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WHAT'S LEFT OF THE WELFARE STATE?*

By David Miller

I. Introduction

What, if anything, is left of the socialist project? One way of interpreting this question is to ask whether socialism has bequeathed any permanent legacy to the capitalist democracies—do they have any features that would not exist apart from the historical impact of socialism, and that positively reflect socialist values? If we assume, with the political consensus of the moment, that full-blown socialism no longer represents a possible programme for these democracies, perhaps we can still discover the remains of socialism embedded in their practices. Or maybe not—that is the question I want to address.

Socialism can be seen as either a theory of *production* or a theory of *consumption*, or as both of these together. As a theory of production, it recommends replacing capitalist ownership and control of land, industry, and other productive assets with social ownership and control, which could take a variety of forms ranging from full ownership by the state to ownership by the particular group of workers who operate the asset in question. As a theory of consumption, it recommends replacing the individual purchase of commodities in the market with collective consumption, which again might take a variety of forms. Some goods, such as public entertainment and the natural environment, might be enjoyed jointly by everyone free of charge—this would be collective consumption in its strongest form. Other goods could be provided for individual use, but distributed equally or according to need. In this sort of case, what is collectivized is not the act of consumption itself, but access to the means of consumption. In Marx's famous, though famously sketchy, description of communism, both production and consumption have been collectivized: workers cooperate with one another to produce goods which are then made available to anyone to take and use according to his needs.[1]

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[1] To cite the canonical text:

> In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of co-operative wealth flow more

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Perhaps the closest real approximation to this Marxist ideal has been the Israeli kibbutz (in its heyday), where work was collectively organized (albeit, less flexibly and less freely than in Marx's utopia) and where consumption was in part strongly collective (common dormitories and dining halls, for instance) and in part weakly collective, with individual items being distributed by the criteria of equality and need.

But collective production and collective consumption can easily be prized apart. Some models of socialism focus on the former. Advocates of market socialism, for instance, argue that worker-owned and controlled enterprises will generate a much fairer and more equal distribution of income, in the light of which they see no problem in producers using their purchasing power to buy consumption items in the market.[2] (They may independently argue that some items should be consumed collectively, but it is not integral to this version of socialism that it should include more collective consumption than we typically find in capitalist economies.) Other socialists, by contrast, focus on consumption. They defend the capitalist mode of production, at least for the great majority of goods and services, on grounds of efficiency, and then go on to argue that socialist aims can be achieved by collectivizing consumption. What this means in practice is that the state should provide a range of public goods and services, financed out of taxation, and/or redistribute purchasing power to bring it into line with socialist principles of justice. This latter approach, broadly, has been the approach of social democrats in Europe and elsewhere.

There is little doubt that production-oriented models of socialism have been in steady retreat over the last quarter-century or so. Full-scale state ownership of the means of production on the Soviet model has collapsed in some countries and is being quietly phased out in others. Meanwhile, in the capitalist democracies, privatization has been very much on the agenda and nationalization (which, in Britain, is the preferred label for taking firms and industries into public ownership) very much off it. Although, as I have argued elsewhere, market social-

abundantly—only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: from each according to his ability, to each according to his needs.

Karl Marx, *Critique of the Gotha Programme*, in David McLellan, ed., *Karl Marx: Selected Writings* (Oxford: Oxford University Press, 1977), 569.

[2] Advocates of market socialism include David Miller, *Market, State, and Community: Theoretical Foundations of Market Socialism* (Oxford: Clarendon Press, 1989); David Schweickart, *Against Capitalism* (Cambridge: Cambridge University Press, 1993); and John Roemer, *A Future for Socialism* (London: Verso, 1994). For a critical appraisal of market socialism, see N. Scott Arnold, *The Philosophy and Economics of Market Socialism* (New York: Oxford University Press, 1994).

ism has never been given a fair test,[3] there are still rather few examples of enterprises owned and controlled by their employees, and certainly no sign that this form of production is likely to replace capitalist ownership in the foreseeable future. So if we are looking for evidence that socialism is not completely moribund as a political project, we need to turn once again to the sphere of consumption. In particular, we need to revisit the welfare state, once regarded as the jewel in the crown by those social democrats who believed that capitalist production and socialist consumption were compatible.

The title of this essay is intended to trade on the double meaning of the word 'left': I mean to ask "What *remains* of the welfare state?" and also "Is there anything on the political agenda that's further to the Left?" More specifically, the first question should be taken to ask "What remains of the welfare state *as a vehicle for socialist values*?" It is not, after all, in dispute that the institutions and policies that constitute the welfare state are alive and well in all capitalist democracies. The institutions and policies in question are described differently in different places; Americans, in particular, are notoriously reluctant to concede that they have anything that deserves the name 'welfare state'. Yet the figures reveal that the level of government spending on welfare, as a percentage of gross domestic product (GDP), rose slowly and steadily throughout the second half of the twentieth century in every democratic state. The United States was no exception to this trend, even if it spent a smaller proportion of its GDP in this way than did almost any other democracy.[4] The much-vaunted "welfare backlash" of the Reagan-Thatcher years may have slowed the expansion a little, but it certainly failed to reverse it, so long as we confine our attention to the overall figures for public spending on welfare objectives.[5]

I have not yet defined 'welfare state'. I doubt whether there is a single "correct" definition; depending on the interests of the definer, different

[3] Market reforms were introduced in a number of Communist regimes, most notably in Yugoslavia and Hungary, but never to the point where enterprises were given full freedom in their production, employment, and pricing decisions. The heavy hand of the Communist Party meant that a labor-managed market economy of the kind favored by market socialists was never achieved. For a balanced appraisal of the Yugoslav experiment, see Harold Lydall, *Yugoslav Socialism: Theory and Practice* (Oxford: Clarendon Press, 1984).

[4] See the analysis in Francis Castles, "The Dog That Didn't Bark: Economic Development and the Postwar Welfare State," in Stephan Leibfried, ed., *Welfare State Futures* (Cambridge: Cambridge University Press, 2001).

[5] There is an illuminating overview of recent developments, aimed especially at demolishing the common American misconception that the European welfare state is on its last legs, in Janet C. Cornick, "Cancel the Funeral," *Dissent* 48, no. 3 (2001): 13–18. Organization for Economic Cooperation and Development (OECD) figures on welfare expenditure as a proportion of GDP for developed nations are helpfully presented in Castles, "The Dog That Didn't Bark," 40. By way of illustration, the U.S. figure rose from 12.8 percent in 1974 to 14.2 percent in 1983 and to 15.8 percent in 1995; and the U.K. figure rose from 14.9 percent in 1974 to 20.9 percent in 1983 and to 22.5 percent in 1995. Of the twenty countries studied, only Belgium and the Netherlands show small decreases in (proportional) expenditure between 1983 and 1995.

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features will be included and excluded.[6] Since my interest here is in the welfare state as a possible vehicle for socialist values, I shall understand the welfare state to comprise the set of institutions and policies that distribute both money and essential goods and services to citizens on a nonmarket basis. In other words, the essential point about a welfare state is that it severs the direct link between what someone earns, or otherwise receives through market mechanisms, and his access to goods and services. It does not matter, from this perspective, whether the institutions and policies in question are formally integrated into the state, as they are in some countries, or whether they are partly located in civil society, for instance, where employers and/or trade unions provide employees with health insurance or unemployment benefits on terms laid down by the government. My focus is on what people are entitled to independently of their market receipts, not on the delivery mechanism, except insofar as it affects the way in which welfare benefits are distributed.

I said above that the welfare state severs the *direct* link between people's market receipts and their access to goods and services. The italicized word is important. Some welfare policies preserve an indirect link, as, for instance, when unemployment benefit is scaled in such a way as to reflect previous earnings. Even in such cases, however, the final distribution of benefits tends to be somewhat different from the distribution that would have arisen had everything been left to market processes (private insurance, etc.). So we can hold on to the core idea that the welfare state is an institutional complex that offsets or counterbalances the market economy—an interpretation given canonical status in the British sociologist Thomas H. Marshall's *Citizenship and Social Class*, where the social rights of citizenship conferred by the welfare state are presented as a significant counterweight to the inegalitarian distribution of resources thrown up by the market.[7]

II. Liberal and Socialist Justifications of the Welfare State

So much by way of introduction. I have not yet given any argument to show, even prima facie, that the welfare state might be regarded as the living embodiment of socialist values—doing this is my next task. More precisely, I want to argue that the welfare state is the child of a marriage between liberalism and socialism, and that the two parents have had a long-running argument about how their offspring is to be raised. At one level, this claim can be backed up by showing that liberals and socialists have both been numbered among the intellectual architects of the welfare

[6] There is a good discussion of this definitional problem in Robert E. Goodin, *Reasons for Welfare: The Political Theory of the Welfare State* (Princeton, NJ: Princeton University Press, 1988), chap. 1.

[7] Thomas H. Marshall, *Citizenship and Social Class*, ed. Tom B. Bottomore (London: Pluto Press, 1992).

state—liberals of a "new" or "social" stripe, socialists of a democratic or non-Marxist variety[8]—and by showing that both liberal and socialist parties have been instrumental in introducing and extending welfare institutions. But here I shall adopt a more analytical approach, distinguishing four justifications that might be offered for the welfare state as I have defined it. The first two justifications, I shall suggest, are characteristically liberal, the second two are characteristically socialist. Moreover, each of the four picks out a different aspect of the welfare state for commendation.[9] So our final conclusion, on the welfare state as a vehicle for socialism, will depend on whether the welfare state in practice has proved able to support those features that would recommend it specifically to socialists.

First, then, liberals might justify the welfare state as providing insurance against some of the main risks and uncertainties that citizens face, particularly those endemic to capitalist societies. These would include the risks of unemployment, bad health, homelessness, having parents or children with special needs, and so forth. By providing social security, pensions, health care, education, subsidized housing, and the like, the welfare state collectivizes these risks, with the result that people who are lucky in these respects end up subsidizing those who are less fortunate. But since people are in general unable to judge in advance how likely it is that they will end up needing unemployment benefits, health care, or any of the other benefits, they are happy for risks to be pooled in these ways. People are simply better off by virtue of being protected against some of the major uncertainties of life in contemporary societies.

Of course, the question may be asked why private insurance would not do the job of protecting people against major uncertainties better than the welfare state would. Three answers are available. The first is that, in some cases, the relevant insurance market may simply not exist—no one is willing to insure others against risks of certain kinds, perhaps because *they* cannot properly assess the risk of so insuring. The second is that people are very often unable to judge whether they need to take out insurance against certain risks, how much coverage they need, who is likely to prove a reliable insurer and who is not, and so forth. This is a consequence of both (unavoidably) limited information and well-documented cognitive limitations, even among intelligent people, when faced with choices under risk or uncertainty. Third, private insurance companies might want to discriminate among individuals in ways that liberals, and others, would find unacceptable. This will increasingly be true in the market for health insurance, as genetic tests allow companies to calculate the health prospects of each client. For a different example of

[8] It hardly needs saying here that classical liberals and libertarians have portrayed the welfare state as ethically unjustified and corrosive of market freedoms, whereas Marxists and other radical socialists have viewed it as a way of buying off working-class opposition to capitalism while leaving the central mechanism of capitalist exploitation of labor untouched.

[9] Here my analysis is close to that put forward by Goodin in *Reasons for Welfare*, chap. 1.

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insurance discrimination, consider the case of house insurance in Britain. Disastrous floods in the autumn of 2000 have meant that people with properties at risk have found their premiums rising by 100 percent or more, or even in some cases that they cannot obtain insurance at all. Yet the floods are a side effect of climatic change for which all of us are in part responsible. Is it fair in these circumstances that the cost should be borne entirely by those individuals who turn out (unpredictably) to be most at risk?

These arguments for social insurance as superior to private insurance—at least for risks of certain kinds—justify those parts of the welfare state that serve this function. They are also best characterized as liberal arguments, since they are claims about what, in general, best serves the interests of each individual. Although the effect of welfare institutions in this aspect is redistributive, the redistribution is simply from the fortunate to the unfortunate—there is no attempt to redistribute income from high earners to low earners, for instance. Social insurance differs from private insurance in this respect merely by extending luck-neutralization a bit further, by refusing to discriminate in some cases where private insurers would wish to do so.[10] So we need to distinguish the welfare state qua insurance mechanism from the welfare state qua vehicle of equality, the latter of which, I shall argue below, is one of the justifications appealed to by socialists.

The second liberal justification is that the welfare state provides a social minimum below which nobody is allowed to fall. This provides a basic income, health care, education, access to housing, and so forth. And this is justified not only on general humanitarian grounds, but also on the grounds that it is part and parcel of being a citizen that one has a right to this minimum set of resources. As far as this liberal line of justification is concerned, it does not matter how people fare over and above the minimum point—this is what distinguishes the liberal argument for the welfare state from various socialist arguments.[11] But it is morally unacceptable for people to be below the minimum when resources are available to lift them above it. Of course, people have a responsibility to provide for

[10] One can, of course, extend luck-neutralization further still, as advocated by some left liberals who argue that the state should compensate people who fare poorly in the genetic lottery by imposing an ability tax or something like it. The *locus classicus* for this argument is Ronald Dworkin, "Equality of Resources," *Philosophy and Public Affairs* 10, no. 4 (1981): 283–345, reprinted in Ronald Dworkin, *Sovereign Virtue* (Cambridge, MA: Harvard University Press, 2000).

[11] This distinction between the welfare state as setting a minimum below which citizens are not allowed to fall and the welfare state as a vehicle for equality has been sharply drawn (on the side of liberalism) by Ralf Dahrendorf in a number of writings, including Ralf Dahrendorf, *The New Liberty* (London: Routledge and Kegan Paul, 1975); and Ralf Dahrendorf, *The Modern Social Conflict: An Essay on the Politics of Liberty* (London: Weidenfeld and Nicolson, 1988). For a fuller defense of Dahrendorf's position against rival views on both the Right and Left, see Joao Carlos Espada, *Social Citizenship Rights: A Critique of F. A. Hayek and Raymond Plant* (Basingstoke, UK: Macmillan, 1996).

themselves when they are able to do so. So, for instance, they must accept paid work when it is on offer. But if, for whatever reason, they cannot raise themselves above the socially defined threshold, then other citizens have a duty to provide the necessary resources, and the welfare state offers the institutional means for discharging this duty.

Now socialists have no reason to reject either the insurance or the social minimum rationale for the welfare state. But they want to add further arguments of their own, which entail shaping the welfare state in a different way.

The first of these socialist arguments is about equality. The welfare state, it is claimed, helps to equalize the distribution of resources in society by progressively taxing those who succeed in the economic market and using the proceeds to provide goods and services to each citizen on an equal basis: using an uncorrected market economy as a benchmark, the net effect is greater social equality. In fact, this claim can be broken down into two subclaims, one about *specific* egalitarianism, the other about *general* egalitarianism. The specific claim is that the welfare state provides each citizen with certain goods—most notably health care and education—on an equal basis, whereas in a market economy such goods would typically be unequally distributed. The general claim is that, looking at the complete bundle of resources—income as well as specific goods—available to each citizen, the distribution is more equal after taxes and welfare are taken into account than it is beforehand. Although the general egalitarian claim might seem the more significant of the two, the specific claim matters as well. For instance, many socialists have championed equality of opportunity, and this may require primarily specific forms of equality, such as equal access to educational resources. Socialists may also be sympathetic to Michael Walzer's claim that an egalitarian society requires different kinds of goods to be distributed in different ways, in most cases in ways other than by market exchange.[12]

Notice that a welfare state that is justified on egalitarian grounds must have two features: it must be *inclusive*, in the sense that everyone must take part in the same institutional distribution of goods and services, and it must be *progressively funded*, at least if the general egalitarian aim is to be achieved. A welfare state that provided everyone with the same goods and services, but also charged everyone the same fee for doing so, might work as an insurance mechanism, but it could not serve as a vehicle of equality. One of the questions I shall ask below is whether real welfare states have had these features, and whether they can continue to do so.

The second socialist argument I want to identify is an argument about community. It is claimed that a welfare state allows a society to be communitarian in a way that it could not be without it. Again, I want to

[12] Michael Walzer, *Spheres of Justice: A Defence of Pluralism and Equality* (Oxford: Martin Robertson, 1983).

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separate two strands in this argument. The first strand points to the experience of receiving goods and services in common. It applies most obviously to education and health care. By attending common schools and using public hospitals, people are brought directly into contact with fellow citizens from different classes, different ethnic backgrounds, etc., and this breaks down barriers and prejudices and gives people a sense that they are sharing a common fate with others in their society. The second strand highlights the symbolic or declarative significance of creating and maintaining a welfare state. It assumes that welfare institutions and policies enjoy popular support, and it claims that by reaffirming this support, in elections and so forth, citizens are also expressing their obligations to one another—they are saying, in effect, "We recognize a responsibility to take care of our fellow citizens who find themselves in need, or more generally fall short of what we regard as an adequate standard of living." A community, it is assumed here, cannot exist entirely in the minds of its members. It needs to find tangible expression in practices or institutions that convey a sense of what it means to belong. The welfare state is the primary form of expression in contemporary societies. That it is desirable for community to exist at this level is the premise from which the socialist argument proceeds.

I shall not attempt here to defend either equality or community as fundamental values, and I shall take it for granted that both have a central place in any recognizable idea of socialism.[13] My interest is in seeing whether the claims sketched above about the welfare state are at all sustainable, and, if not, whether there are feasible alternatives that might serve these goals better. It is worth noticing, however, that the two values are interrelated. On the one hand, it seems clear that the kind of community that socialists value—an inclusive community in which each member enjoys the same fundamental status—cannot exist where there are large inequalities in the distribution of goods and services. On the other hand, unless citizens feel themselves bound together by ties of community, they are unlikely to espouse principles of social justice of the kind that lead to egalitarian outcomes—especially principles mandating distribution on the basis of need.[14] So the welfare state, if it is to be in any way effective as a vehicle of socialism, needs both to promote material equality and to sustain a sense of community among citizens. If it can, we have a virtuous

[13] I have analyzed and defended the idea of equality in David Miller, "Arguments for Equality," in Peter. A. French, Theodore E. Uehling, and Howard K. Wettstein, eds., *Midwest Studies in Philosophy: Volume VII* (Minneapolis: University of Minnesota Press, 1982); David Miller, "Complex Equality," in David Miller and Michael Walzer, eds., *Pluralism, Justice, and Equality* (Oxford: Oxford University Press, 1995); and David Miller, *Principles of Social Justice* (Cambridge, MA: Harvard University Press, 1999), chap. 11. The claim that socialists must embrace community of a certain kind is defended in David Miller, "In What Sense Must Socialism Be Communitarian?" *Social Philosophy and Policy* 6, no. 2 (1989): 51–73; and in Miller, *Market, State, and Community*, chap. 9.

[14] For a defense of this claim, see Miller, *Principles of Social Justice*, esp. chaps. 2–4.

circle whereby communitarian sentiments create support for egalitarian policies, which in turn help to cement the community together. If not, then a vicious circle leads in the opposite direction: in a society where rich and poor live in separate worlds, the rich will see little reason (except perhaps one of self-defense) to contribute to the support of the poor, so if they can recruit middle-class support for the "war on welfare," cutting taxes and trimming back benefits, the gap will widen still further. So how does the welfare state look, when judged by these criteria?

III. The Welfare State and Equality

Throughout the career of the welfare state, its socialist champions have expressed disappointment at how little it has done to reduce social inequality. This would not be unexpected if it came from Marxists who would, in any case, not be satisfied with anything less than a frontal assault on capitalist relations of production. But democratic socialists in the tradition of the historian-cum-social philosopher Richard Tawney, who had looked to the communal provision of social services funded by progressive taxation as central to his strategy for combating the inequalities of capitalism,[15] soon discovered that the post–World War II welfare state fell far short of this goal. Why was this? The welfare state's effectiveness as a vehicle for equality depends on two factors: first, the extent to which it is funded by taxes that fall disproportionately on the income and/or wealth of the better-off groups, and second, the extent to which the range of benefits it provides, whether in cash or in kind, are worth more to the poor than the rich, so that the final distribution of income, including these benefits, is more equal than the original one. If people are merely getting out of the welfare state the rough equivalent of what they are contributing to it by taxation, then, although the insurance aim may be satisfied, the egalitarian aim plainly is not.

Anyone attempting to assess how effective welfare states have been at reducing inequality quickly discovers that he is entering a minefield. This is partly because the picture is quite varied as we move from one country to the next, and from one area of social policy to another, but also partly because there are difficulties in choosing a suitable metric of equality. For instance, a service may be provided on an equal basis to every citizen, in the sense that everyone has equal access to the service, but it may turn out that some groups make better use of the service than others, for reasons that are unrelated to differences in need. Should we conclude that the impact of the service is egalitarian or inegalitarian? An influential study of the British welfare state by economist Julian Le Grand concluded that its impact was far less egalitarian than was often assumed, once proper account was taken of the capacity of higher-income groups to make better

[15] Richard H. Tawney, *Equality* (1931; London: Allen and Unwin, 1964), chap. 4.

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use of state-provided health care, education (in particular, higher education), and transportation subsidies.[16] Le Grand's conclusions have been vigorously contested, and there is some evidence that the biases he detected, particularly in the use of health services, have diminished over time.[17] Nevertheless, it is widely acknowledged that the redistributive impact of the welfare state overall is quite modest. To get some idea of its scope, we can turn to a recent study of the expenditure on health, education, housing, and personal social services in Britain.[18] If we begin by looking at how cash incomes are distributed prior to the impact of the welfare system, we find that the top fifth of the population received 41.3 percent of total income and the bottom fifth received 7.5 percent. When welfare benefits—the so-called social wage—are taken into account, the corresponding figures become 37.7 percent and 9.7 percent, respectively. In other words, without the social wage, the top fifth would be around five-and-a-half times better off than the bottom fifth; including the social wage, they are about four times better off. And although rising levels of welfare expenditure have increased the social wage over time, this has only partially offset the growing inequality of primary income. The economic gap between rich and poor continues to grow, and although the impact of the welfare state has become slightly more favorable to the worse off, it has only damped rather than reversed the trend toward overall inequality.

Although, as noted earlier, the precise story will vary from one country to the next, the same general conclusion appears to hold for all: depending on the welfare regime that is in place, the combined effect of the tax-and-welfare system is to mitigate economic inequality somewhat.[19] But we may also be concerned about specific egalitarianism—about the way in which particular goods, such as health care and education, are distributed—and it then matters that the welfare state provides these goods independently of the income (or other such features) of the recipient. That the real opportunity to get health care and education may be affected by the class background of the recipient is a disfigurement of the principle, but it does not entirely destroy its force, any more than equality before the law, say, is entirely destroyed once research shows us that middle-class offenders generally get more favorable treatment than do

[16] Julian Le Grand, *The Strategy of Equality: Redistribution and the Social Services* (London: Allen and Unwin, 1982). See also Robert E. Goodin and Julian Le Grand, *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen and Unwin, 1987).

[17] Critical responses to Le Grand are helpfully synthesized in Martin Powell, "The Strategy of Equality Revisited," *Journal of Social Policy* 24, no. 2 (1995): 163–85. See also Maria Evandrou et al., "Welfare Benefits in Kind and Income Distribution," *Fiscal Studies* 14, no. 1 (1993): 57–76, which qualifies Le Grand's original study in certain respects.

[18] Tom Sefton, *The Changing Distribution of the Social Wage* (London: London School of Economics and Political Science, 1997).

[19] See, for instance, the analysis in Robert E. Goodin et al., *The Real Worlds of Welfare Capitalism* (Cambridge: Cambridge University Press, 1999), chap. 9, which compares the U.S., the Netherlands, and Germany along this and other dimensions.

working-class offenders. The force of the principle is not entirely destroyed, because the public affirmation of equality not only conditions the behavior of the person who delivers the service, but also colors the experience of the person receiving it. Rich and poor patients sit in the doctor's waiting room on an equal footing, even if, as a matter of fact, the rich patient is likely to get more of the doctor's time once inside the consulting room. And the doctor knows that he ought to be giving them equal attention, even if, in practice, he falls away from that standard.

This assumes, of course, that everybody is using the same package of welfare state services. In recent years, we have witnessed an increasing tendency on the part of richer citizens to opt out of the public services, either completely or by buying extra services to top up the public package. Thus, in countries such as Britain with public health services, increasing numbers of people have taken out private health insurance, mainly to cover minor operations for which there are long waiting lists in the public sector. In the field of education, the analogous phenomenon is hiring private tutors to supplement what is taught in the public schools, or even moving children into the private sector at key points in their educational career (for those who cannot afford an entirely private education). Evidently, the further this trend goes, the less plausible it is to present the welfare state as a device by which specific forms of equality can be ensured. Instead, it begins to look more like a device for providing a minimum set of resources which people are then able to enlarge according to the size of their purses. This, of course, is quite compatible with the second liberal justification—the argument that the welfare state guarantees the minimum that everyone is entitled to qua citizen—but it does not meet the socialist aspiration toward equality.

If we rule out a blanket prohibition on the private purchase of these services (which would be seen as an unacceptable restriction of personal liberty), policymakers face a dilemma. They must choose between providing the same services to everyone free of charge, and then seeing substantial numbers of people who can afford to opt out—by either going entirely private or topping up the public service—or else they must allow people to buy different levels of service within the public sector. Such differential buying need not be overt. It can, for instance, simply take the form of allowing more diversity in public education, with the result that middle-class areas get better-resourced schools than poor areas do. Either way, the residual egalitarianism of the welfare state is diluted and we are a further step away from realizing the hopes of Tawney and others who saw it as their main weapon in the fight for social equality.

These observations might appear to reinforce the conclusion, drawn by Le Grand and others, that if we care about equality, there is no substitute for equalizing the distribution of income. But before examining this alternative, I want to turn to the second socialist argument for the welfare state, which is the argument that centers on community.

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IV. The Welfare State and Community

Perhaps the most famous defense of the welfare state as embodying an idea of community is to be found in the sociologist Richard Titmuss's book *The Gift Relationship*. Titmuss interprets the voluntary system of blood donation that still prevails in Britain as an expression of the idea that people recognize and are prepared to act on obligations to bring aid to "unknown strangers" when those strangers are clearly in need. He argues that one of the aims of social policy should be to channel and foster such altruistic motives. As he puts it:

> [T]he ways in which society organizes and structures its social institutions—and particularly its health and welfare systems—can encourage or discourage the altruistic in man; such systems can foster integration or alienation; they can allow the 'theme of the gift' . . . —of generosity towards strangers—to spread among and between social groups and generations.[20]

Titmuss has often been criticized, however, for failing to notice a key difference between voluntary blood donation and the welfare state: welfare services, unlike voluntary blood donation, are funded out of compulsory taxation and administered by paid officials. In what sense, then, can they be said to express generalized altruism on the part of those who provide them? And a similar point can be made about the idea of community: if a community requires people freely to discharge their special obligations to fellow members, how can this be squared with the fact that we have rights to welfare, on the one hand, and coercively enforced obligations to pay for it, on the other?[21]

I believe that the latter question is somewhat easier to answer on the side of the donors than on the side of the recipients. It is possible both to recognize that one has obligations to others to provide them with resources, and to accept, indeed positively welcome, an institutional arrangement that forces one to contribute. This will be the case whenever the obligation falls on many people, and each has reason to hold back in case others fail to do their share in the absence of compulsion.[22] One would rather be forced to contribute than be taken advantage of by other people who are less conscientious than oneself. A community of saints would not reason like this, of course, but most people's altruism and

[20] Richard Titmuss, *The Gift Relationship: From Human Blood to Social Policy* (London: Allen and Unwin, 1970), 225.

[21] For a much fuller discussion of this problem, see David Harris, *Justifying State Welfare: The New Right versus the Old Left* (Oxford: Blackwell, 1987), chap. 4.

[22] I have spelled out the reasoning implicit in this claim much more fully in David Miller, "Altruism and the Welfare State," in J. Donald Moon, ed., *Rights, Responsibilities, and Welfare* (Boulder, CO: Westview Press, 1988); and in Miller, *Market, State, and Community*, chap. 4.

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sense of community depends on reciprocity: one is willing to do one's bit provided that others do theirs. So the fact that as individuals we must contribute to the welfare state whether we like it or not, does not sabotage the claim that in instituting and supporting a welfare state we are expressing our sense of communal belonging and our obligations to fellow members.

Looked at from the side of the recipients, the problem takes on a different form. Earlier writers on the welfare state often complained that people did not regard their receipt of welfare benefits as something that they had a right to—there was a stigma attached to receiving benefits, particularly selective benefits such as income support. The answer was to reinforce as part of public morality the idea that citizens had social rights—just as they had civil and political rights—and included among these were rights to a range of goods and services provided by welfare agencies. One practical consequence of this line of thinking has been the issuing, in several countries, of charters of citizens' rights, which provide citizens with the legal means of ensuring that the specified goods and services are delivered, or obtaining compensation if they are not. The danger hidden in this development, however, is that people's approach to welfare institutions and the people who staff them becomes more legalistic and confrontational: instead of regarding the doctor as a trusted friend, one sees her as someone against whom one has specific rights—for example, so much surgery time, so many home visits—and whom one can sue for compensation if she should make a mistake or provide an inadequate service. More broadly, the welfare system as a whole can come to be regarded as a giant pot from which one is entitled to extract as many resources as possible, by legal means if necessary. Such attitudes might be in place when dealing with a large corporation, say, but if they come to be held toward the welfare state, it will inevitably lose its character as an expression of community. For that depends on its being seen as common possession, something to which each of us has rights, certainly, but rights whose exercise is governed by the principle of equal shares.

I do not wish to present this development as an inevitable corollary of the idea that citizens have rights to welfare, but it does illustrate the problem inherent in regarding the welfare state as an expression of community. It clearly is not sufficient that there should exist an institutional structure that discharges the functions normally discharged by the welfare state. Everything depends on whether ordinary citizens, in their dealings with the institutions, whether as donors or recipients, feel themselves to be acting as members of a community. This feeling may be strongest in the period when the welfare state is in the process of creation, where each step forward is accompanied by political debate on the purposes that the institutions are meant to serve, what is necessary in order for someone to be fully included in the life of his society, and so forth. Later on, bureaucratic inertia may take over and the underlying aim of

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welfare policy may then fall out of view. So although the idea that the welfare state expresses our sense of community has not entirely disappeared in those countries where it is most firmly entrenched, it would be difficult to claim that it can bear the weight that socialists in the Tawney/Titmuss tradition have wanted it to bear.

What of the other claim, that the welfare state *creates* a sense of community because people from different walks of life are brought together when they use publicly provided services? Clearly, this argument applies only to those parts of the welfare state that do involve people making use of common facilities, and not, for instance, those parts that involve cash transfers or that cater only to particular groups, such as the disabled. It also assumes, like the argument from equality, that *everyone* uses the services. To the extent that significant sections of the population choose to opt out of the public services and to use private ones instead, the communitarian argument loses its purchase. Taking these limitations on board, does the argument still have any force? Critics like the social philosopher Robert Goodin point out that people may rub shoulders in a whole variety of contexts—shopping, queuing for buses, and so on—and that there is nothing special about welfare provision that makes the experience of common consumption here especially significant: "If it is the conversations that one strikes up as one stands in queue that make one feel part of a community, then it does not matter what one is queuing *for*."[23]

I find this criticism less than decisive. Although it is true that people interact with each other in a wide variety of market (and other) contexts, there is a tendency for these contexts to be segregated, either directly by money or indirectly by residence. Not all queues are equally egalitarian: one does not meet many manual workers while standing in line for opera tickets. Supermarkets may provide a common meeting-ground, but it depends a lot on their catchment area. Hospitals, by contrast, very often serve whole cities inclusively, and there is no doubt that entering a public hospital gives one a strong sense of common fate with fellow patients from a variety of backgrounds. Education stands somewhere in the middle, since, as Goodin rightly points out, there is likely to be a good deal of social segregation both between schools and within them (between academic and nonacademic tracks, for instance). Nevertheless, there would certainly be much greater segregation in a wholly privatized school system, if we can imagine what one would look like.

There is a further point here that deserves mentioning. Education and health care are essential goods—goods without which nobody can be guaranteed a decent life in a modern society—and we can take these two spheres as the ones where the communitarian argument has most purchase. So greater significance attaches to the fact that these are the goods that are provided and consumed in common places. When we make use

[23] Goodin, *Reasons for Welfare*, 102.

of them, we are reminded of the ways in which we are dependent on other members of the community when the chips are down, as it were. Of course other causes—war, acts of terror, natural disasters—can have the same effect of bringing people together; however, these are sporadic and unpredictable, so in that sense there is no substitute for the welfare state as a way of reminding people of their interdependence.

The argument from community, I conclude, is not wholly exhausted. But I doubt if it can be made to bear sufficient weight to support the claim that socialist values are still being effectively promoted via the institutions of the welfare state. As we have seen, these institutions remain strong and enjoy considerable popular support. But the shape they have taken is for the most part consistent with the liberal justifications couched in terms of social insurance and a guaranteed social minimum. We cannot easily tell whether popular support has a predominantly liberal or predominantly socialist basis—we cannot tell, that is, whether people who voice their political support for the welfare state do so because they see it as providing insurance against risk and a safety net to catch people who might otherwise fall below the minimum, or because they see it as promoting social equality and expressing and fostering community.[24] These different justifications are probably not distinguished in citizens' minds when they discuss the topic. Given, therefore, that the welfare state in its current form is at best a weak vehicle for socialism, and given that there seems little prospect of changing it in a way that would bring it closer to the visions of those socialists who championed it, is there any alternative that might better promote the aims of socialism under current conditions?

V. Beyond the Welfare State?

The welfare state provides certain essential goods collectively, and it also provides income support for certain specified categories of people—the disabled, the elderly, families with children, the unemployed, etc. What it does not attempt to do is to redistribute income generally between rich and poor; in the eyes of its critics, this explains its relative ineffectiveness as a promoter of equality. So how might a more direct attack on economic inequality be mounted?

I shall consider briefly three current proposals that aim, inter alia, at bringing about a more equal distribution of income, and see whether they might qualify in any sense as inheritors of the socialist project. These

[24] One piece of evidence supporting the liberal interpretation is people's increasing tolerance of those who choose to opt out of public services in favor of private ones. This suggests that they see the welfare state as providing a minimum package of resources rather than as promoting specific or general equality. But perhaps this should be set against popular support for the broader position that it is a legitimate objective of government policy to reduce social inequality by narrowing the distribution of incomes. See the evidence cited in Miller, *Principles of Social Justice*, chap. 4.

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proposals are first, to provide every adult with a capital stake on reaching maturity; second, to provide every citizen with an unconditional basic income sufficient to cover everyday needs; and third, to tax those with relatively high earning capacity and transfer the resources so raised to those with relatively low earning capacity.[25] These proposals, it should be noted, are not mutually exclusive: one could combine two of them together, or even possibly all three. Nor would implementing them exclude welfare policies of the more traditional kind as discussed above. Indeed, proponents of these three ideas often insist that they should not be seen as replacing conventional welfare measures, especially those aimed at people with special needs. Nevertheless, these ideas *are* seen as "alternatives to welfare," in the sense that their champions typically argue that the egalitarian potential of the welfare state has been exhausted, so that any further move in the direction of equality must involve changing the primary distribution of income by one of the three methods outlined here.

First, then, I consider the capital-stake proposal. Its supporters argue that both individual freedom and equality of opportunity will be dramatically increased by providing every adult with a capital sum—$80,000 is the figure specified in one such proposal—at the age of maturity, which is a sum that might be used to start a business, cover the costs of professional training, be invested to provide a small income, etc.[26] The stake would be financed by taxes on inheritance and wealth, and individuals would be required to return it to the state before passing on assets to their children. Although a person's class of origin would still significantly affect his opportunities, the capital stake would go some way toward leveling the playing field and bringing about a fairer distribution of income in the longer run.

This proposal seems to me to represent a plausible application of the liberal principles of equality of opportunity and freedom, and socialists would surely have no objection to it. But at the same time it neither is, nor is intended to be, a strongly egalitarian measure. What people do with their stakes will depend on their choices and on their ability to succeed in market transactions. Standard capitalist property rights remain undisturbed, apart from measures designed to limit inheritance. So although the intergenerational transmission of advantage will be reduced, inequal-

[25] The first two proposals have been thoughtfully reviewed by Erik Olin Wright in Erik Olin Wright, "Reducing Income and Wealth Inequality: Real Utopian Proposals," *Contemporary Sociology* 29, no. 1 (2000): 143–56. The third proposal considered by Wright is a version of market socialism.

[26] See Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (New Haven, CT: Yale University Press, 1999). Ackerman and Alstott's complete package contains elements other than the capital stake—in particular, they propose a "privilege tax" to compensate for inequalities in different people's home backgrounds—but I shall focus on the capital-stake element because it has been most discussed, and indeed is beginning to find a place on the political agenda.

ity within any given generation may be very large. And the promoters of the capital stake see no problem with this:

> If each American received a first-rate education and began adult life with a roughly equal stake, it should be up to him or her to decide what to do next. Subject to fulfilling his trusteeship obligations to the next generation, he should be free to make his own decisions on the right mix of work and leisure, spending and saving. If it *then* turned out that the top 1 percent gained 20 percent of the wealth [according to the authors, the current distribution in the U.S.], we would accept the legitimacy of the resulting gap. It is up to each of us to determine, on his own responsibility, the highest and best use of his initial resources.[27]

This passage effectively highlights the liberal credentials of the capital-stake proposal. Socialists will not be convinced by the claim that, given equal starting points, all inequalities generated by a capitalist economy are legitimate. They will point to the way in which the choices made by A may have an impact on the choices made by B in such a way that to hold B fully responsible for the results of her choices is unacceptable. They will also point to the cumulative effects of inequalities generated in the early years of working life, inequalities that may be largely a matter of luck. Suppose that A invests his stake in a successful company and B invests hers in one that goes bankrupt, even though a priori there was no way of distinguishing the likely fates of the two companies. A will then be in a position to use his accumulated capital to start a business and employ B (and others like her) on whatever terms the current market dictates. Even socialists who agree that people can deserve higher rewards for making effective use of their talents (I return to this issue below) will blanch at this outcome.

So the capital-stake proposal, whatever its intrinsic merits, is implausibly regarded as an inheritor of the socialist project—nor indeed do its advocates claim that it is. What, then, of the second proposal, the one for unconditional basic income? It is worth noting here that supporters of basic income range from those who would be happy to be called libertarians to those who place themselves firmly in the socialist tradition.[28]

[27] Ibid., 96.

[28] For the libertarian end of the spectrum, see, for instance, Samuel Brittan, *Capitalism with a Human Face* (Aldershot: Edward Elgar, 1995), pt. 5; for the socialist end, see, for instance, Robert J. Van der Veen, *Between Exploitation and Communism: Explorations in the Marxian Theory of Justice and Freedom* (Groningen, The Netherlands: Walters-Noordhoff, 1991), pt. 1. Somewhere in between stands the major theoretical defense of basic income, Phillipe Van Parijs, *Real Freedom for All: What (If Anything) Can Justify Capitalism?* (Oxford: Clarendon Press, 1995), which is written from a left-liberal perspective. There is a good survey of the range of arguments that have been used to support basic income in Phillipe Van Parijs, ed., *Arguing for Basic Income* (London: Verso, 1992), esp. chap. 1.

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For the former, the main point about basic income is that it increases everyone's freedom, including the freedom to take low-paying work or not to work at all, and that it does away with the bureaucratic complexities of existing social security and unemployment benefit policies. For the latter, the main point is that it severs the link between earning power and final income, allowing even those with few talents to live a decent life and avoid the drudgery of so-called "McJobs" if they choose. Basic income is a Janus-faced idea, and which way it looks depends essentially on two factors: the level at which the basic income is paid and the tax structure that is used to fund it. The higher the level of the unconditional income, and the more progressively income and/or wealth are taxed to pay for it, the more egalitarian the final distribution of income will be. At the extreme, everyone who is employed might hand over all of his or her pretax income to the state, and all would receive the same basic income for consumption purposes.

If we stay with the more moderate versions of basic income—and it is only these that can be said to be in any sense on the political agenda at present—then what we have is essentially a beefed-up version of the liberal idea of the social minimum discussed above. Its distinctive features are that, rather than goods or services being provided in kind, citizens are entitled to a cash income that they are free to use however they want, and that no obligation to work or contribute in other ways is attached to receiving the income. These are the libertarian features of the proposal, and they do not consort well with socialist concerns about community and social responsibility. Socialists believe that each person who is able to do so has a responsibility to contribute to the social product through the course of a normal working life, and this, of course, is why they portray capitalists who live by clipping coupons as social parasites. Another way of putting the point is that unconditional basic income permits those who could work but choose not to do so to exploit those working out of a sense of social responsibility, and such exploitation violates a socialist norm of reciprocity.[29] Furthermore, on the side of the recipients, socialists will argue that citizens have a duty to meet the needs of fellow citizens, even in cases where those needs result from bad choices on the part of the needy: this is one reason why socialists have traditionally favored providing welfare services in kind rather than giving people the cash to purchase such services. To the extent, then, that basic income *replaces* other, better-targeted forms of provision, socialists will be concerned that it leaves people too ex-

[29] See Stuart White, "Liberal Equality, Exploitation, and the Case for a Basic Income," *Political Studies* 45, no. 2 (1997): 312–26. One might argue here that the norm itself could remain in force even though there was no legal obligation to work in return for receiving basic income, but, in my view, this underestimates the force of the message that would be conveyed by instituting an unconditional basic income. It would amount to a public declaration that working is a choice rather than a responsibility.

posed to the consequences of their own bad choices—less exposed, certainly, than the capital stake, since the income is paid regularly and cannot be blown in a single shot, but still too much in thrall to the liberal idea that it is up to each person to decide how to use the resources that she is provided with.

From an egalitarian perspective, basic income, like the capital stake, leaves in place the primary distribution that is characteristic of capitalism. People's receipts depend upon their talent and their luck, and these can be rolled forward into new ventures. How far the resulting inequalities are corrected depends entirely on the tax structure that is superimposed on the capitalist economy. There is no reason to think that switching from more traditional welfare policy to basic income will increase people's readiness to accept, economically or politically, sharply progressive income and/or wealth taxes. So if the welfare state's drive toward equality has been stalled, in part, by the difficulty in raising (strongly) progressive taxes to fund it, it seems that the same fate would await basic income policies if they should find their way on to the mainstream political agenda.

Finally, we come to proposals for an ability tax. If we assume that economic inequality in contemporary societies is to a considerable extent due to (undeserved) talent differences that translate into earnings differences, should we not assess each person's native earning potential and redistribute resources so as to compensate for differences in these potentials? Individuals might still choose to work harder or less hard, in more productive or less productive jobs, etc., and so there would be differences in final income, but these differences would be smaller, and they would directly reflect choices for which the individuals in question could reasonably be held responsible.

There are, of course, immense practical difficulties in determining people's earning potentials. We can only observe directly what a person actually earns, not what she might be able to earn if she now chose a different kind of work, or had chosen at an earlier age to cultivate different talents. There are also objections of principle to lump-sum ability taxes, which require individuals to pay over capital sums to the exchequer according to the income they would receive in the highest-paying job they were able to fill. These taxes penalize people who are able to command high salaries in occupations that they detest, but not in occupations that they enjoy, since they may be forced to take one of the jobs they hate in order to pay the lump-sum tax. But the second type of objection at least is circumvented by recent proposals to impose different rates of *income tax* on people according their earning potential, so that people with high potential who chose to work for shorter hours or in lower-paying jobs would pay tax at a higher rate, but only on the income that they actually earned, thus avoiding the problem of "the slavery of the talented." People whose earning potential is low, by contrast, would re-

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ceive an earnings subsidy that would boost their market-determined incomes proportionately.[30]

Ability taxes are plainly no closer to being on the political agenda than are socialist proposals of a more conventional kind. But it is worth contemplating them briefly for the light they throw on socialism itself. The question that needs asking is whether socialists are opposed *in principle* to rewarding people on the basis of their productive talents, or whether they are opposed only to the way that *capitalist economies* reward such talents. A socialist might think, for instance, that under capitalism some talents get overrewarded in comparison with others; that the set of talents that gets economically rewarded at all is too narrow; and that the scale of inequality generated is too large, threatening community and other values. But she might also think that the basic idea of rewarding people who use their native talents in a productive way according to the size of the contribution they make is acceptable.[31] Other socialists would disagree; they would regard talents as a social asset to whose fruits everyone has an equal right, just as they have an equal right to the fruits of nonhuman capital. Socialists who are attracted to communism clearly hold such a view. So ability tax proposals serve to highlight a cleavage within socialism itself: although socialists are committed to equality, we cannot assume that *any* policy that has an egalitarian impact will receive their unanimous support.

As political philosopher Stuart White points out, a further problem with ability taxes, whether of the lump-sum or earnings tax-and-subsidy kind, is that they involve publicly labeling people as falling into different ability groups according to their earnings potential, and this may conflict with the idea, attractive to socialists, of a society in which everyone enjoys an equal status, with a sense that in general they are no better or worse than anyone else.[32] One of the merits of socialized production, from this perspective, is that it blurs rather than highlights ability differences. In a cooperative, for instance, there will be no denying that some members are more productive than others, but insofar as they work as a team to create a joint product, it may be difficult to say just how large each person's contribution is. So there will be less of a tendency to label some people as alphas and others as deltas. The ability tax, by contrast, does rely on such labeling. So although it might be an effective way of reducing income inequality, it may at the same time pose a threat to social equality in the broader sense of a society where people regard and treat one another as equals.

[30] See Stuart White, "The Egalitarian Earnings Subsidy Scheme," *British Journal of Political Science* 29, no. 4 (1999): 601–22.

[31] This is the position I have defended myself in Miller, *Market, State, and Community*, chaps. 6–7; and in David Miller, "What Kind of Equality Should the Left Pursue?" in Jane Franklin, ed., *Equality* (London: IPPR, 1997).

[32] White, "The Egalitarian Earnings Subsidy Scheme," 619–21.

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VI. Conclusion

I began this essay by pointing out that socialists can be roughly divided into those whose aim is to transform production and those whose aim is to transform consumption. For the first group, whose most prominent members have been Marxists, socialism is primarily a matter of putting the means of production into social ownership and/or radically changing the organization of work. For the second group, it is primarily a matter of replacing private consumption with common consumption and/or radically redistributing the means of consumption. According to the former, attempts to change the pattern of consumption while leaving capitalist productive relations in place can never be more than window dressing. According to the latter, capitalism is a hugely productive engine which, instead of being destroyed, can be brought under democratic control and made to serve the cause of equality.

With the benefit of hindsight, we can now see that both groups were half right. The Marxists, and others like them who focused on production, were right to argue that the distributive and other effects of the capitalist economy were so profound as to limit quite severely the social democratic project of socializing, and equalizing access to, consumption. We have seen what the welfare state has and has not been able to achieve by way of promoting equality and community. But, equally, socialists in the second camp were right about the effects of abolishing the market and putting the means of production into the hands of the state. Rather than the springs of cooperative wealth flowing more abundantly, they were seen to dry up. Neither strategy could be pursued successfully to its final conclusion.

Are we to conclude that the socialist idea was flawed from the start? My own view is that, in the capitalist democracies at least, the influence of socialist thought has been almost wholly beneficial, in humanizing a system that would otherwise have left large numbers of people exposed to the slings and arrows of an unregulated market. The welfare state is the single most important embodiment of this humanizing function. I have emphasized its limits as a vehicle of equality and community, but I have not for a moment wanted to deny its importance in guaranteeing a minimally decent life to every citizen. Moreover, this function is as important now as it was fifty or a hundred years ago when the foundations of the welfare state were being laid. Of course, the part played by socialists and socialism in bringing this about is open to debate. In my view, the influence of socialism has been considerable, first in shifting liberals themselves toward a form of "social" liberalism and implanting the idea of social justice in their thinking, and second in continuing to agitate for more egalitarian and/or more communitarian forms of welfare provision. So whatever the future of socialism turns out to be, we are fortunate to have at least this part of its legacy still with us.

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