
Guarantees*

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I. Individual versus Collective Responsibility: Not the Real Issue

People have accidents. They get old. They eat too much. They have bad luck. And sooner or later, something will be fatal. It would be a better world if such things did not happen, but they do. There is no use arguing about it. What is worth arguing about is whether it makes for a better world when people have to pay for other people's misfortunes and mistakes rather than (or as well as) their own.

Misfortune and mistakes aside, it is sometimes said that, even in the ordinary course of events, people should not have to pay for basic human needs. There is no use arguing about that, either. Someone, after all, has to pay. The question is who. Edwin Baker claims that,

If the practices of the society indicate that certain things are necessary in order to be a full member, then the community must assure the provi-

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sion of these things to all who are expected to be part of the community. Anything less would not be a convincing basis from which to argue that he ought to join, that he ought to accept the request to be obligated. Or to put it in different terms, it would be an insult for a person to have to do without those things.¹

Is that true? Baker leaps straight from the premise that certain things are necessary to the conclusion that the community must assure their provision. However, doing without “those things” is not the same as doing without guaranteed provision of those things. Even if the value of the goods themselves is beyond question, the value of the guarantee is not. After all, the guarantee does not mean the goods are free. What it means is that someone else has to pay.

This essay is about guarantees. It is about trying to ensure that no one ever loses. It is about trying too hard. This essay is also about what actually happens in the absence of guarantees. How do people respond when left to fend for themselves, with no guarantee that their needs will be satisfied at someone else’s expense? Do they roll over and die? Do they thrive in the manner of Robinson Crusoe? Do they pour out of the country in order to avoid such responsibility, and the prosperity that comes with it, or do they pour into the country in search of it?

Do they cooperate, voluntarily coming together to pool resources, share risks, and help each other in times of trouble? If they do, then to that extent they are accepting responsibility for their welfare as a group rather than as individuals. Are they making a big mistake? It depends. Collective responsibility is not a problem in and of itself, and individual versus collective responsibility is not the crucial distinction. More crucial is the distinction between *internalized* and *externalized* responsibility. In general, we say a decision has a (negative) external or spillover effect when someone other than the decision-maker ends up bearing some of the decision’s costs. A factory deciding to dump wastes into a river, leaving them to be dealt with by people who live downstream, is a classic example. When I speak of responsibility being externalized, I have something similar in mind. Responsibility is externalized when agents are able to foist responsibility on someone else – responsibility for cleaning up the messes they find themselves in, whether the mess results from mistake, misfortune, or (in the case of the factory) from business as usual.

This contrast between internalized and externalized responsibility – taking responsibility for meeting one’s own needs versus foisting such responsibility

¹ Edwin Baker, “Utility and Rights: Two Justifications for State Action Increasing Equality,” *Yale Law Journal*, vol. 84 (1974) 39-59, here p. 52.

on others— does not neatly track the contrast between individual and collective responsibility. Some forms of collective responsibility help to internalize responsibility. They have a history of enabling people to take responsibility for themselves as a group and consequently have been important contributors to human welfare. My thesis is that a society is trying too hard when, to avoid the prospect of leaving individuals to “sink or swim,” it issues guarantees that not only collectivize responsibility but externalize it at the same time—that not only help decision-makers spread costs amongst themselves but also help them pass costs onto third parties without consent.

II. A Cooperative Venture

When people take responsibility for their own welfare, this tends to put both them and the people around them in a better position to lead peaceful and productive lives and thereby turn their society into a “cooperative venture for mutual advantage.”² In contrast, when people are taught that someone else owes them a living—when they consider it only fitting that they have guaranteed free access to the fruits of other people’s labor—both their lives and the lives of people around them almost inevitably are rendered less productive and also less peaceful.³ To let people tap the fruits of other people’s labor without consent is to convert society into something less than a cooperative venture for mutual advantage.

We want to know which economic, political, and cultural institutions enable people to make meaningful, satisfying, and rewarding contributions to society as a cooperative venture for mutual advantage. We also want to know what such can institutions do to minimize the suffering caused by some people’s inability to contribute. To the first question, I would say social structures enable people to contribute to society as a cooperative venture by encouraging them to take responsibility for their own welfare. To the second question, I would say that if we truly want to minimize suffering, we have to tackle that problem within the context of the overarching goal of encouraging people to take responsibility. We have to do it that way because if we fail to pay enough attention to the overarching goal, we will not minimize suffering either.

We think of famine as a shocking aberration, yet being on the edge of famine is and always has been more or less normal in nonmarket societies. We should pause to reflect on how amazing it is that anyone ever could afford

² I borrow the phrase from Rawls. I do not claim to be interpreting the phrase in a Rawlsian way.

³ My reference to the welfare of “the people around them” is not a throwaway line. Whether a person learns to be self-supporting or learns to expect free access to the fruits of other people’s labor will affect the whole community.

what the average person in a market society today can afford. None of us wants to let people starve, but if we genuinely want to help our fellow citizens, then we should stop to remind ourselves that most of them do not need our help, and we should above all make sure we do not change that. Above all we should avoid disrupting the processes in virtue of which most people do not need our help.⁴

III. Leaving the Poor Behind

Welfare states themselves, though, seem to be highly disruptive. Hardly anyone thinks that currently existing welfare programs minimize suffering. No one thinks they encourage people to take responsibility for their own lives. Some people think the average welfare recipient's biggest problem is simply that he or she does not bother to work, and some people think the programs themselves are at fault for encouraging people not to work.⁵ Is it true? Do welfare payments induce people to drop out of the work force? Robert Goodin concludes that they do not, at least not in a major way. He says, "Labor supply of welfare recipients is reduced, but only by about 4.8 percent."⁶ On Goodin's own account, though, this greatly understates the true effect. Two pages earlier, Goodin had said, "the major U.S. income transfer programs, all taken together, are probably responsible for a total reduction of work hours by recipients amounting to 4.8 percent of total work hours for all workers in the U.S."⁷ That is hardly the same thing. For the sake of illustration, if welfare recipients comprised ten percent of the (potential) labor force, then they would have to be reducing their labor supply by something in the

⁴ Part of this thought is that even people who do need help (children, for example) get the help they need from their families, friends, and neighbors. That is part of the social structure and social process that we should try not to disrupt.

⁵ The United States seems poised to attempt to reconstruct welfare programs as a revocable privilege rather than as an entitlement. Several states are experimenting with time-limited eligibility and work requirements for the able-bodied. On the inside cover of Lawrence Mead, "The Decline of Welfare In Wisconsin," *Wisconsin Policy Research Institute Report*, vol. 9, no. 3 (1996) 1-44, James H. Miller says, "In the end, almost everyone will win because of the upcoming changes in welfare. Poor people will in fact get jobs and be taught personal responsibility; taxpayers will eventually pay less and have the satisfaction of knowing that their social dollars are producing workers, not malingerers." Against this trend, Philippe Van Parijs argues that everyone has a right to an unconditional basic income. In effect, he proposes that the age when one can retire and collect social security benefits be lowered to eighteen. See "Why Surfers Should Be Fed: The Liberal Case For an Unconditional Basic Income," *Philosophy and Public Affairs*, 20 (1991) 101-31.

⁶ Robert E. Goodin, *Reasons For Welfare*, Princeton: Princeton University Press (1988) p. 235.

⁷ *ibid.*, p. 233. Emphasis added.

neighborhood of 48 percent to account for a 4.8 percent drop in total work hours for all workers. If, as Goodin claims, this reduction in the propensity of recipients to work is documented, then the system is indeed inducing people to drop out.

When adults drop out, they are no longer able, and perhaps no longer willing, to send their children a signal that taking responsibility for their own welfare is part of growing up. If their parents do not send them that signal—if they instead grow up without first-hand experience of what it would be like to be productive—what will become of them? The answer, I fear, is that the financial gap between people who accept responsibility for themselves and people who do not cannot help but grow over time. The only way to fully share in society’s growing wealth is to fully participate in the process that makes wealth grow. If we wanted to guarantee that the poor would be left behind, the way to do it would be to teach them that their welfare is someone else’s responsibility.

IV. Static and Dynamic Perspectives

When evaluating the welfare state’s performance, what should we be hoping for? Robert Goodin proposes that, “Preventing the exploitation of dependencies by making assistance to needy, dependent people largely nondiscretionary is the hallmark of the welfare state.”⁸ In the hands of public officials, power of discretion is power to exploit. Exploitation is objectionable when it consists of “laying down conditions in circumstances wherein the other party has no reasonable choice but to comply. The same thing that makes the other person have no other choice—his vulnerability to and dependence upon us for the needed resource—gives rise to a strong obligation on our part to provide him with that needed resource.”⁹ Goodin concludes that his arguments “dictate aiding the needy through rule-bound systems of welfare entitlements, wherein those dispensing the benefits have minimal discretion to withhold or lay down conditions for receipt of benefits by those entitled to them.”¹⁰

What about people who are vulnerable through their own improvidence? If officials lack discretion, how will such people be excluded? Goodin proposes not to exclude them. He says, “causal histories—how they ended up in their weak position or you in your strong position—are irrelevant to the

⁸ Goodin, p. 177.

⁹ *ibid.*, 196. This characterization will suffice for my purposes, but Goodin himself offers several others (124, 147). See also his discussion of when dependents are exploitable (175-76).

¹⁰ *ibid.*, p. 19.

strength of this moral duty. The fact that they got into this position through their own improvidence does not relieve you of your duty”¹¹

When I first read this, I was puzzled. Why would anyone say that who caused a mess (through their own improvidence!) is not even relevant to the question of who should clean it up? I now see that there are two fundamentally different ways to look at it, each legitimate in its own way. From a static perspective, we see society as a snapshot, and what is wrong with the picture is that some people have unmet needs for food, clothing, and shelter, while others have plenty. From that perspective, causal histories do seem irrelevant. The only issue is how to get needed resources to needy people. We might worry that if resources keep getting diverted to purposes other than the purposes for which producers are producing them, production will stop or go underground. If we do worry about that, we will appear from a static perspective to be willfully out of touch. We will be talking about history or economics, perhaps, but not about the real world. The real world is the snapshot.

From a more historical or dynamic perspective, though, society is a process by which one snapshot evolves into another. People who take a dynamic perspective worry that when we focus on the snapshots, we can lose sight of the process that links the frames together, and that if we look at the process rather than the frames, we will come to radically different conclusions about what ought to be done. From a static perspective, the issue is how to rearrange the resources visible in the snapshot, on a frame by frame basis. In contrast, from a dynamic perspective, the issue is how to nurture processes that produce those resources, and thereby produce better snapshots in the future.

From a dynamic perspective, opportunity cost is crucial, whereas from a static perspective, opportunity cost is a nonissue. Opportunity cost becomes visible (if at all) only in a later frame, as those from whom the resources were transferred fail to do whatever they would have done (feed their families, hire workers, etc.) if the resources had been left in their hands. Thus, in 1992, newly elected American President Bill Clinton tried to appropriate seventeen billion dollars for a program that he predicted would create five hundred thousand jobs. To my knowledge, no one asked how the overall process of job creation would be affected; no one pointed out that even if Clinton’s prediction had been correct, that would amount to thirty-four thousand dollars per job created. Presumably, at least five hundred thousand real jobs—and not mere make-work government program jobs, either—would have been destroyed by sucking that much money out of the private sector.¹²

¹¹ *ibid.*, p. 165n.

¹² Since I first wrote this, I have come across the same idea, brilliantly expressed, in Frederic Bastiat’s 1848 essay on the “seen and unseen” republished in *Selected Essays on Political Economy*, New York: Foundation for Economic Education (1995).

When I refer to the static perspective as static, I do not mean the adjective to be taken as pejorative. What we see from a static perspective is, after all, really there. But there are things we do not see from a static perspective that are more abstract, but no less real. From a static perspective, it may seem that caring about causal histories—how a needy person came to need—is a sign of vindictiveness. We want to know whom to blame. (Some people look for excuses to blame the individual; others look for excuses to blame the “system.”) But unless we are preoccupied by a desire to blame someone for our current problems, history is irrelevant. Or so it may seem.

From a dynamic perspective, though, causal histories are crucial in the analysis of manipulation and exploitation. If Jane comes to be in need by virtue of knowingly building (and then not insuring) a house on a flood plain, for example, that bit of history is highly relevant to the question of whether those who are given no choice in the matter of paying to rebuild Jane’s house are being exploited. If we guarantee Jane that, when in need, she will have access to other people’s income no matter how she comes to be in need, then we are giving Jane a guaranteed right to exploit in an attempt to prevent Jane from being vulnerable to exploitation. I would agree with Goodin that, even if Jane is to blame, that does not entail that she ought to be left to fend for herself. By the same token, if the “system” is to blame, that does not entail that other individuals have a duty to help. Who is to blame for her plight and who ought to take responsibility for her welfare are distinct questions. They are not unrelated questions, though. Even if the only thing we care about is how to help Jane escape her current predicament, the fact remains that before we can know what it will take to get her out of her predicament, we have to know what it took to get her into it. If she is in need because an insurance agent pocketed her premium while fraudulently leading her to believe that she was paying for flood insurance, that is not the same problem as need that results from a prior calculation by Jane that the government would lack the stomach to deny her aid in the event of a flood. An approach that ameliorates one problem might exacerbate the other.

From a static perspective, what would solve the discretion/exploitation problem? Goodin says, “it is necessary both (a) that adequate resources be transferred to guarantee that people’s basic needs will be met and (b) that that transfer occur in ways that are substantially independent of any discretionary power on the part of those responsible for effecting the transfer.”¹³ Is it possible to meet both of these conditions at once? There certainly is a financial obstacle. Meeting the first condition would be expensive, but the second condition, minimal discretion, ultimately translates into minimal ability to

¹³ *ibid.*, p. 177.

contain costs by limiting access. Goodin's solution, in any case, is to overfund the system, "systematically erring on the side of generosity."¹⁴

Goodin calls this the rule of generosity, and concludes, "The only real objection to my rule of generosity is the economic one."¹⁵ This seems unlikely. For example, we might wonder what gives anyone the right to be so generous with other people's money, knowingly giving recipients more than most of them need? In arguing against letting public officials dictate how recipients use the money, Goodin argues that when we impose paternalistic restrictions on welfare recipients, "the upshot is that a higher standard of conduct is imposed upon welfare recipients than upon the public at large."¹⁶ Goodin says, "If society wants to discourage drinking and smoking, however, it should do so across the board. It should not take advantage of needy people's plights to enforce standards upon them that are not enforced upon the rest of society."¹⁷ But surely it is one thing to look the other way when people buy harmful drugs with their own money, and another thing to use other people's money to facilitate substance abuse.¹⁸

Moreover, the economic problem is by no means trivial. Arthur Okun says we can fund a more generous welfare state by "twisting some other dials" so as to produce budget surpluses.¹⁹ Goodin quotes this approvingly.²⁰ Okun published his remark in 1975; Goodin quoted it in 1988. I do not know whether Goodin feels the same way today. Oddly, Goodin allows that under conditions of scarcity, different rules apply, rules other than the rule of generosity.²¹

¹⁴ *ibid.*, p. 221ff.

¹⁵ *ibid.*, p. 223.

¹⁶ *ibid.*, p. 197.

¹⁷ *ibid.*, p. 197.

¹⁸ For a critique of the permissiveness of welfare entitlement programs, see Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship*, New York: Free Press (1986).

¹⁹ Presumably, one of the dials Okun had in mind was the tax rate. When contemplating tax hikes, even people who know better routinely make budget projections on the assumption that raising tax rates by twenty percent will raise tax revenues by twenty percent as well. But twisting the revenue dial is not so easy. While some people deny that tax rates affect investment decisions, others question whether raising tax rates has much effect on government revenues. W. Kurt Hauser, "The Tax and Revenue Equation," *Wall Street Journal* (March 25, 1993), says that between 1949 and 1993, top marginal personal income tax rates were as high as 92 percent and as low as 28 percent, but federal tax receipts never went higher than 21.5 percent of GDP (in 1981 when the top tax rate was 50 percent) and never went lower than 17.9 percent of GDP (in 1964 and 1965 when the top tax rate was 77 percent).

²⁰ Goodin, p. 234.

²¹ *ibid.*, p. 223n.

It is hard to know what to make of this concession. Goodin does not say what the other rules are. On its face, the concession amounts to an admission that different rules always apply, since scarcity as the term is normally used is ubiquitous. On its face, then, we should conclude that the rule of generosity is of no consequence. Surely this is not what Goodin intends. Since he makes the concession in passing, as if it had no great significance, he may be supposing that so long as rich people are out there, there is no genuine scarcity. We could tap them at will, if only we had the courage. It is not true, though, that we can force the stream of wealth produced by other people's labor to flow wherever we choose without affecting the volume of wealth flowing down the stream. We have experience with large-scale systems that ask people to take according to need and give according to ability. The experience is all bad. While needs proliferate, the ability to produce goes underground, or dries up entirely. It is time to ask, what are our real options?

V. Need-Based Distribution

The first thing to consider is that, upon reflection, asking the welfare state to guarantee that rich people will never be able to exploit poor people is asking both too much and too little. Too little, because if people starve when minimum wage laws cut them off from jobs that would have paid them four dollars an hour, it is no comfort that the laws also prevent them from being exploited. Too much, because to eliminate exploitation, we would have to do something other than give people who do not work a license to exploit people who do; the only guaranteed way to eliminate opportunities to exploit poor people is to eliminate contact with poor people, thereby eliminating opportunities to help them too.²² A more plausible general goal would be to enable poor people to prosper, or more concretely, to enable them to support themselves.²³ Ending exploitation sometimes would help, but it is neither necessary nor sufficient as a means to that end.

²² For those concerned about rich people exploiting poor people, though, one obvious remedy would be to eliminate a program like Social Security. Retired people in the United States today are as a group far wealthier than young workers, yet the pay-as-you-go system employed in the United States transferred \$334 billion from the latter to the former in 1995 alone, amounting to twenty-two percent of the entire federal budget. The cost of the system as currently constituted is projected to increase to \$566 billion (in constant dollars) by the year 2005, according to the Congressional Budget Office, "Baseline Projections For Mandatory Spending," April 1995.

²³ Supporting oneself is not to be equated with living like Robinson Crusoe. What people mean when they speak of supporting oneself is living on one's earnings, however cooperative and interdependent the enterprises may be from which those earnings derive.

If we suppose that the point of the welfare state is to help poor people prosper, what role does that suggest for need-based distribution? From a static perspective, the answer is obvious. Need-based distribution meets needs. Or is that not as obvious as it sounds? Need-based distribution is meant to meet needs, but how well does intent match reality? Can we safely assume that distributing according to need is the most reliable way of meeting needs? The record of the twentieth century's attempts to distribute according to need is not encouraging. Although there surely is a place in social life for need-based distribution, we should neither exaggerate this place nor jump to any conclusions about how centralized or how bureaucratic the administration of such distribution ought to be. It would be a fallacy to assume that those who object to need-based distribution by a central bureaucracy do not care about need. Some of them think that need-based distribution (especially by a central bureaucracy) is not what people need.

Goodin knows that need-based distribution is not the only way to meet needs, but he thinks state-administered, tax-financed redistribution is superior to the market when it comes to meeting the needs of the poor. He observes, "What a straightforward redistribution would accomplish in an instant, supply-side policies would accomplish only in due course."²⁴ Goodin has a point. To put it in terms of a proverbial metaphor, giving someone a fish accomplishes in an instant what teaching the person to fish accomplishes only in due course. The problem is that, in general, giving someone a fish helps for only an instant too. The nice thing about supply-side policies is that what they accomplish tends to stay accomplished. We certainly want to know what constitutes "due course." However, it misconceives the nature of free society to think that, within it, poor people have no choice but to patiently wait for wealth to "trickle down."²⁵ As the following section explains, there was a time in the nineteenth century when poor people found it hard to afford the price of health care. They did not passively wait for the "long term." They got together and solved the problem.

VI. Friendly Societies In a Sometimes Hostile World

If we honestly sought to identify social arrangements with a history of helping people to become self-supporting, would we find that collective responsibility has a history of failure, while individual responsibility has a history of success? Not exactly. Certainly, the prosperity of any society depends substantially on the ability of its culture and institutions to inculcate expectations

²⁴ Goodin, p. 271.

²⁵ I thank Dan Russell for discussions of this point.

of individual responsibility. Just as certainly, though, some ways of collectivizing responsibility can be and have been important contributors to economic and cultural development. Certain kinds of collective responsibility, it turns out, are compatible with a culture of personal initiative and accountability.

Francis Fukuyama says, “the United States has never been the individualistic society that most Americans believe it to be; rather, it has always possessed a rich network of voluntary associations and community structures to which individuals have subordinated their narrow interests.”²⁶ Fukuyama is right. Institutions of collective responsibility per se are nothing new.

They seem to have taken a new shape, though. Collective responsibility once manifested itself primarily in family-based and community-based norms that sustained neighborhoods and a rich network of mutual aid and thus made crucial contributions to social welfare. Today, collective responsibility is a concept we associate with a distant bureaucracy. It has been externalized. People we never meet decide what to deduct from our paychecks and how to spend it. It has become commonplace to accuse the welfare state of eroding norms of individual responsibility by encouraging dependence, but that may not be the worst of it; in some ways the welfare state seems also to undermine people’s sense of collective responsibility. David Green says that, in recent times, “socialists have not seen the good person as someone who gave his own time and energy in the service of others, but as the individual who demanded action by the state at the expense of other taxpayers.”²⁷

In his 1996 “state of the union” address, American President Bill Clinton said we cannot go back to the time when people were left to fend for themselves. But what time was that? Mr. Clinton did not say, but we can suppose he had in mind the time before Franklin Roosevelt’s New Deal, or perhaps the time before the Lyndon Johnson’s War On Poverty. Were people in fact left to fend for themselves? If so, what actually happened? Did people roll over and die? Did they thrive as hermits, in the manner of Robinson Crusoe? Or did they get together with neighbors and figure out how to solve their problems? Perhaps Mr. Clinton is right: it may be impossible to go back to such a time. I suppose no one knows for sure. What I do know is that it is a false dichotomy to suppose the only alternative to the welfare state is everyone having to fend for themselves.

As in many other countries, the United States included, there once flourished in England organizations known as friendly societies that, according to

²⁶ Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity*, New York: Free Press (1995) p. 29.

²⁷ David G. Green, *Reinventing Civil Society: The Rediscovery of Welfare Without Politics*, London: IEA Health and Welfare Unit (1993) p. 3.

Green, historically share with trade unions an older kind, a self-help kind, of collectivist philosophical underpinning.²⁸

Through the trade unions workers would win the wages necessary to sustain a decent existence, and through the friendly societies they would organize their own welfare services—social insurance, medical care, even housing loans. The profit motive, too, was to be supplanted: in the factory by the mutuality of the workers' co-op; and in retailing by the co-op store. Not all of these working-class hopes were realized, but the friendly societies, the trade unions, and the co-op stores were successful and offered a fraternal alternative to the sometimes cold world of commercial calculation. Particularly striking is the success of the friendly societies, whose social insurance and primary medical care schemes had attracted at least three-quarters of manual workers well before the end of the nineteenth century. Until the 1911 National Insurance Act every neighborhood of every town was dotted with friendly society branches, each with their own doctor, who had usually been elected by a vote of all the members assembled in the branch meeting.²⁹

How expensive was participation in such societies? Access to club medical care was inexpensive to the point of being an outrage to the organized medical profession. David Beito writes that, in America in 1900, a lodge member “could acquire a physician’s care for about two dollars a year; approximately a day’s wage for a laborer at the time.”³⁰ Green and Cromwell report that, in Australia in the 1830s and 1840s, fees charged by private doctors were sometimes over ten shillings per visit—well beyond the means of most people. By 1869, friendly societies had emerged, providing medical service at a rate of ten shillings per year for members, plus an additional ten shillings per year for a member’s wife and children. To win election to a post as club doctor, candidates offered competitive rates, submitted to questioning by the assembled members regarding their training and experience, and offered perks such as free house visits within three or four miles of the lodge.³¹

How widespread was participation in such societies? Green estimates that “at least 9 million of the 12 million originally included in the National Insurance scheme were already members of friendly societies offering medical

²⁸ David G. Green, *Working Class Patients and the Medical Establishment: Self-Help In Britain from the Mid-Nineteenth Century to 1948*, Aldershot: Gower Publishing Co. (1985) pp. 1, 4-5.

²⁹ *ibid.*, p. 1.

³⁰ David T. Beito, “The ‘Lodge Practice Evil’ Reconsidered: Medical Care Through Fraternal Societies, 1900-1930,” *Journal of Urban History*, 23 (1997) 569-600.

³¹ David G. Green and Lawrence G. Cromwell, *Mutual Aid or Welfare State: Australia’s Friendly Societies*, Sydney: George Allen & Unwin (1984) p. 76-80.

care.”³² Moreover, between friendly societies, provident dispensaries,³³ private charity, regular insurance, fees for service (which competition from friendly societies eventually forced down to levels that average workers could afford), and, as a last resort, the Poor Law,³⁴ universal coverage had, for all practical purposes, been achieved. “No one, therefore, went without some sort of primary medical care.”³⁵

How adequate was the care provided by such societies? Green reports disputes between the societies and the organized medical profession over the societies’ refusal to exclude wealthy members; means-testing would have been contrary to the principle that all joined on equal terms.³⁶ The fact that there was an issue over wealthy members using the service suggests that the quality of service must have been reasonably good—good enough that rich people in significant numbers wanted access to it.

For what it is worth, the friendly societies were a remedy for exploitation as well. When there are multiple providers of relevantly similar services, people who dislike terms offered by one provider can look elsewhere, which minimizes their dependence on and consequent vulnerability to any particular provider. No provider, nor any coalition of providers, was in a position to dictate terms to clients. The friendly societies, together with provident dispensaries, voluntary hospitals, and so on, decentralized collective responsibility for medical care without turning it into a strictly individual responsibility. Individually and collectively, they gave people a range of choices at prices that almost anyone, even then, could afford.³⁷

³² Green, 1985, p. 95.

³³ Voluntary hospitals provided free care. Provident dispensaries charged nominal fees. “[T]he provident dispensaries aimed to enable the poor to make as much of a contribution as they could afford to the cost of their health care. It was felt that the beneficiaries would feel greater self-respect if they were able to pay at least something towards their own health care. They therefore paid a low annual contribution, felt to be within the means of the very poor, and the balance was supplied by the honorary members.” See David G. Green, *Reinventing Civil Society: The Rediscovery of Welfare Without Politics*, London: IEA Health and Welfare Unit (1993) p. 73.

³⁴ England’s Poor Law Amendment Act of 1834 sought to limit access to (and desirability of) government poor relief, so as to ensure that it would indeed be treated as a last resort. The general idea was that the standard of living made possible by public assistance ought to be less desirable than that available to the humblest of self-supporting laborers. See Chapter 4 of Gertrude Himmelfarb, *The De-Moralization of Society*, New York: Alfred A. Knopf (1994).

³⁵ Green, 1985, p. 179.

³⁶ *ibid.*, pp. 19-21.

³⁷ A Royal Commission assigned to investigate whether the poor were systematically deterred from joining friendly societies found that, in 1901-02, “registered friendly society membership was highest in rural areas where wages were lowest” (Green, 1993, p. 68).

Unfortunately, as Fukuyama says, “the growth of the welfare state accelerated the decline of those very communal institutions it was designed to supplement. Welfare dependency in the United States is the most prominent example: Aid to Families with Dependent Children, the depression-era [1935] legislation that was designed to help widows and single mothers over the transition as they reestablished their lives and families, became the mechanism that permitted entire inner-city populations to raise children without the benefit of fathers.”³⁸ That is hardly the whole story of the decline of spontaneous community, as Fukuyama acknowledges, but it is a part of it. Also helping to make friendly society medical services redundant were benefit packages provided by employers. Meanwhile, physicians’ guilds hated the friendly societies, correctly believing that friendly societies gave medical consumers the bargaining power they needed to prevent effective price collusion by doctors. By the early 1900’s, though, such guilds had become a powerful political force, especially when they joined forces with for-profit insurance companies (who also recognized friendly societies as an obstacle to higher profits). Together, they played an active and highly visible role in the friendly societies’ decline. In England, they were a major influence on the process of amending early drafts of the 1911 National Insurance Act so as to make the final legislation as prejudicial as possible to the friendly societies.³⁹

Similarly forces were at work in the United States. David Beito reports that doctors who worked for lodges

faced forfeiture of membership or, just as seriously, a boycott. In 1913, for example, members of the medical society in Port Jervis, New York vowed that if any physician took a lodge contract they would “refuse to consult with him or assist him in any way or in any emergency whatever.” In this instance, and many others, boycotts extended to patients as well. One method of enforcement was to pressure hospitals to close their doors to members of the guilty lodge.⁴⁰

³⁸ Fukuyama, p. 313-14.

³⁹ The Act made it compulsory for male workers earning less than a certain income to purchase government medical insurance. Panels and committees staffed by representatives of doctors’ guilds and insurance companies were established to regulate the benefits provided by local friendly societies. The fees of local doctors were subsequently established by the committees rather than by the societies, and as a result more than doubled within two years of the Act’s passage (Green, 1985, p. 113). It is also interesting that, in some respects, the Act hardly even pretended to be providing national insurance. For example, the Act made no provision for the care of widows and orphans because the insurance companies felt that such provision would make it harder to sell life insurance (Green, 1993, p. 99).

⁴⁰ Beito, “The Lodge Practice Evil,” p. 30.

Their demise notwithstanding, friendly societies seem to have had many of the features that we wish our health care system had today. They also provided services like old-age pensions, unemployment insurance, life insurance, workmen's compensation, day care, and so on, at the same time serving as a form of community association. Is it realistic to suppose that friendly societies in the twenty-first century could emulate their earlier success?⁴¹ Realistically, they could never be like they were, simply because they would be responding to needs that are not the same as the needs of nineteenth century lodge members. Times change. Conditions that contributed to an institution's history of success may no longer be operative, and we may not realize that until after we try and fail to replicate its success in another time and place.⁴² But all that says is that policy makers have to live without guarantees. It is no reason not to explore alternatives, especially when those alternatives have been tried with success.

I do not know exactly how such a system would work, any more than I know exactly how a toaster works. But that is no reason to forbid people to make toasters, or to invent better ones. Nor is it a reason to ignore alternatives to government-provided health care and social security.

In any case, friendly societies comprise a class of examples of how institutions can collectivize responsibility and still succeed. Medical savings accounts and privatized pension plans can help people to internalize and at the same time individualize responsibility for their health care and their retirement. Friendly societies comprise a distinct alternative. They allow people to internalize responsibility in a collective form.⁴³

⁴¹ Given the lack of modern actuarial and accounting techniques, it is easy to imagine how nineteenth century friendly societies could have run into financial difficulties. Yet, none of them, to my knowledge, ever appealed to financial hardship as a reason for refusing to provide promised benefits.

⁴² As recently as the 1960's, though, the Taborian Hospital of Mound Bayou, Mississippi provided basic medical coverage for as little as thirty dollars per year, according to David T. Beito in "Black Fraternal Hospitals In the Mississippi Delta, 1942-1967," *Journal of Southern History*, 65 (1999) 109-140.

⁴³ Lawrence Mead (in conversation) acknowledges that friendly societies were once effective providers of health care to the poor, but questions whether welfare recipients today have the competence to do for themselves what poor people did a century ago. If Mead is right, then we are left with a question of how to instill competence. One might begin by observing that we acquire competence in any particular activity through practice. We are not born with it. One of the ways in which our social environment contributes to our developing competence is by making it clear that we are expected to become competent. An environment that does not present us with such expectations is likely to hold us back.

⁴⁴ There is some evidence, though, that the advantages of communal management as a form

VII. The Possibility of Political Disarmament

There are reasons why people voluntarily seek to join groups that collectivize responsibility. Certain forms of collective responsibility help to spread risk, for example.⁴⁴ For some people, sharing is intrinsically desirable, and understandably so. It is intrinsically a form of community. Theda Skocpol⁴⁵ defends the welfare state and is skeptical about mutual aid societies on the grounds that the former institution has woven into it a pattern of sharing (to use Skocpol's apt phrase) while the latter does not. I think exactly the opposite. What is woven into the welfare state is literally a pattern of transfer, not a pattern of sharing. It is mutual aid societies, not welfare programs, that are knit together by a pattern of sharing. It is not true that where the welfare state goes, community spirit flourishes. Nor is it true that authentic community spirit was dead before fifty years of expanding federal programs gradually brought it back to life.

According to Robert Goodin, the welfare state is a form of institutionalized altruism. "Fraternal feelings and generalized altruism thus constitute at least the historical core of the communitarian case for the welfare state."⁴⁶ Goodin is right to say some communitarians have appealed to this sort of argument. Anti-communitarians could argue, alternatively, that the welfare state obliterates fraternal feelings, and that this is a good thing. It enables people to move to the anonymous big city rather than remain financially tied to a thick community of small-town relatives. Or one could argue that fraternal feeling is grand in theory but is, after all, merely a theory. What justifies the welfare state is that human nature is corrupt. People do not care about each other and cannot be trusted to help each other in times of trouble. People deserve food, not respect.

Perhaps Goodin and I simply have different impressions of the matter, but for what it is worth, my impression is that the usual rationale for the welfare state rests less on an affirmation of fraternal feelings and more on skepticism about their reliability and even their value. In any case, fraternal feeling is possible in a small group, but when we institutionalize altruism on a national scale, the possibility of genuine community is precisely what we give up.⁴⁷ At

of collective responsibility tend to decrease as an economy matures. See Robert C. Ellickson, "Property in Land," *Yale Law Journal*, vol. 102 (1993), 1315-1400, especially pp. 1342ff. See also my chapter on property rights in David Schmitz and Robert E. Goodin, *Social Welfare and Individual Responsibility*, New York: Cambridge University Press (1998).

⁴⁵ In conversation.

⁴⁶ Goodin, p. 78.

⁴⁷ I thank James Buchanan for this point.

present, the welfare state's actual operation plainly provides more occasion for mutual resentment than for fraternal feeling. By giving people the right to extract benefits from productive ventures without making contributions to them, the welfare state turns individual productivity into a commons problem, and commons problems have a robust history of turning people against each other, turning them into what communitarians call "social atoms." Commons problems isolate and alienate people because they leave people feeling too vulnerable to each other—too easily, pervasively, and uncontrollably liable for costs of other people's overconsumption and underproduction.

A peaceful community is one in which people have no reason to fear each other. A community in which people hold blank checks on each other's incomes is a community in which that condition is not met. If we want a system that nurtures fraternal feeling, we have to start by acknowledging that compulsory deductions from paychecks do nothing of the kind. Rightly or wrongly, taxpayers often feel victimized by the welfare state. Rightly or wrongly, beneficiaries often feel the same way. (Taking it as given that they are entitled to be given whatever they need, some beneficiaries consider it an insult that they could be viewed as needing so little.) The upshot is that the welfare state balkanizes people. It externalizes responsibility, and in the process does the opposite of engendering a sense of community. What we need are ways of bringing people together that are (in their own eyes) in their common interest, so that they may come together willingly.⁴⁸ We have to look for ways that enable people to live peaceful and productive lives, pursuing their own projects in such a way as to make themselves better off by making the people around them better off.

When an activist government takes itself to be a player with a license to do whatever it takes to win, people do not know what to expect from it. Or, to the extent that they do know, their own interests lie in trying to get the government to play for them rather than against them, which results in a channeling of resources into the negative-sum game of maximizing the extent to which government plays for their side. In contrast, voluntarily assumed responsibility, whether individual or collective, reduces the extent to which people constitute threats to each other. It is a form of political disarmament.

VIII. Making Progress

Within a nation's population, Goodin observes, there is "much productive

⁴⁸ The proposal is not to appeal exclusively to self-interest so much as to appeal to interests that people actually have. There sometimes also is a place for appealing to latent interests (in their community, say) that people could have reason to develop and pursue under the right conditions.

potential; but to bring out that productive potential, people must be healthy, educated, well fed, etc. The welfare state guarantees that such basic needs are met. . . . That the welfare state contributes in this way to economic efficiency is pretty well indisputable.”⁴⁹ I only wish it actually were true that children of welfare recipients are guaranteed, or even tend, to be healthy, educated, and well fed. Nevertheless, in western market society more generally, children today are healthier, better educated, and even better fed than children were a century ago. Someone must be doing something right. Looking at the long run, it is obvious the poor have not been getting poorer.⁵⁰ American graduate students, for example, are pretty poor. Their incomes place most of them squarely in America’s bottom quintile.⁵¹ (18-24 year olds comprise the country’s poorest adult age bracket, for obvious reasons. Many of them are in school. Most of the rest are in entry-level jobs.) Yet many of them own a telephone, a microwave oven, a radio, a toothbrush, a closet-full of factory-made clothing, even an automobile. All have access to flush toilets and hot running water, not to mention computers. As recently as a century ago, these

⁴⁹ *ibid.*, p. 237.

⁵⁰ Short-run trends are harder to discern. It is often claimed that wages for the poor and middle classes have stagnated since 1980, but data for the United States do not support this claim.

The Census Bureau keeps statistics separately for ‘families’ and ‘unrelated individuals.’ Census Bureau figures show that between 1980 and 1989, real income for the middle quintile of families increased by 8.3 per cent, while real income for the middle quintile of unrelated individuals increased by 16.3 per cent. The CBO [Congressional Budget Office] manipulated this Census Bureau data by combining ‘families’ and ‘unrelated individuals’ into the single category of ‘families.’ Since demographic trends produced more rapid growth in the number of unrelated individuals in the 1980s, and since families headed by two adults on average have far higher incomes than unrelated individuals, combining these groups into a single category greatly depressed average ‘family’ incomes. Thus, even though the incomes of middle-quintile families increased by 8.3 per cent and the incomes of middle-quintile individuals increased by 16.3 per cent, middle-quintile ‘families’ in the CBO’s sense saw their total incomes decline by 0.8 per cent over the same period.”

John H. Hinderaker and Scott W. Johnson, “Wage Wars,” *National Review* (April 22, 1996) 34-38, here p. 35.

⁵¹ Only about nine percent of U. S. families earn under \$11,000 in 1996 dollars. Graduate students’ incomes typically put them at the upper edge of this category. (These are Congressional Budget Office numbers. Accordingly, a graduate student counts as a family. For further explanation, see the previous note.) A household that brings in two graduate student salaries is still (just barely) in the bottom quintile. Given that a graduate student’s typical benefits package is virtually nonexistent, graduate students would rank lower if we factored in the value of fringe benefits. Source: Don L. Boroughs, “Workers Take It On the Chin,” *U.S. News and World Report* (January 22, 1996) 44-54, here p. 50. Boroughs cites the Congressional Budget Office, U.S. Department of Commerce, and others.

amenities and thousands of others would have been rare if not inconceivable for people in the bottom quintile. In 1900, the average life expectancy was 47.3 years in the United States. By 1990, it had risen to 75.4 years.⁵² I suspect the increase in life expectancy would be even more dramatic if we compared only people in the bottom quintile for income. I am not suggesting that everyone in the bottom quintile has a lifestyle as comfortable as that of graduate students, of course. The point, rather, is that people in the middle of the bottom quintile are spectacularly wealthy compared to people in the same relative position a hundred years ago. We could show that by comparing today's graduate students to nineteenth century graduate students, or by comparing representative manual laborers, and so on.

There are people, though, who find it offensive to compare the snapshots of today to the snapshots of a century ago. The comparison will seem complacent to those who think that the only things that really matter are the problems they see in the snapshots of today. To them, the fact that things are a lot better than they were a century ago does not matter. I tried to explain the vitriolic nature of debates concerning the welfare state by positing two kinds of perspectives, static and dynamic. One of this essay's themes is that the world and what we should do about it look very different from the two perspectives. People who take the static perspective sometimes think that those who see things differently are indifferent to suffering, and in some cases they are probably right. People who take a dynamic perspective sometimes think that those who see things differently must simply hate it when a society's institutions enable people to prosper, and in some cases they too are probably right.

Another theme is that the extent to which a society is peaceful and prosperous depends on the extent to which responsibility is internalized, that is, on the extent to which people bear the cost of their own mistakes and misfortunes, and are not made to bear the cost of other people's mistakes and misfortunes without consent. At the same time, certain social arrangements for collectivizing responsibility have a history of making people better off—specifically, those that avoid externalizing responsibility in the process of collectivizing it. Internalizing responsibility is a form of political disarmament. As with literal disarmament, it is a recipe for peace and prosperity.

A third theme is that, although we all want guarantees, the cost of trying to purchase them is high. Systematically rewarding productive effort helps

⁵² Ann Hardie, "Why We're Living Longer," *Atlanta Journal/Constitution*, (August 28, 1995) p. A3. Hardie does not list original sources, but Robert J. Samuelson, "Great Expectations," p. 27, says that, according to the U.S. Census Bureau, average life expectancy increased from 65.9 years in 1945 to 75.7 years in 1994.

people internalize responsibility and thus helps make for a peaceful and productive society.⁵³ Trying to guarantee that productive effort will be unnecessary helps make for the opposite. It is in response to a lack of guarantees that people take responsibility for their own welfare and for the welfare of those they care about. Like it or not, a lack of guarantees has been one of the great engines of human progress.

A fourth theme is that although the direct approach to meeting needs is the most obvious, it is not always the best. Could a welfare safety net be packaged in such a way that people would willingly pay for it? It would have to avoid treating those who work for a living as mere means to the ends of those who do not. It would have to serve the ends of both those who support it and those supported by it. It would have to institutionalize reciprocity rather than free riding. Is that possible?

The answer is that such schemes are not only possible; they have a long history. The history of friendly societies is a history of people producing and paying for their own guarantees. Friendly societies never were perfect, and never would be, but in many countries they have a history of doing what a welfare safety net is supposed to do, and doing it increasingly well over time as they evolved in response to consumer demand.

I conclude that there are reasons for endorsing certain forms of group responsibility but that the best arguments for group responsibility are bad arguments for the welfare state as a set of institutions for administering that responsibility. The welfare state undertakes to offer people the wrong kind of guarantee, namely a guarantee that externalizes responsibility. It is a better world when people come together of their own free will to share each other's burdens. It is a worse world when people can foist the cost of their misfortunes and misadventures on others without consent.

⁵³ Alan Wolfe suggests (in conversation) that we could distinguish between positive and negative guarantees. An adequately enforced system of property rights, for example, provides a negative guarantee to the extent that it secures people against interference with their productive efforts. Positive guarantees secure access to the fruits of other people's productive efforts. Negative guarantees help make for a peaceful and productive society; positive guarantees help make for the opposite.