

The Meaning of the Welfare State

Friedrich von Hayek

[...]

Unlike socialism, the conception of the welfare state has no precise meaning. The phrase is sometimes used to describe any state that 'concerns' itself in any manner with problems other than those of the maintenance of law and order. But, though a few theorists have demanded that the activities of government should be limited to the maintenance of law and order, such a stand cannot be justified by the principle of liberty. Only the coercive measures of government need be strictly limited. [...] There is undeniably a wide field for non-coercive activities of government and [...] a clear need for financing them by taxation.

Indeed, no government in modern times has ever confined itself to the 'individualist minimum' which has occasionally been described,¹ nor has such confinement of governmental activity been advocated by the 'orthodox' classical economists.² All modern governments have made provision for the indigent, unfortunate and disabled and have concerned themselves with questions of health and the dissemination of knowledge. There is no reason why the volume of these pure service activities should not increase with the general growth of wealth. There are common needs that can be satisfied only by collective action and which can be thus provided for without restricting individual liberty. It can hardly be denied that, as we grow richer, that minimum of sustenance which the community has always provided for those not able to look after themselves, and which can be provided outside the market, will gradually rise, or that government may, usefully and without doing any harm, assist or even lead in such endeavours. There is little reason why the government should not also play some role, or even take the initiative, in such areas as social insurance

and education, or temporarily subsidize certain experimental developments. Our problem here is not so much the aims as the methods of government action.

References are often made to those modest and innocent aims of governmental activity to show how unreasonable is any opposition to the welfare state as such. But, once the rigid position that government should not concern itself at all with such matters is abandoned – a position which is defensible but has little to do with freedom – the defenders of liberty commonly discover that the programme of the welfare state comprises a great deal more that is represented as equally legitimate and unobjectionable. If, for instance, they admit that they have no objection to pure-food laws, this is taken to imply that they should not object to any government activity directed toward a desirable end. Those who attempt to delimit the functions of government in terms of aims rather than methods thus regularly find themselves in the position of having to oppose state action which appears to have only desirable consequences or of having to admit that they have no general rule on which to base their objections to measures which, though effective for particular purposes, would in their aggregate effect destroy a free society. Though the position that the state should have nothing to do with matters not related to the maintenance of law and order may seem logical so long as we think of the state solely as a coercive apparatus, we must recognize that, as a service agency, it may assist without harm in the achievement of desirable aims which perhaps could not be achieved otherwise. The reason why many of the new welfare activities of government are a threat to freedom, then, is that, though they are presented as mere service activities, they really constitute an exercise of the coercive powers of government and rest on its claiming exclusive rights in certain fields.

The current situation has greatly altered the task of the defender of liberty and made it much more difficult. So long as the danger came from socialism of the frankly collectivist kind, it was possible to argue that the tenets of the socialists were simply false: that socialism would not achieve what the socialists wanted and that it would produce other consequences which they would not like. We cannot argue similarly against the welfare state, for this term does not designate a definite system. What goes under that name is a conglomerate of so many diverse and even contradictory elements that, while some of them may make a free society more attractive, others are incompatible with it or may at least constitute potential threats to its existence.

We shall see that some of the aims of the welfare state can be realized without detriment to individual liberty, though not necessarily by the methods which seem the most obvious and are therefore most popular; that others can be similarly achieved to a certain extent, though only at a

cost much greater than people imagine or would be willing to bear, or only slowly and gradually as wealth increases; and that, finally, there are others – and they are those particularly dear to the hearts of the socialists – that cannot be realized in a society that wants to preserve personal freedom.

There are all kinds of public amenities which it may be in the interest of all members of the community to provide by common effort, such as parks and museums, theatres and facilities for sports – though there are strong reasons why they should be provided by local rather than national authorities. There is then the important issue of security, of protection against risks common to all, where government can often either reduce these risks or assist people to provide against them. Here, however, an important distinction has to be drawn between two conceptions of security: a limited security which can be achieved for all and which is, therefore, no privilege, and absolute security, which in a free society cannot be achieved for all. The first of these is security against severe physical privation, the assurance of a given minimum of sustenance for all; and the second is the assurance of a given standard of life, which is determined by comparing the standard enjoyed by a person or a group with that of others. The distinction, then, is that between the security of an equal minimum income for all and the security of a particular income that a person is thought to deserve. The latter is closely related to the third main ambition that inspires the welfare state: the desire to use the powers of government to ensure a more even or more just distribution of goods. Insofar as this means that the coercive powers of government are to be used to ensure that particular people get particular things, it requires a kind of discrimination between, and an unequal treatment of, different people which is irreconcilable with a free society. This is the kind of welfare state that aims at 'social justice' and becomes 'primarily a redistributor of income'. It is bound to lead back to socialism and its coercive and essentially arbitrary methods.

Though *some* of the aims of the welfare state can be achieved *only* by methods inimical to liberty, *all* its aims *may* be pursued by such methods. The chief danger today is that, once an aim of government is accepted as legitimate, it is then assumed that even means contrary to the principles of freedom may be legitimately employed. The unfortunate fact is that, in the majority of fields, the most effective, certain and speedy way of reaching a given end will seem to be to direct all available resources towards the now visible solution. To the ambitious and impatient reformer, filled with indignation at a particular evil, nothing short of the complete abolition of that evil by the quickest and most direct means will seem adequate. If every person now suffering from unemployment, ill health or inadequate provision for [...] old age is at once to be relieved of his [or her] cares, nothing short of an all-comprehensive and compulsory scheme will

suffice. But if, in our impatience to solve such problems immediately, we give government exclusive and monopolistic powers, we may find that we have been short-sighted. If the quickest way to a now visible solution becomes the only permissible one and all alternative experimentation is precluded, and if what now seems the best method of satisfying a need is made the sole starting-point for all future development, we may perhaps reach our present goal sooner, but we shall probably at the same time prevent the emergence of more effective alternative solutions. It is often those who are most anxious to use our existing knowledge and powers to the full that do most to impair the future growth of knowledge by the methods they use. The controlled single-channel development towards which impatience and administrative convenience have frequently inclined the reformer and which, especially in the field of social insurance, has become characteristic of the modern welfare state may well become the chief obstacle to future improvement.

If government wants not merely to facilitate the attainment of certain standards by the individuals but to make certain that everybody attains them it can do so only by depriving individuals of any choice in the matter. Thus the welfare state becomes a household state in which a paternalistic power controls most of the income of the community and allocates it to individuals in the forms and quantities which it thinks they need or deserve.

In many fields persuasive arguments based on considerations of efficiency and economy can be advanced in favour of the state's taking sole charge of a particular service; but when the state does so, the result is usually not only that those advantages soon prove illusory but that the character of the services becomes entirely different from that which they would have had if they had been provided by competing agencies. If, instead of administering limited resources put under its control for a specific service, government uses its coercive powers to ensure that men are given what some expert thinks they need; if people thus can no longer exercise any choice in some of the most important matters of their lives, such as health, employment, housing and provision for old age, but must accept the decisions made for them by appointed authority on the basis of its evaluation of their need; if certain services become the exclusive domain of the state, and whole professions – be it medicine, education or insurance – come to exist only as unitary bureaucratic hierarchies, it will no longer be competitive experimentation but solely the decisions of authority that will determine what men shall get.³

The same reasons that generally make the impatient reformer wish to organize such services in the form of government monopolies lead him also to believe that the authorities in charge should be given wide discretionary powers over the individual. If the objective were merely to improve opportunities for all by supplying certain specific services

according to a rule, this could be attained on essentially business lines. But we could then never be sure that the results for all individuals would be precisely what we wanted. If each individual is to be affected in some particular way, nothing short of the individualizing, paternalistic treatment by a discretionary authority with powers of discriminating between persons will do.

It is sheer illusion to think that when certain needs of the citizen have become the exclusive concern of a single bureaucratic machine, democratic control of that machine can then effectively guard the liberty of the citizen. So far as the preservation of personal liberty is concerned, the division of labour between a legislature which merely says that this or that should be done⁴ and an administrative apparatus which is given exclusive power to carry out these instructions is the most dangerous arrangement possible. All experience confirms what is clear enough from American as

well as from English experience, that the zeal of the administrative agencies to achieve the immediate ends they see before them leads them to see their function out of focus and to assume that constitutional limitations and guaranteed individual rights must give way before their zealous efforts to achieve what they see as a paramount purpose of government.⁵

It would scarcely be an exaggeration to say that the greatest danger to liberty today comes from the men who are most needed and most powerful in modern government, namely, the efficient expert administrators exclusively concerned with what they regard as the public good. Though theorists may still talk about the democratic control of these activities, all who have direct experience in this matter agree that (as one [...] English writer put it) 'if the Minister's control ... has become a myth, the control of Parliament is and always has been the merest fairy tale'.⁶ It is inevitable that this sort of administration of the welfare of the people should become a self-willed and uncontrollable apparatus before which the individual is helpless, and which becomes increasingly invested with all the *mystique* of sovereign authority – the *Hobbitsverwaltung* or *Herrschaftstaat* of the German tradition that used to be so unfamiliar to Anglo-Saxons that the strange term 'hegemonic'⁷ had to be coined to render its meaning.

Notes

From F. A. von Hayek, *The Constitution of Liberty*, London, Routledge, 1959, pp. 257–62.

1 Cf., e.g., Henry Sidgwick, *The Elements of Politics*, London, 1891, ch. 4.

2 See on this particularly Lionel Robbins, *The Theory of Economic Policy*, London, 1952.

3 Cf. J. S. Mill, *On Liberty*, ed. R. B. McCallum, Oxford, 1946, pp. 99–100: 'If the roads, the railways, the banks, the insurance offices, the great joint stock

companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employés of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be greater, the more efficiently and scientifically the administrative machinery was constructed – the more skilful the arrangements for obtaining the best qualified hands and heads with which to work it.'

- 4 Cf. T. H. Marshall, *Citizenship and Social Class*, Cambridge, 1958, p. 59: 'So we find that legislation . . . acquires more and more the character of a declaration of policy that it is hoped to put into effect some day.'
- 5 Roscoe Pound, 'The Rise of the Service State and its Consequence', in *The Welfare State and the National Welfare*, ed. S. Glueck, Cambridge, MA, 1952, p. 220.
- 6 P. Wiles, 'Property and Equality', in *The Unservile State*, ed. G. Watson, London, 1957, p. 107.
- 7 See L. von Mises, *Human Action*, New Haven, 1949, pp. 196ff.