

Status Defense Against Probabilistic Justice

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Introduction

There is broad scholarly agreement that one of the major functions of the modern welfare state in affluent democracies is the provision of social insurance (e.g., Baldwin 1990; Esping-Andersen 1990; Barr). Social insurance builds on the notion that everyone will be better off if each person sacrifices a small amount to aid the unfortunate among them. Because we can all envision ourselves to be among the unfortunate, social insurance fuses self-interest and solidarism in a normative principle Friedman (2020) calls probabilistic justice. The principle extends to justice across generations because people worry about the welfare of their parents as they age, and they also want to protect their children against bad fortune. In a broad interpretation, leveling of income and spreading opportunities for upward mobility serve as insurance against the risk of downward mobility.

There are worrying signs that solidarity is fraying, however. Nowhere is this more evident than in the United States. Inequality of post-tax-and-transfer incomes has risen almost as fast as inequality of market income, and instead of people coming together and lifting up those falling behind we observe polarization and calls for cutting benefits and reducing the size of welfare state. Rather than expanding opportunity, public subsidies for education have been cut. Obamacare is a rare exception, but it came with intense partisan conflict rather than the broad cross-class solidarity implied by the principle of probabilistic justice. In Europe these tendencies are less pronounced, but the rise of rightwing populism and growing polarization in large countries such as Britain, France, and Italy suggest that the US may not be exceptional. Throughout the developed world we see a growing chasm between the successful cities and more peripheral areas. The principle of probabilistic justice is under attack. Why?

The answer we develop in this paper is that a competing principle of defending group status can take over when inequality rises and mobility diminishes beyond certain thresholds. Instead of accepting mobility as a fact of life for which encompassing insurance and broad-based opportunity are solutions, people can adopt a defensive posture of entrenching barriers to mobility from below and concentrating benefits and opportunities on the in-group. Because such status defense often involves rigid, prejudiced distinctions between “us” and “them,” its political manifestations have historically been linked to rightwing populism and extremism. The drive to belong and to protect “one’s own” are universal features of human psychology, and they also find expression in more moderate defenses of inherited identities and communal norms. Yet in highly status-differentiated societies that are also experiencing high levels of economic and social change, people turn inward to assert the value of their group, class, or nation in reactionary ways. The urgent task for contemporary welfare states is to recognize the needs or impulses that drive this new status anxiety and allow them to find more salutary expression within a politics of mobility and expanded solidarity, rather than a politics of insularity and exclusion.

The analysis proposed here has an advantage over two other prominent explanations of the politics of status anxiety: those that stress the economic situation of rightwing populist voters (Mewes and Mau 2012; Swank and Betz, 2003) and those that emphasize psychological factors such as identity, resentment, and the desire for recognition (Fukuyama 2018; Goodheart 2017). The underlying mechanism that we identify recognizes the close connection between economic expectations, on one hand, and the scope and character of group identity on the other.

Probabilistic justice calls on the individual to imagine herself as equally situated to others in the national risk pool, identifying with them for purposes of reciprocal protection. It therefore has an expansive potential, provided overall life prospects are similar enough that such an identification can be sustained. Status defense, by contrast, limits the sense of identity to members of the “in-group,” attempting to shore up its security and prosperity to the exclusion of others. Our analysis thus reflects the fact that economic motives and dignitary goods such as a sense of belonging and recognition are closely related and can have mutually reinforcing effects.

As we will argue, the principles of status defense and probabilistic justice tend to dominate in very stratified and in very mobile societies, respectively. But occasionally they clash with each other as societies undergo rapid change. Periods of great technological transformations in particular, such as the ICT revolution, are accompanied by large jumps in both inequality and uncertainty. One response is to expand opportunity and solidaristic social insurance; another is to reassert the importance of family, community, and national belonging. The danger in this contest of ideas is that the agenda is hijacked by demagogues who are concerned with neither equality nor community but only power. A more thoughtful response would acknowledge the dignitary demands that motivate the new status anxiety and find ways to address them, while promoting mobility and equality, within the solidaristic welfare state.

The Principle of Probabilistic Justice

Social insurance is an unusual case of political philosophy, mathematics, and social science converging on a common understanding with both explanatory and normative power. The long intellectual history of probability theory, and of the welfare state, are captured by contemporary models of social insurance. Such models assume that people who are in a “good state”—healthy, employed, earning a reasonable wage, etc.—seek protection against the risk of falling into a “bad” state such as illness, unemployment, old age, and just plain bad luck. Economic models typically assume that individuals have concave utility functions, which implies risk aversion and demand for insurance to smooth income across “good” and “bad” states. Combine this insight with the common assumption that markets for private insurance often fail due to incomplete information and adverse selection, and much of the postwar welfare state can be attributed to popular demand for insurance, as has indeed been argued by some of the most prominent scholars of social history (Beveridge 1942, Hecló 1974, Baldwin 1990, Esping-Andersen 1990, Barr 2001). According to the OECD’s measure of net social spending, publicly provided social insurance accounts for between one quarter and one third of the GDP in advanced democracies. There can be no argument about the political and economic importance of this institution.

The normative foundations of social insurance go back to Bernoulli and the notion of moral expectation, which refers to the expected utility of a wager to a particular participant (Bernoulli 1954). Assuming that the marginal utility of income declines with increasing wealth, the utility that an individual derives from an expected outcome will depend on what she already has and on whether she stands to gain or lose the relevant amount. Moral expectation, as distinct from pure mathematical expectation, therefore captures the subjective value of the outcome based on certain features of human psychology when acting in the face of uncertainty.

In the later “frequentist” approaches developed by Cournot, Venn, Edgeworth and other prominent mathematicians of at the 19th century, probability was defined as the observed frequency of an event occurring in some reference group or “series.” Because exposure to the event was a matter of stochastic chance, the prevailing liberal notion of individual responsibility lost its normative force with respect to the particular outcome in question, whether that was work-related disability, old-age poverty, illness, or unemployment. Belonging to a group whose members faced similar exposure therefore gave individuals reason to support a social insurance scheme to protect themselves against the risk. The idea of risk aversion, which can be understood as another representation of declining marginal utility, ensured that individuals would benefit *in expectation* even if they were fortunate enough to never need the insurance.

What Friedman calls *the principle of probabilistic justice* is a form of positional identity in the face of chance, expressed mathematically by an expectation or probability value. This principle is what ensures the fairness of a mutual insurance contract between similarly situated individuals, each of whom pays into the common pool and each of whom is correspondingly entitled to receive benefits should the harm in question come to pass. Probabilistic justice can be pursued on a variety of scales, from local friendly societies to nation states. In each case, it represents a fusion or alignment between prudential calculations of self-interest, which are closely linked to liberal ideals of individual freedom, and more collectivist notions of our responsibility to each other as members of a larger community.

At the root of this idea is a fundamental equality in the human condition, interpreted for the purposes of insurance as an equal vulnerability to particular harms. Everyone can fall ill; everyone needs care when old; and everyone is susceptible to losing his income or earning capacity, or to falling into poverty should truly bad luck strike. The practice of collective mutual insurance, animated by the principle of probabilistic justice, drove welfare reforms throughout Europe at the turn of the previous century. These reforms replaced poor laws that had stigmatized and blamed the poor and infirm for their own troubles. Probabilistic justice as applied on a national scale meant that social insurance was for everyone. This was the beginning of the modern welfare state.

The notion of moral expectation finds expression in the modern idea of actuarially fair insurance. In a given insurance pool, expected contributions and expected payouts (plus operating costs and normal profits) equal one another. Since people are risk-averse, they enjoy a net gain in utility, or “consumer surplus,” from the insurance contract, even if their payments exceed their strict mathematical expectations. In this very fundamental sense, social insurance is welfare-improving and hence efficient.¹ Insurance is not only welfare-enhancing in terms of direct individual utility, but it may also promote economic prosperity by allowing countries to benefit from trade while compensating losers (Ruggie, Katzenstein, Rodrik); by encouraging economic risk-taking

¹ A simple concave utility function for an individual I that satisfies standard assumptions is:

$U_i = \ln((1-t) \cdot y_i) \cdot (1-p_i) + \ln(b_i) \cdot p_i$, where t is a proportional tax, y_i is income, b_i is a lumpsum benefit in the case of bad luck (say, unemployment), which occurs with probability p_i . With a balanced budget and no cost of administration, the preferred level of taxation is simply $t^* = p_i$. In other words, demand for social insurance is directly proportional to the risk of falling into the bad state. Risk-aversion ensures that this outcome is always better than keeping all income and paying no taxes, even though the expected income is identical in the two scenarios.

(Sinn 1998) and incentivizing workers to invest in specific, and inherently more risky, skillsets (Estevez-Abe et al 2001; Iversen and Soskice 2019); and by promoting flexible labor markets by insuring against unemployment instead of protecting existing jobs, a policy approach known as flexicurity (European Commission 2007; de la Porte and Jacobsson 2012; Dimick 2012).

While attractive on both normative and efficiency grounds, the frequentist view of social insurance contains an important ambiguity: It does not specify *a priori* the class or group that defines the denominator in the probability calculation. From an individual's perspective it is possible infer risks, and hence costs, only from a defined group. While the frequentist method of determining probabilities from actuarial tables offers a practical guide for the statistician who has the convenience of working from a given group, such calculations are of little use to individuals seeking to determine the risk group to which they belong and how much insurance they should obtain. This is true even if people are told that insurance must be provided through a single national scheme. The reason is that individuals may not support such a scheme if they believe their risk is lower than the national average, and they will in any event be left with the question of how much insurance they need.

There are three possible responses to this quandary. One is to appeal to a notion of purely subjective probability. Absent further empirical inputs and updating, such subjective probabilities essentially amount to a taste, untethered to any "true" underlying risk. This approach is therefore a challenge to the principle of probabilistic justice, since it is hard to imagine a world in which such unmoored subjectivism would produce a sense of shared vulnerability or common cause. But extreme subjectivism is empirically implausible, because people observe and interact with others, including colleagues, friends, and neighbors, who can be presumed to be at least somewhat similar to themselves, a phenomenon that sociologists call homophily. In addition, many are exposed to daily media reports that can help them update their initial probability estimates and bring them into closer alignment with observed frequencies. Individuals' information may therefore be incomplete and sometimes biased, but it is hardly ever entirely subjective. Nevertheless, insofar as the subjectivist view permits individuals to determine their "priors," or initial probabilities, on purely subjectivist grounds, it leaves open the very real possibility that they will never fully converge in their estimates, since unreasonable priors do not necessarily "wash out" with experience (Franklin 2001).

A second response is a Rawlsian social contract, with the level of social insurance decided behind a "veil of ignorance" with no room for subjectivity and, indeed, no room for probabilities either. In decision theory, this situation is known as decision-making under uncertainty, and it is not clear how people make choices in this case. Rawls invokes the so-called maximin criterion, according to which individuals are presumed to choose a policy that maximizes their worst-possible outcome in the different feasible states of the world. On this account, participants would choose the level of insurance that makes the least-well-off member of society as well off as feasible, subject to an efficiency constraint.

Rawls' abstract principle provides a justification for insurance and redistribution that does not depend on subjective risk. But this achievement is also a weakness of his theory, because by dispensing with probabilities and expected utility, Rawls does away with both prudential judgment of self-interest *and* any solidarity one might feel with others in a known group or

community. This makes it hard to connect Rawls's logic to any plausible process of social choice or public-policy preference formation. In this sense it is vulnerable to the same weakness as subjectivism, namely that it is implausible that people would be entirely unaware of their actual risks. Historically, it was the proliferation of unemployment, illness, and poverty, evident from a stroll through any working-class neighborhood of the early 20th century, that fueled demand for an expansion of the welfare state (Hay 1975; Orloff 1993). The veil of ignorance is not only a philosophical abstraction; it also blinds us to the causal processes of normative-belief formation, and is therefore hardly a convincing guide to what these beliefs are.

A third approach is Harsanyi's "objectivist" interpretation of Bayesian probability theory, which links directly to modern theories of belief formation. In Harsanyi's conceptualization, people base their initial expectations on the best information available (their "priors") and then update this information as they acquire new knowledge ("signals") through their daily encounters with the real world. Harsanyi argued that the prior would ordinarily be the population mean, which can be observed fairly easily as the national unemployment rate, the share of people who reach retirement age, the share who fall ill, and so on. Over time, people may acquire specific information that is more relevant to their own situation through their workplaces, social networks, or membership in organizations, such as unions, that are charged with protecting their economic interests.

How does this approach relate to the principle of probable justice? The principle of probabilistic justice, in order to be applied on the level of an entire polity, requires all citizens to relate to one another more or less as equals with respect to the eventualities being insured. This in turn guarantees that prudential judgments of self-interest will converge with a sense of solidarity with the greater national community. Such convergence appears to be more likely under two conditions: (i) when people are in fact fairly similar in terms of socioeconomic status, including their access to opportunities and ability to cope with risk; and (ii) when uncertainty is fairly high, so that it is difficult for individuals to distinguish their situation from those of others. The first case corresponds to a state in which the signals people receive tend not to be radically different from one another. The second case corresponds to a situation involving imprecise signals, which force people to base their judgments more on broad averages than on personalized probability estimates. This combination of conditions is captured by the lower left-hand cell in Figure 1. As an ideal type, it defines a situation in which people reside in integrated neighborhoods, send their kids to the same schools, and have overlapping social networks, and in which the nation as a whole comprises regions that are socioeconomically similar to one another. Furthermore, if mobility is high and competition in labor markets pervasive, uncertainty about the future is shared, and so are preferences for social insurance.

Figure 1. Status, uncertainty, and the politics of social protection

		Status differentiation	
		Low	High
Uncertainty	Low	Contested solidarism: rising differentiation and risk segregation	Inflexicurity: stable boundaries between socioeconomic strata
	High	Probabilistic justice: the solidaristic social insurance state	The new politics of status anxiety: ambiguity and defensive localism

Contested solidarism

First, we briefly consider the case of relatively low status differentiation when uncertainty is also low or has recently decreased (the top left-hand cell in Figure 1). While we see the 1970s, 1980s and 1990s as a period of high uncertainty, with massive deindustrialization and unemployment, the past two decades have made it much clearer who is at risk and who is not. This Nordic countries stand out as cases in which income inequality continues to be modest, while labor market risks started to bifurcate in the 1990s. Such a combination will test solidarity. A striking example is the Swedish unemployment insurance system. Until the 1990s, Sweden had one of the most generous systems in the world, with lenient eligibility requirements and a 90 percent replacement rate. The system was largely tax financed, and the modest fees paid directly to the unemployment insurance funds (UIFs) were leveled out through an equalization fund (Holmlund and Lundborg 1999). At the same time, the administration of the UIFs was delegated to unions (known as a “Ghent” system), which boosted unions’ efforts to organize workers.

By the 1990s, however, decades of deindustrialization and skills-biased technological change had increasingly segregated labor markets by education and occupation, and this shift was accompanied by starkly different unemployment risks across UIFs. Early in that decade, the solidarism of the system started to crack as the center-right government instituted major reforms to the financing of the UIFs. The key change was to shift a greater share of the financing burden from the state to the UIFs, with fees now varying according to actuarial principles based on the unemployment rate in each UIF, while the obligation to pay into the equalization fund was lifted (Clasen and Viebrock 2008). The reforms were reversed in 2014, but they offer revealing insights into the politics of social insurance and the logic of fragmenting insurance pools when differences in risk exposure are very stable over time.

This example indicates how conditions of diminished uncertainty can lead to increased stratification. Although the Swedish reforms happened in a context of relative equality, they show how reduced levels of uncertainty following a transformational period can generate stratification. This happens because the economically stronger seek to preserve what they have through greater wage protections and differentiated risk pools, a phenomenon that Rueda (2005) referred to as an insider-outsider division. Thus, where welfare programs have ceased to provide sufficient coverage to the entire population—in the Swedish case, following an earlier retreat

from solidarism—arrangements that emerge thereafter will mirror and entrench the differences between well-situated and vulnerable workers (Lindellee 2020).

From a normative perspective, it is important to keep in mind that both uncertainty and inequality are shaped by public policies. Spreading opportunities and creating national risk pools increase mobility and equalize life chances; protecting group interests and facilitating local autonomy and divided insurance pools reduce mobility and polarize life chances.

The principle of inflexicurity

A second scenario, which amounts to the inverse of probabilistic justice, is a situation of high status differentiation and low uncertainty (the top right-hand cell in Figure 1).

People who live in segregated neighborhoods, send their kids to different schools, and intermingle mainly with “their own” in separate social networks will likely find it difficult to imagine themselves as part of a greater community, let alone an encompassing national risk pool. Even if Harsanyi’s shared prior were in fact the starting point for most people in this setting, their divergent lives would produce vastly different estimates of risks over time, reflecting the experience of prosperity and widespread opportunity among some, and the experience of hardship and stagnation among others. This is a situation of extreme socioeconomic sorting and limited mobility, which undermine support for national-level insurance while facilitating the ability of private insurers to offer differentiated products based on segmented risk pools. This phenomenon will in turn increase inequality as those at higher risk are charged higher rates or left under- or uninsured (Iversen and Rehm 2022).

Again, this situation stands in sharp contrast to the principle of probabilistic justice as applied on a national level. The latter presupposes that inequality is not too high, such that neighborhoods, labor markets, schools, and social networks are fairly integrated. It also assumes that class differences are fluid enough to allow individuals to envision themselves or their children as part of an encompassing risk pool in which members’ material interests are fairly well aligned. By contrast, high status segmentation implies that people belong to distinct groups; that such groups feel the need to defend their status by excluding others from opportunities; and that the solution to the risk of downward mobility is a firm attachment to staying in one’s place, possibly even at the expense of opportunities for upward mobility. If flexicurity is a natural extension of the principle of probabilistic justice, we may say, a little tongue-in-cheek, that high status segmentation is a system of inflexisecurity.

The typical middle-class voter in a highly status-differentiated system, just like the typical voter in a low-differentiation regime, seeks guarantees of material security. Yet in the case of high status differentiation, these guarantees take the form of policies that aim to defend existing class standings in a hierarchical system. Such policies erect barriers to mobility from below, making it harder to enter better neighborhoods, to send kids to better schools, and for outsiders to join new social networks.

To better elucidate the micro-logic of this phenomenon, it is useful to distinguish between the lower and upper middle classes. Both have reasons to support policies that open opportunities for

socio-economic advancement among their own, but in highly inegalitarian settings this may only be realistic for those at the upper end. A main driver is access to good school districts, which offer children a path to higher education and hence careers in the expanding knowledge economy. This in turn drives up the costs of housing and shuts out lower-income households. The hyper-meritocracy of American elite education, in which access to top universities is highly rationed, perpetuates status differentials through prohibitive costs and skewed admissions criteria that favor families able to afford private tutors and career coaches. The dynamic is particularly pronounced in a system like the American one, where school financing is mostly local, but it is increasingly also observed in more centralized public systems in which the highly-educated sort into districts with other highly-educated and create barriers to entry through higher housing costs and restrictive zoning policies (Gingrich and Ansell 201?). For the upper middle classes, who can afford the price of admission, the system is consistent with a belief in meritocracy, but de facto it restricts opportunity and often leads to opportunity hoarding and growing segmentation of markets in insurance and credit.

From the perspective of lower middle classes, when the lack of upward mobility shuts down aspirations for a better life, status defense is likely to take on more overt forms discrimination against outgroups and the cultivation of identities that underscore the honor and superiority of the ingroup and the dishonor and inferiority of the outgroup. An extreme example is the American South during the era of Jim Crow, but the practice of “redlining,” whereby people of color are unable to purchase homes in white middle-class neighborhoods because of discriminatory mortgage-lending and related practices, persisted long after the end of formal policies of segregation.

Such aggressive defense of in-group status is likely to be more common when resources and choice are more restricted. Yet, the logic can sometimes inform political action even at the socioeconomic apex. In a new book on India, Suryanarayan (2021) argues that the upper caste of Brahmans used their dominant position in the state bureaucracy over tax collection and the educational system to block lower castes from expanding primary education and integrating schools and neighborhoods. Their primary tool was to undermine the collection of land taxes, even though Brahmans were rarely large landowners. The purpose of doing so was therefore not to enhance Brahman wealth, but rather to defend the status of their caste by “hollowing out” the fiscal state and preempting the expansion of shared public goods.

A key mechanism in all these cases is sorting on the basis of socioeconomic status, in particular education and income, often reinforced by zoning and other regulations favoring “insiders.” When inequality is high, socioeconomic sorting increases, and this in turn bifurcates opportunities for acquiring a good education, buying homes in desirable neighborhoods, and becoming members of social networks with well-connected people. Confirming this bifurcation of opportunity, economists have found a strong negative relationship between inequality and intergenerational mobility, known as the Great Gatsby Curve. It is this combination of high status differentiation and low mobility that turns distributive politics into a game of status preservation rather than supporting broad-based social insurance. When uncertainty is low, status may come to be seen as stable and “natural,” with many people embracing, or at least accepting, their station in life. On the right, as discussed in greater detail below, the political expression of this outcome tends to be a form of conservatism characterized by an emphasis on local

attachments, traditional authority, and gradualism in the face of pressures for change. In terms of social policy, an obvious manifestation is what Esping-Andersen designates as the conservative welfare state, with its focus on contribution-based insurance and status-graduation in benefits. Yet, there is also a “liberal” variant, associated most clearly with the American model, where differentiation is through the market, reinforced by geospatial sorting and preferential tax and regulatory treatment.

The distinction between inflexibility and probabilistic justice relates to an older debate about Putnam’s concept of social capital. Building on de Tocqueville, Putnam argued that widespread participation in dense networks of civic engagement, from neighborhood associations to choral societies, taught people mutual respect and a sense of community, which in turn translated into a “generalized trust” that contributed to good governance, high investment in public goods, and, relevant for our purposes, a well-functioning system of social insurance.

Berman challenged Putnam’s account, however, with reference to the pervasive participation of middle-class Germans in civic associations in the late 19th and early 20th centuries, many of which were parochial and inward-looking, and proved fertile recruiting grounds for the NSDAP in the fateful breakdown of the Weimar Republic (see Satyanath et al. 2017 for supporting evidence). In that case, civic associations were a source of differentiation and exclusion rather than broad-based trust and solidarity. Levi made a related point about social clubs: “[it is not clear] that they produce norms of reciprocity with those outside the club; in fact, they may have just the opposite effect” (Levi 1996, p. 47). She continued: “Putnam’s is a romanticized image of community. ... Neighborhoods (and certain other networks of civic engagement) ... promote trust of those you know and distrust of those you do not, those not in the neighborhood or outside the networks” (p. 51).

In later work, Putnam acknowledged the issue by drawing a key distinction between “bonding” and “bridging” social capital (Putnam 2000). Bonding social capital reflects close-knit and for the most part socioeconomically homogenous groups that develop highly trusting relationships amongst themselves but view outsiders with suspicion, disdain, and sometimes outright hostility. Bridging social capital, on the other hand, is linked to the original concept of generalized trust and refers to connections made across socioeconomic and related divides. We see an analogy between Putnam’s two varieties and our own distinction between low and high status segmentation since it is natural to think that groups in highly segmented systems will develop mostly bonding social capital, while low segmentation and high mobility will be more conducive to bridging social capital.

The expansion of the 20th century welfare state, from this perspective, was mostly an expression of bridging social capital, with the associated demand for shared public goods and social insurance. As Polanyi, Esping-Andersen, and other prominent scholars of European economic and social history have argued, the destruction of the pre-capitalist system of legal and customary protections of landowners, the quasi-private ownership of public office, crafts organized as guilds, and privileged access to the state by the church and other recognized “staender” set the stage for a largescale expansion of capitalist markets. These developments in turn produced massive demand for social insurance, or what Polanyi called a counter-movement and Esping-Andersen referred to as decommodification.

The expansion of bridging social capital was in turn facilitated by the spread of social insurance. Starting in the late-19th century, as Peter Baldwin has shown, insecure groups increasingly turned to the state to provide accident compensation, pensions, and other policies that would protect them against various economic risks (Baldwin 1990). Some of these programs were universal in character, in that they covered most or all of the population, but they were not yet solidaristic because they were designed to aid particular risk-prone groups. Nevertheless, they laid the political and institutional foundations for the emergence of the solidaristic welfare state after World War II, in that they reflected the initiatives of cross-class coalitions of citizens who experienced similar vulnerabilities and were therefore willing to share the burdens of mutual support.

Before the breakthrough of the solidaristic welfare state, there were also attempts at “private” insurance through mutual aid societies (MAS). Although they often advocated lofty ideals of solidarity and equality, MAS quickly faced a double bind that ultimately doomed them. Seeking inclusiveness, they attracted sicker, older, and more vulnerable workers, which in turn triggered an exodus of younger, healthier, and more employable members; either into private plans or into more upscale MAS. Most MAS therefore ended up as more or less exclusive clubs, often organized around ethnicity, religion, residency, or occupation, and in nearly all cases excluding unskilled laborers, the infirm, and those unable to qualify for benefits through long qualifying periods of contributions. Such restrictions reduced the relevance of MAS as urbanization, industrialization, and democratization multiplied risks and demands for more generous and encompassing social insurance (de Swaan 1988).

Unable to escape class divisions, and ultimately reproducing such divisions, MAS were more akin to the preindustrial organizations of guilds and *staender* than to the modern welfare state. From the right they are often nostalgically recalled as sources of community and fraternal solidarity, offering a more robust alternative to the anonymous welfare state (Murray 2013), a point of view that was also often espoused by the fraternal societies themselves (Beito 2000, chap. 11). Historians paint a complex picture regarding whether MAS and other community-based groups promoted bonding or bridging social capital, in Putnam’s terminology (Ismay 2018; Cordery 2003). Yet insofar as the welfare state is associated with generalized trust rather than localist attachments (Rothstein and Stolle 2003), the original MAS model is distinct from the principle of probabilistic justice applied at the level of the polity. Although it is historically inaccurate to claim that the welfare state killed MAS, conservatives are right to imply that these institutions are often based on distinct and even competing normative logics.

The new politics of status anxiety

If the combination of uncertainty and modest or declining socioeconomic stratification drove the social insurance state, how should we think of the case of high stratification combined with high uncertainty (the bottom right-hand cell in Table 1)? As long as a stratified system is highly stable, such as the pre-capitalist European class system or the pre-independence Indian caste system, people may find some security and solace in their own communities. But major shocks are likely to bring deep anxieties to groups who fear losing their status, and we see this as a situation of great ambiguity. If opportunities for upward social mobility are low, status anxiety may elicit calls for policies that draw thicker boundaries between groups and protect in-groups

against downward mobility and competition from below. Instead of universal unemployment, healthcare, and pension benefits, we may find support for reserving jobs and benefits to insiders; instead of integrated schools there will be stratification by neighborhood and “ability”; and instead of liberal housing policies there will be restrictive zoning and NIMBY regulations.

The rise of right-wing populism represents a new variation on the politics of status. High levels of uncertainty combined with high status differentiation has led many voters in advanced democracies to support policies they believe will protect their status against the instabilities caused by globalization, population migration, and technological change. Such policies aim to bolster national state sovereignty, limit immigration, and restrict welfare benefits to “insiders,” to the exclusion of ethnic and cultural minorities (Ketola and Nordensvard 2018; Sainsbury 2012; Schain, Zolberg and Hossay 2002; Gidron and Hall 2017; Pettigrew 2017; Burgoon et al. 2019; Kurer and Gallego 2019). In keeping with the predictions above, then, status anxiety driven by high uncertainty and barriers to upward mobility—and in particular, low levels of opportunity for economic betterment for the lower middle classes—will tend to generate support for populist platforms that promise voters a form of insider protection in the face of destabilizing change. If upward mobility is blocked, seek to prevent downward mobility by undercutting the opportunities of those below you. Such socioeconomic encapsulation encourages groups to look inwards and seek status affirmation in their community.

Where the explanation proffered here advances on previous accounts are in highlighting the distinct but interacting influences of economic uncertainty and status differentiation in generating this new politics of anxiety, and in showing how this logic relates to, and diverges from, that of social insurance. In the case of right-wing populism in particular, our claim is that key aspects of this phenomenon can be explained in terms of a desire for a restored sense of self-determination among those who have been exposed to the costs of economic change but largely excluded from its benefits (Fukuyama 2018). These voters are drawn to a model of politics designed to cultivate bonding capital as a means to recognition, belonging, and security.

We call this phenomenon, and the disposition that motivates it, the politics of defensive localism. It can be seen to emanate from elements of the conservative political tradition, although in themselves these elements need not produce pathological outcomes. Contemporary conservatives frequently invoke Edmund Burke’s view that social attachments begin in the “subdivision” or “little platoon,” from which “we proceed toward a love to our country and to mankind” (Burke 1987, 41). Burke argued that feelings of affection and attachment begin on a small scale, typically in the family, and then radiate outward in expanding circles to intermediate associations and finally the larger political community (Miller 2017). Such “subordinate partiality” is “a sort of elemental training to those higher and more large regards” that attach citizens to the nation as a whole (Burke 1987, 173). In the 20th century, this idea was given a new valence in Russell Kirk’s *The Conservative Mind* and Robert Nisbet’s *The Quest for Community*, which held that local, particular attachments are the source of identity and distinction, preventing individuals from getting lost within a homogeneous mass (Kirk 1953; Nisbet 1953). Notwithstanding important differences between Burke’s meaning and that of later conservative thinkers, this disposition on the whole can be seen to represent an appeal to older, more traditional forms of association in times of rapid change and disruption (Woods 1999).

The politics of defensive localism bears a resemblance to another modern development, the politics of recognition (Fraser 2001; Markell 2003; Fukuyama 2018). As Charles Taylor has explained, this is the idea that identity, or one's way of understanding and being oneself in the world, is formed only through dialogue with others. The collapse of traditional hierarchies in the modern period made identity into a problem in a way that it had not been earlier, when the individual's sense of purpose and belonging emerged from assigned social positions. This unsettling of ascribed identities in turn generated a demand for equal recognition, without which the individual is not free to develop her identity as she chooses but must rely on the opinion of those more powerful than she. In other words, the only alternative to equal recognition from all is particularized dependence on some, a situation that under modern conditions came to appear arbitrary and oppressive. As a result, a lack of generalized recognition, on this view, prevents the individual from cultivating a healthy self-image and can be a cause of inequality and exploitation (Taylor 1994).

Both the politics of recognition and the politics of defensive localism hold that interpersonal relations and the self-worth they provide are prerequisites for individual flourishing under conditions of equality and freedom. In addition, both look to these sources as antidotes, however partial, to the destabilizing and alienating character of modern life. Yet whereas the politics of recognition traces its origins to Rousseau and Hegel, the politics of defensive localism emerged, from Burke onward, as a reaction to the leveling tendencies of radical Enlightenment thought. As a result, whereas the politics of recognition eschews hierarchy and seeks self-determination through liberation from particularized dependence, the politics of defensive localism looks to exclusive attachments as the sources of surety and well-being (Kirk 1953; Goodhart 2017, 2020).

Moreover, insofar as the politics of defensive localism seeks to counteract the atomizing and homogenizing tendencies of the globalist order, it is anti-liberal or "postliberal" in its normative orientation (Deneen 2018). This feature, in turn, relates to its more pathological manifestations, in particular the right-wing populism that has become increasingly prominent over the past several decades. Francis Fukuyama has argued that populist voters are motivated more by feelings of resentment over their loss of dignity and recognition than by economic concerns (Fukuyama 2018). We agree that status anxiety reflects psychological factors that cannot be reduced to material interests alone. Yet rather than choosing between the two explanations, our account points to the interaction between economic forces and their psychological corollaries. By understanding the new status anxiety as seeking a renewed self-determination and sense of belonging in the face of uncertainty and entrenched inequality – both results of the transition to a new knowledge economy – we aim to offer a fuller account of its genesis and character.

Defensive localism can be contrasted to the cosmopolitan outlook of the "creative classes" (Florida 2002) in the successful cities. The well-educated and secure winners of the new economy tend to be welcoming to outsiders and to promote inclusive, democratic norms (Kitschelt 1992). Indeed, this can be conceived as the main cleavage of the knowledge economy. But we caution against such a view because it overlooks the extent to which upscale groups contribute to segmentation by engaging in what might be termed "assertive localism". NIMBY'ism may be seen as an example, but A large recent literature on housing documents how local zoning rules, restrictive building codes, and environmental reviews, combined with market-driven sorting mechanisms, create exclusive enclaves of well-functioning local communities

with good schools and participatory democracy (Glaeser 20??; Einstein, Glick & Palmer 2019; Schuetz 2022). But these communities have prohibitive costs of entry because of high and rising housing prices, just as market-based segmentation of insurance and credit markets shut out lower-income, higher-risk types without the need for overtly discriminatory policies. Tolerance is cheap for those who are in, whereas the lower middle classes often depend on overt discrimination to defend their status.

Our account also seeks to explain how and why the politics of defensive localism differs from the politics of the social insurance state. The appeal to particularistic attachments and bonding capital, in addition to reflecting a demand for security and recognition, can be seen as a turn away from the methodological individualism of the inclusive welfare state (Deneen 2018). Social insurance as a technology of governance tends to regard the insured in abstract terms, as equal and interchangeable (for the purposes of any given policy) with others in her risk category (Ewald 1986; Walters 2000). This is not to say that all models of social insurance dis-embed individuals from their social contexts. Recent scholarship has brought to light many instances of spontaneous solidarity that have shaped welfare policymaking since the 19th century (Baldwin 1990), and Rothstein and Stolle argue that the welfare state has been conducive to cultivating trust and social capital. Nevertheless, because the principle of probabilistic justice requires relations of equality among relatively diverse and, at times, geographically remote individuals, the type of solidarity that it entails is more diffuse and less personal than the “thick” ties of family, association, and community.

Defensive localism and probabilistic justice thus represent two distinct responses to the challenge of rising uncertainty. The former sets out to distinguish groups and fence them off from outsiders, particularly those seeking entry from “below”; the latter points toward a form of identification, integration, and reciprocity among otherwise diverse sub-populations. It is important to note that defensive localism is not the exclusive province of lower-income groups or right-wing nationalists: Wealthy elites exhibit some of the same fencing-off tendencies as supporters of right-populist movements. Among elites, however, these tendencies manifest less in seeking to exclude ethnic minorities and protect local jobs, and more in hoarding opportunities to live in desirable areas, attend prestigious schools, and enter powerful social networks (Hanson and Toft 2021). By contrast, probabilistic justice rests on a readiness to imagine oneself as facing similar odds as others in the national community, whether in the context of particular risks or in terms of life prospects more broadly. This dispositional stance toward uncertainty manifests in a willingness to cooperate reciprocally with diverse others in providing the means of security for all.

We see this clash of principles as defining the politics of our times. On the one hand a populist assertion of status among those who fear economic change, which is paradoxically often furthered by those who benefit most from such change, and a project of integration and opportunity through the re-assertion of the principle of probabilistic justice. The latter moves against both defensive and assertive localism by insisting on solidaristic policies of social protection, equal access to education, and integrated housing. The challenge is how to pursue such a solidaristic platform in a manner that will win over a significant number of groups who are legitimately concerned about protecting their communities and local autonomy.

Conclusion:

A question that emerges from our model is whether status anxiety can be redirected toward probabilistic justice and the associated support for encompassing social insurance. Because the latter requires a sense of equality in the face of uncertain outcomes, the demand for social insurance will increase only if people experience a sense of shared fate across socioeconomic, geographical, religious, and other differences, rather than retreating into their “little platoons.” Returning to Harsanyi’s approach, this means that they treat the population average as their own prior probability value and see themselves as more or less equally likely as everyone else to incur the harm in question.

In principle, there are several ways such a perception could come about and be sustained even in the face of subsequent updating. One is if people are in fact similar to everyone around them, or in other words if inequality is low. Another is if they face true and continued uncertainty, such that they cannot effectively update their own probabilities to meaningfully distinguish their estimates from the average. As discussed above, the combination of these two conditions is reflected in the “probabilistic justice” outcome in Figure 1. A third possibility, however, is if they regard their chances as roughly equal on either side of the outcome in question, and are therefore no more worried about experiencing loss than they are hopeful about realizing a possible gain. Interpreting this condition quite broadly, it means that they regard themselves as justifiably sharing equally not only in the downsides of uncertainty and change, but also in their upsides. Iversen and Soskice refer to such individuals as “aspirational voters,” and there is evidence that they are much less likely to vote for right populist parties (see Hauserman et al. 2021; Iversen and Xu 2022).

Equalizing opportunities for social integration and economic betterment may therefore be one way of transitioning from a situation of high uncertainty and status differentiation into one of probabilistic justice. The ability to realistically imagine oneself or one’s children as improving one’s situation over the course of a lifetime can be a counterweight to the fear of losing what one has. This state of rough equilibrium between possible loss and gain, when considering life prospects as the whole, could in turn diminish the impulse to exclude outsiders and prevent upward mobility from below.²

The question of redirecting status anxiety toward probabilistic justice in turn relates to an ambiguity in the insurance model, which our analysis helps to resolve. When inequality is high, people seek policies that will protect their position by reducing the risk of downward mobility and by blocking upward movement from below. Yet when they do experience a decrease in their status, they are likely to want more insurance. It is not obvious, therefore, which principle—defensive localism or probabilistic justice—will dominate in situations of high uncertainty. By factoring in the inequality level, the model proposed here offers an answer to this question. When inequality is low, status is less of a concern to begin with and social insurance may be enough to preserve standing in the event of an adverse outcome. For example, if the housing

² As David Hume recognized long ago, uncertain events evoke a mixture of emotions (Hume 1757). Increasing the probability of a negative outcome leads to a greater degree of fear, while reducing that probability can change the dominant reaction into hope. Hume’s point reminds us that the flipside of the insurance motive—the fear of a possible loss—is the hope for a possible gain.

market is fairly flat and integrated, one can stay in one's neighborhood and send one's kids to the same school even if unemployment strikes. Under these conditions, therefore, the insurance motive dominates. When inequality is high, however, it is impossible to prevent a status loss through insurance alone, since the drop from one status to another is life-changing, requiring relocation, a change of schools, and a new social network. Individuals' focus therefore turns to preventing such movement in the first place. But where one principle takes over from the other involves ambiguity and is therefore subject to ideational mobilization. This is precisely why it is so important to have a clear understanding of both as normative constructs.

This observation leads to a further conclusion about the relationship between status anxiety and the welfare state. Social insurance, while a critical tool, cannot by itself address the deeper psychological and political consequences of pervasive uncertainty combined with entrenched inequality. Of course, if people can be persuaded to support social insurance policies, these policies can reduce status differentials, which will in turn reinforce the propensity to support social insurance, and so on (Cantillon and Van Mechelen 2014; Nelson 2004). Yet the new politics of status anxiety also reflects genuine needs that advanced welfare states often struggle to address. As a normative matter, then, the impulse to redirect status anxiety should consider the dignitary demands that motivate this phenomenon, including the desire for ascriptive attachments and recognition. This does not mean endorsing defensive localism or rejecting the principle of probabilistic justice. It may, however, mean reimagining social insurance systems in a way that combines local administration or participation with broad risk pooling. Ghent systems, in which unemployment insurance is administered by labor unions, may offer one such solution, but we need not stop there. The key point is that impersonal markets and national level-policies often struggle to meet the needs for self-determination, a sense of belonging, and recognition that motivate right-wing extremism. Until these needs are acknowledged and addressed, political discussions of social insurance under conditions of high uncertainty and high inequality will continue to focus on limiting the scope of the insurance pool rather than expanding it.

The challenge for liberal democratic politics in an era of radical uncertainty is therefore to identify opportunities to promote probabilistic justice without denying the dignitary demands that underlie right-wing discontent. This means not only reducing social gaps so that those who encounter misfortune do not have as far to fall, but also ensuring that there are sufficient opportunities for social integration and meaningful contribution on a variety of scales. In this respect, perhaps the phenomenon of defensive localism can be a force for positive change, in that it highlights some of the shortcomings of the contemporary welfare state and of late-capitalism more broadly. If it is to be such a force, however, it will be important above all to mitigate its pathological features—whether among right-wing populist voters or among elites exhibiting similar hoarding tendencies—by addressing the sense of insecurity and loss of place that have motivated them.