

THE RETREAT OF THE STATE FROM SOCIAL WELFARE

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Economic Notes No. 87



ISSN 0267-7164 ISBN 1 85637 469 6

An occasional publication of the Libertarian Alliance,
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This piece was first published in *The Retreat of the State: Nurturing the Soul of Society* (1999), edited with a Preface and a Theological Afterword by Stephen Platten, for the Canterbury Press of Norwich, which is a publishing imprint of Hymns Ancient & Modern Limited, St Mary's Works, St Mary's Plain, Norwich, Norfolk NR3 3BH, and is reprinted with permission.

Arthur Seldon CBE is being presented with the Libertarian Alliance's "Liberty in Theory" Award 1999, in recognition of his life-time contributions to free market economic theory. The citation on this award, written by LA Director Chris R. Tame, reads as follows:

Arthur Seldon's work, both as the intellectual powerhouse of the Institute of Economic Affairs, and in his own numerous writings, helped turn the intellectual tide in this country. The revival of free market economics, their practical implementation in many of the policies of both previous governments and the current one, can only be traced to this great man. The revival of micro-economics, the rediscovery of the quantity theory of money ("monetarism"), the relevance of pricing in so-called public services, including the NHS, and the popularisation and promulgation of the insights of the "Chicago School" of economics of Milton Friedman, the "Virginia School" of public choice analysis of Tullock and Buchanan, and the "Austrian School" economics of Ludwig Von Mises and Friedrich Hayek — are all the products of Arthur Seldon's intellectual dynamism. When the intellectual, and political, histories of the twentieth century are written, his significance for his age — and for the future — will be fully recognised.

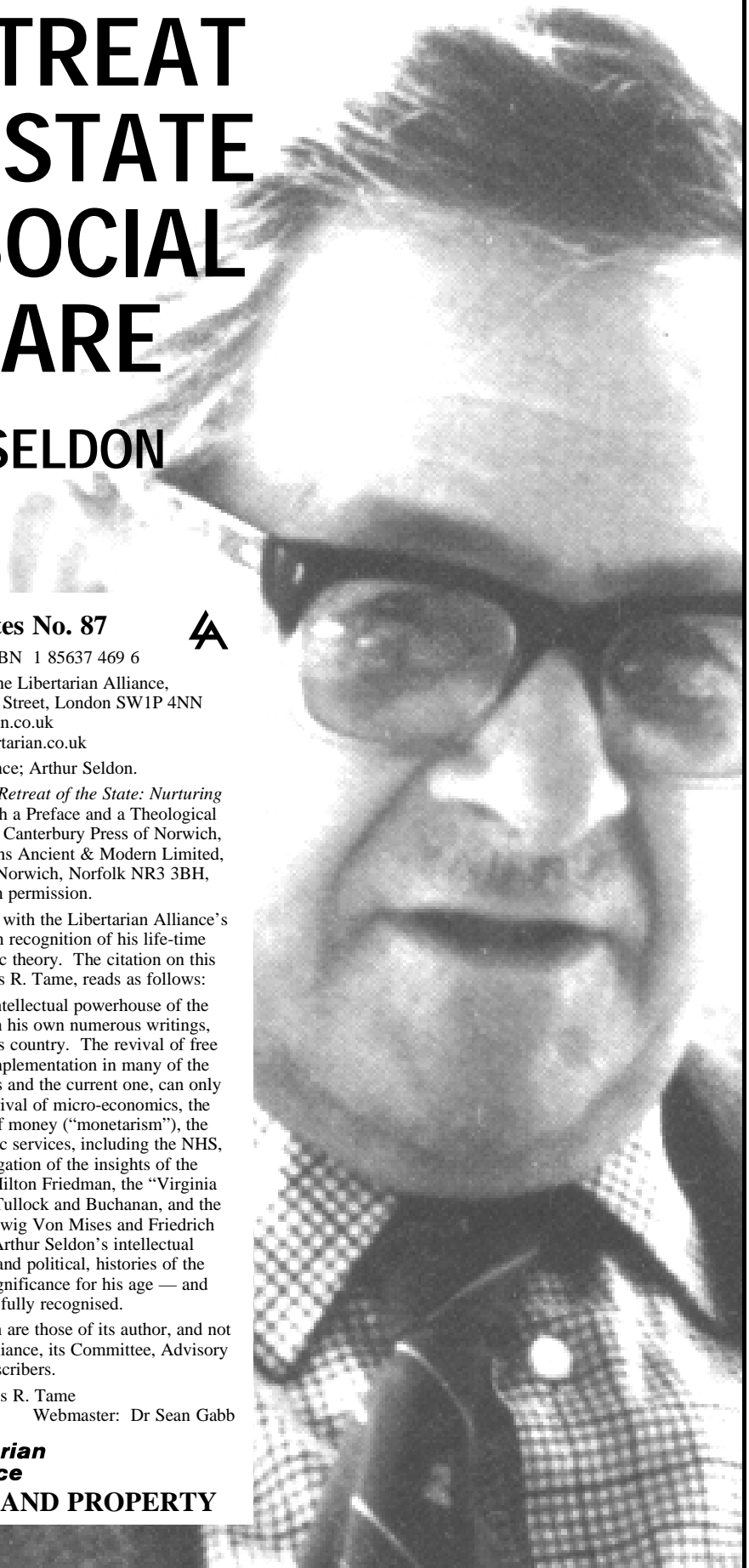
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ARTHUR SELDON

THE NATURE OF THE STATE

We live in a decisive stage in the history of the functions of government, in the liberties of the people, and in the nature of our democracy. All three are involved in the belated but growing acceptance in all schools of thought that the state must retreat from the over-expansion of government. Accelerating scientific and technological advances are more far-reaching in their economic and political repercussions than any since the Industrial Revolution of two centuries ago. They require us to question the powers of government and the political process that elects it. Not least must we consider what the state *should* do, but more what it now *can* do (and therefore what it *cannot* do) because of fundamental changes in everyday life. Here is the missing link in the efforts and failure of recent governments to adjust their welfare policies to changing conditions in society, conditions which are enhancing the power of the people to choose the lives they would like to, and now increasingly can, live.

The state is reluctant to accept both the weakening of its powers and the realisation of its defects. In spite of its claims to do for the people better than they can do for themselves, the state is not all-seeing, impartial between supplicants for its favours, and efficient in the use of its revenue or borrowings. Furthermore it is not always just: it is tempted to yield to the strongest importunists, and not to the most deserving causes. It yields to people organised as producers much more than to the same people unorganised as consumers. It distorts their preferences by encouraging them to put their immediate short-term interests before their underlying long-term futures. In 1986, while on a visit to the site of the Battle of Gettysburg, in company with one American and one British economist working on the nature of democracy, I stood near the spot where in 1863 Abraham Lincoln promised government of, by, and for the people. Sadly the democratic state has emerged very differently from what Lincoln promised. In real life it has produced government 'of' the politically active, 'by' the political managers, 'for' the political importunists. In plain English, this is government of the busy, by the bossy, for the bully.

These excesses of the democratic state have provoked even more fundamental reactions from the people. It is the people who can now, and will increasingly in the coming years, limit the state's powers. The most recent developments in the distribution of power between government and governed are even more fundamental than Lincoln could have foreseen. In our times, today and to-

morrow, and even more in the days and months and years after tomorrow, the state will gradually lose its powers. It has no magic wand. It cannot do what its wisest counsellors advise by passing laws, announcing rules, and proclaiming regulations. It has new and advancing competitors for its services, and they have been expanding and advancing to the point at which they are increasingly preferred. The waning power of the state, too long misunderstood by historians, is now more manifest, and especially in the realm of social welfare. The state has retuned its engines of expansion into state education, state medicine, state housing (through local government), state pensions, and state 'social' insurance since the Second World War and earlier. Indeed it has been better at tuning engines for advance than for the more relevant and more urgently needed tuning of engines for retreat.

The state is now in no man's land. It has advanced too far and cannot easily retreat in good order because it simultaneously risks unpopularity from the customary beneficiaries of its 'free' services, and growing reluctance to supply the resources for the people who want, and can find, better services elsewhere. In recent years democratic government has been intensively analysed by new schools of social scientists who reveal the decisions of the people's 'representatives' in government to be very different from those of the people themselves. This was true in the creation and post-war expansion of the welfare state, and now still more true in the failure to adapt the welfare state to a changing world. After a century or more of advance the state is facing unexpected obstacles to retreat. It is having to accept that its government is not sovereign or as final as it thought. Its over-expanding laws, rules and regulations can increasingly be escaped by the people.

Government has been slow to learn that the changing nature of economic life has increasingly put popular preferences beyond its own power to suppress them. And its statistics are misleading because more economic life lies beyond its reach; statistics of national production and incomes are inaccurate. They understate the total production of goods and services and overstate the degrees of poverty, inequality, and unemployment. All these historic trends underlie the unavoidably accelerating retreat of the state from social welfare that will continue to accelerate in the twenty-first century.

The explanations of the imperative task to adjust the domain of government to the increasing power of the people are economic, political, and technological. Above all they are economic, because the science of economics

provides the unique indicator — costs and prices — of the most dispensable alternatives in deciding the best use of scarce resources. The welfare state has suffered from the crucial weakness that it has deprived itself of this instrument. Its claim to provide welfare ‘free’ was never well founded. Yet this truth was rarely questioned because, from the earliest days in the late nineteenth century, most people have paid for ‘free’ social welfare indirectly through taxes on purchases or earnings. Oscar Wilde’s taunt in *Lady Windermere’s Fan* that people who know the price of everything know the value of nothing was the opposite of the truth. It is still exploited by influential people who claim the common people’s money to pay for their favoured causes — in the arts, heritage, environment and elsewhere. Their claim that the money they exact from government will do untold good is shallow. The so-called cultural ‘values’ of the cognoscenti are the preferences or prejudices of the few hundreds with influence in government; the people’s money is questionably commandeered and misused by government. Lloyd George was condemned for ‘raiding the Road Fund’ for other purposes urgently required by government; the Lottery Fund is now being ‘raided’ for purposes not preferred by the people who risk their weekly pounds.

Only the ‘empowerment’ of the people by returning their purchasing power and through the freeing of prices will reveal the true preferences on which they would wish to spend their money. History suggests that they would be spending more on education, medical care, housing, and insurance and saving for the years after work than the state can now raise in taxes to spend *for them*. The concealing of these costs underlies the confused thinking in the retreat from social welfare. In its latest efforts to withdraw from some forms of social welfare the state confronts a new dilemma which stands midway between over-expansion and inability to retreat.¹

Democracy has expanded all its four main functions: in social welfare, in the supply of the ‘public’ goods of law and order once thought the necessary function of government, in the public ‘utilities’ of fuel and transport, and in local government services (from providing literature for the working man to improve himself, to the tennis courts, swimming pools and golf courses — subsidised but not widely used by people too old to swim, too slow for tennis or too frail for golf). In all four functions, government has expanded too far into over-government. Its resources fall short of its capacity to supply the people with social services — in education, medical care, and housing; these same people increasingly obtain them from elsewhere at lower cost and higher quality. If government does not withdraw, that is, retreat unilaterally, it will lose both its authority to influence the pace of withdrawal and, even more fundamentally, weaken its repute within Lincolnian democracy as answerable to the people.

THE SOCIAL WELFARE SERVICES RIPE FOR WITHDRAWAL

The main elements of state welfare and its defective financing fall into three groups:

— *education and medical care* universally supplied and largely ‘free’ of direct payment at the time of service, but paid for indirectly by taxes;

— *housing* for five million families subsidised by low rents, and *minimum incomes* for all in sickness, unemployment or old age, and subsidised by disguised National Insurance costs;

— *discretionary ‘charitable’ assistance* supplied by general tax-paid subsidies.

The conventional historians of the social services assess the strengths and weakness of past government policies but draw unfounded conclusions which argue for further state activity to remove blunders or to extend measures that earlier proved ineffective. To such academics the costs of the social services to the nation are seen only as the financial outlays required for improvements. That approach is not sufficient to decide the best possible services for the people. The economist uses the ‘counterfactual’ approach which considers what other methods of organising social welfare might historically have replaced the failed constructions of the state. These are the alternative forms of welfare that might have been organised in other ways than by government (central or local) but which have been lost for decades. This more revealing approach issued from the teaching of ‘opportunity costs’ by the Austrian School of Economics, led by Frederick Hayek who brought it to the London School of Economics in the 1930s. This school taught that the real ‘costs’ of the state, not least in welfare, were the alternatives that might have developed had they not been discouraged or suppressed by the state. This vital missing link in its social welfare policies has long been neglected by the British state. What the state should have discovered after the Second World War, or before it, were the alternatives lost for far too long, the opportunities forgone by the persistence of the state in suppressing services that had long before emerged spontaneously in the early, mid- or late nineteenth century. These lost alternatives emerged from the natural growing instinct of people in families to take care of their own, throughout all the vicissitudes of life.

But instead the British family has been weakened because the state has usurped the authority of parents. Few children, especially in the lower-income families, have looked to their parents to provide their schooling, their medical care, or even their homes. They have had to look to the political authorities, the politicians and their ‘public’ servants, who have widened their powers to invade family bonds. The ‘opportunity cost’ approach reveals the long-ignored loss of another virtue of the people. In the perspective of history it is now clear that the state discouraged or suppressed spontaneous assistance to friends, neighbours and strangers by the personal charity that would have developed through the churches or through local groups of citizens; this is the selfless humanity that has long grown on a much larger scale in that other England that developed in the United States of America. It is not surprising that economists, rather than sociologists impressed by the powers of the state, have argued that the church encourages good relationships

with non-churchgoers as well as churchgoers; in this they have followed their founder, Adam Smith. An economist in the USA has recently discovered² that, where state subsidies ceased, church membership and the demand for preachers rose markedly. Churches prospered when church leaders had to appeal to individual worshippers for encouragement and support rather than to legislators in government. Individual people as members of cohesive families were more sensitive to the condition of the less fortunate than they were as taxpayers.

As the state inevitably retreats in the twenty-first century we may expect the natural instinct of humanity, the urge to help the unfortunate, to expand with rising incomes. The efforts of the churches in founding schools for the young, supporting hospitals for all ages, building almshouses for the old, and giving money and comfort to the poor will grow far beyond the capacity of the state to supply these things from taxes unwillingly paid. Small wonder that parents in all social classes have usually preferred their children to attend church schools, rather than secular schools subject to political control by local authorities; Mr and Mrs Blair typify many other British parents. The difference is that working-class parents anxious about lagging children do not have the cultural influence of middle-class people to make their case with head teachers, hospital officials, housing managers, or National Insurance officials for better or early consideration. They also lack the power to escape from lagging secular schools by using the voucher method, a system which the government has abandoned in Britain for nursery schools, but which is showing how it can widen choice for working-class families in several states of the USA, where it is welcomed by lower-income black parents.

THE REJECTION OF STATE WELFARE

The main reasons why individuals and families are now rejecting state welfare and withdrawing increasingly from state services are four-fold: first, rising incomes; second, technological advances; third, the reluctance to pay for state services through charges, insurance or taxes; and fourth, the widening number of escapes offered through informal employment, barter, electronic money, or by purchase from competing private suppliers at home and overseas.

Rising Incomes

Rising incomes are enabling more families across the income scale to pay for schooling by fees, for medical care by insurance, for housing by purchase, and for pensions and loss of income in sickness and unemployment again by insurance and saving in various forms.

Technological Advances

Personal and family withdrawal from state services is expedited by the technological advances that enable industry to produce 'bespoke' goods and services tailored for individual and family requirements in place of standardised state service 'off the peg'. It must have been apparent to the well-intentioned supporters of 'social'

welfare (especially after the Second World War) that the standardised state services would before long be rejected. They mostly provide 'straitjacket' schooling and medicine, standardised homes and uniform pensions. Yet millions of people of all ages and incomes increasingly cook (or buy) individually created meals, wear individually tailored clothes, live in homes built in varying shapes and sizes, filled with the latest labour-saving devices (and leisure amenities for discriminating homeowners) and accumulate pensions for people retiring not at the state's artificial ages of 60 or 65 but at varying ages from 55 to 75 — or even 85.

Reluctance to Pay for State Services

The retreat by the people, if not by the state, from social welfare is increasingly stimulated by the reluctance of the beneficiaries to pay for it in the only ways they can — by charges, insurance or taxes. The increasing resistance to higher taxes takes the form of both legal avoidance and illegal evasion. They are legally separate but functionally linked and morally difficult to distinguish between. They are linked because increasing experience of tax avoidance teaches new methods of tax evasion. They are legally separate but recent Chancellors of the Exchequer in 1997 and 1998 have revealed a reluctance or inability to separate the two. Their plight in financing government is indicated by the self-contradictory anxiety of successive Chancellors to penalise as illegal the tax avoidance that the law specifically allows as legal for the intention of earners of all kinds of income — wages, salaries, fees, commissions, 'tips', and profits to minimise their loss of earnings by taxes by varying their working lives. This is evidence of the desperation and increasing hostility of an impecunious British government to its historically law-abiding citizens. Its excessive requirement for revenue to finance services that taxpayers are evidently reluctant to use and pay for is weakening the bonds of mutual trust that should underlie a democratic government which spends over 40 per cent of national income on such services.

The latest evidence of government desperation is the 'psychological warfare' waged against the generality of the profession of accountants on whom the Inland Revenue depends to present taxpayers' accounts. There is here a new moral dilemma for government that will drive it to retreat further from social welfare and to leave taxpayers to pay for private services they prefer by methods they prefer. If the state is indeed driven to penalise taxpayers for acts that are legal it will further risk resistance to other laws, rules and regulations over the whole range of economic life. It is a long time since the peasants of Kent (where I live) rose in 1381 to rebel against their taxes. But now I hear the rumblings of rebellion in the most bourgeois of churchgoing Kentish homes. The question must now be faced: we need to decide where the essential blame lies — with the taxers who demand more in revenue than the people are readily prepared to pay — or with the taxpayers for rejecting taxes seen as impertinently invasive of family and working lives.

There is now increasing research by economists into the extent and likely reasons for the intertwined combination of avoidance and evasion that I have christened 'tax avoision'. It is no longer sufficient to continue with labels that beg the question of the relative moral responsibility of the citizen and the state implied by the old term 'black market' or by the 'underground' that echoes the wartime resistance of the French to oppression and tyranny. I use the morally neutral term 'parallel economy' as the truest description of the loss of sympathy between government and people. And the avoidance of moral condemnation offers the best hope of returning harmony by arranging taxes that people will willingly pay for goods and services they cannot buy in open markets. The best researches of the extent and reasons for tax rejection have lately revealed that it is essentially the excesses of government that have depressed tax revenues.³

It is no longer true, as it may once have been in the days of the smugglers and lately of the drug peddlers (and is still stubbornly asserted by government spokesmen and civil servants), that the sole or main way to maintain tax revenue is to raise tax rates. The most refined researches, by Professor Friedrich Schneider of the Johannes Kepler University in Austria, reveal that tax revenues are depressed essentially by four causes: increases in direct taxes on incomes, indirect taxes on purchases, the complexities of the taxation structure as a whole, and the severity of the regulation of industry and economic life in general. What is true in Austria is probably true, partly or largely, of Britain. In its search for finance to pay for the social welfare system, remaining after a too reluctant retreat by the state, the British government now would be wise to conduct similar researches.

Methods of Avoidance

The fourth reason for government to retreat from social welfare comprises the increasing and developing escapes to new sources of goods and services from national and overseas suppliers brought to every private home by the Internet. There is much to be said about all the rapidly accelerating developments that ease 'escapes' from government; I settle on barter as the most natural but most neglected escape. Barter can enable otherwise law-abiding citizens to exchange personal services produced by specialised skills. As such it is designed essentially to benefit friends, neighbours, members of clubs and other associations in widening circles by producing non-monetary 'incomes' nominally otherwise taxable. There are no official statistics or estimates of this return to natural exchange, but the informal evidence indicates substantial development in recent years. This is undoubtedly likely to form a rapidly increasing feature of British private and communal life. The quiet grass-roots revolution in the form of local exchange and trading systems (LETS) has been recorded by the press over a period of several years. Most lately it has been documented by consistent research in England.⁴ Such exchanges can be seen as a new form of spontaneous private welfare rescuing people with low incomes, or no incomes at all, from avoidable poverty. The latest development sees it lubricating barter exchange by forms of local 'money'. Simple barter is

difficult to arrange because it requires a double coincidence of wants: individuals must want precisely what other individuals offer. This pure exchange of barter is eased by a new kind of 'money' that satisfies its essential economic function as anything that is generally acceptable in exchange.

There was a time when barter meant the direct exchange of goods for other goods by specialists in complementary skills — for example, primitive farmers exchanging with hunters. In the 1990s or earlier, informal local currencies have been easing exchange between people of modest means through a modern form of what Samuel Smiles would have called 'Self-Help' in local exchange and trading systems. In West Norfolk, the new money is called 'shells'. In Greenwich the name is 'anchors', in Brixton 'bricks', and in Manchester and no doubt other former textile areas of the North West 'bobblins'.

In parts of Yorkshire a new currency is being used, in effect 'exchanged', for personal services — house maintenance, gardening, and childminding — and for everyday goods — food and (second-hand) clothing. Its use is being further extended to training or tuition in manual or artistic skills such as painting and cooking.

These are early forms of a new growth of informal exchanges in free markets that will liberate unused skills and create new forms of income. They illustrate the old truth, long forgotten, that the people have been misled to expect government to provide services they could better provide for themselves. In King's Lynn and West Norfolk the LETS have developed mutual aid by advice and assistance in everyday activities that encourage local communal life. The far-reaching potential of this spontaneous development is being harnessed by local authorities. The European Commission has incorporated the promotion of LETS into urban and regional development. The obstacle so far seems to be government in Whitehall. Uncertainty about whether LETS earnings will count against social security benefits has discouraged participation by unemployed people. The Federal Government of Australia encourages such forms of exchange precisely as a new way to find work training and experience. The possibility of exonerating LETS from Whitehall rules might liberate many more people into dispensing with the state welfare for which they cannot or will not pay.

THE CULPABILITY OF OVER-GOVERNMENT

The pioneering spirit of the English, which created the merchant venturers, the East India Company, and the entrepreneurial risk-taking spirit that prompted innovation in British industry, has not been conspicuous in the structures of the post-war government. These structures created the latest expansion in social services but there is now a reluctance to retreat in the face of economic change. The lack of a clear understanding of the imperatives of retreat is now revealed in four divergent approaches to the belated reforms.

The Secretary of State for Education is at least willing to invite advice from people with experience of running the private schools that have transcended the defects of the

state system and its schools: generally lower standards of performance, unruly behaviour including assault of teachers, and truancy. The difficulty remains of building advice services from private organisations. Moderate investors must be persuaded to risk their savings with schools sanctioned by central government and run by local officials with little knowledge of and less sympathy with the commercial skills required for the high efficiency demanded in competitive private schooling.

The Secretary of State for Health sees no flaws in a state system that has chronically failed to raise as much funding as healthcare systems in all other western countries in Europe, and even more in North America, where combinations of tax financing with optional private insurance raise far more — 35 percent more in Europe, 50 per cent in Australasia, 60 per cent in the USA — than in the British National Health Service (NHS). He is prepared to continue a fifty-year-old system unchanged on the same principles — no knowledge of costs — for a further fifty years. A century of the NHS which learns nothing from other countries would look sadly out of place in the likely world of the twenty-first century.

The government has no fundamental solution for improving the conditions in which five million elderly couples live out their years in *council housing* or high-rise blocks. These long-outdated structures cannot be adapted to the much higher standards of private owners or tenants, not least among their own children. Government expedients include short-term increases in yet more subsidies to patch up council homes which will be of little interest to younger people as their new homes in 2010 or 2020; alongside this stands the latest drastic and desperate expedient of demolishing large numbers of council homes in the slums.

The fourth service, the unfunded ‘pay-as-you-go’ *National Insurance pension*, has finally been acknowledged as a failure that will not produce the higher incomes in retirement that most people have come to expect. The new proposal for a compulsorily funded private pension paid by insurance and invested to yield the income to pay the pensions is a confession of failure of statesmanship. It comes too late to save enough for the incomes that will be required in old age by those already over the age of fifty-five.

All these state services are destined to be perpetually short of the tax funds necessary to raise their standards. The only long-term solution is to recognise that they were created when tax revenue seemed secure. The ultimate solution in the twenty-first century is for the state to accept the necessity to retreat in good order by returning taxes to the parents, patients, tenants and pensioners to enable them to buy schools, hospitals, homes and pensions of their own choice on the open market. The sooner this ultimate retreat is arranged the more the state can help it to be orderly. If not, democracy will be seen to have no policies for an advancing society. Much of current revenue is required to repair existing social welfare buildings — schools, hospitals, housing, and offices. The essential flaw of contemporary democratic government is that it requires frequent but increasingly reluctant

voter approval to maintain the good order of structures inherited from the past. Much the same is true of schools and hospitals, social ‘homes’ for the unruly young and the uncomfortable old, and the clerical offices that disfigure our towns, not least when they are newly built for the thousands of public officials who may not require them for much longer.

Most of these structures were built by government in the twentieth century; they now plague the government of today. It need not have been the fate of our children, the sick, working-class families, or the aging if government had retreated from social welfare in the last hundred years as people built preferred services by paying fees, charges or prices. That is what they had been doing since the early nineteenth century until well into the twentieth. Little of that is taught in our school history books or discussed currently by sociologists. In 1860, the Newcastle Commission reported that three out of four working-class children were at schools charging fees paid for by their parents, sometimes aided by charities or the church.⁵ After the establishment by Gladstone of local board schools in 1870, direct spending by families was increasingly replaced by indirect spending by the same people in their taxes on their purchases, but with much less influence on their schools.

Towards the last third of the nineteenth century, working men were insuring privately for medical care with friendly societies and similar working-class organisations.⁶ In 1911 when the Liberals, Lloyd George and Winston Churchill, introduced compulsory social insurance for 11.5 million male employees no fewer than 9 million had been covered for some time by private insurance. Long before, in the 1870s and 1880s, working people in the industrial north were buying their homes with the help of the early building societies. And, in 1946 to 1948, when post-war Labour, sadly encumbered by pre-war thinking, introduced the enlarged pensions schemes, Attlee and his colleagues must have known that the occupational pensions begun in the 1930s were spreading and would have spread further. This was a failure of democratic government, not least in its short-term myopia induced by the anxiety to win voter gratitude by dealing with urgent, pressing, short-term ‘problems’ that build complex distortions of policies in the longer run. With the best of intentions, but the worst of democratic foresight, governments down the decades have expanded social welfare too soon, too far, and too long, and their retreat is now too slow.

Admirers of Beveridge have persevered with the social schemes he outlined in 1942, some of which he had himself abandoned in his last years of disillusion with politicians. Meeting with him as early as 1947, as a fellow member of the Liberal Party, to discuss aspects of state pensions on which the Liberal Party had asked me to chair an enquiry, I found he was busy writing a book, *Voluntary Action*.⁷ In this he warned uninformed enthusiasts that the ‘social welfare’ being prepared by the politicians would endanger the very institutions that had been built by ‘the people’, that is, by the lower-income working classes. In 1962, when two former Fabian econo-

mists, the renowned Cohn Clark and the sage Graham Hutton, joined me and my Institute of Economic Affairs colleague, Ralph (later Lord) Harris, to dine with Beveridge at the Reform Club, he lamented the fate of his national pension scheme. His saddest regret seemed to be the failure of perhaps the most upright academic-politician of the day, Hugh Gaitskell, to follow his advice and build the National Insurance Fund over twenty years, before paying the new retirement pensions. The political excuse was that the higher benefit could not be paid to other beneficiaries without including pensioners — another excuse for a short-term expedient that created long-term tensions *après le déluge*. The National Insurance Fund was for only a few years a ‘Fund’ invested to yield income for the pensioners. For most of the years since then it has been not a fund, but rather a tank with a pipe of National Insurance contributions *leading in* and a large pipe of pensions *leading out*. That is still true in 1998, with the added burden for people approaching pensionable age that they must — by government decree — personally accumulate a second pension. One other academically-responsible politician, Sir Keith Joseph, saw the coming dilemma in the 1970s, but his political friends did not share or support his anxious vision.

THE HISTORIC DELUSION

Talk of ‘the retreat of the state’ creates apprehension among the many who have regarded it as the saviour of the sick and the poor. A dominant anxiety is that democracy has taught the doctrine of Thomas Hobbes that its creation of ‘sovereignty’ (government power over economic life) is essential for the maintenance of good order and civilized life. The alternative to the political state with the power to regulate economic life and to coerce the people to conform to it, warned Hobbes, was ‘a state of nature’ that would create perpetual ‘war of all against all’ in which life would be ‘nasty, brutish and short’. This dire prospect has habituated the Western world into accepting and tolerating the political state with its over-government. Yet from the start of the twentieth century or earlier over-government has been an obstruction to the liberties that democracy was supposed to protect.

Hobbes wrote in the seventeenth century. His warning has long been overtaken by the technological advances of the nineteenth century with its massive rises in living standards. A century after Hobbes, at the end of the eighteenth century, it was still plausible for Tom Paine to urge, in his classic *The Rights of Man*, an early structure of Beveridge Plan benefits from maternity grants through a form of cash school vouchers all the way to funeral expenses. In the introduction to the 1958 edition of *The Rights of Man* I wrote of Paine’s proposals:

In his day this was advanced thinking. In our day we have no sooner erected a structure of state provision for the needy than it has in some respects become out of date with rising personal incomes. The welfare state is, or in a free society should be, a passing phase; but there is a danger that it will be erected into a permanent appendage: the crutch will be beaten into a shackle.⁸

So it has been for forty years since 1958, and indeed for over a century and a half. The recent reforms in state welfare call out of us a reassessment of Hobbes’ flawed warning. This was rejected by the inter-war Labour-inclined scholar, A. D. Lindsay, the Master of Balliol. In his introduction to Hobbes’ *Leviathan*: he argued that law is not obeyed solely because it is created by the state; rather it is respected essentially because it is wanted by the people. This truth is still overlooked by the politicians of our day.

... if Hobbes is right [said Lindsay] in maintaining that without some authority there can be no state ... he forgets that the power of the sovereign, even though legally unlimited, depends upon the skill with which it gives expression to the general will; if it disregards the general will there will come a point at which no amount of legal or constitutional machinery will avert disaster.⁹

The legal and constitutional machinery of the twentieth century has not prevented the emerging revolt of the masses or the remonstrances of the bourgeois.

Hobbes was earlier refuted by the seventeenth-century philosopher, Benedict de Spinoza, whose Portuguese family fled from persecution to Holland. Lindsay repeats Spinoza’s magisterial dictum:

A sovereign has right insofar as he has might, and he has might only insofar as he rules in such a way that his subjects regard rebellion as a greater evil than obedience.¹⁰

The sovereign state is now having to retreat from social welfare and other superfluous functions. But it is retreating too slowly. The subjects are rebelling. And they will continue to rebel until government retreats sufficiently to liberate the freedoms created by economic advance.

NOTES

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