Book Reviews

Didier Fouarge (2004)
Poverty and subsidiarity in Europe: Minimum protection from an economic perspective
Edward Elgar
258 pp
Case: ISBN 1 84376 605 1, £59.95

Reviewed by John Veit-Wilson, University of Newcastle upon Tyne

As the subtitle clarifies, this book is not primarily about poverty and subsidiarity in setting income maintenance benefits, but is at heart an econometric study of household income inequalities over a decade from the mid-1980s into the 1990s under the three welfare regimes of the UK (liberal), Germany (corporatist) and the Netherlands (social democratic). It is a doctoral thesis in economics and has all the methodological strengths and epistemological weaknesses of that perspective. The author often comments, rightly, that the real social and political world does not seem to be reflected in dominant normative economic theory, while the disparity between the ideal of states ensuring welfare for all and the reality of governments operating in the interests of competing sectors or classes is beyond econometric capture.

The book aims to study if European Union (EU)-wide social policies are needed to combat poverty or if this can be left, following the principle of subsidiarity, to member states (whose governments may themselves leave the matter to lower levels of political, social or market institutions), expressed as “the economic desirability of State intervention in the market economy – or intervention by higher entities in federal-type government systems” (p. 15). The author traces the subsidiarity principle back to Aristotle’s discussion of the distribution of responsibilities between the state and society, and the treatment continues in this tone through the centuries as expressed by kings, theologians and philosophers. A traditional hierarchy of solidarity and sovereignty from the individual and family to the state and the EU is assumed as guiding the debate over levels of competence and execution for policies, where legitimacy (in these terms) is countered by centralising efficiency.

But why are (what seem to a social analyst as) the ideological rationalisations of the ruling forces (political, religious, paradigmatic) ascribed with agency power? There are indeed functional arguments to examine about the levels of government at which different tasks can best be carried out, but what does ‘best’ mean and to whom? Who takes the decisions and who benefits from and pays for them? The market or local level may be a defence for the individual against the tyranny of the centralised state or the EU, but the reverse can also be true. Effectiveness in goal achievement or efficiency in resource usage (whose goals? whose resources?) can be evaluated only in pragmatic terms. In specific instances any level may be better than others, to some and not others in one place rather than another. This study is at too high a level of abstracted generality to answer these questions.
So what does it suggest works best in reducing poverty? The income data analysed derive from household panel surveys in each of the three countries, over a long past decade allowing longitudinal as well as cross-sectional analysis. The objectives were “to investigate whether market and family mechanisms work well … to keep people out of poverty” (p 94) and if government redistribution kept poverty (at 50% of median incomes) and inequality (Gini and similar indices) low. The methods are conventional and the sources dated, but even so the conclusions about the pre-Blair era should still resound in the UK. “Comparison of pre- and post-government poverty rates makes it clear that the market does a much poorer job than the welfare state in preventing poverty in the short, medium and long term. For all the countries – including the liberal Great Britain – it is not the market that prevents long-term poverty. It is through government intervention that poverty is successfully tackled” (p 156). After modelling labour market competition at the EU level, the study concludes that to abolish poverty in Europe would take much of the fruits of economic growth and “both from an economic and political point of view, this is undesirable” (p 191). But because of migration effects, poverty would be more effectively reduced by setting EU-wide minimum wage standards than by leaving these at the national level.

The author concludes that the study’s economic perspective on incomes alone limits the scope of any answers to whether the EU should have social policy powers. The central competency needed to ensure, for instance, the implementation of incomes sufficient for human dignity is limited by member states’ claims for subsidiarity and the problems of unanimity over decisions. Those who are stimulated by reading a wide-ranging speculative discussion of the implications of subsidiarity and the prospects for EU social policies may find the concluding chapters useful.