



THE CRISIS OF THE WELFARE STATE

Ethics and Economics

Michael Novak

The Author

Michael Novak holds the George Frederick Jewett Chair in Religion and Public Policy at the American Enterprise Institute in Washington DC. He has written over twenty influential books in the areas of philosophy, theology, politics, economics and culture, including: *The Spirit of Democratic Capitalism* (1982), *Freedom with Justice* (1984), *Will it Liberate? Questions about Liberation Theology* (1986), *Taking Glasnost Seriously* (1987), *Free Persons and the Common Good* (1989) and, as his reply to Max Weber, *The Catholic Ethic and the Spirit of Capitalism* (1993).

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Introduction: The death of socialism

All over the world, lapel buttons inscribed 'communism' have begun to fall like autumn leaves; but not only buttons marked 'communism', also those inscribed 'socialism'. Thus, the collapse of 'real existing socialism' in its stronghold in the former Soviet Union is still rippling through the structures of international socialism. Economically, this collapse was radical. It proved that as an *economic* theory socialism was fatally flawed. It indicated too, that the socialist analysis of capitalist (and democratic) regimes was incorrect. According to the primal socialist theory, which had been presented as 'scientific', capitalism must necessarily fail – inevitably, without doubt. This so-to-say indestructible 'scientific' certitude lent socialist theory the characteristics of a quasi-religious faith. With the collapse of its empirical correlative, this faith also collapsed.

But the collapse of that faith affected not only Communism but all those other doctrines and ideals that were infused with socialist economic principles, including Western socialism and even social democracy. In the spring of 1993, the socialist party in France received one of the most thorough electoral rejections in democratic history and, for all practical purposes, fell in ruins. Communist and socialist parties around the world have been hurrying to change their official names, usually to some euphemism such as 'social democratic'. Yet, even supposing that these shifts are being executed in good faith, it is doubtful that the social democratic ideal of Europe is invulnerable. Indeed, whether it is so, and to how great an extent, is today a burning question: Is there not today, beyond the crisis of socialism, a crisis of the welfare state, that is, of the very flower of social democracy? The *fact* seems undeniable. What are we to make of it?

The erosion of responsibility

No less an authority than the Second Vatican Council in *Gaudium et Spes* (1965), after having praised the new 'body of social institutions dealing with insurance and security' that came into existence after World War II, and after having urged that 'family and social services, especially those that provide for culture and education, should be further promoted,' issued a prescient warning, whose full force is only now becoming apparent:

Still, care must be taken lest, as a result of all these provisions, the citizenry fall into a kind of *sluggishness* toward society, and reject the burdens of office and of public service. [para. 69, emphasis added].

'Sluggishness' – that is the exact word. Already in 1965 a widespread uneasiness was growing. The Achilles heel of social democracy is that it cedes too much responsibility to the collective and thus, in large part, ignores what Pope John Paul II has come to call the 'subjectivity' of the human person; that is, the very core of personal responsibility, on which human dignity is grounded.

Is it an accident, then, that in the Netherlands and Germany today's high unemployment figures would be even higher, if all those currently unemployed workers who are collecting disability benefits for 'bad backs' were also included?¹ The false excuses and malingering which have everywhere dimmed the idealism of the social democratic state have made the latter prohibitively expensive. Plainly, also, the state has been corrupting the populace, and diminishing the sense of personal responsibility, by offering benefits too generous to be resisted.

In social democracy, two errors against a Christian anthropology have been committed. First, idealists have overlooked the moral weakness that commonly vitiates a personal sense of responsibility, an observable fact described in the phrase 'because of original sin'. (This is the only Christian teaching for which faith is not necessary, it is so amply confirmed in human history.) From this moral weakness, none of us is exempt. The benefits of the welfare state are far too easy to obtain and too attractive to resist. We come to feel (by a multitude of rationalizations) that the state 'owes' us benefits, that we are as 'entitled' to them as anybody else, and that we would be foolish not to take what is so abundantly offered whether, strictly, we need it or not. The welfare state corrupts us all.

Second, in an exaggerated reaction against 'individualism', beyond what is strictly called for, social democrats not only tend to overemphasise 'community', but also too uncritically to identify 'community' with the 'collective'. Then, as the primary agent of community, they choose the enlarged administrative state. Some do this even while warning themselves against the dangers embedded in the collective (that it denies the subjectivity of the person, e.g.)

Two results follow from these errors. On the one hand, the subjective sense of personal responsibility has atrophied, breeding the 'sluggishness' that the Vatican Council warned against. On the other hand, the administrative state has more and more swallowed up the functions that used to be exercised by civil society. Mediating institutions have become enfeebled. The principle of subsidiarity has been violated, as the higher levels crush the lower.

All this brings to light precisely the fate that Alexis de Tocqueville said would befall democracy in the modern world; *viz*, that it would give rise to a 'new soft despotism'. In place of those first generations of self-reliant democrats whom he so much admired, doing for themselves what in the *Ancien Regime* their ancestors had relied on the state to do, the welfare clients of the future, Tocqueville foresaw, would yield to the soft maternal tyranny of the state, if only it promised to care for all their slightest needs. In place of the self-disciplined, community-minded individuals of its beginnings, stoutly obeying that 'first law of democracy', the principle of association, the democracy of a later time would dissolve into interest groups fighting for position to obtain favors from government. This entire passage from *Democracy in America* [see Vol II, Bk IV, Ch VI excerpted in the appendix] deserves to be quoted in full, studied, and even memorized, for it diagnosed exactly the false arguments by which the self-governing communities promised by democracy in its beginnings would eventually surrender to despotism:

Having thus taken each citizen in turn in its powerful grasp and shaped him to its will, government then extends its embrace to include the whole of society. It covers the whole of social life with a network of petty, complicated rules that are both minute and uniform, through which even men of the greatest originality and the most vigorous temperament cannot force their heads above the crowd. It does not break men's will, but softens, bends and guides it; it seldom enjoins, but often inhibits action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with government as its shepherd.

Not unlike Tocqueville, Pope John Paul II has also been an astute student of the democratic experiment, and has closely watched the worm of a self-destructive logic boring into it. His brief analysis of the crisis of the welfare state in section 48 of *Centesimus Annus* is a masterpiece in miniature. This section appears in the chapter, 'State and Culture,' and follows brief sections that discuss, in turn, 'a sound theory of the state;' the destruction of civil society by the totalitarian state; and the rule of law, together with the protection of individual and minority rights. Section 48 begins by noting that the activity of a market economy:

presupposes sure guarantees of individual freedom and private property, as well as a stable currency and efficient public services. Hence the principal task of the State is to guarantee this security, so that those who work and produce can enjoy the fruits of their labours and thus feel encouraged to work efficiently and honestly.

The Pope then discusses rare but necessary interventions of the state in the economic sector. Even here, he emphasizes that 'primary responsibility in this area belongs not to the State but to individuals and to the various groups and associations which make up society.'

According to the Pope, the State may have the duty to intervene in the economic sector in certain strictly limited circumstances. He does not yield to absolute *laissez-faire*. But he warns the State to keep its interventions brief 'so as to avoid removing permanently from society and business systems the functions which are properly theirs, and so as to avoid enlarging excessively the sphere of State intervention to the detriment of both economic and civil freedom.' Immediately, there follow two long paragraphs on the crisis of the welfare state, beginning thus:

In recent years the range of such intervention has vastly expanded to the point of creating a new type of state, the so-called 'welfare state'. This has happened in some countries in order to respond better to many needs and demands, by remedying forms of poverty and deprivation unworthy of the human person. However, excesses and abuses, especially in recent years, have provoked very harsh criticisms of the welfare state, dubbed the 'social assistance state'. Malfunctions and defects in the social assistance state are the result of an inadequate understanding of the tasks proper to the state.

Here the Pope articulates three principles by which the interventions of the welfare state are to be limited: the principle of subsidiarity (first articulated, as an important encyclopedia of Vatican II makes clear, by Abraham Lincoln²); the law of unintended evil effects; and the principle of personal moral agency.

The principle of subsidiarity is well known, often ill-understood, and even more often violated in practice; here is how the Pope states it:

A community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need . . .

The principle of unintended evil effects seems to be an expansion of the famous principle articulated by Adam Smith and Friedrich Hayek: the law of unintended consequences. The good intentions of the State often go awry, due to the weak and often misguided epistemology of collectives, as well as to institutional arrogance. The welfare state gives rise to four unintended evils in particular:

By intervening directly and depriving society of its responsibility, the Social Assistance State leads to (1) a loss of human energies and (2) an inordinate increase of public agencies, which (3) are dominated more by bureaucratic ways of thinking than by concern for serving clients, and which (4) are accompanied by an enormous increase in spending. [enumeration added]

The Pope's third principle for criticizing the welfare state highlights the role of what Edmund Burke called 'the little platoons' of human life:

In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbours to those in need. It should be added that certain kinds of demands often call for a response which is not simply material but which is capable of perceiving the deeper human need.

Better than the Social Assistance State, in other words, is assistance provided on a more human scale, by the self-governing institutions of civil society, in which the subjectivity of the persons giving help encounters the subjectivity of persons in need. Human need is seldom merely material. *Cor ad cor loquitur*. Abyss cries out to abyss, as the Psalmist puts it. There is a depth in each human narrative, over which the Social Assistance State merely glides, and statistics merely skate.

In displacing the action of human charity, the Social Assistance State imports four evils worse than its purported cure. In displacing the 'little platoons' that give life its properly human scale, the Social Assistance State generates a 'mass society', impersonal, ineffectual, counter-productive, and suffocating of the human spirit. In displacing the vitalities of a thick and self-governing civil society, the Social Assistance State diminishes the realm of responsible personal action.

Indeed, reflecting on section 48 of *Centesimus Annus*, we see the many ways in which the modern welfare state has been, although well-intentioned, misconceived. Without question, it has done much good, particularly for the elderly, and yet in many nations its results for younger adults, and especially for marriage and family life, have been highly destructive. The proportion of children born out of wedlock has hit unprecedented levels in many nations, including the United States, Great Britain and Sweden.³

Indeed, this may be the most devastating piece of evidence in the case against the welfare state. Quite unintentionally, contrary to its intention, social democracy demonstrably destroys families even in cultures in which the family has been the primary basis of strength for millennia.

Furthermore, a growing chorus of voices – including leading Social Democratic voices such as that of the late Gunnar Myrdal – bewail the visible decline in personal responsibility, work habits, and moral seriousness. Such habits are being lost; plain garden variety virtues such as decency and kindness and personal reliability are coming to seem old fashioned; and persons of sturdy character are being ridiculed by those to whom the ideal of character was never even taught. We have forgotten how to form a public culture that gives instruction in the virtues without which the free society cannot draw air into its lungs.

In Southern Italy, the penetration of government bureaucracies by nefarious forces that prosper on the enforced dependency of welfare clients has been noted (and denounced) even by the Pope himself.

Perhaps we may summarise the argument thus far by underlining several lessons gleaned from the experiment in welfare democracy these last 50 years:

(a) Human needs are more than material, and the concentration of the welfare state on material benefits and material security is misconceived.

(b) Terms such as ‘community’ and ‘social’ apply best to the little platoons of civil society rather than to the state.

(c) ‘Community’ does not mean ‘collective’; like the totalitarian state, the collective is not only impersonal but often crushes the subjectivity of true community.

(d) Apart from personal responsibility, no democracy can long survive; democracy requires 'individualism rightly understood,' nourished on public-spiritedness, as described by Tocqueville in *Democracy in America*.

(e) The main agent of social justice is not the state but, rather, civil society.⁴ To focus social justice primarily on the state is a most costly error – costly both morally and economically.

(f) There is no question of doing away with the good achieved by the welfare state; but surely it could be much enlarged and achieved much more humanely by a *better conceived* welfare programme, using society as its proximate instrument rather than the state.

Some of the benefits of the welfare state – particularly, some of its social insurance schemes – do seem to contribute to a necessary sense of security and stability, among populations that during the twentieth century suffered quite enough turmoil. But a great mistake seems to have been made in anchoring these insurance mechanisms in a grand state apparatus, necessarily bureaucratic and inefficient, rather than in more imaginative patterns that would have strengthened civil society and personal responsibility.⁵ Might not social security savings for most of the elderly, for example, have been organized through the private sector, with state assistance (perhaps through vouchers) only for the indigent? And why was health insurance not vested in individuals, through tax-exempt portions of their salaries, with a wide range of private sector choices open to them as to how to invest their personal health funds?

A concrete example may lock in the point. A family with a retarded child might be able, given an income tax deduction of (say) \$5000 every year, to care for that child at home, and even to purchase equipment necessary for that care. The total institutionalisation of that child, by contrast, would cost the state (in the U.S.) in excess of \$33,000 per year. Such an adjustment would surely help the child, the family, and civil society, while also saving money for the state.

The more general point is: under social democracy, the state has been assigned too much. The state takes up too much social space. The subjective human agent – and civil society – have been allowed too little space for the free exercise of personal responsibility and social invention.

The moral basis of liberty

Everywhere, in brief, the welfare state has overpromised – and underachieved. It costs too much. And it is generating a ‘new soft despotism’. Unless social democratic societies are seriously reformed, on the basis of a more realistic and pragmatically sound humanism, the fate of democracy itself is in doubt. For the project of self-government depends on the capacity of citizens to govern their own passions, urges, habits, and expectations. If they cannot govern their own lives individually, how can they be successful in self-government as a republic? The project of self-government is moral – or not at all. If so much is agreed upon, we must next probe the moral dimensions of liberty.

When we use the word ‘liberty’ in the context of discussing the free society, for example, we do not mean any liberty at all. As those French liberals knew who designed the Statue of Liberty in New York harbour in 1886, the *liberté* of the French Revolution (understood as licentiousness) called forth tyranny. True liberty, as Lord Acton said, is the liberty to do what you ought to do, not the liberty to do as you wish.

Of all the creatures on earth, only humans do not act solely from instinct. They are made in God’s image, in that they alone are able through reflection to discern for themselves their duties and obligations, and to take on board their own responsibility for meeting them. Thus, to practice liberty rightly understood is to accept responsibility for one’s own acts. That gives humans dignity.

In this spirit, the Statue of Liberty designed by French liberals showed a woman (wisdom) bearing in one hand the upraised torch of reason (above passion, ignorance, and bigotry) and in her other hand a book of the law. As if to say: ordered liberty is liberty under reason, liberty under the law. As the American hymn puts it:

*Confirm thy soul in self-control,
Thy liberty in law.*

The problem with the welfare state is that it has been so designed that it has become a substitute for responsibility, liberty, self-control and law. Its administrative system has been deliberately constructed to be amoral (‘non-judgmental’)⁶. It neither demands nor rewards responsible behaviour. It corrupts the virtuous, and pays equal benefits to those who spurn virtue. It treats citizens as if they were

premoral beings; it makes passive clients of them all. It has been designed as if fashioning responsible citizens were none of its concern. Indeed, it subsidises irresponsibility, and thus makes a mockery of those citizens who in an old-fashioned way still believe in their own capacities for independence, hard work, and self reliance.

Conclusion: The reconstruction of free institutions

For more than a century, socialism misled the human imagination by riveting attention on the state. Correspondingly, the mistake of social democracy lay in channelling man's social nature into the state, and in suppressing personal responsibility and inventiveness. But the true dynamo of self-government among free peoples is not the state, but the person and civil society. Thus the pursuit of social justice today requires a new and more promising line of attack: close attention to personal responsibility and civil society. Public welfare systems need to be redesigned, so as to draw forth from individual persons, their families and their associations their best (most inventive, most creative) efforts. Wherever possible, state bureaucracies need to be replaced by the institutions of civil society. If social justice means 'objective social arrangements' it is not a virtue but a form of regime; if social justice is a virtue, it can only be practiced by persons. Today we have need of more social justice *as a virtue*.

For serious democrats, serious humanists, and serious Christians and Jews, the underlying practical question is as follows: Does the welfare state draw out personal responsibility and creativity? No, it does not. A better way lies in maximizing personal responsibility and greatly strengthening the mediating institutions of civil society.

In Britain, as well as in my own country, much serious thinking has gone into how to turn this bare intuition of a new *mystique* into a substantial *politique*. In such matters, citizens of each country must think for themselves and invent their own concrete solutions. Each of our nations has more than enough to do, if democracy is to survive in the 21st century – a fate that is by no means assured.

Notes

1. In the Netherlands, 'unemployment is only around 7.5 percent. But that comparatively low figure masks a striking level of inactivity in the Dutch labour force. About 15 per cent of the potential workforce is collecting disability under a generous system that has granted workers a net 80 per cent of their take-home salaries for life. . . . Since unemployment benefits are less generous, many workers who would otherwise be counted in the jobless rolls have managed to get on disability.' According to Geerit Zalm, Managing Director of the Central Planning Bureau, 'One-third of the disability inflow is because of psychological problems. Another third is because of back-problems, which are sometimes questionable.' See Eugene Robinson, 'Europeans See an End to Long-Guaranteed Social Welfare "Rights",' *Washington Post* (April 12, 1993).
2. Abraham Lincoln formulates this principle as follows: 'The legitimate object of government is to do for a community of people whatever they need to have done but cannot do for themselves in the separate and individual capacities. In all that people can individually do as well for themselves, government ought not to interfere.' See 'Subsidiarity,' *Sacramentum Mundi: An Encyclopedia of Theology*, edited by Karl Rahner (New York: Herder and Herder, 1970, vol. VI, 115).
3. Over 50 per cent of all children born in Sweden are born out of wedlock compared with about 22 per cent in the United States. This difference is due in large part to the fact that 25 per cent of all couples in Sweden are living in consensual unions, compared with about 5 per cent in the U.S. However, the divorce rate in Sweden is still surprisingly high – 36 per cent compared with 42 per cent in the U.S. See David Popenoe, 'Family Decline in the Swedish Welfare State,' *The Public Interest*, Winter 1991, 66-67. Also, for more statistics on the United States, see *The New Consensus on Family and Welfare*, edited by Michael Novak, (Washington, DC: American Enterprise Institute, 197).
4. For a more detailed discussion of 'social justice', understood in this way, see Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: The Free Press, 1993), Chapter 3.
5. For examples of experiments in this new direction, see Laurie McGinley, 'Beyond Handouts: New Social Programs Emphasise Flexibility and Self-Sufficiency,' *Wall Street Journal* (May 17, 1993, A1.)
6. One Swedish official commented: "You can no longer speak publicly in Sweden about nuclear families being 'good' because there are now so many single parents, and you don't want to make them feel bad." See David Popenoe, 'Family Decline in the Swedish Welfare State,' *The Public Interest*, Winter 1991, 73.

Appendix

Excerpt from Alexis de Tocqueville, *Democracy in America*, trans. George Lawrence, ed. J.P. Mayer (New York: Harper & Row, 1966), Vol II, book IV, Chapter VI, 'What Sort of Despotism Democratic Nations Have to Fear', pp. 690-693.

. . . Thus I think that the type of oppression which threatens democracies is different from anything there has ever been in the world before. Our contemporaries will find no prototype of it in their memories. I have myself vainly searched for a word which will exactly express the whole of the conception I have formed. Such old words as 'despotism' and 'tyranny' do not fit. The thing is new, and as I cannot find a word for it, I must try to define it.

I am trying to imagine under what novel features despotism may appear in the world. In the first place, I see an innumerable multitude of men, alike and equal, constantly circling around in pursuit of the petty and banal pleasures with which they glut their souls. Each of them, withdrawn into himself, is almost unaware of the fate of the rest. Mankind, for him, consists in his fellow children and his personal friends. As for the rest of his fellow citizens, they are near enough, but he does not notice them. He touches them but he feels nothing. He exists in and for himself, and though he still may have a family, one can at least say that he has not got a fatherland.

Over this kind of men stands an immense, protective power which is alone responsible for securing their enjoyment and watching over their fate. That power is absolute, thoughtful of detail, orderly, provident and gentle. It would resemble parental authority if father-like it tried to prepare its charges for a man's life, but on the contrary, it only tries to keep them in perpetual childhood. It likes to see the citizens enjoy themselves, provided that they think of nothing but enjoyment. It gladly works for their happiness but wants to be sole agent and judge of it. It provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, makes rules for their testaments, and divides their inheritances. Why should it not entirely relieve them from the trouble of thinking and all the cares of living?

Thus it daily makes the exercise of free choice less useful and rarer, restricts the activity of free will within a narrower compass, and little by little robs each citizen

of the proper use of his own faculties. Equality has prepared men for all this, predisposing them to endure it and often even regard it as beneficial.

Having thus taken each citizen in turn in its powerful grasp and shaped him to its will, government then extends its embrace to include the whole of society. It covers the whole of social life with a network of petty, complicated rules that are both minute and uniform, through which even men of the greatest originality and the most vigorous temperament cannot force their heads above the crowd. It does not break men's will, but softens, bends and guides it; it seldom enjoins, but often inhibits action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with government as its shepherd.

I have always thought that this brand of orderly, gentle, peaceful slavery which I have just described could be combined, more easily than is generally supposed, with some of the external forms of freedom, and that there is a possibility of its getting itself established even under the shadow of the sovereignty of the people.

Our contemporaries are ever prey to two conflicting passions: they feel the need of guidance, and they long to stay free. Unable to wipe out these two contradictory instincts, they try to satisfy them both together. Their imagination conceives a government which is unitary, protective, and all powerful, but elected by the people. Centralization is combined with the sovereignty of the people. That gives them a chance to relax. They console themselves for being under schoolmasters by thinking that they have chosen them themselves. Each individual lets them put the collar on, for he sees that it is not a person, or a class of persons, but society itself which holds the end of the chain.

Under this system the citizens quit their state of dependence just long enough to choose their masters and then fall back into it . . .