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## Introduction: the needs of capital and the needs of people: can welfare state reconcile the two?

### Book section

**Original citation:**

Gough, Ian (2000) Introduction: the needs of capital and the needs of people: can welfare state reconcile the two? In: Global Capital, Human Needs and Social Policies. [Macmillan](#), Basingstoke, UK, pp. 3-30. ISBN 9780333926871

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Available in LSE Research Online: November 2014

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## Chapter 1

### INTRODUCTION:

#### **THE NEEDS OF CAPITAL AND THE NEEDS OF PEOPLE: CAN THE WELFARE STATE RECONCILE THE TWO?\***

### INTRODUCTION

To what extent are the needs of capital and the needs of people antagonistic? Are either global or universal, or do they reflect national and cultural differences? Can national social policies in an era of globalisation serve either the interests of capital or the needs of people? Can the welfare state go on to reconcile the two? These are the questions addressed in the essays collected together in this book.

The issues are certainly topical. Witness on the one hand the triumph of capitalism in 1989, the accelerating integration of investment and financial markets around the world, the Asian meltdown and financial turmoil, the dissolution of national borders and the globalisation of culture; all these are examples of the growing power of capital, where power entails the ability to define, and to impose, one's own definitions of one's needs.

Witness on the other hand growing inequality in the distribution of the world's resources, climbing death rates and social dissolution in Russia, the near-holocaust of AIDS in southern Africa, the commodification of more and more aspects of life including education, the growing insecurity of life for many in the richest countries, and the mounting threats to the global ecology. These are all real threats to human needs and global welfare.

Surely, the answer to my last question is 'no'. The needs of capital and the needs of people are irreconcilably opposed and there is little or nothing the welfare state can do about it in

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\* An expanded and amended version of my Inaugural Lecture at the University of Bath, 21 January 1999. It also incorporates some material from my Introductory Lecture 'Moral and consequentialist arguments for the welfare state' given at the International Conference in honour of Professor Abraham Doron at the Hebrew University, Jerusalem, 9 June 1998. Thanks to Kevin Farnsworth for perceptive comments on the second part of this essay.

today's world. This pessimistic view is encountered every day in the media and academic tracts. For example, Gray (1999: 214) writes: 'The conflict between social democracy and global free markets seems irreconcilable'.

I want to take a more nuanced and hopeful position. Let me try to answer the question in three parts: What are the needs of people? What are the needs of capital? Can the welfare state reconcile the two?

## **THE NEEDS OF PEOPLE**

You might think it easy to define the needs of people. Are they not present - unfulfilled - in the frightened face of the orphaned and homeless child from Honduras on the cover of this book? Yet the ability of academics to squabble over such apparently straightforward ideas is legendary, and not always to be despised. The idea of need is no exception. So let me begin by summarising some of the arguments put forward by Len Doyal and myself in our joint book *A Theory of Human Need* (Doyal and Gough 1991).

### ***A Theory of Human Need***

The word 'need' is often contrasted with wants. We use the distinction in everyday language 'I want a cigarette but I need to stop smoking' - a regular mantra of mine until I finally gave up. The distinction, it is generally agreed, rests on the nature of the goals referred to. Need refers (implicitly if not explicitly) to a particular category of goals which are believed to be universalisable. Whereas wants are goals which derive from an individual's particular preferences and cultural environment. The universality of need rests upon the belief that if needs are not satisfied then serious harm of some objective kind will result.

Can we then agree on a notion of harm? We define serious harm as fundamental disablement in the pursuit of one's vision of the good. It is not the same as subjective feelings like anxiety or unhappiness. Another way of describing such harm is as an impediment to successful social participation. Whatever the time, place and cultural group we grow up and live in, we act in it to some extent. We argue that we build a self-conception of our own capabilities through interacting with and learning from others. This is an essential feature of our human nature. As Len Doyal put it in an earlier book:

'It is fundamentally mistaken to view yourself as acting with total self-sufficiency - by

yourself and for yourself - without reference to anyone else. Social life is an essential characteristic of individual humans, unlike the situation of an individual tree which just happens to be in a forest. Grown from a seed in isolation, a tree is still a tree; but humanity is the gift of society to the individual' (Doyal and Harris 1986, p.80).

It follows that participation in some form of life without serious arbitrary limitations is a fundamental goal of all peoples. This enables us to define human needs (See Figure 1.1). *Basic needs* then consist in those universal preconditions that enable such participation in one's form of life. We identify these universal prerequisites as physical health and autonomy. Survival, and beyond that a modicum of physical health, is essential to be able to act and participate. But that is not enough. Humans, distinct from other species, also exhibit autonomy of agency - the capacity to make informed choices about what should be done and how to go about doing it. This is impaired, we go on to say, by severe mental illness, poor cognitive skills, and by blocked opportunities to engage in social participation. Health and autonomy are basic needs of all people.

***Figure 1.1 about here***

This applies to participation in all and any social groups. At a second level, we can talk of *critical* participation - the capacity to situate the form of life you have grown up in, to criticise it, and, if necessary, to act to change it. This more dynamic type of participation requires a second-order level of critical autonomy. Without critical autonomy, human societies would change little if at all, simply reproducing themselves from generation to generation.

Now these common human needs can be met in a multitude of different ways by an almost infinite variety of specific 'satisfiers' - goods, services, activities and relationships that satisfy needs in particular contexts. These do vary over time and place. How then can we bridge the gap between universal needs and variable satisfiers? We do this by identifying those characteristics of need satisfiers that everywhere contribute to improved physical health and autonomy. These we label 'universal satisfier characteristics', or *intermediate needs* for short.

We group these characteristics into eleven categories: adequate nutritional food and water, adequate protective housing, nonhazardous work and physical environments, appropriate health care, security in childhood, significant primary relationships, physical and economic security, safe birth control and childbearing, and appropriate basic and cross-cultural

education. Nine of these apply to all people, one refers to the specific needs of children, and another to the specific needs of women for safe child bearing. All eleven are essential to protect the health and autonomy of people and thus to enable them to participate to the maximum extent in their social form of life.

Our approach has much in common with Sen's influential ideas of functionings and capabilities. For Sen [1992: 4-7], functionings 'constitute a person's being' and, since functionings are 'intrinsically valuable' they amount to states of *well-being*. Capabilities refer to the set of functionings that is feasible to that person - that she could choose. But what are these functionings? Sen's list includes being happy, being able to choose, having good health, being adequately fed and sheltered, having self-respect, being able to appear in public without shame, and taking part in the life of the community. Though we may well value all these things, it is a rather strange list. It embraces subjective states (being happy) and objective states (being adequately fed), and culturally generalisable conditions (having good health) alongside specifically liberal values (being able to choose). It is not self-evident that all these are 'intrinsically' significant in defining the social good. I consider that Sen needs a theory of need to buttress his notion of functionings (Nussbaum, 1993).

So much for human needs. Since needs are met - or not met - in social contexts, I must now turn to these. All societies by definition exhibit institutions directed at production, reproduction, cultural transmission and political authority. But to improve the ways needs are met, some forms of these are better than others. There is not the time here to expound our analysis in any detail. Suffice it to say that the process of identifying appropriate social policies should combine two approaches: drawing on the top-down codified knowledge of experts and professionals, and the bottom-up experiential knowledge of ordinary people in their everyday lives. Either without the other risks harm and waste.

In the essay which comprises Chapter 2 of this book, three procedural or political preconditions are identified as necessary optimally to define human needs: 1. a way of rationally and collectively identifying needs, in part by tapping the latest stock of scientific knowledge, 2. a means of using the experiential knowledge of people in their everyday lives, 3. the informed, democratic resolution of the inevitable disagreements which will result from these two approaches. At the material or economic level, further preconditions are ideally required to meet these needs: 4. to produce sufficient and appropriate need satisfiers, 5. to distribute them in line with the needs of individuals, households and communities, 6. to transform these satisfiers into individual need satisfactions - a task that predominantly takes

place within households, 7. to ensure that this whole process is sustainable through time.

Thus we argue that universal, objective human needs exist, can be known and charted. Moreover, we contend that there are better and worse ways of meeting human needs. The closer societies approach these procedural and material preconditions, the better are the chances that the needs of its members will be met.

*Moral arguments for the welfare state*

This leads me on to the moral argument for what I am happy still to call the 'welfare state'. We make this connection in the following stages (Doyal and Gough 1991, Chapter 6):

1. The membership of any social group implies obligations or duties.
2. To ascribe duties to someone presupposes that they are in fact able to perform these duties.
3. The ascription of a duty thus logically entails that the bearer of the duty is entitled to the need satisfaction necessary to enable her or him to undertake that duty. It is inconsistent for a social group to lay responsibilities on some person without ensuring she has the wherewithal to discharge those responsibilities.
4. Where the social group is large, this entails similar obligations to strangers, whose needs we do not directly witness and can do nothing individually to satisfy. This will require support for agencies that guarantee to meet the needs of strangers. This is roughly my definition of the welfare state: public rights or entitlements to the means to human welfare in general and to minimum standards of well-being in particular, independent of rights based on property or income. Only the state can guarantee strong entitlements to people of this sort, though this does not require that it directly provides the satisfiers in question - it can regulate, legislate, subsidise and in other ways ensure that other agencies, including private ones, do so.

Michael Ignatieff (1984, p.10) put it better than can I:

'Strangers around me have needs, and because they live within a welfare state, these needs confer entitlements - rights - to the resources of people like me. Their needs and their entitlements establish a silent relation between us. As we stand together in line at the post office ... some tiny portion of my income is transferred into their pockets through the numberless capillaries of the state'.

Of course should Michael Ignatieff fall ill or on hard times, he in turn would be the beneficiary.

5. However, our theory entails one major step beyond the traditional confines of social

policy. This commitment to meet the needs of strangers and to support the necessary welfare structures cannot stop at the borders of any particular state. The idea of universal human needs leads remorselessly to the global guarantee of their satisfaction. It lends powerful support to contemporary ideas of cosmopolitanism, which sees the entire world as a potential political community - however difficult are the obstacles and however utopian this sounds to our ears today (see Held 1995, Part IV; Jones 1999, Chapter 5).

### *Critiques*

It is difficult to exaggerate how disliked our whole approach is in some quarters. It goes against the grain of much post-modern thought, which emphasises relativism, authenticity and plural forms of justice. Let me now turn to four critical responses to our book.

First, Drover and Kerans [1993] challenge our 'thin' idea of human need and put forward a 'thick' alternative. A thick approach to need attempts to understand the way people name their needs in a specific cultural context. It relies on interpretative methods to grasp the full particularity of need in its everyday context. This approach is more historic, subjective and authentic. It recognises the role of social movements, who in the 'claimsmaking process' contest expert and top-down definitions of need and struggle to name their needs through social action. This approach, they claim, avoids the abuses of the concept of need which have been perpetuated by experts and will act as a corrective to various forms of cultural imperialism which neglect the plurality of discourses which give meaning and moral significance to the lives of individuals within different cultures.

Yet, such a thick account suffers from several problems well summarised by Soper [1993]. If we are to give full due to the variety of claims about needs, what saves their approach from being simply an account of struggle over wants and interests? If, as is almost certain, the communally named needs of different groups conflict, how are we to reconcile them in the name of need? In 1997, the Taliban in Afghanistan denied hospital care to women (The Guardian, 29.11.97). Must we accept this in the name of authenticity? Several groups of women in Afghanistan did not. Or, to take another example, if affluent people in the West claim the unlimited use of private cars as a need satisfier, how are issues of global warming and the sustainability of needs at the global level to be addressed?

Drover and Kerans attempt to answer this by drawing on Habermas to claim that a group can articulate needs which are universalisable, hence "true" in the sense that in an ideal speech

situation there can be a common consensus. But Hewitt [1993] argues that this requires some shared common background to provide the 'translation bridgehead' between different social movements espousing different cultural preferences and interests. And if this much is agreed, it subverts the priority given to subjectivity and authenticity. At a global level, too, there seems no way of addressing the sustainability of the sum of group-defined needs. In other words, thick needs return us via a different route to the well-established problems of wants, preferences and utility.

A second critique contends that theories of universal need are founded on an individualist notion of agency. Tao and Drover [1997] make this point when contrasting a Chinese notion of need to our 'western' one. They appreciate that we underline the social bases of individual autonomy, the fact that a person's individuality is rooted in their role relationships. However they claim that this idea is not followed through and that it sits uneasily alongside the idea of critical autonomy, which may entail individuals uprooting themselves and turning against their culture of origin. But we do this deliberately. Their alternative is the rigid set of five cardinal relationships of Confucianism: 'the father is righteous and protective, the mother is loving and caring, the elder brother is fraternal, the younger brother is respectful, and the son is filial'. I am not sure where daughters fit in here. In this rigid relational ethic 'individuals are never recognised as separate entities' they write. This is to go far too far. It is individuals who are born, suffer, love and die! Len Doyal and I do indeed recognise that our individuality is rooted in our role relationships, but this alternative goes too far towards community domination. As much as avoiding ungrounded individualism, a credible theory of need must avoid social constructivism.

Third, thin theories of need, like our own, can be criticised for being too thin to act as a guide for policy. Objectivity and universality can only be achieved at the cost of such a high level of abstraction from real societies, cultures and modes of satisfaction that the theory cannot serve as a practical guide to welfare provision. Now, we explicitly address this question in part III of our book. Between universal needs and socially specific satisfiers we posit 'universal satisfier characteristics'. As Soper puts it: 'These provide a standard of reference by which levels of deprivation within particular groups can be charted and specific welfare strategies defended as objectively grounded rather than ethnocentrically motivated' [1993: 74]. In this sense our theory, while not thick, is certainly thicker than thin! Yet, Soper claims that this smuggles in dubiously objective claims, especially in relation to the pre-requisites for critical autonomy. This is further compounded when we insist on the role of bottom-up experiential knowledge in identifying specific satisfiers.



I do not believe that this criticism stands up. The procedures for identifying universal satisfier characteristics rests on two foundations. First, the best available technical knowledge articulating causal relationships between physical health and autonomy and other factors. Second, comparative anthropological knowledge about practices in the numerous cultures, sub-cultures, states and political systems in the contemporary world. Both natural and social sciences play their role in rationally determining policies to meet needs. But in identifying and improving *specific* satisfiers, experiential knowledge grounded in the 'lifeworld' is essential. At the former level, the codified knowledge of physical and social sciences is non-negotiable. At the latter level, the two forms of knowledge should ideally enter into a dialogue within a communicative situation which is as unconstrained and informed as possible. Social policy as an academic discipline embraces both forms of enquiry; but that does not mean that their differing epistemological groundings cannot be distinguished.

Finally, Wetherly [1996] accuses our theory of incoherence when identifying the standards of *basic* need satisfaction. What levels of physical health and autonomy are required to secure minimally disabled social participation? We reject both the 'minimum' and the 'adequate' standard in favour of the 'optimum'. Reflecting the distinction between personal autonomy and critical autonomy, this is divided into two: the 'participation optimum' and the 'critical optimum'. The latter comprises those levels of health and cognitive, emotional and social capacities which permit critical participation in one's chosen form of life. In practice, however, we go on to posit a third variant, the 'constrained optimum': the best level of need satisfaction presently achieved in the world or a better feasible level [Doyal and Gough, 1991: 160-1]. Present Swedish levels of health and autonomy, we suggest, provide a practical exemplar of this constrained optimum.

Soper and Wetherly criticise this proposed standard on related grounds. Soper contends that this standard may actually be too high, in that the extravagance of Swedish energy use and socio-economic institutions is not generalisable to all other peoples in the world or to future generations. Insofar as this is true, it is accommodated within our definition of constrained optimum. But this raises a difficult issue. We have narrowed our focus from a concern with the universal requirements for minimally disabled social participation to whatever is universalisable across time and place in practice [Soper, 1993: 78]. This raises more issues than can be dealt with here, but at the end of the day 'ought' must imply 'can'. If due to past industrialism, population growth and environmental degradation we can achieve less than optimal generalisable satisfaction of basic needs, then so be it. We will be forever living in a

world of constraint. Wetherly goes on to claim that this reintroduces relativism. The constrained optimum standard remains 'historically - and so socially, culturally - relative' [Wetherly, 1996: 58]. But the 'and so' does not follow. The concept of human need we develop is historically open to the continual improvements in understanding that have characterised human progress. But at any one time, there is a body of best knowledge to which international appeal can be made. Put simply, our theory is relative in time but absolute in space.

If these rebuttals of criticisms of our theory are sound, I would claim that the case for a strong, rights-based and wide-ranging conception of the welfare state still stands. The existence of universal human needs justifies support for an institutional framework guaranteeing sufficient provision of resources to deliver their (constrained) optimal satisfaction. However difficult it is to conceive of this in practice, the institutionalised guarantees to human welfare should be generalised to all the peoples of the world, subject only to ensuring the need-satisfactions of future generations.

## **THE NEEDS OF CAPITAL**

### *The interests and needs of capital*

So much for the needs of people. Now to turn to the 'needs' of capital. Where better to begin than with *Capital* – the greatest work of Karl Marx. He contrasts capital with the simple circulation of commodities.

'The simple circulation of commodities – selling in order to buy - is a means of carrying out a purpose unconnected with circulation, namely the appropriation of use-values, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits. Thus the conscious representative of this movement becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns. ... The restless never-ending process of profit-making alone is what he aims at.' (Marx 1926, pp. 169-171).

So the prime 'need' of capital, said Marx, is restless, never-ending expansion of its value - the pursuit of profit. This applies whether this thing called capital is invested in industry, agriculture, services, distribution or finance. This activity is quite distinct from consumption

where money is expended in order to satisfy wants. Where human wants or needs (at this point we can ignore the distinction) are plural and qualitative, the goal of capital is singular and quantitative. Compared with the complexity of people's needs it is simplicity itself: the goal of capital is to expand profits (I will not say 'maximise') while managing risk. In place of the messiness and multi-dimensionality of people's needs, there is one overriding goal measured in one dimension – money.

Wetherly (1995, ch.6) directly applies our model of human needs to analyse the needs of capital, as shown in Figure 1.2. He begins from Marx's starting point that the basic need of capital is profit, a necessary and universal pre-requisite for the overall survival of the capitalist system. To produce and realise profits certain intermediate needs must be fulfilled: a system of law (guaranteeing private property), a monetary system, collective infrastructures such as transport, and some level of compliance of the population in general and the working population in particular. Compliance can be achieved in many ways varying from informed consent at one extreme to coercion at the other. More particularly, the relation of labour to capital needs regulating to ensure that labour-power is forthcoming to work for capital, that these workers have the appropriate set of capacities and that they do in fact work at a satisfactory level. This reproduction of the labour force applies to the actual labour force, the unemployed, potential workers (eg housewives) and the future working population (eg children).

***Figure 1.2 about here***

These intermediate needs, he goes on, also require specific satisfiers to meet them. These may be provided within the household or community, but all will require a state backed by coercive powers and territorial legitimacy. The state will be pressured to search for workable policies to meet these needs (while at the same time being constrained in its range of solutions by the structural power of capital –see below).

Wetherly's model conveniently compares the needs of capital with the needs of people, but it raises a host of problems. Capital is not an entity in the same way as people, and there is a danger of reifying the category - of imbuing it with lifelike qualities. Moreover, to speak of the 'needs' of capital is to resort to functional explanations of state policies, whereby the consequences of a policy explain its origins. According to Elster (1980, 1985, ch. ), a critic of functional explanations in social science, there is no general mechanism (and few specific mechanisms) equivalent to natural selection in biology, to explain why and how adaptive

traits emerge and persist. But Cohen's reply is valid: that, like Lamarck, we may have powerful evidence that features adapt without understanding the mechanisms at work. Marx's theory of 'historical materialism may be in its Lamarckian stage' (Cohen 1980: 134). In *The Political Economy of the Welfare State* (1979: 37-8) I concluded that 'It is useful and helpful to analyse the changing functional requirements of capitalist economies ... but it does *not* follow that the state will necessarily perform those functions'.

With this warning in mind, Chapter 3 revisits James O'Connor's analysis of the activities of the state. He contends that the capitalist state will try to fulfil two basic functions: accumulation and legitimation. It must attempt to maintain or create the conditions in which profit-making can succeed, and at the same time control threats to that process by policing the population or in other ways ensuring minimal levels of social harmony. Social policy can contribute to accumulation, in the form of social investment (in training for example), or social consumption (by enabling families to combine work and child-rearing). And it can provide social expenses, such as relief measures to stave off disaffection and revolt. If social policy is solely influenced by the needs of capital - a big 'if' - these define and limit the scope of its activities.

We may summarise the argument thus far as follows. First, capitalist development pushes the state to search for policies to enable profitable production to continue. The emergence of a propertyless proletariat encourages some forms of social security, the changing division of labour with industrialisation and tertiarisation fosters public education, the growth of cities pushes public authorities towards some forms of urban and public health policies (Gough 1979: 32-8). But the 'specific satisfiers' adopted will vary according to many other factors, and cannot be read off from the abstract needs of capital. Indeed, the state may not respond at all.

Second, the extent to which these capital-driven policies enhance human welfare will vary – sometimes they will, sometimes they will not. Both capitalist and labouring classes 'may see a particular social policy as in their interests, but for quite different reasons. The working class because any policy which mitigates hardship or which modifies the blind play of market forces is to be welcomed. The capitalist class because it reduces working-class discontent, provides an added means of integrating and controlling the working class, and offers economic or ideological benefits too' (Gough 1979: 66).

### *Unregulated capitalism and human welfare*

Let us now assume a society of unregulated capitalism, where society and state are subordinated to the needs of capital - the pursuit of private profit. This is similar to what Ed Nell (19..) has called 'cowboy capitalism'; and Susan Strange (1986) 'casino capitalism'. This can be contrasted with capitalist societies in which the state and/or other civil organisations and movements have more leverage. How well can a relatively unregulated capitalist system satisfy human needs? Chapter 2 addresses these questions.

There *are* ways in which the restless pursuit of profit can serve social welfare, as has been recognised since the time of Mandeville and Adam Smith. First, markets can utilise the dispersed knowledge of millions of separate people, providing them with incentives to act on that information so as to maximise production in response to consumer demand. Almost a century before Marx, Adam Smith (1776, p.119) wrote: 'It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interests.'

This is not an overtly moral setup - it is greatly reliant on the pursuit of private greed - but it does work! The result of harnessing these knowledges and motives is the prodigious productivity of capitalism today. It is manifestly able to satisfy the wants of many millions of people, not just in the West - and satisfying wants often satisfies needs.

The second strong claim is that the free market system fosters the freedom to choose and to act in the spheres of consumption and production, and thus enhances human autonomy. Related to this, the decentralisation of markets encourages democracy. This can enable groups to organise and press their own conceptions of their needs within the political arena. These are good arguments, especially when contrasted with the state socialist record. The gross abuse and neglect of children in orphanages in Romania and elsewhere stemmed mainly from the lack of a flourishing civil society in which concerned groups and citizens could expose these conditions. There *is* a certain link between markets, decentralisation, freedom and citizen activity.

But arguments in the opposite direction are legion. Reformists contend that the unregulated pursuit of profit is poorly equipped to meet human needs for a host of reasons which are too well known and will only be listed here: tendencies to monopoly, unemployment, consumer ignorance, the inability of markets to take wider costs into account such as pollution, the self-defeating production of positional goods whose rationale is simply to enable one to stay

ahead of the pack; dilemmas where short-term advantage clashes with long-term (Barr 1992). More problems arise in the sphere of distribution. As Amartya Sen (1981) demonstrates, unregulated markets cannot, even in the richest societies, offer all people entitlements to basic need satisfiers. The homeless can coexist alongside the luxuriously housed. Indeed an underclass can exist with access to none of the basic satisfiers. More than that, an unregulated market economy generates gender inequality despite the discourse of equal opportunities. Markets paradoxically require altruistic, collective behaviour on the part of women in the household in order to enable men to act individualistically in the market.

Radical critiques go further still. The ability of unregulated capitalism to foster democracy is weak. It will be the rich and powerful who can best organise; and it will be policies to uphold markets that have the best chances of being heard, not those that counterpose common human needs. In the sphere of work the restless never-ending search for profits continually recreates new forms of sweatshop, as in the phone answering rooms that employ thousands of people in Britain in highly controlled environments. Alienation at work persists and is complemented by alienation in consumption. The sheer number of commodities devised is beyond count. Despite, or because of, pervasive advertising, we consumers have inadequate knowledge of their characteristics - and inadequate time to find out. It was estimated in the 1970s that the average American had, by the age of 20, been exposed to some 350,000 television commercials alone. How many is it now?

We can go on. A society driven by profits alone undermines human community, subjects solidarity to an all-embracing culture of possessive individualism. Markets can only meet wants in commodified forms. The benefits of co-operation or leisure are beyond its scope, and indeed are undermined as profit and markets colonise more and more areas of social life. Lastly, it threatens nature as the inherited resources of this world are squandered at a reckless rate. Here the never-ending pressures to expand value are most visibly in conflict with the human needs of the planet's inhabitants.

To conclude. The unconstrained pursuit of profit or casino capitalism may be an efficient system for satisfying *certain* wants of *some* people by means of *commodities*, but that is all. The remainder of our complex web of needs cannot be so satisfied.

### ***Globalisation and the structural power of capital***

Despite the qualification in the last paragraph, there is today surprising support for the classic

Marxist position that the needs of capital conflict with the needs of people. According to many commentators the domination of capital over state interests and human needs is growing and may be unstoppable. Post-war incursions on the power of capital are short-lived, the argument goes. Whatever the political voice of business and financial interests, whatever countervailing mobilisation and pressures from other interests in society, whatever the political complexion and programme of the government in power, the bottom line is that their room for manoeuvre is constrained by the central structural role of private capital in the modern world.

The reason in a nutshell is 'globalisation'. International trade, foreign direct investment and international financial flows have all expanded, the latter at a dizzying pace, in the last two decades, as cross-border movements of capital have been progressively deregulated. More than one trillion dollars are now turned over each day in international currency transactions. Following decolonisation and the collapse of state socialism at the end of the 1980s, few areas of the world remain to resist the logic of capitalist markets and economic enterprises. This in turn is imposing the needs of capital in more and more areas of life and is weakening the resources of states and citizens to fight back.

The new essay in Chapter 4 of this book (jointly written with Kevin Farnsworth) addresses these issues by resurrecting the idea of the structural power of capital. This refers to the ability of capital to influence policies and outcomes without applying direct pressure on governments and other actors in society. It is power based on exit rather than voice. Structural power has been enhanced by the removal of controls on international mobility and domestic regulation. Certainly, if we look at Britain in the 1980s and 1990s, one can demonstrate a renewed power of capital over the government and citizens. The private share of investment has risen and the public share has fallen, partly due to privatisation, making more areas of life subject to the dictates of profitability. The countervailing power of citizens has also declined. The weaker are trade unions, the lower are welfare benefits, the looser are labour regulations, the higher is unemployment and the more insecure is work; the less able are citizens to control the power of capital. Most of these have moved in capital's favour over the last two decades.

Putting all this together we can see that the power of private business and financial interests over society, workers and the state has grown since the early 1980s. The world has become more hospitable to the interests of capital owners and controllers. Indeed, it is one of these, George Soros (1999), who has recently expressed this most eloquently.

## **CAN WELFARE STATES RECONCILE THE TWO?**

My conclusions thus far are that the unconstrained interests of private capital conflict with and hinder human welfare in numerous ways and that the structural power of private capitalist interests is growing in the contemporary world. This is a pessimistic scenario. Gray writes: 'Global laissez-faire is not a conspiracy of corporate America. It is a tragedy - one of several that have occurred in the twentieth century - in which an hubristic ideology runs aground on enduring human needs that it has failed to comprehend' (Gray 1999, p.217). Are we entering such a dystopian, Blade Runner world? Or can welfare states, defined broadly along the lines introduced earlier, possibly bridge this gap? To coin a cliché - is there a third way? Let me optimistically conclude by presenting arguments and evidence that they can.

The fundamental argument is as follows. First, different forms of capitalism coexist in the modern world despite the deepening of capitalist relations across the globe. The common 'need' of capital is to make profits but the institutional structures and policy patterns (the 'specific satisfiers') which contribute to this can and do vary. Second, welfare states (defined as earlier on - public rights to human need satisfiers) can enhance the competitiveness of national capitals. 'Human need' sound passive but this is far from my intention. Need is the reverse side of capacity, and good social policies enlarge the individual and collective capacities of peoples and thus their economic performance. Third, this in turn changes the way that private capitals interpret their interests. Forms of capitalism and forms of welfare state fuse in a relatively stable pattern of 'welfare regimes', with different implications for human needs and welfare. In an increasingly competitive world welfare states can provide a competitive advantage to private capital and at the same time encourage different forms of capitalism with different moral underpinnings and welfare outcomes.

### ***Social policies and economic competitiveness***

I begin with the economic impact of welfare states. The relationship between social policy and economic competitiveness is the topic of the essay reprinted in chapter 8. The competitive advantage of firms depends on their ability to create a value greater than the cost involved. To do this a firm must either provide comparable buyer value but perform activities more efficiently than its competitors (the lower cost strategy) or perform activities in a unique way that creates greater buyer value (the differentiation strategy). In other words there is a choice here. The competitive advantage of nations is different but a similar choice is faced by richer nations with the potential to provide welfare states. They can encourage the



cost- or performance competitiveness of their national firms by cost-cutting, reducing wage costs or social costs, for example. Or they can encourage structural competitiveness by aiming to compete in high quality value-added. The arguments of Chapters 8 and 9, brutally summarised, are as follows.

*Fiscal inputs.* In a world of closely integrated financial markets persistent and large budget deficits are harmful, especially when financing current spending or transfers. But when we turn to levels of taxation, there is no convincing evidence that higher levels are harmful, whether the focus is taxes on business or on households. There is no consistent cross-national evidence linking levels of social expenditure or taxation to a variety of indicators of economic performance. On the other hand there is a consistent *positive* association between levels of social spending and openness to trade.

*Welfare outcomes.* Poverty, ill-health and high crime rates have economic costs. Less unequal societies enjoy higher growth rates, while adjustment to external shocks is facilitated by lower levels of social conflict and better systems of conflict management. Increasing integration into the world economy requires better systems of social protection. The fiscal costs of high crime and incarceration are considerable. There is an alternative ‘unproductive burden of the state’ that is not caused by social protection, rather by its absence. The competitive contribution of public welfare is here rather evident.

*Social programmes.* If good welfare levels are positive for economic performance, but spending on public social protection is indeterminate, perhaps the apparent contradiction can be reconciled at the intermediate level of social programmes. This leads us into the ‘institutional fine detail’ of different social policies, but even here it is difficult to draw generalisable conclusions. Much research is at a micro level, for example, the impact of Family Credit on work incentives of lone mothers in Britain. To draw conclusions about whole policy areas over several countries still requires heroic acts of aggregation. My broad conclusions are:

*Pensions.* Concern over the effects of population ageing on public pension provision is widespread and has already inspired counteracting measures in most countries. European systems have been criticised because they are both generous and pay-as-you-go in nature. A crucial argument for our purposes is that they displace private savings which in turn reduce investment and future growth rates. However, all stages in this argument can be challenged and cross-national evidence in its favour is thin. The transition costs from pay-as-you-go to

funding are very high, while means-testing the basic state pension (the other alternative to the European model) has clear and demonstrable disincentive effects on savings.

*Social benefits for the working age population and labour market regulation.* European benefits are in general especially generous compared with the US and Japan, notably sickness benefit and unemployment benefit for some groups. The social assistance safety net is also more extensive and more generous in many, but not all, European countries. The OECD and other bodies argue that minimum wages and extensive employment protection laws (Britain notably excluded) discourage firms from hiring labour and contribute to mass unemployment and social exclusion. On the other hand, countries with generous parental leave benefits encourage women to participate in the labour force and this can outweigh the negative effects: what at the micro-level appears to discourage work may at the macro-level encourage it. Means-tested benefits, the only realistic alternative to the European social insurance model, can clearly discourage work. In any case, if productivity is the measure of economic performance, and output per hour worked is calculated, European economies exhibit higher productivity levels than the US, while Germany scores as good a rate of productivity growth as America over the last decade.

*Education and training.* There is near-unanimity now that investment in human capital, through education, child care and training programmes, is important to competitiveness in today's high technology world. The returns to education and training appear to be rising everywhere - alongside the penalties attached to little education, redundant skills and lack of expertise. This is an area where the merits of substantial public provision or finance are more frequently accepted. The alternative for countries that miss out is a low skills equilibrium, in which the majority of enterprises staffed by poorly trained managers and workers produce low-quality goods and services - a past verdict on Britain. By driving down labour costs, deregulation may enhance short-term performance competitiveness but at the expense of longer-term structural competitiveness. But this is not just an argument for 'education, education, education'. Children from impoverished backgrounds living in areas of crime and social dislocation where most teachers would choose not to live perform less well at school. Social class and parental interest remain important influences on literacy and numeracy. So social security, urban, housing, and health policies are indirectly productive. Human needs are interrelated, lending economic support to a more comprehensive welfare state.

To conclude, social policy is, or can be, a productive force. It is a mistake to treat social policy, even in an era of global markets, as simply a burden on capitalist economies (see also Gough 1979, Chapter 6 and Appendix 3).

*Forms of capitalism*

My other conclusion echoes that of Esping-Andersen (1994, p.725): 'the effects of a welfare state cannot be understood in isolation from the political-institutional framework in which it is embedded'. Systems of social protection exhibit both compatibilities and incompatibilities, both positive and negative impacts on different economic outcomes. The adaptability of welfare systems to changing competitive and international contexts varies with their national contexts. The effect of social policy on competitiveness is contingent on the institutions of the nation state and its place in the global economy.

In other words, different forms of capitalism continue to coexist. As Soskice (1999: ) writes: 'the remarkable feature of advanced capitalism in the 1990s is that, despite liberalisation of international markets, the predicted convergence to a single institutional framework has not taken place'. This is because property, markets and firms are 'embedded' in wider social relationships. The forms of embeddedness differ across the world. Chapter 9 shows that the three members of the global 'Triad' - the US, Europe and Japan - diverge in many notable ways. The US is closer to the neo-liberal model and Europe (outside the British Isles) to the statist-corporatist model. While the nature of British, French and German capitalism differs greatly, I conclude that there is a distinct and dominant European model of 'social capitalism'.

What is more, the particular framework of capitalism shapes the way that the systemic 'needs' of capital are perceived and formulated. Granted that capitals everywhere seek to expand profits, and granted that everywhere this requires specific state supports, this does not entail that the institutional structures and the policy patterns (the 'specific satisfiers') will converge. The ways that value and profit can be expanded are many and various. The time horizon over which enterprises calculate can vary, with implications for investment in capital and training. The range of stakeholders can vary from narrow shareholders to a broader spectrum of workers, suppliers, and customers. The European ideal of 'social capitalism' is precisely that business itself will embody broader, socially inspired interests - not as an act of altruism but because it will enable them better to pursue their own goals. To quote David Soskice (1999:....) again: 'In the Northern European business world the interests of business policy-makers will normally be to promote a long-run cooperative institutional framework for companies ... By contrast, this would not be in the interests of a business community run by finance people whose expertise lay in hostile takeovers.'

These different forms of capitalism lie closer to and further from our ideal procedural and material preconditions for meeting human needs. Chapter 2 reasons that other forms of capitalism are likely to provide superior frameworks for satisfying human needs. One form, corporatist capitalism, integrates market forces with two other modes of coordination – state intervention and public negotiation. Corporatist capitalism, such as that in Denmark or the Netherlands, thus ‘has the potential to overcome market and state failures in the material realm and to foster some form of dialogic democracy in the procedural realm’. The predicted outcomes are more favourable to human welfare than casino capitalism.

Does the available evidence back up these arguments? One important tool for investigating this is comparative cross-national analysis. To what extent do countries with differing degrees of regulation of private capital exhibit different levels of need-satisfaction? The developed Western world, let alone the contemporary international state system, provides a rich laboratory here, and this is utilised in other chapters in this collection.

Chapter 5 provides some empirical evidence on a global scale. It analyses data for 128 countries to discern what factors account for the great disparities of human welfare across the contemporary world, using indicators of both basic and intermediate needs. The article concludes that affluence or poverty is only one of several factors explaining cross-national variations in need satisfaction: the degree of economic and political independence, the extent of democracy and human rights, the capacity and dispositions of the state, and relative gender equality all impact positively and independently on a nation's level of welfare. We conclude: ‘These are encouraging findings. They suggest that social rights and levels of human welfare are best guaranteed by forms of economic development guided by an effective public authority which guarantees civil and political rights to all and is thus open to pressure by effective political mobilisation in civil society.’

Much more research has gone into comparing the countries of the OECD. In an earlier book we showed that on most measures of need satisfaction the USA exhibited poorer levels than Sweden, with Britain somewhere in-between. This applies to death rates, health standards, poverty levels and economic insecurity, homicide and physical insecurity, access to health services and respect for human rights. A black child born in Washington DC has less chance of surviving to her first birthday than one born in Kingston, Jamaica (Doyal and Gough 1991, pp.287-293). Chapter 9 of this book confirms that levels of human welfare are in general lower in the US despite higher real income levels.

*Welfare regimes*

Chapter 8 goes on to speculate that different welfare regimes have different impacts on both human needs and capitalist competitiveness. Esping-Andersen's celebrated concept of welfare regime refers to 'the combined, interdependent way in which welfare is produced and allocated between state, market and family' (Esping-Andersen 1999: 34-5; 1990). These different forms of welfare provision shape both welfare and stratification outcomes. The latter in turn shape class coalitions and other political alignments which tend to reproduce or intensify the original institutional matrix. Thus 'existing institutional arrangements heavily determine, maybe even over-determine, national trajectories' (Esping-Andersen 1999: 4). He identifies three basic types of welfare regime: the liberal (the US is an exemplar), the conservative-corporatist (eg. Germany, Italy) and the social democratic (eg. Sweden). The concept of welfare regime can be usefully applied to marry our analysis of welfare and capital.

Chapter 8 argues that each regime type generates a different set of problems for or threats to national competitiveness, that these generate different recommended policy solutions, but that these in turn may generate further dilemmas or contradictions. These arguments have recently been more rigorously formulated by Iversen and Wren (1998) as the 'trilemma of the service economy'. The goals of employment growth, wage equality and budgetary constraint increasingly come into conflict: all three cannot be achieved simultaneously and different welfare regimes sacrifice or achieve different combinations of outcomes.

- Liberal welfare states of the English-speaking world achieve budgetary restraint and employment growth at the cost of low wages and working poverty. The dominant welfare threat to economic performance in these countries is of inequality and its effects: instability in demand, a poor quality educational base and deteriorating social capital.

- The conservative welfare regimes of the EU 'core', on the other hand, achieve greater labour market equality but at the costs of employment growth in the public and private sectors. The threats to economic performance here are high and rising social transfers, high social security charges and non-wage labour costs plus an extensive hidden economy, all of which further discourage employment

- The social democratic welfare regimes of Scandinavia combine low wage differentials and high participation rates at the cost of high levels of state spending on both transfers and social

services. The twin threats to this regime are high rates of taxation and high non-wage labour costs threatening domestic capital supply.

Thus different welfare regimes exhibit different configurations of effects on capital and competitiveness. A problem in one may be a solution in another. Moreover, in all regimes powerful interest coalitions will resist measures to adapt their welfare systems to the competitive requirements of nations in the new globalised economy: the solutions are likely to remain path-dependent.

This provides the background for three further comparative essays in this book. Chapter 9 identifies the social policy aspects of the European model: high levels of spending (especially on transfers), insurance-based social programmes, high trans-generational solidarity with modest to high vertical redistribution, in a majority of states a breadwinner model providing considerable employment protection and benefits for the core workforce, good social investment in human and social infrastructure capital, moderate to low levels of poverty and inequality but high levels of unemployment. The chapter recognises the competitive advantages of relatively high levels of social integration and trust and of social policies to enable new forms of work and leisure combinations, but sees a need for substantial reforms. A new European social model would include a basic pension guarantee, top-up incomes for low wage workers combined with some deregulation of labour markets, and a shift from compensatory transfers to productive investments via public social services.

Chapter 6 narrows the focus to the southern member states of the European Union and asks why they fail to respect the needs of the poorest by providing an adequate, national and rights-based social safety net. Working within an historical institutionalist framework, it distinguishes social-structural factors (for example, distinct family and employment structures) and political-institutional factors (for example, clientelist politics and segmented interests). In both cases the Mediterranean countries are distinct, and both explain the absence of a national safety net. Despite pressures from the European Union for minimum social protection schemes, I conclude that this is unlikely to develop in southern Europe. The implication is that national history and institutions can lock nations into path dependent forms of programme development. These may not be congruent with either the interests of capital or the needs of national citizens.

Chapter 7 ventures beyond the confines of the Western world to study enterprise welfare in Russia following the collapse of the Soviet Union, democratisation and the wrenching

economic restructuring in the early 1990s. Welfare benefits provided directly by enterprises to workers, families and communities was *the* distinguishing feature of social policies in the state socialist countries. They ranged from kindergartens and housing to cheap food and holiday camps. Surely such an extravagant and commercially irrational system could not survive the transition to a market economy? Based on a study of two Russian cities, Dr McMylor and I discovered a process of divestiture of social assets combined with a pattern of selective retention by some firms for a mixture of ideological and self-interested reasons. The 'horizontal' alternatives to this 'vertical system' - local authorities and NGOs - will need time, money and social trust to develop and thrive. Caught between rampant liberalisation and enfeebled civil society, all vestiges of a safety net are disappearing in Russia. Polanyi's (1957) warnings of the dangers of disembedding markets from social relations are most starkly confirmed in the cradle of the October Revolution.

### ***Towards new strategies for welfare***

None of the above lends uncritical support to existing European-style welfare states. Many present-day social policies are irrational in both economic and social terms. Costly public pension schemes which award generous pensions to higher income groups while providing a very low floor (as for instance in Italy) cannot be justified on either social or economic grounds. Trends in contemporary labour markets, such as rising numbers of never employed, growing part-time temporary and casual work, the divergence between 'work rich' and 'work poor' households – these are transforming the context of work and family life at the end of the century and social policy must adapt. Some form of income top-up like the Working Families Tax Credit or better Family Credit, or more radical income-mix schemes, may be essential to combine social welfare with effective labour markets. But underlying these necessary reforms is the solid commitment to meet the basic needs of strangers through rights-based benefits and services.

The most holistic and best articulated alternative to existing the post-war welfare states is Basic Income and the last essay in this book reviews perhaps the most sophisticated case on its behalf yet made - by Philippe van Parijs in *Freedom For All?* (1995). A Basic Income welfare state would replace all government transfers and some services with an unconditional income paid to all citizens, irrespective of present income, commitment to work or household membership. Its supporters contend that it, and only it, would adjust social policy to a world of competitive pressures, scarce jobs, wrenching social change and plural lifestyles. Van Parijs makes a strong case that Basic Income can remarry the goals of equity and efficiency

and can maximise real freedom for all. Clearly, the Basic Income debate is central to the concerns of this book. Like this book it makes a case for a renewed social policy which is both moral and consequentialist. Yet, I want to argue that it is the wrong way forward.

First, Basic Income advocates, like van Parijs, see work as the antonym of leisure and see little merit in work *per se*. I, on the other hand, see participation in the core activities of social life (which includes production and reproduction, alongside cultural transmission and the exercise of political authority) as a defining condition of human flourishing. It is not enough to pay citizens a minimum income without enabling them to participate in socially significant activities, including paid and unpaid work. Similarly, the divorce of rights from duties in van Parijs' argument contradicts the strong link we wish to make between the two (see above). All persons who can, should have the right - and the duty - to contribute to the common wealth. Beneath these differences, I argue in Chapter 10, is a contrast between a fundamentally individualist, libertarian world view and one which recognises the social bases of our individuality.

My second criticism is that Basic Income is historically and institutionally naive. It resembles neo-classical economists in that it recommends a 'one model suits all' solution to the myriad of new risks, problems and opportunities facing people in today's globalising world. It does not recognise the role of institutions and path dependency in shaping social policies and their welfare outcomes. The implications of the arguments in Chapters 8 and 9 are that different policy packages are needed to enhance human welfare in different welfare regimes. These may well include a solidaristic tax-financed national health service provided for all, inheritance taxes, low wage subsidies for service work, extensive parental leave benefits, lifelong education vouchers, and so on. The case for a one-off universal capital grant given to all citizens on attaining adulthood should also be investigated. And indeed, the case for unconditional cash benefits to certain groups is sound. But these packages will vary according to welfare regime and form of capitalism. There will be more than one road to the negotiated compromise between the needs of capital and the needs of people.

## CONCLUSIONS

Let me try to pull these sections together and draw some conclusions.

First, I want to maintain that common human needs provide a universal and morally compelling measure of human welfare. The argument is that all persons, whatever their goals



in life and whatever the social setting of their lives, require certain objective preconditions to participate as healthy and autonomous persons. Our theory of human need also lends support to the idea that citizens should have rights to a common provision of basic need satisfiers and to a minimum level of living. The institutional guarantee of need satisfiers to strangers enables them to participate and fulfil the duties of good citizenship. It is not only that rights imply duties, as present-day communitarians stress, but that the common duties of social membership presuppose rights to the satisfaction of basic needs. However, these entitlements should be extended beyond the nation state to regional bodies and eventually the global level.

Second, capital also has interests in common, notably the drive to make profits. These 'needs' of capital are also global in extent and considerably more powerful. The drive to seek advantage in markets has transformed the world and almost every community within it, and shows no signs of letting up. Liberalisation of financial markets in the 1980s and 1990s has expanded the structural power of capital over states and citizens. This universalism, however, does not by any means coincide with our moral universalism. Indeed there is a fundamental conflict between the needs of unregulated capital and the needs of people.

But third, well designed welfare states can enhance the productivity and competitiveness of national capitals. In guaranteeing the satisfaction of human needs social policies can also serve the goal of profitability. The basis for this is a broader view of what constitutes the productive forces of a society. We must move beyond simply financial and physical capital to include human, social and natural capital. This is not to argue that meeting needs always has an economic pay-off; of course it does not. And, where it does not, the moral argument for human welfare trumps the consequentialist case for appeasing capital's needs. But in many areas of life meeting needs enhances capabilities and thus economic performance, as even the World Bank now recognises.

Fourth, different national welfare regimes articulate different ways of relating the needs of capital and the needs of people. There are global competitive pressures on all governments and welfare systems, but they call forth distinct policy responses – a basic lesson of comparative research. Policy remains 'path-dependent', which is a social science way of saying 'history matters'. This perspective warns against the wholesale application of neo-liberal nostrums to the European social model or the Nordic model - or the Russian model for that matter. Evidence for it is weaker than many economists make out, and many of the policies could not be transplanted anyway.

Fifth, these different patterns of economic and social policy react back onto the way that capitalists perceive their own interests. The 'needs' of capital can be served by a range of perceived interests and policy strategies (within limits). Even in a world of more and more closely integrated markets and institutions, there is no inevitable convergence towards 'casino capitalism'.

My last conclusion is implicit rather than overt. Entitlements to need satisfaction must move upwards towards supra-national bodies. The welfare state in the twentieth century has in practice equalled the nation state, but this is no longer an acceptable equation. This is one area where both moral argument and material pressures are pushing towards supra-national solutions. Yet the most common reaction is despair: globalisation as the enemy of human welfare. There is reason for this if globalisation remains a market phenomenon. The answer must be some form of global governance of capital. However, I believe that this is more likely to emerge through new bodies at the regional level. And this is the argument for reforming and strengthening the European model of social capitalism. It has the potential to contribute as a powerful actor to the regulation of capital, and it remains the most durable, actually-existing alternative to casino capitalism.

Writing twenty years ago I argued that the welfare state is a contradictory unity. 'It simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over the blind play of market forces; and tendencies to repress and control people, to adapt them to the requirements of the capitalist economy' (Gough 1979: 12). The global capitalist environment has been revolutionised, but the dilemmas remain the same. Welfare systems can serve the needs of capital, or the needs of people, or some combinations of the two. Different welfare systems and broader welfare regimes have different priorities. But so long as they remain contradictory, there is hope that capital's needs will not drown out the needs of people. There is more than one outcome to the negotiated compromise between the needs of capital and the needs of people.

**Figure 1: The theory in outline**

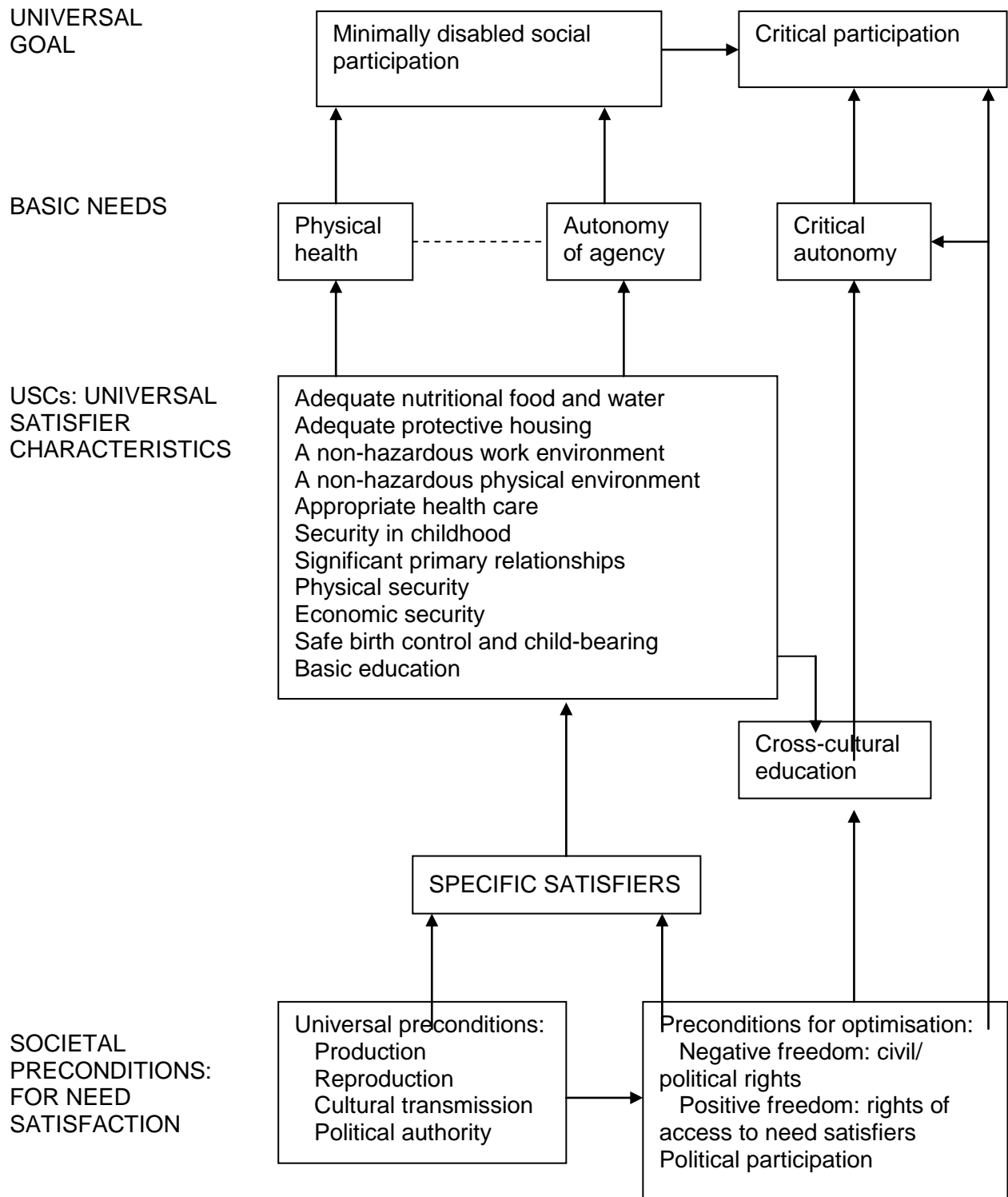
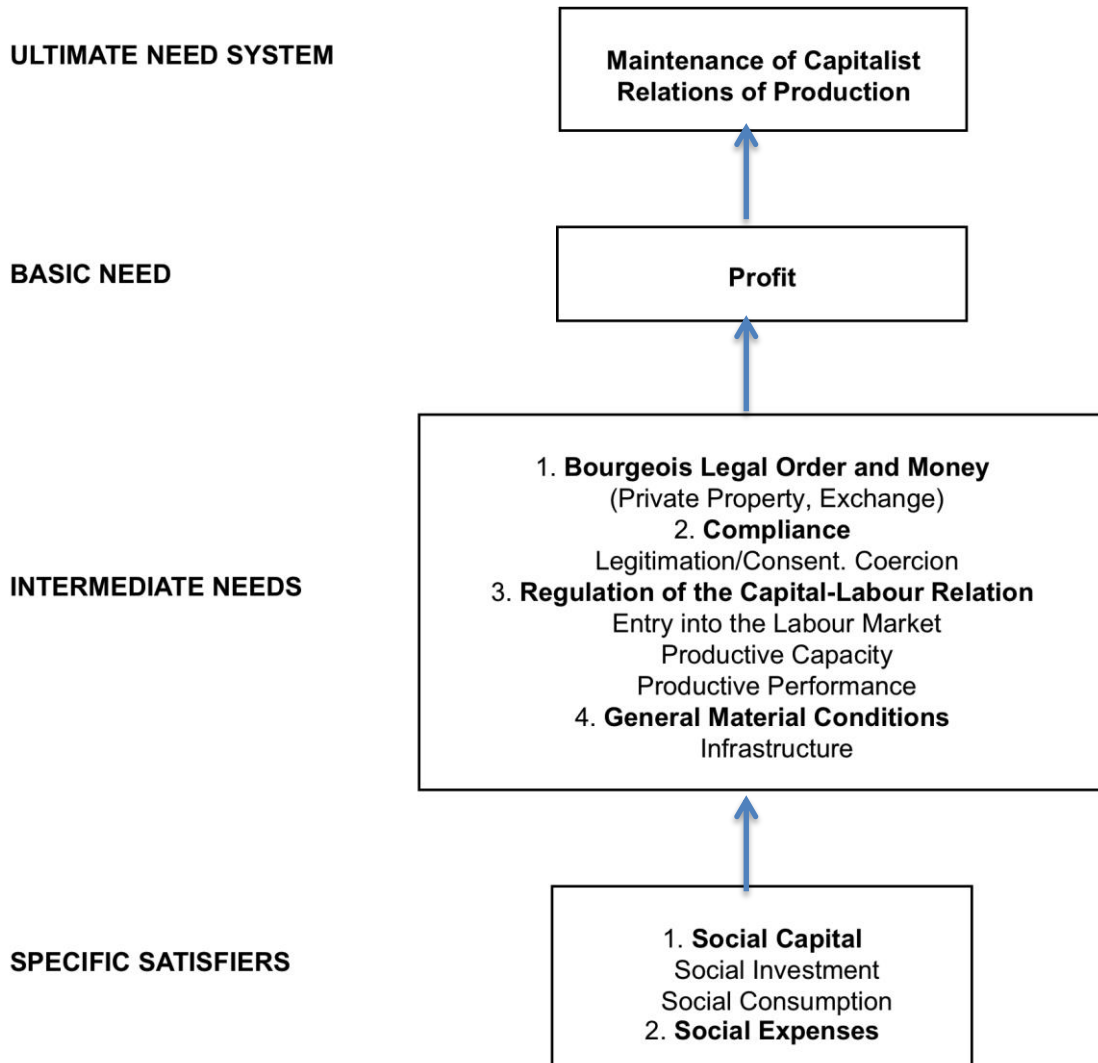


Figure 1.2 DIAGRAMMATIC PRESENTATION OF THE NEEDS OF CAPITAL



Source: Wetherly 1995: 203