Summaries

Introduction

by Nicola Acocella

Are Italian wages set in Beijing, Tunis, Stuttgart or Bilbao as a result of globalisation of markets and production? Similarly, is the level of social protection for Italian citizens set in those places? Globalisation tends to produce increased competition among different countries in the short-medium run. From this point of view it can imply a pressure to reduce labour costs, both direct and indirect.

According to a widespread view the welfare state leads to an increase in labour costs. Its size must then be cut to face the challenge of globalisation.

If, however, as an alternative to the welfare state, the private provision of health care, education, and insurance is considered, the costs involved, for a given coverage, can even be higher and its coverage is usually lower. In addition, some areas of the welfare state like education can improve the competitive stance of an economic system in the long run. Finally, the welfare state is a powerful instrument of social cohesion.

The optimal size and composition of the welfare state must then be discovered case by case with reference to national specificities. A generalised reduction of its size – as a consequence of short run pressures – would however be neither efficient nor equitable.

The dilemmas of the welfare state in the age of globalization

by Maurizio Franzini and Luciano Marcello Milone

Globalization has many important consequences. Among them one which is very often stressed is the weakening of autonomy suffered by national economic policies and, more in general, the tendency for economic mechanisms to dominate the political ones. In this paper the authors argue that policy is not becoming less important; on the contrary, it should play, and can play, a much more crucial role.

The paper focusses on the Welfare State and it is in particular with reference to it that the above thesis is set forth and explained. In the first part of the article, after an analysis of the main economic implications of globalization, the effects that it has already had on the distribution of income within and across countries are carefully analyzed along with their likely evolution in the not too far future. The principal conclusion is that globalization is making distribution in advanced countries more uneven mainly because it hurts unskilled workers. On the basis of this analysis the second part of the paper develops an approach to the relationship between globalization, on the one hand, and the Welfare State, on the other, which is set on the background of the more general and complex relationship between growth and inequality. The main result is that the effects of globalization on growth and equality are not independent of the initial magnitude and structure of the national Welfare State relative to those prevailing in the countries with which economic integration takes place. It is also argued that, under some plausible conditions, globalization makes fast growth more difficult to achieve for countries where the Welfare State is «big» and «ill-structured». Reforming the Welfare State – even without changing its magnitude – can be an effective solution; but it is also important, perhaps much more important, that the countries involved in the process of globalization make any effort to enhance international cooperation and set sensible and reasonable standards within which competition can take place.

Globalization and the labour market: a short critical review

by Riccardo Faini

The paper provides a critical assessment of the debate on the labour market impact of 'globalization' in industrial countries. It argues that most of the traditional arguments on the existence of a negative effect of greater trade openness on employment and wages are based on faulty theoretical reasoning and contradictory empirical evidence. The second part of the paper takes a close look at the impact of 'globalization' on the welfare state. It considers the effect of an increase in the outside option for firms, a likely implication of globalization and greater capital mobility. It shows that this will lead unambiguously to lower wages and lower taxation of profit.

Empirical aspects of globalization

by Antonio Aquino

In spite of big reductions in transport and communication costs, the share of international trade in total production is not much greater now than in the first years of this century: the increase of the share of trade in production of both commodities and services has been compensated by the growth of the share in total production of services, which are usually much less tradable than commodities.

For the big industrial countries exports range from 10% of GDP for USA and Japan to 25% for Italy, France and Germany, to 29% for U.K. Commodities account for two thirds of total trade; the other third is equally divided between trade in services produced by firms and trade in capital services. For most countries total exports of capital equal total imports: international capital movements are mainly determined by the desire to diversify risks of investements, rather than by differences in capital endowments.

The most peculiar aspect of specialization is the strong comparative advantage acquired by the new industiral countries of the Far East in technology-intensive products such as office machines, telecommunication equipment, electrical machinery. As for Italy it is not true that it is specialised in low-technology products: revealed comparative advantage are very strong for industrial machinary and high-quality clothing.

Globalization and labour market: the Italian case

by Piero Cipollone and Paolo Sestito

This paper offers an evaluation of the effects of globalization on Italian labour market on the lights of the international debate about labour market consequences of globalization. The paper provides further evidence for the thesis that international trade played a minor role in shaping employment and wage evolution over the last twenty years. However the paper suggests that the analysis of trade figures could heavily underestimate the effects of globalization. There is some evidence that these effects are showing up in the form of an increased elasticity of labour demand to labour cost.

The debate on welfare state

by Nicola Acocella

The main problem to be tackled by proposals to reform the welfare state in advanced countries is the kind of society it must help build, whether a community or an aggregation of self-interested and segregated individuals. The latter is certainly no more humane or equitable and can even be less efficient than the former.

First, as underlined by Lord Beveridge, mandatory social insurance preserves an individual's dignity, by guaranteeing him/her security not in the form of charity but as a right. In addition, the welfare state is an instrument of solidarity that can be functional to other institutions and policies sharing the same inspiration. The welfare state can then be one of the pillars for building a more equitable and enjoyable society.

There are many reasons why the greater dignity and equity ensured by the welfare state are not associated with a loss of efficiency, as exemplified in the 'leaky bucket parable'. In addition to those underlined by the founders of the welfare state, others have been indicated in the more recent literature on endogenous growth.

While there are possible amendments to actual realizations of the welfare state consistent with its inspiring principles and useful in the current global context (e.g., replacing social contributions with income or value added taxes), proposals such as earmarking, opting out, and enlargement of means testing are not consistent with such principles and should then be dismissed.

Allocative and distributive components of social expenditures: an international comparison

by Roberto Artoni, Paola Giuliano and Pia Saraceno

It has been argued that the welfare state (in the european version) has perverse effects on the competiveness of the economic systems: the term «eurosclerosis» can be used in this context.

The article is concerned exsclusively with the empirical basis of the «eurosclerosis» argument. Firtsly the authors compare the level of social expenditures, private and public, in Europe and Us. When private, or corporate, expenditures are taken into account the differences in the level of welfare expenditures between Us and Europe is certainly not striking.

Secondly, the authors maintain that the superior performance of the Us economy in the last years is better explained by the overall stance of the economic polices of that country.