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Social  
Welfare

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The Changing Debate

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David G. Green

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Social Welfare Research Program

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The Centre for Independent Studies  
575 Pacific Highway, St Leonards, NSW 2065  
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# **Social Welfare**

## **The Changing Debate**

CIS Occasional Papers 20



# **Social Welfare**

## **The Changing Debate**

**David G. Green**

First in a series of published studies from the Centre for  
Independent Studies' Social Welfare Research Program



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# Foreword

Michael James

In recent years the way politicians talk about social welfare has been quietly but significantly transformed. For most of the post-war era, the tax-transfer system was defended as an indispensable instrument for alleviating poverty and reducing inequalities of income distribution. Social security expenditure rose steadily year by year, officially in recognition of citizens' 'entitlements' to benefits and as an expression of our 'compassion' towards the disadvantaged. Nowadays, government ministers are more likely to warn of the dangers of welfare recipients becoming 'dependent' on handouts, and to insist that the able-bodied have an obligation to try to become self-reliant and to take more responsibility for their own and their families' well-being.

This policy shift towards lowering the demand on the welfare state undoubtedly reflects electoral pressure to reduce the heavy burden of taxation that growing social spending has imposed. But it also reflects a spreading realisation that the welfare state has failed. It isn't just that universal benefits have become a middle-class racket or that selective benefits are badly targeted and let people slip through the safety net and into poverty. Much more serious is the psychological effect of welfare on many of its recipients. That so many young people in particular have been allowed to drift into dependency — that familiar condition of motiveless and cynical passivity — is a tragedy and a scandal whose consequences will be felt for decades to come.

The Centre for Independent Studies' Social Welfare Program has commissioned studies by qualified economists and other social researchers and thinkers into the various aspects of the welfare issue and the policy options available to governments dedicated to serious welfare reform. David G. Green's monograph *Social Welfare: The Changing Debate*, the first of the Program's publications, summarises the research findings and arguments of several recent studies of welfare dependency. The most significant work in the area to date has been undertaken in the US, where Charles Murray's *Losing Ground* (1984) and Lawrence Mead's *Beyond Entitlement* (1986) have set the agenda of debate. There are several reasons why this should have happened first in America. One is that American governments have always given high priority to evaluating social policy. Another is that the Americans have traditionally viewed state welfare as providing temporary assistance for

those who needed help to achieve or to regain their independence. It is true, as Green shows, that in the 1960s American social policy began to reflect the egalitarian ideology of 'entitlement' that has been prevalent for decades in Australasia and Europe. But the resurgence of conservatism in the 1970s brought with it a revival of the older conception of the proper role of state welfare. Finally, the Americans tend to define their welfare state not in terms of their compulsory, state-run, pay-as-you-go social insurance schemes, but in terms of their means-tested 'public assistance' programs targeted to the poor. This made it easier to separate and test the effects of the various assistance schemes on their recipients.

The main finding is that the problem of welfare dependency cannot be solved simply by getting the 'incentives' right. Some people do drop out of the workforce because of the various 'traps' built into the tax-transfer system; but they can respond quickly to changes in that system. Dependency stems from an inability to respond to normal incentives because of demoralisation and lack of self-esteem, or because of socialisation into a culture that despises the work ethic. This poses extremely difficult problems for policy-makers; and it's far from clear that 'workfare', the currently fashionable policy response in the US, is going to succeed.

Two of the points that David Green makes in this connection are especially noteworthy. The first is that the terms of the new debate on welfare are not really so new, but go back several centuries. Reformers have always agonised over what to do about 'the undeserving poor', those who seem determined to scrape through life by depending on others. That problem was suppressed, but not solved, by the collectivist disposition to blame all social ills on 'society' or 'the system'. Now that we are at last escaping from the grip of that kind of sociological thinking, the problem of dependency has reappeared in all its intractability.

Green's second point is that the Victorian era coped remarkably well with dependency. This was not so much because of the rigours of the workhouse, but because the friendly societies, those voluntary, mutual aid organisations, did such a fine job in sustaining the independence and self-respect of the working man and his family. This point is worth stressing in response to those who insist that the welfare state is the only humane alternative to ruthless market forces on the one hand and humiliating charity on the other. A reduced state welfare system would indeed create more scope for the market and for charity, but it would also encourage localised, voluntary self-help organisations based, like the friendly societies (and the family), on an ethic of reciprocity. Any hope for curing the malaise of dependency lies here rather than in the welfare state, which could well be tempted to resort increasingly to harsh, coercive measures designed mainly to pacify irate taxpayers.

Green does not provide a complete account of the current welfare debate. Supporters of the welfare state are already responding critically to the work of Murray and others. Nevertheless, the current direction of welfare reform reflects the influence of those who claim that the welfare state encourages dependency. This book sets out clearly and concisely the evidence for that claim, and in doing so establishes the range of problems that the Social Welfare Program will be addressing in its search for humane alternatives to the welfare state.

## About the Author

**David G. Green** is currently the Director of the Health Unit at the Institute of Economic Affairs. He was formerly a Labour councillor in Newcastle upon Tyne from 1976 until 1981, and from 1981 to 1983 was a Research Fellow at the Australian National University in Canberra. He is the author of several articles on politics and social policy, and has written five books: *Power and Party in an English City* (1980), *Mutual Aid or Welfare State* (1984) (with L. Cromwell), *Working Class Patients and the Medical Establishment* (1985), *Challenge to the NHS* (1986), and *The New Right: The Counter Revolution in Political, Economic and Social Thought* (1987).

His latest book, *Everyone A Private Patient*, was published by the IEA in May 1988.

# Social Welfare

## The Changing Debate

David G. Green

### I. INTRODUCTION

For 25 years or so after World War II, the Welfare State grew steadily in scope, a trend few opposed until the 1970s, when criticism began to mount. The huge and rapidly rising cost of the Welfare State was criticised for forcing up taxation to levels that discouraged work effort, especially on the part of lower-paid workers. High levels of public spending were also thought to be indirectly causing inflation, as governments printed money to meet fiscal deficits. One of the principal reasons for the huge increases in public expenditure was that the perfectly justified objective of assisting the genuinely needy had become a campaign to make everyone equal. Egalitarianism came under strong attack from classical liberals like Hayek, who voiced no criticism of government schemes to protect the poor but opposed strongly any policy of redistribution through devices like progressive taxation.

At the same time these complaints were being made about the extent of welfare expenditure, other critics complained that welfare programs were ineffective. Not only did egalitarians complain that inequality was undiminished, they also argued that basic poverty had not been eliminated. During the 1960s in Australia, Britain and America poverty was said to have been rediscovered. In America, Michael Harrington's *The Other America* (1963) reached a wide audience, while in Australia attention began to be focused on 'pockets of poverty' among low-wage families, the elderly, widows, and especially, the Aborigines, an approach popularised by John Stubbs's *The Hidden People* (1966). Not long afterwards, the Melbourne poverty study got under way, and in 1970 Ronald Henderson published an interim report, *People in Poverty*. By this time, poverty was firmly back on the agenda.

Broadly speaking, during the 1960s and early 1970s complaints that poverty was still with us led to demands for higher government

expenditure, in the belief that the aims of the welfare state had not been met due to insufficient commitment by previous administrations. Expansionism enjoyed a brief vogue, but by the late 1970s this interpretation of the failure of the welfare state was wearing thin.

Debate tended to polarise between traditional supporters of the post-war consensus, who favoured the use of the welfare state to redistribute income and wealth; and classical liberal critics, who wanted to confine the welfare state to protection of the poor and to abandon the pursuit of material equalisation. Both groups contained members whose chief concern was that the extent of welfare expenditure was damaging the economy. Classical liberal critics like Friedman favoured the long-term curtailment of the power of the state because they believed it was becoming a menace to individual freedom, and they urged the imposition of constitutional limits on government spending. Socialists, on the other hand, like British politician and writer Anthony Crosland, continued to want expansion, cautioning only that it must be financed from economic growth. A typical remedy of classical liberals was to advocate greater targeting of welfare payments through means testing; whereas expansionists insisted on 'universal' benefits.

Thus, the most radical criticisms were voiced by classical liberals who opposed the use of state power to bring about equality of outcome, but who did not question whether the government should protect the poor. On the contrary, they took it for granted that governments ought to maintain a 'decent' minimum.

Once regarded as a radical criticism, this view has subsequently come under strong attack for not going far enough. There had been earlier criticisms of classical liberalism from a radical libertarian standpoint. Murray Rothbard, for instance, insisted that governments can best help the poor by 'getting out of the way'. If the government stopped blocking 'the productive energies of all groups in the population, rich, middle class, and poor alike', the result would be 'an enormous increase in the welfare and standard of living of everyone, and most particularly of the poor' (Rothbard, 1978:162). The only 'workable solution', he says, is the 'abolition of the welfare dole in favour of freedom and voluntary action for all persons, rich and poor alike' (1978:170).

Such arguments have gained very few adherents to date, but during the last two or three years root-and-branch criticism of the welfare state has begun to find a more ready hearing. Unlike the anarcho-libertarians, the new critics oppose the welfare state not because of a purist dislike of all government, but on the ground that current welfare policies are not merely ineffective, but also counter-productive. The lead has been taken by Charles Murray (1984), who contends not only that conventional welfare policies have failed to eliminate poverty, but that they have

caused it by undermining the spirit of self-reliance, which he believes to be the only sound remedy.

Throughout the 1960s and 1970s the pace in welfare reform has been set by Americans, and today it is American scholars who lead the way in questioning the whole direction of modern social policy. To understand why, it will be helpful to review in outline the major developments in US welfare policies in the last 25 years or so.

### **US Welfare Policy: The Background**

The Great Society programs of 1964–1967 are generally acknowledged as a turning point. Until then the aim of social policy had been the removal of barriers, in the belief that the poor would rise by their own efforts once they had been released from their shackles. But during the Great Society era such thinking was tacitly abandoned as the emphasis shifted to making direct transfers of cash or services to the poor. The mere removal of obstacles was no longer thought sufficient.

It is true that during the 1930s New Deal reformers sought greater government control of the economy and increases in taxation, but they did so not because they sought to bring about equality of outcome, but in order to break down barriers to the advancement of the ordinary citizen. No one doubted that once opportunities were created, individuals would take them. Welfare measures were confined to people considered unable to work. Aid to Families with Dependent Children (AFDC), introduced in 1935, was limited to the aged, blind or one-parent families, mostly widows. Unemployment Insurance was introduced at the same time, but it was not seen as welfare. It was financed from local payroll taxes, and benefits were an entitlement. Depending on the particulars of each state scheme, payments were generally for a limited duration of 26 weeks, subject to previous earnings and length of employment.

The civil rights reforms against racial discrimination introduced in the Great Society programs of the 1960s were inspired by a similar hope of opening up opportunity, but by that time attitudes were already changing. According to Charles Murray, the traditional consensus was beginning to crumble in the late 1950s, and between 1964 and 1967 social policy changed from:

the dream of ending the dole to the institution of permanent income transfers that embraced not only the recipients of the dole but large new segments of the American population. It went from the ideal of a color-blind society to the reinstatement of legalized discrimination. They were polar changes that were barely recognized as such while they were happening. (Murray, 1984:25)

At first, the front runners were programs to add directly to the skills at the disposal of the poor and thus strengthen their hand in the labour market. Head Start, for instance, was a pre-school program for disadvantaged children; Title I financed remedial teaching in schools. And after 1962, several training schemes for adults were financed under various Acts.

But the record of these programs was disappointing. Individuals completed training schemes but continued to be out of work. Often they remained ill-suited to all but the lowest-paid positions, jobs they had been encouraged to see as beneath them. Reformers reacted to these failures in a piecemeal way, and sought to devise new incremental measures by which governments could raise the living standards of the poor. And by the late 1960s the view was increasingly taken that if training did not work, the poor must be assisted by direct income transfers. Subsequent measures to introduce a guaranteed income, such as the Nixon Family Assistance Plan, were defeated, but other measures had a similar effect, such as Food Stamps (1964), Medicaid (1965), and Supplemental Security Income (SSI) (1972). AFDC, initially introduced to cover single-parent families, had already been extended to two-parent families in 1961, if the state government so desired. The result of these and similar measures was that federal spending on the needy grew in real terms by more than 10 per cent a year between 1965 and 1974.

Despite these huge outlays, it gradually became clear that the number of people in poverty was not falling. It was not that the poor suffered the same degree of privation as in years gone by; it was rather that dependence on the state had become a fixed way of life for millions of Americans. The aim of reformers had been to release the poor so that they might become self-directing citizens; but the reality was that they had created a dependent population.

What was also significant about the evolving policy changes of the 1960s was that, imperceptibly, the poor had come to be seen in a wholly different light. They were no longer free citizens just waiting to be given their chance, but had become passive victims whose lives could be adjusted through the judicious selection and administration of government schemes, an observation to which I return in a moment. First, let us consider in more detail what went wrong.

## **II. LOSING GROUND**

Looking back on the policy-making of the 1960s and 1970s, Charles Murray asks why poverty has not declined in spite of so much spending. He points out that in 1968, when Johnson left office, 13 per cent of the US population was classified as poor; yet by 1980, after expenditure on



social welfare had quadrupled, 13 per cent of the population remained poor (1984:8).

Murray contrasts the situation in 1950 with 1980. Government health and medical expenditures in 1980 were six times the 1950 figure; public assistance cost 13 times more; education expenditure, 24 times more; social insurance, 27 times more; and housing, 129 times more (1984:14). But in spite of these dramatic increases in expenditure, poverty appeared undiminished. When the Food Stamp program got under way in 1965 it served 424 000 persons. By 1968 there were 2.2 million beneficiaries; and by 1980, the number had grown to over 21 million, 50 times the original figure and ten times the number at the end of the Johnson administration (1984:48).

Unemployment rates appeared to have worsened for some groups. In 1954, 85 per cent of black males aged 16 and over were participating in the labour force, only slightly lower than the proportion for whites. From 1966 black male labour force participation (LFP) started to fall faster than white LFP. By 1972 there was a gap of 5.9 per cent, and by 1976, 7.7 per cent (1984:76).

Family breakdown, too, seemed to have accelerated. From 1950 to 1963 black illegitimate births rose slowly from about 17 per cent of all black births to 23 per cent. In 1980, 48 per cent of live births among blacks were to single women. In 1950, 88 per cent of white families were husband-wife households, compared with 78 per cent for blacks. The black figure did not alter much until 1968 when it fell to 69 per cent, but by the end of 1980 it was down to 59 per cent. From 1968, the figure for whites fell only three per cent (1984:126, 130).

The link between welfare on the one hand, and work effort and family dissolution on the other, is demonstrated by the income maintenance experiments conducted in Seattle and Denver between 1971 and 1978. Negative Income Tax (NIT) was a favourite scheme of reformers, especially economists, until the income maintenance experiments showed that it encouraged a reduction in work effort. Families in the program were guaranteed incomes ranging from 50 to 135 per cent of the poverty line. If they worked, the grant was reduced by between 30 and 70 per cent of earnings, in the belief that this gave them an 'incentive' to keep or take a job. The results were compared with those for families enjoying only normal welfare benefits.

The Seattle and Denver studies revealed that husbands reduced their hours worked by about 5 per cent, wives (in two-parent families) by 15 per cent, and female heads of family by 12 per cent (Mead, 1986:64). The most striking effect was on young males who were not heads of families. They reduced their hours of work by 43 per cent if they remained 'non-heads' throughout the study and 33 per cent if they married during the study. Most of the reduced work effort was due to some people, particularly wives and young males who were not yet

heads of families, dropping out of work altogether. NIT also appeared to encourage family dissolution. In the Seattle and Denver experiments, dissolution of marriages was 36 per cent higher for whites receiving NIT, and 42 per cent higher for blacks (Murray, 1984:151-2).

### **III. WHY DID POVERTY INCREASE?**

Two main answers have been proposed to the question: why did poverty increase? The first, offered by Charles Murray, is that the key has been the undermining of the spirit of self-reliance among recipients of state welfare benefits. Lawrence Mead shares this view in large measure, but lays particular emphasis on the importance of intellectual error on the part of a new class of 'policy analysts', who were inclined to look upon the poor as the passive victims of circumstance.

#### **Status Withheld from Work**

According to Charles Murray, there were two processes at work that led to the undermining of self-reliance. First, 'Status was withdrawn from the low-income, independent working family, with disastrous consequences to the quality of life of such families'. Second, status was also withdrawn from 'the behaviours that engender escape from poverty' (1984:179). In the view of welfare expansionists, stigmatising the dependent was wrong, from which it followed that all benefits should be given as of right. The message was clear: self-sufficiency was no longer good; dependency, no longer bad.

Murray's analysis has been supplemented by Lawrence Mead. In Mead's view, the moral that Americans tended to draw from experience of the New Deal reform era was that all social problems were due to 'denials of freedom'. Today, he argues, the problem is that, after the civil rights reforms of the 1960s, there have been no further formidable social barriers that explain the persistence of poverty. Modern social problems, writes Mead, are '**not**, on the whole, due to oppression' (1986:21, 68). A lot of unemployment, for instance, has more to do with the 'functioning problems of the jobless themselves than with economic conditions'. The administrators of federal training programs find that their clients have 'more difficulty keeping jobs than finding them' (1986:24).

Similarly, low school achievement is not due merely to poverty. Gradually it has been recognised afresh that good schools are those that set clear standards and monitor progress carefully. Nor is crime a necessary consequence of unemployment. Personal morality is an important factor, as is deterrence. Punishment is increasingly being seen, says Mead, as necessary, not so much to reform criminals as to

'immobilise and deter them' (1986:245-6). There is a connection between poverty, or rather dependency, and crime and delinquency, but it is not true that poverty causes crime. Dependency, on the other hand, may cause crime. The payment of dole undermines the role of the breadwinner, leading to a loss of his or her morale. This can in turn lead to a loss of control over children, reflected in delinquency, school failure or addiction. Thus, welfare relief may cause the disintegration of lower-class family life.

### **Misplaced Scientific Determinism**

Mead also puts much of the blame for continuing poverty on intellectual error by a new class of policy analysts. Great Society policy-making was oriented towards solving particular problems in an experimental fashion, and thinking was dominated by social scientists, especially economists. Mead singles out for special criticism the 'sociological approach', by which he means a particular political ideology and not just the ideas of sociologists. Adherents of the sociological approach believe that the social sciences can be as quantified and predictive as the natural sciences, and underlying their view is determinism, that is, the notion that the events being studied are 'caused' by outside forces. Thus, school failure and crime were said to be 'caused' by material deprivation. The purpose of sociological reasoning, according to Mead, 'was exactly to exempt those at the bottom of society from responsibility for their condition' (1986:57). Combined with the experimental ethic this meant that:

Planners had to keep coming up with new programs until they found something that 'worked', that is, some benefit to which poverty responded without obligating the poor themselves. (1986:59)

Economists have been especially prone to determinism. Because they are inclined to interpret human behaviour by means of the assumption that people pursue their own interests, they tend to the view that conduct can be changed by adjusting material incentives. A particular result of this type of reasoning is that the less tangible aspects of social problems tend to be played down in favour of the material dimensions, which can be quantified. Much analysis consists of relating measurable problems like poverty to apparent causes that are also measurable. Generally, causal variables are confined to characteristics of people already collected by government — age, sex, race, income, etc. The result is that economic analysis tends to reinforce the 'sociological' mode of reasoning:

*David Green*

The measurable forces that surround the poor, such as inadequate income, education, or employment, are presumed to shape their behaviour in some irresistible way. (Mead, 1986:179)

But, according to Mead, some types of behaviour, such as paying taxes or low-wage work, can never be made to serve the self-interest of individuals in the narrow economic sense, so that no amount of adjusting incentives will be sufficient. His conclusion that certain duties must, therefore, 'be enforced bureaucratically' (1986:178) is considered in more detail below.

The assumption made by Great Society policy analysts was that 'society' was at fault, but according to Mead:

Behaviour stems in the first instance from the individual, and there is no way to change it unless at least some responsibility is imputed to the individual. The assumption of social responsibility blocked policy makers from recognizing those problems, let alone solving them. (1986:46)

Great Society programs failed to overcome poverty because 'they largely ignored behavioural problems among the poor'. In particular, they omitted to tell clients that they ought to behave differently (1986:49). The Great Society focused on raising groups, like blacks, relative to others, but according to Mead: 'The underclass cannot be made middle-class in a single generation, except at the cost of government guarantees that deprive the achievement of meaning' (1986:255-6).

#### IV. SOLUTIONS

How do radical critics of the welfare state propose to reform it? One of the earliest advocates of root-and-branch reform was Martin Anderson, a researcher at the Hoover Institution and one-time policy adviser to President Reagan. He argued that radical welfare reform was an impossibility because no plan can be devised that will simultaneously yield minimum levels of welfare benefits, financial incentives to work, and an acceptable overall cost to taxpayers (Anderson, 1978:133). He enunciated seven principles that should apply to welfare reform.

1. Payment should be made strictly according to need.
2. Efforts to detect fraud should be increased.
3. Government should 'establish and enforce a fair, clear work requirement'. Incentives to work, he says, are inadequate. To be effective an intolerably low payment would be necessary, but

the main error of the incentives approach is that it attempts to 'persuade' people to work when they should be 'required' to do so (1978:162).

4. Inappropriate beneficiaries, such as 'striking workers and college students who queue up for food stamps', should be removed from the welfare rolls.
5. Absent parents should be required to contribute to the support of their offspring.
6. The efficiency and effectiveness of welfare administration should be improved.
7. More responsibility for welfare should be shifted from the federal government to state and local governments and private institutions. The more decentralisation the better.

Charles Murray also favours decentralisation, a view reinforced by his very strong doubts about the ability of governments, especially central governments, to administer welfare policies at all without doing more harm than good. But he does not, in the end, propose that government should have no role whatsoever; instead he settles for radical decentralisation to localities and private institutions. Lawrence Mead keeps his distance from Murray, and sees himself much more in the traditional mainstream of moderate welfare reform. He does not share Murray's suspicion of government in general and believes that a workable federal solution can be devised. I will consider Murray's proposals first, followed by Mead's alternative.

### **Radical Decentralisation**

According to Charles Murray:

Devising a system of transfers that is just, fair, and compassionate involves extraordinarily difficult moral choices in which the issue is not how much good we can afford to do (as the choice is usually put), but how to do good at all.

Transfers, he says are 'inherently treacherous':

They can be useful; they can be needed; they can be justified. But we should approach them as a good physician uses a dangerous drug — not at all if possible, and no more than absolutely necessary otherwise. (1984:203-4)

Looking back on the years of failed welfare reform since the Great Society, he believes it possible to discern some patterns that are so

persistent they resemble 'scientific' laws. He suggests that there may be three such laws of social programs.

**1. The Law of Imperfect Selection.** Any objective rule that defines eligibility for a social transfer program will irrationally exclude some persons.

**2. The Law of Unintended Rewards.** Any social transfer increases the net value of being in the condition that prompted the transfer.

**3. The Law of Net Harm.** The less likely it is that the unwanted behaviour will change voluntarily, the more likely it is that a program to induce change will cause net harm (1984:211-12, 216).

His conclusion is that:

social programs in a democratic society tend to produce net harm in dealing with the most difficult problems. They will inherently tend to have enough of an inducement to produce bad behaviour and not enough of a solution to stimulate good behaviour; and the more difficult the problem, the more likely it is that this relationship will prevail. (1984:218)

He proceeds by means of a 'thought experiment' to contemplate scrapping 'the entire federal welfare and income-support structure for working-aged persons', including AFDC, Medicaid, Food Stamps, Unemployment Insurance, Worker's Compensation, subsidised housing and disability insurance. But he rejects this solution, preferring to direct his attack on specifically federal programs, which he finds unwieldy by nature: 'A federal system must inherently employ very crude, inaccurate rules for deciding who gets what kind of help', and this tends to produce unwanted harmful side-effects. Local programs, however, whether they are funded by private charities or by local taxes, do not suffer from the same defects. This is chiefly because they enable 'very fine-grained judgements based on personal knowledge' to be made, so that the worst consequences of crude federal plans can be avoided (1984:232). Moreover, Murray would also maintain Unemployment Insurance, regardless of any federal involvement, because he believes it does little harm to incentives and provides all-important protection for people against unavoidable short-run adjustments in the economy.

He concedes that with a huge array of local arrangements, it would be impossible to guarantee that no one would ever fall through the net, but, he insists, this drawback is not enough to require a huge federal apparatus: 'Hungry children should be fed; there is no argument about that'; but it is 'no less urgent that children be allowed to grow up in a system free of the forces that encourage them to remain poor and dependent' (1984:233).

Vital to his view is the belief that Great Society programs were not only a pragmatic blunder, but also wrong morally because they took from the industrious poor to give to the idle poor. For Murray, it is of the utmost importance that independence should be reinforced by non-economic rewards, like status and respect. His emphasis on self-reliance is of particular relevance to black poverty. Compared with whites, a higher proportion of blacks fall below the federal poverty line. For the traditional welfare reformer of the 1960s and 1970s this called for a special federal effort to discriminate in favour of blacks. Murray is quite uncompromising in rejecting this approach. America, he says, should 'repeal every bit of legislation and reverse every court decision that in any way requires, recommends, or awards differential treatment according to race'. The result would be the re-creation of a colour-blind society (1984:223).

Black poverty, he believes, is only exacerbated by the idea that blacks need special help before they can succeed, whereas the history books are full of evidence of black success against far more difficult odds than those faced today. Black parents in the 1930s lived wholesome, clean and hard-working lives at incomes not much above subsistence level and against a background of severe discrimination, especially in the South. Their children were taught to work hard in school and improve their knowledge and skills. And the strategy worked, as the life stories of millions of American blacks testify. The rate of progress slowed down in the 1960s and 1970s because reformers lost confidence in self-reliant work, but the result has been not a raising of black status and prosperity, but rather the creation of a dependent underclass.

Murray's underlying aim is to 'make it possible to get as far as one can on one's merit', regardless of skin colour. This is not a new ideal in American thought, nor, says Murray, one that lapsed:

What did lapse was the recognition that practical merit exists. Some people are better than others. They deserve more of society's rewards, of which money is only one small part. A principal function of social policy is to make sure they have the opportunity to reap those rewards. Government cannot identify the worthy, but it can protect a society in which the worthy can identify themselves. (1984:233-4)

He directs some strong words at defenders of the status quo who claim 'compassion' as the justification for their views. It seems, he says, 'that those who legislate and administer and write about social policy can tolerate any increase in actual suffering as long as the system in place does not explicitly permit it' (1984:235). And he closes by emphasising that his main concern is not balancing the budget, but moral decline. He does not want to dismantle income support for people

of working age in order to balance the budget or punish welfare cheats, but for their own good. His final conclusion is that:

The real contest about the direction of social policy is not between people who want to cut budgets and people who want to help. When reforms finally do occur, they will happen not because stingy people have won, but because generous people have stopped kidding themselves. (1984:236)

### Civic Conservatism

Mead's *Beyond Entitlement* is a very effective critique of what he calls the 'sociological' mode of reasoning, his name for the idea that human behaviour can be explained by factors wholly external to the individual. This view proved attractive not only to sociologists but also to economists as each discipline attempted to ape the methods of the natural sciences.

It is also a criticism of the classical-liberal suspicion of government articulated by Charles Murray. Mead does not say that we should put our trust wholly in government, as socialists have been inclined to suggest, but argues that members of a nation are in an important sense all in it together and that each person has not only rights as a citizen, but some reciprocal obligations. These obligations include not only obeying laws and paying taxes, but also older duties that have been swept aside by talk of welfare rights, such as working and supporting one's family. The tendency of welfare reforms since the 1960s has been for governments to pay people to exist on welfare benefits without requiring anything in return. In Mead's judgment, this undermining of personal responsibility has contributed to the growth of crime, low educational achievement and a rise in dependency.

Mead is at great pains to present his view as a moderate or middle position, constantly referring to the extremes of right and left, conservative or liberal. In reality, he has a great deal in common with classical liberals (conservatives in the American sense) and far less with socialists or social-democrats (liberals in the American sense). According to Mead, the politics of welfare reform is not a battle between the traditional left and right, but between three groups: liberal reformers seeking a guaranteed income for all; traditional conservatives opposed to big government; and 'civic conservatives', who favour welfare combined with a strong work requirement (Mead, 1986:105).

The traditional American view of politics and the political process, a view shared by both conservatives and liberals, derives from John Locke. Individuals are understood voluntarily to have left the state of nature to erect government in the hope of securing justice through the rule of law. But they remained vigilant, lest the powers of government were abused,



and they remained suspicious of extensions of government power. Enlargements of the powers of federal governments over the years, including during the New Deal, were not departures from this ideal, but conceived as necessary to expand opportunities for individuals. There was no desire to create a different social order, run from the top. Mead questions whether suspicion of government ought to occupy such a central place in the political make-up of Americans, and he proposes a new conception of the role of the state that stands opposed to both traditional conservatism and traditional liberalism.

**Traditional conservatism.** Historically, conservatives have favoured small government, and where this has been unobtainable they have preferred local government. Thus, welfare might be necessary to cater for the least well off, but federal welfare was undesirable and open to abuse. Moreover, conservatives believe it important not to undermine the sense of shame that can be felt by the dependent person. As one congressman put it in a recent debate, the 'social stigma' of dependency was essential 'to encourage individuals, capable of doing so, to stand on their own two feet' (Mead, 1986:195).

**Liberalism.** In the view of US liberals, 'society' is to blame for problems such as poverty. The 'illness', according to one spokesman, lay not in the recipients but 'in the society around them' (in Mead, 1986:200). And according to a liberal pressure group, 'The urban ghettos are full of healthy, untrained and unemployed males who want to work'. Their failure to work could only be due to 'the failure of our economic system to assure full employment' (1986:201). In this view, anyone who suggests that the poor may be responsible for their own predicament is guilty of 'blaming the victim'. For liberals, the money necessary to eliminate poverty was already present in society, and, therefore, if some people had too little, it was society's fault. According to Edward Kennedy, the possession of 'the resources to eliminate hunger and want' transformed the elimination of poverty into a question of mere 'will' (1986:202). Conservatives, by comparison, offer opportunity, but they recognise that not everyone will succeed and do not, therefore, blame 'society' for any individual's lack of success.

**Civic conservatism.** Civic conservatives accept the traditional conservative view that no one is owed a living purely by virtue of being a person. But they do not want to force people to work. For instance, Senator Russell Long, a prominent civic conservative, insisted in a recent debate: 'I do not want to make anybody go to work. I just do not want to pay them a lot of money for **not** working' (in Mead, 1986:231). Conservatives, says Mead, view society as healthy and blame welfare problems on individuals; liberals blame the problems on society, but view the poor as sound. Neither liberal nor conservative, complains Mead, 'will use authority in social policy in a benevolent and directive way' (1986:215).

## Restoring the 'Underclass' to Full Citizenship

Mead's own view is that of the 'civic conservative'. He is not concerned to expand or retract government, but rather to attach conditions to welfare payments. He does not mind if more directive welfare programs cost more; indeed he thinks they will be more expensive and quotes Senator Russell Long, whose response to claims that work tests would cost more was that, 'you can't put a value on those children seeing a mother get up at 5.30 to go to work' (1986:226).

At the root of Mead's approach is the Tocquevillean ideal of participatory democracy. All Americans, says Mead, participate 'in a common web of political and economic activity'. More than this, 'energetic **interaction with others in public**, whether in political or economic affairs,' is, he asserts, 'the quintessential American experience' (1986:219-20). Thus, for him the goal of welfare reform should be to make it possible for the poor to take a full part in the life of the nation, as workers and citizens. Like traditional conservatives, civic conservatives offer opportunity, in the sense of a chance to compete for success, but they also believe the individual deserves 'certain assured chances and supports from society' and that in return citizens have 'obligations to function' independent of how successful they are. They seek not to 'abandon' or blame the poor, but to see that responsibility for their situation is '**shared** between them and government' (Mead, 1986:222, 224). Civic conservatism is not new to American politics, but it has been out of favour during the 1960s and 1970s. Even then, though, it was strong enough to contribute to the defeat of welfare measures such as the Nixon Family Assistance Plan (FAP), which would have guaranteed a defined minimum income to everyone, whether in or out of work, and without any corresponding obligation on the part of beneficiaries. According to Al Ullman, a Democrat opposed to FAP, it involved no real rehabilitation. Just paying out dole was to 'put people on the shelf' by paying them simply to 'exist' while leaving them outside the mainstream activities of the nation (in Mead, 1986:225).

For Mead it is proper for the federal government to have a clear view about what it is to be an American. It is not enough that morality should be seen as a matter wholly of private conscience, as both conservatives and liberals are inclined to think. There is a sense in which Americans stand or fall together. He emphasises, however, that this is not an argument against competition in the jobs market. According to Mead, liberals leave it to the labour market to determine whether recipients work at all; conservatives let the market determine whether people capable of work make 'enough to survive'; while civic

conservatives both demand and guarantee work, and the market determines only how good a job the recipient receives (1986:232).

Although Mead favours a more interventionist government than full-blooded conservatives and liberals prefer, he is conscious of the danger of unlimited government power. He therefore tries clearly to define the extent to which the government may obligate its citizens. He lists five main duties:

1. Heads of families, unless aged or disabled, and other adult members of families should work in available jobs.
2. Everyone should contribute all that they can to the support of their family.
3. Every citizen should be fluent and literate in English, whatever their native tongue.
4. Children should learn enough in school to be employable.
5. Each citizen should be law-abiding, that is they should be both obedient to law and show general respect for the rights of others (Mead, 1986:242-3).

### **The Duty to Work**

The most significant reform proposed by Mead is that recipients of welfare should be under an obligation to work. He is unsympathetic to the argument that to compel a person to take a dull job is 'degrading', not very different from condemning him or her to slavery. According to Mead, work should be undertaken out of a sense of obligation, not for enjoyment, and the unemployed should, therefore, be required to take 'any legal job that they were physically able to do' (1986:110). Moreover, he points out that present arrangements are unfair to people who already work, possibly doing chores like scrubbing floors. They are paying taxes to support the idle. According to Mead:

Work, at least in low-wage jobs, no longer serves the individual's interest as clearly as it does society's ... Merely to offer the jobless freedom and the opportunity to work will not suffice ... Work must be treated as a public obligation, akin to paying taxes or obeying the law. (1986:82)

But how can this duty be enforced? It is plainly preferable if people work out of a sense of personal responsibility; and indeed no free society could function unless a sense of duty was widely and freely accepted. Most people have such a duty inculcated by private organisations such as family, friends, and the church, but the problem of the poor is that they are dependent on government and, according to Mead, there is, therefore, no alternative to a government role in socialising them. For those who still recoil from his argument, Mead points out that the view he

advocates is, and has been, widely supported. If it was abandoned during the last few years, then it was only discarded by intellectuals, not by the population at large. The political problem in social policy is, therefore, not to create new standards but 'to elevate into social policy those that already prevail outside the public sector' (1986:89, 90).

## **Workfare**

The new thinking has quickly become accepted in America. Most Americans, it seems, still share Roosevelt's fears, expressed during his State of the Union address in 1935:

The lessons of history confirmed by the evidence immediately before me show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit ... Work must be found for able-bodied but destitute workers. (in Mead, 1986:129)

About 36 states already have 'workfare' schemes, under which some sort of work is expected in return for welfare payments (Burton, 1987). Massachusetts, one of the states that pioneered workfare, has a voluntary system of encouraging welfare beneficiaries to undertake work. California's more recent GAIN program requires able-bodied welfare recipients to accept either training or a job. The disabled and single mothers with children under six are exempt, but other AFDC beneficiaries must work or lose benefit. After training has been completed beneficiaries have three months to find employment. If they are unsuccessful they must pay back the training grant by taking a designated job. But such schemes do not cut the cost of welfare. In the short run the cost of training increases welfare outlays substantially, though the additional spending is believed justified in order to restore the work ethic.

There is now no dispute between the main US political parties about the attractions of workfare. Indeed the Democratic party is currently proposing new legislation to Congress making available huge grants to states for remedial education, job training, work experience and job placement. The chief target is welfare mothers with children aged over five. To allow them to work, the scheme, the Family Support Program (FSP), will pay for child day-care costs up to a fixed maximum.

AFDC pays cash benefits to 11 million people, 3.7 million families, at a cost in 1986 of nearly \$18 billion. It is thought that the FSP will cost \$850 million in the first year, and possibly \$2.5 billion

the following year. But subsequently welfare outlays should fall as people become self-supporting (*The Times*, 24 March 1987; 25 March 1987).

Workfare is found not only in America, but also in Switzerland and Sweden. In social-democratic Sweden no welfare benefit is payable to anyone under 20 who refuses to work or train. Unemployment benefit is paid by voluntary insurance associations for a maximum of 300 days, and benefit can be stopped at any time if suitable work or training is refused (Burton, 1987).

## V. RELEVANCE TO OTHER WESTERN COUNTRIES

How applicable is the new thinking, typified by Murray and Mead, to other Western countries, particularly Britain and Australia?

### Opinion in Britain

The state of the debate in Britain is well behind America. Only in 1984 the Church of England published an influential report entitled *Faith in the City*, which took the view that the poor were 'victims' of the system and implied that critics of welfare programs were lacking in humanity, if they were not actually callous. It is still common to hear the accusation that critics of welfare schemes are engaged in 'victim blaming'. According to *Faith in the City*:

Chapter after chapter of our Report tells the same story: that a growing number of people are excluded by poverty or powerlessness from sharing in the common life of our nation. A substantial minority — perhaps as many as one person in every four or five across the nation, and a much higher proportion in the UPAs [Urban Priority Areas] — are forced to live on the margins of poverty or below the threshold of an acceptable standard of living. (Archbishop of Canterbury's Commission on Urban Priority Areas, 1984:359)

The Commission reports with approval a submission made to it: 'The exclusion of the poor is pervasive and not accidental. It is organised and imposed by powerful institutions which represent the rest of us' (1984:360). The poor, in this view, are the helpless victims of outside circumstances, and any remedies must concentrate on transforming these circumstances. Thus, the report urges the raising of Child Benefit 'as an effective means of assisting, without stigma, families in poverty' (1984:365). It even opposes overtime working,

urging legal action to curtail it in the belief that if less overtime was worked, there would be more work to share around (1984:214-15).

The Archbishop of Canterbury's Commission is interesting, not merely because it shows how so many Church of England leaders have become convinced by 'sociological reasoning' (above p. 7), but because the Church is the last institution that ought to fall prey to such thinking. That even the Church sees no place for an individual ethic of self-reliance and an individual sense of duty to one's family suggests how widespread has been the conversion of British intellectuals to determinism.

The report was severely criticised by Sir Immanuel Jacobovits, Britain's Chief Rabbi, but his was a virtually lone voice. Sir Immanuel quoted from his farewell address to his New York congregation in 1966, the height of the American civil rights struggle, to remind the Archbishop of Canterbury's Commission how US Jews won advancement:

How did we break out of our ghettos and enter the mainstream of society and its privileges? ... Certainly not by riots and demonstrations, by violence and protest-marches, or by preaching 'Jewish power' or even non-violence.

Above all, we worked on ourselves, not on others. We gave a better education to our children than anybody else had. We hallowed our home life. We channeled the ambition of our youngsters to academic excellence, not flashy cars. We rooted out crime and indolence from our midst, by making every Jew feel responsible for the fate of all Jews. (Jacobovits, 1986:3)

'No work', he says, 'is too menial to compromise human dignity and self-respect'; idleness 'is an even greater evil than unemployment, especially in a welfare state which maintains every citizen above subsistence level'. Cheap labour, he goes on, 'is more dignified than a free dole, and industriousness generates greater wealth than increased wages for decreasing hours of work' (1986:7). 'Any job', he insists 'is better than paid idleness'. A Jewish approach to poverty

would lay greater emphasis on building up self-respect by encouraging ambition and enterprise through a more demanding and more satisfying work-ethic, which is designed to eliminate idleness and to nurture pride in 'eating of the toil of one's hands' as the first immediate target. (1986:11)

To most British intellectuals, such talk is anachronistic. Nor, as yet, does it form a significant part of classical-liberal thought. Professor Patrick Minford, for instance, a prominent British classical

liberal, favours workfare, but also remains committed to a variant of Milton Friedman's negative income tax scheme, one of the nostrums that held sway in America until a few years ago. The Department of Employment did, however, commission John Burton of the Institute of Economic Affairs to investigate the feasibility of introducing workfare in Britain. His report (Burton, 1986) recommended the introduction of workfare, but as yet there is no immediate likelihood that it will be implemented. In the House of Commons, Prime Minister Thatcher said that the Government had 'no proposals for compulsory work as a condition of benefit', though it would 'very soon be putting to the electorate' whether young people aged 16-18 who neither stay at school nor work should be paid supplementary benefit. The Opposition were against even this limited measure. Criticising Mrs Thatcher, the Opposition leader, Mr Kinnock, described workfare as 'forced labour' (*The Times*, 24 April 1987).

Minford's negative income tax plan has two main aims: to help the poor achieve a living standard above subsistence level without damaging incentives; and to privatise provision for health, education and pensions while ensuring that the poor spend at approved levels on those services.

For the poor in work Minford advocates two poverty lines. The first would be subsistence level, a true minimum that would exclude all items not strictly necessary for survival. Second, there would be a 'poverty threshold' defined 'in relation to social views of the income above which help would not willingly be given by society' (Minford, 1984; see also Minford et al., 1983). This figure would also be the income tax threshold.

Negative income tax (NIT) would work as follows. First, it would never allow income to fall below subsistence level. Second, people with earnings above subsistence but less than the poverty/income tax threshold would receive a supplement of 70 per cent of the difference between their initial earnings and the threshold. NIT payments would be made only to people who could show that they had made satisfactory arrangements for health insurance, education and pensions (Minford, 1984:ix). Unemployment benefit would continue, but would be set at 70 per cent of previous net earnings. If taxes on the low paid are cut, as Minford envisages, then the incentive to work would be that much greater. Thus, at 1984 prices, a man with a wife and two children who lost his £100-a-week job would receive £70 unemployment benefit. In 1984, if he got another job for a wage of £100, he would have had £99 to live on. Under Minford's plan he would have £113: the wage of £100, plus £7 NIT, plus £44 child benefit, less payments for health, education and pensions of £38 (1984:xiv).

As we have already seen, the Seattle and Denver income maintenance experiments cast doubt on the assumptions underlying negative income tax schemes.

## **Opinion in Australia**

Australian intellectual opinion is probably closer to Britain than America, though there are some grounds for supposing it may change sooner, not least because historically Australia was much slower than most other Western countries to adopt welfare statism. After the introduction of invalid and old-age pensions in 1908 and maternity allowances in 1912, the federal government introduced no further welfare benefits until World War II. It was not until during and just after the war that the foundations of the modern welfare state were laid.

Unlike Britain, Australia had no poor law, chiefly because of hostility to the workhouse. Instead, relief of all except the able-bodied poor was carried out by private charities financed by government. Usually the charities were paid a pound for every pound raised privately. Relief was generally given in kind and disbursed by ladies' committees and a handful of paid staff. Home visits were made frequently, to offer support and advice and to guard against malingering. The help given was sufficient to ward off starvation, but not so large that it would discourage family members from helping. Until 1945, except in Queensland, where unemployment insurance was introduced in 1923, the able-bodied unemployed were assisted by means of public works programs. The view was taken that to give cash to able-bodied men without requiring work not only encouraged the work-shy but was also against the interests of the men themselves, who were assumed to want not charity but the dignity of work.

Today, Australia has a welfare state as extensive as any other nation's. But already a critical eye is being cast over some welfare measures and some controversial questions are being raised: should men who father illegitimate children be made to support them; and, should the age pension be limited to the very needy? Unemployment benefit for 15- to 17-year-olds has already been abolished.

## **VI. HISTORICAL PARALLELS**

At a recent seminar in London, Charles Murray joked that it was not always easy to get a hearing for the view that there was very little wrong with the Elizabethan poor law, though it was getting easier. How true is it that Murray's radical decentralisation is a return to the principles of the old poor law? And does experience of the poor law tell us anything about how realistic Murray's proposals are?



## **The Poor Law**

Fears that welfare has not only caused additional poverty but also encouraged family dissolution and general moral decline are not new. The parallels with earlier debates about welfare policy are striking, as Gertrude Himmelfarb's recent reappraisal of the British poor law reveals. She quotes Benjamin Franklin, who noted, when visiting England in 1766, how extensive was the charitable giving that took place alongside the poor law:

There is no country in the world where so many provisions are established for [the poor]; so many hospitals to receive them when they are sick and lame, founded and maintained by voluntary charities; so many almshouses for the aged of both sexes, together with a solemn law made by the rich to subject their estates to a heavy tax for the support of the poor ... In short, you offered a premium for the encouragement of idleness, and you should not now wonder that it has had its effect in the increase of poverty. (quoted in Himmelfarb, 1984:5)

In 1832 a Royal Commission was appointed to investigate the poor laws. Its report led to the Poor Law Amendment Act of 1834. The Commission did not object to granting relief to the aged and sick. They would receive money, food, medical services and housing if necessary and would be under no obligation to enter the workhouse. But the Commission thought that the able-bodied poor were being treated unwisely, encouraging idleness and dependency. It was sharply critical of additions to wages for blurring the distinction between relief and earnings and thus the distinction between pauperism and independence:

Whatever addition is made to allowances under these circumstances, excites the expectation of still further allowances; increases the conception of the extent of the right, and ensures proportionate disappointment and hatred if that expectation is not satisfied. (Himmelfarb, 1984:16)

Wages, on the other hand, brought a sense of responsibility and independence. The effect of the poor laws was 'to repeal *pro tanto* the law of nature by which the effects of each man's improvidence or misconduct are borne by himself and his family', and no less important 'to repeal *pro tanto* the law by which each man and his family enjoy the benefit of his own prudence and virtue'. Because their subsistence did not depend on their own labour, they lost respect for work and themselves, becoming idle, ignorant, dishonest, degraded and finally, 'callous to their own degradation' (1984:162).

The underlying principle of the Royal Commission report was to draw a distinction between the able-bodied poor and those unable to support themselves. The objective was to make the lifestyle of the able-bodied recipient of relief 'less eligible', or less desirable, than that of the independent labourer. The chief instrument was to be the workhouse. The food and comfort of inmates would not be unsatisfactory; on the contrary, workhouses were to be clean and wholesome. But the discipline and work requirements were to be strict. It was also intended that different beneficiaries of poor relief would be separated in the workhouse — the aged and infirm, children, the able-bodied — but this was not always adhered to.

Entry into the workhouse also enabled a clear-cut distinction to be drawn between the deserving and the undeserving poor without the necessity for magistrates to conduct a 'means test' or to calculate 'need'. If a person chose the workhouse, knowing that life inside was less attractive than life outside, this was the sole test required. Through the workhouse test, 'the line between those who do, and those who do not need relief is drawn, and drawn perfectly', said the Commissioners (Himmelfarb, 1984:165). Above all, it was a **voluntary** line. Only those willing to submit to workhouse discipline would enter its doors.

This sort of thinking was not an early 19th-century aberration. Similar views prevailed until well into this century. For instance, Charles Booth, noted as an early 20th-century reformer whose sympathies lay with the poor, advocated measures that to the modern eye look rather severe. He divided the 900 000 people he studied in East London into eight classes (A-H). The 'very poor' were classes A and B. Class A, some 11 000 souls, were the lowest class of 'loafers' and petty criminals. Class B contained 100 000 persons, about 11 per cent of the population studied, who lived largely on casual earnings. Booth looked upon them as 'helpless and incompetent' and urged that they be put under the tutelage of the state:

Put practically ... my suggestion is that these people should be given an opportunity to live as families in industrial groups, planted wherever land and building materials were cheap; being well housed, well fed, and well warmed; and taught, trained, and employed from morning to night on work, indoors or out, for themselves or on Government account; in the building of their own dwellings, in the cultivation of land, in the making of clothes, or in the making of furniture. (Booth, 1902:vol.1, p.167)

They would be 'servants of the State', who would have wages credited to them at a 'fair and proportionate rate'. If they did not work well enough they would go to the workhouse where they would be unable to live as a

family; but if they worked well they could go out into the outside world again as free persons. Careful provision for children would be made: 'incompetence need not be hereditary' (1902:168). This 'limited Socialism', as he called it, would mean that the undesirables in class A would be 'no longer confounded with "the unemployed"' and 'gradually harried out of existence'. Class B 'would be cared for, and its children given fair chances' (1902:169). Perhaps most important of all, the absence of competition from class B would enable the 'respectable' working classes C and D to earn higher wages and thus more easily raise themselves by their own endeavours.

The ideal that underlay the thinking of the Commissioners of 1834 was that of a nation of free, self-directing persons. But at the same time they acknowledged, as did Charles Booth over 70 years later, that not everyone could be left wholly to their own devices. Tocqueville had commented in 1833 that it was a basic fact of human nature that man had a 'natural passion for idleness'. There were, he thought, two incentives that could overcome it: the 'need to live'; and the 'desire to improve the conditions of life'. But, in his judgment, only the need to live was effective for the majority of men (Himmelfarb, 1984:149). This view was accepted by the poor law commissioners, if not for the majority of the population, then certainly for some.

### **The Need to Live; the Desire to Improve the Conditions of Life**

Classical liberal and socialist alike have been optimistic about human nature, believing that most people are guided by 'the desire to improve the conditions of life' rather than 'the need to live'. But the recent work of Charles Murray and Lawrence Mead has forced a recognition that the desire to improve is not present in everyone to the same extent. Some people will accept very low standards; and more importantly, the number of such people can increase substantially if our institutions give them encouragement. This recognition requires a rethink of some classical liberal assumptions. First, what are the historical lessons?

### **The Working Classes and the Poor Law**

What proportion of the population was driven only by necessity? Experience during the 19th century was to suggest that Tocqueville's pessimistic view of human nature was unjustified.

Most 19th-century manual workers believed that to depend on others was wrong; consequently they fully accepted a duty to support themselves and their families. Not to work, in this view, was to let oneself and one's family down. And because a worker's wage alone could not always prevent destitution, so each should show sufficient

foresight to become insured. The result of this thinking was the emergence of the friendly societies, the most important providers of social welfare in both Britain and Australia during the 19th and early 20th centuries.

The friendly societies were self-governing mutual benefit associations founded by manual workers to provide against hard times. They functioned as social and benevolent clubs as well as offering benefits like sick pay when the breadwinner was unable to bring home a wage due to illness, accident or old age; medical care for both the member and his family; a death grant sufficient to provide a decent funeral; and financial and practical support for widows and orphans of deceased members. Because they had been earned by voluntary contributions, benefits paid by the friendly societies were regarded as the 'just and honest reward of prudence and forethought'.

In Britain when the government introduced compulsory social insurance for 12 million persons under the 1911 National Insurance Act, some 9.5 million were already covered by voluntary insurance associations, chiefly the friendly societies. In 1910, the last full year before the 1911 Act, there were 6.6 million members of registered friendly societies, quite apart from those in unregistered societies. The rate of growth of the friendly societies over the preceding 30 years had been rapid and was accelerating. In 1877, registered membership had been 2.8 million. Ten years later it was 3.6 million, increasing at an average of 90 000 a year. In 1897 membership had reached 4.8 million, having increased on average by 120 000 a year. And by 1910 the figure had reached 6.6 million, having increased at an annual average rate since 1897 of 140 000 (Green, 1985:179).

At roughly the same time, in 1913, 46 per cent of Australians were also benefiting from friendly society services, some 2.2 million out of a total population of 4.8 million (Green and Cromwell, 1984:221).

British social historians have often claimed that fear of the poor law played a major part in moulding these working class attitudes to work and welfare. G.D.H. Cole (1948:154), for instance, believed that the chief motive for thrift was fear of the workhouse. The evidence does not support this conclusion, which makes the common mistake of looking upon the working class as passive victims of events. During the second half of the century, the poor law was becoming less harsh. Yet, while the poor law grew more lenient and the use of outdoor relief in place of workhouse confinement expanded, the numbers relying on poor law provision steadily diminished. This suggests that it was not so much fear, but self-respect that kept men away from the poor law in the latter half of the 19th century.

This message was rammed home time and again by the spokesmen for the organised working classes in Britain and Australia. Arguing against proposals for a compulsory state pension scheme in 1882, the

Ancient Order of Foresters in England pointed out that thrift had succeeded in considerably reducing the number of paupers. The increased facilities for thrift 'afforded to the British Workman by his own peculiar organisations — Friendly Societies and Trade Unions' had done much during the previous 30 years to reduce pauperism. They could look forward to the time when pauperism would be reduced to those suffering from 'insanity and contagion'. In 1849 paupers had comprised 6.2 per cent of the population of England; in 1859, 4.4 per cent; in 1869, 4.7 per cent; and in 1879, only 3.0 per cent. In Scotland the proportion had fallen from 4.0 per cent in 1859 to 2.8 per cent in 1879 (*Foresters Miscellany*, January 1882, p.6).

This strong wish of friendly society members to raise themselves by their own endeavours often went hand in hand with a certain disrespect for the idle rich, as this anonymous article conveys:

Merit will triumph over rank — ability over influence. The aristocrat and the labourer would at once be placed in fair and honourable competition; the former would have the opportunity of making himself useful; the latter, of rendering himself noble, in the true sense of the word. (*Monthly Review of Friendly Societies*, April 1865:297)

But if they were not passive victims, can it be assumed that all manual workers were autonomous carriers of the desire for improvement, as the classical liberals were inclined to assume? And, if they were, was this desire natural or automatic; or did it have to be cultivated? The friendly societies knew only too well that they had to cultivate the philosophy of self-help and mutual support that guided them, and great effort was put into maintaining this culture of self-reliance, as Green and Cromwell's (1984) study of Australian friendly societies shows.

Friendly society initiation ceremonies were didactic in design and encouraged the member to make joining the society a moment of self-criticism. The Grand United Order of Oddfellows, for instance, addressed new members as follows:

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. (quoted in Green and Cromwell, 1984:17)

Teaching did not end with initiation. Membership consisted of a process of progression through a series of 'degrees' during which the values of the friendly society were inculcated — hard work, liberty, tolerance

towards others, fraternalism towards fellow members. Grand United had three such degrees and Manchester Unity, four; while the Ancient Order of Foresters offered members a series of seven 'lectures'.

### **Is Radical Reform Realistic?**

How realistic are the proposals of Mead and Murray? A family can face three different types of cash shortage. First, it may need basic income support, when it is simply unable to maintain itself above subsistence level. This may arise even when a family has members in work.

Second, a family may face a need for contingent income support. This can be a temporary occurrence, when, for instance, the breadwinner experiences a loss of income due to illness or unemployment.

Third, a family may face a need for contingent expense coverage. Additional expenses stretching the family budget may be unpredictable, when, for example, ill health strikes; or predictable, when a child is born.

Historically governments have usually played the leading role in providing basic income support, laying down a line below which no one should fall. But no less important, before the welfare state, private organisations took the lead in providing contingent income support and contingent expense coverage. As we have seen, in both Britain and Australia the friendly societies, and to a lesser extent the trade unions, provided income during sickness, as well as supplying medical services. This was quite apart from any charitable organisations' efforts on behalf of the poor. Thus, we may conclude that Murray's hope that local private institutions will emerge to cater for the poor as well as the low-paid is not unrealistic.

Moreover, the friendly societies were not merely benefit societies. They also sought to promote good character, a fact of great importance for classical-liberal thought, which tends to take good conduct and a desire for a better life for granted and consequently to assume that every person will readily become an ambitious, self-reliant, participating citizen. The development of the friendly societies also refutes the pessimism that has characterised conservative thought, as exemplified by Tocqueville. The majority of people are not guided by necessity alone, as he thought. Most desire to improve their conditions, but contrary to the more optimistic liberals this aspiration is not automatic. It has to be cultivated and failure to work at it does lead to an increase in dependency. In the 1860s and 1870s, when the poor law was becoming more lenient, the wholesome influence of the friendly societies and other institutions like the Methodist and other non-conformist churches proved sufficient to maintain a strong commitment to liberty and self-reliance. In the years after World War II, when such institutions had lost their

influence, welfare leniency produced a different result, measured in family breakdown and growing personal dependency.

## VII. CONCLUSION

Put in historical perspective, we can see how the terms of the poverty debate have changed. Until very recently the principal goal of reformers was material equality; then the emphasis changed from universal benefits to targeted benefits, partly to combat rising public expenditure and partly to concentrate cash help on the needy; now, the moral hazard of social benefits is being recognised and policy-makers are beginning to face up to questions not considered since Edwardian times.

Murray and Mead pose a special challenge to classical liberals who, under the dominance of economics, have tended to stress the necessity of restructuring individual incentives. They have also drawn attention to the importance of limiting state power because of the ramifications of high public spending for monetary, and ultimately political, stability. Earlier classical liberal thought has tended to take a certain body of ideas as given, notably the 'work ethic'. But this can no longer be taken for granted and consequently we need to understand afresh the institutions that promote both self-reliant and altruistic conduct. Nineteenth-century experience suggests that it is now urgent to devote greater attention to understanding the role of voluntary institutions, like friendly societies, benevolent associations and churches, which have played a vital role in making liberty workable.

More generally, the writings of Mead and Murray are important landmarks in the development of modern classical liberal philosophy. Put at its simplest, this process is one of absorbing some lessons from traditional conservative thinking. Hayek has attempted to absorb some conservative ideas into classical liberalism, particularly the importance of tradition or, expressed in more pragmatic terms, institutions that have 'stood the test of time'. In his most recent work he suggests there is a kind of 'natural selection' of institutions or cultures and that if reformers fail to see this they may do more harm than good. Hayek's philosophy, however, fears above all that rationalism will lead to the destruction of **already** existing institutions that serve us well without our realising it. This is an important insight, but leaves us somewhat exposed in the face of the dangers facing modern Western civilisations. Study of the richness of our past culture suggests that we have already done very severe damage to it, and that, therefore, we urgently need to deepen our understanding of how we can build or re-create institutions that promote self-reliant conduct. Lawrence Mead may be correct that, in the short run, governments must take the lead in re-socialising the people who have fallen prey to welfare dependency; but in the longer run, there

would seem to be less risk in seeking out the private institutional forms that encourage good character and help to create a richer culture with the minimum of compulsion.

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# Social Welfare

## The Changing Debate

David G. Green

The Centre for Independent Studies' Social Welfare Program has commissioned studies by qualified economists and other social researchers and thinkers into the various aspects of the welfare issue and the policy options available to governments dedicated to serious welfare reform. David G. Green's monograph *Social Welfare: The Changing Debate*, the first of the program's publications, summarises the research findings and arguments of several recent studies of welfare dependency.

Green makes two especially important points. The first is that the terms of the new debate on welfare are not really so new, but go back several centuries. Reformers have always agonised over what to do about 'the undeserving' poor, those who seem determined to scrape through life by depending on others. Green's second point is that the Victorian era coped remarkably well with dependency, not so much because of the rigours of the workhouse, but because the friendly societies, those voluntary, mutual aid organisations, did such a fine job in sustaining the independence and self-respect of the working man and his family. A reduced state welfare system would encourage localised, voluntary self-help organisations based, like the friendly societies (and the family), on an ethic of reciprocity. Any hope for curing the malaise of dependency lies here rather than in the welfare state.

**David G. Green** is currently the Director of the Health Unit at the Institute of Economic Affairs, London. He was a Labour councillor in Newcastle upon Tyne from 1976 to 1981, and from 1981 to 1983 was a Research Fellow at the Australian National University in Canberra. He is the author of several articles on politics and social policy, and his latest book, *Everyone A Private Patient*, is due to be published by the IEA in May 1988.