Philosophers and economists rarely find much common ground, but Yuichi Shionoya's new book is of great interest to both, philosophers and economists. According to him, the ultimate goal of society is excellence in all fields of social activity and the establishment of a cultural identity (pp. 323-4). The neglect of virtue ethics and excellence has caused the current crisis of the welfare state as reflected in a sense of discouragement and increased dependence on state support. By taking into account the ethics of virtue, social security encourages individuals to expand their capacities and an excellent society can be achieved. So from my point of view the questions that are addressed throughout the book are: (1) what is the ethical foundation of the welfare state, and (2) how can we get out of the crisis.

Beginning with the first question Shionoya links the economic and the philosophical world through the concept of the good, which is represented in economics as utility, and in philosophy by right and virtue. Utilitarianism, underlying much of economics, has external goods as object of valuation, communitarianism has as object of moral valuation the state of human beings, and contractarianism addresses the social institutions of society. In this sense, utilitarianism, communitarianism, and contractarianism can be used as complementarily. Incidentally, these three philosophical approaches can be linked to the three branches of economics identified in Shionoya's last book (Shionoya 1997): economic sociology is concerned with just institutions and resembles contractarianism; economic statics concerned with the efficiency of an exchange equilibrium corresponds to utilitarianism; and economic dynamics dealing with economic development is the counterpart to communitarianism.

1 It has occurred to me that the term crisis is often used in a negative context to describe the ills of the welfare state. In this context the term might be overused. I use it nonetheless since crisis also can be understood as a time when an important decision must be made.
By constructing the moral framework of the welfare state Shionoya argues for a hierarchy of values: right-justice, virtue-excellence, good-efficiency (p. 22). To guarantee a stable society justice has to have priority over all other moral values. The traditional notion of the welfare state is based on justice and efficiency: while capitalism is ethically justified by efficiency, justice is represented by the democratic ideal. However, there are tensions: if social security is seen only from the viewpoint of justice and efficiency, a culture of dependency is likely to develop. Moreover, this tension between efficiency and justice, between good and right, between capitalism and democracy, leads to a situation where economic interest will subordinate public interest: "In short, the theoretical equality of political power in a democracy and the theoretical inequality of economic power in capitalism are incompatible in reality, because economic inequality produces inequality of political power over individuals and groups (p. 187)." Only virtue, and this is Shionoya's central statement, can mediate between good and right. In fact, virtue and excellence are the primary ethical foundations of social security. First and foremost, social security aims at alleviating poverty, which means lack of human dignity and is exactly the opposite of excellence. Justice, as reflected in the institutions derived from a Rawlsian social contract, and efficiency, in the form of insurance provided by the state in cases that are not covered by private insurance, are subordinate (p. 218-222). By neglecting virtue we do not take into account the common good of society, which is identified with internal goods of people, like friendship, love, health, dignity, self-respect, and the like. These internal goods relate to the internal psychological factors of the human soul, which are - to repeat Shionoya's argument - of primary concern to social security. To put it bluntly: justice alleviates society out of a Hobbesian state of nature, and efficiency in production increases material welfare, but that's not enough. To achieve an excellent society flourishing in all fields of culture a state that cares about peoples' internal goods is necessary. Consequently, excellence has to be superior to efficiency in the moral foundation of the welfare state.

Having established a moral foundation of the welfare state it becomes visible that the current crisis is due to the neglect of virtue. The crisis can be seen as an imbalance between benefits, paid according to needs, and burdens, paid according to ability. Solving this crisis requires a change in the institution of social security, it has to be understood primarily as a springboard, not as a safety net. By neglecting excellence, social security is
seen only as measure against risk and creates a culture of dependency, but if excellence is seen as the primary rationale for social security, the safety net is transformed into a springboard and thus creates opportunities for self-realization. Virtues like public reason and citizenship can be resurrected and excellence thus mediates between justice and efficiency, or between democracy and capitalism. Ideally, positive social security promotes the development of individual abilities and creates opportunities, like an energetic Schumpeterian entrepreneur who is the driving force of economic development (p. 158).

This is an unusual book and a deliberatively controversial one. Its most important contribution is the clarification of the moral foundation of the welfare state, leaving aside ideology and metaphysics. Since the beginning of modernity the hierarchy of eternal values, guaranteed by the divine order of the world, is questioned. Among different moral theories, each claims to be an all-encompassing doctrine. However, the welfare state is not a theoretical construction but a historical contingency, hence, Shionoya's method of combining utilitarianism, contractarianism, and communitarianism might be justified. On the other hand, sometimes it looks like he simply took what he liked from utilitarianism and communitarianism and wrote it into Rawlsian contractarianism. From an economics perspective it looks like a combination of ideas from Gustav von Schmoller and Joseph Schumpeter: The former took a historical, holistic, and ethical approach and argued for universally shared values, embedded in institutions, as driving the teleological evolution of society; the latter predicted the end of capitalism due to its success since growing individualism and rationalism cause a decline in values like leadership and duty. Shionoya views society as a whole and argues that moral values should drive the evolution of institutions but supplements this idealistic argument by stressing its materialistic constraints. In particular, he emphasizes the constraints acting on social security, i.e. its dependence on democracy for political implementation and on capitalism for funding (p. 227). To fix the damaged welfare state he argues for virtue to be institutionalized in form of positive social security. Interestingly, the role Shionoya
assigns to virtues comes closer to Eastern philosophical traditions (e.g. Confucianism) than to the philosophical traditions of the West.²

In a sense, large chunks of this book read like a history of moral philosophy. The ethical roots of the welfare state are examined in depth, but social security reform is only discussed in the last chapter, so the reader feels like climbing a mountain but still never seeing the top. To fully understand the argument reading the book once is not enough. Moreover, the book is densely written and not an easy read for the interested layman. But despite its minor quips, this is a book we can give in good conscience to our students and colleagues in order to provide them with a solid and in-depth examination of the philosophical groundings of the welfare state.

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² I thank Prof. Betram Schefold for pointing this out to me.