THE DISASTER OF THE WELFARE STATE

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> "The difference between a welfare state and a totalitarian state is one of time."
>
> Ayn Rand

The Government's fondest boast is that welfare spending has been increased, not cut. Thatcher herself has promised that the NHS is "safe in our hands". But should we really be proud of high welfare expenditure? It seems that serious analysis of the welfare state is nowadays almost taboo. I disagree. Not only should there be real cuts but the whole panoply of state welfare must be dismantled.

MYTH AND REALITY

Advocates of state welfare argue that without it the poor would be left to starve and poverty would increase. This view is largely based on a false, ahistorical and tendentious view of the nineteenth century. The received wisdom about this era teaches that it was one of massive poverty and exploitation as a direct result of the industrial revolution and the growth of free market capitalism. But while poverty certainly did exist in the nineteenth century, it was only after the industrial revolution that the urban intelligentsia had discovered the existence of poverty! These commentators failed to grasp what it had been like to be *absolutely* poor in the feudal, pre-industrial countryside, with its rampant disease and widespread starvation; as opposed to being *relatively* poor (but better off than before) in the cities.

In fact, the nineteenth century, which experienced a much greater degree of economic and social freedom than the next, was a period of unparalleled economic growth, prosperity and rapidly rising living standards — and also a progressive and rapid elimination of poverty. It was an age of increasing longevity and expansion of the population.

The poor were not left to starve and die in nineteenth century England; on the contrary, as wealth increased so too did private charity. It is worth reflecting on the fact that many of the country's greatest and most famous hospitals were in fact built by private enterprise and charity at that time. Moreover, rising living standards were bringing improved medical care within the financial means of the populace. Working people organised themselves into 'friendly societies' which looked after their members' welfare when they were ill or unemployed. Friendly societies ensured that costs were kept down; that membership fees were competitive; and that doctors in their retainer provided competent and value-for-money medical care. Friendly societies were so popular and so effective that by 1890 almost all adult males were members of a friendly society.

This process, of voluntary action against a background of rising living standards and the gradual elimination of poverty by the free market, was brought to a halt by Lloyd George's old-age pensions and national insurance laws of 1908 and 1911 — the genesis of the modern welfare state. For the first time, it was believed

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that welfare provision was a "right" and that it was the duty of the State to provide it. The problem was, however: how was this welfare to be financed? It could only be done by taxation or credit expansion. And, of course, once welfare was provided by the State, politicians found themselves under increasing pressure to construct an even bigger edifice of welfarism, a process which accelerated after 1948, at great cost to the taxpayer.

The Victorians had been capable of making a dist- inction between the "deserving" poor and the "undeserving" (those who were malingering or were the makers of their own misfortune). It was towards the former that resources had tended to be directed by individuals and charities in the nineteenth century — but this was to change.

THE COSTS AND THE LOGIC OF WELFARISM

The State is under none of the pressure to keep down costs, to which the private sector is subject. And the price of high welfare spending is high taxes. The NHS today costs the average citizen much more than private insurance arrangements would. Furthermore, the standard of health care in the NHS is inferior to the private sector where resources are directed towards patient care rather than administration and bureaucracy.

When welfare services are provided free at the point of consumption, their over-use and exhaustion is only encouraged, resulting in long queues for medical care, for example.

The welfare state, with its gross inefficiency and misallocation of resources, is a major burden on the taxpayers of this country. With taxes so high, small businesses are left with less money to finance their own expansion, produce and sell more goods at lower prices, and employ more people. Individuals are denied the opportunity of spending their own money as they see fit. If they want to use private medical services, they are forced to pay twice (not only the private fees but also through taxes and national insurance contributions to the welfare state).

THE MORAL DISASTER OF WELFARE

De Toqueville, in his *Memoir on Pauperism*, argued that incentives to dependency are as real and effective as incentives to self-reliance, and that dependency can be a corrupting, self-perpetuating human condition. When welfare services are provided as a "right" for all, many of those who are quite capable of looking after themselves will draw welfare benefits, especially if the net gain after tax from working is marginal, rather than engage in useful and socially beneficial productive activity. Not only do welfare benefits thus increase unemployment, but the whole economy is damaged as well. The result is fewer people producing fewer goods, and less competition in the labour market. This means that the process of wealth-creation, and price and cost-cutting (with the increase in real purchasing power and living standards which that entails) will be distorted.

Charles Murray, in his monumental work *Losing Ground: American Social Policy 1956-1980* (New York, Basic Books, 1984), has shown that many of President Lyndon Johnson's 'Great Society' welfare programmes of the sixties rewarded poor people for their poverty and *discouraged* them from breaking out of the poverty cycle. As Murray says: "We tried to provide more for the poor, and produced more poor instead." From 1950 to 1980, overall US social-welfare costs increased twenty-fold; yet poverty did not decrease after the 1960s as it had been doing in the previous decades. The lesson is universal: only by offering incentives to productive activity and by leaving individuals free to provide for their own needs in the marketplace, can poverty be relieved by genuine economic growth.

Hayek's observations on the welfare state show how it is abused by the undeserving: "There is much to suggest that we have in fact become more tolerant towards particular abuses and inequities in individual cases, since we have fixed our eyes on an entirely different system in which the State will see everything right. It may even be that the passion for collective action is a way in which we now, without compunction, collectively indulge in that selfishness which, as individuals, we had learnt a little to restrain."

The welfare state turns society into "a conflict of warring pressure groups" (Ayn Rand), each fighting for an ever bigger share of taxpayers' money. It also encourages people to discount the costs of irresponsible action and those who perceive themselves to be "have nots" regard it as the "duty" of the perceived "haves" to provide for them.

WELFARE: CONFLICT OR TYRANNY

It is not hard to see how the collectivisation of private responsibility leads to increased crime and a sharp diminution of good will among men. In this important sense, the welfare state flies in the face of our "Judeao-Christian" (i.e. Western) moral values. The welfare state leads to the growth of a *dirigiste* and over-powerful State which should dismay all Western democracies. Once govenment sees its role as the provision of people's "needs" (rather than the protection of their freedom) it will increasingly prevent individuals from engaging in activity which the State deems harmful to them.

It is odd that the welfare state, which (thanks to Bismarck) was originally associated with extreme reactionary authoritarianism and was not a Marxian vision (Marx had no practical idea of the kind of society which should emerge after his proletarian revolution) should now be embraced and worshipped by all those so-called "liberals" and "progressives".

It is in fact capitalism which has shown itself to be the only truly progressive force in post-Renaissance history.