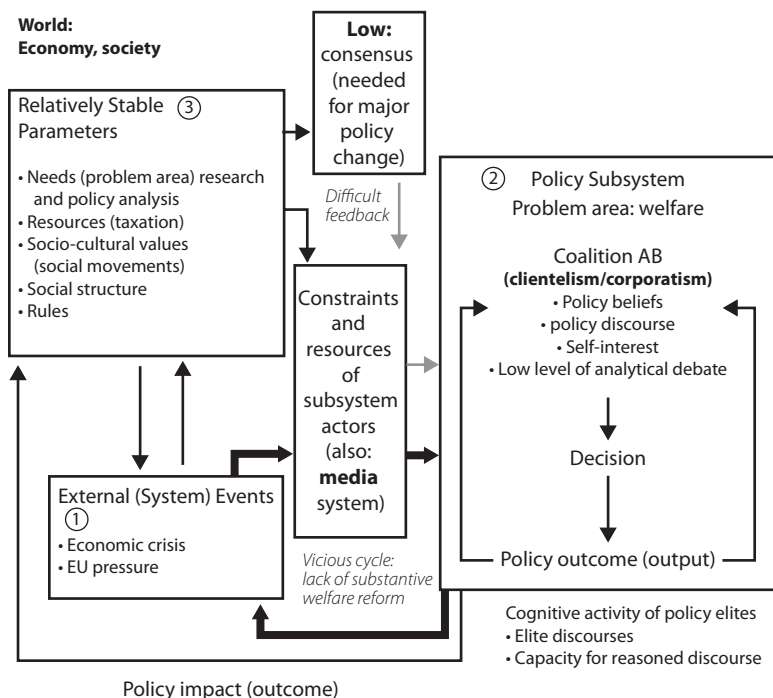


Source: Sabatier (1988, p. 132) (revised).

Given this conservative political landscape, it was challenging for society's real needs (box no. 3) to gain access to the

political agenda, due, in part, to a low capacity of organization from Italian trade unions and civil society organizations, and possibly also due to the indiscriminate pro-government use of television and media that delivered distorted images of societal issues and governmental actions, especially during the years of Berlusconi's legislature.

Figure 7. Applying the ACF Model to Social Policy Reform in Italy.)



Source: Re-configured from Sabatier (1988).

On the other hand, the economic crisis and EU pressures for austerity (box no. 1) were providing a good rationale for neoliberal political forces to continue to fail to substantively reform the welfare system in a way that could seriously reflect societal needs. This created a vicious circle in which EU pressures and the economic crisis were pushing towards austerity reforms. This resulted in increasing fiscal pressure and cuts in welfare services for Italian households; as a consequence, available resources, represented by tax revenues, were shrinking. Ultimately, such a vicious circle helped push the country to

the verge of economic recession (Eurispes, 2013). Although the Monti government first, and the incumbent Letta government afterwards, repeatedly assured people that the Italian economy was recovering, this risk has yet to be averted. If the government and the industry continued to only care about keeping financial markets afloat by financial bailouts (in the absence of compensating support to the economic demand of middle and low-income families), a way out of the vicious circle was difficult to imagine. In the absence of a strategy that does not contemplate participation from the economy's civil coalitions, relying on politically elitist decision making is going to widen the gap between the rationale of electoral competition and the need to structurally reform the Italian welfare system. Monti government's reforms, in this sense, demonstrated the limits of a neoliberal strategy that had proven to be substantially incapable of pushing the country out of the crisis, the effects of which continue unabated to this day.

Conclusions and Policy Implications

This study sought to provide a theoretical lens to explore social policy reforms enacted in Italy after the 2008 world economic crisis. Special attention has been paid to the 2011-2012 Monti government, specifically to its neoliberal strategy of prioritizing austerity measures that, to a large extent, failed to change the structure of the segmented labor market in Italy and to reduce hardships of impoverished Italian families through better social services. Instead, tax increases and the privatization of social protection and the retrenchment of regional funds dedicated to social services, education, and health, contributed to further aggravating Italy's economy. By applying Sabatier's (1988) ACF theoretical approach to the dynamics of Italian welfare reform, it has been argued that external pressures from the economic crisis and the European Union's demands for balanced public accounts, coupled with Italy's traditionally elitist decision making, systematically prevented the forces in civil society from positively contributing to the policy change process. In the absence of adequate democratic competition, the only available economic paradigm was neoliberalism, which included the policy choice of a punitive laissez-faire strategy of individualization of social risks

(Pizzuti, 2009). At this stage, it is still not possible to rule out the possibility that Italy will fall into a similar economic recession as Greece (Eurispes, 2013).

This analysis of the policy decision making process in Italy can have useful political implications for social-insurance based welfare states also in need of reform. It appears that leaving the assessment of social needs and the choice of viable policy strategies to only electoral competition tends to exacerbate policy inefficiencies, especially for those policy subsystems with high levels of political cronyism. To put it differently, the decision making process is essentially flawed by the need to be politically more attractive to the masses, which can lead to a lack of efficiency in the use of public resources, a blurred perception of the main social priorities that have to be tackled by national social policies, and vulnerability to the economic requirements dictated by the world's economy and financial institutions. An active involvement of trade unions and civil society, a more transparent media system, and more democratic competition in the political arena are indispensable to help the whole policy mechanism work smoothly (Sabatier, 1988). It is particularly important for welfare states that resemble the Bismarckian model, such as continental European and East Asian countries (Holliday, 2000), to not fall into a vicious post-crisis neoliberal cycle, in which the external economy's pressures and political elites' self-referential thinking strongly enforce each other in neglecting real society's needs.

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Endnotes:

¹ Although the “advocacy coalition framework” is originally conceived as an extension of Heclo’s 1974 work, “Social Policy in Britain and Sweden,” Sabatier’s (1988) scope is much broader. By including all public policies at large, the examples that he sets forth are mainly about environmental policies.

Rolling Downhill: Effects of Austerity on Local Government Social Services in the United States

DAVID B. MILLER

TERRY HOKENSTAD

Case Western Reserve University

Austerity policies have been instituted in countries around the world attempting to address the fallout from the global economic crisis beginning in 2008 and still lingering through today. While the literature debates the economic impact of these policies, limited attention has been given to the effects of austerity at the local governmental level. It is posited that at the local government level, the effects of austerity policies are most noticeable and detrimental. States and local municipalities are “switching roles” with the federal government (Davidson, 2013, p. 1). They are providing jobs and social welfare services in the gap left by the departure of the federal government from a broad social welfare delivery perspective. The ideological rationale associated with state budgets being balanced through austerity-like reductions in revenue sharing and the reducing the social safety net will be highlighted. In the U.S., the majority of those states which implemented drastic and sometimes draconian budget reductions have been under majority Republican legislatures and governorships. Characteristics of austerity policies and the modern welfare-state are discussed in relationship to the reduction in public investment, particularly in government non-education employment through discretionary spending. The results of austerity policies on funding for social welfare services and public employment will be illustrated.

Key words: austerity; local government; stimulus spending; social welfare services; social policy

“The boom, not the slump, is the right time for austerity at the Treasury.” John Maynard Keynes, 1937, Collected Writings (Jayadev & Konczal, 2010)

Austerity has become a buzzword as nations world-wide, along with many American states, address the fallout and effect of the world-wide economic crisis stemming from financial and housing downturns in the United States to the crisis among some Euro-zone countries brought on in part by growth in social welfare expenditures. Nations have attempted a variety of measures to address the economic crisis, including both stimulus packages and reduction of expenditures. Those measures focused on budget reduction are commonly referred to as austerity. While articulated by those on the political right as the only viable option out of the economic crisis, evidence documenting the limitations of austerity measures continues to mount. One only needs to look to the United Kingdom, Greece and Cyprus to see the effects of austerity measures on the populations and economies of those countries. These include continued economic malaise as well as human deprivation. In the United States, austerity measures have contributed to the continued political gridlock and competing proposals to address this nation's economic and social welfare program future. Budget sequestration at the federal level is part of the austerity movement in the United States (Usborne, 2013). Congressman and Republican Vice-Presidential nominee Paul Ryan's budget proposal and the Bowles-Simpson Fiscal Responsibility and Reform plan are but two examples of austerity-focused proposals which have been put before Americans. These proposals, at their core, would have a major negative impact on social welfare and safety net programs.

Nations have implemented budget balancing measures by reducing spending on social welfare and entitlement programs, reducing public employment and raising taxes to increase revenue. In the United States, the focus has been primarily on decreasing expenditures at the federal and state levels of government. This action has had a direct impact on the budgets and services provided by local government. Local governments are downstream from austerity policies implemented at the federal and state level. However, as suggested by Clark (2012), local governments are inextricably linked to the financial condition and health of state and federal government. As revenue sharing from federal and state sources is reduced due to austerity policies, local governments are faced with reducing public service employees, reducing the number

of public and social welfare services, and/or asking residents to pay higher taxes in order to maintain existing services. With few available options to close the gaps between revenue and expenditures, local governments face daunting fiscal challenges. Unmistakably, local governments are on the frontlines when it comes to experiencing the effects of austerity policies.

This paper will focus on the impact of austerity policies on local government, and, in particular, their major role in providing health and social services in communities throughout the United States. As the extant literature on this topic indicates, local government is most often discussed in terms of large metropolitan areas; however, in this paper, the effects of austerity on smaller local governments (i.e., less than 50,000 residents) will be included. The implementation of austerity policies is overtly characterized by its proponents as steps to reduce federal and state budget deficits that are the result of spending and public indebtedness. More covertly, it is suggested that the implementation of austerity measures is an attempt to dismantle social programs (Krugman, 2012; Peck, 2012). Characteristics of austerity policies and the modern welfare state will be discussed in relationship to the reduction in revenue sharing with local communities for needed and necessary community services. It is posited that the effects of austerity policies are most noticeable and detrimental at the level of local government. States and local municipalities are “switching roles” with the federal government (Davidson, 2013, p. 1) in that they are providing jobs and social welfare services in the chasm left by the departure of the federal government from a broad social welfare delivery perspective. Now states are also engaged in austerity measures, including reduced revenue sharing to municipalities, which impacts directly on service provision at the local level (Delisle, 2010).

This paper also highlights the ideological rationale associated with deficit-driven budgets and the resultant reductions in revenue sharing with local government and social welfare services. The majority of states implementing drastic and sometimes draconian budget reductions, including sharp decreases in revenue sharing with local government, have been under majority Republican legislatures and governorships. In Ohio, losses from reduction in the local government fund and tax reimbursements totaled nearly a billion dollars for

calendar years 2012-2013 (Patton & Krueger, 2012). Additionally, the states workers were reduced by approximately 51,000 workers through layoffs and attrition. The effects of these reductions are realized at the micro (e.g., local) level. Discussion of the effects on the local level in northeastern Ohio communities will be used to exemplify how austerity policies affect the delivery of social welfare services, as well as shift the burden onto local taxpayers to pay for needed public safety and other basic services.

This paper will conclude with a discussion of the policy alternatives for local government, state and federal policymakers. Katz's (2010) position that the recent economic downturn altered the structure of poverty and risk among the middle and working class is reflected in no better place than the experiences of local government as a result of austerity-like policies emerging from the federal and state levels.

Background

Upon taking office in 2009, one the first pieces of legislation signed by President Obama in response to the economic crisis was the American Recovery and Reinvestment Act (ARRA). The ARRA appropriated \$831 billion dollars to address the multiple negative consequences of the Great Recession. As reported by Recovery.gov (2013), \$796 billion dollars has been expended through the ARRA as of 2012. The ARRA provided cash-strapped states and local governments with needed funds to keep public employees, hire additional ones, promote infrastructure development, and support safety net programs such as Medicaid and the Supplemental Nutrition Assistance Program, which saw increased usage as a direct result of rising unemployment. However, funding for the ARRA ended in 2012, and in the current political climate an additional stimulus package is not likely. As will be highlighted in this paper, stimulus spending has been replaced with calls for austerity. The current sequestration reinforces austerity policies across federal and state government (Appelbaum, 2013).

What is Austerity?

It is important to offer an explanation of "austerity" as it applies to governmental economic and social policy. In 2010,

the word austerity was named as the word of the year by Merriam Webster dictionary (McBride & Whiteside, 2011). The Oxford Dictionary and Thesaurus (Abate, 1996) defines austerity with the phrases "moral severity" and "severe simplicity." It goes on to indicate that austerity is synonymous with hardship. Growing evidence indicates that fiscal hardships due to austerity measures are being experienced by communities and individuals across the nation. An estimated \$717.1 million dollars will be lost due to sequestration in Ohio—funding for children with disabilities, job assistance and public safety forces (Plunderbund.com, 2013). Stuckler and Basu (2013) posit that austerity measures can have deleterious effects on health services and health outcomes. They point to the loss of nutritional funding for pregnant women and an \$18 million dollar cut in the Centers of Disease Control's budget—our nation's bulwark against disease and epidemics—all due to sequestration.

Lest one thinks of austerity as it applies to governmental policy as a recent description, Terrell (1981) highlighted the effects of such policies on social welfare expenditures in the state of California due to the passage of Proposition 13. What Terrell's discussion provides for us today is that austerity, or related terms such as "retrenchment" "cutbacks" or "containment" (p. 275), continue to effect the delivery of general and social services at the community level. Appelbaum (2013) highlights that the periods of the Vietnam War and for most of the 1990s, federal government approaches to the reduction of spending were of longer duration and depth.

Konzelmann (2012) defines austerity as a combination of reductions in public expenditures along with increased taxes. Hazel (2012) indicates that austerity is a reduction in government spending when deficits are high. Austerity in these circumstances denotes governmental actions or measures taken to reduce public expenditures and in some cases increase taxes. The Congressional Budget Office (2010) succinctly states "Austerity programs generally include both tax increases and spending reductions" (p. 8). These measures are taken when a government's expenditures exceeds its revenues, creating significant debt burdens due to borrowing. Peck (2012) employs the term "fiscal purging" (p. 630) to describe the manner in which governments reduce their spending, particularly in the

area of social welfare expenditures, including the employment of public sector employees.

Since the beginning of the global economic crisis, local governmental entities in the United States have seen reduced spending due to reductions in both federal and state funding. The PEW Charitable Trusts' report, *The Local Squeeze: Falling Revenues and Growing Demand for Services Challenge Cities, Counties and School Districts* (2012), states that aid to local government fell by \$12.6 billion dollars in 2010. This has resulted in broad declines in public employment at the local level across the nation (Dadayan & Boyd, 2013). Lucas (2011) indicates that since August of 2008 public payrolls at the local level have decreased by 450,000 jobs, a rate of nearly 15,000 jobs being lost monthly. Another analysis of the employment number places public sector job loss at 627,000 since June 2009 (Bivens & Shierholz, 2012). Appelbaum (2013) indicates that there are 500,000 fewer public employees across all three levels of government since 2007.

The loss of those jobs and the continued shedding of government jobs at the local level contribute to the increase in long-term unemployment and increased usage of safety net programs (e.g., Supplemental Nutritional Assistance Program). With the ending of stimulus funding from the American Recovery and Reinvestment Act (ARRA) of 2009, many of the jobs that were preserved through this policy are now being phased out. Local government is faced with declining revenue yet increasing need for services to residents. Ironically, when austerity measures are implemented, and particularly when public sector jobs are reduced, there is an increased usage of safety net services due to the job losses. Increases in unemployment compensation and Medicaid costs have been tied to cutbacks in local government employment (Larson, 2012). Larson's observation regarding entitlement programs is a perspective which offers a crystal clear portrayal of these programs. He states, "entitlement programs are open to everyone who is eligible, and there is no cap on how many eligible persons are allowed into a program" (p. 13). It is through austerity measures that more, not fewer, individuals seek services from the social safety net, leading to increases in spending for programs. Blinder and Zandi (2010) report that \$321 billion dollars of the stimulus appropriations were spent

on Medicaid, food stamps and unemployment benefits.

Friedman (2013) indicates that austerity measures continue to be pushed, even in the face of mounting evidence reflecting their failure to facilitate economic growth and employment. The slashing of public spending continues to contribute to both unemployment, particularly among the middle class, and stagnant economic growth. Republican-controlled state legislatures (e.g., Ohio) are inflicting austerity measures which force local governments to either ask residents to make up the shortfall with higher taxes or lose services, or in some cases, both.

Austerity Impact on the Welfare State

The welfare state as defined by Esping-Andersen (1990) is basically the provision of welfare services and support to the citizens of a particular state. This includes both cash assistance and non-cash assistance to meet a variety of human needs. In addition, government spending for social welfare provides public employment opportunities which contribute to the growth and expansion of the middle class. It is posited by scholars (Krugman, 2012; Peck, 2012) that austerity measures have a negative impact on welfare state provisions by reducing employment opportunities, in addition to decreasing social welfare programs and services. This is particularly true at the level of local government. The U.S. Census reported that state and local government employed 19.6 million people in 2010!!, nearly 250,00 less than 2009 (U.S. Census Bureau, 2012). The overwhelming majority (14.3 million to 5.35 million) were employed by local government, with a proportional loss of jobs. Haze (2012) poignantly points out that the impact of austerity measures is experienced the most by the poor in society through the loss of both income and services. However, as austerity measures lead to a reduction in public employment, members of the middle class are also directly affected.

Democratic versus Republican Approaches to Austerity

Austerity measures and policies can come from different points of the political spectrum. In California, Governor Jerry Brown's initial 2011 budget contained significant reductions in funding to schools, corrections and human services (Pollin

& Thompson, 2011). Governor Brown's budget cut nearly \$13 billion dollars from those aforementioned areas. Not only were services reduced, but there were significant employment losses among the middle class of the state.

Republican approaches are often associated with cutting taxes and privatizing or contracting out governmental services. However, recently state legislatures, many of them Republican-led, have introduced bills which would expand the sales tax to services ranging from haircuts to funerals. In his second budget, Governor Kasich proposed taxing over 500 different services in order to partially compensate for a decrease in the state's income tax. In this case, the proposed sales tax expansion was removed by the legislature.

Funding to local governments in the current Ohio budget remained flat; however, the 12.5% share of property-tax payments that the state had subsidized in previous decades will cease to exist for all future tax and school levies, therefore leaving citizens to pay the full amount of any future income tax or school levy increases. For example, before the 2014-2015 Ohio budget was signed, in the first author's city, legislation was passed to place a safety forces tax levy on the ballot. At first introduction, if approved by voters, the cost to the homeowner of a \$100,000 home was \$99.00 a year, but with the passage of the new budget, with the elimination of the 12.5% credit, the cost to the homeowner rose to \$114.00.

Another potentially devastating legislative proposal in the state of Ohio would further reduce allocations to local governments. This is the proposal to establish a uniformed code for the purposes of tax collection. It is estimated that this legislation, if passed and signed into law, will cost local governments \$46 million dollars. States such as North Carolina are pushing austerity policies which clearly harm those most in need of safety net services. The recently passed North Carolina budget reduced income taxes for higher-income individuals and families, reducing the number of weeks individuals can receive unemployment and refusing to participate in the Medicaid expansion portion of the Affordable Care Act.

Following the reduction in the Local Government Fund (LGF) in Ohio, the state legislature implemented a competitive grants initiative called the Local Government Innovation Program (Gurwitt, 2011). In essence, local governments could

compete for a portion of a \$45 million grant resource to study and implement the centralization and sharing of services. The seeking of competitive grants and the move towards cities joining together to address the reduction of services is seen by those supporting austerity measures as an example of reducing redundancies in local economies but also shrinking public sector jobs and services. Also, the Republican-led legislature is proposing in its 2013-2015 biennial budget that the surplus of over \$2 billion dollars be used to cut income taxes to residents with the hope of eventually eliminating the state's income tax all together.

Democratic approaches tend to target a mix of government spending. Paul Krugman (2012), winner of the Nobel Prize in Economics, has frequently highlighted that austerity measures are not what governments should implement during severe economic downturns. Instead, governments should increase spending so as to prime the employment engine. Additionally, as was seen during the Great Recession, the government could provide stimulus funds for states and local governments to keep public service employees working and assure that safety net services are maintained. Given the level of job loss during the economic crisis, reduction in safety net programming could contribute to significant hardship on individuals and families.

Austerity Effects on Local Government

Unlike the federal government, state and local governments are required to balance their budgets. Nearly every state faced historical budget deficits in the aftermath of the Great Recession (Jimenez, 2009). The austerity measures taken by the federal and state governments intensified the effects of two essential sources of revenue on which the majority of local governments build their budgets: property taxes and transference of resident income tax payments back to the community. A report by the Pew Charitable Trusts (2012) calls this a "one-two punch" (p. 1) to local governments. Recently, the terms "fiscal stress" or "fiscal shock" have been applied to the manifestations of austerity policies on local governments. With the decline in real estate values seen during the housing crisis, local government budgets have realized significant reductions in funding from property tax collections. For example, in

South Euclid, Ohio, the first author's city, property valuations dropped on average 12%. This resulted in a significant decrease in the amount of property taxes collected and returned to the city.

The second factor is that states, in efforts to improve their budget shortfalls, have reduced the amount of funding that they return to the local municipalities. In the state of Ohio, the local government funds were reduced by nearly 50% across the board, equaling a reduction of nearly \$630 million from the 2010-2011 to the 2012-2013 budget years (Local Government Fund Coalition, 2011). The Local Government Funds (LGF) are state revenues returned to local governments following the collection of taxes. These funds are then used to support critical and essential city functions from police and fire to social services (Plunderbund.com, 2013). In addition to the reduction of the LGFs, the state budget eliminated the estate tax in 2013 and the Commercial Activity Tax, which further reduced financial resources used by local governments to pay for and provide essential community and services.

From police and fire to health clinics and public recreation facilities to community centers for older people, LGFs are essential to a local government's ability to provide services to its residents. While Ohio's governor is able to tout that he wiped out the state's deficit and balance the budget without raising taxes with his initial budget, local governments were left with few options to make up the reduced allocations and were left scrambling to fill in the budget gaps with tax increases to residents, laying off of public employees, reducing services. or in some cases, seeking to merge services with neighboring cities or actually merging with other cities. In some states, cities filed for bankruptcy as a result of cuts in their allocations from their state government, as states grappled with the consequences of the financial and housing crises (Delisle, 2010). Measures taken by local governments to achieve fiscal balance in their budgets have led to a reduction in public employment and payrolls. Estimates vary as to the number of public sector employees whose jobs were eliminated since 2008, yet those estimates consistently suggest that more than 500,000 of these jobs have been lost in this time period.

For example, in Ohio, local governments have seen a significant reduction in public employees and services (Local

Government Fund Coalition, 2011; Scott, Schleis, Antoniotti & Warsmith, 2013) as result of the reduction in LGF from the state government. In Ohio's smallest county, Vinton, there are no safety forces and the criminal justice system consists of only a judge and sheriff. In the city of Cleveland, the reduction of \$35.7 million dollars in LGFs in 2012 contributed to the reduction of between 350-400 public employee jobs. The state of Ohio has lost 33,500 jobs in the local government sector since the end of the recession. The fact that many of these laid off workers utilize unemployment, Medicaid and food stamp programs during the time they are unemployed, increases the need for safety net services. While stimulus spending was criticized by conservatives, the city of Akron, Ohio was able to retain 36 firefighters while adding an additional 38, plus 12 more police officers (Scott et al., 2013); this would not have been possible without the funds appropriated in the ARRA.

Peck (2012) presents several options that local governments are pursuing as they address the realities of austerity measures. While reduction in public employees and increased taxes are the most commonly advanced examples, the options of privatization of services, "grant hustling" (p. 649), and increased reliance on voluntary and non-profit organizations to deliver social services are focal points for local governments seeking to do more with less. The city of Cleveland had to enact major reductions to make-up the shortfall in its LGF allocation from state government (e.g., charging fees for garbage collection), but it also has available options that smaller cities do not have. Admission fees for sporting events and entertainment, along with increased taxes on region-wide services such as water service, have enabled the city to bring in additional sources of revenue: That, however, is not the case with the smaller local governments in the region. In the city of South Euclid, one action taken was privatization of garbage collection. What was once a city function and a source of employment is now contracted with a private agency for rubbish and recycling efforts. Although the city realized a savings of nearly \$1.2 million dollars, several positions in the city's service department were left unfilled, with the remaining workers needing to fulfill extra duties.

One option, of course, is to increase taxes at the local level. In Shaker Heights, Ohio, the second author's city, citizens

voted to increase the municipal income tax rate by .5% to 2.25% in order to preserve essential city services (Brown, 2012; Jewell, 2012). Shaker Heights is a diverse but largely upper middle income community. While pride in strong public service is an important reason for the passage of the income tax increase, ability to pay the increased tax based on income level also was a significant factor. The reliance on local tax levies to fill the budget gap caused by federal and state austerity policies is resulting in increasing disparity between have and have not communities. This growing inequality is again exacerbated by public policy.

Conclusion

It is evident that local government is a major focal point for the hardship synonymous with austerity. This paper has identified the manifold impact of national and state austerity policies on both public services and public employment at the local level. Municipalities, for the most part, are ill-equipped to compensate for the sharp drop in income resulting from the rollbacks in state government revenue sharing. This, coupled with decreased funding for many health and social service programs through federal sequestration, has resulted in an austerity induced crisis at the local level.

This crisis is likely to deepen in the coming years. Local governments in states where policy makers are intent on reinforcing federal austerity policies are particularly vulnerable. For example, in Ohio municipalities will increasingly experience the ramifications of austere state budget policies and allocations. According to Wendy Patton (2013) of the policy advocacy think-tank, Policy Matters Ohio, the recently passed biennial budget for 2014-2015 contains additional significant allocation reductions that will directly affect local governments. The elimination of the estate tax and further reduction of revenue sharing through the Local Government Fund will simply add to the difficulty of choices facing municipalities large and small. These choices are to reduce services, lay off public employees, increase taxes or some combination of the three. Some have argued for greater efficiency through privatization of services and increased payment of fees by residents. However, studies have documented the fact that this has not

proven to be an effective way of controlling costs (Patton & Kruger, 2012).

Increasing taxes at the local level is a difficult choice, not least because most communities already have property tax levies to support public schools, and larger counties have levies to support various human services. Some affluent suburbs, such as Shaker Heights, can be successful in passing local income tax increases, but this also increases disparity in public service provision based not upon need, but rather on income. An axiom of taxation policy is that the more that services are funded by local taxes, the greater the differentiation between the haves and have nots. This has traditionally been a major issue in public education policy and now is becoming an increasingly important issue in health and social service policy.

Thus, there are no easy answers to counter the impact of austerity policies on local governments. Clearly the policy battles must be fought at the national and state levels both through electoral politics and policy advocacy. Austerity produces hardship at the local level, but its policy activation and impact is basically determined by federal and state government. Mayor Georgine Welo of South Euclid has said, "It is fend for yourself local government" due to the austerity measures being employed in by Ohio's governor and legislature. Is this truly how we, as a civilized society, want our elected officials to perform?

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Weathering the Storm: Botswana's Culture of Care

LENGWE-KATEMBULA MWANSA

GLORIA JACQUES

University of Botswana
Department of Social Work

Botswana, a semi-desert southern African state ranked among the poorest in the world in the 1960s and 1970s, has emerged as an upper middle income country in the new millennium and a beacon of democracy and good governance on the continent and in the world. Since the discovery of diamonds, Botswana has prudently utilised the ensuing wealth to improve the lives of her citizens. Through a succession of National Development Plans the state has provided social services that have addressed many of the needs of the population. This trend has continued into the challenging era of the world economic crisis of 2008-2009 that culminated in global financial meltdown. The country has weathered the storm but continues to face several challenges including unemployment, drought, economic diversification, an on-going HIV and AIDS-related crisis, and the restraints of a commodity-based economy. However, with a resilience which has characterised its post-independence performance, Botswana continues to display an aspect of African stoicism and care that defines this environmentally compromised land.

Key words: Botswana, poverty, democracy, Africa, youth, diamonds, economy, unemployment, HIV, AIDS

Botswana is a landlocked, semi-arid country with a small open economy, a population of just over two million, and an annual average rate of population growth at 1.2 percent (Republic of Botswana, 2009). It has an approximate area of 582,000 square kilometers and shares borders with Zambia in the north, Namibia in the northwest, Zimbabwe in the east, and South Africa in the southeast. It embraces most of the

Kalahari Desert, thus constituting a largely challenging and non-productive natural environment (Ulriksen, 2011).

Botswana gained independence in 1966 after being a British Protectorate for approximately 85 years and was to a large extent regarded as an outpost on the African continent with very little to offer, before diamonds were discovered. At the time of independence, Botswana was the second poorest country in the world (after Bangladesh) but has now emerged as an upper middle income country characterized by a relatively high standard of living (Republic of Botswana, 2009).

The country has also been recognized as one of the top performing economies in Africa, with relatively high per capita income and, since 2001, the highest sovereign credit rating on the continent (Bank of Botswana, 2012). Botswana is the largest producer (by value) of diamonds in the world. Until recently, this translated into a relatively high GDP growth rate compared to other resource-rich African nations. Prudent financial policy and institutional arrangements, foreign exchange control, and fiscal regulations are jointly responsible for the country's success in economic management.

The Context

Observers of Botswana's development point to a number of factors that account for the nation's success, including the establishment of modern institutions of governance, adherence to the rule of law, and respect for human rights. Botswana has held free democratic elections every five years since independence (International Institute for Democracy and Electoral Assistance [IDEA], 2013). Furthermore, a strong foundation for effective fiscal management was laid by the country's post-independence government which espoused the principle of budgetary self-reliance (before mineral wealth became apparent). Sound macro-economic policies were encapsulated in a series of national development plans and statutory measures. There has been a visible transformation of an exhaustible resource into a continuing investment in the economy and enhancement of living standards for the population as a whole, notably the disadvantaged.

The country is internationally recognized for its principles of free market enterprise and property rights. However,

despite advancing a neoliberal agenda, Botswana has also been forthright in developing the climate and policy framework and instruments that would lead towards welfare statehood. Specifically, this has included objectives of redistribution of national resources through pro-poor legislation, policies, and programs (Republic of Botswana, 2009).

Since independence, national service delivery in Botswana has been influenced by four guiding principles—democracy, development, self-reliance, and unity—which have been incorporated in all subsequent national development plans. With the adoption of the Long Term Vision for Botswana (Vision 2016) in 1997, a fifth strand, ‘*botho*,’ was added to the national principles (Republic of Botswana, 1997). This defines a process of acquiring respect and empowerment through demonstrating the principle to others in a spirit of social justice for all. The principles are derived from Botswana’s cultural heritage and are designed to promote social harmony, or ‘*kagisano*.’ At the same time, the state has focused on ensuring economic freedom, creating competitive markets, and attracting foreign direct investment to the extent that the World Bank (2009) rated Botswana as the third best country in Africa in which to conduct business.

In view of the current challenges, a program of fiscal reform has been developed which includes the rebalancing of government expenditure to focus on economic and social high return investment and more efficient and robust management processes. This approach has led Botswana to enjoy a fiscal policy formulated in the context of national development planning, the annual budgeting exercise, a development strategy, public finance legislation, and wide consultation (United Nations Development Programme [UNDP], 2013).

Social Development

When President Ian Khama assumed office in April 2008, he adopted a philosophy of the Five D’s: democracy, development, dignity, discipline, and delivery. Furthermore, all development activities have to reflect Vision 2016, which has now become a reference point for national development initiatives. Mwansa (2012) observes that although there are many African countries rich in natural resources, they are unable to fully benefit the population due to nepotism, corruption, and

mismanagement. He states that the situation in Botswana is refreshingly different in terms of what the United Nations Development Programme (UNDP, 2006) refers to as prudence, political will, and commitment to the delivery of essential services.

In its development efforts, Botswana is aided by the Millennium Development Goals (MDG) which were conceptualized by the United Nations in 2000 and adopted by all member states (including Botswana) for attainment by 2015. The National Development Plan 10 (2009-2016) poverty reduction strategy focuses on economic empowerment, sustainable livelihood, improved social functioning, and access to quality shelter. Key areas in which the state and civil society partners are collaborating include sustainable job creation (especially in rural areas where the incidence of poverty is highest); development of human resources that enable the poor to utilize job opportunities in their localities; and the provision of social protection to vulnerable groups through training, counseling, and other support services. Specific social protection programs have also been scaled up in regard to orphaned and vulnerable children with provisions in the Children's Act of 2009 for a statutory foster care program, a national children's council, a national consultative forum of and for children, and a bill of children's rights, all of which are in the process of operationalization (Department of Social Protection and Childline Botswana Trust, 2013).

HIV and AIDS

Political stability and natural resources, primarily in the form of diamonds, prevented Botswana from falling prey to World Bank and International Monetary Fund policies on structural adjustment. This enabled the country to continue building its resource base, despite the threatening public health situation associated with the HIV and AIDS epidemic (Heald, 2006). Botswana has one of the highest HIV prevalence rates in the world, with statistics indicating a prevalence rate of 17.6 percent nationally and new infections at 2.9 percent. Prevalence rates for females are higher than those for males (20.4 compared to 14.2 percent) (Southern African Development Community [SADC], 2008), highlighting the need for program-specific interventions for different sectors of

the population.

The state acknowledged the seriousness of the HIV epidemic at an early stage, and international organizations were expeditiously called upon for help relatively soon after the first case was diagnosed in 1985. However, many donors withdrew after 1995 because of the relative economic and political stability of the country. The lack of relevant information and policies then became evident (Allen & Heald, 2004), forcing Botswana to take responsibility for its own strategic and operational HIV and AIDS planning. Initially, the state focused on providing surveillance and education and, in 2001, Botswana became the first country in southern Africa to pioneer antiretroviral therapy for its population, ahead of the World Health Organization's (WHO) goal that three million people in the developing world would be provided with treatment by the end of 2005 (WHO, 2003). By September 2007, 84 percent of known cases of advanced HIV infection in Botswana were receiving antiretroviral therapy (ART) (Jacques, 2007).

Botswana's Economy

The World Bank Institute Report on Worldwide Governance Indicators for 1996-2012 stated that Botswana was ranked number 16 internationally (and first in Africa) out of a total of 212 countries and territories in the category of political stability and the absence of violence, with a near perfect score of 92.8 percent. This ranking placed Botswana above all G8 nations, all but two of the member states of the EU, and all but three countries in Asia (Office of the State President, 2008). Botswana's per capita GDP rose from US \$70 at independence in 1966 to US \$16,800 in 2012 (CIA World Factbook, 2013). The country's Human Development Index (HDI) increased between 1980 and 2007 by 0.94 percent annually, placing it in the category of upper middle income countries internationally (Sebudubudu, 2010).

Botswana has experienced decades of high economic growth based largely on diamond sales, although traditional beef rearing and a small manufacturing sector have contributed to the financial stability of the society. Over the last three decades diamond mining and tourism (in particular) have made a considerable contribution to the country's economy (Siphambe, Narayana, Akinkugbe, & Sentsho, 2005). The

decline in diamond revenues resulting from the global recession led to the reduction of foreign exchange revenues and a cumulative budget deficit of US \$2.1 billion from April 2009 to May 2012. (This deficit was considerably less than the projected US \$4.4 billion at the commencement of National Development Plan 10). Before beginning a slow recovery, the declining economic scenario resulted in a 6.3 percent economic contraction in 2008 and a further 20.5 percent during the first quarter of 2009 (Republic of Botswana, 2010). Policy debates in Botswana in the recent past, and up to the present, have centered on improving international competitiveness and ensuring efficiency and sustainability around social spending. This was expressed by the Minister of Finance and Development Planning in the 2010 Budget Speech, as the need to find “innovative solutions that are consistent with the changed environment” (Republic of Botswana, 2010, p. 2).

Botswana has, however, made dramatic progress in socio-economic growth, resulting in significant improvement in human development indices in a relatively short period of time. Unlike other countries with similar endowments, what has been most remarkable is the country's comparatively effective escape from the so called ‘Dutch disease,’ ‘resource curse,’ and ‘blood diamonds.’ This success has been attributed, in part, to prudent macroeconomic management, efficient use of commodity revenues for national development, attainment of redistributive justice, constant economic growth, committed leadership, judicious management of wealth, and avoidance of ethnic conflicts. This is in contrast to many other underdeveloped, resource-rich countries where there has been national strife, instability, and civil war (Mills, 2012). Furthermore, the pre-recession growth in diamond revenue ensured large government reserves, a budget surplus, and little external debt (Republic of Botswana, Budget Speech, 2013).

Each of Botswana's national development plans since independence has pursued four objectives: economic growth, social justice, economic independence, and sustained development. During the past three decades, the government has specifically incorporated philosophies surrounding gender equality, environmental conservation, and assistance for remote area dwellers (RADs) into its development goals. (Republic of Botswana, 2009). The country is also rated highly for its

democratic governance and rule of law. The Institute for Economics and Peace, working with the Economist Intelligence Unit, has again ranked Botswana "as one of the world's most peaceful and best governed" countries. In fact, according to this ranking, Botswana is placed above half of the European region countries surveyed, as well as all five of the Permanent Members of the United Nations Security Council (the United Kingdom, France, the United States of America, China, and Russia) (Institute for Economics and Peace, 2013).

Botswana's Response to the Global Financial Crisis

Pro-cyclical fiscal policy increases spending and tax cuts in boom times and reduces spending and raises taxes in response to economic downturns. Countercyclical or Keynesian economic policy is the reverse, with governments saving up for a rainy day when the markets are in positive territory. The former has been observed in recent years in the United Kingdom and other Eurozone nations where large fiscal deficits were racked up during economic expansion, followed by fiscal contractions in response to an economic downturn or recession. In contrast, Botswana took advantage of the boom period (2003 to 2007) to strengthen its budgetary position and thus had available resources when the recession hit in 2008 and 2009 (Frankel, Vegh, & Vuletin, 2013). By so doing, the country managed to achieve a measure of success with a countercyclical fiscal policy precisely during the time when many developed economies in the world failed to do so!

The budget deficit of 2009-2010 and borrowing from the African Development Bank for the first time since becoming a self-sustaining economy were momentous indicators of the impact of the global recession on Botswana. During the same period, the mining sector declined by 12.5 percent, reflecting global uncertainties, especially for the gemstone diamond industry (the mainstay of Botswana's economy). Consequently, foreign exchange reserves declined by 8.6 percent to US \$7.4 billion, while the Special Drawing Rights fell by 9.4 percent to US \$4.8 billion. Although mining continues to be the largest sector in the Botswana economy, its contribution to GDP decreased by 30.3 percent in 2011 due to the aforementioned depressed global demand (Bank of Botswana, 2012).

The weak performance of the diamond sub-sector continues to sound a warning bell to the country's dependence on its diamond industry, indicating the essential need for economic diversification through employment creation and sustained growth and development. On the other hand, domestic demand was strong in 2012, with a growth of 13 percent in consumption and investment (Republic of Botswana, Budget Speech, 2013). The financial year 2012-2013 saw a balanced budget for the first time since the 2008 crisis. Furthermore, the International Monetary Fund (IMF) projects that the country's real GDP growth rate will pick up to 4.5 percent in 2015, supported by increased electricity production and a mining sector recovery. The IMF welcomed the government's promotion of diversification (an on-going challenge to Botswana) through a multipronged approach leveraging the country's areas of competitive advantage (IMF, 2013).

Although there has been noticeable economic recovery in 2013, the situation is fuelling the fears of another global economic crisis that may be triggered by unresolved financial issues in southern Europe. The unfolding situation of the U.S. government shutdown in 2013 remains unresolved, as in 2014 the same situation will likely have to be confronted again. This poses fears for long term recovery, as global financial markets are adversely affected and world consumer confidence is challenged. For a country like Botswana this has serious fiscal policy implications. In general, however, the domestic economy, based on current indicators, appears to have weathered global volatilities and achieved a budgetary surplus. Time will tell whether it has been sufficient to "ride out" the storm.

Social Programs

Botswana has developed social policy initiatives focusing on expanding human capital through high spending on, and universal access to, education and health services. There is no comprehensive national social security legislation in the country, and generally provision is means tested (such as the Destitute Policy of 2002) and relatively small (even in the case of the universal old age pension scheme) (Nthomang et al., 2007). However, the Government of Botswana has underlined its commitment to achieving a dignified life for all citizens

to ensure the uplifting of the economically marginalized as well as the socially vulnerable. The two focus areas are social development and health (including addressing the HIV and AIDS epidemic and related issues). The primary goals in this regard are the eradication of poverty, adequate social protection, youth empowerment, affordable quality health care services, and the prevention of new HIV infections. In order to achieve these goals, a multi-sectoral approach that promotes sustainable livelihoods and socio-economic empowerment has been adopted (Republic of Botswana, 2009).

One of the priority areas of government budgets since 2008, including 2013-2014, is sustaining social programs that ensure human dignity. The Ministry of Education and Skills Development has the largest budgetary allocation to continue building human capital. This is followed by the Ministry of Local Government and Rural Development to cater for the majority of the needy. The third largest allocation is for the Ministry of Health whose remit is, *inter alia*, HIV and AIDS planning and programming. The Development Budget prioritizes water resources (a problem area in this drought affected country), educational infrastructure, and social development programs such as Ipelegeng (a public employment creation project). It also addresses village water supply, sewage disposal, and municipal services (Republic of Botswana, Budget Speech, 2013).

Botswana's Domestic Development Fund has been created for development projects and for external financing organizations, thus seamlessly integrating foreign aid into annual budgets. This process prevents delays in the implementation of development-funded projects, thus allowing them to proceed smoothly through reimbursement arrangements. Furthermore, Botswana's long established sustainable budget index rule protects and steers mineral revenues into investment in physical and human capital (Bank of Botswana, 2012).

The 2002 National Policy on Destitute Persons emphasized rehabilitation as a people-centered philosophy behind the destitute program. This included the provision of income generating projects ranging from beadwork to laundry, shoe repair, and basketry. However, it was still viewed largely as a social safety net for the deserving poor and thus, in 2007, a

government review of all relevant programs was conducted. The conclusion was that there was need for measures to ensure policy sustainability and more relevant identification of those in need. The recommendations were accepted apart from the introduction of means testing for the old age pension (Seleka, 2007).

The subsequent three years saw the state attempting to transform the public sector through conducting a review of expenditure in collaboration with the World Bank. At the same time, the National Policy on Destitute Persons was reviewed as government considered the growing—and non-sustainable—numbers of recipients not necessarily representative of the deserving poor. As a result, only the eligible became beneficiaries and the able-bodied were to be enrolled in the Ipelegeng program on a permanent basis. This was formerly the Labour Intensive Public Works Programme, a drought relief initiative originally designed to create temporary employment and a supplementary income level for the able-bodied poor using substantial governmental funding (Republic of Botswana, 2009; Ulriksen, 2011).

Poverty still persists in Botswana, and the government has thus adopted a National Strategy for Poverty Reduction. In addition, a poverty initiative, the Community Resilience Project, was set up and has been piloted in various districts in the country. The philosophy behind this program is community empowerment for self-development, which is being planned to be extended to other areas in the country (Republic of Botswana, 2010).

Demographic Challenges

With a limited industrial base, the country has been challenged to diversify its commodity-based economic activities. This has impacted employment creation, especially for the youth (15-35 age group), who are the largest proportion of the unemployed. While overall unemployment stands at 17.8 percent, youth unemployment is 69 percent (largely in rural areas) (International Monetary Fund [IMF], 2013). This is likely to be another issue that the country will have to address in the near future.

Every year, thousands of students graduate from the country's tertiary institutions. However, many remain

unemployed. Based on the principle of social justice and parity (one of the national development objectives), there is need to give young people special consideration in terms of social investment. Meredith (2011) points to reasons for this approach, including sheer numbers and the peculiar situation of the youth in safeguarding the future of the nation and ensuring national development. The large numbers of young people immersed in poverty, despite their level of education, do not participate in the process of national development. This exclusion is a challenge that the country is attempting to resolve, as the numbers of unemployed youth continue to grow to unprecedented levels, leading to distorted development and social inequality. In an ironic twist of fate, the increasing inability of the free market to provide adequate opportunities for young people makes it difficult (in an era of global economic crisis) to involve the youth in development (Mills, 2012).

Unemployment and a relatively high GINI coefficient of 0.6 percent are worrisome elements of the nation's social kaleidoscope. Thus, despite sustained economic growth, the country's wealth has not been evenly distributed. Although the Botswana Core Welfare Indicators Survey (BCWIS) 2009-2010 shows a decline in poverty from 47 percent in 1997 to 20.7 percent in 2009-2010, the issue of youth unemployment remains a substantive challenge to national development and individual and family well-being. Rural areas have been the worst affected due to the fragility and vulnerability of the rural economy, which has been largely dependent on rain-fed production. The country has historically suffered prolonged periods of drought, heightening the incidence of poverty in those areas categorized as Remote Area Development Settlements (RADS), considered to be marginalized and on the fringes of society. High levels of unemployment and adverse climatic conditions in these areas have contributed to correspondingly high levels of poverty (Central Statistics Office [CSO], 2010).

According to the 2008 Botswana AIDS Impact Survey (CSO, 2009), the overall unemployment rate was 16.8 percent with 78 percent of the unemployed being less than 30 years of age. The 2011 census revealed that nearly half (47 percent) of all households were female-headed. About 50 percent of people in female-headed households were living below the poverty line,

compared to 44 percent of male-headed households. Moreover, the severity of poverty experienced by female-headed households was greater than for male-headed households. The main reason for this disparity is that, on average, female-headed households have more dependants and fewer income earners than male-headed households. This was more pronounced in urban areas, where both the mean and the median incomes of female-headed households were less than half that of their male counterparts (CSO, 2011). This level of poverty is likely to make people, especially women and children, more vulnerable to HIV infection.

Botswana's high public sector wage bill is a cause for some concern, especially in comparison to other similar countries. However, this issue has to be viewed in relation to the fact that Botswana is a large country (similar in size to France and Texas) but sparsely populated, necessitating the duplication of infrastructure and some social and extension services. Desert-like conditions in much of the country are a threat to human and natural resource sustainability, which adds further weight to the contention that Botswana is, in many ways, an extraordinary society (IMF, 2013).

Cost recovery (charging fees for services) helps to ensure the sustainability of government services. To that end, a Cost Recovery Unit was established in the Ministry of Finance and Development Planning in 2012. Variations of cost recovery exist across the spectrum of government services in areas such as health and education, but it has been found that, in most instances, these are provided at below cost. This issue is being addressed, in part, through improving the viability and participation of the private sector by provision of finance and infrastructure, promotion of domestic and external markets, and business skills development supported by a variety of institutions. Economic diversification is encouraged through organizations such as the Local Enterprises Authority (LEA), which provides development and support services to domestic small, micro, and medium size enterprises (the SMME industry) (Republic of Botswana, Budget Speech, 2012).

Sustainability

Without doubt, the economy of Botswana hinges on mineral production, especially diamonds, which form the

largest single component of national wealth, accounting for almost half of government revenues. However, Botswana has been a notable exception to the dismal performance of many resource-rich developing societies. It is for this reason that the country has been widely cited as an example of prudent management, given investor grade sovereign credit ratings as number one in Africa, and compared favorably to other countries internationally (Lange & Wright, 2002). However, it is somewhat doubtful whether mineral resources will continue to contribute as much to national wealth, given the often volatile nature of commodities. The recent global financial and monetary crisis provides a genuine lesson about the fragility of the country's diamond-based economy. The IMF (2012) has expressed similar sentiments and urged the government to realize its full revenue potential, maximize the effectiveness of public expenditure, reduce public spending according to long-term revenue prospects, and control the public sector wage bill. This approach will also enhance Botswana's capacity for macroeconomic monitoring and fiscal analysis. However, while these measures appear to be logical and reasonable, they are extremely difficult to implement.

Issues of HIV and AIDS continue to generate a great deal of controversy as the government endeavors to find solutions to this elusive problem. A recent study by the Ministry of Health (2013) of most at-risk populations (MARPS)—commercial sex workers (CSW) and men who have sex with men (MSM) (Republic of Botswana, Ministry of Health, 2013, July)—has given rise to recommendations for strategies suggestive of the abuse of the human rights of these marginalized sectors. As much as the spread of HIV infection by certain groups is a cause for concern, program design should incorporate an approach that taps into an appreciation of people's varying needs and the availability of programs to address them in a positive manner.

There are possibilities in the values of community and cooperation to improve people's quality of life without extra public spending. Relationships are considerably more important than the taxable portion of a human being's income in terms of happiness and participation in community living (Frey & Stutzer, 2002; Helliwell, 2003; Layard, 2005). Thus the concept of high quality interactions in groups and associations

(as is customary in an African setting), rather than individual material consumption, should be promoted (Jordan, 2008, 2010).

Conclusion

Botswana has a mixed economy with emphasis on neo-liberal, free market enterprise. At the same time, based on the principle of consultation, the country has managed to develop strong social welfare policies which guide the actions of government in resource distribution. The Government of Botswana is increasingly concerned with cutting public spending and making social policies more sustainable and efficient. It is dedicated to identifying strategies to resume accelerated economic growth and transform the economy into one that is globally competitive, more diversified, and resilient to external shocks, such as the recent economic crisis.

Despite rapid population growth and global economic meltdown, government has been steadfast in providing its citizens with a variety of institutional services. These include education, health, poverty eradication programs, infrastructure development, employment creation, and social security. In some cases, there has been an increase in resource allocation, such as the destitute allowance and old age and war veteran's pensions. Perhaps what is most noteworthy is that there is exponential growth in resource distribution as the population grows.

The transformation of economic prospects in developed and developing countries has to be built on a foundation of activism, trustworthiness, virtue, and responsibility among citizens, and by a considerate government that espouses such qualities through social policies and education. Both capitalism and the state will require citizens of this nature, and governments have a responsibility for enabling their emergence. For the developed world facing an adverse economic outlook, active government policy in this direction is necessary. For developing countries, such as Botswana, it is vital.

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Considering Post-Crisis Stimulus Measures: Welfare Policy and Social Inclusion in Brazil

LENORE E. MATTHEW

University of Illinois at Urbana-Champaign
School of Social Work

The onset of the 2007-2008 global financial crisis slowed economic growth in Brazil and threatened the country's established trajectory of decreasing poverty and inequality. To mitigate prolonged effects of the crisis, leadership implemented a growth-with-equity stimulus plan, of which investment in income augmentation and human capital-building programs for the poor were primary elements. This article examines the economic and social impacts of the stimulus package. It shows that stimulus measures had overall positive effects on the economy, but mixed effects on the well-being of the underprivileged. Improvements in the underprivileged population's well-being may be less profound than officials have reported, as gains on poverty have been assessed in terms of income level and social program utilization rates, while the low quality of human capital-building services has been less considered. If the quality of these services is not improved, human capital development may be stunted, which could hinder future socioeconomic progress.

Key words: Brazil, fiscal stimulus, global financial crisis, Bolsa Família

Throughout the first years of the new millennium, Brazil established an impressive track record of rigorous economic growth alongside a rapidly declining national poverty rate. The onset of the 2007-2008 global economic crisis threatened these achievements (International Labor Organization, 2010; Serrano & Summa, 2011). The collapse of Lehman Brothers triggered a domino effect across the international banking system, choking credit to the private sector, driving investor and consumer uncertainty, and threatening the socioeconomic security of the public (Arestis & Karakitsos, 2012; Davies & McGregor, 2009). Immediately following the onset of the crisis, G20 countries coordinated a stimulus agenda in an attempt

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to ward off prolonged recession (Cooper, 2010), but by 2010, several European and Global North states had reevaluated the financial burden of expansionary policy and switched their crisis management strategy to one of fiscal austerity (Salmon, 2010; Wren-Lewis, 2011). Brazil, however, maintained a commitment to stimulus measures to minimize social suffering and jumpstart economic activity. In 2009, Brazilian leadership implemented a growth-with-equity stimulus plan primarily aimed at increasing investment in the well-being of the poor (International Labor Organization, 2011). This policy was expanded even further in the years following the crisis. As countries across Europe and the Global North continue to struggle with the economic and social repercussions of the financial crisis, Brazil has bounced back with reinstated growth and continued gains on poverty (Ministry of Finance, 2011). This recovery is impressive, yet the social and economic achievements are not without their limitations.

This article explores the social and economic effects of Brazil's recent stimulus agenda, with the well-being of the underprivileged being the focal point of analysis. To begin, this article sets forth the two responses to economic crisis that leadership may implement: fiscal austerity and stimulus spending. The article then examines Brazil's stimulus plan and considers how policy measures impacted economic factors, namely employment and growth, and social variables, such as income level and human capital development. As the article suggests, stimulus measures have had mixed effects on underprivileged persons, which, if not addressed, may compromise future social and economic progress. Policy and advocacy implications are then considered. Finally, suggestions for social policy and future areas of research are recommended.

Managing Economic Crisis: Two Perspectives

The onset of the global financial crisis sparked international debate on how economies should recover from downturned growth, with economists grappling with the costs and benefits of the two available options: fiscal austerity or stimulus spending (Tcherneva, 2012). With austerity programs, political leaders seek economic expansion through fiscal contraction, employing a series of spending cuts and tax increases to

reduce the budget deficit and manage debt (Stone & Cox, 2008; Tcherneva, 2012). Proponents of austerity argue that fiscal conservatism spurs private spending by calming uncertainty about federal debt and boosting confidence in federal fiscal management (Schoenbaum, 2012). Critics, however, argue that austerity fails to activate new economic growth, and inflicts massive human costs on the population (McKee, Karanikolos, Belcher, & Stuckler, 2012). Critics also claim that austerity aggravates unemployment, drives civil unrest, and destabilizes society by cutting access to public programs, like social security, unemployment benefits, and public education and health services. As critics further argue, trimming such programs disproportionately affects the poor (United Nations Office of the High Commission for Human Rights, 2012).

Stimulus, on the other hand, combats recession by pumping money into the national economy, typically through a combination of government borrowing and tax cuts (Stone & Cox, 2008). Guided by the overall goal of spurring job creation by augmenting consumption demand (Davig & Leeper, 2009; Romer & Bernstein, 2009), stimulus plans typically introduce focused, short-term, timely programs, such as infrastructure development, investment in local economies, and support for the unemployed, the poor, and other socioeconomically vulnerable groups (Salmon, 2010). Opponents of stimulus measures argue that deficit spending can balloon to unsustainable levels over time, and may yield uncertain long-term gains on problems like unemployment (Schizer, 2012). Advocates for expansionary policy counter-argue that stimulated consumption and demand encouraged by increased federal spending reestablish market engagement, curb job loss, and minimize social suffering (McKee et al., 2012). They also argue that once the economy recovers, employment and tax revenues will increase, resulting in reduced need for public benefits and deficit spending (Stone & Cox, 2008).

Post-Crisis Stimulus Measures in Brazil

After experiencing economic downturn in late 2008, Brazil mitigated prolonged effects of the global financial crisis by implementing an equity-and-growth stimulus package in 2009 (International Labor Organization, 2010). The rationale for

Brazil's stimulus policy has deep political, historical, and social roots. After enduring two decades of dire socioeconomic instability characterized by massive unemployment, hyperinflation, fluctuating output, and extreme destitution and inequality, stabilization efforts introduced in the late-1990s paved the way for Brazil's new economic path. By the early 2000s, this path consisted of robust economic growth alongside rapidly decreasing poverty and inequality (Paiva, 2009).. From 2004 to 2007, Brazil's annual growth averaged 4.4% in real terms (International Labor Organization, 2010), more than double its annual growth from 1999 to 2003 (Serrano & Summa, 2011). The national poverty rate¹ fell from 35.3% of the population in 1999 to 33.7% in 2004, speeding up to drop to 21.4% by 2009 (United Nations, 2013).

Recent economic growth is primarily due to an early-2000s boom in Brazilian exports and subsequent development of domestic markets (Kandil & Morsy, 2010). Brazil's export-led growth began to cool in the middle of the decade, due to declining international demand with the onset of the global crisis. However, expansionary monetary policy bolstered burgeoning internal markets and established the spending trajectory on which post-crisis stimulus measures would be built (Serrano & Summa, 2011). The recent rapid decline in poverty that accompanied economic growth is primarily attributed to the 2003 introduction of the flagship social assistance program, *Bolsa Família* ("Family Grant"), a conditional cash transfer program. While *Bolsa Família's* achievements have been noteworthy, millions of Brazilians continue to live in poverty, with over 16 million of the country's 190 million people residing in extreme poverty² today (Ministry of Social Development, 2012). This has only fueled the rationale for increased social spending.

When the 2008 global crisis hit, the international credit crunch and environment of uncertainty that rippled global markets also threatened Brazil (International Labor Organization, 2010; Williamson, 2009). To mitigate reversion of socioeconomic gains achieved over the last decade, Brazil introduced a "growth-cum-equity" stimulus package that totaled US \$20 billion, or just over 1% of the national GDP (International Labor Organization, 2010). The multifaceted package included spending on infrastructure (41.5%

of package budget), tax cuts (35%), subsidies (15%), transfers to municipalities (5.5%), and investment in social protection programs (International Labor Organization, 2010). This latter component included an expansion of *Bolsa Família* (1.5% of the package budget), an extension of unemployment insurance for up to two months (1%), and the introduction of the *Minha Casa, Minha Vida* ("My House, My Life") public housing plan, a component of the infrastructure investment initiative (International Labor Organization, 2010). Since the 2009 stimulus package was introduced, subsequent anti-poverty measures have been implemented, most notably *Brasil Sem Miséria* ("Brazil Without Misery"), a comprehensive program that targets people living in extreme poverty.

Impact of Stimulus Measures on the Economy

Brazil's pre-crisis economic environment was characterized by a decade of booming domestic growth, an agenda of coherent macroeconomic policies based on monetary stability and fiscal equilibrium, and a restructured financial system carried over from stabilization reforms of the late 1990s (Paiva, 2009). This structure alleviated the blow of the financial crisis and set the stage for stimulus measures to deliver quick economic recovery (Paiva, 2009). After only two quarters of negative growth, Brazil's GDP growth pivoted towards the positive by late 2009, registering at 4.4% by the final quarter of that year (International Labor Organization, 2011). Had the stimulus package not been introduced, the government believes that GDP would have contracted by 2% (International Labor Organization, 2010). By 2010, 2.2 million new formal sector jobs had been created (a 6.7% increase), and prolonged expansion of the informal labor market had been avoided (International Labor Organization, 2011). Domestic markets, particularly in the service sector, developed further, supported by credit supplied by the three public banks at a time when private banks were hesitant to lend (Ocampo, 2012). Additionally, low- and middle-income families' purchasing power was increased by a reduction in taxes and, for some, by income supplementation vis-à-vis *Bolsa Família* cash transfers (Barbosa, 2012).

The stimulus package's social programs contributed to economic rejuvenation in various ways. Overall, *Bolsa Família* cash transfers injected US \$30 billion into the national economy, and

had multiplier effects of 1.4 on GDP and 2.2 on family incomes (International Labor Organization, 2011). Furthermore, coverage and targeting expansions of the flagship social welfare program is estimated to have created and saved a total of 1.3 million jobs (International Labor Organization, 2011). As a result of the public housing program *Minha Casa, Minha Vida*, 1 million homes for low- and middle-income families were built by 2010, with another 2 million scheduled for construction by the end of 2015 (World Bank, 2012). As of 2012, *Minha Casa, Minha Vida* had created 1.4 million jobs in the construction sector, an industry that had been negatively impacted by the financial crisis (Ministry of Development, Industry, and Foreign Trade, 2013).

Brazil has fared well in comparison to other countries hit by the global recession, including those that adopted an agenda of fiscal austerity. Recession continues to burden the Iberian states of Spain and Portugal, for example, where both private and public demand remain depressed (Koumparoulis & Wong, 2012). Spending on human development services has been dramatically reduced in that region, as exemplified by Spain's education budget, which has been slashed by 20% (Burrige, 2012). Such cuts have driven social backlash and unrest (Hughes, 2011). Unemployment of youth under 25 years of age registers at 55% in Spain, and the persistent downturned labor market across the Iberian Peninsula has driven youth and professionals to migrate in search of work to now-booming former Latin American colonies, including Brazil (MacSwan, 2012; "With Youth," 2013). While Brazil's post-crisis environment is remarkably different from that of its Iberian counterparts, it is important to note that Brazil's position as an "emerging economy"—characterized by a half-decade of vibrant internal growth, booming international market activity, and recently reformed financial structures—helped drive its prompt recovery (Paiva, 2009).

In the years following the economic crisis, Brazilian growth continued, albeit at a slower pace than anticipated (Ministry of Finance, 2011). Investment in transportation and other infrastructure has been amplified, and spending on social programs has been further augmented, which has helped keep unemployment low (5.3% in 2012) and consumption high (Winter

& Pereira, 2012). The massive expansion of credit in domestic markets has expanded economic participation to new members of society and supported local business growth. However, reliance on credit has also introduced vulnerabilities, and many consumers have reached their debt limits (International Monetary Fund, 2012).

Increased spending has sparked debate. Some question whether the state can sustain growth alongside fiscal injections (Winter & Pereira, 2012). Nevertheless, the Brazilian Ministry of Finance (2011) projects that the economy will maintain healthy performance going forward, displaying positive growth, sustained domestic demand, and positive consumer and industry confidence.

Impact of Stimulus Measures on Social Well-being

While the 2009 stimulus package had an overall positive impact on the economy, the measures had mixed effects on the social well-being of the underprivileged. To begin, extended employment insurance had little to no impact on the economic security of the poor. The insurance initiative offered support to 310,000 workers in key downturned industries, like mining and steelmaking (International Labor Organization, 2010). However, the program targeted the formal sector, an area in which poor people in Brazil typically do not work (Organization for Economic Co-operation and Development, 2011; World Bank, 1995). Thus, few, if any, poor people directly benefitted from the extended insurance measure.

The public housing program, *Minha Casa, Minha Vida*, however, did have direct benefits on the underprivileged. Funded by a blend of government and private investment, *Minha Casa, Minha Vida* assisted over 1 million low-income Brazilians in obtaining housing, either as renters or mortgaged buyers (World Bank, 2012). By moving into *Minha Casa, Minha Vida* housing complexes, many families received access to basic human and sanitation services for the first time, such as sewage systems, treated water, and electric power (Santin, 2012). Furthermore, individuals with special needs, such as the elderly and wheelchair users, were provided housing that accommodates their lifestyles and needs, which many did not have in their previous accommodations (Santin, 2012). After

the 2009 stimulus package was introduced, a second wave of *Minha Casa, Minha Vida* investment was unveiled in 2011, with the federal government dedicating R\$140 billion reais (US \$70 billion) to program expansion (Maresch, 2011). As a part of this second wave of investment, two socially progressive initiatives were introduced to the housing program: first, women no longer need their husband's signatures to enroll, and second, all homes were designed to be powered with solar energy panels (Maresch, 2011).

While *Minha Casa, Minha Vida* has provided numerous underprivileged Brazilians with access to adequate housing, the program is not a total success story. Many residents state that the complexes are being built in the distant periphery without adequate access to health facilities, schools, or public transportation (Duarte & Benevides, 2013; Santin, 2012). In metropolitan areas, where onerous commutes are commonplace, housing complex isolation is particularly burdensome. In Rio de Janeiro, for example, the average walk from *Minha Casa, Minha Vida* complexes to bus and metro stops is approximately thirty minutes, and many residents must take multiple modes of transportation to access the city center and places of employment (Duarte & Benevides, 2013). This imposes high costs and travel time on commuting residents.

Economic motivations may be at the heart of these burdens, as economic planning commissions within the government, rather than local participatory coalitions, established the program's real estate development plans (Valença & Bonates, 2009). Furthermore, contractors and investors are arguably more likely to develop complexes in the distant periphery because land purchased for construction is less expensive in this area, thus yields higher profits for builders and investors (Duarte & Benevides, 2013).

Among all other social measures introduced with the 2009 stimulus package, the principal welfare investment was the expansion of Brazil's principle anti-poverty program, *Bolsa Família*. *Bolsa Família* is a means-tested, targeted, conditional cash transfer program that provides underprivileged families with monthly cash benefits in exchange for meeting education and health "conditionalities," which aim to build human capital (Lindert, 2006; Lindert, Linder, Hobbs, & de la Brière, 2007). Conditionalities require that every

school-age child between the ages of 7 and 17 years must be enrolled in school and attend 85% of monthly school hours, and that mothers and children under 7 years of age complete an agenda of pre-natal care, vaccinations, and health and nutrition surveillance (Santos, Paes-Sousa, Miazagi, Silva, & Medeiros da Fonseca, 2011).

The 2009 expansion of *Bolsa Família* was delivered in two ways. First, the targeted beneficiary pool was broadened, and second, cash benefit amounts were increased (Fiszbein, Ringold, & Srinivasan, 2011; Soares, Ribas, & Soares, 2010). The qualifying income level was raised, which added 1.3 million families to the previous target population of 11 million families, and the amounts of fixed and variable per-child stipends were increased, only to be raised again in 2011 (Soares, 2012). As a final 2009 stimulus measure, new local-level poverty estimation methods were implemented, which allowed for a more accurate determination of the number of eligible families, and increased participation of beneficiaries in previously excluded areas (Fiszbein et al., 2011).

While the 2009 increase in *Bolsa Família* accounted for only 1.5% of the total stimulus budget, the cumulative gains that the program has had on inequality and poverty alleviation since 2003 are significant (International Labor Organization, 2011). Today, *Bolsa Família* is the largest conditional cash program in the world. It extends benefits to 25% of the Brazilian population—almost 13 million families, or about 52 million people (Santos et al., 2011). There is evidence that *Bolsa Família* income augmentation has led to various improvements in beneficiaries' well-being, such as increased food security (Rocha, 2009), healthier diets (Food and Agricultural Organization of the United Nations, 2006), and investment in basic necessities, such as clothing, medicine, and school supplies (O Futuro Começa Agora, 2012). Official sources emphasize that *Bolsa Família* has "lifted" millions of families out of poverty (i.e., above the national poverty line) (Ministry of Social Development, 2013). However, some independent program evaluators suggest that the program is more successful in closing the income distribution gap, rather than in relieving poverty (e.g., Soares & Sátyro, 2010). Others argue that while achievements are significant, due to means testing, the program excludes people residing

just above the poverty line who may also be socioeconomically insecure (Soares, Ribas, & Soares, 2010). Hence, because *Bolsa Família* enforces a qualifying income limit, it may keep vulnerable individuals from receiving the services they need.

Evaluations of human capital building initiatives in education and health have yielded varied results. In terms of health, *Bolsa Família* enhances public awareness about health services (Soares, Ribas, & Osório, 2010), and increases the likelihood that pregnant mothers will attend prenatal care visits and children will be vaccinated (Gilligan & Fruttero, 2011; Ministry of Social Development, 2007). However, some beneficiaries claim that low-quality clinics, staff, and services prevent their access to equitable healthcare (Ministry of Social Development, 2007). In terms of education, *Bolsa Família* clearly encourages attendance and re-enrollment, and discourages dropping out (Gilligan & Fruttero, 2011; Glewwe & Kassouf, 2012; Ministry of Social Development, 2007). However, the program may fall short of improving children's performance in school, and even when children consistently attend classes, the program appears to have little impact on their cognitive skill development (Santarrosa, 2011; Soares, Ribas, & Osório, 2010). These results are at least in part due to the low quality of curricula, schools, and some teachers (Santarrosa, 2011; Soares, Ribas, & Osório, 2010).

As these various studies suggest, *Bolsa Família* succeeds at increasing enrollment rates and the number of people with access to social services, but fails to address the *quality* of services (Organization for Economic Co-operation and Development, 2011), which, especially for education, is very low across Brazil (Aquino Menezes-Filho, Franco, & Waltenberg, 2008). This matter is of concern, as even when conditional cash transfer programs impose a mandatory use of health and education services, complying with program conditionalities may not build human capital if the quality of those services is not taken into account (Calvo, 2011).

Two years after the implementation of the 2009 stimulus package, anti-poverty spending increased even more with the 2011 introduction of *Brasil Sem Miséria*, a multi-initiative program that targets people living in extreme poverty (Ministry of Social Development, 2012). This program scaled up *Bolsa*

Família by taking into account both income-based and various non-monetary dimensions of poverty that affect the extremely poor. Operating on an annual budget of R\$20 billion, *Brasil Sem Miséria* offers expanded income assistance, enhanced skill-building initiatives (e.g., job training programs, particularly for technical positions in the formal sector, and access to micro-credit), and improved public services (e.g., distribution of clean drinking water, and the addition of health center locations and improved services, particularly for children ages 0 to 5) (Ministry of Social Development, 2012; Nehring & McKay, 2013; Plan Brasil Sem Miséria, 2012).

Brasil Sem Miséria also seeks to extend efforts of social inclusion to the extremely poor. The program employs language of inclusion, clearly stating that it is vulnerable citizens' "right" to obtain benefits and secure a better quality of life (Ministry of Social Development, 2012). Additionally, *Brasil Sem Miséria* implemented the *Busca Ativa* ("Active Search") initiative, which sends teams of professionals, psychologists, social workers, and counselors to locate potential beneficiaries who have been excluded from benefit receipt for reasons such as living in remote areas and lack of documentation (Ministry of Social Development, 2012).

According to Brazil's Ministry of Social Development (2012), *Brasil Sem Miséria* achieved many successes after just one year of implementation. The population of qualified cash transfer beneficiaries was expanded to include women who are pregnant or breastfeeding, adding 255,000 mothers to the beneficiary roster. Across the country, 123,000 people were enrolled in technical job training courses. Of these students, 70% were women and 44% were young adults between the ages of 18 to 28. *Busca Ativa* located 687,000 new families who were eligible for social plans, and set a new goal of reaching 800,000 families by the end of 2013. Most impressively, *Brasil Sem Miséria* has "lifted" 22 million people out of extreme poverty since 2011 (Ministry of Social Development, 2013).

Despite these promising results, various concerns have surfaced. First, *Brasil Sem Miséria* carries over problems with exclusion due to income. To qualify for program benefits, people must be at or below the extreme poverty line, which may exclude some vulnerable persons from receiving benefits

that they may need. Second, much like *Bolsa Família*, *Brasil Sem Miséria*'s successes have been quantified in terms of enrollment. Granted *Brasil Sem Miséria* is in its infancy, thus it may be too soon to determine factors such as program quality and effectiveness. Going forward, such dimensions must be examined. Third, although *Brasil Sem Miséria* addresses the quality of health services, it does not tackle the quality of education. *Brasil Sem Miséria* does include education initiatives in its agenda, such as *Mais Educação* ("More Education"), which supports optional activities, such as students attending full-time school days rather than the norm of part-time shifts. This initiative, however, neglects to address contextual problems within the education system that shape learning, such as poor-quality curricula, teachers, and facilities.

Implications and Conclusions

Post-financial crisis stimulus spending in Brazil has had an overall positive impact on the economy but mixed effects on the well-being of the underprivileged. Emergency unemployment insurance essentially bypassed the poor. *Minha Casa, Minha Vida* housing program created jobs and provided shelter to over 1 million people, but imposed new burdens on some recipients, like peripheral relocation. *Bolsa Família* extended financial assistance to over 1 million new beneficiaries and increased access to education and health services. However, the effect of increased access and enrollment is inconclusive, given the low quality of services that beneficiaries tend to receive. Some underprivileged persons residing just above the qualifying income threshold have been excluded from program benefits altogether. *Brasil Sem Miséria* evolved the understanding of poverty to include various non-monetary factors, like clean water access and job training, and made efforts to improve health services. *Brasil Sem Miséria*, however, reaffirms access to social assistance based on income levels, and has yet to tackle the many complexities associated with improving the quality of education services—a pressing matter if human capital is to be built.

Brazil's social program successes have typically been conceptualized in terms of quantitative increases—augmented income levels, an increased number of people with housing,

a rise in school and clinic attendance rates. The extension of access to services is no doubt a massive accomplishment and a critical starting point. However, the celebration of these indicators alone allows the low quality of services and the negative externalities that social programs may impose to be overlooked. These disregarded factors must be acknowledged, as they impact the underprivileged population's well-being, human capital development, and access to future opportunities—variables that are central to future social and economic progress.

Two implications can be drawn from this analysis. First, despite Brazil's pattern of healthy growth, future economic development may be stunted if the quality of human capital building mechanisms (primarily education) is not improved. A nation's long-term international competitiveness is in part determined by the quality of its labor force, which is largely contingent upon the quality of its schools (Puryear & Goodspeed, 2008). Furthermore, high-quality education "improves workers' skills, promotes growth, [and] reduces poverty" (Puryear & Goodspeed, 2008, p. 45). Given these claims, the state of the Brazilian education system is alarming. Across the country, only 33% of fifth graders and 12% of ninth graders perform at the minimum competency level in mathematics, and 37% and 22% of the same age groups at the minimum level of Portuguese (QEdu, 2013). Children often repeat grade levels, and rather than attending a full day of classes, typically frequent one of two or three shifts, which are only a few hours long ("Brazil's Poor," 2009). There is a massive dearth of qualified teachers, and teacher truancy is a regular occurrence, with absence rates averaging 30% per academic year ("Brazil's Poor," 2009). Given that it may take years for changes in education quality to yield returns (Morley, 2001), social policies that improve the quality of education are imperative today.

Going forward, future research must critically assess factors that determine education quality, such as curricula, teacher qualifications, and facilities. Advocacy leaders and members of civil society must lobby for these changes to be implemented in underprivileged schools. Furthermore, future policy agendas should focus on implementing policies that improve not just attendance rates, but also the quality of learning.

The second implication that can be drawn is that if negative

externalities of social programs are not addressed, they may negate the benefits of social services distributed to some underprivileged persons. As illustrated by peripheral relocation with *Minha Casa, Minha Vida*, disconnects between objectives of economic growth and improved well-being may arise even within progressive development programs. There is a need for members of civil society to advocate for the state's recognition of the negative externalities that programs may impose, and to lobby for correction of these burdens. There is also a need for research to explore the positive and negative impacts of this and other social programs, which will help identify program gaps that may be overshadowed by impressive enrollment and utilization rates. To date, few scholars have analyzed *Minha Casa, Minha Vida* and *Brasil Sem Miséria*. This may be due to the youth of these programs. Going forward, research exploring these programs in greater depth is needed.

Overall, Brazil fared well in the aftermath of the 2007-2008 global financial crisis. Due to the 2009 stimulus package and subsequent spending initiatives, economic growth was maintained, jobs were created, and poverty continued to decline. Stimulus spending has had mixed effects on the well-being of the underprivileged primarily because the quality of distributed services and goods has been overlooked. If established socioeconomic successes are to be sustained, attention must be turned towards improving the quality of human capital building services for all members of society, including the underprivileged.

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Endnotes:

1. The poverty rate is defined as the percentage of the population earning a per capita monthly income at or below the national poverty line (United Nations, 2013). In 2004, the poverty line registered at R\$100 (US\$50) and was adjusted various times, registering at R\$140 (US\$70) in 2011 (Soares, 2012).
2. Extreme poverty is defined as living at or below a per capita family income level, which in 2011 was R\$70 (US\$35) per month (Soares, 2012).

Queensland's Budget Austerity and Its Impact on Social Welfare: Is the Cure Worse than the Disease?

GREG MARSTON

School of Public Health and Social Work
Queensland University of Technology

While considerable attention has been paid to the austerity experiments in Europe, much less attention has been paid to austerity case studies from other parts of the world. This paper examines the case of Queensland, Australia, where the government has pursued austerity measures, while making dire warnings that unless public debt was slashed and the public service sector downsized, Queensland risked becoming the Spain of Australia. The comparison is incomprehensible, given the very different economic situation in Queensland compared with Spain. This comparison constructed a sense of crisis that helped to mask standard neoliberal economic reform. While pursuing neoliberal economic policies, the Queensland Government has also been introducing draconian laws that limit civil liberties and political freedoms for ordinary citizens. This mix of authoritarianism and austerity has met considerable resistance, and this dynamic is discussed in the paper, along with the predictable and unequal impact that austerity measures have had on the general population and social services.

Key words: Australia, Queensland, austerity, public service sector, economic policies, neoliberal

In July 2012 the Premier of Queensland, Campbell Newman, declared that "Queensland risked becoming the Spain of Australia" ("Newman Makes," 2012, para. 1). The context for this statement was the lead up to a Council of Australian Governments (COAG) meeting of all State and Territory Premiers and the Prime Minister of Australia to discuss a whole of government commitment to a new Commonwealth-State funded social insurance scheme for people living with a disability. The Queensland Premier made the comment as a justification for why Queensland would not be putting any money

on the table towards a trial of the new policy. He claimed he had inherited too much public debt from the previous Labor government. In another media interview the same month he said, "Queensland has been bankrupted—is on the way to being bankrupted—by poor and reckless financial management" ("Queensland on Verge," 2012, para. 5). Crying poor has long been the rallying cry of state premiers when negotiating with the national government over funding for health, education and welfare. However, comparing Queensland to Spain came as a surprise to even seasoned political commentators, given the absurd nature of the argument. In mid-2012 when the comparison was made, for example, Spain's official unemployment rate was 24.5% compared with Queensland's 5.5%; the bank bailout in Spain was \$125 billion alone, and economic growth was - 0.3%, while in Queensland growth was running at 1.4% in 2012.

We could read the sensational comments by the Premier as a case of political theater, using Spain as a symbol of fear to construct an apparent crisis and reminding Queenslanders about the social and economic upheaval that can happen if governments are not prepared to reign in expenditure through "tough measures," such as job cuts and cuts to the welfare state. But perhaps we should read it analytically as a sign of the hegemony of austerity, a term that can be deployed as a miracle economic cure regardless of whether we are talking about Spain or Australia, the past or the present, and regardless of all the evidence which shows that in the vast majority of cases austerity simply doesn't work (Blyth, 2013). Austerity might make for good politics, particularly for conservative governments seeking to shore up electoral support for pro-market reform, but it doesn't make for good policy, as the growing evidence from Europe's failed austerity experiments demonstrates (Blyth, 2013; Clarke & Newman, 2012; Krugman, 2012). At the heart of austerity is a belief that strategies of fiscal constraint can, counter-intuitively, produce expansionary effects in national economies, increase private consumption and investment and produce growth in gross domestic product (Clarke & Newman, 2012).

In many cases, the effects of fiscal consolidation are contraction, not expansion. While there has been much discussion in the media and academic literature about the European cases

of austerity, particularly the Mediterranean countries of Spain, Italy and Greece, much less is known about how the discourse and politics of austerity has played out in the Australian context. Australia makes an interesting case study of the contrast between a Keynesian-inspired response to the recent global financial crisis and its effects, which was applauded by many international economists at the time, and a case of neo-liberal austerity and authoritarianism as practiced by the state of Queensland over the last two years. Such a contrasting case study is possible to examine because of Australia's federal political system where there is a national level of government and eight state and territory governments and where it is not uncommon to have a government of one political persuasion in power at the national level and another party of a different political persuasion at the state and territory level.

The first part of this paper will sketch some of these political differences and contrasting policy responses by way of providing context, before taking a more detailed examination of Queensland's austerity measures and their impact on social welfare and the public sector. Here the discussion will focus on how the problem was framed, the policy measures that followed and the link between restrictions on civil and political rights and the erosion of social protection and social services. The third and final part of the paper will briefly reflect on what sort of alternative politics might be possible in light of the austerity critique.

Australia and the Aftermath of the Global Financial Crisis

Australia was in a strong economic position at the time of the GFC; it had one the highest rates of economic growth in the developed world, largely based on a mining boom fueled by China's growth and its demand for Australia's commodity exports. Australia had a relatively low rate of unemployment, at around 5%, and a favorable exchange rate. The Australian financial system was also markedly more resilient, with a much lower proportion of sub-prime mortgage exposure compared to the U.S. Moreover, during the crisis the Australian banks continued to be profitable and did not require any capital injections from the national government. The health

of the Australian banking system also facilitated the effectiveness of the monetary and fiscal response to the fiscal crisis, particularly by allowing much of the large easing in monetary policy to be passed through to interest rates on loans to households and businesses, in stark contrast to the outcome in other developed economies (ABS, 2013). Australia's resilience was also reflective of less documented institutional features, such as strong corporate governance and oversight, transparent legal structures and banking history (Ferran, Moloney, Hill, & Coffee, 2012). Government guarantees to commercial banks to safeguard against a possible banking collapse were also critical in maintaining confidence in the market and among citizens whose savings were being held by the banks. These institutional features and economic position were important, but so were the social policy initiatives pursued during the financial crisis, not just in terms of scale, but also in terms of type.

The government's fiscal stimulus package, alongside the quick response by the Reserve Bank to cut the official interest rate, was a decisive factor. In 2009 the national government, led by the then Labor Prime Minister Kevin Rudd, approved \$42 billion worth of spending. This was only the first phase. The various phases of fiscal stimulus added up to about \$95 billion over two years. These comprise the \$10.4 billion in cash payments that were announced in October 2008; \$15 billion in extra funding for the states (November 2008); a \$4.8 billion infrastructure plan (December 2008); the \$42.5 billion package (February 2009); and another \$22 billion in infrastructure spending (in the May 2009 budget). The Treasury told the Senate economics committee in September 2009 that the stimulus had added one percentage point to GDP growth in 2008-2009 and would add 1.6 points in 2009-2010. "This translates into a level of GDP that is 2.75 per cent higher in 2009-10 than without the stimulus," it said in a submission. More to the point for thousands of workers, the Treasury added this: "The peak unemployment rate was estimated to be 1.5 per cent lower as a result of the fiscal stimulus" (Federal Treasury, cited in Crowe, 2013, p. 1).

There has since been debate about whether the national government in Australia kept the stimulus going for longer than was necessary, which then added to the budget deficit. Whether this is the case is difficult to know. Regardless of the

narrative that is used to explain Australia's resilience, what is indisputable is that Australia fared better than most advanced economies during and in the years since the crisis began in 2008. This observation has not been lost on some of the world's notable economists, particularly those that are not opposed to demand-side economic management and an interventionist state. Nobel Prize laureate and Professor at New York's Columbia University Joseph Stiglitz (2010, p. 1) said in a 2010 visit to Australia that, "You were lucky to have, probably, the best designed stimulus package of any of the countries, advanced industrial countries, both in size and in design, timing and how it was spent."

The evidence shows that most of the stimulus money was spent, rather than saved or used to pay down household debt (Leigh, 2009). Payments, which were paid through the tax system, were not taxable, and were ignored for the purposes of calculating other income support payments. It was also possible for households to receive multiple payments. For example, a husband and wife who each earned \$40,000 and had two school-aged children would each have received a *Tax Bonus* of \$900, plus \$1900 in a *Back to School Bonus*, resulting in an overall non-taxable bonus of \$3700 for the household, or about 4 percent of that household's annual market income (Leigh, 2009). It wasn't all a success story, however. Other parts of the stimulus package were bungled through poor implementation, such as the Homeowners Insulation Scheme, which involved subsidizing households to have insulation installed. A number of the suppliers were involved in fraudulent claims for work that was never completed and other contractors were not complying with workplace health and safety regulations, resulting in house fires and a number of deaths of workers involved in installing the insulation in houses.

Despite these tragedies and implementation problems, the Australian Government's response to the crisis was swift and decisive. For the most part, the state and territory governments around Australia followed suit, borrowing money to spend on infrastructure projects in an effort to pump prime the economy and increase demand to avoid a recession. Certainly this was the path of the Queensland Labor government that was in power in Queensland from 2001 to early 2012. However, in April 2012 the Labor Government lost power in the state

election and was replaced by the conservative Liberal National Party (LNP) Coalition, led by Premier Campbell Newman. It is this change of government and the party's version of austerity that is discussed in the next section.

Queensland's Austerity and Impact on Social Welfare

While the national government implemented a large stimulus package when faced with a global economic crisis, the LNP Queensland Government that came to power in 2012 had a different response to what it perceived to be a major debt crisis. The construction of the public policy problem is important to understand, as the earlier discussed comparison with Spain was part of a plan to establish a sense of crisis. The other components of the problem construction were fairly standard narratives for a conservative government—blaming the previous Labor government for spending beyond its means, and blaming the public service for being driven by self-interest, rather than serving the public.

How much of this narrative is supported by the evidence is another matter. Certainly, the previous state Labor government borrowed, but they did so at a time when Queensland was recovering from the global financial crisis and natural disasters, such as floods that had ravaged parts of the state. The bulk of the borrowings were invested in infrastructure that developed the state's services and economic capacity: roads, bridges, eight new hospitals, more than 200 kindergartens, 90,000 new jobs and economic growth approaching 5% (Remeikis, 2013). As Chris Richardson from Deloitte Access Economics argues, "it is both financially responsible and economically prudent to borrow to build infrastructure, and pay it off over the life of the asset" (Richardson, cited in Riordan, 2013). These nuanced distinctions were lost in the simplistic political messages and policy measures of the newly elected LNP government.

Within months of coming to office, the Queensland Government set up a Commission of Audit to determine the state's finances and make recommendations for what could be done to reduce debt. At the time there was criticism about the choice of the former Australian Treasurer, Peter Costello, to lead the Audit Commission's review, given that he was the Treasurer in the Coalition Government that held office

nationally from 1996-2007. There was even more criticism when the executive summary of the report was released in September 2012 over its methodology for estimating state debt, which was inflated. As Professor of Economics John Quiggin (2013) explains:

The Costello report switched attention from net worth to gross debt. While this makes little economic sense in ordinary terms (if you were buying a company, would you care more about its net value, or its debt level), it might be important if the ratio of debt to net worth had risen a lot. Actually, gross debt was \$24 billion in 1996, and is \$64 billion now. The ratio of gross debt to net worth has actually fallen. (p. 1)

The Audit Commission report also failed to take into account the value of state assets. In short, the Audit Commission report painted a gloomy fiscal future for Queensland. The Audit Commission report claimed that gross debt would reach \$100 billion by 2018-2019 unless urgent action was taken to pay it down. It is against this backdrop of an inflated crisis that the government justified its savings measures, which included cutting 14,000 public service jobs (estimated to save the government \$3.7 billion over four years). At the time, the government claimed nobody would be sacked, the numbers would be reduced through redundancies and not renewing contracts. The government also emphasized that no front-line workers would lose their jobs, a claim which was questioned by the unions. The Premier, when interviewed at the end of his government's first 100 days in office, said: "What we need to do is find new, cutting-edge ways to deliver services and to cut down on waste and inefficiency, in particular in the back office" (Hurst, 2012, p. 1). The state government was also maintaining pressure on the unions by limiting the pay offer to Queensland public servants at less than 2.5%, claiming anything higher would be unaffordable. It was ironic, then, when in the midst of this austerity talk, the government announced that it would be increasing state politician salaries by 9% over two years during 2012-2013. In its defense, the Government claimed the 9% was much less than an earlier cabinet decision which would have seen state politicians receive a 42% pay rise (Remeikis, 2013).

The Queensland Government also looked to make savings outside of their own workforce and they targeted community welfare organizations, many of which are dependent on either Commonwealth or State grants for their operational expenses. It is difficult to get an estimate on how many organizations lost their funding or have had their funding reduced, but the cuts were extensive. It is important to remember that Queensland is a state that has historically been underfunded in terms of social welfare, which reflects the legacy from the 1970s and 1980s, when the conservative government, led by the then Premier Joh Bjelke Petersen, underinvested in education, health and welfare. Given this, there wasn't a lot of fat to cut when the Newman government decided to withdraw funding for tenancy rights services, health services for gay and lesbian people, prisoner's legal services, youth arts programs, women's legal services, and diversionary court programs that were working to break the cycle of recidivism. A representative from the Community Legal Service argued that "Certainly, the government should consider whether it really wants to cause such adverse impacts to the ability of ordinary Queenslanders to have reasonable access to justice and, through that, equality before the law" (Keim, Marsh, & Moran, 2012, p. 1).

The Queensland Council of Social Services (QCOSS) estimated that in total there was a reduction in the amount spent on social welfare, housing and other community services in the 2012-13 state budget from 12.96% of total expenditure in 2011-12 to 10.72% in 2012-13. The Department of Communities reduced funding to non-government community organizations receiving grants and subsidies by approximately \$65 million in 2012-13 (QCOSS, 2012). While these short-term savings may look like they will save the government money, the long-term cost may outweigh any savings. As the accountancy and consulting firm Price Waterhouse Coopers (PWC) pointed out, care is required in making budget cuts, as the short-term financial benefit to government of these cuts will be far outweighed by the longer-term economic impact of a decline in essential community services. For example, the loss of preventative health programs such as public health nutrition, healthy living and chronic disease prevention programs will add further pressure to an already overburdened health system. And while the Government expects to save \$287.7 million from the removal

of the Skilling Queenslanders for Work (SQW) program, this needs to be balanced against the costs incurred through lost productivity and the need to invest in tertiary services due to entrenched and long-term unemployment (PWC, cited in QCOSS, 2012). All of these cuts came at a time when demand for social services, health and housing, has never been higher in Queensland. In terms of impact on social welfare clients, the Queensland Council of Social Service estimated that some 73,000 clients across eight different programs in Queensland would no longer receive support (QCOSS, 2012). Cuts in welfare spending are not borne equally; they impinge directly on the poor, the young, the sick and the disabled (Levitas, 2012). Austerity measures in Queensland are likely to produce new landscapes of inequality. Research shows that cuts to public service jobs and social services disproportionately impact women because public sector employment is predominantly female, and women, on average, are more reliant on public services than men (Theodoropoulou & Watt, 2011).

In addition to cutting services, democracy was also being thinned. For community groups that managed to maintain their funding, the Government installed so-called "gagging clauses" into their funding agreements, which state that:

Where the organization receives 50 per cent or more of its funding from Queensland Health and other Queensland government agencies, the organization must not advocate for state or federal legislative change. The organization must also not include links on their website to other organizations' websites that advocate for state or federal legislative change. (Queensland Law Society, 2012, p. 1)

The Queensland Government's argument is that not-for-profits should be delivering frontline services and not participating in the public domain for government policy changes. The use of gagging clauses follows a similar move by the conservative national government, led by Prime Minister John Howard from 1996-2007. The Prime Minister and his government also believed that the role of non-profit welfare groups in addressing poverty was getting them to return to a 1800s charity model of soup kitchens and poor relief, rather than

systemic advocacy and policy activism (Wright, Marston, & McDonald, 2011). The gagging clauses were removed by the incoming Labor government in 2007. The use of gagging clauses in Queensland has been highly criticized as an attack on basic political freedoms and as undermining the necessary checks and balances that underpin effective policy processes. As the Deputy President of the Queensland Law Society, Annette Bradfield (2012), wrote at the time in *The Australian* newspaper, "By making the restriction of free speech a condition of funding, the government is robbing Queenslanders, and itself, of the ability to use information from frontline providers to consider sensible proposals for legislative reform and identify service efficiencies" (p. 1).

Were these cuts to services and public service jobs necessary? Governments always have choices about how they construct problems, identify possible solutions and justify their actions to the electorate. The government had chosen to put a negative spin on debt to justify savage cuts to public services jobs and social services. The narrative of debt and budget cuts to reduce a budget deficit had become the mantra of the new Queensland government ever since it was elected in April, 2012. Clearly, running budget deficits indefinitely is not in the interests of Queenslanders. But the LNP's cuts to public service spending are not necessarily in the state's best interests either. A shortfall in revenue does not automatically imply the need for austerity. The shortfall could be addressed by raising taxes rather than cutting spending, or by using a mixture of both. But the ideological stance of the Premier and his Liberal National Party government is, of course, biased towards smaller government and lower taxes, so raising taxes (in areas other than household taxes) was never seriously considered (Eltham, 2012).

The austerity cuts have not worked to reduce debt or build growth. Since coming to government in April 2012, state debt is up, economic growth is down, unemployment is up, and the state's credit rating has not improved (Eltham, 2012). In July 2013, the unemployment rate in Queensland was 6.4%, which was the second worst unemployment rate in the country behind Tasmania (ABS, 2013). When austerity measures drain confidence, economic activity declines, and the state's revenue dries up. This is why Queensland's debt situation is getting

worse, not better. However, to believe the narrative of the Premier and his front bench colleagues, it is all the fault of the previous Labor government. Rather than looking to the past for blame, he may be better advised to look at Europe and take note of the simple observation that Mike Smith, CEO of the ANZ bank, made recently on the ABC's *Inside Business* about austerity in Europe: "All this austerity doesn't work. You've got to create some stimulus as well" ("Mike Smith," 2013).

While the government has said it must cut costs to reduce public debt, it has shown that some activities are priorities and others are not. There are multiple examples of this over the last two and half years. One of the first acts of the new Government in Queensland was to scrap the Premier's Literary Awards, worth \$200,000. At the same time, the government went ahead with a promised grant of \$200,000 to help fund the next series of Big Brother reality TV. And, despite the crisis rhetoric in 2012, the government managed to find \$110 million to upgrade the racing industry statewide, including more than \$30 million for the Gold Coast turf club. Clearly not everyone has to pay in an age of austerity. More recently, in late 2013, the government has managed to find \$30 million to implement its "tough new anti-biker laws," which were introduced amidst a moral panic about "out of control bike gangs operating in Queensland" ("New Laws," 2013). By introducing the legislation, the government has curtailed the power of the courts to make sentencing decisions, instead vesting powers in the executive arm of government, a move criticized by many in the community and judiciary for its failure to respect the doctrine of the separation of powers (Agius, 2013). Effectively, the passage of this legislation marries austerity with conservative authoritarianism.

A divisive and authoritarian style of political leadership in the context of austerity can be a dangerous mix. Silencing criticism through "gagging clauses," reducing the right to justice for ordinary citizens, and reducing the discretion of the courts in sentencing goes against the spirit of democratic freedom, the separation of powers doctrine and parliamentary accountability in Queensland. This is where the particularities of the Queensland case come to the fore. Many Queensland citizens have lived through an authoritarian governing style under the conservative government, led by Premier Joh Bjelke Petersen, during the 1970s and 1980s. The dictatorial

style of governance and corruption that characterized that government eventually led to its downfall when a judicial inquiry was set up by Tony Fitzgerald. So while the current Premier of Queensland Campbell Newman seeks to tap into a global narrative about the virtue of austerity, his authoritarian push for achieving his ends may be derailed by another narrative about Queensland with a different moral tale—ignore the political lessons of the past at your own peril. As Tony Fitzgerald said in his criticism of the politics and policies of the Newman Government, “For what it’s worth, my impression is that most Queenslanders don’t want to revisit the dark days of political caprice and corruption” (2013, para. 2).

From Local to Global: Reflections on Austerity and Social Welfare

Queensland is not alone in marrying austerity politics with state authoritarianism. The violent crackdown on street protesters in the UK, Greece, and Spain, reveals the lengths to which governments will go to enforce their austerity policies. A new report published by the International Network of Civil Liberties Organizations has chronicled the global trend by “democratic” states towards an increased tendency to criminalize dissent and utilize excessive legal and physical force against lawful demonstrations against political authority. The research identifies a convergence among countries such as the United States, Israel, Canada, Argentina, Egypt, Hungary, Kenya, South Africa and Britain towards the increasing militarization of policing, justified in the name of fighting terrorism, but predominantly employed against mass domestic protests (Kennedy, 2013). Other research has examined the link between austerity and authoritarianism in Europe and found that while autocracies and democracies show broadly similar responses to budget cuts, countries with more constraints on the executive arm of government are less likely to see social unrest after austerity measures (Ponticelli & Voth, 2011). The state can obviously choose to respond to protests against neo-liberal austerity in a variety of ways.

In this context, it is worth pointing out that Brisbane, the capital of Queensland, will be hosting the G20 summit in 2014. Civil liberty and human rights groups have already raised

concerns about the introduction of the G20 (Safety and Security) Act, which passed the Queensland Parliament in November 2013. The law allows the police commissioner to list people prohibited from entering secure zones in Brisbane and Cairns during the November 2014 summit. Police will also be allowed to detain unauthorized people found inside secure areas. The Police Minister, Jack Dempsey, says legitimate protests will be allowed, but they will act on intelligence from sources including foreign and domestic security services. Protest groups at previous G20 summits included a mix of non-profits, church groups, trade unions, and peace groups. These groups protested against excessive corporate profit, unfair trade deals and militarism.

According to the sociologist Loic Wacquant (2011) these tough law and order responses to social protest against neo-liberal austerity or economic globalization reflect a growing convergence of the logic of prisonfare and workfare in Anglophone welfare states:

The downsizing of public aid, complemented by the shift from the right to welfare to obligation of workfare (that is, forced participation in subpar employment as a condition of support), and the upsizing of the prison are the two sides of the same coin. Together, workfare and prisonfare effect the double regulation of poverty in the age of deepening economic inequality and diffusing social insecurity. (p. 34)

Racialized backlashes are also coming to the fore in countries that have implemented tough austerity measures. Violence against immigrants as a response to domestic economic insecurity is on the rise in a number of European countries, fueled by the propaganda of extreme right wing political parties. The labor market economist Guy Standing (2011) discusses this phenomenon in his book *The Precariat*, where he draws the distinction between a progressive politics of hope in responding to economic insecurity (in which the state implements universal policies to provide a basic measure of economic security) and a politics of inferno, in which immigrants are demonized and constructed as scapegoats.

Given the social, political and economic consequences of

austerity, it is difficult to fathom why governments persist with its implementation. It is not simply a case of no other alternatives, as Mark Blyth (2013) shows in his exhaustive analysis of the origins of austerity. He suggests the answer to this question lies in the power of economic ideas, particularly the variants of liberalism. He is referring to the sensibility within liberalism that sees the state as something to be minimized, avoided, curtailed, and certainly not to be trusted. This view of the state, however, misses Polanyi's (1944) enduring analytical point that there is nothing natural about markets; states make markets as much as markets make states through multiple forms of regulation. Liberal economic thought remains oblivious to these facts, and as a result, contemporary neoliberals who argue for austerity come at the issue with an anti-statist neuralgia that produces "cut the state" as the default answer, regardless of the question asked or its appropriateness (Blyth, 2013, p. 99). And unlike forms of austerity in the past, such as that in post-war Europe which included a powerful nation-building narrative, it is not clear what the benefits of sacrifice of contemporary austerity are, particularly as the financial pain is not being borne equally. Deepening social inequalities have induced both discomfort and discontent, making the popular austerity claim that "we are all in this together" simply implausible (Clarke & Newman, 2012, p. 314).

Nonetheless, it seems we will be faced with repeating the economic mistakes of the past until the parties implementing austerity measures are voted out, or the pressure from collective opposition is sufficient enough challenge to this particular form of path dependency. There are many individuals and groups in the community who are not satisfied with the aim of austerity measures being a case of restoring "business as usual." For these groups, business as usual is no longer socially or ecologically viable. Perhaps one of the lessons from the austerity case of Queensland, as well as in Europe, is to use other political theories to analyze challenge and resistance than those offered by institutional approaches.

A great deal of resistance against austerity happens on the streets and in other public spheres. In the Queensland case, trade unions have continued to provide an indispensable means of defending the basic conditions of workers in the face of public sector job cuts. More recently, new

coalitions of civil liberty groups and lawyers are emerging to challenge the erosion of procedural rights, access to justice, and the abuse of executive power associated with authoritarian austerity. Elsewhere, in countries like the UK, other forms of collective organization are emerging, such as the Social Work Action Network (SWAN), to bring together front-line workers, students, academics and service users to discuss, debate and challenge marketization in social work and the oppression of migrants and asylum seekers (Ferguson & Lavalatte, 2013, p. 107).

These social movements that seek to revive the promise of fairness and solidarity are providing important counterpoints to the faith-based politics and practical failures associated with austerity. Whether these forms of resistance can be effective in convincing governments to change direction remains an open question. A pessimistic reading of the future would suggest that we can look forward to a continuation of the dangerous mix of more austerity and more authoritarianism for some time yet (Clarke & Newman, 2012). A more optimistic reading might suggest that the appeal of austerity and reduced consumption lies in the fact that they carry, at some level, the desire for a different, more solidaristic and convivial way of life—and it is this that we need to imagine, improvise and create (Levitas, 2012, p. 339). Bringing these different possibilities back to the local case of Queensland, we might conclude that the dangerous mix of unequal austerity and authoritarian rule serves to remind Queensland citizens what they fought to overcome in the recent past, and it is this political memory that may help to mobilize effective resistance in the present. Many of the placards and flyers used in street protests in Queensland are making direct links between the new Premier and the notorious conservative state leader from the past, Joh Bjelke-Petersen. For example, one of the recent postcards distributed at a rally outside parliament read “You’ve got to be Joh-king.”

Conclusion

The comparison between the federal and the state government in the beginning of the article highlights that political ideology matters when it comes to responding to crises. For the national Labor government it had a wider range of

ideas laying around to dust off and apply given its intellectual heritage through the post-war nation building years; hence, the revitalized Keynesian-inspired fiscal stimulus response. Whereas the Liberal National Party in Queensland was constrained by its own past, ideas that were formed as a direct reaction against post-war spending. Liberal-conservatives have a view of the state which can be summed up as “can’t live with it, can’t live without it, don’t want to pay for it” (Blyth, 2013, p. 14). But the desire to apply austerity is not just ideological. There are good reasons for wanting to clear the balance sheets of sovereign states and ensuring the banking sector doesn’t collapse. However, bailing-out can lead to further debt, debt leads to deeper crisis, and crisis leads to tough austerity. This sequence can be avoided as there are moments of choice, which the Australian case illustrates. There are also cases within Europe that illustrate the effect of different choices, such as the comparison between Ireland and Iceland, where Iceland let the banks fail and has done well in its recovery phase, while Ireland bailed out the banks and condemned itself to a generation of misery because of it (Blyth, 2013, p. 231).

In the case of Queensland the answer to the question framed in the title of the paper is a simple “yes,” the cure is worse than the disease. The Queensland government, elected in April 2012, has exaggerated the state debt problem, made drastic budget cuts, constrained the voice of community-based advocacy organizations and weakened both civil liberties and the power of the judiciary to act independently. Both democracy and the welfare state are weaker as a result. Predictably, the economy hasn’t responded as promised. Unemployment remains historically high, investment is down, and debt has increased in Queensland. The protests against these reforms are continuing. Queensland trade unions continue to organize rallies and challenge what they perceive as restrictive industrial relations laws and staffing cuts. The legal fraternity and civil liberties groups are banding together to fight draconian laws that restrict political freedoms and fundamental civil rights. Parts of the community welfare sector have been vocal in their opposition to service cuts and they have had some limited success in getting the Federal Government to fund, for a limited time, some of the tenancy services withdrawn by the Queensland Government. In the context of the Queensland

case study of austerity, it is important to note that the advancement of social and economic rights depends on political freedoms and strong parliamentary democracy and transparency in decision making. These issues have particular resonance in Queensland, given its recent political history of corruption and secrecy. In this respect, there are others costs to austerity that are not so easily calculated, such as the crisis of a loss of trust in governments that can result from a carefully constructed crisis, a pre-determined policy response and deepening social inequalities.

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Book Reviews

Giuliano Bonoli, *The Origins of Active Social Policy: Labour Market and Childcare Policies in a Comparative Perspective*. Oxford University Press (2013). \$ 99.00 (hardcover).

Accounts of the historical evolution of state welfare in the Western countries since the end of the Second World War have relied extensively on quasi-paradigmatic conceptual frameworks that seek to encapsulate the complex social, political, economic, demographic and other changes accompanying welfare state development. Typological representations that classify different countries as well as stadial interpretations that identify key historical phases in social policy evolution have been widely used. These interpretations suggest that the immediate post-war period was a protective stage in which governments prioritized income maintenance and social protection, while the period following the oil shocks of the 1970s and the election of radical right governments is viewed as one of crisis. Recently, a new phase in social policy, one that emphasizes labor market participation and enhanced state intervention in child care, education, skills training and other investments that promote work, has been identified.

Bonoli discusses this new phase and the growing interest in what European social policy scholars have variously called active social policy, social investment, flexicurity, new social risks and the Third Way. Agreeing with other writers, he believes that the emergence of active social policy marks a major shift in social welfare in Western nations and particularly in Europe, where the new approach has been implemented by several governments with the support of the European Union and OECD. The book begins by defining the concept of active social policy with reference to the other terms that have been used to connote more or less the same phenomenon, and this is followed by an operationalized account of the adoption of this approach in different countries, which reveals that most European governments now spend more on active social

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policy than in the 1980s. The author then offers an historical overview of the expansion of active social policy and, in a sophisticated analysis, examines various conceptual interpretations of active social policy, including those that question the idea that European social policy has indeed moved away from social protection towards social productivism. Two chapters compare labor market and child care policies in several European countries in some depth, and in the final chapter, the author grapples with some of the complexities associated with an analysis of the changes that have taken place. In particular, the author discusses several “puzzles” which complicate his analysis. These include: the apparent paradox of increased spending on active social policy versus retrenchment in the face of recent recessionary challenges; the extent to which deterministic explanations capture complex realities; and the problem of differences among European welfare states, some of which have not embraced active social policy with the same enthusiasm.

In addition to offering a readable and engaging account, the author provides useful information on labor market and child care policies in Europe. The two chapters describing these policies and programs will be a useful resource to scholars working in these fields. Similarly, the documentation of recent social policy developments in Europe makes an important contribution to comparative analysis and will be of interest to readers around the world. But it is chiefly with regard to theoretical interpretation that the author’s contribution will excite, largely because he himself recognizes the complexity of the topic. Grappling with several complex issues, including the puzzles mentioned earlier, he examines competing views on recent developments, struggles with exceptions to the trend towards activation, and recognizes the challenges of reducing multifaceted and convoluted historical forces to simple propositions. His account of different analytical interpretations of whether active social policy is essentially a reformulation of market liberalism, a radically new normative approach, or little more than a restatement of older social democratic commitments, is fascinating. Other equally complex but interesting issues are raised throughout the book, which deserves to be widely read. It makes a major contribution to understanding the nuances of social policy in European countries and hopefully it will foster

other accounts that transcend the tendency in social policy to regurgitate simplistic models. Although limited to Europe, its analytical sophistication should be emulated in social policy analysis in other parts of the world as well.

James Midgley, *School of Social Welfare,*
University of California, Berkeley

Sherry Cable, *Sustainable Failures: Environmental Policy and Democracy in a Petro-Dependent World.* Temple University Press (2012). \$29.95 (paperback).

When one examines the ever-deepening state of our global ecological crisis, environmental policies aimed at stemming ecological degradation and growing climate instability have self-evidently failed. Hence, our ability to successfully interrogate why is of critical import if we are to extricate ourselves and heal, in Marx's words, "the metabolic rift" between human society and the biosphere. Sociologist Sherry Cable, in her new book, *Sustainable Failures*, attempts to address this important question of why, despite a host of environmentally-oriented legislation stretching back many decades, neither United States domestic, nor inter-governmental international environmental policy, has been able to move society onto a more environmentally benign pathway.

Domestic and international policy does not conform, as Cable outlines, to leftist ecologist Barry Commoner's *Four Laws of Ecology*, upon which Nature operates in a sustainable manner. Cable seeks to delineate, via extensive exposition of legal examples, why environmental policies focus far more on mitigation of pollution after the fact than on prevention. Her training in sociology propels her to bring to bear an historical, cultural and socio-economic analysis that synthesizes literature from a diverse array of fields, including select case studies, in order to craft an answer.

In a book divided into four sections, Cable begins with a brief and thereby necessarily schematic overview of two million years of human social development, with the emergence of hunter-gather societies, through to today's world of "petro-dependency," which she argues commences in earnest in 1945. Part Two convincingly elucidates the failure

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of U.S. domestic environmental policies to curb ever-accelerating environmental degradation, while Part Three accurately describes the environmental failures of international environmental policies, most recently through the United Nation's Inter-Governmental Panel on Climate Change (IPCC) and the multi-decade process of international negotiations via the mechanism of the Conference of the Parties (COP). The real question, however, remains: why?

All of these failures are ultimately ascribed to living in a "petro-dependent world." A world which began, post-1945, with the intensification of mechanization in agriculture based on energy and other inputs furnished by petroleum, and the production of novel, increasingly toxic, long-lived synthetic products derived from oil. In turn, this decisive shift to petroleum dependency begat an increase in population and economic expansion, neither of which were cognizant of environmental limits to growth and the ecological principles outlined in Connor's *The Closing Circle*.

As Cable makes clear, her analysis, in contrast to many other sociological writers in this area, eschews a clear and distinctive break in modes of production between industrial and pre-industrial societies. Rather, industrialization for Cable merely represents an acceleration of the accumulation and transformation of nature in the interests of human social development that began with the transition from hunter-gatherer societies to civilization based on agriculture. Cable justifies her unorthodox approach on the basis that she is interested in humanity's use of the biosphere in relation to how we acquire the resources and energy needed to stay alive, and how they are obtained, whether that be from machines or animal/human labor, and energy from wood, coal or oil.

Unfortunately, Cable's chosen methodology obscures more than it reveals. While certain chapters of her book, particularly her analysis and the attention she pays to environmental racism, are important and refreshing, her overall analysis fails to indicate the systemic root of the problem, which remains hidden within the structural dynamics of capitalism.

Petro-dependency, in and of itself, is not a social force and there is a clear social, economic and political break between pre-capitalist and capitalist-oriented societies which cannot be overlooked when seeking answers to the ideological and

economic underpinnings of society, and the resultant attitude and impact with regard to nature. Without indicating from whence the driving force of economic expansion and the reactive nature of environmental policies and their often abused or routinely ignored regulations emerge, the nature of the state, and democracy under capitalism, there is no underlying social rationale for an ultimately irrational socio-political system hell-bent on short term objectives and growth, impelled by profit maximization. Her analysis begs the question: would capitalism be sustainable if it could change to non-fossil fueled sources of energy?

Furthermore, like so many other environmentally-themed books describing the global ecological crisis, Cable, as she declares in the preface, has learnt precious little about "how to get out of it." Hence, the final part of *Sustainable Failures*, "And So...", is all of ten pages. Within those ten pages, however, she makes concrete and clear her proclivity for a human declensionist argument from the origin of our species until today. A graphic of an ever-thickening spiral, titled "Downward Spiral to Premature Human Extinction," shows the social evolution of humankind as a continuous process of increasing environmental abuse, ending with our "suicidal path of petro-dependency" (p. 197).

Cable's briefly posited solutions, due to her mistaken analysis of the root of the problem and disregard of the social system of capitalism, end with utopian calls for a society based on localism and bioregionalism that mixes contradictory goals such as local sustainability via chartered corporations, national service in agricultural knowledge, "just" discrepancies in wealth and the bolstering of the institution of the family. All of these are to be based on something she describes as a "perpetual energy source" (p. 198) of locally grown and distributed food, human labor power and the reduction of toxic inputs, processes and products. Along with her outdated focus on the immanence of "peak oil" and, to her mind, the dire problem over-population, her mode of analysis and alternatives end up failing to adequately tackle her original purpose.

*Chris Williams, Department of Chemical and Physical Science,
Pace University*

David Mechanic, Donna D. McAlpine, and David A. Rochefort, *Mental Health and Social Policy: Beyond Managed Care* (6th ed.). Pearson (2014). \$120.47 (paperback).

David Mechanic's *Mental Health and Social Policy* has become a classic text in this field since its first introduction in 1969. The most recent release, its sixth edition, has solidified its currency and usefulness, reflecting the addition of two distinguished co-authors, Donna D. McAlpine and David A. Rochefort, and includes several new chapters and rewrites of others. Whereas its opening chapter now succinctly discusses the social context of mental health, the new concluding chapter on policy analysis reviews five approaches to the analysis of mental health policies, including the use of report cards and similar benchmarks. Most chapters have been substantially updated since the 2009 fifth edition, and the book includes coverage of the struggle to develop community support systems in chapter 10. It updates its former focus on managed care, discussing both changes anticipated through the Affordable Care Act, including the current push to integrate behavioral and medical care through such devices as health homes and accountable care organizations. The authors very appropriately raise questions about the implications of such integration for the seriously mentally ill.

There is no shortage of strengths that can be cited for this text. The least that can be said is that it is well-written, engaging, and to the point. But it will not be an easy text for many students, partly because of the wealth of information that is packed in, but mainly because of one of the most important features of this book. Mechanic and his colleagues are careful to integrate and cite empirical research pertinent to the various problems and policies discussed, consistent with the push for evidence-based practices. An early and particularly important chapter in the book contains a review of research from psychiatric epidemiology, a critical but often neglected foundation for the development of coherent mental health policies.

The book is not ideological and presents a fairly balanced view on most topics covered, for example, the debates on psychiatric outpatient commitment. It succeeds in avoiding the rhetoric of political correctness. It manages to do this even while confronting such contentious issues as the changes in the

latest edition of the *Diagnostic and Statistical Manual of Mental Disorders, 5th Edition*, and the continuing expansion in the use of psychotropic medications.

Given the extensive history and breadth of the mental health field, any single text will inevitably have limitations, depending on the needs and interests of particular readers. A key limitation involves the minimal inclusion of an international comparative perspective, both in respect to the material on psychiatric epidemiology and mental health policies and services. In addition, more in-depth coverage is needed for debates on cultural competency and the needed adaptations of mental health policies and services for a wider range of cultural and ethnic groups.

The book could also benefit from improved coverage in three other areas. One is historical, and involves the role of the tightening of psychiatric commitment criteria to include dangerousness, as well as procedural changes; there is considerable evidence that both have been key driving forces behind the deinstitutionalization of mental health inpatient facilities over the past sixty years. Unfortunately, deinstitutionalization and changes in mental health law are covered in two separate chapters, and as such, the connections are not explored as much as might be desired. The second area involves the continuing struggle to develop coherent community systems of care, a dream that has been pursued through a variety of initiatives since the 1960s but has typically floundered. Given the many truncated experiments with systemic changes, it should come as no surprise that the interest of many has shifted to the very important movement involving the implementation of evidence-based practices, with increasing skepticism about the role of systemic change as a precondition for successful use of such practice-level changes. Chapter 10 introduces some of these initiatives, but might be better integrated into both the history of deinstitutionalization, as well as the discussion of innovations in mental health care. Finally, the book would also benefit from a more in-depth discussion of the role of the recovery movement.

Despite the noted limitations, this book is highly recommended, not only for students in the various human services preparing for careers in mental health, but for all mental health professionals, and particularly for mental health advocates. It

reviews a wealth of research on the many problems in contemporary mental health systems, as well as a wide variety of promising innovations.

*Christopher G. Hudson, School of Social Work,
Salem State University*

Janet Zollinger Giele, *Family Policy and the American Safety Net*. Sage (2013). \$26 (paperback).

In *Family Policy and the American Safety Net*, Janet Zollinger Giele brings a sociologist's perspective to understanding family policy. While most introductory books are written by and for family practitioners, Giele's book provides a sociological analysis of family policy. What makes Giele's book unique is that, as a sociologist, she applies a structural functionalist perspective to understand the social contexts within which family policies emerge. Giele views family policy as an adaptive societal response to social change in the family and society. The application of a structural functionalist perspective is both a strength and weakness of Giele's work.

Giele argues that to understand family policy, one must understand the functions of the family, which she identifies as care-giving, economic provision, residence, and the transmission of cultural identity and citizenship. Giele finds that changes in the roles of women and the structure of the economy have made it difficult for families to meet these functions, thus family policy is a necessary societal response. The book begins with chapters on the emergence of family policy and changes in family structure and gender roles. She then organizes chapters around each of the four functions by explaining the challenges of contemporary families and corresponding policies. In the last chapter, Giele provides a discussion of the process through which family policies emerge. A great strength of Giele's work is that she expands family policy beyond the usual discussions of care-giving and income support to include housing and laws related to immigration and citizenship. Giele's use of functionalist theory is quite effective as a rhetorical strategy for arguing for a stronger role for family policy in the United States.

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However, Giele's work has a weakness typical of the functionalist perspective. Giele argues that social welfare states have developed similar family policies because they are responding to modernization. But by attempting an analysis at the system level, she draws attention away from human agency. Viewing family policy as a response to system-needs raises questions as to why the United States has much weaker family policies than other industrialized nations or why there has been such a strong political movement to scale back family support policies, despite high maternal employment and high unemployment and poverty rates in the United States. To be fair, in the last chapter, Giele does present a theory that outlines the various groups involved in devising family policy. But tying this process to system-needs denies the contentious politics around family policy in the United States.

Unfortunately, the most original part of Giele's work, her chapter on heritage, identity, and citizenship, is also her least successful. The chapter relies on Talcott Parsons' study of the assimilation of Catholics and Jews to understand the process by which African Americans and immigrants might be integrated into American society. Because Giele relies on a model of assimilation, she focuses on identity. With largely anecdotal evidence, she argues that in the past, African Americans internalized a stigmatized "Negro" identity as a means of adapting to and accepting their lower status in society. However, Giele overlooks years of struggle and resistance by many African Americans, even in the worst days of terror and segregation. Giele emphasizes the importance of maintaining an "immigrant orientation" to facilitate upward mobility but neglects a discussion of inequalities in opportunity. As a result, she fails to address much of the literature on racial stratification.

Overall, there is much promise in Giele's work, especially for those interested in a work that combines demographic knowledge with a structural-functionalist perspective. Giele's work is useful because it provides rhetorical tools to argue in favor of policies to support families and for its expansion of family policy to include issues such as housing and immigration. However, it is difficult to recommend the chapter on cultural identity to a broader audience because of its neglect of the larger literature on racial stratification.

*Mary Ann Kanieski, Department of Sociology,
Saint Mary's College*

Kenneth W. Mack & Charles Guy-Uriel (Eds.), *The New Black: What Has Changed – and What Has Not – with Race in America*. The New Press (2013). \$21.95 (paperback).

The New Black is a collection of 11 thought-provoking essays and an introduction, which juxtapose the accomplishments of the civil rights movement with the unraveling of legal and policy remedies. The essays examine the deep divide in the American soul and psyche as the nation confronts its oldest social problem in a new century. The term “New Black” is used throughout the collection as a symbol of contemporary U.S. race relations.

The New Black is useful for anyone who wants to learn about the context of continuing racial/economic discrimination, and the continual exclusion of “Blacks” from a range of spheres, including housing and education. The New Black describes how systemic racism and oppression is recalibrated, while underscoring the need to challenge individual and collective discrimination with new strategies.

In “Political Race and the New Black” (chapter 1), Guinier and Torres respond to a question posed by a gay Cuban at a Critical Race conference: “What is the work we want race to do ... other than to serve as a site of grievance?” (2013, p. 18). They propose an analytic shift from traditional civil rights for African Americans to “political race” by identifying potential political coalitions of those disadvantaged by current structural dynamics. Thus, “political race” is a metaphor for the collective mobilization of people around race, class, gender, and geography. Accordingly, “race becomes a political space for organized resistance around a more transformative vision of the good society ... political race is a metaphor that captures the ideas of race as a site of emotional connection and political engagement” (p. 20). This chapter compels readers to action, since the concept of political race links coalitions of economically and socially disenfranchised groups and deepens knowledge about how differences are co-opted to support systems of intersectional oppression.

In “Déjà vu All Over Again” (Chapter 2), Lee analyzes Barack Obama’s ascendancy to the presidency as a window into racial politics and discourse in the new millennium. Lee focuses on how media prejudice shaped calculations about

American voting behavior and perceptions about the election, despite successful strategic coalitions formed to elect the first African American President that did not fit with their narrative. In particular, Lee contends that the media's focus on independent voters ignored the varied racial and ethnic voters who contributed to President Obama's victory. Challenging the assumption that independents were primarily Whites who transcended their racial groups' interest by voting for President Obama, Lee describes increasing number of Latinos, Asians, and immigrants who do not identify with either the Republican or Democratic Party.

In chapter 8, Bell discusses the "tolerance–violence paradox." "The Puzzles of Racial Extremism in a "Postracial" World" calls attention to the fact that, while many eras in American history have moments of racial progress occurring in the midst of violence, in this particular moment, violent expression of racism (including racism directed at President Obama, the increase in extremist and other bias-motivated and anti-integration violence directed at ordinary people) alongside racial progress seem to defy logic. One explanation for contemporary racial extremism in this post civil rights era might be attributed to aversive racism theory:

Conflicting views, such as those suggesting equal treatment for all regardless of race and racial bias may coexist within a particular individual. Because such views are contradictory, aversive racists subconsciously suppress their negative views and will not discriminate unless they can ascribe nonracial reasons. (p. 141)

Although I found the book captivating and engaging, at times I struggled to understand the book's main thesis. Race has been a critical factor in the economic, social and political structures of American society from its pre-colonial beginnings to the present, and *The New Black* successfully documents the contemporary exemplars of racism. While racism stresses differences among individuals or groups, it is not differences themselves that lead to subordination and systemic oppression, but the interpretation of differences in policy and law enforcement. However, because many authors are lawyers, the level of critical analysis is dense and left me pondering the central goal of the book: How would my new awareness of

paradox and contradictions reshape my future commitment and actions?

Fortunately, institutions, like individuals, can evolve to become anti-racist. The transformation begins with developing a comprehensive understanding of how racism and oppression operate within an organization's own walls. While *The New Black* fails to explicitly identify actions needed to dismantle racism, the analysis laid out in the book should facilitate a commitment to and concrete plans for dismantling racism within the reader's reach and, ultimately, in larger society.

*Johnnie Hamilton-Mason, Graduate School of Social Work,
Simmons College*

Jeffrey Ian Ross (Ed.), *The Globalization of Supermax Prisons*. Rutgers University Press (2013). \$28.95 (paperback), \$72.00 (hardcover).

This book is a fascinating comparative examination of the worldwide proliferation of supermax prisons. It appraises the historical, political, and cultural justifications in each country, including the role of terrorism and increases in crime. Each chapter compares the make-up of that country's supermax population, entrance criteria, conditions of confinement, policies and actual practices, and amenability to public scrutiny. There are myriad journal articles and several books that examine supermax prisons in America or other countries. However, this book fills a scholarly void as a cross-national analysis of the implementation of these controversial facilities and an exploration of policy diffusion and the impact of globalization on correctional policy.

The book begins with Loïc Wacquant's introductory summary of the historical events and consequences of the punitive turn in the American criminal justice system between 1960 and 2000. Ross discusses the importance of examining supermax prisons from a global perspective, studying the patterns of development, implementation, and the extent of cross-pollination. He then summarizes the history of American supermax prisons, their general conditions of confinement and entrance criteria, and the critiques of them. Finally, he ends the book along with Rothe's two chapters on the supermax-like

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facilities at Guantanamo Bay and Abu Ghraib, both replete with the rich history of America's war on terror.

Moving out of the U.S., Ross uses secondary data to piece together Canada's continuously changing policies and facilities for housing dangerous prisoners, ending with one supermax for that country. By contrast, O'Day and O'Connor discuss the multitude of maximum security prisons that Mexico uses to incapacitate its most dangerous and escape-prone prisoners. Though these prisons' exteriors appear to be formidable and escape-proof, the rampant corruption in Mexico results in prisons being controlled by their inhabitants, providing a sharp contrast to other countries' incarceration regimes. Filho outlines Brazil's path for addressing prison riots, violence, and gangs that resulted in the creation of a Differentiated Disciplinary Regime for states to implement and the development of a national prison system to incapacitate Brazil's most dangerous criminals.

Switching to Europe, Crews describes Great Britain's lengthy history of addressing both its "security" and "control" issues through many iterations of supermax facilities resembling those in America. However, Great Britain is committed to keeping its supermax population low, addressing the needs of mentally ill inmates, and ensuring transparency through outside review. Resodihardjo explains how the dramatic increase in crime in the Netherlands between 1990 and 1994 resulted in building special security units that failed to deter escapes, and ultimately the creation of one supermax prison for a small number of prisoners that successfully deterred escapes, yet offered prisoners more interaction, activities, and oversight.

Buntman and Muntingh detail the creation of two South African supermaxes modeled on U.S. policies and regimes that appear to be more enlightened compared to their U.S. counterparts, but whose implementation has been marred by the neglect of law, prisoner abuse, and corruption. Brown and Carlton situate Australia's supermaxes as trajectories of its historical roots—operating secondary punishment facilities within its penal colonies or institutions. They delineated three phases of these high-security units in two of their states, explaining the transformation from brutal antiquated facilities to equally harsh but more technologically-oriented

facilities enhanced by inspections and accountability mechanisms. Newbold describes Paremoremo, a maximum security prison opened in New Zealand in 1969 that initially paralleled the path of FCI-Marion but that experienced physical and operational decline due to New Zealand's increasing violence and drug crime.

The book's biggest weakness is the inclusion of the chapters on the conditions of confinement at Guantanamo and Abu Ghraib. While these are fascinating historical accounts of neo-conservative practices, including supermax and questionable interrogation techniques, these chapters feel misaligned in this book. Since the U.S. chapter generalizes about supermax practice for the entire country, another chapter or two highlighting specific state supermax prisons would have made for a nice contrast with the detail given about other countries' supermax regimes. However, Ross successfully delivers on his comparative analysis of supermax in nine countries and offers a measured discussion of diffusion and globalization. One is struck by many of the global patterns found: the disproportionate incarceration of minorities; the enormous differences that individual leaders make in successful implementation; and how public scrutiny usually results in improved and more humane conditions of confinement. *The Globalization of Supermax Prisons* is a must-read for any student, practitioner, or scholar of punishment and correctional practices.

*Ann Marie Rocheleau, Department of Sociology & Criminology,
Stonehill College*

Nina Munk, *The Idealist: Jeffrey Sachs and the Quest to End Poverty*. Doubleday (2013). \$15.95 (paperback).

Jeffrey Sachs wants to save the world. More precisely, his goal is to eliminate extreme poverty worldwide in a few decades. Is this a preposterous, Promethean dream? No. It is conceivable, and perhaps feasible: the percentage of the global population living on less than \$1.25 per day has fallen by more than half during the past 25 years, actually meeting the Millennium Development Goal set in 2000. However, much of the recent global progress on poverty reduction is accounted

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for by rapid economic growth in Asia. The principal challenge remaining is in Sub-Saharan Africa, which has seen only a modest reduction in the proportion of the very poor—to just under one in two.

The Idealist is the story of Jeffrey Sachs' single-minded drive to rescue Africa from poverty. Who is this man? Sachs is a high-profile economist based at Columbia University. Initially a wunderkind macroeconomist at Harvard, he notoriously advised Russia and Bolivia in the 1980s to address their economic problems with a form of "shock therapy." In the 1990s, after discovering Africa beset by AIDS, malaria, and persistent poverty, Sachs resolved to do something about it.

He became special advisor to UN Secretaries General Kofi Annan and Ban Ki-Moon, helped create the Millennium Development Goals, published the widely-read *The End of Poverty*, campaigned with celebrities, and lobbied world leaders for a doubling of foreign aid to Africa. For Sachs, the existence of desperate poverty is an outrage that must be addressed immediately with all the resources that the world can muster. He and U2 singer Bono became the world's leading evangelists for the idea that that extreme poverty is a shameful failure of moral imagination and, with sufficient global political will and donor assistance, it can be eliminated in a matter of decades.

The Idealist is a riveting account of the centerpiece of Sachs' vision and extraordinary fundraising, the Millennium Village Projects. The MVPs are series of unusually well-funded integrated rural development projects in Africa encompassing coordinated improvements in agriculture, small-scale industry, education, health care, housing, and water and sanitation. If these succeeded in raising living standards, Sachs reasoned, he could demonstrate to donors that the only thing keeping Africans in poverty was lack of adequate funding. Hence, the MVP approach could then be scaled up massively with the \$200 billion—just a quarter of the 2013 Pentagon budget—needed to eliminate extreme poverty.

Nina Munk, a contributing editor at *Vanity Fair*, wrote a profile of Sachs in 2007 that ultimately led to this book. What is especially admirable is that she spent time in two of the MVPs: Dertu, a semi-arid community in northeast Uganda near the Somali border; and Ruhiira, a village in the highlands of

southwest Uganda. She talked extensively with project managers and others living in these villages. Her reporting allows her to compare Sachs' grand design against the realities on the ground. The setbacks were legion: the rains fail, economic opportunities are lacking, fertilizer prices soar, and both expectations and resentments rise. The MVP headquarters in New York insisted that farmers plant drought-resistant maize, but the villagers just don't like the taste, and so on.

The lives of those in The Millennium Villages have indeed improved, according to various metrics, but progress has also been made elsewhere in Africa. How much is attributable to the MVPs? Unfortunately, we can't know because Sachs was uninterested in supporting rigorous, independent evaluations such as randomized control trials. Experienced development experts, explains Munk, are almost universally skeptical of what they consider the unsustainable nature of the MVPs, and they are personally offended by the man's megalomania and dismissal of their concerns. The rub is this: whereas Sachs advocates big ideas and comprehensive solutions to African poverty, development economists such as Esther Duflo advocate modest, empirically-grounded strategies. In addition, recent Asian experience demonstrates that rapid economic growth is the best way to reduce extreme poverty. Foreign aid, as far as we know, cannot foster economic growth, but it can help improve lives.

It is a case of hubris versus humility, but perhaps social change needs both. Despite Jeffrey Sachs' grandiosity, missteps, and rough edges, there is much to be learned from the story of a brilliant, passionate visionary obsessed with ending extreme poverty in our time. In this fine book, Nina Munk has brought the man and his mission to life, giving us much food for thought.

*Edward U. Murphy, Global Studies and International Affairs,
Northeastern University*

Sarah Banks (Ed.), *Ethics*. (Critical and Radical Debates in Social Work, I. Ferguson & M. Lavalette, series editors). Policy Press (2014). \$15.00 (paperback).

Ethics, edited by Sarah Banks (who also contributes the

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Ethics, edited by Sarah Banks (who also contributes the

lead essay), is a brief volume with a substantial aim: to re-frame an international discussion of social work ethics. This 96 page volume (83 without the references) is part of a series edited by Ferguson and Lavalette that aims to reignite an activist/radical approach to social work that “located the problems experienced by those who sought social work support in the material conditions of their lives and attempted to develop practice responses which challenged these conditions and their effects” (Series editors’ introduction, p. xi). Like other series volumes on topics ranging from Poverty and Inequality, Mental Health, and Children and Families, Ethics is structured by a lead essay, 8 response essays of about 5 pages each, and concluding remarks from the lead author. This very satisfying approach forces respondents to get right to the point of their critique, allows the readers to digest a debate in one sitting, and skillfully frames a topic of profound importance to the social work profession—namely the scope of its ethics in the era of managerialism and austerity.

Banks’ lead essay, “Reclaiming Social Work Ethics: Challenging the New Public Management,” describes a resurgent interest in ethics (what some have characterized as an ethics “boom”) in terms of two competing agendas. On the one hand, contemporary social work ethics have been employed to criticize the “worst excesses” of New Public Management (NPM); on the other hand, ethics (and more particularly ethical codes) have been part of the NPM project. For example, social workers have argued for the need to reclaim professional authority (against for example, standardized practices) from the position that professional expertise and ethical practice demands that social workers challenge and resist “inhumane, degrading and unjust practice and policies” (p. 13). At the same time, increasingly lengthy ethical codes have been used to discipline social workers and create ethical guidelines that speak to the demand for public accountability.

Banks thinks that social work ethics have been coopted by managerialism, and that the problem is rooted in traditional ethics’ focus on the professional autonomy of the social worker and the individual relationship between the service user and the social worker. Thus, Banks argues for a “situated ethics of social justice” that encompasses what others have termed an “ethics of care,” and lays out a set of preliminary values (radical

social justice, empathic solidarity, relational autonomy, collective responsibility for resistance, moral courage, and working in/with complexity and contradictions) aimed at strengthening ethics against cooption and reclaiming them.

The 8 short response essays are written by authors from a variety of countries (United States, United Kingdom, South Africa, Japan and Canada) with a variety of viewpoints. Each response extends and/or critiques different aspects of Banks' argument and proposal. Beckett's chapter ("Managerialism: Challenging the New Orthodoxy"), for example, takes issue with Banks' presentation of managerialism as a "straw man to attack" that lays too much blame on the current trends towards efficiency and accountability ("what is wrong with trying to make the best use of limited resources?"). This critique will resonate with many readers, including students and practitioners that have a more moderate perspective, and it is a real strength of the book that it allows the reader to follow a debate and develop her or his own critique. Of additional interest is the fact that authors from multiple countries weave in discussion of the development of their countries' ethical codes and degree of privatization. Thus, this book provides a comparative, cross-national perspective on the topic of social work ethics without requiring that the reader be an expert in the countries represented.

This book would be a great addition to social work education, in particular courses in ethics, policy, or international social work. Its low cost and brief yet in-depth presentation seem ideal for generating discussion and making curriculum more contemporary. Of note for U.S. students and curriculum is the discussion of NPM, a topic that generally has not been named or discussed much. This volume frames the discussion NPM from an ethical perspective and could serve as a useful introduction to analysis of the impact of privatization on social work practice for U.S. social work students.

*Jennifer R. Zelnick, Touro College
Graduate School of Social Work*

Corresponding Authors

Howard Karger
Department of Family Studies and
Social Work
Miami University
101A McGuffey Hall
Oxford, OH 45056
Kargerhj@miamioh.edu

Subas Risal
The University of Queensland
School of Social Work and Human
Services
35 Chamberlain Bldg
St Lucia, Qld, Australia 4072
Subas.risal@uqconnect.edu.au

Ijin Hong
Sungshin Women's University,
Woonjung Green Campus
55 Dobong-ro 76ga-gil,
Gangbuk-gu,
Seoul, Republic of Korea
ijinhong@sungshin.ac.kr

Lengwe-Katembula J. Mwansa
University of Botswana
Department of Social Work
P/Bag 0022, Gaborone, Botswana
MWANSALK@mopipi.ub.bw

Greg Marston
Queensland University of
Technology
School of Public Health and Social
Work
2 George St
Brisbane, Queensland 4001
Australia
Greg.marston@qut.edu.au

James Midgley
University of California-Berkeley
School of Social Welfare
Haviland Hall 203
Berkeley, CA 94720-7400
midg@berkeley.edu

Fiona Dukelow
School of Applied Social Studies,
University College,
Cork, Ireland
f.dukelow@ucc.ie

David B. Miller
The Jack, Joseph and Morton Mandel
School of Applied Social Sciences
Case Western Reserve University
10900 Euclid Avenue
Cleveland, OH 44106-7164
david.miller@case.edu

Lenore E. Matthew
University of Illinois at Urbana,
Champaign
School of Social Work
1010 West Nevada Street
Urbana, IL 61801
lematth2@illinois.edu

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Work, Western Michigan University, 1903 W. Michigan Ave.,
Kalamazoo, MI 49008-5354 USA. e-mail: swrk-jssw@wmich.edu. Tel: 269-387-3205 Fax: 269-387-3217.

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(Revised July, 2013)

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Electronic submissions are welcome. Please send to Robert Leighninger at rleighn@berkeley.edu. If you have no access to the internet, submit three (3) hard copies of manuscripts to: Robert Leighninger, School of Social Welfare, University of California at Berkeley, 315 Haviland Hall, Berkeley, CA 94720-7400. Send with an abstract of approximately 100 words and key words. Submission certifies that it is an original article and that it has not been published nor is being considered for publication elsewhere. Electronic submissions will be acknowledged immediately and authors will receive an email when the manuscript goes out for review. Those with no email address will be notified by mail.

Progress reports can be obtained by e-mailing the editor at rleighn@berkeley.edu. Reviewing normally takes 120 days.

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Articles should be typed in a 12 point font, double-spaced (including the abstract, indented material, footnotes, and references), with one inch margins on all sides. Tables may be submitted single-spaced. Please provide a running head and keywords with manuscript. Include tables and figures in the same document as the narrative. Keep identifying information out of the narrative. Put identifying information in a separate document with full contact information and any acknowledgments. Aim for approximately 18 pages, not counting tables and references. Avoid footnotes and endnotes if possible. Overall style should conform to that found in the Publication Manual of the American Psychological Association, Sixth Edition, 2009.

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Please use gender neutral phrasing. Use plural pronouns and truly generic nouns ("labor force" instead of "manpower"). When dealing with disabilities, avoid making people synonymous with the disability they have ("employees with visual impairments" rather than, "the blind"). Don't magnify the disabling condition ("wheelchair user" rather than "confined to a wheelchair"). For further suggestions see the Publication Manual of the American Psychological Association or Guide to Non-Sexist Language and Visuals, University of Wisconsin-Extension.

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Jennifer Zelnick
Touro College Graduate School of Social Work
43 W. 23rd Street, 8th Fl.
New York, NY 10010.

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