
UNIT 16 WELFARE STATE

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16.1 INTRODUCTION

The term 'welfare state' describes collectively a range of social policies that aim to provide basic services such as health and education, according to the need and normally, free of charge through state funding. It is sometimes extended more loosely to areas such as social security in which individuals are legally required to make substantial contributions in order to receive the benefits. The theory of welfare state is the basis of positive liberalism. It is a sort of state, which provides extensive social services to all the citizens, protects the weaker sections, provides economic and social security and tries to reduce the gap between the rich and the poor. It makes laws to control the economy, nationalizes industries, makes laws to protect the weaker sections, arranges the supply of essential commodities, maintains essential services and through progressive taxation and income redistribution, tries to reduce the gap between the rich and the poor and thereby, harmonizes the different interests in society.

The existence of some form of welfare is now accepted across most of the political spectrum. However, of late, the concept of welfare state has been radically challenged by the libertarians for whom it represents a violation of the rights of those who are taxed to provide its funding. The major point of debate is, whether it should be regarded as a safety net establishing a minimum level of welfare beneath which no one is allowed to fall or as an agency of

redistribution from the rich to the poor fostering greater social equality. Others have also questioned the strength of the welfare state; i.e. does it ensure the citizens the necessary income to fight insecurities and enable them to lead a stable, dignified civilized life? Does it remove inequalities of real income? Does the welfare state usher a trend where private sector be curbed, crippled and made powerless? Has the welfare state been able to free the economy from booms, depressions, inflation and other economic crises? The contemporary crisis in the welfare state has given a boost to classical liberalism in the new garb of libertarianism. We shall try to answer these questions in this unit

16.2 EVOLUTION OF POSITIVE LIBERALISM

The latter half of the nineteenth century produced a critique of negative liberalism. The theories of non-interference were found to be inadequate to achieve the social and economic aims of liberalism. The *laissez faire* policy was based on the premise that in the good of the individual, lies the good of the society. Negative liberalism believed that the distribution of wealth into wage, profit and rent was not unjustified. However, the latter half of the nineteenth century saw the rapid concentration of capital in a few hands, monopolistic control of trade, and emergence of big industrial houses which created many social, economic and political contradictions. It created a sense of frustration and protest among millions whose livelihood and very life depended upon their new masters – the impersonal corporations. Another factor which undermined faith in the *laissez faire* was unemployment. When millions remained outside the work force for years, men began to doubt whether the free trade economy, if left to its own laws and harmonies, actually produced the maximum general good. In fact, the liberal slogan of liberty began to change into the privilege of the few. In England, the report of the Royal Commission appointed to investigate the coal mining industry shocked everyone about the brutality that existed in the mines, the employment of women and children, barbarously long hours of work, the absence of safety devices and the prevalence of revolting conditions, both physical and moral. Classical liberalism became a target of attack from all sides. The humanists criticized it due to its practical consequences such as poverty, inhuman conditions, unbearable exploitation, illiteracy and misery for the majority of the population. Writers like Carlyle, Ruskin, Dickens attacked the capitalist order on moral and aesthetic grounds. The utopian socialists like Robert Owen criticized the capitalist order and the injustice inherent, but appealed to the conscience of the capitalists to take care of the working class. Karl Marx challenged the capitalist system as such and declared that the salvation of the working class lay in overthrowing the capitalist order through revolutionary means and the establishment of a socialist state. In short, liberalism desperately needed revision.

A thoroughgoing revision of liberal theory required a re-examination of the nature and functions of the state, the nature of liberty and the relationship between Liberty and authority. Such a re-examination also opened the question of the relationship between individual human nature and its relations with society because the old notions such as self-interest, pleasure and utility proved less convincing. This revision is known as 'Positive Liberalism' and was carried out by J.S. Mill, T.H. Green, D.G. Ritchie in the nineteenth century and Hobson, Hobhouse, Lindsay, G.D.H. Cole, Barker, Laski, Keynes, MacIver and Galbraith in the twentieth century.

J.S. Mill's ideas of liberalism depart from those of the classical model in four ways. Firstly, he opined that the value of the personality of the individual can be realized in the actual conditions of a free society. Secondly, he accepted political and social freedom as good in

themselves. To live one's own life, developing one's own native traits and capacities is not only a means to happiness, but a substantive part of happiness itself. A good society is one which permits both freedom and opens up the opportunity for a free and satisfying way of life. Third, liberty is not an individual good, but a social good. And fourth, the function of a liberal state in a free society is not to leave the individual alone, but also to act as a means of creating increasing and equalizing opportunity.

T.H. Green brought about an idealist revision of liberalism. He made it abundantly clear that liberalism could not be placed on narrow foundations. He inferred that at the centre of liberal philosophy was the idea of the general good or common human well-being which is capable of being shared by everyone and which provided a standard for legislation. This standard could not be individual liberty alone. Choice means opportunity and opportunity means a society that is not coercive beyond need, either in its legal and political structure or in its economic and social structure.

Freedom is really as much social as it is an individual conception; it refers at once to the quality of society and the quality of persons that make up that society. Green defined liberty as 'a positive power or capacity of doing or enjoying something worth doing or enjoying'. Freedom implies not only a legal but an actual possibility. Hence, it is impossible that a government should be liberal merely by standing aside and refraining from legislation or that a liberal society should come into being merely by political inadvertence. The function of a liberal government is to support the existence of a free society and it can remove many of the obstacles that may stand in the way of moral development such as ignorance, lack of education, poverty, illiteracy and unhealthy sanitary conditions.

Green did not claim that legislation could in itself promote moral goodness; nevertheless in many situations, legislative intervention alone could bring into existence conditions in which men could exercise freely their faculties of moral judgement, enlarging the area of 'positive freedom'. Similarly, Bosanquet in his book *The Philosophical Theory of the State* rejected the negative concept of liberty and contended that the fundamental concept of a genuine and social philosophy must be based upon an idea that the assertion and maximization of self and individuality becomes possible and real in and through society. The end of the state lies in ensuring conditions for good life; these conditions are rights arising out of man's moral being which the state seeks to promote. It is the higher sense of liberty since it presents 'the greater area to activity and the more extensive choice to self-determination...'

At the beginning of the twentieth century, liberalism was concerned with several allied problems in the context of developing capitalism; namely, to seek a theoretical justification for continued state action for the promotion of social welfare, to integrate socialism into the frame of liberalism. This was achieved by writers like Lascelles, Keynes, Barker etc. For example, Lascelles wrote, 'liberty is the power of adding something to common life, a contribution which can only be made if i) there are certain specific conditions that enable the individual to make the contribution, and ii) that institutional obstacles are not in his way'. The state as an agency of the community and not of any one section of it, has through the guarantee of rights, ensured the former and through regulating legislation, removed the latter. However, during the interwar years, when the organic theory of state was abused by the fascist leaders, the neo-liberals were quick to explain the just limits of the state—the promotion of the welfare of the individual. The state was seen at best as adjuster, and a coordinator and the authority exercised by it as morally valid only if it seeks to promote liberty. For this, the liberals maintained, the

organization of authority must be democratic, the only form of polity consistent with the view of liberty. The democratic polity is to secure fundamental liberties of individuals, to secure a wider area of autonomy for the vast number of voluntary associations through which the citizens realise their several ends and to secure institutional checks against a possible abuse of power.

During 1929-33, the liberal capitalist state had to face a worldwide economic depression as a result of which the capitalist economy was completely shattered. To cope with the problem of hunger and mass unemployment, liberalism was compelled to re-evaluate its capitalist foundations. To resolve the incompatibility of 'free society and a relatively stable capitalist economy', J.M. Keynes working within the capitalist tradition went further than any other liberal writer. His conclusion was that there is an inherent imbalance within the capitalist economy. As capitalism matures, this imbalance increases and the concentration of capital reaches a limit where profitable investment becomes impossible. This leads to economic crises leading to mass unemployment. To control trade cycles, Keynes argued for the direct interference of the state so that capital investment could be made, which would, in turn, fill the gap between production and consumption, keep the industry working and will eliminate large scale unemployment. To save liberalism and capitalism, Keynes felt that 'the state should have control over the capitalist economy and the rates of savings, Investments, profit, taxation rate and wages were the state subjects. He did not agree with the anti-thesis between capitalism and socialism and thereby, also rejected the anti-thesis between the individual and the state. This marked not the end, but the enlargement of the fundamental liberal conception of liberty.

After the Second World War, how the problems arising out of the war made the interference of the state all the more necessary was reflected the works of John Galbraith. In his books *The Affluent Society* and *The New Industrial State*, he argued for getting rid of conventional wisdom i.e. classical liberalism and adopt socialist methods, devoid of ideology. He suggested certain socialist measures for the welfare of capitalist societies and warned the developed countries that if they wanted to get rid of the recurring economic crises, then the interference of the state in the economic field will have to be welcomed.

In short, positive liberalism as it evolved during the later half of the 19th and the first half of the 20th centuries could be distinguished from classical negative liberalism in many ways. **Firstly**, although it continued to retain faith in the autonomy, rights and liberty of the individual, now it believed that man is a part of the social whole and the liberties could be secured only so long as they could be reconciled with the social good. Society was considered 'a potential harmonious and ordered structure in which all social classes work for the common good'. Society has its own interest, it has ethical and moral dimensions and the individual good cannot be achieved without social good. Secondly, liberty, like justice and equality, is not an empty social ideal, but derives its specific content from a particular social and historical milieu in which it has to be understood. Liberty in the society implied adjustment of mutual claims that are made possible through a system of rights which are both restraints and liberties. 'Liberty was not merely the absence of restraints, but conditions necessary for free and full development of the self which a state, true to its own moral purpose must ensure'. 'Liberty through compulsion' though a paradox was justified as practically valid. Only on this ground it justified social and welfare legislation, Also, liberty implied equality. Equality provided the basis through which liberty comes to acquire a positive meaning. Liberty and equality are complementary. Equality is not only equality before law or mere equality of opportunity or of being treated as a human being, but also economic equality commensurable with political

liberty – a modification through state action of the excessive disparities of wealth and of opportunity that follow. *Thirdly*, positive liberalism believed in **regulated** capitalist economy, in the overall interest of society. The state could check the individual capitalist, through economic and social reforms, the conditions of the working class could be improved; poverty, illiteracy, unemployment and exploitation could be checked. The gap between the rich and the poor could be bridged through the positive action of the state. *Fourthly*, at the political level, positive liberalism depended upon the proposition that the sense of public good or general welfare is an effective motive of politics. The state is an instrument for the development of human personality through welfare **measures**. The state has a positive character and is capable of performing socially useful functions. The institutional arrangements for achieving the good of the individual and the society are democracy, representative government, constitutionalism, parliamentary methods, universal franchise, party organization. The liberal government is one which protects the rights of the individual as well as of the community. The state is to coordinate different interests and classes in society. It does not belong to a particular class, but to the society as a whole.

16.3 LIBERAL DEMOCRATIC WELFARE STATE

Positive liberalism in the twentieth century came to be identified with the democratic welfare state. The welfare state involves a radical transformation of the nineteenth century capitalist *laissez faire* state in respect of the scope of public policy, the character of state action, the basic assumptions concerning human nature and the idea of social good. The welfare state attempted to reconcile the interests of the individual with that of the society in order the essentials of the capitalist system were preserved while at the same time removing its illeffects. The object of the state is not only to maintain law, order and justice, but it is also a part of the social process, its function in the society is to serve the common interests and perform services for the welfare of all members of the society. The main principles of the welfare state are relatively simple. Firstly, the recognition that every member of the community, solely because he is a human being, is entitled to a **minimum** standard of living. *Secondly*, the welfare state is committed to a policy of economic stability and progress, seeking to eliminate the cycles of violent booms and busts in the economy by public policies, whenever private enterprise is unable to prevent by itself the threat of economic instability or decline. *Thirdly*, the welfare state is committed to full employment as one of the top priorities of public policy. The economic depression of the 1930s showed not only the economic ravages of unemployment, but also the human degradation inflicted upon those who though able and anxious to work, could not find jobs for reasons over which they had no control. Adherents of the welfare state believe that free enterprise can be preserved and strengthened by full employment policies without going to the extremes of nationalization. Taxation properly adjusted to periods of prosperity and depression, interest rates determined by governmental **decisions**, according to current and prospective economic needs and conditions, fiscal policies designed to redistribute purchasing power in harmony with the best interests of the nation, investment incentives to private business in times of slack public works for direct **unemployment relief**, government credits to builders or buyers of homes—these are but a few of the measures the government can adopt in stabilizing the economy without changing its foundations.

In the field of social security, protection against want, sickness and old age is not only demanded by humanitarian considerations, but can also be justified on economic grounds since a **minimum** standard of living guaranteed by social security provides people with a minimum purchasing power which is indispensable to the operation of industry in prosperity and depression.

Collective bargaining between labour and management is another basic contribution towards a more stable and prosperous economy because higher wages – provided they are based on higher productivity and not on organized extortion – create a bigger market for the products of industry and agriculture.

Through the instrument of welfare, positive liberalism used the power of the state to modify the play of market forces in at least three directions: i) by guaranteeing individuals and families a minimum income irrespective of the market value of their work or property, ii) by narrowing the content of insecurity by enabling individuals and families to meet certain social contingencies such as sickness, old age and unemployment, and iii) by ensuring that all citizens without distinction of status or class are offered the best available agreed range of social services. The distinguishing characteristic of the welfare state is the assumption by the community, acting through the state, of the responsibility of providing the means whereby all its members can reach minimum standard of health, economy and civilized living and can share, according to their capacity, in its social and cultural heritage. The welfare state has the following unique features.

16.3.1 Welfare State is a Positive State

The underlying assumption behind the welfare state is that the state is not a necessary evil, but a desirable institution capable of promoting positive good. Whereas the *laissez faire* liberalism contended that the government can advance the common interest by leaving the individual alone and through the free and unrestricted play of natural forces, the exponents of welfare state argued that 'the state could best promote the general welfare by a positive exercise of its powers'. It regarded the democratic state not as an evil force but as an instrument that the people could and should use to further their common interest, to ameliorate the conditions under which they lived and worked, and to provide for their health and safety, and to some extent, for their social and economic security.

16.3.2 Welfare State is Democratic

The neo-liberals categorically asserted that the welfare state is a democratic state, possessing a certain formal institutional mechanism which is considered essential in liberal democratic society. Any state which may be a welfare state, but is not democratic from the institutional point of view, cannot be regarded a liberal state. The state can be a welfare state only, if it manifests itself through a formal democratic institutional attire. A state which merely undertakes the task of welfare such as guaranteeing a minimum income, elimination of insecurity of the individual and the family crises by supplying 'social contingencies' and which also tries to provide a certain range of services to all, but does not provide a democratic institutional framework and political and civil liberties, will not be considered a welfare state. It is on this ground that communist countries like the former Soviet Union, China and erstwhile East European countries as well as fascist states like Germany were excluded from the category of the welfare state. In other words, the term welfare state is used only for the states of those capitalist countries which undertake the positive task of providing welfare services and where the government preserves the formal democratic institutional framework.

16.3.3 Welfare State believes in a Mixed Economy

A welfare state operates within the framework of the market economy i.e. the capitalist mode of production. However, unlike the *laissez faire* capitalist economy, the welfare state believes

that unrestricted operation of the market has proved dangerous for the individual (because it led to poverty, ignorance, illiteracy etc) as well as for the economy (because it led to booms, depressions, crises lending to waste and inefficiency). The welfare state does not want to eliminate the market- based economy, but to streamline it in a **manner** where it could realize the productive potentialities by preventing crises. The welfare state believes that poverty, dependencies and economic insecurity are not the consequences of nature and incompetence on the part of the poor, but result from changeable institutions of society. For the first time in history, modern technology has made it possible to banish poverty from the face of earth. The economic and other insecurities are caused by social forces and could be avoided by purposeful social action. Economic insecurity stems from - a) inadequate compensation, b) disabilities incurred through accident, ill health, old age etc, and c) unemployment. The welfare state believes that these insecurities can be overcome by remodelling the *laissez faire* economy and by introducing a form of planning to realize these objectives. But planning should be combined with the market economy in various degrees. In other words, it would rectify the evils of the capitalist system by state intervention. It stands for what is now popularly known as 'mixed economy' or a 'managed economy'.

16.3.4 Welfare State is a Permanent Institution of Society and a Neutral Agency

The welfare state, positive liberalism maintains, is an eternal and permanent institution of society. The state is also a neutral instrument of power which can be used for any purpose. The state is an arbiter seeking the good of any society impartially. The ability of the state to provide quantity, quality and the type of welfare depends upon the groups who wield the state power. The personnel of the government could be changed by the will of the people through universal suffrage. The state does not belong to a particular class. It tries to intervene in the economy positively and reshape it in such a manner that a minimum of social living is created for all the citizens irrespective of the status and class position of citizens in the society. As Titmus pointed out, 'it was increasingly regarded as a proper function of government to ward off distress and strain among not only the poor, but almost all classes of society'.

In short, positive liberalism considered the welfare state as a new kind of state which is democratic in form; which though considering 'profit oriented market economy' as desirable, seeks to regulate or streamline it to serve social needs and thereby, provide social welfare to the citizens. It is a state which has evolved from the *laissez faire* state by a process of increased interference in the operation of the market economy at various levels and by gradually regulating the power of capital. It is a state in which political power is increasingly used to free the people from the tyranny of capital assuring them a certain standard of welfare. The welfare amenities are not restricted to a specific group, but belong to the society as a whole.

16.4 JUSTIFICATION OF THE WELFARE STATE

The emergence of the case for the welfare state began with the argument that instead of public welfare being the cause of dependence, loss of autonomy and capacity For individual responsibility for action and the market as the source of independence and freedom, the opposite is the case. The advocates of the welfare state argued that the individual has no control over his destiny in the context of impersonal market forces; the market system is unpredictable for some groups. That is, if people cannot be held responsible for their plight, the foundations for

welfare had to be quite different from those associated with classical liberalism. Historically, a major factor in the development of the welfare state was the growing mass unemployment during the interwar period in the western world and the assumption that only the government could alleviate it. It was acceptance of the theory that distribution was not simply the distribution of income, but 'redistribution' of resources according to ethical criteria such as need, desert and so on and even equally, for its own sake. Social welfare was associated with social justice. For example, in Britain, the Beveridge Report in 1942 identified five major categories of sufferings: *want, disease, ignorance, squalor and idleness*. This established the foundation of the welfare state. Taken with the Keynesian macro-economic policies, the idea of welfare had become completely associated with a social philosophy designed not to replace the market, but to correct it.

The birth of the modern theory of welfare depended on the reinterpretation of certain key political concepts; notably liberty, equality and justice. Their net effect was to transform the nature of society from a conception of loosely associated individuals into a more intimate form of community. It was argued that if people could be held together by social bonds that transcended contractual relationships, then they could make claims on each other as citizens of a common enterprise which could exceed their contribution as measured in more calculative economic terms. State welfare was regarded not as an act of charity, but a form of entitlement. Simultaneously, the idea of welfare also developed outside the economic sphere. It concentrated on the need itself, regardless of its cause of a particular consequence that may flow from attempts to relieve it. If to this is added the demand for minimum income and redistribution in the name of social justice, we get the ideal of a citizenship. This is not defined by civil and political liberties alone, but also include claims to economic resources, not as market determined rewards for work, but as a consequence of the membership of the community.

In spite of the fact that the idea of the welfare state became a consensus view in the post-war period, there was no agreement within liberalism about the theoretical justification for the welfare state. Different scholars gave different justifications for the welfare state: such as to correct the ill-effects of free trade capitalism, to enhance the liberty of the individual, to bring about an equalitarian society, to establish justice (which of course included social justice), to implement the citizenship rights etc. Apart from these, there were also moral and altruistic justifications. Let us have a Grief look at some of them.

16.4.1 State and the Market

In the literature on social welfare, a dichotomy between the *state and the market* is shown. The main criticism against free trade capitalism was that it leads to monopoly capitalism and an economy dominated by the power of trusts, combines, cartels, multinationals and trans-national corporations. This in turn gives rise to a variety of social, economic and political contradictions in society. In the absence of any positive interference by the state in the political economy, the exploitation of the working class by an aristocracy of monopoly capitalism without caring for any social responsibility, unemployment on a large scale, inhuman working conditions in factories, competitive low wages, long working hours, poverty, illiteracy and poor health are bound to result. Also, free trade capitalist economy is the enemy of socio-economic equality. As was pointed out by Green and Tawney, by denying redistribution of national wealth through the state, the market fosters inequality and injustice. It was argued that the old mechanism of the market, because they were powered by self-interest, cannot be sensitive to the welfare needs precisely because they cannot be translated into prices and also

those in need lack the resources to pay the price set by the market. As Titmus said, 'capitalism is a biological failure; it is promoting the extinction of the society'. Though he did not reject the market, he maintained that it is the cause of those economic misfortunes that render some people in need of welfare. Since market relations are competitive, they must also be divisive. Society's welfare is not reducible to the individual's experiences of wellbeing to which he is entitled to by his own efforts, but consists of a complex amalgam of rational and communal sentiments. It can be said that the individuals by living in society, in fact, receive 'economic rent' i.e., the difference between the income they would receive outside society and that which they actually get because of their existence of social co-operation which they do not directly create. Thus, welfare is a form of compensation drawn from collective resources. And this task can be performed by the state. The state can ameliorate the conditions under which people live and work by providing for their health and safety and for their social and economy security. The state can reshape the economy in such a manner that a minimum level of social living is created for all citizens irrespective of their status and class position in society.

16.4.2 Individualist

A sophisticated moral justification for the welfare state was based on *individualist* grounds. It believes that the market forces do cause distress and hence, undermine the notion of individual autonomy. This is inconsistent with the liberal belief in the equal autonomy of each individual and hence, to restrain from aiding a person in deprivation where such action is not excessively costly is morally harming that person. In other words, welfare is not an act of morality but a compelling duty. This is embedded in the autonomy of the individual. A person who is formally free in the sense of not being coerced is not virtually free, if their choices do not emanate from their autonomous will. According to Albert Weale, certain material conditions 'must necessarily hold for individual to carry out a wide range of projects'. It is not that people make wrong choices but that in the absence of welfare, some peoples' choices are arbitrarily narrowed. If liberalism requires the conditions of equal autonomy for individuals and markets fail to provide, then government action is required to sustain the liberal social order. Similarly, Raymond Plant argues that 'basic needs have to be satisfied to do anything at all'. What makes needs objective is that they are a necessary means to the achievement of moral autonomy. Again, whereas wants cannot form the basis of a strict claim on others, needs can. This is because what makes need satisfaction of overriding importance is that the failure to provide for it is morally equivalent to harming someone.

16.4.3 Enhances Individual Liberty

An important justification for the welfare state was that it *enhances individual* liberty. In fact, the welfare state was the natural corollary of the reinterpretation of liberty from being something negative to something positive. Its intellectual roots are found in T.H. Green and continued through Bosanquet, Richie, Hobhouse, Laski etc. In his famous essay 'Liberal Legislation and Freedom of Contract', Green defined liberty as 'freedom as something to be so highly prized, we mean a positive power or capacity of doing something worth doing or enjoying and that too, something that we do or enjoy in common with others.' The function of the liberal state should be to support the existence of free society, He reached the conclusion that the function of the state can be nothing else, but of maintaining the conditions of life in which morality is possible. The state is to help man in realizing the ideal of self-realization as a member of society by removing external hindrances. Its main function is to create the external

conditions in which there will be the fewest possible impediments in the way of every man doing his best to himself. Stated in these terms, the state was made a welfare state; this is nothing less than liberating the human capacity for self-determination. If illiteracy, ignorance, poverty, drinking, insanitation are removed, the liberty of the individual is enhanced. On these grounds, Green advocated state intervention to enforce compulsory education, prohibition, state control over health and housing as necessary for the full development of the individual personality in and through the society. By insisting that it is the function of the state to remove all obstacles to good life and to provide conditions in which freedom could be pursued, Green laid the foundations of the twentieth century welfare state. The first world war, socialist revolution in Russia, rise of Fascism and the world economic depression in the first half of the 20th century created a favourable environment for the welfare state which was reflected in the writings of Laski, Keynes, Roosevelt, Galbraith etc. For example, Laski talked of liberty as 'the power of adding something to common life, a contribution which can be made if (a) there are certain specific conditions that enable the individual to make the contribution, and (b) that institutions are not in his way. The former can be guaranteed by the state through the provision of rights and the latter, through regulative legislation. In other words, the state was considered a source and condition of liberty. As he wrote, 'the state, in brief, is at best an adjuster, a coordinator and the authority it exercises is morally valid only if it seeks to promote liberty'. In particular, it meant reinterpreting the term economic liberty which was considered as 'security and the opportunity to find reasonable significance in the earning of one's daily bread'. It meant freedom from the constant fear of unemployment and insufficiency which sap the whole strength of an individual's personality.

16.4.4 Equality

Along with liberty, the social philosophy of welfare has been concerned with *equality* itself, not the justification in rational terms of socially and economically necessary inequalities or the identification and elimination of objective needs, but egalitarianism for its own sake. What R.H. Tawney called 'the religion of inequality' has been a constant source of criticism from welfare philosophers. However, the liberal welfare philosophy has never advocated an uncompromising egalitarianism, but a system in which those legal and political equalities that classical liberalism had always valued are reflected in the economic world to a far greater extent than is possible in the capitalist market system. Equality has a potent value in welfarism. It is argued that the virtues of exchange relationships are badly compromised, if the participants in them are separated by gross disparities of wealth. Since in the capitalist societies, some entrants to the market will start with an advantage for which perhaps no rational justification can be given, this inequality will be reflected in the outcome and the results itself. The market instead of being an arena of expanding opportunities will become a source of inequalities. There is a persistent question: why should the value of equality have the significance it traditionally had in the philosophy of welfare? This is because all societies seem to exhibit pretty regular inegalitarian features which seem more or less impervious to significant correction by political methods. Modern legal and political inequalities are not accompanied by economic equality. Wealth can buy political power in defiance of merely formal equal rules of the liberal system. In spite of the disappointing results of equalitarianism, the welfare theorists feel that there is still a moral obligation to promote welfare through egalitarian measures where this would not have such an adverse effect on the output of the economy that the worst off would suffer. Not to take action in such circumstances would be to accept the level of economic inequality, which itself has adverse or welfare reducing effect on the rest of the society.

16.4.5 Rights

Some theorists have justified the welfare state in the *context* of 'rights'. According to H.L.A. Hart, rights imply a special congruity in the use of force or threat of force to secure that what is just or fair or someone's right to have done shall in fact be done. It is only in these circumstances that coercion of another human being is legitimate. If there are any welfare rights, then it can only be so if coercion can be justified in the redistribution of resources than their possession necessitates. Welfare is not justified in terms of benevolence, but is a feature of entitlement or justice. However, this could have two implications for the welfare theory: i) welfare rights would be symmetrical with the familiar negative rights (i.e., right to forbearance from aggressive action on the part of others), and ii) it would provide that the very existence of welfare rights enforceable as law encourages people to adjust their behaviour accordingly, i.e. become welfare rights' claimants. However, the critics claimed that there is no exact symmetry between the negative and positive rights, since the latter are indeterminate as well as not fully justifiable.

16.4.6 Citizenship

Because of the objections raised against the rights theory, welfare state now grafts on the notion of rights as a *theory of citizenship*. This has the advantage of limiting the applicability of welfare claims to particular communities and the theoretical one of establishing the identity of persons not by their capacity to choose, but by their membership of the collective community. Citizenship as a foundation for welfare is a little less ambitious. It simply maintains that claims to resources are an extension from the legal and political rights that have emerged in the development of liberal democracy. T.H. Marshall specifically placed the economic aspect of citizenship in an evolutionary account of the development of liberal democracy. Talking in the context of British society, Marshall identified three categories of citizenship rights: i) legal – which embraced the traditional rights to free expression, property, equality before law and the familiar civil liberties; ii) political – which covered the political rights in a democracy, and iii) social – the welfare rights which give a person certain entitlement to resources. Social citizenship was an attempt to reform capitalism through legislation. The gradual development of universal provisions for basic education, health and social security were attempts to change the nature of cash nexus between the capital and labour. Legislation on minimum wages, hours of work, employment of children, working conditions, occupational safety and compensation of occupational accidents made the employees less vulnerable to the capitalist class. The state through positive intervention and by reformulating its taxation and expenditure policies is able to resolve the conflicts between the two. Though the creation of social citizenship did not remove class inequalities, nor was it able to fundamentally transform the economic basis of capitalism, still through the welfare state it was able to reduce certain social inequalities, especially those associated with the operation of the market. 'The rationale for citizenship lies in its capacity for the integration of all individuals into a society; for instance the presence of economic rights that pertain to citizenship prevent class conflict getting out of hand'. Citizenship 'imposed modifications on the class.' Though Marshall was not opposed to the market, he did see an unrestrained capitalism as socially destructive. Other citizenship theorists also believe that the three types of citizenships are inter-related. For example, the right to free speech and legal equality require some measure of welfare if they are to be more than a formal guarantee. Indeed, liberal pluralism is itself only possible when some measure of economic welfare is guaranteed.

16.4.7 Justice

Apart from the above justifications, in contemporary political theory, *justice* has become almost inextricably bound up with welfare. John Rawls in his book *A Theory of Justice* insists that justice is the first virtue of a society and that it should always take priority over other goods which may be interpreted in the welfare sense. Yet his concept of justice is a welfarist concept, one specifically concerned with the legitimisation of a distribution of resources and with levels of wellbeing. Indeed, despite its individualistic methodology, it is a normative theory that posits welfare functions for society differing in substance but not in principle, from other welfare functions such as utilitarian ones. His justice is nearer to the liberal political economy. While his first principle of justice is concerned with equal rights to the most extensive basic liberties compatible with similar liberties of others, the second principle is concerned with the arrangements of social and economic inequalities in such a way that they are to the greatest benefit of the least advantaged. The purpose of legislation is largely concerned with the achievement of long term social and economic goals as well as to fulfil the principle that requires that 'social and economic policies be aimed at maximising the long term expectations of the least advantaged under conditions of fair equality and opportunity'. At social and economic level, Rawls is in favour of redistributive justice. He considers the proper function of government as not only to maintain social order, but the achievement of distributive justice by placing the highest social value on the need of the neediest. However, he does not believe in complete egalitarian distribution. He advocates privileges and inequalities – not in the utilitarian sense of maximization of social good – but to improve the plight of the least advantaged. This is because according to Rawls, natural abilities and circumstances of birth foster privileges and inequalities and since such inequalities cannot be eliminated, a just society will seek to compensate for the resulting privileges by investing its resources including the abilities of the most talented in efforts assigned to improve the plight of the least fortunate. To reward those endowed with superior ability would be arbitrary justice. Justice properly understood calls not for rewarding those with superior ability, but for compensating those endowed with lesser ability. In short, rising above the *laissez faire* view of classical liberalism which leaves the individual alone, Rawls propounded a theory of justice in consonance with the requirements of liberal democratic welfare state. As he writes, 'if law and government act effectively to keep the market competitive, resources fully employed, properly and wealth widely distributed over time and to maintain the appropriate social minimum, then if there is equality of opportunity underwritten by education for all, the resulting distribution will be just'. In the context of welfare, Rawls is a muted egalitarian who extends the ethics of redistribution beyond the ownership of tangible property to the income derived from personal talent. Superficially, at least, this seems to put the welfare imperative above the individualistic demand of justice.

16.5 WELFARE STATE: CONTEMPORARY DEBATE

The welfare state seems a compromise between the market model of classical liberalism and contemporary libertarianism. It combines the capitalist freedoms and inequalities with socialist equalities. It wants to achieve the best practical realization of the demands of liberty, equality and justice. It retains the essentials of the capitalist system while removing its attendant abuses. However, in spite of great claims, the concept of welfare state has raised many questions. The contemporary debate in western societies has almost been about the welfare state and the crisis in the welfare philosophy, particularly, after the slow down in the economic growth in

the 1970s. The theory of welfare state believed that the mixed economy would generate a level of national income sufficient to finance the welfare services and was justified on ethical grounds; that the primary aim of the welfare philosophers was redistributive i.e. the common provision for education, health, unemployment insurance etc which would bring equality and relief from deprivation, and that the welfare state would generate a form of citizenship that would soften the acquisitive and non-altruistic attitude which was prevalent in the market society. But the questions are: does it ensure the citizens the necessary income to fight insecurities and enable them to ensure a stable, dignified and civilized life? Does it remove the inequalities of real income by adopting measures to redistribute income between the rich and the poor and by preventing the concentration of wealth in a few hands? Does the mixed economy usher a trend whereby private sector is curbed, crippled and made powerless? Has the welfare state been able to free the economy from booms, depressions, inflation and other economic crises? Does the state supply the services efficiently? The answer to all these questions is far from satisfactory.

According to Barry, the assimilation of the welfare theory with the philosophy of the welfare state was an intellectual error. The theoretical mistake was the construction of a social philosophy that virtually ignored those welfare enhancing properties of the market system that had been stressed by earlier liberal political economists. As a result, there has been an inexorable expansion of the welfare state with the result that the welfare state has mutated from a system designed to protect the vulnerable from the random effects of market forces to a comprehensive set of social arrangements which had only a contingent connection with the original purpose of interventionism. This was because the welfare theorists did not take proper account of the institutions that are required for the delivery of the welfare goods. There can be no guarantee, for example, that the outcome of a competitive party process in a democracy will coincide with the moral imperatives of state welfare. There was a serious problem as to whether majority rule procedures are efficient translation into positive policies of whatever altruistic sentiments exist in a community.

Throughout the twentieth century, there was a sort of consensus about the necessity for some sort of state welfare because of the realization that there are certain genuine collective welfare ends which could not be met through voluntary action. What is important about the contemporary attack on the welfare state is that because welfare involves coercion, it reduces freedom. The libertarian philosophers like Nozick do not approve of the idea of the welfare state. They defend the market economy and hold that the distributive policies of the state in the name of welfare, violate peoples' rights. They do not agree with Rawls that talents and skills of the individuals are the common assets of society and the individuals are entitled to the fruits of their talents so long as they improve the conditions of the least advantaged section of society. It is nothing short of seizing one's labour and a fundamental attack on the sovereignty of the individual. Again, too much role to the state can lead to increasing bureaucracy, increasing decline of freedom and may result in inefficiency. It represents a violation of the rights of those who are taxed to provide funding for the poor. According to Barry, although the terms in which Nozick writes i.e. the invocation of absolute and inviolable individual rights puts him outside the contemporary debate, his rigorous individualism and anti-statism alerted social theorists to the possibility that many welfare goals could be satisfied outside the formal apparatus of government. Since his criticism of the state is that it leads to coercion, there is a theoretical possibility that voluntary activity outside the price mechanism could solve at least some of today's welfare problems.

The experience of post-war welfare in western democracies has cast doubts on not just the ethical desirability of entrusting collective institutions with the delivery of what came to be called typical welfare services such as health, education and insurance, but the efficiency of the method as well. The unexpected expansion of these services and the huge share of GNP absorbed by them have led to serious criticism from both the Left and the Right. The difficulty arises primarily from a confusion whether the role of the state is to provide a minimum standard of well being to those who are the victims of market economy or a broader conception that envisages collective institutions as prima facie appropriate for the satisfaction of a potentially limitless range of human wants. In what sense can the common provision of, say, education and health, enhance welfare in the sense understood by the philosophers of the welfare state? The welfare state is characterized by what public economists called 'churning', whereby services are funded by tax revenue which are then returned to the citizens in the form of collective and often compulsory services such as unemployment insurance. It is not quite clear what the rationale for this is, because the compulsory nature of many features of the welfare state means that individual choice is suppressed; thus, the actual structure of the system does not reflect peoples' preferences. Critics have also expressed doubts as to how far the welfare state has been able to provide social justice. For example, the empirical enquiries into the delivery of welfare services in Britain revealed that redistribution has helped the middle income groups and there is reliable evidence that it is a universal feature of all democratic societies. This is known in political economy as 'Director's Law'. Put at its simplest, this law holds that since in advanced western democracies, the probable majority of voters is neither rich nor poor, whatever redistribution takes place is likely to go to it. Also, well-intentioned welfare policies help one group while unintentionally harm the other. Familiar examples are the rent control laws which, by freezing the supply of rented accommodation, causes homelessness or the minimum wage legislation; which renders unemployed potential workers whose marginal productivity is lower than the decreed minimum. A more ethical argument is that excessive welfare produces a dependency culture which is quite inconducive to good citizenship. A major example for such arguments refers to the debates which followed the creation of 'the Great Society' programme of President Johnson. This was a massive programme of welfare intervention by the state which provided a good test case for many critics of state welfare. It cost about US200 billion dollars per year and included programmes like medicare, aid to families of dependent children and food stamps to about 50 million people. Implicit in this argument was that capitalism was the cause of deprivation. It should be stressed that the designers of the scheme did not want to create a welfare society, but only to aid temporarily and to enhance individual autonomy. There is some agreement among observers that the system has not fulfilled its aims. Although the number of people below the poverty line did reduce, this was not because more people had achieved individual autonomy, but because more had become dependent on the new welfare payments. Charles Murray makes a distinction between people in poverty, i.e. people who really need help and well-being, and 'latent poverty' i.e. people who would be deprived were it not for the existence of state welfare. According to him, though latent poverty fell to 18% when the scheme was introduced but as the scheme progressed, the figure began to rise and it reached 22 % in 1980. Also, there was the breakdown of traditional family structures and the rise of illegitimacy due to the new benefits for unmarried mothers. This seems then to be evidence of moral hazard on a massive scale. Although there is some dispute about the figures, most commentators argue at least that the great society programme has failed to reduce the numbers on welfare.

The critics of citizenship theory also maintain that the ideal of citizenship does grant individuals a claim on the resources of the community, but that it must be accompanied by corresponding

social duties. The individuals are not anonymous agents held together by general rules of just conduct and the cash nexus, but are identifiable members of particular communities defined in terms of a complex network of social rights and duties. Work must be treated as a social obligation akin to paying taxes and obeying the law. Lawrence Mead's objection to the 'Great Society Scheme' was that its benefits were distributed as entitlements requiring no duties on the part of the beneficiary. In other words, what is required is a stronger and perhaps bigger state to enforce the social obligation of work that is relative to the receipt of welfare. But this could lead to less liberty.

There is a growing recognition that the welfare of the individual is a personal affair which is not necessarily enhanced by over-reliance on the state. A person's welfare is advanced in ways other than mere increase in income; it is as much a function of personal esteem and individual autonomy. Critics of the welfare state have such non-economic measures of value in mind when they comment on interventionist measures of whatever type which have a tendency to produce dependency and an 'anti-work ethics'. It is also argued that the phenomenon of poverty and deprivation is partly a social or cultural problem. It is not caused simply by a scarcity of resources, but by the institutional arrangements which encourage the perpetuation of the malaise they are designed to alleviate. During the 20th century, the direction of causation has been from the complex structure of welfare institutions to the reproduction of welfare problems. It is being felt that the times are propitious for a fundamental re-examination of the whole issue. The return of education, health, pension and so on to individuals through various methods of empowerment such as the voucher scheme could mark the beginnings of a new consensus. Also, it is felt that the decentralization of welfare services to smaller political units would be a more feasible way of advancing the moral claims and the attendant social obligations associated with citizenship.

16.6 CRISIS IN THE WELFARE STATE: AN ASSESSMENT

The 1990s are witness to a real setback to the welfare state. The underlying problem has been financial. It was argued that the welfare states are expensive. As the average age of population increases, so the total cost of welfare services such as medical care, pensions, education also increase whereas the working population which shoulders the burden declines in number. Thus the demand on the welfare state increases when the supply is low. For example, when unemployment goes up, the expenditure on unemployment pay also increases but the tax collected from the workers goes down. Thus, the recession of the 1980s caused many doubts with regard to the welfare programmes. Again, the international pressures also matter. If the cost of welfare in one state is higher than the other, the economy loses its international competitiveness. As Pierson has pointed out, the move to a more open international economy has curtailed opportunities for further development of the national welfare state. **And** lastly, the impact of welfare on the willingness to work is also a problem confronting the welfare state. If people are assured of pay and other benefits, they do not work. And it affects those who have to give a substantial amount of their earnings in tax deductions in order to pay for the welfare benefits. In many countries, public support for the welfare state has declined very sharply. Thus, in the present crisis of the welfare state, the major point of debate is whether the state is an agency of redistribution of wealth and services from the rich to the poor or should it only provide a 'safety net', establishing a minimum level of welfare beneath which no one would be allowed to fall. The present trend favours only a safety net.

16.7 SUMMARY

Welfare state was the result of the transformation of classical liberalism into positive liberalism in the 20th century. A thoroughgoing revision of liberal theory required a re-examination of the nature and functions of the state, the nature of liberty, equality, justice, the relationship between liberty and legal coercion. Instead of the state being regarded as a necessary evil, positive liberalism considered the state as a positive good, an agency of individual and social welfare and a guardian of the common interests of society.

The ideas of positive liberalism were initiated by J.S. Mill, T.H. Green, D. Richie, Hobson in the nineteenth century and were perpetuated by Harold Laski, R.M. MacIver, J.M. Keynes, Galbraith in the inter-war period.

The welfare state attempted to reconcile the interest of the individual with that of the society so that the essentials of the capitalist system would be preserved while at the same time, removing its ill-effects. The purpose of the state is not only to preserve the law and order, but also to serve the common interest and perform welfare services.

Through the instrument of the welfare state, positive liberalism used the power of the state to guarantee the individuals a minimum income irrespective of the market value of their work, to help the people in meeting social contingencies like sickness, old age, unemployment, and all citizens irrespective of social class are offered an agreed range of social services. In other words, the welfare state was to ensure that all the citizens get a minimum standard of health, economic security and civilized living and can share according to their capacity in its social and culture heritage.

Liberalism believes that the welfare state must also be a democratic state, possessing a certain formal institutional mechanism which is considered essential in a liberal democratic society. Any state which is welfarist, but not democratic from the institutional point of view, cannot be regarded a liberal state. In other words, the term welfare state is used only for the states of those capitalist countries which undertake the positive task of providing welfare and when the government preserves the formal democratic institutional framework.

The welfare state operates within the framework of the market economy i.e. capitalist mode of production. But it believes that the unrestrained operation of the market can prove dangerous for the individual and the economy. It believes that poverty, dependencies, economic insecurity etc. are not a result of the consequences of nature and incompetence on the part of the poor, but result from the changeable institutions of society. These insecurities can be overcome by remodelling the *laissez faire* economy and by introducing a form of planning to realize these objectives. But planning should be combined with a market economy in various degrees. It stands for a 'mixed economy'.

Positive liberalism has given various justifications for the welfare state, such as it enhances the liberty and autonomy of the individual, it brings more equality among the various classes in society, it provides social justice, it creates a responsible citizenship, it provides socio-economic justice by restraining and regulating capitalism. However, there have been continuing debates about how to distribute welfare such as i) should it be 'selectively given to those in need or it should be universal', ii) should it be in kind or cash, iii) should it be on the insurance principle funded by the people themselves or simple redistribution, and v) should there be a

constitutional guarantee for the welfare or should it be left to the bargaining groups, vi) should the welfare state guarantee a safety net of minimum well-being for those **unable** to survive the market society or the idea of market is opposed to welfare.

The concept of welfare state has been also a target of attack, particularly from the libertarian philosophers. They believe that the welfare state reduces the liberty and autonomy of the individual, leads to coercion and violates the rights of the individual. At a more general level, in the developed countries which have adopted the welfare model, there is the largest concentration of wealth and technological potentialities. Neither has the state been able to remove the insecurities which are considered avoidable. Welfare measures irrespective of pension, tax free sums, compensation for loss of office, life insurance, sickness, higher education, housing etc are concentrated on the better off one-third of the population. Unemployment and creeping inflation still remain the permanent problems of welfare state. The ideals of liberal equalitarianism are not wrong, but they require reforms far more extensive than have been suggested by John Rawls and others.

16.8 EXERCISES

- 1) Trace the evolution of positive liberalism.
- 2) Write an essay on the liberal democratic welfare state.
- 3) Discuss the grounds on which the welfare state is justified.
- 4) Comment on the contemporary debates on the welfare state.
- 5) Critically assess the welfare state today.