



Welfare State Politics - A Libertarian Perspective

Dr. Sumeet Thakur
Assistant Prof Political Science,
Govt. College Kullu.

Welfare state has become the new normal in the present context especially with the popularity of the democratic form of government and acceptance of the legal equality of all people. Modernity and rationality has further instilled the sentiments of equality among the citizens. This sense of legal and political equality among the citizens entitles them to the provision of basic level of living standard. Modernity, rationality and technology brings the capacity to plan for the welfare of the entire society.

“The welfare state constitutes a set of institutions, socioeconomic policies, and cultural attitudes that determine the dimensions and strength of a society’s social safety net. At its core, it signifies government responsibility for social protection and thus represents the degree of public intervention deemed relevant to ensure that “neither bad luck nor economic distress nor social disadvantage determine (totally) the life chances of citizens”¹.

Origin of the Welfare State-

Otto Von Bismarck’s conservative Imperial Germany became the first modern industrial society to legislate on a larger scale a social-welfare programme for the working class. He tried to extend the social welfare schemes to the masses of the German nation which were until then limited to the dominant Junker Caste. He claimed that his actions are based on Practical Christianity and rebranded the German state as Social State. Christianity vows the service of mankind and Bismarck applied this same principle to the Christian Welfare State, this move also got traction from the rising popularity of the socialist in the German society of that time. Bismarck also mentioned in his speech addressed to Reichstag that welfare concerns and insecurities felt by the citizens can no longer be unaddressed by any state in the future.² The Swiss Factory Act of 1877 started limiting working hours and started giving women workers maternity benefits. But the modern term the Welfare state came from the Anglophone countries and it was an Anglican Archbishop William Temple who wrote the book *Christianity and the Social Order* (1942) which popularized the term Welfare State. William Temple tried to search for the core of the Christian tradition and explored the possibility of a welfare oriented society which the Christian should build. William Temple presented a Christian vision of a welfare state but it provided legal equality to non-Christians too.³ During the Second World War an official report entitled Social Insurance and Allied Services was published in 1942 which laid the foundation of the Welfare State in the UK. This report is most famously known as the Beveridge Report which talked about five giants

¹ Briggs, A. (2000). The welfare state in historical perspective. In C. Pierson & F. G. Castles (Eds.), *The welfare state reader*. Cambridge: Polity Press.

² Bismarck’s Reichstag Speech on the Law for Workmen’s Compensation, p.4 (March 15, 1884)

³ Dr Simon Duffy, *The Modern Welfare State: Temple’s Challenge for the Church*, 19 August 2014.

in the path of reconstruction which were defined as - Want, Disease, Ignorance, Squalor and Idleness. William Temple praised this report reflecting the spirit of the Christian ethic. The Labor party came to power in the 1945 elections with the promise to implement the Beveridge Report. This promise of a welfare state was materialized with legislation like the National Insurance Act 1946, the National Assistance Act 1948, and the National Health Service Act 1946. Welfare in the United States of America started after the legislation of the Social Security Act 1935 which included the provision of cash, food stamps and unemployment insurance. Aid to Families with Dependent Children (AFDC) scheme was launched in 1940. Medicaid was established in 1965 which provides health insurance for adults and children with limited income and resources. Obamacare legislated in 2010 has increased the overall health coverage in the USA.

Modern welfare state begins with the noble objectives —

“Abraham Lincoln talked about a government of the people, by the people, for the people. What we now have is a government of the people, by the bureaucrats, including the legislators who have become bureaucrats, for the bureaucrats.” - Why Government is the Problem (Milton Freedman)⁴

**“Concentrated power is not rendered harmless by the good intentions of those who create it.”
- Capitalism and Freedom (Milton Freedman)**

Milton Freedman asserted that the modern welfare state is established with good intentions but the problem lies in its implementation. Because when the state is used as an instrument to achieve the goals for welfare then taxation becomes the predominant source of funding. Taxation is always based on coercion and this coercion kills the spirit of freedom. This establishes a system in which money of taxpayers (others) is used by the officials for the achievement of the welfare goals. Milton Freedman asserts that only the person knows how to spend his or her earned money best and feels responsible to spend that money appropriately. Milton asserted that the state and its bureaucracy is notorious for providing every single service at higher prices which can otherwise be provided by the private enterprise at a cheaper rate. Milton points out that for modern intellectuals like John Kenneth Gilbrath believed that increase in the government spending (money) on the problems becomes the axiomatic solution to the entire trouble which the existing government schemes are facing. Centralization in government policies in schooling ,hospitals and other services put the producers in charge of the entire scheme of things (government bureaucracy) and consumers (in this case parents, patients) are reduced to the status of powerlessness. Those who govern this system are designated as the official administrators - being an educationist, doctor and engineer do not serve the interests of the consumer (citizens) rather he /she serves the interest of different powerful lobbies and clientele upon which his/her posting , salary and powers are dependent. This can be seen wherever the government bureaucracy takes over an institution and service, the cost of providing that service starts to go up and the quality starts to downgrade. Freedman asserts that this is not due the personal shortcomings on the behalf of government employees nor are the private people more efficient, rather he asserts this happens because in the case of private arrangement the customer has the effective say while in case of government arrangement the producer (government) has the monopoly power and customer do not have any say. ⁵

⁴ Milton Friedman , Why Government Is the Problem, Hoover Institution Press, U.S. ,1993

⁵ Milton Friedman : The Problem of Bureaucracy, <http://freetochoose.net.com> ,Harlem,NY 1978.

Problem with Bureaucracy-

As the bureaucracy tends to centralize power the cost of producing things and services for the people goes up. Modern welfare states are umbilically connected to the bureaucracies which are assigned the task to identify, plan and implement projects and policies for the welfare of the national societies. Max Weber pointed out that with the rise of modern capitalism, the advent of modern mass democracy will give birth to bureaucracy. Weber believed that industrial democracy needed economic rationality for the success of industrial production and large scale consumption. Democracy with its ideal of equality before law which treats every individual as equal cannot accept privilege and functioning of state on subjective criteria's. Bureaucracy is the institution which can fulfil the need of establishing objective rules which are universally applicable for everyone at least on the legal basis. Presumed neutrality of bureaucracy and rational method of its selection also fits in the broader democratization process of the modern world.⁶ Democracy gave birth to modern mass based political parties (which are controlled by the political leadership on the basis of bureaucratic principles) and administrative apparatus of the state (bureaucracy) to perform different tasks like education, health. Both of these institutions are examples of bureaucracies and they have actually disempowered the people in the name of empowering them. They have reduced the status of modern citizens who are legally and theoretically sovereign to mere consumers in a monopoly market where the producer (state) has the complete powers upon their lives and they will have to dance according to the dictates of its officials.

Hannah has criticised bureaucracy for the rise of social -

Quoting Hannah Arendt:

“The greater the bureaucratization of public life, the greater will be the attraction of violence. In a fully developed bureaucracy there is nobody left with whom one could argue, to whom one could present grievances, on whom the pressures of power could be exerted. Bureaucracy is the form of government in which everybody is deprived of political freedom, of the power to act; for the rule by Nobody is not no-rule, and where all are equally powerless we have a tyranny without a tyrant.”⁷

Camela Stivers demystifies the principle of bureaucratic neutrality which was lionized in the works of Max Weber on bureaucracy by asserting that neutrality of the bureaucracy is the ideological necessity if it has to gain the legitimacy of the modern mass society. Because in modern mass society theoretically all individuals are treated as equal, how can those who wield power permanently be accepted if they are seen to be ideologically attached to a particular section of society. Presumed neutrality of the bureaucracy Camela asserts provides moral high ground for the bureaucrats but it culminates into what Hannah Arendt calls- “rule by nobody”. This also means that when there will be demand for accountability there will be no one who could be held accountable. In her words in a bureaucracy, there is no decision-making, but rather a continuous

⁶ From Max Weber : *Essays in Sociology* ,Gerth & Mills ,1946,pp 224,231)

⁷ Hannah Arendt, *Reflections on Violence* ,Journal of International Affairs, Winter, 1969, pp. 1-35.

cycle of rules, processes and decision-makers. Therefore she vouches for provision of discretionary or subjective judgement in the functioning of bureaucracy which is inherently political in nature.⁸

According to Weber the bureaucrat takes his or her task as a vocation which he /she performs because of a specialized training and provision of secure salaried tenure for being loyal to the office and tasks assigned legally to perform. His devotion will remain to functions assigned rather to his or her personal values.⁹ Camilla Stivers asserts that it is impossible that bureaucrats will work according to the constitutional and professional tasks assigned to them and will not be swayed by the feelings of personal gains and self - preservation. Therefore Camilla Stivers in her work - "*Rule By Nobody; Bureaucratic Neutrality As Secular Theodicy*", asserts that the present bureaucratic neutrality based administration can be replaced by more personalized and discretionary (contextual) administration. In this context Milton Friedman has given the option of "free to choose" by which a market mechanism could be adopted to administer the educational, health and other basic requirements of the people.¹⁰ In this system consumers will participate in decision making and in providing other inputs as Hannah was asserting. Presently for example education is being centralized and bureaucratized which has a direct impact upon the quality of education and cost of providing it. Parents can be given educational vouchers to decide which school they want to send their children to and they can monitor and check the performance of their children in the school. This will empower parents by providing them a say in the decision making process. For poor parents and patents money or vouchers can be provided to them which will give them power to decide their service providers.

Politics of Collectivization and rise of Central Banking (monetary policy)-

Federic Bastiat was witnessing the impact of the French Revolution of February 1848 and he wrote an essay- "**Government**"

"I should be glad if you had really discovered a beneficent and inexhaustible being, calling itself the Government, which has bread for all mouths, balm for all sufferings, which can provide for all our wants, correct all our errors, repair all our faults, and exempt us henceforth from the necessity for foresight, prudence, judgement, sagacity, experience, order, economy, temperance, and activity. Nothing could be more convenient than that we should all of us have within our reach an inexhaustible source of wealth and enlightenment--a universal physician, an unlimited treasure, and an infallible counsellor, such as you describe Government to be."¹¹

Even if the government can take care of all of our problems, faults and relieve us from the task of remaining prudent and conscious of our daily affairs can human beings give up their sense of freedom? More importantly what will be the long term consequences of giving up active participation in the real world for the individual and society at large? There is a strong possibility that such a hypothetical utopia will itself transform into a new prison for the individuals. This infallible government will reduce individuals into homogenized and passive citizens. These citizens will be emasculated in terms of their capacity to generate new ideas, thoughts and ideas by the welfare state which will provide for every aspect of their life. Although the activity of politics will remain, it will have to wage its war against the might of the welfare state and the majority of the population will be hooked to the sugar of welfare without understanding the long term consequence of its impact. As we are witnessing, modern welfare politics has become short-sighted and

⁸ Camilla Stivers , Rule By Nobody : Bureaucratic Neutrality As Secular Theodicy, Administrative Theory & Praxis, 2015

⁹ From Max Weber : Essays in Sociology, Gerth & Mills,1946,p 199)

¹⁰ Free to Choose- A Personal Statement , Milton Friedman & Rose Friedman, Mariner Books; Reprint edition 1990

¹¹ <https://mises.org/mises-daily/frederic-bastiat-government>

mundane. There are only differences on the quantity of expenditure which should be spent but critical understanding of the entire welfare apparatus is lost.

**Federic Bastiat wrote these lines which sums up gist of his thought-
“Government is the great fiction through which everybody endeavors to live at the expense of everybody else.”¹²**

He asserted that the belief that government is the instrument which can allow them to avail the benefits at the expense of others has been gaining traction. Federic Bastiat points out that the power of taxation and distribution gives enormous powers to the institution of government. Frederic Bastiat is surprised why the public could not detect the fact that the government will only start the process of reciprocal plunder and also give legal sanctity to this process. Bastiat asserted that it would be next to impossible for the government to distribute any benefit to a particular section without extracting equivalent resources out of any other section of society. Bastiat asserts that the government gradually finds itself stuck into the dilemma that whenever a particular section exhorts the government to take action on its welfare, if the government starts to show reluctance then it is dubbed as weak and if the government takes up the demand then it has no option but to burden its people with fresh taxes. Bastiat pointed out that this is the attitude of all the different pressure groups within a state. Frederic Bastiat asserted that every section of society is in denial about such a race among them to claim more and more resources from the state.

A.V. Dicey was seminal in his assessment of the changing nature of relationship between law and public opinion in the nineteenth century. According to Dicey, the state has gained more and more power over individuals and human society is moving towards collectivism. He points out that kind-hearted legislation like the Mental Deficiency Act which provides for financial assistance for the mentally deficient persons will seem rational to any rational person but these gradual steps will ultimately lead to strict curbs in the individual's freedom and liberty.¹³

This trend towards collectivization gave birth to modern collective money. Central banking has emerged as the source of unlimited money which can be used for the collectivist purposes which were subsequently labelled as the welfare state. This domination of collectivism or soft socialism has appropriated the real soul of liberalism which is the guarantee of individual freedom. Liberalism according to Milton Freedman has become synonymous with being very liberal in using other people's money on welfare schemes which very often do not fulfil their designated purposes. Central banking gave birth to the tool of monetary policy for the modern states which has given great push to the welfare state and public policy. Monetary policy has become a public good and the value of the currency directly impacts the entire society.¹⁴ Therefore the state can indirectly tax its people if it uses excess money as a tool to redeem its debt by printing. This power helps the state to avoid the critical assessment of its policies and failure to use the available resources in the most efficient way. State also gains more traction with the use of fiscal policy which comes in the form of taxation. Both of these powers together strengthen the hegemony of welfare state politics. Which in reality benefits bureaucracy and more powerful sections of the society in the name of helping the needy.

¹² <http://mises.org/mises-daily/frederic-bastiat-government>

¹³ Dicey's Lectures on the Relation between Law and Public Opinion in England during the Nineteenth Century (London: Macmillan,1919) .2nd edition.

¹⁴ Monetary and Fiscal Policy: Privileged powers,entwined responsibilities, SUERF Policy Note/no.238/ 20 May,2021.

4. Welfare State makes Immigration Unsustainable-

Recently the migration problem has gained more traction in European countries and this has challenged the legitimacy of Multiculturalism in the Western societies. European countries provided welfare facilities to the immigrants who started to come to their countries and the concept of multiculturalism provided them the ideological justification for being more humane towards such ethnically different communities. The 21st century war in Afghanistan, Iraq, Syrian civil war and other conflicts in Africa and West Asia further hastened the flow of migration to the West. People from Pakistan, Iran, India and other countries have also migrated to these countries. Gradually these ethnically different communities started asserting their diverse especially Islamic identity in these countries. Now due to sudden increase in the sheer increase in the number of the immigrants and their ghettoization into particular areas and cities of these countries has further exacerbated the conflicts. There is emerging a consensus among certain sections of the Western nations that provision of welfare state facilities like family support and basic income schemes are hampering the integration of these ethnic communities within European societies. Because the present welfare state policies of the European countries are tilted towards the backward and weak families which has unintentionally provided the cocoon of comfort for ethnic minorities to cherish their alien identity while living on the resources of the host nation. Many European countries especially in Nordic Countries sustainability of the Welfare scheme is in jeopardy because newly arrived immigrants are now cornering a very substantial chunk of its resources while their contribution to the national wealth is very minimal.¹⁵ What is hurting these countries is the fear of civil war or a conflict on the issues of women rights and freedom of expression. Milton Freedman asserted that in the US before the adoption of welfare state policies immigration was never an issue of conflict rather immigrants were free to come to America as long as they could on their own eke out a living in the new county. They could not claim any resource out of the welfare scheme of the new county; rather they had to contribute as a workforce for the welfare of the new country.

Conclusion-

Modern welfare politics and the welfare state has gained legitimacy among the majority of intellectuals and countries of the world. But gradually there are emerging certain fault-lines in the present consensus on the welfare state which are very serious. Inefficiency of the welfare-schemes, inefficient bureaucracy, monetary policy and problem of immigration crisis are some of the major concerns. Rising fiscal deficits and debts on the states has created another serious challenge for the welfare policy. Welfare state has come at the price of suppressing the individual freedom and possibility of creating new institutions.

¹⁵ Jorgen Goul Andersen, Mi Ah Schoyen, Bjorn Hvinden , Changing Scandinavian Welfare States: Which Way Forward? <https://doi.org/10.1039/oso/9780198790266.003.0005> Pages 89–114

Published: August 2017