

RESEARCH ARTICLE

LIFE CHANCES REVISITED

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‘Life chances are the moulds of human life in society; their shape determines how and how far people can unfold’ (Dahrendorf 1979, p. 11).

ABSTRACT

It is time to rekindle interest in the notion of life chances in a world in which many of the lesser endowed in the West see their opportunities dwindle when they lose jobs to Asian Tigers or artificial intelligence, and do not share in the accumulation of wealth by the happy few. To turn this tide, a mechanism design of situational contracting is introduced that allows for diversity, improves opportunities, capabilities and employability, can serve a spectrum of ideologies, and *reveals* how far societies are prepared to go in dealing with the downside of globalisation.

Key words: situational contracting, diversity, capabilities, fairness, governance

Introduction

This article highlights the relevance of the seminal work of Dahrendorf (1979) on life chances and of Sen (1980; 1985; 2010) on capabilities as crucial contributions in the analysis of fairness in today's rapidly changing world. Part 1 elaborates on the role of chance, networks and capabilities in the distribution of opportunities and income. Part 2 develops a mechanism design of situational contracting to order values and optimise the targeting of social policy. Part 3 cautions how the lesser endowed appear to pay the price of globalisation and enters a discussion of uncomfortable facts about our commitment to fairness, and Part 4 winds up with a conclusion.

1. Life chances and capabilities analysed

Life chances are the opportunities, options and resources available for transformation into welfare or utility. Dahrendorf (1979, p. 31) explains how life chances differ, as a function of bonds and ligatures of one's embeddedness in social networks. One year later, Sen (1980) added the notion of individual *capabilities* to turn life chances into results and, recently, Annand and Poggi (2018) showed how they include the capability to plan ahead. A combination of life chances and capabilities describes the *situation* or *state* of households as a focus for public support in today's world of rapid technological development and changing patterns of international cooperation. In what follows, households of all sizes - from singles to families - are the unit of analysis and decision.

Marshalling opportunities and options of households to satisfy their ends requires not just disposable income from the market place, or public transfers and user rights, but also empowerment with cognitive and social *capabilities* to transform opportunities into results. Analysing life chances and capabilities raises questions of who gets what, when, where, how and why, in which *who* is about distribution, *what* is about allocation, including basic needs as determined and provided in the political process (Culyer 1980), *when* and *where* about time, space and environment, *how* about format (in money or in kind) and *why* about commitment and legitimacy. All these elements condition the modern, open conception of welfare as the utility or outcome of private and public choice (Yew-Kwang Ng 1979; Hennipman 1995). They constitute an agenda of dealing with diversity in people's needs (Wolfson 2019), exploring what people actually have in terms of resources, opportunities and capabilities, and establishes their *situation*: their embeddedness in social networks, employability, and the fairness in the distribution of their options and income. Participation, in work, in decision making and in social interaction is not just a means of gaining access to resources and accumulating human capital, capabilities and income. It is also considered a value in itself, derived from embeddedness, the bonds and linkages or 'ligatures' that it provides (Dahrendorf 1979). The variables on which life chances depend may be material (the purchasing power needed to survive), or immaterial (life-long learning to improve job satisfaction and security). The extent to which chances and capabilities are the business of government depends on political choice in determining the domain of government intervention.

The point to grasp is that life chances and needs *differ* from household to household. This paper assumes that diversity and life chances are public concerns, in so far as social embeddedness, opportunities, resources and capabilities are malleable by public intervention.

In terms of motives and formats, public action may comprise both excludable and non-excludable services. *Social efficiency* underlies the familiar pure public goods-case for non-excludable and/or non-rival facilities. Non-excludability implies that the goods or services concerned are provided in open access. Non-rivalry stems from economies of scale. Some goods and services are capable of accommodating large amounts of people at zero or low marginal cost, as in the case of television signals that may or may not be made excludable for the individual viewer. In case of non-excludability and/or non-rivalry, social efficiency explains social cooperation to provide for public goods in non-market arrangements. In that case, we may not be able to speak of 'redistribution' in any meaningful sense, insofar as user rights of pure public goods cannot be individually appropriated (Sen 1979). Yet, public provision may improve social efficiency and might be the carrot, making social cooperation in the demand for goods and services attractive (Mueller 1979, p. 14).

Public action to improve life chances may be mistaken as '*paternalistic altruism*', but the decision to provide specified goods and services on presumed *need*, rather than effective individual demand does not necessarily imply that these goods and services are *imposed* on people, as a paternalistic motivation would imply. Free

provision of schooling does not force children to school (compulsion does, as a separate instrument); nor does it, as such, limit the choice of educational facility. Free education or Medicare do not intend to interfere with individual preferences. The intention is to let people satisfy basic needs, freed from their budget constraint. Yet, policy analysis may reveal unintended *substitution* effects (for instance in the work/leisure choice), or *occasional* paternalism (*sin taxes* on smoking).

2. Strengthening Life Chances: a design of situational contracting

Traditionally, redistribution and public support to enhance life chances are implemented top-down. In that case, the 'deserving poor' are classified in more or less homogeneous target groups for establishing schemes of entitlements, that may or may not be financed on an intuitive notion of a declining marginal utility of income. One might ask whether intuitive thinking – 'thinking fast', as Kahneman (2012) calls it – is good enough, but tax laws, at least, provide a modicum of transparency of social norms and equal horizontal treatment. As Sen notes (1979), rate structures of the income tax provide rough clues about the amount of altruism that a political system is prepared to institutionalize. On the expenditure side, however, intuition is not good enough. We need more time here, to 'think slow' about costs and benefits and to customize for diverging needs and obligations of beneficiaries.

This part deals with method and the way to foster life chances and capabilities. It recognises how traditional *top-down*

approaches of social support may get waylaid by information asymmetry. Moreover, they may overestimate the capabilities of the lesser endowed to cope with bureaucratic rules and regulations. Hence, strengthening life chances requires an *interactive* coaching mechanism of situational contracting in both policy-making and implementation. As will be shown, a situational mode improves targeting in five ways:

(1) it takes account of recent contributions on public service motivation from emerging fields of behavioural research in economics (Sent 2004) and public administration (Grimmelikhuijsen et al. 2017);

(2) within the general contours of legislation, it provides political guidance for professionals in delivery of public support by letting them submit periodic mandates – on the basis of comply or explain – for approval by their principals to involve beneficiaries in finding solutions that are customized for individual needs and capabilities;

(3) it links rights of beneficiaries with appropriate and customized obligations;

(4) it may serve a spectrum of ideologies, but *reveals* who gets what, when, where, how and why, in terms of entitlements and life chances, generally. In short, it provides a system for ordering values in society and to improve targeting of public support (Wolfson 2015, p. 9).

(5) Finally, while Carson et al. (2006), note that formal contracts are robust to ambiguity but not to volatility, and a mode of ‘relational contracting’ is robust to volatility but not to ambiguity, mandates

and customization in the situational mode allow for volatility *without* ambiguity. This paper claims that without a direct and customized link between demand and corresponding obligations, targeting public support will be off the mark, and that – in a normative sense – ‘egalitarianism and responsibility are comrades, not adversaries’ (Arneson 1997, p. 329). When individual situations and capabilities differ widely within categorized target groups, as Sen (1985) shows them to do, the classical top-down approach will fail. A proper match of social services with individual needs requires that services rendered and obligations to qualify for support and are tailor-made and negotiated on a personalized basis between case worker and client.

The situational contract is an application of what Cornelisse and Thorbecke (2010, pp. 5, 13 and *passim*) call an *exchange configuration*, in which the three basic elements of transactions are brought together:

(1) the *item* or *content* of what is exchanged: personalized public support, for instance, against specified efforts on the part of the individual beneficiary to cooperate in finding appropriate solutions to improve their situation; but also non-excludable public goods, in trades with representative organizations or advocacy coalitions;

(2) the life chances, attitudes and capabilities of the *actors* engaged in decisions relating to the exchange, at the different levels of policymaking and delivery, or in horizontal networks of inter-agency cooperation, and

(3) the *cultural, socio-economic, political and legal environment*: the informal and formal rules and regulations and the physical

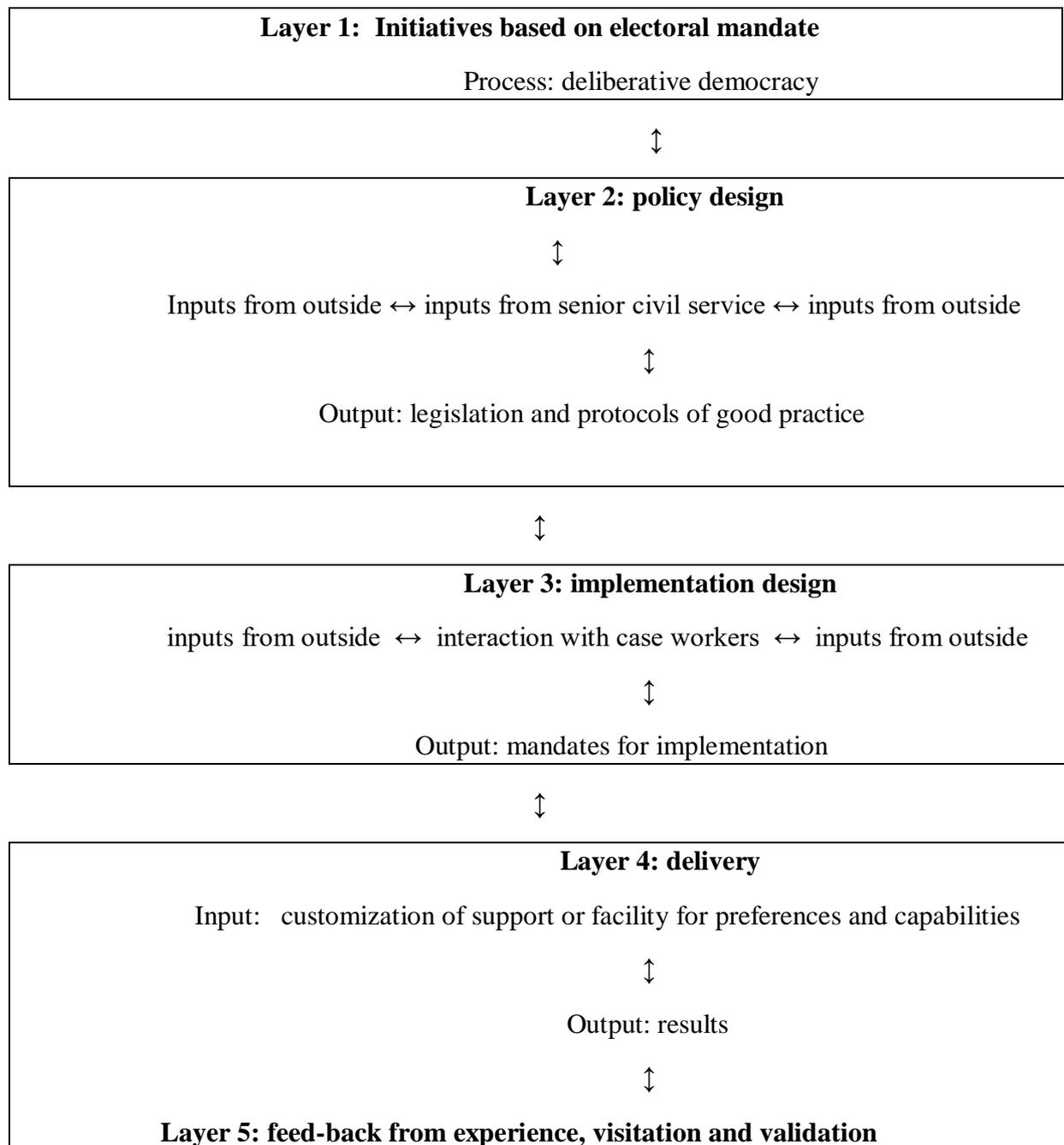
aspects, such as the climate, in which solutions are framed (Cornelisse and Thorbecke 2010, pp. 5-8; 90). The essence of the situational approach is that the mutual dependence in defining the content and conditions of the exchange, with excludability where possible as a sanction on uncooperative attitudes, helps to align the preferences and incentives of the contracting parties. A format, or *mechanism design* (Maskin 2008; Myerson 2008), of situational contracting holds the exchange configuration together in a set of principal-agent relationships.

It is widely recognized that information may not be costless, correct, complete, and equally accessible to all. Moreover, information asymmetry makes shirking and rent-seeking hard to control, throughout the process of policymaking and delivery. Yet, modern principal-agent theory describes how professional agents are usually better informed about problems and options for action than their principals, which pleads for an interactive style of management. In public health, for instance, medical personnel, as the agents of delivery, are hard to control for the hospital management, and even harder for the minister of health, as doctors and nurses are more familiar with the case at hand than their principals at the hospital and the ministry. Or – thinking bottom up, rather than top down – patients, who are supposedly ‘principals’ as far as their own health is concerned, put their lives in the hands of medical agents on a wing and a prayer, when entering a hospital. Similarly, citizens and parliamentarians, who are seen as the principals in theories of democracy, are less informed than government, as their agent. In a recent

report (WRR 2017), moreover, the Dutch Scientific Council for Government Policy cautions that capabilities of the lesser endowed to deal on their own with adversity and to adjust to a rapidly changing world are overestimated. Hence, it should be recognized that the ‘social contract’ between principal and agent may be ‘incomplete’, and that the question is how this could be rectified. In particular, ways have to be found of dealing with situations in which the life chances of people vary between households and largely defy categorization *ex ante*. That calls for a *situational* mechanism design of contracting, as developed below, that specifies Dworkin’s well-known simile of (layers of) donuts (1977): rings of political guidance, filled up with personalized enabling strategies and appropriate incentives to allow for diversity in people’s needs.

The general idea behind a contextual or situational exchange configuration, as visualized in the scheme below, is that transactions integrate bottom-up information, initiative, discretion and performance data in a responsive co-production with political guidance from the top (Alford 2009).

In *layer 1*, a framework for collaborative governance is created that is based, presumably, on a mandate obtained from citizens who have swapped support for electoral promises. Granted, this is a rather heroic assumption from the core of political theory about the way a democracy works, but that is exactly what the subsequent layers of civic involvement in collaborative governance aim to achieve.

Situational contracting as an interactive process of implementation

Source: Wolfson 2015, p. 56.

In *layer 2*, *political* principals interact with senior civil service as their agents in developing policies, drafting legislation and protocols of good practice for responsive policymaking and implementation. Moreover, inter-agency inputs may be negotiated with horizontal network partners

in other departments of governance, other jurisdictions, or voluntary organizations representing citizens.

In *layer 3*, senior staff, now in their role of *administrative* principals, discuss data on actual performance as reported on by their

agents and approve *mandates* for a situational or contextual mode of implementation, as developed *bottom-up* by professional agents in or, possibly, outside their own organization on the basis of their expertise in delivery. Mandates granted authorize case workers to *personalize* and *customize* support in *layer 4* of actual delivery for differences in *needs* and in *capabilities*, to improve the functioning of beneficiaries (Sen 2009). This way, professionals in delivery are granted *discretion* to use their judgement in following mandates on the basis of *comply-or-explain* (Wolfson 2019).

In *layer 4*, of service delivery, *content of the exchange configuration and conditions* or *terms of trade* of the situational contract concluded *show* what the caseworker has on offer and what the beneficiary is presumed capable and prepared to do. Mandated degrees of freedom, on the basis of *comply-or-explain*, drive the devil out of the details and help to align public service motivation on the part of case workers and trust on the part of beneficiaries. The situational mode creates scope for learning and innovation, as crucial conditions for collaborative governance (Koppenjan and Klijn 2004). Note, however, that discretion in delivery is feasible only when there is a need for customization on the part of beneficiaries and the possibility of exclusion to protect the state against non-cooperative behaviour. Administrative routines that do not require customization, such as issuing birth certificates or fishing licenses remain under traditional hierarchical control.

Layer 5, finally, closes the circle by providing feed-back from results in learning loops of adjustment and continuous legitimation in the political process. All this may look complicated, but the upshot of the exercise is that it combines discretion with controlled freedom and legitimacy (Evans and Hupe 2019).

The scheme shows how exchange configurations facilitate interactive and collaborative principal-agent relations that may be fortified by horizontal inputs from network partners as well. Rights, benefits and corresponding obligations are broadly structured by law or in treaties. In the process of implementation, however, interventions are detailed for functional diversity, in recognition of the mutual dependence of principals and agents in finding appropriate solutions.

Transaction, the mutual adjustment of supply and demand on the basis of voluntary exchange *reveals information* about the ability to perform and the willingness to deal of the parties concerned. Moreover, it *sanctions posturing* about it, as the other party may just walk out. As such, it is a powerful antidote for a 'technocracy' in which bureaucrats decide *for*, rather than *with* citizens (Feitsma et al. 2018), and for the moral hazards of asymmetrical information on the demand side. At the level of service delivery, the situational mode controls poverty traps by negotiating tailor-made individual obligations for access to support, in line with individual abilities to perform. In that process, it creates scope to develop enabling strategies to reduce differences in social and cognitive capabilities, foster embeddedness in social networks and compensate for what Rawls (1977; 2001,

pp 257-288) called *antecedent privilege*. Moreover, it creates scope to re-establish horizontal equity in the appropriate sense of equally *different* treatment for people in equally different circumstances. In recent years, insights in individual responses to public intervention more and more benefit from testing in an emerging field of behavioural economics and public administration, challenging the traditional hypothesis of rational behaviour in empirical research of what really *happens* – or *matters* – in the making of public policy (Kahneman 2003, 2012; Thaler 2015).

What *happens*, as already noted in the abstract, is that there is a growing awareness that the fruits of globalisation, deregulation and technological development are distributed unevenly between the rich and the poor. In the US, the American Dream of equal opportunity seems broken by a combination of unequal access to higher education and a loss of social cohesion (Putnam 2015). In Europe, increasing inequality and a growing populist sentiment are tokens of a structural failure to uphold common values. On both sides of the Atlantic, growing numbers of the lesser educated are left behind in today's rapid technological development, and by changes in job profiles and trade patterns. Milanovic (2016) shows how jobs disappear to the Far East and how profits land with the top 1 percent in the western income distribution.

In a stirring retrospective on the views of Marx, on the occasion on the 200th anniversary of his birth, *The Economist* of May 5th 2018 did not beat about the bush, but noted how Marx 'argued that capitalism is in essence a system of rent-seeking',

adding, on their own account, that 'rather than creating wealth from nothing, as they like to imagine, capitalists are in the business of expropriating the wealth of others'. Consequently, 'Globalisation and the rise of a virtual economy are producing a version of capitalism that once more seems to be out of control. The backwards flow of power from labour to capital is finally beginning to produce a popular – and often populist – reaction'. Finally, they claim that today's corporate leadership works 'hand in glove with other rent-seekers, such as management consultants (who dream up new excuses for rent-seeking), professional board members (who get where they are by not rocking the boat', and 'with retired politicians (who spend their twilight years sponging off firms they once regulated)'. For more on rent-seeking and distributive issues, see Stiglitz (2013) and Wolfson (2015, pp 40-46).

What *matters* is that problems accumulate in the lower end of the income distribution, where adaptive capacity and capabilities for lifelong learning are lowest as well. Consequently, trust in governance is on the wane in an emergence of national populism. Under the circumstances, rule-based modes of implementing social security are no longer effective. In a climate of diversity, rules cannot possibly predict everything, as Mascini puts it (2019). He notes that when people are not alike, discretion is an inevitable and useful part of the rule of law, and pleads a socio-legal paradigm that allows for discretion to deal with diversity and complexity in a labour market in transition. In a legal sense, public control moves from a '*compliance*' orientation in which success is measured by conformity to rules, toward a '*performance*' orientation, in which the focus is on reasonability in the

achievement of goals (Noonan et al. 2009, p. 529) and on reputation in solving problems (Busuioac and Lodge 2016).

The real information problems come to light when we consider how the traditional, hard-and-fast, rule-based welfare state generates behavioural responses such as shirking and rent seeking, particularly when classifications lack credibility, or obligations are not enforced. Given the rapid changes in technology, the growing complexity of society in general, and the pluralist life styles of an emancipated citizenship in particular, it becomes harder to establish who *are* the 'deserving'. Risk averting politicians may wilfully keep condoning growing statistical type two errors – catching *more* than the target - in order to minimize embarrassment by type one errors (missing part of the target). In a top down bureaucracy, moreover, concerned street level bureaucrats may break rules that no longer fit (Tummers and Bekkers, 2019), and so traditional systems lose legitimacy endogenously, until they collapse under the weight of their poor performance. On the demand side, recipients of social services not just differ in their efforts to avoid undue claims, but also in their access to social support, as measured by comparing take up rates across target groups (Portes 1995)

There are, of course, conditions to be met, in order to make transactions and situational contracting work. At the higher levels of governance, principals should deregulate to leave their agents at the level of delivery the necessary degrees of freedom to strike the appropriate deal with individual clients. Devolution creates scope for creative solutions rather than rent seeking of bureaucrats that might take it

easy under the umbrella of hard and fast rules. In delivery, the acceptability of transactions is to be protected both ways: for clients, reasonable second opinions and exit options from social support should be available, and providers of income transfers or social services should be selected on the basis of their sensitivity for legitimate needs or constraints in capabilities; on the other hand, providers are entitled to deny access to entitlements when clients fail to deliver on their obligations.

If power is atomized in a competitive mode, and appropriate enabling strategies are in place, the major strength of the model is that it makes mutual obligations clearly visible, and enforceable as social contracts under the Rule of Law.

The point to grasp is that transparency of transactions, exit options and alternative solutions provide a better protection against arbitrary coercion than regulation. As Tinbergen (1975, p. 137) puts it, regulation *disrupts*, but transaction *shifts* equilibria. Ever since Adam Smith, that point is widely accepted for the market sector, but the realm of public law still seems under the spell of asymmetrical information. Clearly, transactions are not costless, neither in a material sense (the cost of exclusion, nor of establishing the appropriate *quid pro quo*), and, immaterially, in terms of values to be upheld. In a court of law, for instance, the nature of the case, rather than the economics of prosecution will decide what 'due process' requires.

Summing up, the situational mode is widely applicable in all areas where discretion and a personalized approach are appreciated,

from targeting individual social support to the conduct of diplomacy in areas such as ordering values on the road to the Paris Climate Agreement (Wolfson 2015), and feasible as long as the *transaction costs* of deliberation remain below the alternative social costs of hard and fast rules imposed ‘from above’.

In its *behavioural aspects*, the situational mode is based on contributions from Breton (1995), Bénabou and Tirole (2003), Sent (2004), Tummers and Bekkers (2019), and related authors that enrich our insight in public service motivation. Rising levels of education in the rich part of the world and an upgrading of the competence of professionals in delivery provide scope for a gradual transition towards a more deliberative style of governance, in what Sen calls ‘governance by discussion’. This allows for an emancipation of traditional, top-down bureaucracies into consensual principal-agent relationships based on well-informed interaction and cooperation, both vertically – in the entire column of policymaking and implementation – and horizontally, in relations with public and private network partners. Reciprocity is important for fostering mutual understanding and trust in governance, and a ‘realization-focussed understanding of justice’ (Sen 2010, p. 10).

Note that *professionals*, in policymaking as well as delivery, are seen as typically able to customize solutions in a creative, situational or contextual response, and as motivated by challenges and results, rather than rules; in the humanities, in particular, they want to heal, to teach, to explore, to serve and protect human dignity, or whatever they are called for (Oberfield 2010; Wolfson 2019). They need degrees of

freedom to do their thing (Tummers and Bekkers 2014) and to sustain their reputation vis-a-vis different audiences (Busuioc and Lodge 2016, p. 248). Hence, their incentive structure calls for trust management in an interactive social exchange conception of principal-agent theory and a coaching style of leadership, nursing intrinsic motivations (Van Slyke 2007; Dur and Zoutenbier 2014), rather than a top-down ‘principal knows best’ version of traditional bureaucracy. Without the motivation and pride of professionals, information asymmetry may lead to non-cooperative games in which actors in both supply and demand may try to maximize their individual utility, rather than the common good.

In recent research, Keulemans and Van de Walle (2018) show that the complexity of attitudes of Dutch tax collectors in their dealings with tax payers is not just driven by cognition and positive or negative attitudes, but also by past experience. Obviously, *personalities* of players matter, both on the supply- and the demand side of public services. Boone et al. (1999, pp. 348, 363) distinguish between ‘*externals*’ of a more fatalistic disposition who see little opportunity to control their lives by their own efforts, and ‘*internals*’ who are self-monitoring in internal control. The latter believe in their own capabilities, see themselves as active agents and tend to make more cooperative choices, particularly in repeated interactions or games. They are more disposed to show cooperative behaviour and individual responsibility than the ‘externals’.

This article suggests that openness and interaction in a coaching approach on the part of the principal, using nudges (Thaler

2015), deliberation and incentives to entice ‘externals’ into participation as well, will generate trust in fairness and more cooperative attitudes. The evidence on attitudes referred to above is encouraging. Nevertheless, performance needs monitoring and political guidance, and so everyone’s response has to be firmed up in an incentive compatible mechanism design (Maskin 2008, p. 56; Myerson 2008, p. 588).

3. Applications, uncomfortable facts and political feasibility

An early application in The Netherlands shows how the situational mode replaced rule-based but asymmetrically informed regulation by well-informed discretion. Data provided by Eurostat show that the inflow in disability schemes, for instance, declined from almost 120.000 persons in 2000 and 2001 (the years of introduction) to less than 25.000 in 2006 and 2007, while over the period 2000-2008, the employment rate increased from 72.9 to 77.2 per cent, in Europe only second to Denmark. Results collapsed when demand for labour fell out in 2009 as a result of the global financial crisis, but were beginning to pick up again as of 2015, when the human service element (layer 4 in the scheme) was intensified (Noben et al. 2015).

In recent years, moreover, the Dutch government introduced bottom-up impulses in a range of political transactions in areas such as welfare, income policies, pensions, housing and environmental strategy, committing the public and private sector network parties concerned in coalitions of the willing on a shared vision before bringing a policy package to

parliament for ultimate approval. Euwals et al. (2009, p. 36) provide more institutional and empirical details. Similar approaches are developing elsewhere (Ansell and Gash 2007; Prins 2009; McBeath et al. 2017). More generally, the situational approach brings order in *complexity*, as it reveals and aligns preferences and provides grounds for sanctioning uncooperative behaviour.

This part raises the question whether we are able to control the downside of globalisation that is sweeping the United States and Europe, as portrayed by Piketty (2014), Atkinson (2015), Putnam (2015), Milanovic (2016), and Burkhauser et al. (2018). It argues that theory and practice of allocation and distribution are no longer keeping up with developments in a world of rapid technological, social and political change, in which a growing inequality of life chances appears to foster national populism and to undermine trust in governance.

Summarizing the argument raises the question again whether politicians really *mind* about life chances. Dahrendorf himself (1997, p. 122) noted that ‘in one way or another the twin assumptions, that society should enhance life chances of its members and that everybody’s life chances are equally important, are built into constitutions, party manifestos, and the invisible ideological baggage of most of us’. Yet, he already cautioned (p. 99) that the reality of modern economics is a system of mixed private-public property and oligo-centric structures of decision. Indeed, it is remarkable that insights about market failures such as asymmetric information and rent seeking have been around for a long time, without governance really coming to grips with it.

What remains uncomfortable, moreover, is that situational contracting, as a micro-economic tool to enhance the life chances of the underprivileged, has no structural impact on the macro-economic inequality in the distribution of income, as documented above. Oxfam, moreover, reported at the World Economic Forum 2018 in Davos that the richest one per cent of the world's population owns fifty per cent of total wealth, in a presentation that the Forum published on the web as 'Saving globalisation from itself'. This year (2019), they reported that the world's 26 richest people have just as much as the 3.8 billion poorest. Piketty (2014, p. 24) explains the growing inequality of earned income in the western world with the well-known argument that 'top managers by and large have the power to set their own remuneration (...) in many cases without any clear relation to their individual productivity', but that begs the question where that power comes from and why it is tolerated.

On the basis of extensive empirical research, the economic historian Van Bavel (2016) brings to light that real world *examples* of deductive notions from welfare economics such as perfect markets and level playing fields are few and far between. In actual practice, and over time, developments in *factor costs of labour, land and capital* explain the emergence of new 'market elites' that can save, borrow, eliminate competition, accumulate wealth, and influence the political agenda, either individually or through institutions such as hedge funds. Micro-economic tools, such as situational contracting, help to provide flexibility and adjustment, but mindfulness about life chances is not enough in a world where national populism, distrust and fake

news stand in the way of getting to a sustainable economic order.

Life chances are conditioned and (re)distributed through institutions that structure economic, political and social interaction. They may be informal – social sanctions, taboos and traditions – or formal, including laws, property rights, codes of conduct and advocacy coalitions such as labour unions and Green Peace. The basic presumption of this article is that there is no such thing as a 'natural' distribution of life chances (Wolfson 1985). Or, as Buchanan (1975, p. ix) puts it, 'Precepts for living together are not going to be handed down from on high. Men must use their own intelligence in imposing order on chaos, intelligence not in scientific problem solving, but in the more difficult sense of finding and maintaining agreement among themselves. Anarchy is ideal for ideal men; passionate man must be reasonable'

In political philosophy, the broad spectrum of views of fairness in distribution still appears to be framed in neoclassical illusions that competitive markets will help to constrain major inequalities, and that political systems can cope with the fine tuning in Buchanan's way of finding and maintaining a desired economic order. That remains to be seen, in a world where financial power increasingly dictates the rules of the game. In real life, the traditional stakeholders in creating income – management, employees, and governance as guardian of the common good – are increasingly colonized by stakeholders in the world of finance who may not *hold* equity, but *speculate* to maximize dividends in what a former CEO of the multinational Philips in his biography

refers to as a current form of predator capitalism (Timmer 2018, p. 189).

Against this background, the actuality of Dahrendorf's work grows with the day. He already warned long ago (1979, p. 99) that "the reality of modern economics is a system of mixed private-public property and oligo-centric structures of decision". Four decades later, the top one percent of the income distribution has consolidated its power, as documented by Piketti (2014), Milanovic (2016) and, again, by *The Economist*, this time of July 7th 2018, p. 61. That's why life chances should be revisited. Dahrendorf's vision leads us to the core of the distribution problem: *globalisation* has lifted hundreds of millions in the developing part of the world out of poverty, but its downside is a disturbing concentration of financial power in the industrialized West, resulting in a disenfranchisement of the unemployed and the working poor. Yet, if we really want to respond to the growing discontent of national populism, we not only need to come down to the micro-level of diversity in life chances, but have to regain credibility of control over economic and financial power as well. The mere fact that one per cent of the world's population commands and controls half of its total wealth as they please, and, indirectly, the real economy as well, reveals a poorly controlled threat to stability and a permanent source of frustration. Situational contracting can mitigate the consequences, but the cultural, institutional and economic forces at the macro-level are much less 'craftable' (Feitsma et al. 2018). *Structural* solutions will require a hard look at the oligo-centric structures of decision that Dahrendorf already identified in 1979.

4. Conclusion

As a way to cope with the downside of globalisation, situational contracting is meanwhile introduced throughout the Dutch social security system and by the European Council of Ministers, the political executive of the EU, in 'home-grown partnerships' with member countries as a way of developing plans for structural adjustment. For more applications, see Wolfson 2012, pp. 673-677. The upside of situational contracting is that it introduces elements of direct democracy, supports ethics of social responsibility and *reveals* – in the actual trades concluded between equality and non-intervention – *how far* a society is prepared to go in its commitment to improve people's life chances over time. Yet, Dahrendorf (1979, pp. 124-125), remarkably, already cautioned that equality involves "two processes: the progressive extension of citizenship rights, and the effective domestication of power". In a world of globalisation, it is this domestication of power that appears to have gone out of control. Competition is far from perfect and shareholder value is crowding out notions of the corporation as a cooperative synthesis of labour and capital. And so Lord Keynes' famous quote that "the system is not self-adjusting" comes to life again, this time not with reference to the macro-economic balance between demand and supply, but with reference to the structural imbalance in the distribution of income. As long as world leaders continue to fail in addressing a broken world order, there is no escape from Kymlicka's conclusion (1990, p. 85) that any theory of fair shares will have to be a theory of second-best.

JEL codes: 3.8; 3.10; 3.16; A13; C71; D02;
D03.

Funding: not applicable

Acknowledgement

The author is grateful to Peter Cornelisse for his helpful comments on earlier drafts.

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