As a political scientist, my primary interest is not to explain why the welfare state should be dismantled. That has been done elsewhere. It is to explain why rolling back the welfare state has proved to be so difficult in Britain, and to suggest how libertarians need to develop a strategy to overcome the obstacles to destroying the last remaining bastion of socialism. Firstly, I will remind you why the welfare state should be dismantled. Secondly, I will examine the attempts at reform introduced by the Thatcher and Major governments. Thirdly, I will discuss why there has been so little progress in destroying the welfare state monster. Finally, I will make some suggestions on how we should proceed.

THE CASE AGAINST THE WELFARE STATE

I begin by defining the welfare state as the universal and comprehensive provision of a service by the state. The case against it is that it is immoral, against freedom of choice, creates welfare dependency, is ineffective, is run in the interests of the producers, and is inefficient.

1) Immoral

It is immoral because it is coercive: it forcibly redistributes income from taxpayers to those who are believed to deserve it by politicians. Moral behaviour can only be based on free choice. When governments spend more on welfare, they are portrayed as ‘caring’, but they would only be caring if they were spending their own money. One cannot demonstrate ‘caring’ with other people’s money.

2) Against freedom of choice

The universality principle means that the service is provided free for all regardless of need. One of its goals is to abolish or drive out alternatives, such as private schools and private health, by providing the service free or highly subsidised. The fact that in such a situation, there still exists any private sectors at all is a tribute to the state’s other failings.

3) Welfare dependency

Those familiar with Charles Murray and his book Losing Ground, on American social policy, and his pamphlet on the British Underclass will recognise this concept, at last entering British political discourse. The original idea of most welfare provision was to aid people through difficult periods, and then they would return to independence. Instead the state has created a class that is permanently dependent on the state for all their major decisions. They have a lack of sense of control over their own lives. This encourages irresponsibility: of the teenage girl bearing a child for reasons of status, the young man denying responsibility for his child, the car ‘joy-riding’ with no respect for others’ property. Welfare makes the weakest and most vulnerable in society weaker and more vulnerable. This is the greatest sin of the welfare state.

4) Ineffective

The state rarely achieves its goals. The negative unintended consequences of government actions, here as elsewhere, are nearly always greater than the positive intended ones, as in the old saying ‘the road to hell is paved with good intentions’. Some examples: rent control destroys the rental housing market; the expansion of state education led to mass illiteracy, with the middle and upper classes as the primary beneficiaries of higher education; the middle classes are the disproportionate beneficiaries of the nationalised health system. The gap between the goals and the outputs is immense.

5) Producer capture

The consumer has no choice of supplier, and in a monopoly situation the service is provided in the interests of the producer. Look for example at the opposition of the National Union of Teachers to the publication of examination results for schools.

6) Inefficiency

The benefits that are provided (some children are educated, operations relieve some pain) are at an excessive cost. For example, in the 1980s 40% more per pupil was spent while the quality declined. The opportunity costs of the welfare state are immense. Think what other benefits could have been achieved if those resources had been spent wisely by those in the best position to know their own interests.

The case against the welfare state is not that it spends too much on the welfare of people, but that their welfare would be so much greater without it. Probably there would be more spent: on health insurance, unemployment insurance, on education, on charity. The argument is against the state, not against welfare.
THE CONSERVATIVE GOVERNMENTS

Under Thatcher, policy was determined by macro-economic considerations to reduce public expenditure and increase the efficiency of state institutions through business methods. The solution was to reduce expenditure to create the incentive to improve efficiency by the creation of 'pseudo-markets'. There was no principled objection to the welfare state despite the accusations that were made by the opposition. These pseudo-markets sought to apply business techniques without markets. In higher education, the result was success for a technocratic rather than market oriented approach. It led to more central planning with the State creating long and short term goals for each educational institution regardless of student demand. It created new agencies with numerous committees, to monitor performance, and it had an purely instrumental view of education which emphasised short term economic gains, and ignored education as a consumption good. In health, they talked of an internal market, but the consumer does not buy and the price is determined by administrative fiat not supply and demand. It has been described as bringing the market to the welfare state but it is simply shows a lack of understanding of markets.

The Citizens’ Charter launched by Major is committed to a high quality of public services, such as payments for delays to British Rail passengers, vouchers for private hospitals if operation waiting lists are too long, compensation if a social security payment is delayed. However this is no market. First, in the market the consumer reacts to poor quality not by demanding a refund but by switching to a rival producer. Secondly, those who are responsible for poor quality should suffer but this is unlikely, the price will be paid either by the taxpayer or at the expense of other beneficiaries. Thirdly, there is an explicit acceptance that these services should be run by the state and the issue is simply how to improve them.

WHY IS THE WELFARE STATE SO STRONG?

The explanation for the strength and width of support for the welfare state lies in ideas and interests. While state intervention in industry, trade unions and the nationalised industries have all lost the confidence of the electorate, there is still a collectivist consensus for the welfare state. In a MORI poll, people were asked to respond which was their ideal and which best described reality.4

A. A society which emphasises the social and collective provision of welfare: 55% ideal, 17% reality.
B. A society where the individual looks after himself: 40% ideal, 66% reality.
A. A society in which the creation of wealth is rewarded: 16% ideal, 75% reality.
B. A society in which caring for others is more highly rewarded: 79% ideal, 19% reality.

In a 1987, poll when asked whether they wanted lower taxes or more public services, 66% voted for services and only 11% for lower taxes.

The Institute of Economic Affairs has fairly criticised this statement as being meaningless without prices.5 When asked to choose between contracting out, the selective provision for the poor, or universal provision, the biggest group chose contracting out. However, significantly, the trend in the 1980s was to move towards universality. Support for contracting out in education fell from 60% to 48%, and in health from 54% to 44%. Support for the welfare state is very strong, and is based on the twin pillars of the desire for security and on altruism. Any successful attack on the welfare state must respond to these two features.

The other powerful support for the welfare state is interests. The politicians want it for credit-claiming. They love to announce that ‘they’ are spending another £1 million on this project and look forward to the favourable media coverage. The privatisation of industries can be explained as ‘blame-shifting’ when the nationalised industries became more of a source of criticism than praise for the politicians and officials responsible. The bureaucrats want the welfare state because they are natural empire-builders. The interest groups favour it because they exist to procure more funds for their members. This is the raison d’être of the BMA and the NUT. However their members might find more job satisfaction in the private sector, where doctors and teachers have more autonomy.

WHAT IS TO BE DONE

In a famous book, Albert Hirschman explained that dissatisfaction with an organisation can lead to Exit, Voice and Loyalty.6

1) Exit
We must undermine the universality principle by maximising the opportunities to opt out of state provision. The greatest success was in the sale of council housing, and to a lesser extent private health insurance. It must be demonstrated that security can be better achieved outside the state. As well as for the consumer, we must improve opportunities for the producer to exit, for the nurse to work in a private hospital, for the teacher in a private school, or the academic in a private university.

2) Voice
The public have a low opinion of the service provided but a high opinion of the state institutions that provide the services. They blame poor service on non-existent cuts, rather than on the nature of the state itself. Here is an important ideological role: to explain not only that the service is poor, but why the service is poor and why it will not be improved by more spending by the state.

3) Loyalty
Most people have a sense of moral obligation to the weak: altruism. Unfortunately they believe that this benevolent impulse is expressed through the state. But it cannot be a moral act if it is coerced. The choice is market or state, but the market does not insist that every action or exchange must be money-making, only that it must be non-coercive. There is no conflict between the market and the benevolent impulse. We must improve the opportunities for the expression of this compassion, through support for mediating structures, such as the family, the neighbourhood, the churches, ethnic groups, voluntary associations, and charities.7

CONCLUSION

Despite the disappointments of the 1980s and the early 1990s, I am broadly optimistic about the prospects of undermining the welfare state. All western governments are examining their welfare systems because of their burden on economic growth, their contribution to budget deficits, and the political difficulties of increasing taxation. Furthermore, as politicians become criticised for every death, delayed operation, teenage criminal, and teenage mother, politicians will seek to deflect blame, and distance themselves from the welfare state. There is intense public dissatisfaction with the welfare services. It is up to libertarians to demonstrate that there are alternative sources of welfare to the state and for us to re-direct that dissatisfaction from the symptoms to the cause: the State.

NOTES

1. See the excellent special issue on the welfare state in Critical Review, Vol. 4, No. 4, Fall 1990.