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The Role of Solidarity in Institutions of Governance[1]

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Introduction

This paper addresses a question that becomes particularly important when a society is going through major social and economic changes such as those that have been triggered by the economic reforms of the 1990s. As existing institutions break down or become irrelevant, and as new ones struggle to come into existence, the possible basis for creating sustainable institutions becomes a central issue. Whatever one may think of the reforms, and however one assesses their impact on economic growth, poverty, inequality and economic performance overall, few would question the statement that much has changed in the structure of economic interactions at many levels.

These changes pose challenges for policy makers and programme implementers as much as for citizens. In the pre-1990s 'shortages' economy, queues and rationing mechanisms of various kinds determined the interactions among citizens, between citizens and sellers of goods and service providers, and among providers themselves, whether private or public. While shortages continue to shape the options available to the poor in urban and rural areas, the problem for those at the middle and upper ends of the economic spectrum has become one of learning to cope with the problems of plenty. To give one example: with the rapid increase in vehicular traffic, traffic behaviour in cities like Bangalore and Delhi has taken on the characteristics of a 'prisoner's dilemma'. There are high payoffs

[1] An earlier version of the ideas in this paper was presented as "Producing health and education: institutional challenges and development dilemmas" at the *Conference on Policy in Practice: Designing and Promoting Effective Institutions,* Centre for Public Policy, Indian Institute of Management Bangalore, September 23 – 25, 2005. I am grateful to the participants for their questions and comments. I am also

for successful non-cooperative rule-breaking, significant losses for those who follow the rules while others don't, and the resulting chaos of collective non-cooperation. What is most striking is the extent to which new informal behavioural rules, based on non-cooperation appear to have evolved. In today's mean streets, those who follow traditional traffic rules based on cooperative principles, including courtesy to smaller vehicles and pedestrians, draw puzzled looks and set off aggressive behaviour.

Increased policing is one obvious answer but a relatively ineffective one that may serve in fact to further break down social cooperation. In Bangalore traffic police have been called upon to manage more and more intersections (including those with new traffic signals), but this appears to have the perverse effect of worsening behaviour in the unmanned areas. Nor has it eliminated rule-breaking at the manned intersections. It is fairly common to see rule-breakers whizzing by with impunity with the traffic policeman shouting or shaking his fist at them!

Clearly norms of cooperation have broken down and need to be recreated. The traditional economics answer for problems of coordination and cooperation is to create private incentives or disincentives (including through policing), 'as if' markets, or private property rights (following the so-called Coase theorem). Social norms in this view are perceived to be the rules of thumb that evolve on the basis of these underpinning institutional characteristics. But what if incentives, policing, and property rights are difficult to create or sustain? There may be many circumstances, including the traffic example given above, where this may be so. What then? Can social norms, created in conjunction with or independent of private incentives and disincentives, provide a partial answer?

This paper is particularly concerned with one class of problems where norms of 'solidarity' (explained later) are, we believe, crucial, but are difficult to create or sustain through traditional economic incentives and disincentives alone. In the Indian context of

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indebted to Chiranjib Sen, Aditi Iyer, Asha George and Veloshnee Govender for many hours discussing these issues.

social and economic inequality, providing decent quality social services (schools, health centres, housing) to poor people continues to be an unresolved problem. It has been compounded (until the recent special cesses) by inadequate financing and weak budgetary allocations. The policy debate often pits those who argue the need for more funds against those who argue that existing funds are very poorly utilised. On the ground the availability and quality of public services remains woefully inadequate, especially those on which poor people depend. Creating viable and sustainable institutions is a key challenge.

Institutions and Norms

I use the term 'institution' to refer to an organisational frame that structures interactions among people (and other economic agents), and is held together by shared values that govern norms of behaviour, and a common and accepted language of communication and discourse. The emphasis on shared values and the language of discourse distinguishes this from Bowles who has a similar definition: "*Institutions* (as I use the term) *are the laws, informal rules, and conventions that give a durable structure to social interactions among the members of a population*" [2]. An institution may be viewed as a higher order organisation. The stronger its shared values and language of discourse become, the stronger the institution and the more enduring will be its organisational frame.

Institutions can graduate from those that are *basic* (where the organisational frame is held together by incentives and disincentives) to those that are more *advanced* (where the organisation is glued together by shared values that may or may not be based on incentives or disincentives). Advanced institutions don't function primarily through policing or private incentives. In advanced institutions, people wait in queues, obey traffic rules, and treat health centre clients with courtesy even when there is no immediate payoff or punishment. Might these behaviours be simply learned responses to underlying private incentives and disincentives, simply the rules of thumb that represent that

[2] Samuel Bowles, Microeconomics: Behavior, Institutions, and Evolution, New Delhi: Oxford University Press, 2005, pp 47-48.

structure? Or can norms have a rationale and life of their own? Can cooperative behaviours be learned even if they are not underpinned by private incentives or disincentives?

Standard economic theory has long assumed that the behaviour of economic agents including individuals is driven by private cost-benefit calculus. Despite considerable disagreement by psychologists, anthropologists and other social scientists, it is only recently that economic experiments made possible by rapid advances in game theory have challenged these standard assumptions. For instance, as reported in Fehr and Fischbacher[3], the rate of cooperation in prisoners' dilemma experiments is as high as 40 – 60%, contrary to the dominant strategy expectation of mutual non-cooperation. Bowles reports the results of other experiments with the Ultimate Game[4] to show that other-centredness (ie reciprocal behaviour) is quite common. When played by university students, responders often reject substantial offers if they feel the proposer is being unfair, even though by doing so they know they will end up with nothing. These results have been vindicated in similar experiments with small societies in 15 different parts of the world. Experimental results showed that no society behaved as predicted by self-interest axioms, and there was also considerable variation in the size of the proposers' offer, depending on whether the society had a regular practice of collective sharing[5] (Bowles 2004; pp 115-116).

Such experimental results point to a significant presence of what Bowles calls 'social preferences', i.e., *other-regarding* or *process-regarding* motivations for behaviour. That is, time and again, people evaluate a state not only on the basis of its implications for themselves but also based on what it might mean for others. They also evaluate a state based on the process by which it comes about. In the Ultimate Game experiments mentioned above, the evaluation is linked to whether or not the process is judged to be

[3] Ernst Fehr and Urs Fischbacher, "Why social preferences matter" Stockholm, Nobel Symposium on Behavioral and Experimental Economics, 2001 (quoted in Bowles, ibid; p 109)
[4] The Ultimate Game in its simplest version is a 2-person game in which one person, the proposer, is given a 'pie' and can decide how much of it to offer to the other person, the responder. If the responder accepts the offer, the pie is shared as proposed; if the responder rejects the offer, no one gets anything.
[5] Bowles, op cit, pp 115-116.

fair, an ethical judgement that often leads to behaviour that has substantial cost to the player in question. Hirschman's[6] argument that, people's willingness to be patient when stuck in a traffic jam in a tunnel depends on how fast they are moving relative to the cars in the other lane, is another example of other-directed perception. As Bowles puts it, "*The key aspect of other-regarding preferences is that one's evaluation of a state depends on how it is experienced by others"* (p 109).

How do non-'selfish'[7] behaviours of this type come about? How do they become social norms, and how do such norms get built into institutions? In particular, how can social norms of solidarity with poor people's needs get ingrained in a society?

Solidarity as a social norm

I define *solidarity as an other-directed trait that views the needs and interests of others as inherently similar to one's own*. By definition, solidarity is an interpersonal value that cannot be defined independently of the other person. The idea of being 'inherently similar' does not necessarily mean they are identical, but that they are viewed as intrinsically having the same worthiness. Similarity may be measured on a number of different metrics including common citizenship or common humanity. The fault-lines for solidarity are often precisely the commonly experienced bases of social difference – nationality, ethnicity, race, caste, gender and economic class. The more unequal a society and the more it is fragmented along such lines, the less likely it is to recognise solidarity as a value or to build it into institutions or behaviour.[8]

A simple thought experiment can help to measure the extent to which a group values solidarity. The experiment asks for individual responses to the following question:

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[6] Albert O Hirschman, "The changing tolerance for income inequality in the course of economic development" in Essays in Trespassing, Cambridge University Press, 1981.

[7] No pejorative is intended here; 'selfish' is simply shorthand for self-directed behaviour based on costs and benefits to oneself.

[8] Recent evidence from biological experiments identifies social inequality as a cause of higher stress levels and ill-health among both humans and other primates. This evidence is based on measuring the levels of the stress hormone cortisol in the bloodstream, and other non-psychometric measures. See Richard G Wilkinson, The Impact of Inequality: How to Make Sick Societies Healthier, London, Routledge, 2005.

Starting from an initial position of equality, if some people in a group can be made better off without making others worse off, which position is better? While the self-directed will choose the Pareto-superior position, those concerned with solidarity are more likely to pick the initial position. In an informal Indian classroom setting[9] a number of people did prefer the initial position and people's responses did not vary much based on how the better off became so. This may well be because of a generalised Indian belief that intrinsic worth or effort has little to do with economic performance or social superiority. More interesting were the reasons given by those who picked the initial position; a number of them said they did not like the second position, not because they felt it was intrinsically unfair, but because they were afraid that it was the beginning of a slippery slope towards greater and greater inequality, as well as lack of concern of the better-off for those worse-off.

Experiments such as those above point to the fragility of the assumption of independent preferences that is at the heart of the standard theorems of welfare economics. Another important insight that can be culled from the new experimental economics is the malleability of human 'preferences' and behaviour. We have already cited evidence showing that people's behaviours are not purely 'selfish' but can be both other-directed and process dependent. They also depend on the norms of the society within which one lives, and are hence variable over time as society itself changes.

Solidarity as a value grows out of concerns for fairness and is the basis of many social justice movements in different societies. In the solidarity-rich societies of Western Europe, particularly the Nordic countries, the development of social solidarity was a product of 19th century social democratic movements that attached intrinsic worth to social equality, and hence built this norm into many social and economic institutions. By contrast, the sharp racial inequality characterising US society was barely challenged by the civil rights movement of the 1960s, and found renewed justification in Ronald Reagan's vituperative attacks on so-called 'welfare queens'.

[9] The class being a group of mid-career civil servants contained a number who had direct responsibility for managing anti-poverty programmes and were well aware of the problems posed on the ground by social

Nearer home the most dramatic example of how social justice movements can replace inequality with solidarity based norms and behaviour is the transformation of caste relations in Kerala in the 20th century. From a caste system described by Swami Vivekananda as among the most rigid in the country and built on norms of both untouchability and 'unseeability', the society changed in a relatively short period through a combination of social reform and communist movements. In today's Kerala caste-based social norms and differentiation have all but disappeared, and solidarity as a basis for collective action is much more widely accepted.

An important aspect of solidarity is that it refers particularly to the view from the perspective of the better-off. While Sen's 'freedom to do and be'[10] clarifies the rights of the have-nots, the idea of solidarity actualises the other side of the human rights coin - the responsibilities of the haves.

But even if we recognise the value of solidarity as a social norm underpinning public action to meet the basic needs for food, health-care, education, housing etc of the worse-off in society, is it necessary? Can public provisioning for these needs be justified without calling on solidarity?

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inequality. In that sense it may not have been a very representative group.

[10] Amartya K Sen, Development as Freedom, New York: Alfred Knopf, 1999.

The need for solidarity[11]

Traditional economics treatment of the need for public action is based on the presence of externalities, public goods whose consumption is non-rivalrous and non-excludable, transactions costs, or incomplete information. However much of what we would include under basic needs do not meet these criteria. While externalities certainly exist (particularly in such areas as public health and sanitation), much of basic needs – food, curative health services, education – are rivalrous and excludable and have few associated externalities.

Indeed, if we take curative health services as our example, there is usually a thriving private market for such services on which a considerable portion of health expenditure is spent. Private production and consumption are not only possible but common. The problem is that over-reliance on private markets for the provision of curative health services segments people into haves and have-nots on the basis of affordability. This is the experience of both a rich country such as the US (with over 40 million people without health insurance) and India where the bulk of health expenditures are out of pocket but the poor are increasingly forced to opt out of treatment because of rising costs[12]. Unaffordability rather than incomplete information about its public benefits (the idea

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[11] In the standard economics treatment of consumer preferences and demand theory, both preferences and the rules for utility maximisation are invariant with respect to the level of the consumer's budget constraint. The rich and the poor may have different preference maps but they adopt the same utility maximisation behaviour. While such behaviour may be a reasonable approximation for those above the poverty line, it flies in the face of much ground-level observation of how poor households make consumption decisions and choices.

By definition poverty refers to a state where the household's budget constraint is too low for the household to be able to meet its basic needs. Such a household tries to cope with the gap between income and needs in a number of ways – pushing out the budget constraint through borrowing, rationing consumption among household members based on gender, age and other criteria, or choosing which expenditure to make based on whatever is most unavoidable at a particular time (for instance medical payments when someone falls ill, school fees at the start of the year, funeral or other expenses needed to maintain critical family and social networks). The consumption preferences and patterns of the poor may therefore be far more unstable and erratic than would be predicted by a smooth set of indifference curves.

[12] Gita Sen, Aditi Iyer and Asha George, "Structural Reforms and Health Equity: A Comparison of NSS Surveys of 1986-87 and 1995-96" Economic and Political Weekly, vol XXXVII No 14 April 6-12, 2002.

behind merit goods) is the reason for consumption below the 'efficient' level. Catastrophic health expenditures have emerged as a major cause of households falling into poverty.[13]

The justification for public provisioning for basic needs is simply that the poor cannot afford them at the prices determined in the private sector, and without them life entails significant hardships and deprivation. Furthermore, private provisioning segments people on the basis of affordability, enforces rationing within the household on the basis of gender and age, and causes households to fall into poverty. This justification for public provisioning of the basic needs of the poor is not on the basis of any of the standard public goods / externalities / incomplete information / transactions costs reasons; it is on the simple basis of solidarity – the basic needs of the poor are as worthy of fulfillment as those of the better off. In some sense, one might call them 'solidarity' goods – a short-hand for the recognition of what these goods stand for, the recognition by the haves of the intrinsic worth of the basic needs of the have-nots. This argument about the need for public provisioning does not rule out the possibility that the social value of solidarity on which it is based can be a rule of thumb representation for underlying private incentives (something most economists would be comfortable with since one could then work on the private incentives and not worry about solidarity!)[14]. It does not need to be based on strict altruism in the evolutionary biologist's sense.[15]

Provisioning of 'solidarity' goods

The argument that provisioning of the basic needs of poor people cannot be left to the mercies of private markets does not tell us exactly how such provisioning should occur. The following questions are addressed in this section. First, is solidarity only a matter of financing or is it needed at other levels also? Second, what combination of private

[13] Anirudh Krishna, "Poverty knowledge and poverty action in India" *Draft,* 2005

[14] For instance, the health budget could be increased by offering individual income tax-payers the choice of earmarking a portion of their income tax for health in exchange for paying taxes at the slightly lower marginal rate.

incentives, policing and social values such as solidarity could be the most effective glue to hold together the institutions for provisioning the basic needs of the poor? Third, can the social value of solidarity be built into a society if it has not evolved on its own through historical processes?

Solidarity in provisioning

Examining the actual experience of efforts to meet the basic needs of poor people through public provisioning makes it clear that the social value of solidarity needs to operate at more than one level. As we have seen, the better off certainly need to be willing to pay to ensure that the basic needs of the poor are met. This is however only the first step. The next and equally important level at which solidarity must be present is in the actual production or provision of the goods and services. No amount of funding will ensure a decent learning environment for a dalit child in a government run school dominated by the upper castes if the teacher does not step in to change the default environment.

When a poor woman is in need of emergency obstetric care and the doctor in the primary health centre tells her to come back later, solidarity norms are being violated. Solidarity needs to work both arms' length in relation to funding adequacy, and also in the day-to-day functioning of public 'markets'. Improved management and supervision, better working conditions and upgraded facilities need to be complemented by specific training for solidaristic behaviour (discussed further later) linked with greater accountability by providers to communities.

Private incentives, policing and solidarity

Figure 1 shows that, while private goods can be left to private incentives requiring neither policing (except to ensure competition) nor social values, this is not true either for standard public goods nor for 'solidarity' goods. For public goods, private markets tend

[15] "A behavior is *altruistic* if it confers a benefit on another while inflicting a cost on oneself (this standard biological definition is restricted to benefits and costs and does not concern intentions)" (Bowles op cit; p

to fail as we know. In some instances it may be possible to create 'as if' markets (eg markets for emissions trading) but otherwise a combination of policing and social values creation are needed. For solidarity goods on the other hand, a combination of private production and social values based public production may be possible and necessary.[16] Depending on the effectiveness of provisioning by the public sector, policing of the private sector may also be needed.

Figure 1:

	Private goods	Public goods	'Solidarity' goods
Private incentives	xxx	???	xxx
Policing of private markets	??? (to ensure competition)	Xxx	??? (if the public system is an ineffective competitor)
Social values		Xxx	xxx

Combinations of private and public production are quite common for basic needs, but their intent and mechanisms vary widely. Taking the example of curative health services again, private and public sectors may co-exist as in India, operating as largely parallel tracks which loop in to intersect at particular points. Poor people in backward rural areas go back and forth for services between the public health workers (such as the ANM), the private rural medical practitioners, the public doctor at the primary or higher-level health centre, and the private hospital. In the process they lose time, spend large sums of money out of pocket, and may end up cured if they are lucky, but all too often uncured or even dead.[17]

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[16] Public production is needed because it is very difficult to imbue private production with social values such as solidarity that may run counter to profit maximisation.

[17] These remarks draw upon observations made from the Gender and Health Equity project we are implementing in Koppal, a poor and backward district of northern Karnataka over the last five years.

A major problem is that not only do public providers need solidarity 'training', but private providers need policing and regulation if the poor are not to be taken advantage of. The experience of health systems in countries such as Canada, Sweden, the UK is that the public health system acts as an 'automatic' regulator of the private sector. The competition provided by a well-functioning public system for needs such as health and education can serve to discipline the private sector and provide cost- and quality-assurance.

Solidarity in an environment of inequality

But what if historical processes have not enshrined solidarity as a social norm and social and economic inequality run deep? Can solidarity be created if it doesn't already exist? This is a major dilemma in the country today after several decades of under-financed and poorly functioning public services intended to meet the basic needs of the poor. The experiences of the health and education sectors provide different lessons which need to be brought together.

The health sector is, as we have seen, a poorly regulated plural system which by all accounts is quite low on solidarity values. Attempts by the government to improve the quality and reach of services have included multiple institutional experiments and a lot of confusion! By the 1990s, the government appeared increasingly to be giving up on public provisioning through a process of creeping but ill-regulated privatization. Starting with contracting out or handing over primary health centers to NGOs, this has spread to increased use of private contract doctors, charging of user fees, drastic reduction of the scope of drug price controls, and subsidies for large corporate hospitals. Private contract doctors are also at the heart of the new National Rural Health Mission that is intended to improve health care in the most backward districts. Some attempts are also being made to increase local accountability by allowing the panchayati raj institutions in some states to control the salaries of lower level health workers.

In none of these attempts has the core problem of social distance, disregard and lack of solidarity of providers with their clients been acknowledged, let alone addressed. The education sector provides a contrast. The National Literacy Mission following on the landmark Education Policy of 1986 was the single most important process that brought the basic need of the poor for education to the centre of national awareness. It has been followed by other programmes with a focus on improving quality and reach such as the District Primary Education Programme, and the innovative Education Guaranteed Scheme of Madhya Pradesh. This is not the place to go into the details or the pros and cons. Nor is public education in the country as imbued with solidarity as one might wish. Nevertheless, it is not accidental that the haves in the country recognize literacy and the educational deficit of the poor much better than their equally desperate need for affordable health care.

What this shows is that a recognition of the need for solidarity as a social value can be a first step to policies and programmes that can have quite far-reaching effects. While history may be the most effective creator of new social norms, it is also unpredictable. But the imaginative policy maker does not have to be a good astrologer! Neither does he have to simply sit and wait!