

FROM MINIMAL STATE TO WELFARE STATE

MATTHEW O'KEEFFE



It is a cliché that “liberal” England underwent a strange death in the first decades of the twentieth century. I wish to explore the more interesting question of why the classical ideal of the minimal state was put to rest, and by whom, and whether the architects of the welfare state really paid any heed to classical liberal principles at all. The difficulty for scholarly evaluation across many decades is that “liberalism” is a large and elastic term. (A friend of mine at University was surprised to hear that, as a libertarian, I was none too enthusiastic about the idea of Dukakis becoming President. Dukakis, he informed me, was the more “liberal” candidate.) At the turn of the century, likewise, many writers like J. M. Robertson held that the creation of government welfare programmes was quite consistent with liberalism:

Laissez-faire is not done with as a principle of rational limitation of state interference, but it is quite done with as a pretext for leaving uncured deadly social evils which admit of curative treatment by state action.¹

THE “NEW LIBERALISM”

According to this line of thought, the welfarist (and statist) principles of New Liberalism at the turn of the century were nothing more than an adaptation, an improvement even, but certainly not an abandonment, of the Classical Liberal principles of reason and good government. It was simply a question of modifying these old principles to meet the changing demands of the day. But was the expansion of the welfare state in the period 1900-14 really consistent with Classical Liberal principles?

It has to be said that the New Liberalism itself was founded in a deep disillusionment with *laissez-faire*; after all, a century of industrial growth, a century of what most regarded as *laissez-faire* capitalism, had not entirely alleviated problems of unemployment and poverty - the reports of Rowntree and Booth on the poor in York and London made this abundantly clear. As Green said of the individual, “How can he be free if he is free to starve?” But could the problems of poverty and those whom Winston Churchill called “the left-out mil-

lions” be solved through “state actions” without an abandonment of the minimal state, if their numbers truly were in the millions? (Of course, we may reasonably be skeptical about Churchill’s swollen arithmetic.)² In the event, the answer of Churchill and the other New “Liberals” was to “draw a line” above which the principle of *laissez-faire* could operate but below which the “left-out millions” should not be allowed to fall. A radically new principle, however, lay behind this expansion of state intervention. This was the notion that freedom could no longer be defined solely in legal, political or religious terms, no longer be seen as “the absence of coercion”; the New Liberal’s idea of freedom required that no man could be truly free unless he was also free from economic distress, and was above some arbitrarily defined poverty line, even if such “freedom” entailed new, coercive taxes and government responsibilities for social welfare.

“Rational limitation of state interference”, conceived by Robertson as a mainstay of the New Liberals, was in practice scarcely to establish itself as a major constraint on these new government activities; indeed state welfare payments were to expand almost without reason or limit throughout the period 1900-14, and throughout the rest of the century, with an intrusion on property rights never before seen. Paying Paul inevitably meant robbing Peter.

In truth the New Liberals had a large - and certainly new, if not illiberal - agenda, involving draconian measures of taxation. “Minimum standards of wage and comfort, insurance in some effective form or other against sickness, unemployment, old age”³ - these were the real principles enunciated by Winston Churchill. For this, public house licences were to cost more, spirit and tobacco duties were to be raised, income tax was to go up, and progressive taxation was to be introduced along with a new super tax. Estate duty and stamp duty were to be increased and a road fund was to be established. True, it was argued that this interventionism was not an end in itself, but merely a means to Churchill’s “minimum standards”; “social radicalism” had to be financed somehow. It was not, the New Liberals maintained, a question of destroying private interests. In Churchill’s words “Liberalism would preserve them in the only way in which they can be safely and justly preserved, namely by reconciling them with public right.”⁴ But whether or not Robertson was right that the commitment to “rational limitation of state interference” could be maintained, and whether or not Churchill was sincere in his defence of “private interests”, the fact remains that an extra thirteen and a half million pounds were to be taxed and spent in the 1909 Budget. The sheer magnitude of the sum makes it hard to deny that some new departure from the Classical Liberal ideal of the minimal state towards interventionism had taken place. This was a disturbing omen of things to come. And for all Churchill’s pains to distinguish New Liberalism from socialism, there

Historical Notes No. 10

ISSN 0267 7105 ISBN 1 870614 84 4

An occasional publication of the Libertarian Alliance,
25 Chapter Chambers, Esterbrooke Street, London SW1P 4NN
www.libertarian.co.uk email: admin@libertarian.co.uk

© 1990: Libertarian Alliance; Matthew O’Keeffe.

Matthew O’Keeffe is reading Philosophy, Politics and Economics
at Jesus College, Oxford.

The views expressed in this publication are those of its author, and
not necessarily those of the Libertarian Alliance, its Committee,
Advisory Council or subscribers.

Director: Dr Chris R. Tame Webmaster: Dr Sean Gabb
Editorial Director: Brian Micklethwait

FOR LIFE, LIBERTY AND PROPERTY



dwelt behind the so-called "People's Budget" of 1909 the first cries of that false slogan "Human rights not property rights". Here was the view that those with property and wealth had not just a moral but an enforceable responsibility for the rest through taxation. The motivating principle now was social justice, not *laissez-faire*.

Gladstone, many years before, had professed himself to be "an out and out inegalitarian", a believer, then, in meritocracy, inequalities of wealth, and the institutions of private property. All this differed drastically from the spirit behind the new expansion of the welfare state; what was now believed above all was that poverty and unemployment were never the results of indolence or misfortune but always in themselves "deadly social evils". Again, the reports of Rowntree and Booth were influential in fostering this belief, and in the dispelling of the idea of the "indolent poor".

Churchill argued that the principle must be "to draw a line below which we will not allow persons to live and labour, yet above which they can compete with all the strength of their manhood."⁵ Yet for all Churchill's alleged commitment to the competition ethic, there was a very different function in the new progressive taxes. The reality was that society's non-achievers were to be subsidised at the expense of the achievers. It was the principle of wealth redistribution again, which motivated the expansion of government welfare programmes through taxation-theft (as libertarians deem it), and it was a principle far closer to equality than to Gladstonian meritocracy.

It would perhaps be naive to attribute the expansion of the state entirely to well-intentioned objects such as economic freedom, social justice or equality (if these are, in fact, 'well-intentioned'). After all, the worker's average wages and savings, along with consumption of such 'luxuries' as tea and sugar, had risen steadily throughout the nineteenth century, just as hours of labour and the death rate had fallen, perhaps slowly but nonetheless surely. And it was the workers themselves who campaigned hardest against many of the social reforms of the period 1900-14, such as compulsory insurance in 1911, just as they had campaigned against the Ten Hour Movement. As Mr. Hobson realised, there were sound financial grounds for investment in the lower orders, aside from any humanitarian considerations. In historical perspective, that is, a continuous rise in working class standards of living unprecedented in British history, the welfare state seems more and more to lack a *raison d'Etre*. The question remains, what else was behind the creation of the welfare state?

WAR, WELFARE AND DEMOCRACY

To put things into historical perspective, once again, we can say that the period of 1900-14 began with the end of the Boer War, a cause of great humiliation to the Conservative government at a time when German imperial intentions were feared. In Manchester, 36% of recruits for that war had been rejected on grounds of ill-health. Government attention to health care was necessary to maintain England's standing in the arms race with Germany, if for nothing else. The approach of the war made social reform all the more important. John T. Flynn, in his book *As We Go Marching*,⁶ observed that the welfare state and the warfare state are intimately related. War and welfare, the polar opposites of peace and retrenchment - the great slogans of Gladstone's electoral campaign in 1868 - are the two great interventionist means

of consolidation of power in the hands of central government. As early as 1866 John Stuart Mill had spoken of the dangerous and illiberal tendency of democracy towards such concentration of power:

Under [democracy] individual means are small, and the Government is great. That must be the character of a Government which represents the majority, and which absolutely tramples down and equalises everything except itself. And democracy has another strong peculiarity. It looks with the utmost hostility on all institutions not of immediate popular origin, which intervene between the people and the sovereign power.

The period of 1900-14 also marked the decline of the House of Lords and the advance of democracy. The 1911 Parliament Act was the culmination of just such hostility towards an institution "not of immediate popular origin", and the expansion of the welfare state can be seen on one level as a realisation of Mill's fear of a collectivist, over-powering, equalising government.

It is important also to observe the less intentional processes at work in the growth of the welfare state, beyond the intentions, liberal or otherwise, of its builders; one should not underrate the role of simple party politics in government expansion. Throughout the period 1900-14, with the passing of further education legislation, with the measures towards abolition of Plural Voting, and with the weakening of the Lords, less and less came to stand between "the people and the sovereign power". The political voice of the Trade Union movement had grown louder and louder as their political spokesmen discovered the possibility of exercising electoral weight of numbers and demanding a welfare state to be financed by redistribution. Both the Conservatives and the Liberals saw the need to answer these demands, and in particular to preempt the Labour Party, which was emerging as an independent political force. Perhaps H. L. Mencken was right, and elections really are little more than advance auctions of stolen property in which governments act no better than brokers of pillage. At any rate, the new competing ideologies of Tory Paternalism and New Liberalism aimed to make it clear to the public that the Conservatives and Liberals were just as ready to confiscate and share out the booty as those upstarts in the Labour Party; indeed the only question was who would be able to offer more, and some would argue that this question was to become the essence of political discourse in the twentieth century. In terms of health expenditures, this is still so today, after ten years of a government which set out to reduce the welfare state. The 1909 Budget, with its fiercely progressive taxes, was a sign of things to come. It would thus be foolish to attribute the birth of the British welfare state entirely to "principles" of whatever sort; it would be even more foolish to argue that solely humanitarian - let alone Classical Liberal - principles motivated this expansion.

NOTES

1. J. M. Robertson, *The Meaning of Liberalism* (1912), quoted in M. Pugh, *The Making of Modern British Politics, 1867-1939*, p. 114.
2. Winston Churchill, *Liberalism and the Social Problem* (1909), quoted in D. Reed, *England 1868-1914*.
3. *Ibid.*
4. *Ibid.*
5. *Ibid.*
6. John T. Flynn, *As We Go Marching*, Free Life Editions, New York, 1973.