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Lindh, Arvid

Veröffentlichungsversion / Published Version

Sammelwerksbeitrag / collection article

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Empfohlene Zitierung / Suggested Citation:

Lindh, A. (2017). Is it Just that People with Higher Incomes Can Buy Better Education and Health Care? A Comparison of 17 Countries. In J. Edlund, I. Bechert, & M. Quandt (Eds.), *Social Inequality in the Eyes of the Public: A Collection of Analyses Based on ISSP Data 1987-2009* (pp. 69-80). Köln: GESIS - Leibniz-Institut für Sozialwissenschaften. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-57506-7>

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Is it Just that People with Higher Incomes Can Buy Better Education and Health Care?

A Comparison of 17 Countries

*Arvid Lindh*¹

Introduction²

A market can be understood as a “social structure for exchange of property rights, which enables people, firms and products to be evaluated and priced” (Aspers 2006, 427). In today’s “market society”, such structures are widespread and predominate in many different spheres of life (Slater and Tonkiss 2013). The market conveys a specific justice principle – “market justice” – affording legitimacy to the allocation of goods and services on the basis of prices and ability to pay (Lane 1986; Streeck 2012). What is the legitimate scope of markets – and market justice – in society? While philosophers have focused intently on this question (e.g.; Waltzer 1983, Sandel 2000), there is a lack of empirical research examining public beliefs about which specific spheres of life should be subjected to, versus protected from, the market.

This issue is particularly interesting from a country-comparative perspective since the actual role of the market differs considerably between countries. Such differences are to a large extent the consequence of between-country variation in welfare policy as the logic underlying state-organized welfare is very different from that of the market (Esping-Andersen 1990; Korpi and Palme 1998; Huber and Stephens 2000). As T. H. Marshall portrayed the invention of social citizenship: “Social rights in their modern form imply an invasion of contract by status, the subordination of market price to social justice, the replacement of the free bargain by the declaration of rights” (Marshall and Bottomore 1992, 40).

1 This chapter is a revised and shortened version of Lindh, Arvid (2015) “Public Opinion against Markets? Attitudes towards Market Distribution of Social Services – A Comparison of 17 Countries”, *Social Policy & Administration*, 49: 887–910. Some estimates presented in this chapter are marginally different from the corresponding estimates in the journal article. This is because the journal article uses a sample consisting only of those active in the labor market (because the article partly focuses on the class-attitude link). Still the substantive results are the same independently of which of these samples that are used.

2 I am grateful to Jonas Edlund, Mattias Strandh, Monika Ewa Kaminska, Paul Marx, Rune Åberg, Stefan Svallfors, Tomas Korpi, Insa Bechert, and two anonymous referees for valuable comments on previous versions of this manuscript. I also want to thank Volquart Stoy for providing data.

Against this background, this chapter examines how citizens conceive the appropriateness of market criteria for allocating services commonly associated with social citizenship rights and welfare state responsibility. Education and health care services provide citizens with basic “capabilities” that are necessary for both social and economic participation in today’s society. Due to their basic importance, exploring normative beliefs about the potential role of the market in distributing these services can tell us something about the degree of legitimacy afforded to the market mechanism in stratifying life chances and quality of life among the population.

In recent decades, there has been an incremental recalibration of the institutional balance between state and market (Streeck 2012). Within the sphere of social services, user fees have become more significant, private firms have come to administer services on a more general basis, and public providers have been re-organized so as to compete internally and externally through “quasi-markets”. Such trends can be seen also in countries where market solutions have traditionally played a lesser role in social policy (Gingrich 2011). Are these policy developments embraced by citizens? While it has been argued that these ongoing policy developments are triggered by a rise to prominence of “market-friendly” ideology among ruling elites (Crouch 2004; Blyth 2001), it is widely held that public opinion is an important constraining factor (Pierson 1996; Brooks and Manza 2008; Starke 2012). Such claims are backed up by a vast body of empirical research demonstrating that popular support for state-organized welfare (the welfare state) is strong overall. In particular, public support for state-led social service provision (e.g. health care and elderly care) is strong in virtually all welfare capitalist countries, including the low welfare effort countries in North America and Australia (e.g., Edlund 2009; Bean and Papadakis 1998).

Does the fact that social services are a core, and highly popular, component of welfare state effort entail that citizen’s find market distribution of such services unacceptable? Not necessarily. In theory, welfare policy models are distinguished by reference to their specific institutional mix, or division of labor, between state, market and family/civil society (Esping-Andersen 1990; Powell and Barrientos 2004). Since the state carries significant responsibility for service finance and delivery in virtually all relatively affluent countries, it is not surprising that most citizens hold the state accountable for providing such services. Still, this does not necessarily mean that people ascribe to the state exclusive responsibility for service administration, or that people are convinced that services should be distributed exclusively as social citizenship rights; people might very well find other institutional logics viable as a complement. Since the degree to which markets function as a complement to the state in the provision of services differs between countries, and as contemporary policy developments are characterized by market expansion in this area, it is particularly important to pay more careful attention to citizens’ beliefs about the market in this respect.

Theory and Hypotheses

The actual role of the market in stratifying access to education and health care differs considerably between countries. In some countries, social services are mainly produced by public agencies, financed collectively via taxes, and provided in kind to the vast majority of the population. In such contexts, social rights replace market principles as the main mechanism structuring access to services. However, in other countries, services are, to a greater degree, delivered by for-profit actors, funded by private sources, and distributed in accordance with individual ability to pay. Within such contexts, the market logic is more important in determining how services get allocated among the population (Huber and Stephens 2000).

Institutional theory emphasizes how enacted policies and institutions tend to reinforce their legitimacy and popular support over time by shaping citizens' economic interests, cognitive mindsets, and social identities (Campbell 2012). According to this line of theory, the relationship between welfare policy institutions and public opinion is one of mutual influence: public opinion shapes policy (Brooks and Manza 2008), but attitudes are also shaped by existing policies (Pierson 1996; Rothstein 1998). For example, it has been argued that encompassing public programs, offering high-quality services equally to the whole population, nurtures a general interest in preserving these programs as the main providers of social welfare (Korpi and Palme 1998). In a similar vein, more market-based systems see large groups of citizens having resources vested in private schemes, making it less plausible for those groups to switch to collective solutions administered by the state.

The relationship between public opinion and policy design can be explored by comparing attitudes across countries with varying institutional configurations. Most previous studies exploring the relationship between welfare policy design and attitudes from a country-comparative perspective have focused on *state*-organized welfare. The collected evidence from these studies is relatively disappointing in the sense that the theoretically anticipated relationships between institutions and attitudes are generally not confirmed by data. The general finding in previous research is rather that public support for government responsibility for the provision of basic social services is solid across Western countries (Gevers et al. 2000; Edlund 2009; Bean and Papadakis 1998). Based on these observations and related empirical findings, it has been suggested that citizens' conceptions of social rights and justice are relatively similar across western countries (Arts and Gelissen 2001).

Yet, a general weakness of previous research is that the market is not given explicit attention. However, in a rare example of a study that focuses specifically on the role of the market in social services, Svallfors (2007) compared attitudes across four countries: Sweden, Germany, the United States and Great Britain (using ISSP data from 1999). This study found that in Britain 41 percent of the respondents believe it is fair that people with higher income can buy better health care (and, respectively, 44 percent for education) than people with lower incomes. In the United States the corresponding percentages are 28 (32) per cent, in Germany 12 (12) percent and in Sweden 10 (11) percent. These findings indicate that support for market distribution of services is greater in countries with residual welfare states (Great Britain, United States) compared to countries with more ambitious welfare state arrangements (Sweden, Germany).

To summarize, we might suspect that citizens' views about the legitimate role of the market are influenced by contextual characteristics at the country level. A market-based social service system might nourish beliefs that social services are 'normal' commodities suitable for market distribution, while a system of public provision might encourage the conception that services constitute social rights that should be provided independent of market resources. Thus, a point of departure in this study is that country-comparative political attitude research might gain from explicitly considering attitudes towards the market. In this regard, two aspects of policy design are considered in this study. First, citizens' attitudes might be associated with the character of service *funding*, that is, the extent to which services are not financed by taxes, but by user fees etc. Second, attitudes might also be related to the way that services are *delivered*: provision by for-profit actors might nurture a stronger belief that social services are "normal" commodities that can be legitimately distributed according to market logic. Against this background, the following two hypotheses can be formulated:

H1: Aggregate support for market distribution of social services is stronger in countries with a higher share of private funding of services.

H2: Aggregate support for market distribution of social services is stronger in countries with a higher share of private delivery of services.

Data and Measurements

Data

This chapter uses data from the 2009 ISSP Social Inequality IV module. The working sample consists of respondents from 17 relatively affluent countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Italy, Japan, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and the United States.

Macro data on private funding and economic conditions come from the OECD. Data on delivery of services are from Stoy (2014) (see subsequent section for further discussion of these measures).

Dependent Variable: Attitudes Towards Market Distribution of Services

The survey measure used queries whether it is fair that people with higher incomes can buy better health care and education than people with lower incomes. The dependent variable was constructed from the following two items in the dataset:

- I. Is it just or unjust – right or wrong – that people with higher incomes can buy better health care than people with lower incomes?*
- II. Is it just or unjust – right or wrong – that people with higher incomes can buy better education for their children than people with lower incomes?*

Possible answers to each question were: Very just, definitely right; Somewhat just, right; Neither just nor unjust, mixed feelings; Somewhat unjust, wrong; Very unjust, definitely wrong.

Taken together, these items provide a good measurement, since the questions highlight two core aspects of the market logic: (i) the role of *economic resources* as decisive for attainment, and (ii) the treatment of services as *commodities* that can be bought (and sold). Responses to these two items were highly correlated. At the individual level, the (Pearson's R) correlation was 0.76 within the sample. At the country level, the correlation between the two items was an astonishing 0.93. Thus, it made sense to treat the two items as together covering an underlying attitude dimension. The two items were therefore combined into an additive index ranging from 0 to 100, where a higher score represents greater support for market distribution of services.

Contrast Measure: Attitudes Towards the Role of Government

To contrast estimates of support for market distribution, the descriptive analysis also includes an estimation of attitudes towards the role of government. This measure covers attitudes towards government responsibility for health care and has been used as a measure of welfare state support in previous studies (e.g., Bean and Papadakis 1998).

These data were taken from the 2006 International Social Survey Programme's Role of Government module. Attitudes towards education policy were not included in this measure, since there is no indicator in the dataset asking about such responsibilities in broad terms.

III. On the whole, do you think it should be or should not be the government's responsibility to provide health care for the sick?

Answer scale: Definitely should be (coded as 100); Probably should be (66); Probably should not be (33); Definitely should not be (0).³

As stated, this measure was included to estimate, in rough terms, whether there is a trade-off relationship (negative correlation) at the country level between support for state-led service provision, on the one hand, and support for market distribution of services, on the other hand. Thus, the reason that this variable was included was not to provide a fine-tuned assessment of public support for state-led service provision as such.

3 Responses were recoded to range from 0 to 100, whereby a higher score indicates support for a stronger governmental role. Unfortunately, Austria, Belgium and Italy did not participate in the 2006 survey. Thus no estimates could be retrieved for these specific countries.

Policy Design

Two different measures of policy design are used. The first covers the share of *private funding* as the percentage of total spending on services. This measure was obtained by adding together two separate sources of data, reflecting the content of the dependent attitude variable: (i) the share of private funding as a percentage of total spending on education (see also Busemeyer 2013), and (ii) the share of private, out-of-pocket payments as a percentage of total health expenditure (see also Wendt et al. 2010). Data was taken from the OECD (2011; 2012) and covers the years 2007 (education) and 2008 (health care).

The second measure is about the delivery of services. While it would have been preferable to use data explicitly covering for-profit delivery, such cross-national data are unfortunately not available. Therefore the strategy chosen was to use data on public sector employment as a measure of public involvement in service delivery. More specifically, the construct measures public employment as proportion of total employment within the social welfare sector. The data covers the period 2005–2007, and was kindly provided by Stoy (2014).

The correlation between these two indicators is quite strong (Pearson's $R = -.49$), meaning that countries with a higher (lower) share of private funding tend to have a lower (higher) share of public delivery of services. This was expected, since it is well known that welfare policy institutions tend to cluster together in more encompassing institutional configurations, or policy regimes (Esping-Andersen 1990).

Economic Conditions

The level of economic affluence (GDP/capita) and market income inequality (pre-tax and transfer Gini), respectively, were also included in the analysis. The rationale for including these variables is an effort to distinguish between the importance of policy institutions, on the one hand, and the role of economic factors, on the other. What is it that shapes attitudes – social policies or crude economic conditions?

Empirical Results

The empirical analysis consists of two steps. A first step explores the extent to which attitudes vary across countries. In a second step, the relationship between attitudes and country-level variables will be analyzed and illustrated in the form of plot diagrams.⁴

4 The main results were also retrieved using multilevel modelling. These multilevel models/results are presented in Lindh (2015).

Descriptive Analysis

Figure 1 reports the aggregate levels of market support found in the 17 countries (black bars). Attitudes are found to differ greatly between countries. Public support for market distribution of services is comparably high in the Anglo-Saxon countries (Australia, Great Britain, New Zealand, and the United States) and Japan, while support is the lowest in Belgium and France. The standard deviation in country means is 9.8 scale points (not shown in the figure).

For a rough comparison, Figure 1 also includes an estimate of public support for the responsibility of government (grey bars). As shown, we can observe strong public support for state-led provision of services in all countries. In 12 out of 14 countries, the mean index score is above 80. The standard deviation in country mean is 7.7 scale points.

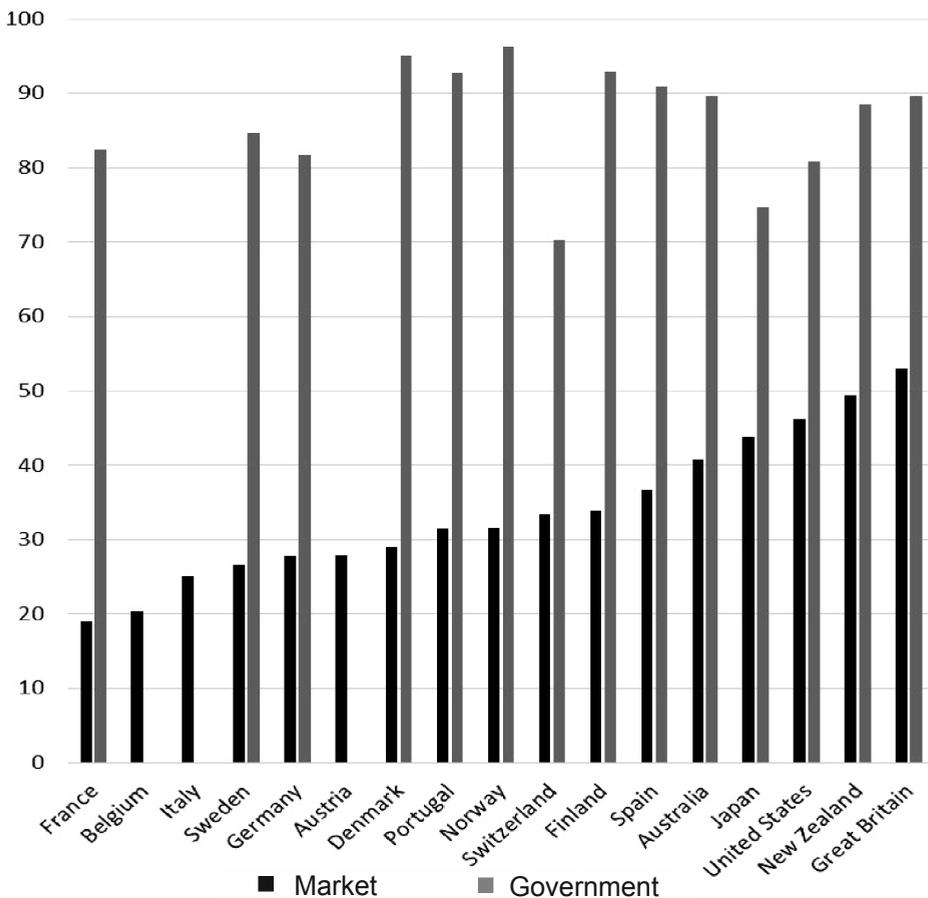


Figure 1 Aggregate public support for market and government responsibility

Three observations are worth highlighting. First, though taken together, these measures are not perfectly comparable (emphasis and wording of the questions differed), a rough comparison still suggests that citizens ascribe a more fundamental responsibility for social

service administration to government than they do to the market. Second, at the country level, there is a zero correlation (Pearson's $R = -.03$) between these two attitude measures. This means that, at the aggregate level, citizens' support for market principles cannot be deduced from studying support for the role of government, and vice versa. Third, the cross-national variation is greater for attitudes towards market distribution than for attitudes towards government responsibility. Taken together, these results signal that a study of market attitudes might render insights unregistered by previous research focused solely on the role of government.

Exploring the Relationship between Attitudes and Country Context

The preceding section established that there is significant between-country variation in public support for market distribution of basic social services. This step of the analysis explores the extent to which this variation in attitudes can be accounted for by country differences in actual policy design and economic conditions.

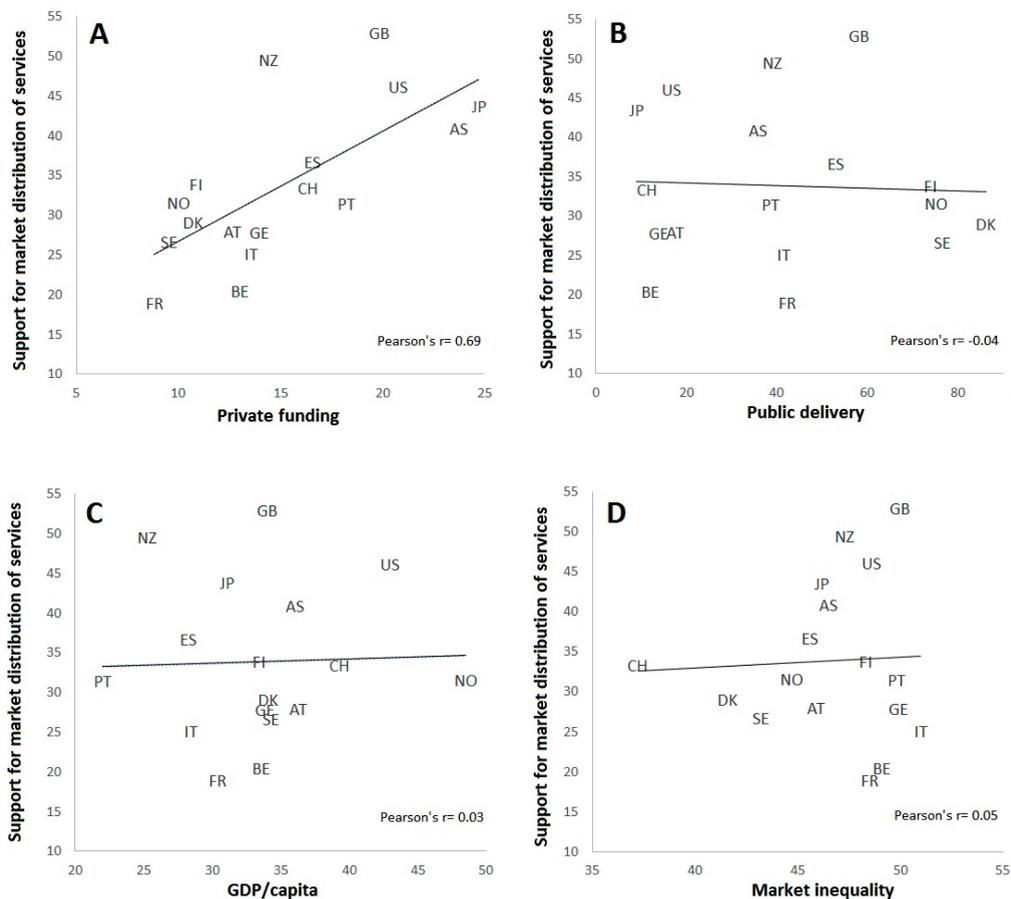


Figure 2 Plot diagrams: Relationship between attitudes and country context

As discussed in the theoretical section above, we might suspect that aggregate support for market provision of services is stronger in countries where market principles are more prominent. In this regard, hypotheses predict that aggregate support for markets should be stronger in countries with more private funding (H1) and less state-led service delivery (H2). These hypotheses were tested in Figure 2. Diagram A plots the relationship between aggregate market support (country means on market index) and private funding (percentage of total spending). A relatively strong positive relationship is found that is not driven by single outliers (Pearson's $R = .69$; $p = .002$). Diagram B plots the relationship between market support and service delivery (public employment as a percentage of total welfare sector employment). As shown, market support does not correlate with the size of public employment (Pearson's $R = -.04$; $p = .873$). Diagrams C and D demonstrate that neither the level of GDP/capita (Diagram C, Pearson's $R = .03$; $p = .905$) or the level of market inequality (Diagram D, Pearson's $R = .05$; $p = .858$) account for country differences in public support for applying market principles regarding the provision of basic social services.

Conclusions

Previous empirical research teaches us little about citizens' beliefs concerning the appropriateness of the market for distributing social goods and services. Against this background, the objectives of this chapter were to study normative beliefs about the fairness of the market mechanism in stratifying access to basic social services, as well as to compare how these attitudes differ across countries in conjunction with actual conditions at the country level. A number of important conclusions can be drawn on the basis of this country-comparative analysis.

Results show that public support for market distribution of social services is relatively weak in most countries. Hence, most people find it unfair that market relations stratify access to basic social services that are decisive for participation in today's society. This result can be contrasted with previous research showing that "market-friendly" ideology has become popular among ruling elites (Crouch 2004). Taken together, this suggests that ongoing policy reform distinguished by welfare marketization is driven more by top-down political decision-making – and shifts in the ideological discourse of elites – than by ordinary citizens pushing for such reforms from below. Thus, results are not at odds with the commonly held view that public opinion is rather a constraint than a driving force within processes of welfare marketization.

In addition, considerable between-country variation in aggregate support for market distribution of services was found. Results suggest that popular beliefs about the legitimate scope of the market are shaped by the actual role that markets play in a society. In particular, results point to a connection between attitudes and existing policy arrangements: the aggregate levels of public support for market distribution of services are higher in countries with greater private spending on services. Citizens more used to market-based systems display greater willingness to accept market principles of justice playing a significant role in the distribution of services, whereas citizens used to public funding are more inclined to view these services as social rights that should be distributed independent of market logic.

This pattern is manifested in the low market support found across most of Europe, while it is relatively strong in the Anglo-Saxon countries and Japan.

In contrast, no relationship was found between aggregate attitude patterns and macro-economic conditions (level of GDP/capita and market inequality, respectively). This result suggests that existing policy arrangements are more important than crude economic conditions for structuring these attitudes, and moreover, these views appeared unrelated to the character of service delivery. This shows that it is important for comparative research to make an analytical distinction between the *funding* and *delivery* of services.

Furthermore, country differences in welfare state effort and generosity are commonly conceived in relation to the market: some welfare states do more than others to promote social citizenship rights that free citizens from market dependence. This theoretical way of understanding state-organized welfare – and between-country variation in policy design – pertains to the lion's share of research on political attitudes. Yet, previous empirical research bestows no explicit attention on attitudes towards the market. Against this background, it is interesting that this *market*-oriented study finds a systematic association between attitudinal patterns and welfare policy design. Also, in contrast to previous, state-oriented, research, the findings in this paper suggest that popular beliefs about fairness and justice do differ in substantial ways between countries.

The theoretical arguments and the empirical results presented in this paper suggest that future research is well advised to place greater focus on the market institutions that, to a varying extent in different countries, act as complements to the state in the administration of social welfare. Such research should also look at other welfare policy areas, as the theoretical framework of this paper suggests that citizens' beliefs about the legitimate scope of the market are likely to vary between both social spheres and policy domains.

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