CHAPTER – II

Welfare State and Its Discontents

The welfare state was a system of government organized to ensure the well-being of its citizens and to utilize their collective resources to this end. Since World War II the term welfare has been widely attached to political theory and political life. The welfare state saw the pinnacle of its growth between 1960s and 1970s, as the governments everywhere expanded welfare provisions and they enjoyed vast public approval.

Almost all western industrialized democracies enumerated policies of income and security and provided their citizens welfare measures in the sphere of education, health, housing, counseling and employment. The proportion of national income allotted to these programmes also increased steadily as the welfare state grew.

The twentieth century witnessed a dramatic increase in the role of the state in the social sphere. As against Marx’s claim that the modern state could act only in the interests of the bourgeoisie, the state extended its activities in the fields of social security, unemployment benefit, old age pensions, health and education and in many other policy areas. Earlier these responsibilities were handled by individuals themselves or the intermediary institutions, such as churches, community and ethnic groups, which stood between persons and the state in the structure of civil society.¹

Though the welfare state underwent a vast expansion in 1970’s the ideas used in current political thought about welfare are at least two hundred years old.² Maximizing the well being of the individual has been a political value taken seriously by the state at various levels of its growth. However, there was a difference in the kind of importance attached to it in terms of policies and institutions.

² Norman Barry holds the opinion that they are two hundred years old. See, Norman Barry, Welfare, New Delhi: Viva Books, 2002, p.7.
Economists and social philosophers considered that there are different sources of pursuing the well-being of people. However, only in the mid-twentieth century welfare state evolved as a policy, and institution, with the intellectual consensus that political authorities should be responsible for the provision.

Welfare state went through various phases such as Bismarkian authoritarian welfarism to the post-liberal welfarism in making provisions for the affected. At present, globalization with its emphasis on the free market questions the validity of the welfare state seriously. As a result, the social protection and social policy of nations both in advanced industrialized countries as well as in the poor countries of the developing world is seriously threatened.

Opposition to welfare state has grown more pronounced since 1970’s, in the industrial countries citing economic stagnation, inflation, and unemployment. Due to adverse economic situation, the capability of the state to cater to ever-increasing burden of social services has been considered anachronistic and the costs of welfare have shown to outrun available resources. Yet, welfare remains an important issue that affects significant sections of societies in the world.

Welfare state varies from one country to another as every country has a distinct and specific experience in designing its welfare system, affirming the importance of its multiple developmental trends. In the present context of globalization the specific concern is to examine the future of the welfare state as an institution in the light of the challenges posed by the forces of globalization and neo-liberal ideology. This chapter attempts to analyze the welfare state and its antecedents, policies and its political philosophies in order to examine its relevance and viability in the present. The shift in the growth of the provisions welfare is surveyed here to highlight its trends.

**Historical Development: Major Phases**

The idea of welfare was linked to the progress made in economics by David Hume and Adam Smith, though the main elements of welfarism were found in the utilitarian tradition. Concerns on welfare state are sometimes traced to ancient Greek
period. The doctrine that the state was responsible for the welfare of the poor was generally accepted in Hellenistic times.3

However, welfare state grew out of the travails of poverty and socio-economic disparities in Europe in 1800s. Much of it was meant to address the discontent among the working class. The perusal of the evolution of welfare state shows that it was a response to the contradictions of industrialization that surfaced in 19th century. Industrial development placed a new set of demands on the state. It was on Feb 15, 1881 that Kaiser Wilhelm I of Germany proposed in a message to the Reichstag that social insurance be used to protect German workers against losses of income, resulting from industrial accidents and old age. However, such an attempt did not go much beyond the level of policies of the authoritarian government. There was neither a welfare state nor a welfare philosophy to validate the claims of welfare state in 19th century. No doubt, Bismarck’s social welfare legislations of 1883-89 became popular especially in the last two decades of the nineteenth century. Bismarck gave an emphasis on social security and social insurance. Truly, in Germany, under Bismarck, there came to be forged at first systematic state system of social welfare, including old age pensions, and social insurance, which became something of a model to be initiated elsewhere.4 These policy measures were inspired by the working class demands, middle class liberal humanitarianism, and the paternalism of the Bismarkian regime. The Scandinavian political choices for welfare state also bore the marks of the Bismarkian concept of national social insurance of 1880s.

No doubt Bismarck had a political objective when he introduced social insurance in Germany. We need to recall that Germany was the hotbed of socialist movement during the final quarter of 19th century. The movement was led by the largest socialist party in the then socialist movement, the Social Democratic Party (SPD).5 The message by Kaiser to the Reichstag in February 1881

makes it clear. In his efforts to protect and stabilize the authoritarian consensual order Bismarck employed a two-way strategy. He introduced a ‘law on the socially dangerous striving of Social Democracy’ to cut to size labour organizations and also the social insurance legislation. Though welfare state had humanitarian considerations, political implications played an important role. In pre-democratic Sweden it is argued, ‘social insurance was seen as a technique to prevent social unrest and diminish the appeal of socialism’. In Britain, it was believed that social reforms were essential for the broad basing of liberalism. The liberal government developed Pension Act of 1908 which provided for a small contributory pension at the age of 70 to those with very low income. Though this reform failed because of the treasury opposition the liberals were able to achieve National Insurance that consisted of compulsory personal saving to provide a fund to supplement income. The National Insurance also consisted of means-tested health insurance and unemployment insurance. Even Gaullist France, at the end of the II world war emphasized on social security as a method to protect social peace and stability, first against the economic fluctuations and second as an example of the association between capital and labour. The beginnings of the welfare state are therefore deeply caught in the defence of the existing order be it authoritarian or liberal and such an endeavour pitted itself against any radical understanding of the existing dispensation. However, the beginning made by Bismarck through the concepts of welfare provisions evolved the state as a guarantor of certain minimum standards of material well-being, which most states replicated later. As such the welfare

6 It stated, “The healing of social ills cannot be achieved exclusively by way of repressing socialistic excesses but must be sought simultaneously through the positive promotion of the worker’s welfare...The institutions which until now were to protect the worker who found himself in a helpless state because he had lost his ability to work, either by accident or on account of old age, have proven to be inadequate. This inadequacy has not been minor factor in inducing members of this social class to seek the road of relief by supporting Social Democratic aims.” Cited in, King Anthony, “The Political Consequences of the Welfare State”, in Evaluating Welfare State: Social and Political Perspectives, New York: Academic Press, 1983, p.13.
7 Ibid., p.14.
8 Lylod George who copied social insurance from Germany stated thus, “British liberalism is not going to repeat the fate of Continental Liberalism. The fate of Continental Liberalism should warn them of that the danger. It has been swept on one side before it had well begun its work, because it refused to adapt itself to new conditions. The liberalism of the Continent concerned itself exclusively with mending and perfecting the machinery which was to grind corn for the people. It forgot that the people had to live whilst the process was going on, and people saw their lives pass away without anything being accomplished. British liberalism has been better advised. It has not abandoned the traditional ambition of the Liberal Party to establish freedom and equality; but side by side with this effort it promotes measures for ameliorating the conditions of life for the multitude.” Cited in, Ibid., p.14.
9 Ibid., p.15.
provisions began to include insurance against sickness, accidents, unemployment, old age etc. Active interests in health care and in housing market was also taken as an initiative by the government and included as the welfare provisions.

There were basically two political considerations on which welfare provisions grew. One was to protect the political stability and the other was to deter the growth of left-wing political parties. The first one became a method to reconcile the individual to the state and the second served as an ideological weapon in the hands of the then conservatives to protect social order. The conservative prime ministers of Britain in the 1950s, considered welfare legislation not merely to be distinguished from socialist legislation, but as its direct opposite and its most effective antidote. Socialism will not get hold of public imagination, neither of the working class nor of any classes, if those who wield the collective forces of the community show themselves desirous to ameliorate every legitimate grievance and to put society on a proper and solid basis.

Welfare remained a highly contested idea. While there emerged a great deal of convergence over time about what constituted discrete welfare measures, there were widely differing reasons and perspectives on the issue. The two research works one by Harold L. Wilensky’s *Welfare State and Equality: Structural and Ideological Roots of Public Expenditure* (1975) which underlines the role of impersonal economic factors and Gosta Esping-Andersen’s *The Three Worlds of Capitalism* (1990), highlights the role of politics and political institutions in the making of welfare state. Andersen concretizes his argument with reference to different types of advanced welfare capitalism and for the purpose proposes the typology of three ‘policy regimes’. Every policy regime is a complex made of specific institutional structures resting on distinct socio-political power structure and begets a type of welfare state characteristic of such a regime. One of Esping-Andersen’s ideal types is the ‘conservative’, or ‘Christian democratic’ welfare-policy regime, which is evident in the continental European states (such as Germany, Austria and the Netherlands). According to this model, conservative social forces, connected with the state and the church, and with their roots in pre-capitalist society, took the lead in

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10 Anthony King provides the instances of the growth of the political parties such as SPD in Germany, the Labour Party in Britain, and the communists in France. Ibid., p.15.
11 Ibid., p.16.
welfare state development in the late 19th century. Following the initiative of the 'Bismarck reforms' of 1880s, these forces mediated between the forces of capitalist development and the emerging socialist working class, to ensure that the disintegrative effects of the capitalist classes did not lead to a socialist revolution. The basic social purpose was to mellow down the morally degrading and anomic effects of capitalist commodification, and to ensure that the proletariat remained integrated into the national fold as a loyal subject of the state. The workers were granted corporative status and protection in the national community, in exchange for obedient loyal subjects.

Welfare state grew at a greater speed in the post liberal phase. No doubt, the existing social insurances were sought to be safeguarded in the political struggles generated by the industrial revolution during the second half of the nineteenth century. During this period the liberal doctrine of classical laissez-faire or 'market liberalism', resisted state intervention in the market, and such a doctrine was politically dominant in Western Europe. However, by the turn of the century this liberalism had modified into New Liberalism or 'social liberalism', accepting limited political intervention into the market. It is this liberalism that supported the growth of welfare state. The European countries adopted welfare as a political choice in the twentieth century, and it became an accepted doctrine among them. The institutionalization of welfare measures began to be popularized to curb the effects of the depression and subsequently as a policy of social reconstruction in Western Europe. This welfare state came to devote considerable resources to tackle problems of poverty and marginalization. Welfare became important not merely as a government policy but also began to be associated with political values such as rights, needs and equality.12

'The liberal welfare policy regime' is the second policy regimes that Esping-Andersen identifies as a distinct mode of welfare state. It bases itself on the socio-political experiences of USA, Britain and Canada. Andersen argues that the welfare policy in this regime is to maintain and reproduce the principles of possessive individualism. In the liberal state citizens are encouraged to seek their welfare in the

market, through private welfare benefits. The liberal welfare state was construed in terms of 'public goods' to protect people against contingencies such as illness, accidents and unemployment. The protection-simulating individual insurance-contracts were designed to maintain the cash-nexus (between individual contribution and benefits) and the individual wage labourer. As such it accepted trade unions under 'freedom of association', but rejected them the official status to counteract the power of capitalists. Welfare policy was organized along voluntary, individualist-contractual lines through a residual means-tested 'safety net' - social assistance, intended for those 'problem cases' that were not capable of providing for their own protection through market-performance. Richard M. Titmuss (1971), referred to it as the residual welfare state. Though Andersen is criticized for oversimplifying the regimes it is helpful to see the way welfare has been perceived by various regimes.

Social Democratic regime that forms the third regime in Andersen's classification is a model society with extensive rights to the individual and a marginal role for private welfare provisions. Rights are universal and equality of citizenship is granted against status-quoism. Redistribution of income and high level of income security determines welfare provisions. Women are included in the labour markets and child-care and women rights are ensured. The governments respond to marginalisation and inequalities. Both Conservative and Social Democratic states could reflect such welfare states.

Reasons and Defence

The Second world-war period brought major shifts in ideology and policy. Classical liberalism that dominated political philosophy of the early 20th century had undergone a major redefinition and had given rise to new or positive liberalism. The growing concentration of wealth in a few hands encouraged the positive liberals to attack the classical liberals who propounded non-interference of the state in laissez-faire doctrines. Positive liberals argued for the intervention of the state. Alongside the changed political trend, the dominant class due to the pressure of war and growth of popular radicalism took on to the rhetoric of moderate reformism. As a result, there was a considerable increase in the power and influence of the working class and its industrial and political organizations. The Great Depression had already given rise to the welfare state system in Scandinavia prior to World War II. In the
1930s, Social Democrats in Sweden initiated welfare state system in order to restructure an egalitarian society. Since then welfare state began to take up the stance of social democracy. Sweden applied universalism and non-discrimination as its policy of welfare state. The social democratic principles like distributive justice and solidarity became the accepted guidelines not only to intervene in the growing poverty but also to extend universal welfare rights.

In the United States, the first step towards social security was initiated in 1908 through a federal workmen's compensation law. However, social Insurance in the strict sense of the term entered the realm through the Social Security Act of 1935. Franklin D. Roosevelt initiated the New Deal in response to the Great Depression of 1930s encouraged labourers to organize unions to seek better wages and benefits and equitable distribution of wealth to lessen individual suffering. The US government as part of this deal supported programmes like social security, incentives to agricultural unemployment and workers compensation, federal guarantees for housing, public health care for the elderly and public funding for small houses. Roosevelt told the Congress in 1934, that, "if as our constitution tells us, our Federal Government was established along with other things, 'to provide for the general welfare', then it is our plain duty to provide for that security upon which welfare depends." The welfare state in the US grew since the New Deal both in terms of expenditure and complexity. The federal spending on welfare increased from 8.2 per cent to 18.7 per cent of the GNP between 1950 and 1980. The election of Roosevelt to the President's position itself was a mandate to change the economic situation in America and to end poverty created by the depression. The New Deal reforms had not resolved the problem of poverty, but had dealt with those unemployed who were potentially employable.

From the end of World War II, through President Lyndon Johnson's administration the US saw a great growth in social welfare programmes. The first phase saw the formulation of government laws to assure a job and a descent house for everyone. And the later phase witnessed the largest array of welfare measures in

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14 Ibid., p. 1.
the 1960s. After the World War II the health care capacity of the state was reinforced. Emphasis on health care inevitably brought about the need to tackle hunger and malnutrition.

As Anthony King tells us, old-age pensions and social security became a matter of intense ideological debate only in the United States. In the rest of the countries welfare reforms were often criticized on practical grounds. For example the high economic cost involved, replacing the existing insurance etc were matters of difference of opinion. However, on the whole welfare reforms were accepted popularly as there were very few opponents to it and moreover representative opinion considered that such reforms are unlikely to undermine the existing social order. As it has been suggested earlier conservatives brought the welfare state into existence in Germany, Sweden, and some other continental countries. They all welcomed it or professed to welcome it. 15

Fears that welfarism was obstructing liberty came up quite early and it is not merely an issue of post World War II. The important aspects that were considered to be affecting freedom from early on were the growing bureaucracy created by the welfare state and the dependence of the individual on the state. Bureaucracy, Herbert Hoover cautioned, is always interested in spreading its influence and power. It is not desirous to extend the mastery of the government over the daily working life of the people without at the same time making it the master of people’s thoughts and souls. 16 Critics saw the welfare state, as monopoly employer, a big brother, a creator of anonymous, highly atomized mass society. The critics considered the welfare state as leading to dictatorship, monster state and the 'Frankenstein state' as called by the English publicist Paul Johnson in 1980. However, on the whole it is argued that welfare state facilitated the process of stabilizing political regimes. The maintenance by governments of certain minimum standards of material well-being was considered as a bulwark against political instability.

In 1960s when the welfare state was very much popular the Swedish system of social provisions was considered as a model of the welfare state. Sweden became,

15 See Anthony King, *op. cit.*, p.15.
in some circles, an almost mythological country, the garden of equality and social justice.\textsuperscript{17} The American journalist Maurice Childs book \textit{Sweden - the Middle Way} was the first widespread contribution to the “Sweden-as-a-model current.\textsuperscript{18} It was followed by others, like Gustav Moller, Ernst Wigforss, Gunnar Myrdal, Bertil Ohlin, and other advocates of welfare policies in the late 1930’s. In the 1950’s the basic framework of the Swedish welfare system had already existed through financial and institutional expansion developed between 1960’s and 1980’s. The core of this welfare state included a wide income maintenance system; providing free or heavily subsidized health and other personal social services; and a full employment policy, enabling most people between the ages of twenty and sixty to participate in the labour force. “The theoretical concept of broad public provision of goods, distributed along lines other than free market choice, according to needs, and intended for social transformation, was developed by Alva and Gunnar Myrdal in the 1930’s.”\textsuperscript{19}

The development of the welfare State in the UK is analysed in three key periods. They are: 1. The Tudor Poor Law that was consolidated in a systematic form at the end of the sixteenth century. 2. The Reform of the Poor Law in 1834. 3. The New Liberal reforms undertaken early in the twentieth century; radical social policy reforms of the World War II and the Keynesian welfare state consolidated in the long post war boom.\textsuperscript{20} The first two periods enumerated some welfare policies that had links with the later welfare policy measures. The New Liberal reforms brought in the welfare state in England with its distinctive institutional thrust.

\textbf{Policy Frameworks: Beveridge Report and Keynesian Approach}

The Keynesian approach and the Beveridge report by William Beveridge on Social Insurance and Allied Service (1942) played a predominant role in the making of post-war welfare state. Both Keynes and Beveridge emphasized the significance of employment in order to strike a balance between individual freedom and collective government.

\textsuperscript{18} Ibid., p.45.
\textsuperscript{19} Quoted from, Ibid., p.48.
\textsuperscript{20} For details see, Tom Burden, et al., \textit{op. cit.}, pp. 10-34.
a. Beveridge Report:

The Beveridge report became so popular that the welfare state came to be denoted as a state that established income support Programmes and services such as those that were enumerated in the Beveridge report. This report proposed welfare provisions for the entire population from 'cradle to grave', basically highlighting the five giant evils of the society - of want, disease, ignorance, squalor and idleness. It gave priority to family allowances, to health services supported by taxes, national insurance schemes to provide subsistence income in unemployment, sickness and retirement and also to include maternity, widowhood, and funeral costs. The welfare state provided national minimum security, with allowance to children, and comprehensive health insurance to all. The national insurance was based on the single weekly contribution in order to finance a broad range of benefits set aside at subsistence level.

The Beveridge report was not published immediately despite its popularity. In 1944, a white paper on social insurance was produced which incorporated many Beveridge policy measures. Radical changes were made during the war. The Education Act abolished charges for secondary education. The Family Allowance Act of 1945 paid five shillings per week to the mother for each child after the first. It was enumerated to be paid to all families, on a contributory and non-means-tested basis. The later publications of the report were brought out in 1943 and 1944 in the series of white paper. Educational reconstruction, National Health Service and employment policies committed the government to interventionist policies to secure education, health and full employment, against traditional liberal thinking. All these welfare objectives had a great public support especially after the World War II. It was widely accepted that a collective provision of welfare, with the state playing a central role, was needed. Setting policy objectives and describing methods to realize them, financing welfare through the provision of benefits and the delivery of services were widely accepted as the functions of welfare state.

Marxists, however, pointed out that the Beveridge national insurance scheme was consistent with capitalistic values as it excluded those who were unable to work, the handicapped and offered lesser benefits to women. The Beveridgian citizen was a 'perfection to be under the welfare scheme'. He is fully employed and insured,
married, white, able-bodied, male worker, with other categories of people—women, ethnic minorities, disabled people, children and elderly people - experiencing highly conditional forms of welfare exclusion outside the normal universalism.21

The Beveridge report is very significant in the growth of welfare for two important reasons. Firstly, it symbolized the concern for employee welfare and contributed to a sense of citizenship, and social and democratic values. Secondly, the Beveridge report dealt inclusively on National Health Service, full employment and a scheme of family allowances leading to the incorporation of such policy dimensions in the future welfare state.

b. Keynesian Intervention:

In Britain Keynes had provided the intellectual foundations of economic management after the Great Depression and the modern welfare state produced record increase in the standards of living and social welfare.22 Keynesian intervention led to a set of distinct policies in many western capitalist countries after the World War II. It supported a ‘managed capitalism’ that placed restrictions on the rights of private property owners. Keynesian policy like, the Beveridge policies were adopted as a part of ‘post-war settlement, to resolve social antagonisms and bring in social harmony’.23

Classical liberal theory argued that the rationality of the market will ensure the satisfaction of the common good. The operations of the market to create jobs and protect working people against the fluctuations of supply and demand of labour power would do more harm than good. According to Keynes, capitalist governments should undertake deficit spending in difficult times to provide funds for production and jobs which the capitalist economy, left to its own mechanisms, would not provide. These deficits, (government expenditures, which government collects through taxes) would be raised by large-scale bank loans to the government.

23 Cited in, Tom Burden, et. al., op. cit., p.20.
Keynesian theories supported a system of government intervention to increase spending in order to create employment opportunities, while also preserving the market and retaining individual economic and political freedom. Contesting Adam Smith’s viewpoint that the invisible hand will take care of the vagaries of market, Keynes argued that the free market is not self-regulatingly-guided, and the national economies are subject to uncertainty and risk, particularly as the behaviour of individuals in the market cannot be predicted. Hence Keynes supported political choice in economic affairs, and the ability of governments to manage economic forces. He argued that laissez-faire policies which advocated a strict distinction between government and the economy had resulted in instability and unemployment, indicated by the Great Depression of 1930.

Keynes argued that the capitalist economies had fallen downwards into depression as unemployment grew and market forces brought about cuts in wages which further reduced the demand for goods and services. Keynes argued against the free market stating that the level of economic activity is geared to ‘aggregate demand or the total level of economy’, and the government has the capacity to manage through tax and public expenditure. When unemployment rises, government should increase public spending or cut taxes to balance the economy. The resulting budget deficit is sustainable because the growth thus brought about would boost tax revenues and reduce the need for government borrowing. Contesting the orthodox view that unemployment was a temporary phenomenon that could be ameliorated by the free play of market forces, Keynes pioneered the theory of full employment and advocated an activist economic policy by government. These ideas were further strengthened by the recommendations contained in William Beveridge’s Report on Social Insurance and Allied Services (1942), which began to establish a minimum standard of living ‘below which no one should be allowed to fall.’ Another influential report was Leonard C. Marsh’s Report on Social Security for Canada (1943), which recommended a social security net, with a comprehensive spread of benefits.

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24 Ibid.
25 Ibid.
Both Beveridge and Keynes influenced the policies of the then governments. Beveridge and Keynes emphasized the centrality of employment as a means of involving individuals into both the capitalist economic structure and its social benefits. Employment was considered to be both the individual's contribution to the society and the means through which the individuals would be insured by society. As such the proper balance between individual freedom and collective government, it appeared, had been struck.27

Keynesianism revolutionized economic policy in the early-post-second world war period and appeared to provide the government reliable and sustainable growth and prosperity. The Labour government of 1945-50 introduced much of the legislation and made the British welfare state comprehensive substantially falling back upon the Beveridge report. They included the National Insurance Act (1946), giving workers protection against loss of income due to unemployment, sickness, maternity, death and retirement; The National Insurance (Industrial Injuries) Act (1946), providing protection against the adverse effects of accidental injuries and industrial diseases arising from employment; and the National Assistance Act (1948), designed to care for the miscellaneous needs which are not met through any acts, and the National Health Service Act (1946), designed to make medical care free (or almost free). The Family allowance Act (1945) had provided weekly cash payments to families for each child beyond first. Later even when the conservatives were re-elected in 1951 they maintained the Keynesian policy of full employment and the welfare state. During the economic boom period, the Keynesian welfare state became very popular. Keynesianism was considered to be the reason for the economic boom of 1950s and 1960s which saw sustained economic growth.

The expanding social services also had received wide support. The social services included social security cash benefits, the provision of education, and welfare support for those unable to look after themselves (the personal social services, subsidized housing, and health services).

Few writers appreciated Keynesian welfare state for its ‘logic of industrialism’. They argued that the growing industrialization had to develop social policies in order to have sustained economic expansion. These social policies included educational provisions to ensure required skills and knowledge, health facilities to ensure a healthy and contented workforce and social services to reduce dependence.

c. The Fall of Keynesianism and the Emergence of New Right:

In 1970s the world economy experienced a rise in both unemployment and inflation. As a result the Keynesian ideas encountered a setback. Politically, ‘spend and tax’ policy of Keynes was criticized by the free market thinkers arguing that it killed enterprise and initiative and undermined growth by creating a general increase in the price level. The pre-Keynesian monetarist ideas were endorsed against Keynes theories. The work of economists like Friedrich Hayek and Milton Friedman gave rise to monetarism which signaled a shift in economic priorities away from the reduction of unemployment, and towards the control of inflation. As per the developments in the 1980s by the Thatcher government in the UK and the Reagan administration in the USA, the principal economic responsibility of government came to be considered as ensuring ‘sound money’. In contrast to Keynes centralized planning, Hayek depicted the market as the most efficient information system. He opposed state intervention. He believed that the only way for efficient allocation is maximum freedom for individuals to receive and respond to the market.

The administrative efficiency to deal with the range of social policies that welfare state came to incorporate due to Keynesianism was strongly questioned. The inadequate planning, administrative failure of duplication of services appeared to have resulted in stagflation. As the economic crisis began in 1970s after the economic boom of 50s and 60s, on which the post-war Keynesian state relied, Keynesianism was no more popular. Decreasing government expenditures, particularly for social programmes, were held to be the way to return to economic prosperity. In England the Conservative party made a shift, moving to the right with Margaret Thatcher coming to power. Both labour Party and Conservative Party began to be influenced by the ideas of neo-liberalism. The resurgence of laissez-faire

liberalism since the 1970s has been termed “neo-liberalism” in Europe but “libertarianism” or “neo-conservatism” in the United States.

Due to the failure of post-war welfare state, neo-liberalism reappeared in Britain at the end of 1970s as a powerful force with a new emphasis against the collective state welfare and Keynesian managerialism. It received large scale academic attention due to the libertarian writings of Robert Nozick. They influenced Thatcher and Reagan administrations in 1980s.

The neo-liberals opposed the full employment policy and universal welfare provisions on the ground that collective decisions divert individual freedom, which the free market upheld. Hence, they advocated a range of diverse paid-for-services, transfer arrangements and voluntary help activities. Hayek, who influenced Margaret Thatcher, believed that state intervention is harmful to society. Hayek believed in the ‘spontaneous’ orderliness of market forces rather than ‘man-made order’. Hayek brought out three conditions under which state welfare activities were to be made legitimate. Firstly, he considered that there should be plurality of welfare services providers. Secondly, resources for welfare programmes should be raised in uniform ways through a regressive tax system, and not through redistribution of income from the rich, to the poor. Thirdly, the welfare programmes should give importance to collective wants of the community and not merely the needs of a particular group in society.

d. Work-fare State:

The emergence of New Labour in 1997, promised to go beyond social democracy and neo-liberalism with its attachment to a Third Way. Supportive of communitarianism, a shift in liberalism, it began to critique the libertarian viewpoints. As against the libertarian argument that welfare takes away the freedom of the individual communitarians argued that the individual’s talents and capabilities are the consequences of one’s bond to the community. Some communitarians even argued that to realize one’s interests and to develop individual self it is necessary to live together in a self-governing political community which alone can ensure the good of the individual as well as the good of the community. The Third Way values believed in equality, protection of the vulnerable, rights with responsibilities, no
authority without democracy, and freedom as autonomy. Community values like civil responsibility, family solidarity, responsible parenthood etc., were considered by them to be important virtues.

Third Way is considered to be a significant mechanism to confront the powerful forces of globalization.\textsuperscript{29} Third Way refers to ‘a framework of thinking and policy-making that seeks to adapt social democracy to a world that has changed fundamentally over the past two or three decades. It is an attempt to transcend old style social democracy and neo-liberalism.\textsuperscript{30} It is supposed to help citizens to face globalization, transformations in personal life, and their relationship to nature.

The politics of the Third Way is an attempt by many contemporary social democracies to forge a new political arrangement to adjust to the conditions of the new global economy. At the same time, it tries to retain the goals of social cohesion and egalitarianism. It seeks to differentiate itself as distinct from the political ideologies of the New Right and Old Left. Third Way theorists argue that there is a “new economy” based on information and knowledge that transcends the old class-based hierarchies. They emphasize on the borderless world governed by finance markets undermining the autonomy of the nation-state.

Paid work is central to the social policy strategy of the Third Way. In the US, the substitution of welfare with work-fare became popular since 1980s. Although, it is claimed that the concept of moving welfare recipients into the workforce existed at different levels across a variety of states and within federal legislation for many years,\textsuperscript{31} the specific policies that enumerated work-fare state came to prominence only after 1980. In 1981, The American Congress passed the Omnibus Budget Reconciliation Act (OBRA) that allowed states to experiment with making workfare mandatory for AFDC (Aid to Families with Dependent Children) recipients. The Family Support Act (FSA) of 1988 initiated the Basic Skills Training Programmes (JOBS). These programmes were aimed at providing job skills, education, and

\textsuperscript{29}See, Tom Burden, \textit{op. cit.}, 2005, p.86.
\textsuperscript{31}It is argued that Welfare and reform proposals from both the Carter and Reagan Administrations included some type of work obligation in which “employable” recipients must accept a job or participate in a work related activity in order to receive benefits. Cited in, Jacqueline J. Kirby, M.S., “Welfare-to-Work Transition”, http://www.welfare-to-work-transition.
employment opportunities for welfare recipients through a systems approach which recognized the effect the federal state and local policies had on neighbourhoods, families, and individuals.

Influenced by communitarianism, New Labour in England got enthused to bring in civic responsibility, family solidarity, and respect for the law to foster social inclusion and economic efficiency. The New Labour’s emphasis on opportunity and inclusion through paid work brought the recent shift in welfare state. New Labour perspective, argues that people are trapped in poverty because they lack skills or motive to find ‘paid work’. Thus, paid work is central to the strategy of Third Way. It speaks about welfare-to-work. The absence of secure well-paid work, along with inadequate social protection is considered to be the reason for social exclusion. Making job opportunities available for everyone through mandatory education or training, and linking work to welfare is seen as a panacea for poverty. Income support policies tend to reinforce obligations to work, with benefits kept at the below wage levels or threatened to be taken away altogether. Contesting the view that the present modern industrial societies make it impossible to get a permanent paid job to everyone, New Labour argues that current unemployment is ‘voluntary’, and that the employed must be persuaded or required to take up the work which is available. New Labour social policies have much in common with neo-liberalism in terms of its policies on work, education and poverty.32 However there is a significant difference too. Inspired by the ideal of welfare, New Liberals abandoned the laissez-faire state and took on to an active caring state. Promoting support for redistributive policies highlighted a conception of welfare as a single, community sharing institution.33

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32 As an alternative welfare strategy, Tom Burden supports a new social initiative – the ‘Citizen’s Income’, which can be used to expand employment, reduce inequality and eliminate poverty. A guaranteed Citizen’s income would be distributed irrespective of social status and set an amount deemed necessary to meet subsistence needs. Each citizen would receive the same basic amount, with extra-supplements paid in line with higher living costs due to, for instance, child care responsibilities or disability. “Citizens Income may prove an important strategic idea which could take forward the historic concern of the left to create a more equal and just society.” See, Tom Burden et al., op cit., pp. 287 and 291-299.

Ideologies and Welfare State

Ideology provides a base to understand why and how specific social policies develop over time. In social policy, ideologies of welfare have determined all the perceptions and development of social planning.\(^{34}\) In most welfare states unemployment benefits, pensions, education, and medical care are provided to everyone, the prosperous as well as the poor. The welfare state is often explained as a compromise between liberal and socialist principles, or of bourgeois and working class interests. A perusal of ideologies of welfare state will help us to understand the prior assumptions on which welfare policies rest.

The ideas of welfare state have had their development through varied sources. The popular French Revolution brought an awakening in terms of postulates like liberty, equality and fraternity. Although the policy outcomes largely mirrored the interests of the groups who wielded power subscribing to a determinate set of interests, options open and their justifications were drawn from ideological maps. Two distinct but interlinked ideologies influenced the development of welfare state, i.e., liberalism and subsequently New Liberalism on the one hand and socialism particularly the variant known as Fabian Socialism on the other.\(^{35}\) However, these ideologies were often porous and ambiguous making room for numerous conceptions which may not be central to these ideologies. Further such perspectives, as Utilitarianism which are tangentially related to liberalism played a major role in providing the backdrop for the welfare policies.\(^{36}\)

a. Liberalism:

Liberalism is an ideology of the industrialized West, and it embraced a broad range of rival values and beliefs. Liberalism was a product of the break down of feudalism and the growth of a market or capitalist society.

Early liberalism certainly reflected the aspirations of the rising industrial middle class and had close links with capitalism. In the early nineteenth century, liberal economic creed became prominent through its critique of all forms of

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\(^{34}\) Cited in, Tom Burden, et al., *op. cit.*, p. 23.


\(^{36}\) If we consider rights and liberties as central to liberalism as an ideology the relationship of Utilitarians to them is highly problematic: Refer, John Rawls, *A Theory of Justice*, Oxford: Oxford University Press, 1971.
government interventions and advocated the virtues of laissez-faire. This was the central argument of the classical or 19th century liberalism. It believed in ‘negative’ liberty implying non-interference or absence of external constraints upon individuals. This established a deeply unsympathetic attitude towards the state and all forms of government interventions. The classical liberals believed in the ‘night watchman’ state with its role limited to the protection of citizens from encroachments. As such, it supported the free market and believed that economy works best when left alone by government.

Initially, welfare meant well-being, satisfaction and contentment and the provision of this was not considered the responsibility of state. Though theorists on rights like Tom Paine supported welfare rights, they were neither anti commercial nor socialistic rather beliefs in conformity with normal functioning of market society. The Classical economists, such as Adam Smith, Thomas Malthus, David Ricardo and John Stuart Mill, deeply rooted in the liberal framework advocated a minimal role for the state in welfare. State intervention was accepted to be desirable only to protect individual freedom and free exchange between individuals or where market failed to provide certain necessary provisions.

b. Utilitarianism:

In 1820, Britain underwent major policy changes. Till then the Tudor Poor Law dominated the policy measures. The intellectual centre of the reform period in England during this period was Jeremy Bentham (1748-1832) James Mill (1773-1836) and their associates. The rise of Utilitarianism played a major role in eventually crafting policies conducive to welfare state. Bentham believed that all individuals seek pleasure and avoid pain. He weighed the validity of the policies of the government on the basis of happiness they produced. He insisted that, ‘It is the

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38 The Tudor Poor Law was consolidated and dominated the British policies in the 16th century, a period in which the transition to capitalist relations took place. The policy of the state was basically based on the local gentry’s control. During this period the treatment of the poor changed as the earlier feudal traditions of charity and hospitality discontinued. Hence the Poor Law Act of 1601 was consolidated dealing with the poor. This set a national system of social regulation at an early stage of development of capitalism.
greatest happiness of the greatest number' which is essential to measure appropriateness of public policy. There is a specific conception of human nature that he carried overboard. He believed that human beings are rationally self-interested creatures or utility maximisers, which he believed provided a scientific basis for legal and political reforms. Utilitarianism accepted the arguments of classical political economy that the removal of restrictions on private property and the market would normally secure efficiency in the economic sphere.

However, Utilitarianism also could be read in other ways and so was the case. Some within this perspective of Utilitarianism argued that progressive income tax was a scientific way of maximizing utility (welfare) on the ground that a redistribution of income would hurt the rich less than it pleased the poor. While the former positions sought little intervention in the market the latter tended to argue for more. Whether a set of measures were conducive for happiness or not had to be carefully measured. This perspective therefore placed great faith in scientific investigation in policy-making, and sought to evaluate alternative policy options on the basis of which one would produce 'the greatest happiness of the greatest number'.

Utilitarianism not merely claimed to be scientific and reliable, but a moral theory as well. It is a scientific moral theory equating 'good' with pleasure or happiness and evil with pain or unhappiness. Individuals were supposed to act in ways which could bring them more of pleasure and less of pain. Such a principle of general utility or social utility was used to evaluate laws, institutions and political systems in the form of 'greatest happiness of the greatest number'. Bentham's activist Utilitarianism was to become the ideological backdrop for state welfare and public policy in Britain during the 19th century. Bentham prescribed institutional measures in order to secure reform. Prison reforms were initiated. The Poor Law (amendment) Act of 1834 was a significant achievement of the reform movement, and it remained to be the central principle of British social policy until the second

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39 See, Norman P. Barry, op. cit., p.7. He also writes: “From this perspective the roots of the welfare philosophy are primarily utilitarian: the value of welfare measures is obviously linked to certain sorts of consequences. The consequences may not always be calibrated in terms of pleasure, as Benthamite Utilitarianism seems to require, but it is to consequences of some observable kind that welfare philosophy is addressed.”

40 Cited in, Tom Burden, et al., op. cit., p.12.
half of twentieth century. Utilitarianism also initiated reforms in social administration, law, government and economics in the UK. Contemporary liberalism, both equalitarian and neo-liberal, makes a devastating critique of Utilitarianism and the kind of welfare state it endorses. Rawls argues that it prescribes certain ends and thereby denies human agency and its prerogative to choose its ends. He also feels that it does not uphold the centrality of rights and liberties and makes human beings instrumentalities of the purposes of others, including that of the state. Neo-liberals feel that utilitarian arguments will inevitably tend to boost a big state and a centralised state. They feel that their arguments do not admit the discreteness of persons and consequently freedom of individuals to choose what they consider as their good.41

c. New Liberalism:

The guiding principles of the welfare state were best laid down by Ferdinand Lassalle (1825-1864), both the friend and rival of Marx. Lassalle ridiculed liberal doctrines, which assigned to the state the functions of a night watchman. According to him, the state had innumerable sources of funds at its disposal, which could liberally be used to make all citizens prosperous and happy. The state should nationalize big business, underwrite projects for the realization of which private capital was not available, redistribute national income, and provide for everyone security from cradle to grave.

The state came to be seen positively due to the rise of New Liberalism that was a reforming tendency within British liberalism that developed in the later half of the Nineteenth century and exercised an influence on policy of British governments of 1906-14. Several factors contributed towards such a positive evaluation of the state within British liberalism the most important of which are: influence of German thought particularly the ideas of Hegel on the state, the working class movement and the divisions in society and a critique of existing liberalism.42

The New Liberals T.H. Green, (1836-1882), L.T. Hobhouse (1864-1929) and J.A. Hobson (1858-1940) championed a broader, ‘positive’ view of freedom implying that freedom does not mean the freedom to be left alone which might imply freedom to starve but the freedom to gain individual fulfillment and achieve self realization.

This view gave the basis for social or welfare liberalism. It advocated state intervention, particularly in the form of social welfare which could enlarge liberty by protecting individuals from social evils.

Leonard Trelawny Hobhouse was the intellectual exponent of New Liberalism which was initiated in Britain in the closing years of the nineteenth century. Hobhouse reformulated liberalism to re-organise the claims of community and establish the centrality of basic welfare rights. New Liberalism demonstrated the need for welfare reform influencing the then government.

The theories of non-interference propounded by classical liberalism were considered to be insufficient to achieve the goals of liberalism. Hence the New Liberals argued for social and economic intervention by the government. The laissez-faire doctrine of classical liberalism came under attack from New Liberals who attributed the reason for poverty and social problems to it. The uncontrolled markets supported by classical liberalists came to be questioned.43

The New Liberals differed from the classical liberals regarding the importance the latter gave to autonomy, rights and liberty of the individual. The New Liberals believed that man is a part of a social whole and liberties could be secured only in relation to the social good. Achieving individual good is important to achieve social good. For the New Liberals liberty, equality and justice are rooted in specific historic milieu, and hence these virtues are interconnected aspects of life. The state has to ensure social and welfare legislation and provide conditions necessary for free and full development of the self to achieve its moral purpose.

New or positive liberalism also came to be associated with the democratic welfare state. It is called upon to ensure welfare by providing minimum standard of living, social security measures and social services irrespective of any distinctions. A strong stress on equality was laid. Liberals believed that the government could promote the general welfare by a positive exercise of its powers.

There were others, not necessarily liberals, who drew a different set of justifications, to follow welfare measures. We need to keep in mind the context in which these ideas developed and also the response of diverse social and political forces to this context. There were growing tendencies of poverty and social problems that resulted from an uncontrolled market. Seebohm Rowntree, a progressive industrialist in his research paper *Poverty and Town life* (1899) highlighted the low levels of wages and their inefficiency to maintain a normal level of health and working efficiency for the workers.\(^4\) The growth in foreign competition brought home the fact that the social problems such as, illiteracy and sickness were not just individual problems but the nation's problems. In fact, by the end of nineteenth century, social welfare theory became associated with the critique of capitalism.\(^5\) For Bismarck and his supporters, who opposed "Anglo-Saxon" freedom the welfare state programme was the consummation of the historical mission of Germany's ruling Hohenzollern dynasty as well as of the social gospel of a new Christianity. This *Sozialpolitik* provided a common ground for the cooperation of churchmen and atheists, of royalists and republicans, of nationalists and internationalists. Although inspired from different ideological perspectives with regard to policy there was a meeting point between New Liberal persuasion and the attempts to wield the community in Germany through Bismarkianism.

New Liberals dismissed the contention of traditional economics and argued that poverty was merely the outcome of bad policies favoring the selfish interests of the few at the expense of the many. Thus, the interventionist state began to develop, spending for the people through taxes collected from citizens. The idea was to let the government tax away the greater part of the income and capital of the wealthy...

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citizens and spend this revenue for the benefit of the majority of the people.\textsuperscript{46} Hence, public expenditure began to grow. The nation's budget allocation towards creating jobs and promoting welfare came to be enhanced.

Following World War II, T. H. Marshall, argued that welfare state should be seen as part of, or as the current stage in, a long struggle for equal citizenship.\textsuperscript{47} Marshall explained equal citizenship enjoining three types of rights: civil and legal rights, political rights, and the social rights of citizenship. The achievement of the social rights of citizenship constitutes the third and yet an important phase in the quest for full citizenship for all.

A considerable part of the welfare provisions could be taken as a form of human investment. Such investment has both positive and negative objectives. In its positive side, it serves as an opportunity to many affording them the conditions and opportunities for legitimate work and promotes social order and peace. In its negative end, it discourages disorder and crime. Investment in education, health and opportunity serves as a positive aim of increasing social productivity. The various programmes that are associated with the 'safety net', as well as other elements of the welfare state, can be viewed as compensation to the least off for bearing the suffering of exclusion and restrictions that usually benefits the rest of society.\textsuperscript{48}

There was a great public consensus to support these welfare objectives especially after the World War II. It was widely accepted that there should be a system of collective provision of welfare with the state playing a central role. It accepted three important functions: setting policy objectives and proposing methods to realize them, financing welfare through the provision of benefits and the delivery of services. There were critics like Bernard Mandeville, (anti-ethics) supporting capitalism who claimed that frivolous expenditure of the rich improved the welfare of the poor, it led to an increase in employment and human well-being; and all

\textsuperscript{46} This idea was primarily employed to justify the measures rather than make any serious dent in the expanded reproduction of capital.


\textsuperscript{48} This is how the reasons for the welfare state are explained by Robert K. Fullinwider, "Citizenship and Welfare State", in Amy Gutmann, ed., \textit{op. cit.}, pp. 262-278.
without government involvement ('trickle-down effect of free market'). But the overriding trend was against them.

Welfare came to be associated with redistribution supported by theories other than classical Utilitarianism and individualism and often on pragmatic grounds. The 'New Liberals' of the late nineteenth and early twentieth centuries, thought that a strong state could generate momentum towards the same. The then movements like national efficiency movements, Fabianism and Eugenics also campaigned for the improvement of health and strength of workers to improve industrial productivity and military strength. In 1902, The Education Act was introduced in order to improve efficiency. The review of Boer War also brought in the concept of good health as many of those who volunteered to fight in the war were rejected because of poor health. As a result, the government established a committee on Physical Deterioration which reported in 1904 and recommended the provision for meals and medical inspections for children. This resulted in the institutions to monitor child welfare and health.

The Eugenics Society founded in 1907, consisted of people supported by many leading Fabians, like Beatrice and Sydney Webb and representatives of New Liberalism such as Keynes and Beveridge. The society was able to exert influence on legislation.

In 1929-33, the liberal capitalist state had to face a worldwide economic depression due to which the capitalist economy encountered a severe jolt. To intervene against the problems of unemployment and poverty, liberalism had to evaluate its capitalist foundations. In order to resolve the friction between a free society and secure capitalist economy, J.M. Keynes concluded that there is an inherent imbalance in capitalism. As capitalism matures, imbalance grows and leads to concentration of capital and it becomes impossible to further profits. In order to control trade cycles, Keynes argued for the intervention of state in capitalist investment. To keep industry moving and to eradicate unemployment the state should regulate, he observed.

The World War II, period brought in major shifts in ideology and policy. The dominant class due to the pressure of war and also growth emphasized the rhetoric of moderate reformism. There was a considerable increase in the power and influence of the working class and its industrial and political organizations. John Galbraith argued for the necessity of the intervention of the state in a bigger way to eliminate the economic hardships created by World War II. He suggested socialistic measures for the welfare of capitalistic societies.

Thus, the shift that took place in liberalism began to articulate that men could secure liberty only if they reconcile with the social good. Further, it justified the social and welfare legislation and correlation between liberty and equality. Positive liberalism began to argue for a regulated capitalist economy in order to check poverty and unemployment. The state began to be identified as the instrument for the development of human personality through welfare measures.

We should note that the conception of welfarism underwritten by New Liberals is driven through contradictions and they were to provide fuel to the subsequent critics of liberals. Welfare state is often construed as to whether welfare is a public or private good. When defined as a public good, it entails the state to provide a range of services to be shared collectively. On the contrary, when it is defined as private good, public provision is opposed on the ground that it infringes on the freedom of the individual. The former considers the state as the agency of the state as the provider of social security; but the latter sees the market as the most efficient dispenser of services.

d. Contemporary Liberal Equalitarianism:

With New Liberals, the liberal project not merely became nebulous but was driven through a range of contradictory stances. The welfare state was often depicted as the know-all state dispensing good to citizens in the name of positive liberty, good and subsequently development. In the process rights and human agency came to be underplayed. In this context while neo-liberals attacked the omnipresent state and its bureaucratic dominance and privileged individual liberty and market, equalitarian liberals attempted to reconstruct the concerns of New Liberalism by
situating them in the domain of liberties, rights and human agency. The work of John Rawls was to be fundamental in this regard.

Rawls proposed a theory of justice which he termed, 'justice as fairness'. Rawls' theory is based on two principles of justice. The first principle guarantees such liberty to everyone which is consistent with liberty to all. The second principle establishes that social and economic equality should be to the greatest benefit of the least advantaged and that offices should be open to all under conditions of fair equality of opportunity. Social inequality can be justified if it benefits the least advantaged. He observed that equality can be defended on grounds of fairness. His equalitarian emphasis led him to argue that the challenge of liberalism was "to mitigate the influence of social contingencies and natural fortune on distributive shares." According to him such a pursuit is based upon two conditions: 1) a regime of competitive markets and 2) state intervention both to correct market imperfections (e.g. to supply public goods) and to correct negative externalities and to ensure the background conditions essential to ensure distributive justice. Competitive markets are essential means of ensuring equal liberty and fairness of opportunity. However, he insists on the setting of competitive markets within the framework of 'appropriate background institutions'. The 'appropriate background institutions', are supposed to enforce fair value of political liberty, fair equality of opportunity and the principle of difference. His considerations on equal liberties and the necessity to eliminate national and social contingencies make him to review several fundamental assumptions on which New Liberalism justified welfare. For Rawls, the priority of both liberty and fair opportunity eliminates bureaucratic or state (i.e., non-market) socialism as a means for securing justice in political economy. At the same time he negates the laissez-faire doctrine also by denying capitalism as a method to secure justice in political economy. Thus Rawls is not committed to either property-owning or market socialist system or the capitalist welfare state. According to him, "existing property regimes are 'riddled with grave injustices.' Neither an example of a market socialist society with political liberties exists, nor a capitalist welfare

50 Cited in, Wolfang Fach and Giovanna Procacci, *Strong Liberalism*, MAUSS, 23 September 1987, p. 34.
52 Ibid., p.82.
53 Quoted from, John Rawls, *op. cit.*, p.87.
state, comes close to meeting the distributive requirements ensuring fair value of liberty, fair equality of opportunity and the difference principle.\textsuperscript{54} Rawl’s believed that the challenge of liberalism is “to mitigate the influence of social contingencies and natural fortune on distributive shares.” Otherwise, he argued social life would operate like a ‘natural lottery’.\textsuperscript{55} He justified the liberal case of individual liberty as it enables one to decide and have the reason to decide one’s future, and the importance of being insured in case of need, illness, unemployment, poverty etc. Therefore, for him, ‘Justice as fairness’ “intends, to account for social values, for the intrinsic good of constitutional community and associative activities by a conception of justice that in its theoretical basis is individualistic.”\textsuperscript{56} Rawls regards ‘well-ordered society as an answer to ‘many socialist criticisms of the market economy’. While not endorsing the welfare state in the existing form and contesting some of its fundamental principles he at the same time endorses a range of ‘welfarist interventions’ on grounds other than argued by New Liberals.

e. Neo-liberalism:

Neo-liberalism is a version of classical political economy that came to be reformulated in the writings of free-market economists such as Friedrich Hayek, Milton Friedman and Robert Nozick. It reflects the growing dissatisfaction among the New Right against growing state interference and big state of the social liberals.

The central pillars of neo-liberalism are the market and the individual. The principal neo-liberal goal is to ‘roll back the frontiers of the state, on the belief that unregulated market capitalism will deliver efficiency, growth and widespread prosperity. In this view, the dead hand of the state saps initiative and discourages enterprise; the government, however well intentioned invariably has a damaging effect upon human affairs. This is reflected in the New Right’s concern with the politics of ownership, and its preference for private enterprise over state enterprise or nationalization. In short, ‘private good: public bad’ are the watchwords. Such ideas were associated with individualism, expressed in Margaret Thatcher’s famous assertion that ‘there is no such thing as society, only individuals and their families’. The nanny state or \textit{ma-bap} State is seen as breeding a culture of dependency and

\textsuperscript{54} See, Richard Krouse and Michael McPherson, \textit{op. cit.}, p. 84.
\textsuperscript{55} Quoted in, Wolfgang Fach and Giovanna Procacci, \textit{op. cit.}, p.35.
\textsuperscript{56} Ibid., p.36.
undermining freedom, which is understood as the freedom of choice in the marketplace. Instead, faith is placed in self-help, individual responsibility and entrepreneurialism.

On the grounds of individual rights against the state, Robert Nozick argued for a minimal state. Positing limits on the functions of the state, protections against force, theft, fraud and enforcement of contracts, he argues that any more extensive state will violate individual rights. The minimal state is inspiring as well as right. He argues that the state may not use its coercive apparatus in order to get some citizens to aid others, or in order to prohibit the actions of people for their own good or protection.\(^57\) Nozick strongly favours the form of individual’s rights. He argues that while maintaining its monopoly on the use of force and protecting everyone within a territory, the state inevitably tends to violate individuals' rights, actions which are intrinsically immoral.\(^58\) Nozick even argues against state taxing, calling it as analogous to ‘forced labour’. Nozick developed a theory of justice (Entitlement Theory) which does not require any more extensive state, and criticized other theories of distributive justice that envisage a more extensive state, focusing especially on the recent powerful theory of John Rawls.\(^59\)

The New Right which is a political tendency, sub-serving neo-liberalism represents a departure in conservative thought that amounts to a kind of counter-revolution against both the post-war drift towards state intervention and the spread of liberal or progressive social values. New Right ideas can be traced back to the 1970s and the conjunction between the failure of Keynesian social democracy, signalled by the end of post-war boom, and growing concern about social breakdown and the decline of authority. Such ideas had their greatest impact in the UK and the USA, where they found expression in the 1980s in the form of Thatcherism and Reaganism, respectively. However, the New Right does not so much constitute a systematic philosophy as it is an attempt to marry two distinct traditions usually termed ‘neo-liberalism’ and ‘neo-conservatism’. Although there is political and ideological tension between these two they can be combined in support of the goal

\(^{58}\) Ibid, p.11.
\(^{59}\) Ibid.
of a strong but minimal state, in Andrew Gamble’s (1981) words, ‘the free economy and the strong state’.

f. Socialism and Marxism:

Traditionally socialists have tried to construct an alternative to market capitalism seeing socialism as a different economic formation, from capitalism. Such attempts had been based on the assumption that socialism is superior to capitalism, both morally, and productively. Although socialist literature abounds with economic models, ranging from the technocratic industrialism of Saint-Simon (1760-1825) to the decentralized self-management of Peter Kropotkin (1842-1921), the most influential among these have been developed within the Marxist tradition. What socialist models have in common however is that they believe market mechanism can and should be replaced by some form of economic planning.

Marxists see the welfare state as ‘defining normative criteria of distribution in opposition to property rights and market dictates’. Socialism took shape as a political creed in reaction to industrial capitalism. Socialism first articulated the interests of artisans and craftsmen threatened by the spread of factory production, but it was soon being linked to the growing industrial working class. In its earliest forms, socialism tended to have fundamentalist, utopian, and revolutionary character. Its goal was to abolish the capitalist economy based on market exchange, and to replace it with a qualitatively different socialist society, constructed on the principle of common ownership. The most influential representative of this brand of socialism was Karl Marx, whose ideas provided the foundation for twentieth century communism.

Marxism emerged as a significant voice favouring a kind of welfare state. The former communist countries carried out welfare measures in tune with their ideological commitments providing economic security and collective consumption. Their understanding of the welfare state supported full employment for men and women, and consumer price subsidies in order to guarantee social protection, and to provide services in health, education and child care; income transfer programmes such as pensions and child allowances and employment related benefits.
Marxists developed a critique of the capitalist welfare state. They consider welfare provisions of the capitalist state as a method, by which the ruling classes control and curb dissent and reinforce dominance of the dominant classes. Marxists observe that the state welfare provisions have contributed a great deal to make advanced industrial nations stable by taking away popular support from left-wing parties.60

At the same time, Marxists also have traditionally seen the welfare state as the result of the struggles of the labour movement. They feel that the collapse of communism in the erstwhile communist countries and the end of socialist regimes alongside globalization have been preceded and followed by some of the most virulent attacks on welfare state. Marxist attack neo-liberalism for the kind of role it has played in undermining the welfare state worldwide.

Marxism subscribes to a form of mixed economy as the base of welfare state during the period of transition from capitalism to socialism. With their emphasis on planned economy they strongly oppose market fundamentalism. Marxists also advance a clear critique of New Labour's, Third Way transforming welfare state from welfare to work-fare. Alex Calinicos presents a critique of Third Way that has been advocated by the New Labour. He endorses Perry Anderson's arguments that, "Third Way is the best ideological shell of neo-liberalism" today, criticising the New Labour's claim to represent "traditional values in a changing world." Analysing the political implications of global economic integration Marxists like Chris Harman and social democrats like Paul Hirst and Graham Thompson consider such a claim as exaggerated explanations of small trends. According to Marxism Third Way claims that there is no second way but only the capitalist road. They criticize Tony Blair's New Labour claims that there is no alternative to globalization as nothing but manipulating economics to cloak political decisions. They argue that political and economic strategies are an outcome of class struggles and at the present context the working class has been in retreat, the capitalist offensive has become stronger.61 The

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60 It is stated, "Once Universal suffrage and the other major liberal rights are established, these provide crucial channel through which to obtain welfare improvements. Indeed welfare becomes a means of integrating the enfranchised working class within the capitalist system." See, Ian Gough, *The Political Economy of the Welfare State*, London: Macmillan, 1979, pp. 60-61.
New Labour's ideas, on education system as a key institution is also criticized on the ground that education has become a key institution for reproducing inequality.

The 'community' concept put across by the New Labour is also criticized by the Marxists as a powerful tool of exclusion. Marxists feel that imposing community is a tool for restricting civil rights, particularly rights of the minorities. "Community" serves as the human face of neo-liberalism. New Labour justifies unemployment, holding the individual responsible for it and as the product of individual moral failure or a "culture of poverty". This means individuals are at fault and the rest of the "community" is right in forcing them to work for the dole on the grounds of equality and equal rights.

Welfare, Political Values and Policy

a. Welfare and Political Values:

The idea of welfare has often been discussed as related to justice, equality, freedom and rights. The notion of welfare state has been often justified in terms of the concept of redistributive justice. Since, these concepts are invariably connected to the idea of substantive ends of political life, the role of the state and to individual self-fulfillment are often brought into the picture.62

Welfare of the individual is linked to the policies and institutions of the contemporary welfare state. Welfare is related to the external material condition of the individual like adequate food, housing, education etc. Hence, the core of welfare state activities encompasses programmes for economic security, health, housing, education and social services.

There is also a difference in the way welfare is advocated by political thinkers. Some view it as a comprehensive policy while others consider it as supplementary. Some argue, that it is the residuary element, that which remains to be provided, only after providing basic needs such as health, housing, medical relief, education, employment, social security, recreation and relief measures in emergencies; for others 'welfare' includes all this as a base, social security as a

middle and social welfare on the top of the pyramid of the welfare society without reference to individuals' means or purchasing power for buying services in the market.

Traditionally, the welfare state encompasses six domains: education, health, housing, employment, personal social services and social security. The structure and the functioning of the welfare state varies from country to country depending on their historical growth, the stage and goals of development and evolution of administrative organization and structure, the stages and goals of development, the type of programmes and the scale of their operation, the allocation of responsibility between government and voluntary sectors, the socio-cultural framework etc. Asa Briggs, considers three types of welfare state activities: provision of minimum income, provision for the reduction of economic insecurity resulting from such "contingencies" as sickness, old age and unemployment, and provision to all members of society of a range of social services.

How is welfare to be seen? Is it a right or based upon other considerations? Wilensky observes, "The essence of the welfare state is government protected minimum standards of income; nutrition, health, housing and education, assured to every citizen as a political right, not as a charity." Furniss and Tilton point out that only when the end of a social organization is welfare for the people can we label it a "welfare state." Goal of the state's social policy in almost all societies is to maximize the well-being or satisfaction of the individual and community. "Government is a contrivance of human wisdom to provide for human wants" (Edmund Burke). Governments have a wide range of possible actions. Hence, the state through legislations and facilities offers protection to its people. They set the rules by which companies, charities and other organisations operate. This became almost a central idea of the welfare state in the 20th century. Governments are there...
to sub-serve the purposes of welfare and if they do not do it they have no reason to be there.

On the range of welfare activities and their scope there are major disagreements: One of the popular definition is to see them as 'a system of laws and institutions through which a government attempts to protect and promote the economic and social welfare of its citizens' usually based on various forms of 'social insurance against unemployment accident, illness and old age': The United Nations Declaration on Human Rights, includes within the fold of welfare right a minimum standard of living that ensures the health and well-being of the individual and his family, including, food, clothing, housing and medical assistance and the right to security in the wake of unemployment, sickness, disability, widowhood, old age or other lack of livelihood. Motherhood and childhood are also entitled to special care and assistance. The provisions to social welfare signifies the efforts made by government and voluntary organizations to help families and individuals by maintaining incomes at subsistence levels, providing facilities of public health care, provisions for adequate housing and community development and public recreation. It also indicates the legislation and facilities designed to protect the marginalized and disadvantaged through preferential treatment policies. Generally, the welfare state refers to a set of government and sometimes, private policies. Hence, it implies the capacity or ability of the state to implement programmes and strategies to achieve its economic and social goals. It includes the ability of the state to provide safety net with a view to provide re-distributive mechanism that promotes greater levels of equality.

The welfare state is not merely a state but a social system. It comprises of liberal values, democratic polity and mixed economy. It maintains the principle that, every member of the community is entitled to a set of rights and resources because he is a human being, who should have a minimum standard of living, including universal education and health care. It requires the state to ensure economic stability and progress, when there are violent booms and bursts in economy due to conflicting private interests. The state should ensure full employment, social security and social

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insurance; a system of taxation properly adjusted to periods of prosperity and adversity; designing public policies in such a way as to redistribute purchasing power in harmony with the best interests of the nation. A few argue that these things have to be provided for in a democratic political set up without depriving people of their liberty or self-respect.\textsuperscript{69}

The values, concerns, and issues that welfare is bound up with as we have seen earlier, are deeply caught in ideological contestations. But it is not necessary that the former should always be reducible to the latter. Political philosophy, such as that of Rawls, or the mode of settling disagreements suggested by Habermas offer a great deal of clarity on the relationship and substantive concerns of these values and concerns. But eventually welfare is to be decided by people themselves and they accord the related services to them. Its intimacy with democracy therefore is close and in a way organic.

b. Range of Policy:

Welfare State as a policy encompasses the following five fold pursuits. First, it begets in the expansion of public sector. For instance, prior to welfare state the productive economic activity was concentrated in the hands of private firms whereas in the wake of welfare state there was a steep increase in the public units of production, distribution and service, run by the state. For example in England and in the USA public units expanded from electricity supply to public transport.

Secondly, governments controlled the power to levy taxes and spending in order to provide full employment, protect stability in prices etc. The Keynesian theory influenced such an arrangement.

Thirdly, the state began to expand its horizon of supervision and control on economic activity. The state regulations on import and export strengthened. For example in the USA state regulated agencies were created to regulate commerce, health prices, environment etc. in order to provide safety, price stability, adequate public services, protection of the rights of minorities etc.

\textsuperscript{69} In this regard see, Noorjahan Bava, \textit{op. cit.}, pp. 352-373. Also refer, Amy Gutmann, \textit{op. cit.}
Fourthly, the state through its government of welfare engages in social engineering such as the elimination of poverty, racism, gender inequalities, egalitarian pursuits, positive discrimination, differential treatment and reservation, etc. It also involves in redistributive justice through redistributive taxation, expanded educational system, legislations against racial sex and caste discrimination, etc.

Lastly, the welfare state guarantees a certain minimum level of material well-being. In other words the state provides welfare provisions in order to protect its citizens against sickness, accidents, unemployment and old age, maternity benefits etc. The state actively involves in health service, housing, market and education.

These five are the important domains where usually welfare state policies are concentrated. Often these areas overlap. For example educational facilities to the socially disadvantaged might fall under both social-engineering and welfare provisions.70

c. Welfare and Globalization:

The phenomenon of globalization appears to offer a grave challenge to the state’s capacity for autonomous decision-making, particularly its redistributive functions. An increasingly competitive international economy may gravely undermine the state’s capacity to use fiscal instruments to finance and provide social insurance. The forces of globalization are perceived as working at cross-purposes to that of the welfare state, since both of them are of conflicting ideological bent. The goals of full employment, egalitarianism and wide spread social security net are seen inherently anachronistic in the neo-classical age of rapidly converging economies and the internationalization of economic activity.

Economic growth and distributive justice through income transfers help to promote economic and social equality. Equality plays a predominant role in the construction of the welfare state even today and the system has been attuned to the promotion of egalitarian principles by increasing social rights, reducing wage gaps and by developing social benefits. As Ronald Dworkin observes equality of

70 See, Anthony King, *op. cit.*, pp. 9-10.
opportunity reaffirms distributive justice.\textsuperscript{71} Liberalism based on equality commits to a positive goal, of an egalitarian morality and provides in that morality a firm contrast to economic privilege. Hence, against the New Right perspective of leaving market forces to decide the fate of the individual, Dworkin observes that if equality of resources is our goal the present retreat from redistributive welfare programmes is not justified.

The strong tradition of state intervention in developing countries where governments do much more than just redistribute income has been performing functions making a great difference to uplift the poor. Globalization has to be complemented by appropriate development policies for marginalized societies. In this respect the redistributive perspective of the welfare state retains considerable support.

It is necessary to study the welfare system in a larger international context today as national economic and social policies have increasingly come under the pressures of global intergovernmental organisations. The international debt and the IMF-World Bank sponsored SAP have curtailed national autonomy in policy-making and led to increased unemployment and the curtailment of provisions for social protection and social development.

It is argued that due to welfare state, the state’s financial resources have come to almost a brink and due to the increase in global economic interactions state spending has either increased or stagnated at a high level. Despite the rhetoric of dismantling and retrenching the welfare state, major social programmes and the levels of social expenditures in almost all developing countries remain largely unaffected. There are no empirical signs of crisis and several critical scholars have suggested that the emphasis should be rather directed at analyzing the welfare states ‘capacity to adapt to changed circumstances’.

\textsuperscript{71} Ronald Dworkin explains the liberal and concept of liberty and equality with that of the conservatives and argues that to show that equality is more important to the liberal than liberty. See, Ronald Dworkin, “Liberalism and the Concept of Equality”, in Gurpreet Mahajan eds., \textit{op. cit.}, pp. 310-324.
The welfare state has come a long way from 'Bismarkian welfare provisions' to the 'work-fare state'. Different parts of the welfare state were established at different contexts of its institutional and philosophical growth. The present neoliberal ideology undermines the welfare state citing the disadvantage it has on human initiative and burdensome effect on the economy. The welfare state is a form of human investment; investment in education, health, nutrition care of the children and increase in social productivity. The welfare philosophy strengthens social justice, equality and liberty. Social justice provides considerable ground for income redistribution and other welfare services.\(^72\)

However, there are conflicting viewpoints regarding the impact of globalization on the welfare state. Welfare state is directly linked to citizenship. The way welfare is delivered and received can help good citizenship possible.\(^73\) Both citizenship and welfare state inextricably shape each other. However critics point out that welfare programmes erode the sense of citizenship and create habituated welfare dependency. The various programmes that consist of the 'safety net', as well as other aspects of welfare state can be viewed as compensation to the least well off who undergo suffering due to their positioning in the society. The primary rationale of the welfare state is that its institutions and policies facilitate and meet with the needs of the citizens and more specifically the affected and the disadvantaged.

Though it is argued that the welfare state emerged and grew in the advanced capitalist societies with or without a strong and coherent social democratic labour movement, its growth went on faster and swifter with the redistribution of resources and opportunities under social democracy. In the postwar period, the largest and the most progressive welfare states are found only under social democracy.\(^74\)

It is well argued that globalization has considerable influence on the welfare state through the increasing dominance of the market economy. Some of them argue that globalization has a significant impact because internationalization of the world economy implies the demise of nation-state autonomy and therefore, a reduction of

\(^72\) Robert K. Fulinwider, *op. cit.*, p. 263.

\(^73\) For a perspective on the interlinkage between welfare and citizenship, see, *Ibid.*, pp. 261-278.

national governments and policy options that the social democratic governments pursued. The impact has been considered to be high over the labour movements as they show considerable weakening. As such the whole conception of welfare state has been affected. Privatization and disinvestments are gaining importance in the formulation and expansion of public policy. Protectionism of the erstwhile socialist democratic society has increasingly been considered unimportant.

Others argue that globalization affects the welfare state as the expansion of trade is responsible for unemployment and rising inequalities. The growth in trade and technology creates a great decline in the demand for the unskilled, semi-skilled and traditionally skilled for the benefit of whom the welfare state had been designed.

It is well argued by Ramesh Mishra that the dismantling of communism in Soviet Russia itself was the beginning of the process of globalization. According to him, the very fact that there is no alternative to capitalism has its influence on the welfare state. He argues that the socialist alternative to capitalism has collapsed bearing witness to the growth of globalization. Ramesh Mishra analyses seven propositions regarding the impact of globalization on welfare. According to him, globalization affects the ability of national governments to pursue full employment and economic growth; increases inequality in wages and working conditions; exerts downward pressure on systems of social protection and social expenditure; weakens ideological underpinnings of social protection; weakens the basis of social partnership; excludes the option of left-of centre policy options for national governments; and conflicts with the logic of national community and democratic politics. These linkages are not at all conducive to the making of the welfare state.

Bruno Palier and Robert Skyes contest Mishra's viewpoint and argue that globalization's influence on welfare state should be seen less in terms of mechanical economic impact and more in terms of political interventions. The change in welfare

state perspectives is considered to be rather a result of political decisions and policy matters.

It is also argued that globalization has no significant impact on welfare states. Those who argue on such accounts consider that globalization is not widespread and the changes in the economy are not full blown. Some others argue that the change in the perspective of welfare is due to ideological reconstruction of the governments and not due to economic globalization.

A few also argue that welfare states are challenged by domestic factors like demography, technology, changes in family structures rather than globalization. Such a viewpoint argues that the welfare state will sustain all such domestic pressures in the future.77

These perspectives and analyses suggest that there need to be a simple reading of the relationship between welfare state and globalization. Further there are varieties of approach and understanding of globalization as we have suggested earlier. Though the welfare state seems to be affected by the demise of socialistic alternative, welfarism appears to be retaining its significance. Sometimes, the globalization agencies themselves appear to play a predominant role in the legitimization of welfare reforms, by emphasizing on packages of welfare reforms.

In this context it is necessary to ask the question how concretely states are handling this relationship. Such a backdrop can provide us resources to evaluate the emerging trends and analyse them to see whether these point to declining or the continuing relevance of the welfare state. If it is the latter tendency that is predominant it is important to underscore the rearticulation that the welfare agenda has gone through. In this context it is also essential to study the response strategies adopted by India and Brazil, being large developing countries. Being large they cannot but be positively responding to the impact of globalization and being developing, they cannot ignore the impact their policies have on their vast masses.

77 For example, Pierson argues that the national economies have fiscal problems in paying for welfare as well as the elderly population is on the rise costing on pensions and health care. Cited in, Ibid., p.6.