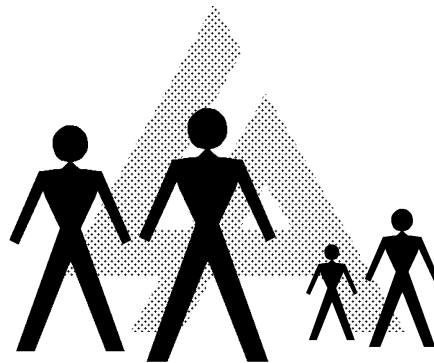


CULTURE, VIRTUE AND FREEDOM:

HOW CIVIL SOCIETY IN BRITAIN HAS BEEN UNDERMINED AND HOW TO REBUILD IT

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**Libertarian
Alliance**

FOR LIFE, LIBERTY AND PROPERTY

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“Virtue is never tried but by some difficulty and some struggle”

Edmund Burke

Libertarians and libertarian conservatives are frequently accused of favouring an atomistic model of human individuality and of ascribing little importance to tradition, our cultural inheritance or the communitarian ideals of solidarity with or service to others. Is then, a sense of community, of solidarity with, or obligation to, others compatible with an agenda for economic and social liberty?

The concept of “Civil Society” was first encountered in the work of Edmund Burke. Burke rejected the doctrine of natural rights, which he saw as profoundly dangerous. For Burke, the concept of natural rights implied that “rights” must indicate those things which individuals were free to do before government was constituted and must therefore have been given up once men had constituted themselves under a government. Once thus renounced, such rights would be irrecoverable and the sovereignty of the government would be potentially absolute.

Instead of rights being antecedent to civil society, Burke saw them as deriving from the nature of civil society:

Far am I from denying in theory, full as far is my heart from withholding in practice ... the real rights of men. ... If civil society be made for the advantage of man, all the advantages for which it is made become his right. It is an institution of beneficence; and Law itself is only beneficence acting by a rule. ... If civil society be the offspring of convention, that convention must be its law ... In this sense the restraints on men, as well as their liberties, are to be reckoned among their rights.¹

The great Austrian economist and social scientist F. A. Hayek saw civilisation as a product of human action, not human design. Order emerges as the result of adaptive evolution, of a continuing process of trial and error, as less suitable methods of doing things and less sensible ways of dealing with one’s fellows are eliminated by a process of selection. To talk of “society” therefore is not to indulge an anthropomorphic fantasy or to assume that it is synonymous

with the state: society is simply the realm of “activity in common”.

Oakeshott distinguished between two forms of human association, which he identified as “enterprise” or “purposive” association, and “civil association”. In civil society, individuals are free to pursue their own ends in cooperation with others and subject only to general rules of law applying equally to all. For Oakeshott, the secret of freedom is that our society “is composed of a multitude of organisations in the constitution of the best of which is reproduced that diffusion of power which is characteristic of the whole.”²

In stark contrast to Rousseau’s concept of the “noble savage”, the classical liberals or “civic capitalists” did not see Man as inherently good. Life therefore was a struggle for goodness. For Hayek, the case for liberty was essentially epistemological: it was essential that each individual be left free to act on his own particular knowledge as he saw best.

Liberty under the rule of law left men free to pursue their own goals, but in cooperation with others, by providing for the enforcement of known rules, applicable equally to all. Statism was to be resisted, because no authority can possibly identify in advance the specific means by which human progress can be facilitated or who will achieve the best results. Progress for Hayek was as a result of trial and error:

[I]t is the product of individuals imitating those who have been more successful and from their being guided by signs or symbols, such as prices offered for their products or expressions of moral or aesthetic esteem for their having observed standards of conduct — in short, of their using the results of the experiences of others.³

The purpose of government was accordingly to make the means available to citizens to enable them to pursue their own ends. Statist monopolisation of the means reduced the scope for experimentation, for trial and error, and for the

evolution, by selective elimination, of successful forms of human conduct.

We have already contrasted the essentially pessimistic view of human nature of the “civic capitalists” with the hubristic French Enlightenment faith in the essential perfectibility of Man. If Man has a potential for, nay a propensity to, badness, the fundamental problem in classical liberal/conservative philosophy is how to discourage evil and promote virtue. Classical liberals believe that the more power an individual has, the greater his or her capacity for wickedness. Classical liberals oppose unrestrained power for precisely this reason.

The problems of human evil in general and political power in particular therefore emerge as inextricably linked: indeed the latter problem may simply be an aspect of the former. General rules of law penalise the violation of others’ like rights to life, liberty and property. The difficulty is however that not all forms of unpalatable or even harmful behaviour are fit matters for state regulation. A sober, freedom-friendly assessment has to take into account the fact that the effectiveness and function of law must by necessity be circumscribed.

The concept of civil society connotes the dispersal of power, authority and, most importantly, the sources of allegiance, throughout society, in the form of the Churches, the family, voluntary organisations, and other spontaneously emerging and self-sustaining institutions. As Green puts it:

What civic capitalists sought was a complex of institutions which, on the one hand, minimised the harm that bad people might do, and on the other, left room for the best in people to flourish and grow.⁴

THE MORAL CODE AND OUR CULTURAL INHERITANCE

Although the classical liberals had few illusions about human nature, and rejected the concept of Man’s “inherent” or “innate” goodness, a clear preoccupation with the cultivation of virtue was nevertheless at the heart of their ideology.

What then is the role, indeed the meaning, of morality in a free society? Many of a libertarian persuasion recoil from the very word, with its connotations of sexual repression, censorship, and political “moral majoritarianism”.

Burke contrasted “the force of law” with “the force of opinion”. Lord Acton distinguished the “reign of authority” from “the reign of conscience”. Hayek saw that:

[T]he case for individual freedom rests chiefly on the recognition of the inevitable ignorance of all of us concerning a great many of the factors on which the achievement of our ends and welfare depends.⁵

Writing some 170 years before Hayek, Burke stressed the importance of custom and tradition of tacit rather than self-conscious knowledge:

We are afraid to put men to live and trade each on his own private stock of reason; because we suspect that this stock in each man is small, and that the individuals would do better to avail themselves of the general bank and capital of nations and of ages.

The fundamental fact of Man’s being is that reason alone is insufficient to enable him to grasp more than a fraction of the complex details of reality. Man therefore needs rules. The customs which he follows and the moral and ethical code which he obeys will contain the accumulated wisdom and the experience of many generations and of many people whom he could never have met.

To the classical liberal, however, this code — this body of rules — is constantly evolving. Rules which promote human betterment emerge by natural selection and through the process of trial and error, while rules and customs which hinder progress fall into disuse.

To attempt, by means of coercion, to impose a moral code (beyond rules of law preserving each person’s protected sphere) is, however, unjustifiable.

Firstly, the attempt to impose a moral code means that that code must remain static. By way of contrast, voluntarily maintained rules are flexible, and in the realm of morals make gradual evolution and spontaneous growth possible, which:

allows further experience to lead to modifications and improvements ... Unlike any deliberately imposed coercive rules, which can be changed only discontinuously and for all at the same time, rules of this kind allow for gradual and experimental change. The existence of individuals and groups simultaneously observing partially different rules provides the opportunity for the selection of the more effective ones.⁶

Secondly, to attempt to impose a coercive moral code is fundamentally to misunderstand the nature of virtue. Virtue is, as Grant has argued, a disposition.⁷ It can no more be taught, or enforced, than belief. To replace trust with regulation is to undermine the values of honour and honesty which are essential to the healthy functioning of a free society:

Excessive regulation destroys virtue, since, even if the subject is otherwise disposed to it, the penalties for disobedience make him unsure whether he is really choosing freely. They call his virtue into question where it is most important, in his own eyes. Compulsion also destroys trust; that is, the disposition to believe in another’s truth or honesty. The more numerous the possibilities of non-compliance, and the more dangerous its consequences, the less trust there must be, since to inform on deviance or suspected deviance will always be in somebody’s interest and most will accordingly be led to mistrust and, eventually, deceive their fellows.⁸

A further problem is that whereas the minimal state is (relatively) effective at penalising the violation of people’s rights to life, liberty and property, its attempts to police morality and enforce virtue are likely to be inept, or worse, unpopular. Thus the virtuous principles or ethics which may be embodied in a legally imposed moral code may be undermined or discredited by the State’s attempts to enforce them. Far from promoting virtue, the State’s attempts to impose it are likely to displace it. Virtue connotes choice, and choice connotes praise and blame. Both virtue and praise are meaningless where compulsion prevails.

“LIVING LIBERTY” — COMMUNITARIAN SELF-HELP BEFORE THE WELFARE STATE

Liberty, of course, implied personal responsibility for one’s actions. People should be free to reap the rewards for successful behaviour and should bear the costs of mistaken or irresponsible conduct.

As human progress is an evolutionary process, based on trial and error, it is only through spontaneous selection, rather than governmental fiat, that the ways of living and working, and the institutions, which promote success and bring out the best in human beings can emerge. For Green:

The ideal of liberty is about discovering just those institutions which serve as proving grounds for intellectual qualities such as seeking the truth and openness to contradiction, moral qualities such as honesty, service and self-sacrifice, and active qualities such as courage and determination, on which freedom ultimately depends.⁹

To see what the ideals of “civil society” or “civic capitalism” mean in practice, we need look no further than nineteenth century and early twentieth century Britain. This era was characterised by the growth of mutual aid organisations — the friendly societies — and by vast network of charitable and voluntary organisations of all kinds.

The workings of the Friendly Societies are described by Green in *Reinventing Civil Society* and *Working Class Patients and the Medical Establishment*.¹⁰

These self-governing mutual aid associations provided benefits such as sick pay for when the breadwinner was unable to work due to illness, accident or old age, medical care for members and their families, funeral grants, and financial and other material support for widows and orphans. They also provided medical services, with societies normally employing a doctor at Branch or Lodge level. Increasingly, by the end of the nineteenth century, most large towns saw the establishment by the Friendly Societies of medical institutes, which provided medical attendance to members and their families.

So successful were these market-based, authentically working class welfare organisations that by the 1890s:

[T]he number of adult males who were not insured against sickness (and thereby to some extent against old age) and death of their own initiative was a small minority. Furthermore, as Friendly Society membership grew proportionately more rapidly than the population, the number uninsured was a constantly diminishing minority ... by the 1890s a large majority of adult males were members of Friendly Societies proper.¹¹

For Green, the virtue of these organisations was not simply that they provided, efficiently and cost-effectively, welfare benefits such as medical care and sick pay, but that they promoted virtues such as self-help, solidarity and mutual support.

From the classical liberal perspective, their great strength was that they were character-building institutions, which sought to bring out the best in their members. Many Friendly Societies, such as the Foresters and the Oddfellows, organised locally on a lodge basis, and sought to in-

culcate moral principles in their members by means of elaborate rituals.

Green quotes the “Lecture to the Initiate” from *The Ritual of the Grand United Independent Order of Oddfellows*, 1865, p. 41:¹²

It is desired that you should make the event of your Initiation a time for strict self-examination; and if you should find anything in your past life to amend, I solemnly charge you to set about that duty without delay; let no immoral practice, idle action, or low and vulgar pursuit, be retained by you.

Initiates into the First Degree of the Order of Free Gardeners were instructed in the meaning of the Degree’s emblems, the Square, the Compass and the Pruning Knife:

The Square ... reminds us that we should apply to all our dealings with our fellow-men, the Square of strict moral rectitude. The Compass ... teaches us that we should endeavour to attain ... that moral beauty and harmony which will dispose us to be gentle and courteous towards our fellow-men, beautifying and making pleasant the rough pathways of life. The Knife ... teaches us that the vices which are inherent to us by nature should be cut off, and that we should engraft into our natures all the ennobling virtues, and especially those of brotherly love, and filial affection.¹³

There was a heavy emphasis on good fellowship, and the Friendly Societies organised social and convivial activities to promote good fellowship and solidarity among their members.

As Green has explained, their constitutions were democratic, and their internal procedures rule-guided and just, their structure thus replicating the legal and legislative institutions of a free society. In the manner of their functioning, they taught their members the principles of procedural fairness, of authority with responsibility, of independence and self-reliance. For Green, economic and social liberty facilitated trial, error and experimentation in welfare provision, providing much more effective and imaginative forms of provision for life’s misfortunes than would have been expected had such matters been left to the State.

[V]oluntarism not only offered superior quality services, but also provided opportunities for developing the personal skills necessary for liberty.¹⁴

In this sense, the mutual aid associations were character-forming institutions as much as benefit societies.

THE RISE OF THE WELFARE STATE AND THE DECLINE OF MORALITY

A key tenet of Classical liberal thought was that liberty implied responsibility for one’s actions — that people should be free to profit from wise and industrious behaviour and should bear the costs of irresponsible or bad behaviour.

With this background of economic and social liberty, and a prevailing ethos of communitarian self-help, how moral was nineteenth century and early twentieth century Britain?

As Christie Davies has shown,¹⁵ during the last half of the nineteenth century there was a marked fall in the incidence of crimes both of dishonesty and violence, which decline persisted well into the twentieth century. The overall in-

idence of serious offences recorded by the police in the 1890s was only about 60% of what it had been in the 1850s. Britain then, was not only less violent and less dishonest than in the 1990s, but was also less violent and more honest, than it had been in the first half of the nineteenth century:

In 1890 the police of England and Wales recorded under a hundred thousand crimes, less than 3 for every thousand people. In 1974 it was almost 4 for every hundred people. This is over 13 times as many. And those are indictable offences, not minor infractions ...¹⁶

In the second half of the twentieth century however, crime, as we all know, has been steadily escalating — during a period which has seen the emergence of the fully-fledged, all-embracing, modern Welfare State. Is this a coincidence?

It should be fairly obvious that irresponsible behaviour has a great propensity to produce poverty or other forms of material degradation. By protecting people from the consequences of their mistakes, of their workshyness or fecklessness, it minimises or eliminates the disincentives to foolish or bad behaviour which poverty presents.

The Welfare State undermines the possibility of people learning by their mistakes, by removing the penalties for them, and by transferring to others the costs of unwise lifestyle choices or foolish habits.

This is not the same thing as suggesting that everyone who is poor is so due to his or her own fault. Nineteenth and early twentieth century thinkers firmly distinguished between the “deserving” and “undeserving” poor. The Welfare State, the distribution of whose largesse has to be governed by rules, has eliminated this valuable exercise of discretion to a very substantial degree. Nineteenth century charity (unlike twentieth century welfare) was focussed on directing resources towards those who were poor through no fault of their own, perhaps as a result of illness or some other calamity or misfortune, and through such means as counselling and in the case of those who had become destitute through their own folly, but were amenable to reform, “tough love”, helping them back to work, self-reliance and self-sufficiency.

The rise of Welfarism has left consequences which can be seen all around us. Patricia Morgan has shown how the tax/benefit system penalises families and rewards single motherhood.¹⁷ For instance, a lone mother working part-time for a net wage of £80 for 20 hours in 1993 to 1994 would find that her Family Credit for two children, one under and one over 11, plus her child and one-parent benefits, brought her income to £167.55. With £15 maintenance from the father (which she could keep without it affecting her benefits), the total was £182.55. A man supporting a family, or a couple who were both working, might put in 40 hours for £160 per week to end up with £185.50. Two lone parents together, whether as friends or as mother and daughter, and both working part-time, would end up with £335.10 per week.

The effect of the Child Care Allowance introduced in Autumn 1994 is that a lone parent working part-time for £100 net with one child over 11 and one child under 11 will get approximately £198.65 per week compared to £172.69 for a married couple on the same net wage in 1994 to 1995.

Lone mothers on Income Support are exempt from the requirement to seek work and are eligible for all sorts of “passport” benefits such as free school meals, milk and vitamins, council housing and exemption from the council tax. A lone mother with an unemployed boyfriend would draw a total of £139.75 in benefits, assuming she had a child under 11 and another aged 11 to 15, whereas a married couple would receive £115.85 per week.

Lone parents also have priority in obtaining council housing, whereas married couples have frequently so little hope of getting a council home that, in Morgan’s words:

Some authorities have turned their responsibilities into a housing policy that essentially provides only for lone parents.¹⁸

Yet this is despite evidence that it costs less to maintain a household headed by a lone parent than a household with children headed by a married couple.

Morgan has produced calculations which show that with single parent and other allowances taken into account, at any given level of earnings a lone parent will derive a higher income than a married man with the same number of children. The erosion in tax allowances for married couples with children, and the skewing of the whole tax/benefit system towards single motherhood, has produced subsidised mass bastardy and has changed the whole social and familial fabric of our inner cities.

The eminent American sociologist, Charles Murray, has noted that by 1988 the rate of illegitimate births to all births, on average throughout the whole of the United Kingdom, was 25%. However:

This sharp rise is only half of the story. The other and equally important half is that illegitimate births are not scattered evenly among the British population ... The proportion of illegitimate children in a specific poor neighbourhood can be in the vicinity not of 25%, nor even of 40%, but a hefty majority.¹⁹

By 1992 84% of births to women under 20 were to never-married mothers. Data from the 1988 and 1989 General Household Survey showed that 7 out of 10 never-married mothers were living without a stable partner and that some 93% of all never-married mothers derived all or much of their income from the taxpayer.

As Patricia Morgan puts it:

Most unwed mothers conceive their babies deliberately, not accidentally. They do not necessarily have babies to qualify for benefits, but they are well aware of the role these play in supporting them.²⁰

Many writers, such as Norman Dennis and George Erdos,²¹ have highlighted the correlation between the absence of a father and juvenile delinquency, educational underachievement, welfare dependency, labour-market dropout and other forms of anti-social behaviour.

By not only removing the penalties for single-parenthood, but indeed treating it in fiscal terms more favourably than marriage with children, the welfare state has undermined the traditional nuclear family and indeed subsidised marital breakdown as well as illegitimacy.

This strikes at the heart of one of the most important, spontaneous institutions of a free capitalist society — the two-parent family.

For Hayek, the family was essential for the transmission of knowledge, accumulated wisdom, and civilised or successful ways of living from generation to generation:

[S]ociety is made up as much of families as of individuals, and ... the transmission of the heritage of civilization within the family is as important a tool in man's striving towards better things as is the heredity of physical attributes.²²

What the Welfare State has done has been to create a vast underclass of perpetual welfare dependents, who share few, if any, of the civic virtues of honesty, civil behaviour and industriousness of the rest of the population. For Murray, this underclass is defined not simply by deprivation, but by its behaviour: violent crime, dropout from the labour force and illegitimacy. The availability of all sorts of state entitlements has created a culture of dependency, of unwillingness to take responsibility for one's own life or choices. Apart from the problem of single-motherhood, already discussed, it has spawned large numbers of young, healthy, low-income males who choose not to take jobs. As the dependency culture is transmitted from generation to generation, more and more people become — literally — moral and cultural outsiders, to whom such traditional values as thrift, hard work, punctuality, reliability, civility and honesty become increasingly alien.

To paraphrase Murray (and de Tocqueville), the Welfare State has not solved the problem of poverty, but has created more paupers!

Coinciding with the rise of welfarism was the emergence of an insidious criminology, reflected in judicial sentencing policy, which held that crime was due to "social forces", such as deprivation, or "racial discrimination", which were supposedly beyond the offender's control. This deterministic penology implies that the criminal is somehow not responsible for his actions and that, in many cases, the victim of the offence was somehow to blame.

Victims of violent crime have all too frequently been left to spend the rest of their lives living with their injuries, only to see their assailants walk out of prison after three, four or five years. Victims of burglaries have seen the perpetrators leave court with frankly derisory sentences, often walking free with probation "community service" orders or suspended sentences, which only serve to convince the public that they can expect little protection from the courts and might as well take the law into their own hands, and reinforce the belief among criminals that they have little to fear if their wrongdoing is discovered.

Socialism and redistributionism, by undermining property rights, create a climate of opinion in which no-one's property is seen as rightfully theirs, in which all property is somehow unearned and unmerited, or in which property owned by individuals cooperating as shareholders in a company is seen as not really belonging to anyone in particular. Many offenders no doubt see themselves as simply hastening the redistributive process, instead of doing something which is morally wrong.

REVERSING THE TIDE: TOWARDS THE RESTORATION OF CIVIL SOCIETY

By removing the penalties for people's mistakes, or at least mitigating their effects, the Welfare State has created the conditions within which human folly and sloth can more readily flourish. In contrast with the late twentieth century welfare dependent, the nineteenth century working man valued his reputation highly. His "character", his written references from his previous employers, were considered his passport in the job market, just as his good standing in his own branch of his friendly society was his key to friendship, contacts and support wherever he travelled in search of work.

The displacement of the distinction between the deserving and undeserving poor has meant that welfare dependency has not only lost its stigma, but has produced a vast subculture of sloth, irresponsibility and lack of initiative which threatens the survival of any remnant of civic virtue or pride in many communities in our inner cities and, increasingly, further beyond.

In circumstance where so many people have learned to look to the State to provide housing, education, health care and provision for their old age, many people now take the most important decisions — for example whether to have a child — with alarming frivolity, or simply refuse to take any decisions themselves. If people wish to be free of official interference or intrusive social workers, then they must learn to become self-reliant. Only with the rebuilding of the family and other spontaneous support networks will they be able to deal with life's crises without resorting to social workers or assistance from the taxpayer.

The fundamental problem posed by the Welfare State is therefore not merely economic — not merely fiscal — but moral. If we are to restore virtue — in short, remoralise society, the Welfare State will have to be recognised as the social and economic failure which it is and dismantled.

Stop Helping Unmarried Mothers

A start should be made by announcing the withdrawal, nine months and a day thence, of all state benefits for unmarried mothers of newly-born children. The tax structure should be reoriented so as to ease the tax burden on married couples with children.

The welfare state is not only expensive, it is actually a very inefficient means for the provision of relief against life's misfortunes, for old age and for education. Parents should have refunded to them the tax confiscated to pay for education, so that most would be able to pay for their children's schooling. All schools should ultimately be private, with neither central government nor local authorities, often in the grip of "progressive" educational fads, having any control over them. Green²³ has illustrated how the East Harlem experiment, begun in the early 1970s, resulted in striking benefits achieved by private endeavour. In 1973, out of 32 New York school districts, East Harlem was last in reading and mathematics. Poverty was widespread, with some 80% of pupils receiving free lunches and more than half the families headed by lone parents.

As Green explains:

... From 1974 the supply side was reformed. Teachers were encouraged to put forward their own proposals

for new schools and instead of being centred on a building, schools were to be built around themes, programmes and philosophies. Each school had control of its own admissions and curriculum and parents enjoyed complete choice of school, with money following their choice. Parents were encouraged to participate in their school and to feel a real sense of ownership. No less important, when schools failed to attract pupils they were closed.

The results were dramatic, as schools specialising in a wide variety of subjects emerged. About 60% of children received their first choice, 30% their second choice, and 5% their third choice. In 1973 only 16% of pupils were reading at or above their grade level. By 1987, however, the scheme had proved so successful that the figure was 63%. Schools such as the Academy of Environmental Science, the Creative Learning Community, East Harlem Career Academy, East Harlem Maritime School, East Harlem School for Health and Biomedical Studies, the Jose Feliciano Performing Arts School, and the Isaac Newton School for Math and Science had replaced the old and inadequate (and expensively and inefficiently run) City public schools.

End the NHS

Hospitals too, should be privatised, with health care financed by private insurance, mixed savings/insurance schemes, or trade union subscriptions, rather than taxation. With most hospitals now NHS Trusts, Green has argued that their privatisation should now be a straightforward matter. Individuals should have the right of exit from the NHS. Individuals leaving the NHS would be entitled to claim back an age-weighted payment equivalent to what they had paid in taxes for health care. They would be obliged to take out health insurance covering the services currently available on the NHS and to take out catastrophe cover, so that no one would be bankrupted by the cost of treatment. The cost of insuring oneself in respect of the services provided by the NHS would be cheaper than the cost of paying for similar State-provided services and would leave people free to top up their health care spending and purchase additional healthcare services in a way which is not really feasible at present for many people. A major criticism of the NHS is not merely that it provides healthcare expensively and inefficiently, but that it actually restricts healthcare spending, by removing spending decisions from individuals, by preventing people from topping up the State's health budget and by keeping aggregate spending at a lower level than would be the case in a free market, with millions of consumers making their own spending decisions and tailoring their purchases of healthcare and medical services to their own needs and preferences.

Let Personal Pensions Replace State Benefits

Eamonn Butler has argued that:

... about three-quarters of state welfare spending is not really welfare redistribution at all. It takes from individuals at some points in their lives, and gives back to the same individuals at other times. In other words, the state is one-quarter welfare agency, three-quarters savings bank. Its clients have no choice about how much they will deposit or what rate of return they will receive on their money. Indeed, it is not even invested

on their behalf. This is not a bank which would survive long in the High Street.²⁴

A better system, therefore, would be one which enabled people to save whilst they are young, employed and healthy, so that they could provide for themselves when they were old, ill or out of work.

Butler and Pirie favour the consolidation of some State benefits so that they could alternate more readily with private sector equivalents. The existing State benefit structure would be replaced with a system of personal pension and income-replacement funds, or "Personal Lifetime Accounts", provided by insurers and friendly societies. These would function on proper insurance and savings principles, with people paying into the funds when they could and drawing from them in the event of unemployment, sickness, retirement and admission to nursing homes. Some such needs would be met by insurance and others by savings funds. Each account would include an insurance element to cover needs greater than those for which most people would have saved, but which only affect a small part of the population.

The beauty of such a system would, as Butler explains, be that:

People would not have to accept off-the-peg welfare any longer: they could select from a variety of plans which — as long as they provided an acceptable minimum of cover — could provide flexible benefits tailored to suit the lifestyles and preferences of those concerned.²⁵

Fund managers would invest most of the contributions in capital growth accounts to cover "savings" benefits such as pensions, with a part assigned to insurance companies to cover the "insurance" benefits for the kind of calamities which strike infrequently.

Although Pirie and Butler favour the idea of the State topping up or paying the contributions of those unable to pay the full contributions themselves, they argue that the advantage that such a system would enjoy over the Welfare State is that there is a disincentive to fraud, for people would be drawing from their own income-replacement funds and thus defrauding themselves.

Private insurance firms have confirmed that they could cover a job-seeker's assurance which gave 80% of salary for the first 6 months, and then cut away sharply to income support level. Most people after all will never be unemployed and will be making payments throughout their working lives.

The Butler/Pirie proposal is that the switch to private savings/insurance plans should be phased in. Only a part of the total contribution stream made on behalf of each employee in the course of his or her working life is needed to fund the benefits which he or she will receive. The rest is a surplus, in the sense that it is not needed to fund the benefits which the paying individual will receive. In the case of the young worker, such a surplus will be large and can be used to fund the existing claimants who have been unable to build up any funds. Some age groups should be allowed to make the switch first, with the range of the population covered by private welfare plans being gradually extended.

Michael Bell has argued²⁶ that the state pension scheme should be completely privatised. The pattern has been for the state scheme to balance on an annual basis. It is, however, an inefficient way of providing pensions as it ignores the advantages of capital investment. The problem is that as the average age of the populace increases, benefits are likely to decline in real terms as contributions increase. Bell proposes either of two radical measures, securitising the future contribution flows, selling them to the bond markets and then offering the resulting package of capital fund plus pensions liabilities to the pensions industry; or alternatively, packaging up contributors with pensioners in evenly-balanced portfolios, and selling the packages to the industry. He estimates that the state pension scheme could be an asset in private hands. Taking the present surplus asset value of the future contribution streams to the State pension scheme at £230 billion, and deducting liabilities on the assumption that state pensions would continue to be uprated in line with prices, rather than earnings (contributions are calculated as a percentage of earnings, the growth of which annually outstrips the rise in prices), he values the net current asset value of the State pension scheme at approximately £90 billion.

One of the many attractions of the above proposals is that they would provide a vast new investment pool, through the savings and insurance funds, which would be available to British industry and business.

“TOWARDS A MORE COOPERATIVE SOCIETY”

Trades unions could increasingly move into the arena of welfare provision and mutual aid. The Fabian Society has begun a process of rediscovering the self-help and mutual aid tradition in British trade unionism. These ideas were developed in a remarkable pamphlet published by the Independent Healthcare Association and written by the libertarian socialists Dr Bill Thompson, Terry Liddle and Stephen Pollard, *Towards a More Cooperative Society* in August 1994. The authors concluded that Lloyd George’s National Insurance Act of 1911 had undermined working class self-help:

While the 1911 Act agreed to administer the new system through friendly societies, it only did so through those that had been “approved”. However, to become approved, a society was required to have at least 10,000 members, and to conduct its business under far closer state supervision than ever before. The result was that the sickness and unemployment insurance of the working classes was effectively monopolised by the state, which had handed the business to a few favoured societies — virtual government agencies. Not surprisingly, thousands of small and unregistered societies soon found themselves left searching for what little business remained and inevitably died.²⁷

Thompson, Liddle and Pollard argue that the trades unions should return to their cooperative roots and involve themselves in the supply of health and welfare services to their members. Already, trades unions provide legal representation for their members. They should be well-placed to revive the friendly society tradition and, by representing the “organised consumer” of medical services, be in a position to negotiate the most favourable deals possible with independent healthcare providers.

To those who would suggest that the “civic virtues” described in this paper are irretrievable relics of a bygone era, and that such concepts as “self-help” and the vital distinction between the deserving and undeserving poor are outdated, modern Switzerland affords a contrary example. In Europe’s last genuinely capitalist country there is no welfare state: assistance is provided by a combination of private insurance, mutual aid, charity and locally-based bodies which are adept at distinguishing between the deserving and undeserving cases. With virtues such as individual responsibility, thrift, hard work and self-help so deeply embedded in the Swiss political and cultural consciousness, that country is not only the most prosperous, but probably the most crime-free, illegitimacy-free and most gentle state in Europe.

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