Welfare States and the Problem of the Common

David Thomson

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Social Welfare Research Program

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Foreword

The post-war welfare state began as a way of helping the young. It is now — unintentionally but all too effectively — 'devouring its own young'. In New Zealand, government policy will make couples born in the 1920s and 1930s better off than couples of their children's generation — the baby-boomers — by no less than 18 years of average pay. And young couples starting a family today will be even more heavily disadvantaged. These startling claims are the central conclusions of David Thomson's 1991 publication *Selfish Generations? The Ageing of New Zealand's Welfare State*. Dr Thomson has argued these claims so thoroughly and thoughtfully as to have moved all debate about the welfare state into a new phase.

No one can now reasonably deny that something like the story Dr Thomson tells is true of New Zealand. We need to go on to see just how true it is of Australia and other welfare states. Work of the sort Dr Thomson has pioneered is urgently needed; my own research (in *The Family in the Welfare State)* suggests to me that Australia's experience of generational differences is likely to be closely parallel to New Zealand's. We need equally to reflect on how such a reversal of priorities, from 'youth state' to 'elder state', could have taken place largely unnoticed by welfare analysts and ordinary citizens. Dr Thomson's own thoughts on that question are presented in this CIS Occasional Paper, which is based on Chapter 6 of *Selfish Generations*.

Political explanations are not likely to go very far here. The turning point in the parabolic course of the welfare state was the mid-1970s. In New Zealand, Robert Muldoon's National Party first boosted old-age pension expenditures; in Australia it was the very different Labor government of Gough Whitlam which (a few years before Muldoon) doubled age-pension expenditures. Political complexion seems to have had little to do with it. If then we eschew explanations involving deliberate manipulation, we need some quite different kind of story to account for the generational reversal. Dr Thomson is right, I believe, to construct his own account around the 'problem of the common'. The 'common' is a metaphor for any collectively-owned jointly-managed asset. The 'problem' is that participants often have better reason to over-use the asset for their own private ends than to see that the asset is well managed for the long-term good of all. In Dr Thomson's view, the 'welfare common is spectacularly ill-designed' in ways that have guaranteed its downfall.

The post-war history of the welfare common raises perhaps three matters requiring explanation. One is the gap between intention and performance: the welfare state was designed to go in one direction, yet it steered itself along quite another course. A second issue is why this change of direction was not monitored and corrected. Why have we had to wait until so late in the day to have it shown to us that the vehicle is way off course? The metaphor of the common seems to capture these elements of the problem. As Dr Thomson shows in this study, the dynamics of life in a large-scale common *cannot* be very well predicted or monitored, and for that reason the common generates just the sort of insecurity it was intended to overcome. The third issue is this: Why did the welfare state favour the elderly? Or — to broaden the terms of the debate — did it favour *only* the elderly? Dr Thomson argues that the 'selfish generation' was able to profit so strikingly from the welfare state because, simply, it had the numbers and the incentives working in its favour. Children do not vote; and the middle-aged stand to gain more from policies that favour the elderly than from those that favour the young.

I am inclined to think that the elderly were not the only 'winners' from the night battle on the common. My (Australian) work suggests that couples who separate and divorce have also gained very significantly in this period, and that two-parent families with children have been the main losers. I may be wrong, or I may be only partly right. Others, such as Charles Murray, have argued that, in the US at least, the welfare system has favoured an 'underclass' characterised by welfare dependency, teenage sole parenthood, educational failure and high levels of crime. Neither Murray's story nor mine can be explained in the ways in which Dr Thomson explains the generational ageing of the welfare state, though both can draw on the story of the common to explain how welfare intentions come to be distorted.

To assess the third aspect of Thomson's explanation is inevitably to buy into a wide range of issues. At this stage in the debate what matters most is not so much the conclusions we reach as the range of considerations we can fairly encompass. Dr Thomson is himself sharply alert to the wider implications of his central thesis, and his range, even in this short paper, is impressive.

If he is right, then the welfare state as it presently stands is a paradise for fools only. Whether it can be remade into a workable and livable social order is now an urgent question. It is a task we may not evade, if we care about the ideals it once espoused or about the young it once used to support.

Alan Tapper

About the Author

David Thomson is a Senior Lecturer in History at Massey University, Palmerston North, New Zealand, where he teaches New Zealand and European social, demographic and family history. He graduated from Canterbury University, and obtained a doctorate from Cambridge University on 19th-century British welfare policies for the aged. He has published on welfare history from the 18th to the 21st centuries; his most recent publication is *Selfish Generations? The Ageing of New Zealand's Welfare State* (Bridget Williams Books Limited, Wellington, 1991). He has been a visiting fellow at Oxford University, and is an associate of the Cambridge Group for the History of Population and Social Structure.

Chapter 1

The Issue

Talk of the decline and collapse of welfare states has now become commonplace, with inflated welfare spending, unbalanced budgets, low investment, rising debt, moral decay, ideological misguidedness and more all being cited as culprits. Although as a historian I sense a familiar *fin de siècle* mood of weariness and introspection, and so am sceptical about some of these claims, my own research confirms to me that the 'crisis of welfare' is real, and that its origins and nature go beyond what most people yet contemplate. In this paper I outline briefly an unfamiliar history of the welfare state that I have developed elsewhere (Thomson, 1989, 1991), and ask why we have behaved in this self-destructive way.

The Welfare Contract

The late 20th-century welfare state (I use that term as a broad synonym for the modern western industrial state) involves a large-scale pooling of risk and resources by persons of different generations, born in different decades. This involves the individual in a major gamble, which has until recently been hidden behind a pervasive rhetoric of social security. Underwriting this gamble is a powerful if unspoken contract, according to which individuals participate in a lifetime of compulsory give and take, to the mutual benefit of all generations. ('Generation' here means a birth cohort, or all the people born in a certain period.)

At the heart of this contract between generations are the notions of continuity, consistency and reciprocity, or of each playing an equitable part by moving through a predictable set of life-phases of contribution and benefit. We might paraphrase it thus:

I happily make some of my surplus income available to others today in the firm belief that, when I am in the same position as those I am now helping, others will in turn make their surpluses available to me, in comparable manner and amount. I am not simply handing over my surplus income to others in need at this moment, without expecting that I will be treated similarly in time. My surplus is on loan to others born earlier or later, but not surrendered for ever.

The reality, however, has been vastly different. In New Zealand and Australia, as in every other modern state, the rules of give and take have instead been changed constantly, to the repeated advantage of those born in some decades, and the lasting detriment of those born in others. Resources are not proving to be 'on loan', but are taken and absorbed by some generations without return. New Zealand's winners are those born between about 1920 and 1945, with the children of the 1930s at their core: in Australia and elsewhere the boundaries vary slightly, but not greatly. The losers are those born later, and the further one's birth from 1930 the greater the lifetime loss is looking to be.

This generational inequity results from an unconscious 'political ageing' or 'ageing of the welfare state' as I have called it, to distinguish it from the more familiar demographic ageing. The post-war welfare states were intended, overwhelmingly and quite deliberately, to favour youth. They made full employment of young adults and the wellbeing of families their greatest priorities. Substantial family allowances, free education and health services, low-rental housing, subsidised interest rates and the like all worked to this end.

So, too, did tax exemptions, industry policies, import and exchange controls, or infrastructure investments. The middle-aged and elderly, by contrast, accepted the costs for the sake of growth: lost consumer freedoms, low returns on savings, relatively high taxes, and modest retirement pensions. Thus were the terms of the ongoing generation contract established: major benefits from the pool early in life, heavy payments and modest drawings later.

Ageing Priorities

But in the last 25 years, and at a gathering pace, the welfare states for youth have been abandoned, and replaced by welfare states for the ageing. Family allowances have withered, and housing subsidies for the young have gone, as have their former tax protections. In the same period eligibility for retirement pensions has eased, and the value of pensions has risen sharply relative to costs and the incomes of others. Wider macroeconomic changes worked to the same end: older consumers and investors now enjoy maximal, deregulated savings returns and import freedoms, while the earnings and job security of younger persons stall and disappear. Rising public debt, lower long-term investment and poor maintenance of infrastructure all add to a shifting of costs of current lifestyles into the future, and so to lower lifetime incomes for the later-born.

There may well have been good reasons for each of these changes taken alone, and I am by no means the first to observe this shift towards the interests of the middle-aged and elderly. Nor am I concerned to argue which policies were right or wrong, or whether a welfare state for youth is more desirable or appropriate than one for the aged. My point is more basic: such switches attack the possibility of a continuing contract between generations, of a mutual give and take of lasting and defensible purpose and value. For the combined changes have created a first and only 'welfare generation': the young adults of the welfare state for youth, who became once again in the 1970s and 1980s the prime beneficiaries of the revamped welfare state for the ageing.

Nor should we think the impacts small. In New Zealand, for instance, a typical couple (the 'Earlies'), born in 1930 and having median income and habits throughout life, will pay lifetime income taxes equivalent to perhaps six years of their earnings, taking inflation and general economic growth effects into account. Their indirect taxes are harder to assess, but would add a few years more to their lifetime tally. But their returns from the pool, in the sense of what it has cost the state to provide them with cash benefits and the services they share with others, will equal at least 37 years of their gross earnings. In other words, as a result of state action, their real incomes were about double their gross earnings.

An identical couple (the 'Lates'), born around 1955, fare very differently. They are due to pay income taxes equivalent to at least 15 years of the male partner's gross earnings, and substantially more than did their predecessors through the expanded indirect taxes and user charges. Their returns, projected like their income taxes as if the welfare state of 1991 will persist indefinitely, will be perhaps 25 years of income at a most generous estimate.

Of course, demographic realities, debt and under-investment all make this level of return highly unlikely, as the government keeps insisting. I suspect that substantially higher contributions and something less than 20 years income-equivalent in return is more probable. The Lates, as a result, will in all probability have substantially lower relative **and** absolute lifetime incomes than did the Earlies, even if the economy grows considerably in the future. This is partly because the Earlies, with about 20 years of life still ahead of them, can on present policies be expected to go on picking up a good and perhaps rising share of any overall growth into the 21st century, and partly because so many costs, both obvious and hidden, are being stacked up against the prospective incomes of the Lates. Whether they will accept this, for themselves and their children, even as they are required to go on funding the very different welfare state for the Earlies, will become a dominant issue in the years ahead.

Why Behave This Way?

My conclusion is that welfare states everywhere have been self-destructing, and have been doing so for decades. Certain unvoiced assumptions have underlain our enforced, collective exchanges between generations — beliefs in consistency, reciprocity, continuity and restraint of demand, for instance, as well as faith that the later-born would always be numerous, affluent, capable of bearing the demands of predecessors, and imbued with an unquestioning faith in the rightness of it all. Yet we have not been able to deliver these essentials, or even recognised the need to strive to do so. The mid-20th-century welfare state has been unable to reproduce itself, in human, economic or cultural terms. It is in an important sense 'devouring its own young'. But why?

I cannot pretend to offer a comprehensive account at this early stage. My explanation here emphasises various contributing factors, dismisses a number of spurious ones, and outlines one possible interpretation of what has been happening. I do not argue that a conspiracy exists to violate the welfare contract and defraud successors. There is little to indicate a deliberate or knowing campaign to exploit the later-born: the reshaping along ageing paths has been more subtle, more incremental, more accidental. No ready scapegoats are paraded. Instead, I conclude that the failings go deeper, and that solutions will be especially difficult to find. The inability to sustain and replicate itself is inherent in the very nature of the modem welfare state. Once set in motion, the pooling exchange between generations has its own inner momentum towards dissolution, and it is not clear how much control a society can exercise over this. The disintegration of the welfare state for the later-born, I suggest, is a logical outcome of its expansion in earlier decades. But before I come to that, a number of less plausible possibilities need to be considered.

Chapter 2

Some Mistaken Explanations

Several mistaken explanations of the phenomenon can be dismissed at the outset. One stresses the centrality of party politics. This is a favoured argument among many New Zealanders: it was Robert Muldoon, keen to win the 1975 election for his National Party, who first played nakedly generational politics. The Labour government, elected in 1972, had introduced a complex, graduated contributory superannuation scheme, to be phased in over a long period. Muldoon proposed a simpler alternative, offering immediate benefits at no cost to the middle-aged and elderly. Numerous stories are still told of how the aged queued to vote that year as never before.

Party politics were undoubtedly a contributory factor in the shaping and timing of the ageing shift, in New Zealand as elsewhere. But as an explanation of the development, this overlooks at least two things. First, the ageing of the welfare state began before 1975, has been pursued by both National and Labour governments, and extends far beyond old-age pension measures. Second, the process is international. During the last quarter-century all welfare states have displayed this ageing, under governments of conservative, centrist and socialist hue alike. This cannot be explained by local personalities or party campaigns: something larger is at work.

Another explanation stresses the ages of political leaders. But the ageing of the welfare state has occurred under governments of 40-year-olds (New Zealand in the 1980s), the middle-aged (Margaret Thatcher's Britain), and the elderly (Ronald Reagan's United States).

The claim that political ageing is a natural outcome of population ageing, and is therefore to be expected, is also wrong, both factually and in the assumption of simple connections between ages and voting behaviour. Some figures on the age composition of the New Zealand electorate are given in Table 1, as an example of a very general pattern, and several points should be noted. One is that the age balance has been remarkably steady during the last half-century. After the end of World War II young adults (aged 20-39 years) formed a little under half of the electorate, and this remained broadly true through to 1990. At the other end of life, those over age 60 have for 50 years formed a consistent 21-22 per cent of the voting-age population. In the last 20 years the electorate has actually become slightly younger, and yet priorities have shifted decidedly towards the aged.

A further consideration is that in the 1920s and 1930s, when New Zealand and other nations turned to welfare states for youth, electorates were ageing rapidly. Even so, this produced no demand to give the elderly more or bigger shares, but rather the reverse. The belief that politics will reflect the ages of voters enjoys little support from history.

Table 1
Age distribution of adult population in New Zealand, 1901–2031.

	Percentage of persons aged 20 or more who were			
	20–39 yrs	40–59 yrs	60+ yrs	All 20+ yrs
Year				
1901	59	29	12	100
1911	60	28	12	100
1921	53	35	12	100
1926	50	37	13	100
1936	48	36	16	100
1945	44	35	21	100
1951	45	34	21	100
1961	43	36	21	100
1971	44	35	21	100
1981	47	31	22	100
1991	47	31	22	100
2001	42	36	22	100
2011	36	38	26	100
2021	35	35	30	100
2031	32	32	36	100

Sources: 1901-81 from population censuses. 1991–2031 from Department of Statistics, *Population, Labour Force and Household Projections, 1991–2031,* (Wellington, 1991), Series 11. The choice of projection series is not particularly significant here.

This may not hold true in future. From about 1990 the electorate will age swiftly, on a scale not seen before, so that by early next century two in every three voters will be elderly, or closer to retirement than to early adult life. What political effect this will have is open to speculation. The welfare state for the ageing was created in the 1970s and 1980s by an electorate that was getting younger: whether it can be dismantled and returned to something more sustainable by an electorate that is ageing quickly remains to be seen.

Economics as Villain

The argument that poor economic performance has forced this change upon us must also be rejected. The New Zealand and Australian economies may not have performed well in the last two decades, but this did not cause the withering of the youth-states. At least two factors argue against the economic explanation, The first is that, as youth benefits have shrunk and penalties risen, we have also found the resources to expand very rapidly the advantages of the ageing. In New Zealand in the 1950s and 1960s, for instance, around 4 per cent of GDP went each year into state retirement pensions and health services for those aged over 60, alongside 10-12 per cent in cash benefits and health, education and housing services for those under 40. By the later 1980s each portion amounted to 10-11 per cent of GDP, with much of spending on the young now unemployment, broken family or illness compensation. The fractions of the population in each age group had not changed. The issue seemed to be not so much a lack of resources as how we chose to spread them.

Second, international comparisons again do not support economic accounts. New Zealand and Australia, with relatively poor economic growth, youthful populations and low welfare spending, switched to aged priorities across a broad swathe of government activity. So, too, did Germany and Japan, with their booming economies; most West European nations, with their much older populations and electorates; and the Scandinavian countries, with their more elaborate welfare spending. Growing economies may for a time have more success in hiding the diverging long-run fortunes of the earlier and the later-born, but the underlying realities seem similar and ubiquitous.

A further change of unknown impact is the recent increased 'globalisation' of the world economy. According to one argument put to me, nations have been forced by the speed and scale of modern communications and economic transfers to deregulate, lower income-tax rates, open their exchanges, remove import barriers and the like, whatever they might wish to the contrary. The consequences may have fallen unevenly upon the generations, but that was incidental and unavoidable, This argument has some force, but is inadequate on a number of counts. The effects of globalisation have not been the same everywhere. New Zealand, and Australia to a lesser extent, may have felt impelled by international forces to end exchange controls or lessen import restrictions, but others have not. Nor is it evident that nation-states have been left without considerable internal autonomy and room for discretion. The raising and lowering of spending upon old and young argues against that: we cannot absolve ourselves of responsibility so cozily.

Moreover, nations that were alert to and concerned for the health of their intergenerational exchanges might have been expected to resist these supposed pressures, or to act where possible so as to countermand the 'unavoidable' consequences of being locked ever more tightly into a global exchange. They seem, without exception, to have lacked such awareness or will.

The Startup

Another economic explanation is sometimes known as the 'startup' problem. When bringing in major social spending programs governments face a choice. Their introduction can be phased over several decades, so that those who have not made the appropriate lifetime contributions do not receive undue benefits. Or the changes can be swift, producing windfalls for those too old to have a lifetime of the costs ahead of them. Almost every social spending advance has been of the latter nature, for obvious political reasons.

But the effects are transitory, so the argument goes. After an initial startup gift to some generations, the programs will mature, the full costs will become apparent, and a steady state of higher, matching benefits and contributions will evolve for subsequent generations. What we have witnessed thus far is simply the transition from startup to steady state. Those born in the 1920s and 1930s were just lucky, as winners from an historic shift to new levels of collective action, which will settle down soon to the lasting good of all subsequent generations.

There is little in reality as opposed to theory to support this case. The assumption in the startup account is that a new plateau of benefit has emerged, and that contributions are rising to a matching level: the startup phase will then be over. But instead the later-born have been seeing the rapid disappearance of benefits for themselves and their children, both now and for the projected future, even though their contributions are not to fall and will have to rise. Startup has been followed by meltdown rather than steady state.

The Conspiracy Theory

One more instant reaction is more difficult to assess. Upon hearing this analysis many respond that political ageing has been deliberate: a conspiracy by the welfare generation to exploit both predecessors and successors alike. This I am inclined to reject. The welfare state may appear to operate as though its prime purpose has been to advance those born in the 1920s and 1930s, but I am not persuaded that this has been a conscious intention on the part of anyone.

Even so, there are some strengths in the contrary view. A sense that 'we are a special people' can be detected among members of the welfare generation. National Party leaders in New Zealand in the 1970s played upon it, at times speaking openly of 'our generation', the 'children of the depression' who were owed favoured treatment, including a better old age than that given by them to their parents. Australians' allusions to 'the RSL generation' suggest the same phenomenon. The rush of legislation and 'restructuring' in recent years, which has had the effect of narrowing the focus of the welfare state more clearly to the immediate interests of those born before about 1945, reinforces the sense that members of the welfare generation hold a special place in New Zealand history. So, too, do many reactions of older persons to my study. Among the most common I meet are 'we are owed this because of the war', or 'your analysis may be correct, but you forget the depression', or 'don't overlook the rationing we faced in the 1940s'. They all signal some awareness of generation, of a lifelong identity and status that comes from having been born in a particular era.

Nor is it surprising that a sense of a special history should have evolved, since the welfare state has acted in fact to foster it. But I doubt its importance. For one thing, international comparisons suggest something more complex. In Europe the devastation and privation of war was much greater than in Australasia or North America, and members of several generations suffered together. Even so, those societies also produced policies that age through time to the mounting advantage of certain cohorts. In other words, it does not seem necessary to have a sense of 'the generation who suffered' to produce generations of winners and losers.

Moreover, the argument that a notion of uniqueness has led those born in the 1920s and 1930s to carve out privileges for themselves implies a grip upon power that they did not have, and an enlarged greed for which there seems little good evidence. The welfare generation has not commanded the political stage in the post-war years, either in voter numbers or as members of government. And their instincts for security and self-advantage seem normal rather than extraordinary. What has still to be explained, then, is a process of policy ageing that lies beyond the consciousness or control of generations.

Chapter 3

The Nature of the Pool

Much more significant, I believe, in explaining the 'ageing' of welfare states is the nature of our pooling arrangements, and the psychological states and communal dynamics that these have encouraged. Prolonged, large-scale collective action, involving the constant political redistribution of major fractions of a society's resources, is a complex and difficult-to-manageform of social organisation, with which human communities have had minimal prior experience. In other words, the turn in priorities over time is not the result of outside forces — demographics, the world economy, new ideas, shortages of resources — so much as of the evolving interplay of the welfare state's own peculiar characteristics.

Social theorists have given little attention to these, largely, I suspect, because of ideological unease for many with anything seeming to question public welfare action. A few on the political left have written of how the systems of exchange have in time induced certain groups to repackage and press their claims — 'middle-class capture' is perhaps the best example of this argument (e.g. Goodin & Le Grand, 1987). Others more to the political right have emphasised individual rather than group reactions, stressing in particular the encouragement to idleness or irresponsibility that must follow from the particular ways chosen to distribute assistance (e.g. Murray, 1984).

Adverse Behavioural Modification

These latter arguments, ironically, may actually have lessened the attention given to the issue of how behaviours adapt, because of the disapproving moral tone and the concentration upon the poor alone. The implication is that it is only they, rather than good citizens like me, who respond to the behavioural inducements placed in their way by public programs. I challenge this, arguing that all, rich and poor or young and old alike, are undergoing constantly what the psychologist might call adverse behavioural modification, and that this must be confronted as it has not yet been. The result is that few methods have been developed for tracking accumulations of experience, rather than experiences at discrete moments. Nor have we good theories on how people react, individually or collectively and in the longer term, under different forms of social organisation. Most social analysis still assumes a simple life-cycle of behaviour, with all persons in a society passing through standard sets of life-stages, regardless of date of birth. The sense is absent that life-cycles might be unreal abstractions, or peculiar to different historical generations, or less important than particular experiences at key points in the lives of certain generations.

A number of 20th-century philosophers have considered such questions as obligations to future generations, but they have been concerned with hypothetical generations at an extreme remove from one another (e.g. Parfitt, 1984; Rawls, 1971; Sikora & Barry, 1978). The ethics of intergenerational exchanges between actual persons alive at the same time has been sadly neglected (but see Daniels, 1988; Laslett & Fishkin, 1992; Wynne, 1980).

The Chain-letter

Economists have perhaps done most of all the social scientists in this area (e.g. Hirschman, 1982; Olson, 1965). A number of their concepts — moral hazard, utility, the discount rate, the free rider — deal with issues central to any generational study. Yet their writings on these remain marginal to their profession, are often abstract and forbidding to the non-specialist, and have not entered the vocabularies of many social commentators.

One concept favoured by some mid-century economists — more a picturesque analogy than a theoretical construct — did enjoy some wider currency for a time. This was the notion of the chain-letter (see Burbidge, 1987). Most readers will be familiar with the chain-letter from childhood: an initiator sets up an exchange by soliciting gifts from others, and each of them in turn is to gain by drawing gifts from an expanding group of later-comers. Secrecy is always insisted upon: no one is to question the exchange, or whether all are playing by the same rules, or what profits the originators might be making. The assumption among the childish and socially unsophisticated is that, so long as everyone plays their assigned part, the exchange can continue indefinitely. But of course that never happens. Some refuse to play. A constant new supply of the gullible cannot be found. Others try to draw in gifts for themselves, without passing on the required number in turn. Suspicions of cheating, bad faith or 'being taken for a ride' are the inevitable corrosives of the chain-letter.

The welfare state must struggle against similar corroding suspicion, but it does so hampered by a special difficulty. This is the compulsory nature of the welfare state: chain-letters are voluntary affairs, but the welfare state is not. The individual is not free to opt in or out. There is no chance to decide that the exchange is foolish, inefficient, risky or doomed. These reactions are not allowed to the later-born in the welfare state.

Under these circumstances, how is the citizen likely to behave? What is prudent or 'rational' for one caught in a compulsory chain-letter? Taxes are the major form of contribution, and the individual cannot choose to withhold them. Tax evasion and minimisation are options, and considerable effort goes into these. This in turn encourages further the suspicion that undermines the exchange: the tax minimiser is not satisfied by success, but will come to suspect that others are behaving similarly or even more craftily sliding out of their responsibilities.

Similar pressures erode the faith of the citizen-as-beneficiary. A predictable response must be that if I have to take part in this compulsory exchange, and cannot do much to control my level of contribution, then at least I can and should secure a good share of the benefits. Through it all runs the fear of being a loser, a 'sucker', someone who is not quite up to it. Many features of the welfare state remind citizens daily that they are locked into such an exchange. Reports of tax fraud, the nil tax payments of some of our largest corporations, or the boasts of colleagues as to their cleverness with the tax form all work to foster suspicion and insecurity. So does the distribution of benefits — we all have met someone who is 'working a good fiddle', and we know that having made modest claims earlier in life gives no basis for preferential treatment later.

The sharing of public services reinforces the unease. The self-abuser who weakens his body with tobacco or drink, who plays rough sports or drives recklessly, is held to have a stronger claim to the health resources of the community than is a more careful compatriot. This is not the intention but is the outcome of giving priority to accidental or acute cases ahead of lingering or chronic ones: the irresponsible are allowed to the head of the queue.

The image of the chain-letter promised fruitful possibilities for the social theorist, and this was appreciated by a number of mid-century, mainly American economists. Forty years on their premonitions look disturbingly apt. Equally disquieting is the way this earlier line of sceptical enquiry was silenced from the 1960s, just when the chain-letter qualities of the welfare states were becoming more prominent.

Chapter 4

The Tragedy of the Commons

Still more potent is the analogy of the common drawn from late 20th-century environmental studies and popularised so vividly in the phrase of Garrett Hardin that I borrow for the chapter heading. Hardin's (1968) paper on the difficulties of managing a sustainable common attracted much attention, but was not of course the first writing on the subject. Communities around the world have millennia of practical experience of the issues, and writers from Aristotle on have debated them.

The classic common is a piece of land, often but not necessarily in collective rather than private ownership, the use of which is managed jointly according to rules of communal sharing rather than of private property. Both private and common land exist side by side — one is not simply an historical replacement for the other — and commons issues extend to less tangible resources such as air or silence. The modern welfare state, I suggest, should be seen as a peculiar form of the common, in which large portions of all resources have been taken out of private ownership and placed in an ill-defined collective pool.

The common, as all appreciate, poses particular management dilemmas. Healthy plants, erosion-free soil or clean water are in both the present and the long-term interests of everyone sharing the common; but how is exploitation to be avoided, and the desired goals achieved? Studies suggest that a great variety of management strategies have evolved, depending upon the nature of the resource shared, the size of the community involved, cultural values and more besides (Bromley, 1990; Haefele, 1974; Hardin & Baden, 1977; McCay & Acheson, 1987; Ostrom, 1990). Nevertheless, a number of consistent, core essentials are also detected. What at once strikes the social analyst is that the common that is the modem welfare state defies most of these 'rules' for sustainable good health. In other words, the welfare common is spectacularly ill-designed, according to the models of successful management, and these design faults deserve some attention.

Virtue in Blindness

A first weakness has been our unwillingness to think and talk about the critical understandings that must bind those who share the common. Successful commons require openness, highly visible decisions, and widespread awareness and acceptance of the rules of participation.

This is not the case with the welfare state. In particular, the implicit contract between generations, upon which all else hinges, has been ignored almost from the outset. No language of generational obligation evolved, and the rhetoric of penalising the rich to aid the poor was always at hand to mask the lack of a more sober assessment of long-term restraint and reciprocity. This will not, I suspect, be the case in the 1990s and beyond. The language of politics will become increasingly the language of age and generation, causing confusion and distress because so unfamiliar after decades of neglect.

A reflection of our making blindness into a virtue, and a further factor explaining why rapid political ageing has been possible, is the type of record we keep. Modern states maintain accounts of their transactions of the moment, but seldom relate these measures through time. The records of each year remain discrete, so that we do not know what experiences individuals or generations are amassing. The person who is 60 at this moment is treated as little but a person of 60: she is not someone with a history, a record of six decades of interaction with others. The reasons for this were understandable enough. Technically the task was all but impossible before the era of computers. Civil liberties concerns would also abound if the state did draw together such data on individuals. But whatever the justifications, we now possess few means of assessing how well states handle the trust placed in them by successive generations as they contribute to the common pool. Successful commons cannot operate under such determined opacity.

The belief that we must perform this pooling blindly extends further. There is in modern societies a strong insistence upon members not knowing what is going on. I am paying about NZ$15 000 a year in income tax at the moment, and an unknown additional amount of indirect tax. But I have no idea whether these are large or small amounts. Do my taxes compare with the costs of the services I use this year? Will my taxes bear a close relationship to my gains over time? What taxes are others paying this year or next? Are they collecting more benefits than I am? These are things no one is allowed to know.

The initial reasons for this were strong. The spectre of Big Brother was thus diminished. Administration was made comparatively simple. And in muddle lay room for some redistribution from richer to poorer: individuals who are being reminded daily of their own and one another's mounting totals of contribution and benefit are unlikely to go on pooling for long, or to tolerate persisting personal loss. Nevertheless, blindness does make for a particular, high-risk pooling, quite unlike that of the classic small-community common.

A lack of leadership and vision has compounded these failings. During the later 20th century western societies did not produce political or intellectual leaders who understood the nature of the large-scale, long-term pooling of resource and risk; or if they did, they could not make their voices heard. Politicians who called for this did not prosper. Competitive election-winning favours promises of instant gain rather than appeals for self-denial, and the lack of a debate about generational obligation and restraint meant that the middle aged and elderly were given few strong reasons to moderate their expectations.

The absence of **intellectual** leadership is more troubling and less readily explained. A questioning of the experiences of successive generations has been absent from the work of most economists, sociologists, historians, philosophers and others. The result was a scholarly mainstream that did not observe or query the remoulding of generational priorities, since it failed to appreciate what the modern welfare state was about. To put it more bluntly, the welfare state overrode the sceptics and secured the tame scholarship that was needed to mask and so sustain the manipulation of implicit contracts between generations.

Mass Pooling

All studies of successful commons emphasise the importance of their small scale: the community sharing a resource in this way must be limited. The very opposite characterises the welfare state. Through the 20th century we have instead developed national economies and polities, limited local autonomy and responsibility, enforced nation-wide wage and interest rates and so on. Perhaps most crucial has been the decision to pool resources and risks across the nation, rather than the neighbourhood, parish, county or some other regional unit. This marks a decisive break with pre-20th-century practices — and, I will guess, with 21st-century ones as well.

It came about for good reasons. Pooling within small units still leaves individuals exposed to risk and uncertainty, since the whole group might be afflicted at once, or may preserve unacceptable and inefficient local inequalities. As well, local pooling would weaken national unity and hinder mobility by creating alternative nodes of power to that of the central national authority. In the interests of binding nations, spreading risks, promoting equality, encouraging economic efficiency, and more, 20th-century nations chose to pool at the national level: to have 'welfare states' rather than 'welfare communities'.

However, this heightens the welfare gamble, since it robs us of an identifiable community with whose resources each elector must act responsibly. Pooling face to face, among a few hundreds or thousands, confronts the individual with numerous constraints. More for this sector or that clearly means less for someone else, whose plight will be visible and protests heard. Pooling across hundreds or even thousands of miles, allowing the individual to lodge claims against the resources of unseen millions, takes from citizen and society a crucial element of control. The extensive political unit provides anonymity and dims the sense that an individual's actions necessarily have consequences for others.

All will have experienced these undermining powers of invisibility. Individuals automatically calculate how a table of food might be shared at a small family gathering, and adjust their own demands accordingly. The sense that 'if I don't take too much there will be enough cake for everyone' is familiar on such occasions. But at a large wedding or an end-of-year office party the same calculation of action and consequence cannot be made, and the 'what if I hold back' question is then more likely to be answered 'someone unknown but no more worthy than I will get more, and I have no good reason to let that happen'. Mass pooling may increase the potential for good, but also the chance that the process will get out of hand.

Movable Boundaries

Fixed and well-recognised boundaries are also critical for a lasting, healthy common. Everyone involved must be clear on what is and what is not in the common pool: which specific pieces of land or water, and more, which particular attributes or products of the land or water. Equally vital is a precise delineation of who is and who is not entitled to share in the common. A common involves particular property rights — it is not a free-for-all — that certain individuals have on account of family, birthplace, ownership of related property or some other. In other words, a true common is very different from what Daniel Bromley (1991) has called an 'open access' regime, under which all comers may do as they choose with a shared resource (air and sea are classic examples of open-access resources). Bromley and other observers of communal sharing or property rights stress this distinction: commons involve identified rights of specific persons, and can frequently be managed sustainably, while open access more often leads to over-exploitation and consequent degradation.

Modern welfare states have some of the features of the common, in this stricter sense, but too many of open access as well. The group who may participate is not fixed, but can alter as migrants arrive and are soon accorded full entitlements. More important, the distinctions between private, common and open-access resources are not set or clear, as the enormous expansion in the realm of 20th-century government has made apparent. Not only have electors felt increasingly free to choose policies that advance their own immediate interests, and to hide in the mass while doing so; they have also felt entitled to control or direct almost all activities in their societies that might have a bearing upon their comforts. Our extension of government into the direct manipulation of employment policies, the regulation of commerce, interest rates, savings and investments, the altering of exchange rates, or the rewriting of pension contracts are all examples of this pattern. The boundaries of the pool of shared resources have proven very porous, and subject to spread, both geographic and sectoral, to encompass more and more of the total life of the community. The common pool reaches far beyond mere taxes, which are simply the most obvious of a participant's contributions. If government can set interest rates and so make part of my income flow to others, or alter my earnings through wages policy, or control imports and the tariffs I must pay on them, then it might be said that the whole of my income, and not just the portion I pay in taxes, is in the pool and available for sharing by others.

The pressures taking a welfare state in this direction are strong. In situations of major inequality in private resources, moving more from private to common or open-access sharing holds many attractions: it is the best chance I have of gaining a share of your wealth. If you are rich, and I poor, then I will be tempted to want all resources pooled. I risk little, since I don't have a lot of private property rights to lose, and will gain better access to some of yours. It is not obvious that welfare states have in fact produced greater equality as the pooling has expanded, but that does not disprove the point: the pressures are still at work. These inherent tendencies to excess, as we might term them, may be controllable if firm distinctions are maintained between private, common and open-access resources. Welfare states have not managed this.

The Failings of Democracy

The character of modern democracies also works against the sustainable management of pooled resources. This is not of course an argument for preferring some other form of government, or to say that the alternatives would necessarily do better. Even so, it remains the case that we try to manage massive poolings across long spans of time, with political instruments not well suited to the task.

The mass nature of modern states is one problem, and that has been alluded to already. **A** second is an inescapable clash between the time-frames of welfare state and political state. The implicit welfare contract between generations demands consistency and reciprocity over very long stretches of time. The political state has other imperatives, and has proven bad at weighing long-term interests. The need for fairness over time is nothing beside winning an election, placating a lobby group or balancing a budget today.

A third factor has been an unwillingness to police behaviour. All studies of working commons stress the centrality of this: those sharing a pooled resource must be able and willing to enforce compliance. This means that the users must be visible, restricted in numbers and familiar to their fellows; that the rules of what is and what is not permitted be explicit and agreed; that the community possess a range of sanctions from mild shaming through fines to full banishment; and that the group be vigilant, prompt and consistent in applying the penalties.

Welfare states observe few of these requirements, since they run counter to the liberal ethos of our century. We have been willing to regulate at the extremes, but for the most part sanctions have remained weak and irregular in application, and the specification of what is acceptable is often vague. In some respects we have gone further: the abuser of the common is not allowed to suffer the consequences, but must receive further support. Should a man draw a pension by fraudulent means, for instance, then drink the money away, we will not require him to repay what has been taken. Nor will we permit him to carry the personal cost by, for example, dying in the gutter, but will insist that he be taken into hospital and treated expensively to further pooled resources. There may be excellent libertarian or humanitarian reasons for all this; but it is not the way to manage a common.

Another political weakness has been the lack of a stable or powerful constituency for youth. **A** sustainable common, one being administered with the interests of the future in mind as well as of the present, relies on all interests involved having a voice. This has not been so in the modern welfare state. Everyone in their forties or above — half the electorate — has an obvious personal interest in enhancing the pensions and services for the middle-aged and elderly, since all will be immediate beneficiaries or can envisage themselves as such within a short span of time.

Support for youth-favouring programs is more transitory and diffuse. For most electors youth is well in the past, while those who will soon seek a first home or raise children are voteless, and being teenagers are not likely to be thinking of themselves as mortgage seekers or of the detailed economics of parenthood. That is, the electors in a modern welfare state will always tend to favour older rather than younger persons — to want the benefits of pooling ahead of them, the costs behind — because that is where simple self-interest will lead.

From the 1930s to the 1960s societies overcame this instinct, in a deliberate reaction to depression and war. But in the 1970s and 1980s, with the reasons for holding back now distant and fading from memory, and with the resources available for redistribution outstripped by new demands, it was easy to let inclinations take over. The effect was to eliminate one by one, quietly and unannounced, the many advantages of the voiceless young, and to expand those of the more politically alert and insistent middle-aged and elderly.

In the process welfare states have eroded their *raison d'être*, created generations of winners and losers, turned themselves into what will probably be just one-lifetime phenomena, and brought the notions of generational contract and large-scale pooling into disrepute. These are issues with which few commentators are yet willing to conjure. This is especially and troublingly so among some of the sternest opponents of state welfare spending. Social analysts of the stature of Charles Murray (1984) and Lawrence Mead (1986), for instance, rush to insist that nothing they say is to touch the elderly — and in doing so they weaken their claim to hardheadedness or principled rigour.

Chapter 5

The Laws of the Mass Common

The operations of the peculiar, distorted, mass common that is the modern welfare state place the individual in a perverse position, and this creates a dynamic tension as each seeks to resolve the contradictions. To act for the lasting good of the common is also to penalise oneself and one's own successors. Restraint of selfish urges will produce a better environment only if everyone else chooses or is forced to behave similarly. Yet in a mass society shared restraint cannot be assured, since we have been unwilling to impose heavily upon exploiters, and the chances of being caught are often negligible. The individual is thus put in an unenviable, even 'tragic' position, receiving conflicting messages about what is good and sensible in dealing with fellow citizens and shared resources.

What I shall call 'the laws of the mass common' have come into play. Experience teaches the individual to get what he or she can from the common as soon as possible, since that is what others, too numerous to see or control, will also be doing. Everyone may recognise that this will deplete the common and threaten the future, but the individual sees little way of doing anything about it. One's own restraint will make minimal difference, will probably not be noticed, and may well not be reciprocated. The best the individual can do in the circumstances is make personal profit faster than others, and so be positioned to command a share of whatever is left of the common in future. The lessons are insidious: individual virtue or self-denial does not pay.

Nor are these laws set. An escalation of demand is inherent. What produced profits or gains me an edge over my fellows in Year 1 will not be the same as in Year 10 or Year 40. All of us will be learning along the way, and adjusting our behaviours accordingly. If I find that the demands I dared to make were always met, or I sense that others are doing better out of the common than I am, or I note that the quality of the common is declining fast and will soon deliver few further returns, then I am under strong pressure to raise my claims. Values, actions and demands will all evolve through time, not because individuals are becoming more greedy or less anxious for the health of the common, but because all are caught up in an exchange in which the individual is not capable of making 'good' decisions.

A Spiral of Suspicion

The fault lies not so much in unusual selfishness or lack of leadership as in the decision-making mechanisms under which we operate. Winners and losers alike are 'victims', caught up in an involuntary process. Indifference to the implications of one's own actions is encouraged, as is suspicion about the deeds and designs of others: a sad irony, given the initial dream that the welfare state would deliver freedom from such worries and insecurities. Concern for the health of the pool must recede, as each comes to learn that gains lie in being ever more demanding towards the pool by evading taxes, claiming maximum benefits, or using free services heavily. Further, each learns that there are only limited ways of storing up credits in this world. I can 'privatise' pieces of the pool and turn them to personal assets, for example by claiming a cash benefit today and putting the money into a bank. But restraint towards the welfare state will not build up my entitlements, or help my own or my children's chances of being treated favourably in future. I might choose to forgo an expensive heart operation this year, for whatever reason. However, this does nothing for my prospects of getting something from the pool later. The service I do not use today will be taken by another, and next year I will wait in line like everyone else. My chance to claim a piece of the common has been missed, and the common will not be any richer next year for this.

In forming and operating welfare states we have given insufficient thought to resulting psychologies and behaviours. One of the founding faiths of the welfare state has been that citizens would remain immune to new influences or the promptings of self-interest. It has been assumed that individuals could be placed in a blind, mass pooling, and yet not respond to the experience. It was a decent, even noble vision of human potential and the capacity to suppress suspicion or greed. But from the perspective of the historian at century's end it looks a hope misplaced, a vision flawed. Individuals may be and remain noble and decent, and yet the systems for sharing resources among them work against the development of those virtues.

Expanding Demand

Many developments of the last few decades are explicable as 'rational' responses or outcomes for a population trapped into this complex and dynamic group psychology. A number have been remarked upon already, and several others are worthy of comment; my list is not meant to be exhaustive so much as illustrative.

A first is rising demand, or the inflation of expectations that governments everywhere have seemed powerless to halt. An initial hesitancy in making demands was to be expected: faith had to be created that the new pooling exchange would work and involve everyone. But with time the reasons for caution fall away. The individual is under the constant pressure of knowing that taxes may rise, and that these cannot be avoided. The way for the individual to balance this out, halt any erosion of personal living standards, and maintain or enhance position relative to others, is to keep benefits moving ahead of taxes. The effect must be a rising spiral after modest beginnings, and all new welfare programs seem to go through this evolution: the short history of New Zealand's accident compensation scheme is a good example.

Ageing Welfare States

The shift towards the interests of the aged is another obvious outcome, and has been mentioned already. Cutting back on education spending, falling cash benefits for children, the ending of tax protection for young families, the loss of employment guarantees in early working life — all are 'rational' products of the inherent pressure towards short-term rewards and the realisation that restraint does not pay.

This in turn raises the obvious question of why an ageing shift has been necessary: why, at the outset, a population should have voted for anything other than a welfare state for the ageing. Two things help explain the ageing sequence. The first is the particular conditions of the 1920s, 1930s and 1940s; the continuing fall in fertility, population fears and 'race suicide' worries, the traumas of two world wars and the Great Depression made rebuilding and a fresh start vital. The second was the need to sell the much-expanded pooling to the whole population at once. The prospect of gains now or in the near future had to be given to everyone, in a way that is not necessary once a compulsory exchange is under way. In other words, the welfare state had to be a more modest and balanced affair at the beginning than it needs to be later on. It had to offer major advantages in life's early years if it was to win the approval of younger voters in particular, for whom being told to pay heavily now and wait decades for a possible return would not have been obviously appealing. But once all were locked into the new exchange, 'natural' inclinations could come into play: the benefits could be moved towards the end of life, and the penalties towards the earlier years. The ageing turn can be accounted for in this way. So, too, can the current new phase evident from the late 1980s. The welfare state for the ageing is now clearly unsustainable in its present form, and that is widely acknowledged. One response would be to accept that this means that everyone must now accept less. But the spiral of suspicion makes such balanced decisions difficult.

More predictable has been the desire to secure current personal gains by fencing ourselves off from those who follow, and insisting that they pass their incomes over the fence to us but never be allowed to climb the fence and join us in the privileged compound as they in turn grow older. Simplistic current thinking has it that, as the walled-off residents age and die, the costs of the welfare state should shrink and so become once again sustainable. Such a policy may be morally indefensible, or make little long-term sense, or offer no good reason for the whole exchange arrangement to continue. But an electorate ensnared in advanced suspicion will find it hard to make these careful assessments.

Much policy change in New Zealand and elsewhere in the last few years has been of this nature. Retirement pension age is to rise sharply — for those retiring next century. Pension rates will fall — for future retirees. Tax exemptions on superannuation savings have been ended — but nothing is to be clawed back from those who have had this advantage. User charges are imposed on a range of public services — but not, for now, on those used most by the elderly, though that is to come. Workplace protections, sickness entitlements, redundancy awards and the like end — not for the present beneficiaries, but only for their successors.

A new term — 'grandparenting' — has entered the vernacular to describe all this. It sounds innocuous, benign and fair: the import is enormous and not yet appreciated. Those who have enjoyed what we now agree was unrealistic advantage will retain it, but successors, being successors, must go without, if yet pay for it. This is a very new notion of grandparenthood, of the progress of human society, and of relations between generations.

Investment and Debt

The course of investment and debt also fits the predicted behavioural cycle. A common — even worse, an open-access regime — does not encourage long-term investment readily, and a decline in public investing was to be expected. Many will argue instead that the rise and fall of investment through the last half-century owes much more to the particularities of economic growth and stagnation. That is, economic factors are the independent, and social or other the dependent, variables. I am wondering here about this widely-accepted linkage, and whether the economic patterns we have seen are not perhaps the products of the common at work.

Heavy capital (including human) investing is needed to raise and maintain living standards in a modern society — or to protect any common. This was especially true at mid-century, for several additional reasons. One was the background of low investment in the 1920s and 1930s. A second was that the functioning of the new welfare state depended upon it: the promised housing, health or education advances could only follow investment. Moreover, heavy investment was still politically practicable at the early stage of mass pooling. The public, still to be convinced that large-scale pooling was desirable, would have been wary if it were seen at once that money taken and placed in the pool was all simply handed out to those who made the loudest claims. Such a welfare state held little initial appeal, whereas investment in infrastructure and the like could be seen as creating lasting assets to enrich everyone's futures. This was more attractive and saleable.

Yet if heavy public investing makes good sense in the early years of a compulsory pooling, it must lose its attraction with time. Investing, like youth-favouring policies, is not a 'natural' long-run activity for a population increasingly anxious about losing place within the mass common. The spiral of suspicion will, with time, raise demands for immediate consumption — that is, for spending in which I can be sure to share — rather than investment or deferred consumption, in which I may not share, or share fully. All may want investment, knowing that without it the quality of life must deteriorate; but this is not likely to result from self-interest coupled with the contradictions of a distorted common. Over time the incentive to invest must wither.

Debt makes similar 'sense'. Public debt, as many have observed, became a prominent and growing feature of modern welfare states from the 1960s. Its rise paralleled the extension of public demands, and the shift of resources towards the aged. This need not surprise, since public — as opposed to private — debt is an ideal vehicle for maximising current consumption, while shifting the costs into the future, and hence on to others born later.

Little of the debt incurred in the 1970s and 1980s was for the lasting good of society. The quality of debt and investment was low, in that it did little to further productive capacities or to avoid future heavy expenses (on poorly maintained infrastructure, for example).

Debt built up on this basis is hard to defend, and many railed against it. Yet few governments have managed to halt the process, because such debt makes sense of a sort to a population trapped in the advanced stages of a mismanaged experiment with a common.

Demographic Decline

We might also note — though there is little room to develop a large topic here — that a companion pressure might underlie the steep decline in fertility to below-replacement levels in modern societies in recent decades. Having a child is now to volunteer tens of thousands of private dollars to the collective pool, since the return on that private investment is available to everyone through future taxes and the like paid by the child. Parents enjoy no special claims ahead of anyone else, and the attraction of free-loading off the child investments of others is obvious.

The effects go further. My brother has three children, and I none. He and his non-earning wife are clearly much poorer financially at present because of this than are my wife and I, with our two good incomes, Our greater resources mean that we are building savings, as they are not, by buying additional property and contributing to two superannuation schemes, for example. In retirement all of us will be entitled to exactly the same state pensions, that is, to the same drawings upon the efforts of those three children. Being childless in old age, I will probably receive more from the state by way of public care services than will my brother, who will be expected to turn to his children for free assistance. In other words, my free-loading will actually be rewarded with increased public assistance.

Beyond that, I will be able to capture enlarged shares of the efforts of those three children by way of the savings I have been able to amass, through not having made my share of child investments. Not adding to the common, in other words, perversely has given me increased entitlements to claims upon the children of others. (I might want to insist that my savings have enriched us all through their wise investment in increased productive capacity or improved infrastructure, and hence that I have added to the common in ways other than by raising children directly. But the evidence on the quality of investments financed by my saving in recent decades is not good, as we have remarked already.) I like to think there are many better and more personal reasons for my childlessness, but my behaviour, and that of a great many contemporaries, is what might have been expected of individual. responding rationally to a mass pooling.

Raising children has always been expensive, of course, but the costs have risen to new levels this century. The options for and acceptability of child employment have shrunk. Female paid employment has grown rapidly, and with it the opportunity costs of parenting, meaning that having children now represents a substantial loss of potential earnings. Children have become more costly, as expected levels of health, education, leisure and more all rise. Further, parents have lost rights to subsequent shares of children's incomes, in the form of assistance in old age, for instance. Parental claims upon adult children have been constrained severely by law and custom in Anglo-Saxon societies for several centuries, and the legal right to support has disappeared this century. It is hard to tell how often and how many resources ever flowed from adult children to aged parents, for example, and it appears that from the 18th century at least there was a strong reluctance to make children assist parents in this way (Thomson, 1984). Even so, the legal right did exist, and alongside it a wider social acceptance that at various points in life, such as late adolescence, children would hand some of their earnings to parents. This, too, has lessened.

It is at least suggestive, then, that the rise of collectivism from the later 19th century, and the fall in fertility and the subsequent ageing of the population, began together and paralleled one another. By the 1920s and 1930s many had become anxious about this — the males more than females perhaps — and fears for the future of society were expressed widely. The response was not to halt the growth of public welfare action, since the possible connections had not been noted, but to expand and reshape it to produce the welfare state for youth. Governments elaborated their youth-states at mid-century to varying degrees, and there is a fair correlation worldwide between the scale of family support and the size of the post-war baby booms. New Zealand had both the most extreme of baby booms and the most generous of youth-states. Between the mid-1930s and mid-1940s, for example, the real incomes of lower or median-income, single-earner families of three or four children doubled, so great were the many support measures put in place then. Subsequent population developments have continued to fit the pattern, as youth-state gave way to elder. Early marriage and high fertility remained prevalent through the 1950s, eased slightly in the 1960s, and fell away sharply from the early 1970s.

I am not suggesting that this is all there has been to the history of fertility or marriage. But the trends are at least explicable in terms of an evolving mass common, and deserve close attention. Later 20th-century populations have been squeamish about talking of fertility and the political or economic factors driving it, and prefer to accept fertility decline or population ageing as simply an uncontrollable given of life. We accept that these are shaping and constraining our futures quite radically, but not that we have effect or responsibility in any of this. I am not convinced: late 20th-century societies seem to have the population ageing we should have expected of an ill-managed common.

Shifting Moods

Various other possible outcomes of the common experiment might also be noted in passing. A growing gulf between rich and poor, now widely reported, should perhaps have been predicted, as well as a growing indifference to it. To accept redistribution to those poorer than themselves, individuals must feel that their own lives and future incomes are secured. In the early years of the welfare state populations could hold this faith, but it has become increasingly difficult to do so. The individual is forced constantly to look to personal position and advantage, since not to do so would be to slip back relative to more demanding others. Humanitarian instincts must suffer and take second place, as unease and suspicion about personal future prospects mount.

Shifts in moods, values and ideas are other products of this. The growing sense of insecurity, which I find to be widespread at the end of the 20th century, is an example of these mood changes. The welfare state was created to bring peace of mind about the future. It seems to deliver this in ever-smaller doses, even as the extent of the welfare state's activities has gone on expanding. These are not ironical contradictions, however: every success I enjoy in drawing prizes from the common increases my suspicion that there are few limits to what I should or can claim, that I don't understand what to ask for, and that others may be shrewder than I and hence doing better. Success in drawing benefits encourages the very unease it is supposed to allay.

A decline in public and private morality, about which much is now said, would also conform to the convoluted logic of compulsory pooling. By declining morality is commonly meant a waning of concern for others, or an unwillingness to moderate our personal self-interest for some shared good. Rising crime rates, tax evasion, vandalising of public and private property, the questionable ethics of some businesses — all are produced as evidence of this decline.

Again, any loss of concern for others might be seen as part of the inexorable workings of our particular forms of collective action. Idealism and public spirit will in time tend to be corrupted into a narrow self-centredness, not because the welfare-state experiment has failed or gone off the tracks somewhere along the way, but because in a sad way it succeeded. The 'corruption' of growing self-interest, we might say, was present in the genes from the outset, at once both alien and inherent to the organism.

The sharp rightward turn in politics and economics in the last decade is comprehensible in similar terms. What is referred to as a glorification of self-interest, and the denigration of public activity, represent to many a stunning and bewildering reversal of the ideology of a few decades ago, when the new welfare state was erected to control these very 'evils'. It may be a reversal, but it does not mean that the welfare state has been hijacked: it has evolved as it would. A system of pooling, intended to relieve personal anxiety and to turn thoughts towards the community good, instead works over time to the opposite end. In addition, as it becomes clear that the common is being depleted, and that future benefits drawn from it must shrink, a switch towards an individualistic ideology becomes attractive. That can mean that each justifies the personal gains made at the expense of the pool, and yet cuts future obligations to successors.

Chapter 6

The Options

An extreme reaction now would be to abandon the common: to declare the welfare state hopelessly corrupt and ruinous, seek an end to public welfare action, put all resources into private ownership, and let individual, family and voluntary collective action take over. That is unlikely to be practicable, since too many lives have been shaped too heavily by the existence of the welfare common for it to be dropped at once, or for any electorate to contemplate it. Nor would I think it desirable. Private, common and open-access property have existed side by side through human history, not because of ideology or an incomplete evolution from one property form towards another, but because a mix works and is unavoidable. Some resources cannot be divided and allocated readily by private property rules, though I know some argue differently. Some ends cannot be achieved by those means either, and basic levels of wellbeing or of social efficiencyseem to me to lie in that realm.

Furthermore, nothing in my historical study indicates that substantial public welfare action can or should now be avoided. Students of the rise of capitalism and of subsequent urban industrial society all stress that the population, family and other productive structures underlying that success were all predicated upon large elements of public welfare action: the welfare state is in important senses not new. Individuals could be encouraged to take the necessary risks involved only if clear and substantial fall-back support was in place (Smith, 1988; Wrigley, 1988). In Anglo-Saxon societies through several centuries, those supports have been public and compulsory rather than private or voluntary. At times public support was scaled back; the 19th century was the clearest instance of this. But a revulsion against that — as against earlier — attacks upon long-established ways and values soon developed, and propelled the 20th-century drive towards ever-greater public action which has abated only recently (Thomson, 1986). I do not see that things would be very different now.

However, to accept this is not to hold that existing arrangements are right or appropriate; they clearly are not. A welfare common of sorts may be necessary, but it has to be managed much more carefully than we have achieved of late. A first step would be to drop the arrogant assumption that all in the 20th century is new and unprecedented, to recognise that the welfare state is a form of common, and to study the experiences of those closely, for there is much such experience about. We will then have to debate more specific commons issues — which I see us doing already in the 1990s, though largely unaware of it and in the guise of ideologies. The unit of pooling may need to be much smaller than the nation, and I suspect it was more and stronger reasons than poor communications that kept pre-20th-century poolings small and local. The boundaries between private, 'true' commons, and open-access property will need to be firmed, made explicit and patrolled. Rights and responsibilities towards the pool will have to be clarified and insisted upon, something we have been very reluctant to do as yet.

More difficult still will be the need give close consideration to what should be in the pool and why, and what can best be left out. Policing of compliance will need to be thought about very carefully, and will help determine all of the above issues. The extent to which we are happy or unhappy to apply sanctions, or to maintain and highlight evidence of individual behaviour towards the common, will be critical in resolving the bounds of a workable common. Extensive pooling and minimal enforcement are mutually incompatible, no matter how appealing in the short term. Promotion of long-term investment and generational consistency will also have to be a central concern. A 'generational audit and impact report' might have to accompany each proposal for public spending, to show how the interests of the later-born are being protected, or why public rather than some private property arrangements secure these best.

Over all will stand the need to confront the nature of pooling directly. A common cannot be left to run on autopilot, but requires constant vigilance, restraint and sober assessment if it is not to veer to excess. Human societies everywhere used to understand these things. It is time we relearned some lessons.

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Welfare States and the Problem of the Common

David Thomson

Modern welfare states involve large-scale pooling of risks and resources by people of different generations. But whereas this is supposed to work to the benefit of all through an implicit contract between the generations, in New Zealand it benefits only those born between 1920 and 1945, and penalises those born later.

In this contribution to the CIS Social Welfare Research Program, David Thomson argues that the typical welfare state produces unintended generational inequity because it is an ill-designed common: since no one is rewarded for self-restraint, everyone is encouraged to seize as much of it as possible, and as quickly as possible, for personal use. The ageing, self-destructing modern welfare state generates suspicion, anxiety and selfishness — the very evils it was supposed to eliminate.

David Thomson is a Senior Lecturer in History at Massey University, Palmerston North, New Zealand, where he teaches New Zealand and European social, demographic and family history. He is an associate of the Cambridge Group for the History of Population and Social Structure.

His publications include *Selfish Generations? The Ageing of New Zealand's Welfare State* (Bridget Williams Books Limited, Wellington, 1991).

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