

# Chapter 3 Political Theory: Social Justice and the State<sup>1</sup>

The fundamental issue [of the welfare state] is not economic. It is moral ... The issue is the responsibility of people to manage their own affairs ... Is it not the case that while adults manage incomes children receive pocket money? The operation of the welfare state tends to reduce the status of adults to that of children. [Lord Bauer, 1983.]

[The] major evil [of paternalistic programs] is their effect on the fabric of our society. They weaken the family; reduce the incentive to work, save and innovate; reduce the accumulation of capital; and limit our freedom. These are the fundamental standards by which they should be judged. [Milton Friedman, 1980.]

Traditional socialism was largely concerned with the evils of traditional capitalism, and with the need for its overthrow. But today traditional capitalism has been reformed and modified almost out of existence, and it is with a quite different form of society that socialists must now concern themselves. [Anthony Crosland, 1956.]

## 1 Theories of Society

A society is a co-operative venture for the mutual advantage of its members. It generally contains both an identity of interests and conflicts of interest between individuals and groups. The institutions of any society (e.g. constitution, laws and social processes) have a profound influence on a person's 'life chances'. The purpose of a theory of society is to offer principles which enable us to choose between different social arrangements. In analysing the welfare state it is helpful to distinguish three broad types of theory: libertarian, liberal, and collectivist.

**Libertarians** (discussed in section 2) are in many ways the direct descendants of the argument in the Appendix with a limited background in political theory can find the gist of the argument in the Appendix.

of the 'Old Liberalism' of the nineteenth century (Chapter 2:1.1 and 2:2.1) although, as we shall see, there are important differences between 'natural rights' and 'empirical' libertarians. The former (e.g. Nozick) argue that state intervention is *morally wrong* except in very limited circumstances. The latter, including writers like Hayek and Friedman, are the modern inheritors of the Classical liberal tradition; they argue against state intervention not on moral grounds, but because it will *reduce total welfare*. Both groups analyse society in terms of its individual members (as opposed to the group of social class); give heavy weight to individual freedom; and strongly support private property and the market mechanism. As a result, the state's role *vis-à-vis* taxation and redistribution is severely circumscribed.

Liberal theories (section 3) are the modern inheritors of the 'New Liberalism' (Chapter 2:2.1). They find their philosophy in utilitarianism (section 3.1) and in writers like Rawls (section 3.2); their policy advocates in people like Beveridge, Keynes and Galbraith; and their practitioners in politicians like Harold Macmillan and John Kennedy. The theory has three crucial features. First, societies are analysed in terms of their individual members. Second, private property in the means of production, distribution and exchange [is] a contingent matter rather than an essential part of the doctrine' (Barry, 1973, p. 166), i.e. the treatment of private property is explicitly regarded not as an end in itself, but as a means towards the achievement of policy goals. Finally, liberal theories contain a principle of distribution which could, suitably interpreted and with certain factual assumptions, have egalitarian implications' (ibid.), i.e. in certain circumstances income redistribution is an appropriate function of the state. This book, as Chapter 4 will amplify, is firmly in the liberal tradition.

Collectivist theories, too, are varied. *Marxist* theory (section 4.2) draws its philosophy from Marx and its policies from writers like Laski, Strachey and Milliband. The theory sees industrial society as consisting of social classes, defined narrowly in terms of their relation to the means of production. Private property has only a limited role, and the allocation and distribution of resources in accordance with individual need is a primary concern of the state. *Fabian socialists* (section 4.1) present an intermediate case. They derive their philosophy from writers like Tawney, and find their policy advocates in, for example, Crosland and Titmuss, and their practitioners in politicians like Clement Attlee. Though sharing to some extent the egalitarian aims of Marxists, their analysis and methods have much in common with liberal thinking.

<sup>1</sup> There is a continuing ambiguity in the use of the word 'liberal'. In the nineteenth century it was used as a term for *liberalisers*; thinkers like Bentham and Nassau Senior (Chapter 2:1.1), and today a writer like Nozick, in calling himself a liberal, is using the term in the same way. I shall, throughout, refer to such writers as libertarians, and use the term 'liberal' in the sense described below.

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of the 'Old Liberalism' of the nineteenth century (Chapter 2:1.1 and 2:2.1) although, as we shall see, there are important differences between 'natural rights' and 'empirical' libertarians. The former (e.g. Nozick) argue that state intervention is *morally wrong* except in very limited circumstances. The latter, including writers like Hayek and Friedman, are the modern inheritors of the Classical liberal tradition;<sup>2</sup> they argue against state intervention not on moral grounds, but because it will *reduce total welfare*. Both groups analyse society in terms of its individual members (as opposed to the group as a whole). They give heavy weight to individual freedom; and strongly support private property and the market mechanism. As a result, the state's role *vis-à-vis* taxation and redistribution is severely circumscribed.

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<sup>2</sup> There is a confusing ambiguity in the use of the word 'liberal'. In the nineteenth century it was used as a label for *laissez-faire* thinkers like Bentham and Nassau Senior (Chapter 2:1.1); and today a writer like Friedman, in calling himself a liberal, is using the term in the same way. I shall, throughout, refer to such writers as libertarians, and use the term 'liberal' in the sense described below.

In practice the theories blur into each other like the colours of the rainbow but it is useful for exposition to talk about them as separate entities, especially when contrasting their implications for policy (section 5). Nevertheless, their differences and similarities are complex, and involve subtleties well beyond the scope of one brief chapter. The purpose here is limited to sketching the ideological debate only in outline. Knowledgeable readers will, I hope, be forgiving.

## 2 Libertarian Views

It is necessary to return briefly to nineteenth-century debates (Chapter 2:1) and 2:2.1). The ideology of *laissez-faire* derived from two quite distinct sets of philosophical arguments. When modern writers like Hayek and Friedman advocate free markets and private property, they follow Hume (1776) or Smith (1776), Bentham (1789) and Mill (1863) in doing so on a *utilitarian* or *empirical* basis, out of a belief that such institutions maximise total welfare. Nozick, in contrast, follows Spencer (1884) by defending private property on *moral* grounds, as a *natural right* (see Robbins, 1978, pp. 46 *et seq.*). Though not completely watertight, the distinction between the two views (exemplified by the first two quotes at the head of the chapter) is crucial to debates about policy (section 5), and so merits closer attention.

**Natural rights libertarians** To Nozick (1974) everyone has the right to distribute the rewards of his own labour. He calls this *justice in holdings*, which has three elements. A person is entitled to a holding if he has acquired it (a) through earnings (so-called justice in acquisition), or (b) through the inheritance of wealth which was itself justly acquired (justice in transfer). Holdings which fall under neither principle cannot be justified, hence, (c) government may redistribute holdings acquired illegally (the principle of rectification).

These propositions support the libertarian predilection for a minimalist or 'nightwatchman' state with strictly circumscribed powers: the state can provide one and only one public good, viz. the defence of our person and property, including the enforcement of contracts; but other than correcting past wrongs it has no legitimate distributive role. Nozick regards taxation as theft (since it extracts from people money (legitimately acquired) which they would otherwise have allocated in other ways), and also as slavery, in that people are forced to spend part of their time working for government.

**Empirical libertarians** Hayek's theory has three strands: the primacy of individual freedom; the value of the market mechanism; and the assertion that the pursuit of social justice is not only fruitless (because there is no such thing) but actively harmful because it can (and, he argues, will) end

up destroying individual liberty. Freedom to Hayek (1960, Ch. 1) and other libertarians is defined narrowly as absence of coercion or restraint; it includes political liberty, free speech and economic freedom. Coercion is legitimate only in strictly limited cases, such as the protection of individual liberty (ibid., Ch. 9). Individualism is the corollary of freedom, and the two are interdependent; the pursuit of equality will reduce or destroy them (Hayek, 1944).

To Hayek the market is beneficial because it is efficient, and because it protects individual freedom.

[It is] a procedure which has greatly improved the chances of all to have their wants satisfied, but at the price of all individuals... incurring the risk of unmet failure. Within the acceptance of this procedure the recompense of different groups and individuals becomes exempt from deliberate control. It is the only procedure yet discovered in which information widely dispersed among millions of men can be effectively utilised for the benefit of all - and used by assuring to all an individual liberty desirable for itself on ethical grounds. (Hayek, 1976, pp. 70-1, my emphasis.)

These advantages arise, according to Hayek, only if prices and wages are allowed to act as signals to individuals as to where to direct their efforts. An individual's reward will be that which induces him to act in the common good; it will often bear no relation to either his individual merit or his need.

Hayek's view of social justice contrasts sharply with that of Rawls. According to Hayek, a given circumstance (e.g. winning the pools, or dying young) can be regarded as good or bad; but it can be described as just or unjust only in so far as we hold someone responsible for bringing it about or allowing it to come about' (ibid., p. 31). Thus something is just or unjust only if it has been caused by the action or inaction of an individual or individuals. The market, in contrast (ibid., pp. 64-5), is an impersonal force like 'Nature', akin to an economic game with winners and losers, whose outcome can be good or bad, but never just or unjust. To Hayek, therefore, the whole notion of social justice is 'a quasi-religious superstition of the kind which we should respectfully leave in peace so long as it merely makes those happy who hold it' (ibid., p. 66). However, 'the striving for [social justice] will... lead to the destruction of the indispensable environment in which the traditional moral values alone can flourish, namely personal freedom' (ibid., p. 67). The reason is that

the more dependent the position of individuals... is seen to become on the actions of government, the more they will insist that the governments aim at some recognisable scheme of distributive justice; and the more governments try to realise some preconceived pattern of desirable distribution, the more they must subject the position of the different individuals... to their control. So long as the

<sup>3</sup> See particularly the explanation of individualism in Hayek (1944, p. 44).



belief in 'social justice' governs political action, this process must progressively approach nearer and nearer to a totalitarian system. *ibid.*, p. 68, my emphasis.]

Friedman's views are broadly of the same stripe. His primary value is individual freedom. Hence

the scope of government must be limited. Its major function must be to protect our freedom both from the enemies outside our gates and from our fellow-citizens; to preserve law and order, to enforce private contracts, to foster competitive markets. Beyond this major function, government may enable us at times to accomplish jointly what we would find it more difficult... to accomplish severally. However, any such use of government is fraught with danger. We should not and cannot avoid using government this way. But there should be a clear and large balance of advantages before we do. [1962, pp. 2-3.]

To Friedman and Hayek the state has no distributional role, other than for certain public goods and for strictly limited measures to alleviate destitution.

### 3 Liberal Theories of Society

#### 3.1 Utilitarianism

The utilitarian arguments which form the basis of much of this book derive from the 'New Liberalism' of the early twentieth century (Chapter 2.2.1), which was itself firmly rooted in the nineteenth-century Classical tradition. Thus modern utilitarians have common intellectual roots with empirical libertarians.

The utilitarian aim is to distribute goods so as to maximise the total utility<sup>4</sup> of the members of society. 'Goods' are interpreted broadly to include goods and services, rights, freedoms and political power. Maximising total welfare has two aspects: goods must be produced and allocated *efficiently* (discussed in Chapter 4); and they must be distributed in accordance with *equity* (though not necessarily equally). The equitable distribution is shown in Figure 3.1. Total income to be distributed is *AB*. Individual A's marginal utility (read from left to right) is shown by the line *aa*, and is assumed to diminish as his income rises. Individual B's marginal utility, which declines from right to left, is shown by the line *bb*. Total utility is maximised when income is shared equally; A's income is *AC*, and B's is *BC*.

<sup>4</sup> Synonymously, to maximise total happiness or total welfare.

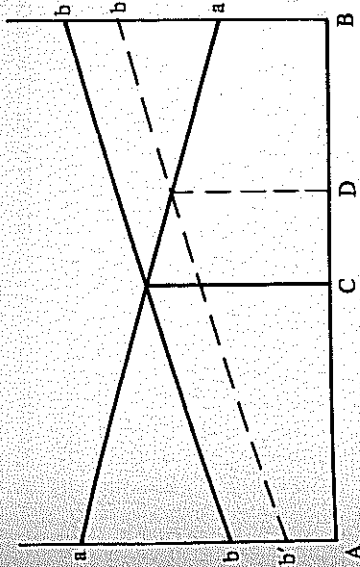


Figure 3.1 The optimal distribution of income under utilitarianism

Utilitarianism can therefore justify redistributive activity by the state in pursuit of an egalitarian outcome, but this result depends crucially on two conditions. First, A and B must have identical marginal utility of income functions. If B's marginal utility is shown by *bb'*, then the distribution which maximises total welfare is unequal, since A now has an income of *AD*. Second, utilitarianism can fully specify the optimal distribution only where the utility of A and B can be measured cardinally.

Various criticisms have been made of this approach. It is asked whether utility is capable of precise definition; whether interpersonal comparison of utility has any meaning, and whose utility counts (e.g. future generations, animals, etc.). These questions are set to one side to focus on the fundamental criticism, namely that utilitarianism can *sanction injustice* by justifying harm to the least well-off if this maximises total utility. 'The trouble with [utilitarianism] is that maximising the sum of individual utilities is supremely unconcerned with the interpersonal distribution of that sum' (Sen, 1973, p. 16).

Formally, suppose that individual B in Figure 3.1 derives less pleasure from life than A because he has major health problems. His marginal utility is shown by the line *bb'*, and the optimal distribution of goods by point *D*. Thus B should receive *less* income than A because of his health problems. This outcome is criticised as being unjust.

<sup>5</sup> Strictly, several other (technical) conditions are necessary, e.g. that the underlying social welfare function is symmetric and concave (see Chapter 6.1.2). For further discussion of Paretian utilitarianism and its underlying assumptions, see Rowley and Peacock (1975, Ch. 1).  
<sup>6</sup> For the definition of cardinal utility, see the Glossary.

### 3.2 Rawls on Social Justice

Rawls in some ways is Nozick's liberal counterpart. Nozick is a natural rights defender of liberty. For Rawls the natural right, and hence the prime aim of institutions, is *social justice*: thus 'each person possesses an inviolability founded on justice that even the welfare of society as a whole cannot override' (1972, p. 2). Justice, to Rawls, has a twofold purpose: it is desirable for its own sake on moral grounds; but also, and importantly, institutions will survive only if they are perceived to be just. Rawls argues that there exists a definition of justice which is both *general* (i.e. not specific to any particular culture) and can be derived by a process which everyone can agree is fair. The resulting principles deal with the distribution of what Rawls calls 'primary goods', i.e. economic goods, and also position, opportunity, skill, liberty and self-respect.

The **original position** is Rawls' starting point. He assumes that each person has goals which are facilitated by the possession of these primary goods, and invites us to contemplate a group of rational individuals, each concerned only with his own self-interest, coming together to negotiate the principles of justice. They are free agents in the negotiation, but they must abide by the resulting principles. Rawls thus uses the convention of a *social contract*.

In this situation no discussion between interested parties will yield principles of justice which command universal acceptance. Rawls therefore abstracts the negotiators from their own society by placing them behind a *veil of ignorance*. They are assumed to be well-informed about the general facts of the world - psychology, economics, sociology, etc. - but each is *deprived of all knowledge about himself*, i.e. of his natural characteristics or endowments, his position in society, and the country or historical period into which he is born. The negotiators seek to advance their own interests, but are unable to distinguish them from anyone else's.

The role of the veil of ignorance is best illustrated by example. To distance ourselves from personal interests we (i.e. citizens through our elected representatives) may decide that aircraft hijackers' demands should never be met, even if innocent lives are lost. We do this in order to save even more lives in the long run; and we establish this doctrine in advance of the event (i.e. behind the veil of ignorance) because if it were our personal loved ones who were kidnapped we would be likely to do anything to save them, irrespective of the possible consequences for others in the future.

The negotiators can consider any principle of justice, e.g. the just action is that which is in the interests of the stronger; or that which ennobles the species; or that which maximises total utility. According to Rawls, the rational negotiator will reject all these definitions because under each he might systematically be underprivileged. The only rational choice is to select principles in terms of what Rawls calls the 'maximin rule' which maximises the position of the least well-off individual or group. The

negotiators do this because 'for all they know they may turn out to be the least privileged inhabitants of a country like South Africa' (McCreddie, 1976, p. 117).

The original position, together with the veil of ignorance, plays two distinct roles. First, it is an analytical device, which 'reduces' a relatively complex problem, the social choice of the principles of justice, to a more manageable problem, the rational individual choice of principles' (Daniels, 1975, p. xix). Second, and possibly of greater importance, Rawls sees the procedure of rational, self-interested negotiation behind the veil of ignorance as a *moral justification* of the resulting principles - they will be seen to be fair, he argues, because they are selected in a manner which is both rational and fair, hence his term 'justice as fairness'.

The principles of justice which follow are those which Rawls claims would be chosen rationally and unanimously by the negotiators. Because of the veil of ignorance, they will choose to maximise liberty for everyone. Hence:

*The first principle (the 'liberty principle'):* 'Each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others' (Rawls, 1972, p. 60).

The negotiators then turn to the distribution of the other primary goods. Each will reject any principle of distribution which could leave him disadvantaged or exploited.

The negotiators may consider a principle that mandates a thoroughly equal distribution of goods... But they will soon come to realise that they stand to benefit by the introduction of certain inequalities in the distribution of advantages. For example, giving a rural (doctor) an airplane would make him relatively advantaged, but even - and perhaps especially - the least advantaged among the rural populace stand to benefit as a result, and thus should sanction such inequality. (Gorovitz, 1975, p. 281.)

Hence:

*The second principle (the 'difference principle'):* 'Social and economic inequalities are to be arranged so that they are both (a) to the greatest benefit of the least advantaged and (b) attached to offices and positions open to all under conditions of fair equality of opportunity' (Rawls, 1972, p. 85).

The possibility of a conflict between the two principles is ruled out by a *priority principle*, which gives the first principle absolute priority over the second. A reduction in the liberty of, for example, the least well-off cannot be justified even if it is to their economic advantage. In addition, in the second principle he gives priority to part (b) over part (a). Subject to these priorities the two principles can be regarded, more simply, as a special case of a more general conception of justice, in which 'all social primary goods - liberty and opportunity, income and wealth... are to be distributed equally unless an unequal distribution of any or all of these goods is to the advantage

of the least favoured' (ibid., p. 303). At its simplest, the distribution of goods between individuals A and B in Figure 3.1 should be that shown by point C unless any other distribution benefits the less advantaged of the two. If goods are not so distributed, then any policy which improves the position of the less well-off would be an improvement according to Rawls.<sup>7a</sup>

**Rawls and utilitarianism** Rawls is an explicit opponent of utilitarianism. He regards it as illogical (inasmuch as it would be rejected by rational negotiators in the original position) and as unjust (in that it can sanction injustice in the interests of maximising total welfare). The two theories can have very different implications. Suppose a given policy change makes at least one person better-off without making anyone else worse-off. This is an increase in Pareto efficiency, and hence desirable to utilitarians even if the individual thus benefited were rich. Rawls' difference principle, in contrast, would oppose the policy unless it were also (though not necessarily only) to the advantage of the least well-off. Thus an efficient answer in Paretian terms will not always be a just answer in a Rawlsian sense (though, as argued in Chapter 4.2.2, it may be possible to find a distribution which is both just in a Rawlsian sense and Pareto efficient).

**Criticisms of Rawls' theory** are summarised only briefly. It has been argued that the veil of ignorance would be immobilising, i.e. the negotiators would be unable to make any decisions at all. According to Nisbet (1974, p. 112),

[the negotiators] don't know much of anything - anything, that is, that we are justified by contemporary psychology in deeming requisite to thought and knowledge of any kind whatever. Nevertheless, Professor Rawls is shortly going to put his happy primitives through feats of cerebration that even the gods might envy. Out of the minds of his homunculi, these epistemological zombies who don't know their names, families, races, generation or societies of origin, are going to come principles of justice and society so vast in implication as to throw all present human societies into a philosopher's limbo.

Miller (1976) (discussed shortly in more detail) similarly argues that removing all cultural knowledge will immobilise the negotiators; but failure to do so, though permitting them to make a decision, will result in a culture-bound definition of justice.

Criticisms of the first principle concern Rawls' definition of liberty and his assertion of its primacy. It is argued<sup>10</sup> that Rawls' list of liberties may be too narrow; that the principle of toleration (e.g. of diversity of goals)

<sup>7a</sup> Under the lexical extension of the difference principle any policy should benefit the worst-off individual; if he/she is indifferent, it should benefit the next worse-off, and so on. Rawls thus admits a policy which benefits only the best-off, provided that everyone else is indifferent to it.

<sup>8</sup> Formally, a utilitarian social welfare function (see Chapter 4.1) does not constrain the way individuals are weighted; a Rawlsian social welfare function gives infinite weight to the least-advantaged individual/group.

<sup>9</sup> See Chapter 4.2.1 and the Appendix to Chapter 4, paras 2-4.

<sup>10</sup> See Daniels (1975, pp. xxviii-xxix) and the chapters therein by Hart, Scanlon, Daniels and Fisk.

inherent in Rawls' definition of liberty may reflect class bias; and that some issues are left unresolved, e.g. what liberty should be accorded racists? Additionally, Barry (1973, p. 6) and Hart in Daniels (1975, p. xxx) dispute the priority given to liberty. Poor people might well be willing to trade some liberty for greater social or economic advantage. The second principle is criticised for its crucial dependence on maximin which, it is argued (Lewin, 1983, pp. 22-9; Arrow, 1973a), is the optimal outcome only under very restrictive assumptions. It is also criticised by Marxists as being incompatible with any substantial degree of class conflict.

Finally, some writers argue that Rawls has developed not a *general* theory of justice, but a liberal theory. Rawls set out to find an 'Archimedean point' from which a culture-free definition of justice could be derived, but

in the end the 'Archimedean point' for judging the basic structure of society that Rawls seeks eludes him. Every political theory and every theory of justice, expresses a particular political and moral perspective. Rawls' achievement, which is considerable, is indeed to have produced a theory of justice - a theory of liberal democratic justice. (Lukes (1972) quoted by Daniels, 1975, p. xvi.)

Miller's analysis of social justice Miller (1976) argues that a completely general theory of justice is logically impossible, and that in this respect Rawls was bound to fail. According to Miller, social justice has three distinct elements:

- *Rights*, e.g. political liberty, equality before the law.
- *Deserts*, i.e. the recognition of each person's actions and qualities.
- *Needs*, i.e. the prerequisites for fulfilling individual plans of life.

The 'deserts' aspect implies, *ceteris paribus*, that someone who works longer hours should receive more pay, and the 'needs' aspect that an individual incapable of work should not be allowed to starve. Though admitting the difficulty of precise theoretical definition, Miller argues that each element is a logically distinct principle embodying a particular type of moral claim.

It is easy to see that rights and deserts can be reconciled (e.g. a man should have the right to keep all his income if he has earned it legally); similarly, rights and needs can be compatible (e.g. a man should be entitled to health care if he is ill). But conflict can arise between desert and need: if I am rich and healthy and you are poor and ill, then either I am taxed (and do not receive my deserts) to pay for your medical treatment, or you receive no treatment (hence your need is not met) so as to protect my deserts.

The essence of Miller's argument is that the definition of social justice depends crucially on the type of society being discussed. In a pure market economy, justice will be defined in terms of rights and the requital of deserts. A collectivist defines justice as distribution according to need.

Miller thus argues that the different principles of justice are connected to wider views of society. He criticises utilitarians and Rawls, first, because



they take no explicit account of the conflicting claims of rights, deserts and needs, but blur them into a single, indistinct whole. Second, Miller criticises the view implicit in Rawls that there is a single conception of justice upon which everyone's definition will converge, arguing instead that justice comprises conflicting principles, the relative weights attached to which may vary sharply between different societies.

The whole enterprise of constructing a theory of justice on the basis of choice hypothetically made by individuals abstracted from society is mistaken, because these abstract ciphers lack the prerequisites for developing conceptions of justice (Miller, 1976, p. 341).

Or if they do manage to make choices, it must be in terms of culturally acquired attitudes. In short, the negotiators in the original position will be immobilised unless they have some knowledge of the nature of the society for which they are choosing rules of justice. Finally,

[Rawls individuals are given the attitudes and beliefs of men in modern market societies, and it is therefore not surprising that the conception of justice they adopt should approximate to the conception ... dominant in those societies. *Ibid.*, p. 342.]

Hence, he argues, Rawls fails to develop a *general* theory of social justice; such generality is not possible.

## 4 Collectivist Views

### 4.1 Fabian Socialism

Collectivist writers agree on the importance of equality. They regard resources as available for collective use, and consequently favour government action; but historically they have disagreed about whether socialist goals could be achieved within a market order. Some writers advocate a mixed economy which blends private enterprise and state intervention. Marxists (discussed in section 4.2) argue that this is not possible; that capitalism is inherently unjust; and that socialism is possible only where the state controls the allocation and distribution of most resources.

**Socialist aims** vary widely, but three are central – equality, freedom and fraternity. Equality is a variant of the vertical equity aim discussed in Chapter 1:2.2, and fraternity of the social solidarity aim. It is recognised that these aims can clash, and different writers accord them different weight; but together they make up the socialist definition of justice. In Miller's terms the dominant themes are rights and needs, with deserts (though not entirely left out) assigned a smaller role.

There is a measure of agreement (Tawney, 1953 and 1964; Crosland,

1956; and, for a counter-view, Donnison, 1972) that the crucial element of justice is equality, which to socialists is an active concept. Equality of opportunity on its own may be insufficient (Laski, 1967, Ch. 4; Tawney, 1964), since substantial inequality of outcome may persist. Positive equalising measures are needed, though not necessarily complete equality of outcome.

Such emphasis on equality bears closely on Miller's concept of need. Weale points out that 'in some political arguments ... the assumption is made that to distribute according to need is to satisfy the claims of equality' (1978, p. 67), but suggests (Ch. 5) that the relationship is rather more complicated. For present purposes we need only note that equality and meeting need are closely related concepts, though not logically equivalent.

The socialist concept of freedom is broad. It embraces the free exercise of individual choice (which is possible only if there is no poverty and no substantial inequality of wealth and power), and extends from legal and political relations to economic security. Thus individuals should have some power in relation to their conditions of work, including stability of employment, and should not be subject to the arbitrary power of others. In sharp contrast with libertarian views,

the socialist believes that freedom is the product of government action rather than government inaction. Only government action through law, economic, social and fiscal policy can redistribute freedom so that its exercise can become a reality for all (George and Wilding, 1976, p. 66.)

The third major value is fraternity. To a socialist this

means co-operation rather than competition, an emphasis on duties rather than rights; on the good of the community rather than on the wants of the individual, on altruism rather than self-help. *Ibid.*, p. 66.]

Altruism (e.g. Titmuss, 1970) is a recurring theme in later chapters.

**Socialist criticism of the free market** starts with the motive given to individuals to pursue personal advantage rather than the general good (see Tawney, 1921), and denies the libertarian assertion that the former brings about the latter. Second, the market is undemocratic, inasmuch as some decisions with widespread effects are taken by a small power élite, and others are left to the arbitrary distributional effects of market forces. Third, the market is unjust because it distributes rewards which are unrelated to individual need or merit, and because the costs of economic change are distributed arbitrarily. Fourth, the free market is not self-regulating; in particular, left to itself, it is unable to maintain full employment. Lastly, the market has not been able to abolish poverty, let alone inequality. In sum,

production is carried on wastefully and without adequate plan. The commodities

and services necessary to the life of the community are never so distributed as picture palaces when we need houses. We spend on battleships what is wanted for schools ... We have, in fact, both the wrong commodities produced, and those produced distributed without regard to social urgency. (Laski, 1967, p. 175.)<sup>11</sup>

Socialists are in general agreement over the failings of the free market and in their choice of aims, but they part company over the best way of achieving them. Though the distinction is far from watertight, and is disputed by some writers, it is useful for exposition to contrast the 'fundamentalists' (largely Marxists), who reject capitalism and its associated pattern of economic and social relations, with the 'revisionists', who hold that the ills of society can be corrected within a broadly capitalist framework. Revisionists see two great changes in the capitalist system: first, government today has a large role to play in economic life as well as in other areas; second, the classical entrepreneur has largely disappeared, the ownership of modern corporations being both diffuse and largely separate from the people who manage them. It is argued in consequence (see the quote by Crosland at the head of the chapter) that capitalism has been 'tamed', and that the resulting mixed economy, with an active role for government in the distribution of goods, income and power, is fully compatible with socialist objectives.

#### 4.2 Marxists

This is not a Marxist book and I am no Marxist writer, so this section seeks only to sketch out as much Marxist thought as is necessary to contrast it with other theories (see the Further Reading). In considering the Marxist view of capitalism we need to turn our minds to three things: the contrast between the Marxist approach and that of conventional economic analysis; its analysis of the exploitation of labour; and its view of the role of government in supporting capitalism.

**The Marxist approach** differs substantially from that of the classical political economists like Smith (1776) and Ricardo (1817), for whom the production of commodities was largely independent of the society in question. This approach has continued to dominate economic thinking. It is argued that conventional economic theory is applicable to the USA, to Britain, to Sweden, and to the former Communist countries; and such economic analysis is seen as almost entirely separate from political and social arrangements. Thus to Sweezy (1942, p. 5), 'economic theorising is primarily a process of constructing and interrelating concepts from which all specifically

<sup>11</sup> Having read this paragraph, it is instructive to re-read the quote from Hayek (1976, pp. 70-1) in section 2, on the virtues of the market.

social content has been drained off'. A key part of Marx's thought, in contrast, is that the economic, political and social structure of a society is determined largely by its dominant mode of production. It is argued that the capitalist mode of production will result not only in a particular and inequitable economic organisation, but also (and inevitably) in a particular and inequitable structure of social class and political power.

**The exploitation of labour under capitalism** is a central tenet of Marxist thought. Conventional economic theory sees individuals as selling their labour services (more or less) freely in a (more or less) competitive market; the wage is established when the demand for labour equals its supply, which, under competitive conditions, results in a wage rate equal to the marginal product of labour. Capital, similarly, receives its marginal product, which, under competitive conditions and in the long run, is equal to the 'normal' rate of profit plus any premium for risk. Under certain conditions<sup>12</sup> these payments to factors exhaust the product leaving no surplus; thus, it is argued, there is no exploitation. In a Marxist analysis of the labour market this apparently free exchange of labour services (called *labour power*) for the wage is seen as a key feature of the capitalist mode of production. But for most people the sale of their labour power is their only means of subsistence, since other methods (e.g. the cultivation of common land) are largely blocked. Thus,

in the capitalist mode of production the worker is forced to sell his/her labour power because he/she has no substantial savings or independent access to the means of production ... Hence the relations of production are enforced through the institution of the labour market. (Ginsburg, 1979, p. 21, my emphasis.)

Because of this compulsion, the capitalist is able to extract *surplus value* from the labour he employs.

Marx's argument is complex, but in essence exploitation arose because the capitalist was obliged to pay only a weekly wage sufficient to support the worker and his family at around subsistence, but could then extract as much output as possible by imposing long working hours. The surplus value is the difference between the value of a worker's output and his wage and is, according to Marx, much greater than that necessary to yield a 'normal' rate of profit. This view, suitably modified to account for wages above subsistence, is held by Marxists today (see Robinson and Eatwell, 1973, pp. 28-9). Individuals whose only source of income is the sale of their labour thus have less power than the (fewer) people with more choice (e.g. because they own wealth and/or have independent access to the means of production). Marx argued that this inequality of power is inevitable in a

<sup>12</sup> Euler's theorem states that paying all factors their marginal product will lead to product exhaustion under constant returns to scale. This can occur either where the production function exhibits constant returns to scale at all levels of output or at the point of minimum long-run average cost.



capitalist society, and consequently the more powerful few are able to exploit labour by extracting its surplus value, hence enjoying a disproportionate share of output.

Because of its exploitative nature, Marx's attitude to capitalism was of total rejection rather than reform and much of his intellectual effort went into proving that the capitalist system was both unworkable and inhumane (Mishra, 1981, p. 69). The heart of the argument is that the capitalist mode of production causes conflict between one class (the large, poor, exploited working class) and another (the small ruling class, which derives power from wealth and/or political influence), and that conflict between the two classes is inherent and inevitable.

**The role of government in a capitalist society** Given this position, it is necessary to ask why capitalism has survived despite the numerical superiority of the working class. The first reason, according to Marxists, relates to *economic power*, which is concentrated in a small number of hands. The second is the distribution of *political power*. The ruling class dominates government decisions, Marxists argue, both because of its economic power and because members of the economic élite share a common education and social class with the political élite. Accordingly, government in a capitalist society always favours the ruling élite (Miliband, 1969, Chs 4-6). Third, there is the power of the ruling class over *ideas*. The arguments are complex and the details controversial (see Strachey, 1936; Miliband, 1969, Ch. 8). From this it follows that capitalism derives the Marxist emphasis on 'consciousness raising'.

All three factors constitute the Marxist explanation of the continuance of capitalism despite class conflict. But there is disagreement whether the resulting structure supports capitalists by furthering the interests *only* of the ruling class, or whether the state, rather more broadly, supports the *entire capitalist system*, with some benefits also for the working class. Gough (1979, pp. 13-14) criticises some Marxist writers for ignoring the effects of class conflict; he argues that in order to protect the capitalist system in the face of working-class pressure, the state has extended the benefits of the welfare state, with gains not only for the ruling élite, but for workers as well.

**The Marxist state** The next step is to outline the Marxist definition of a just society and the role of government necessary for its achievement. Marxists share the socialist triad of liberty, equality and fraternity, though with some differences in interpretation and in their relative weights. Liberty is a much more active concept than the mere absence of coercion. It cannot exist where economic or political power is distributed unequally, nor where the actions of the state are biased (Laski, 1967, Ch. 4; Miliband, 1969, Ch. 7); freedom, moreover, includes a substantial measure of equality and economic security. To a Marxist, therefore, freedom and equality are two

essential and intermingled aspects of social justice. This contrasts very sharply with the liberal perspective, in which the potential conflict between freedom and equality creates the central problem of political economy.

Equality to a Marxist does not necessarily imply complete equalisation. According to Laski (1967, p. 157), 'the urgent claims of all must be met before we can meet the particular needs of some'. Once this basic condition has been met, differences in rewards should depend on effort or ability, but of can therefore be argued that the Marxist aim is one not of equality, but of meeting need, which, as we have seen (Weale, 1978), is a related but logically distinct objective. In Miller's terms, the Marxist definition of justice is based largely on needs, with rights somewhat secondary and with a small place for deserts.

Finally, we turn to the methods advocated by Marxists for the achievement of these aims. It is clear that their view of society, particularly the emphasis on economic equality and analysis of class conflict, implies a highly active role for government. They stress the importance of nationalising the means of production, both because profits though produced socially generally accrue to a few large shareholders, and because private ownership of productive resources is incompatible with the Marxist definition of freedom. Though not a panacea, nationalisation is regarded as essential to the achievement of Marxist aims, including industrial democracy, which is seen as a necessary concomitant of political democracy. An additional purpose is to ensure that industry is run for social rather than private benefit.

A Marxist society, therefore, would combine public ownership and government planning with wide-scale participation by workers in decisions affecting their lives. Libertarians argue that there is too much planning in the welfare state, Marxists that there is not enough - planning, they argue, far from reducing individual freedom, enhances it. It is logical that each side should reach the conclusion it does - planning reduces freedom defined by libertarians as the absence of coercion, but (if successful) enhances freedom defined by socialists to include some guarantee of economic security.

## 5 Implications for the Role of the State

### 5.1 Theoretical Issues

This section compares the theories, and discusses their implications for policy generally (section 5.2) and the welfare state in particular (section 5.3).

**Criticisms of liberalism by libertarians** centre largely on the definition of individual freedom. The liberal concept includes economic security, so that social justice embraces needs as well as rights and deserts. Libertarians

criticise the inclusion of needs (at any rate above subsistence) because the resulting institutions (e.g. taxation) abridge natural rights (Nozick); are part of a slippery slope towards totalitarianism (Hayek); and reduce economic efficiency. Several counter-arguments are possible. The first concerns Hayek's argument that it is not possible to define social justice. As we shall see in Chapter 6, many concepts, including poverty and inequality, are hard, if not impossible, to define; but this does *not* imply that no such phenomenon exists. Defenders of Rawls would argue, in addition, that the priority of the liberty principle is explicit protection against the Hayekian slippery slope; and also that redistribution does not violate individual rights where it was agreed behind the veil of ignorance, as part of the social contract.<sup>13</sup>

**Criticisms of liberalism by collectivists** arise, first, because of the greater collectivist emphasis on needs. Additionally, collectivists adopt a broader definition of freedom. As a case in point, Daniels (1975) criticises Rawls' liberty principle, because it underestimates the effect of economic inequality on political liberties; as a result the two principles may be incompatible. Marxists also criticise liberal theories because they leave out class conflict.

**Criticisms of libertarianism** There is no opposition by liberals to markets *per se*. But they attack the libertarian emphasis on *free* markets, which can distribute resources unjustly by failing to meet individual need. More specifically, Hayek (1976, pp. 64-5) has a view of markets as a game with winners and losers; but it can be argued that it is a game without rules, like a boxing tournament in which participants are not divided into different classes by weight. To liberals this violates the assumption of equal power on which *inter alia*, the advantages of a market system depend (see Chapter 4.3.2). Collectivists criticise the libertarian definition of freedom as too narrow, and regard equality and economic security as inseparable aspects of freedom (contrast Hayek, 1944, Ch. 9, and Laski, 1967, p. 520). In addition, Marxists reject the market system entirely.

**Criticisms of collectivism** Natural rights libertarians, in consequence entirely reject collectivist views, since attempts to redistribute resources equally or in accordance with need are regarded as violations of individual freedom. Empirical libertarians and liberals criticise collectivist views not

<sup>13</sup> There is at times an opacity about Hayek's arguments about social justice. He states (1976, p. xi) that '[eventually] I perceived that the Emperor had no clothes on, that is, that the term "social justice" was entirely empty and meaningless ... The more I tried to give it definite meaning the more it fell apart'. Yet, in discussing Rawls he observes that 'the differences between us seemed more verbal than substantial' (p. xiii). Later, he argues 'that the recognition that in such combinations as "social", "economic" [or "distributive"] ... justice the term "justice" is wholly empty should not lead us to throw the baby out with the bath water' (p. 100), since if *distributions* cannot be just, *institutions* can. On the latter point Hayek claims that he and Rawls are in agreement.

because they include meeting need as one of their objectives, but because they give it pride of place.

A different line of criticism is that collectivism (particularly when combined with central planning and state ownership of the means of production) is inefficient, as shown, for instance, by the poor post-war economic performance of countries in central and eastern Europe. The major purpose of the late 1980s revolution throughout the region was to replace central planning by a market system, with the explicit objectives of improved efficiency and increased individual freedom. It is important, however, not to misinterpret these events. It can be argued that collectivism defined, as by Marxists, in terms of its *methods* (e.g. state ownership and control) has been discredited. Fabian socialism, however, is defined in terms of its *aims*, e.g. the pursuit of more or less egalitarian goals. This form of socialism, which blurs into a liberal analysis, remains firmly on the agenda.

## 5.2 Policy Implications

Private property is inviolate only to natural rights libertarians like Nozick (1974, Ch. 7) for whom justice in holdings implies total freedom for the individual to allocate as he chooses those resources which he has justly acquired. To Marxists, resources are available collectively to be distributed according to need, hence their emphasis on public ownership, and the view that 'property is theft' (see Laski, 1967, Chs 5 and 9).

To liberals, private property and public ownership are a pragmatic matter, and government should be free to adopt whichever mix of the two is most helpful in achieving its aims. Rawls maintains that his two principles are compatible with either private or public ownership of resources, or with a mixed economy. Empirical libertarians, as we shall see shortly, accord private property a major but not overriding role; and Fabian socialists allow it a more important role than is the case with Marxists.

Taxation to Nozick means that an individual will work (say) three days a week for himself, and two days working compulsorily for the government; to Nozick, therefore, it is taxation, not private property, which is a form of theft. It is, however, mistaken to attribute this view to all libertarians. The necessity of taxation was always acknowledged by the Classical liberals (Robbins, 1978, Ch. 2), albeit with some reluctance because of the consequent interference with liberty. The modern inheritors of this position like Hayek and Friedman concede the necessity of some taxation for the provision of public goods (narrowly defined) and for poverty relief (generally at subsistence).

To collectivist writers (Tawney, 1964, pp. 135-6) taxation for any social purpose is entirely legitimate. Liberals, also, regard taxation as an appropriate means towards policy objectives, though they are concerned about

its disincentive effects particularly on labour supply and capital formation and more generally with selecting an optimal trade-off between efficiency and social justice (Atkinson and Stiglitz, 1980, Lectures 12-14).

**Redistribution** Distributive justice is not a problem for everyone. To Marxists, resources are available for collective allocation on the basis of need, which is given clear priority. Natural rights libertarians like Nozick concentrate entirely on rights and deserts. Resources are produced by individuals, who thereby acquire the right to allocate them; the question of societal allocation does not arise. Distributive justice is therefore removed entirely from the agenda.

Other groups have difficulties with distribution precisely because they are concerned with both desert and need. Empirical libertarians may oppose progressive taxation; but they do not take an absolute line against redistribution in that they accept public action to relieve destitution. Utilitarians favour redistributive activity which increases total welfare, but are concerned about the trade-off with efficiency. Rawls, too, is not a complete egalitarian, since privilege is acceptable where it improves the position of the least well-off.

**Public production** raises similar arguments. Libertarians countenance provision by the state of at most a limited class of public goods such as law and order, and even those only if no method of private supply can be found (Hayek, 1960, p. 223; Friedman, 1962, Ch. 2). In complete opposition, Marxists regard it as a function of the state to supply all basic goods and services, and to distribute them in accordance with individual need. To liberals the issue of public versus market production and allocation is a pragmatic question of which method is more effective - which is the subject of most of this book.

### 5.3 Attitudes Towards the Welfare State

The welfare state is a complicated set of institutions, so it is not surprising that attitudes towards it are complicated and often confused.

**Natural rights libertarians** like Nozick regard a welfare state of any sort as an anathema, seeing its pursuit of the spurious (or immoral) goal of equality as an unacceptable violation of individual liberty.

**Empirical libertarians** like Hayek and Friedman require careful discussion. Let us return to the distinction (Chapter 2:7.1) between an institutional welfare state, which pursues substantially redistributive goals, and a residual welfare state. The former is strongly opposed by all libertarians as a coercive agency, stifling freedom and individualism, and courting the risk of totalitarianism through the amalgamation of economic and political

power under collective planning, in contrast with their separation in a market system. A welfare state of this sort is also seen as creating inefficiency in several ways: it wastes resources because at a zero or subsidised price demand is excessive; resources are used inefficiently because government monopoly is insulated from competition; and the necessary taxation will have costs in terms of efficiency and economic growth.

A residual welfare state has much more limited aims. It is recognised that a free society based on private property and competitive markets is likely to distribute income unequally. Limited state activity may therefore be appropriate to relieve destitution and to provide certain public goods. Empirical libertarians consider this rather austere welfare state as essential to their conception of a civilised society. It is therefore not inconsistent when they attack existing social arrangements in the strongest terms (see Hayek, 1960, and the quote from Friedman at the head of this chapter), but support more limited welfare institutions (see Friedman, 1962, Chs 6 and 12; Willetts, 1992, Ch. X).

**Liberals and Fabian socialists** tend unambiguously to support the welfare state. To Beveridge (1944, p. 254) it was necessary 'to use the powers of the State, so far as may be necessary without any limit whatsoever, in order to avoid the five giant evils'.<sup>14</sup> For most socialist writers, however, the welfare state is not a complete solution to society's ills, but only a step along the way.

While socialists see the welfare state as only the limited and partial achievement of some socialist goals, they are, nevertheless, optimistic about its influence. They see it as dampening down the political forces making for further social change, but rather as a powerful ally... In brief, they see the welfare state as... a stepping stone toward socialism. (George and Wilding, 1976, p. 84.)

It is not surprising that liberals and socialists share some common ground. Robson (1976, p. 17), citing Hobhouse, writes:

The liberal... stands for emancipation, and is the inheritor of a long tradition of those who have fought for liberty, who have struggled against government and its laws on behalf of society because they crushed human development... The socialist stands for solidarity of society, for mutual responsibility and the duty of the strong to aid the weak... On this analysis the ideals of the liberal and socialist were seen as complementary rather than conflicting.

Marxists have tended to disagree strongly among themselves. Is the welfare state (a) *only* an instrument of capitalist oppression, or does it (b) *also* represent a progressive outcome of working-class pressure? Under the first view, the welfare state is at best irrelevant, a 'ransom' paid by the dominant class, and an institution dealing with symptoms rather than causes of

<sup>14</sup> 'Want, disease, ignorance, squalor and idleness - see the discussion in Chapter 1:1.1.



economic and social problems; at worst, the welfare state is actively malign in that it has sustained the capitalist system.

[Social control ... has to do with the maintenance of order and the reduction of social conflict and tension. From the viewpoint of the ruling classes, this often means reducing the workers' hostility towards the capitalist regime ... (Mishra 1981, p. 82.)

This, according to some Marxists, is the major purpose of the welfare state. Other Marxist writers see the welfare state as serving the interests of the capitalist class and those of workers. A central insight (Gintis and Bowles, 1982) is the contradictory position of the welfare state in a modern capitalist economy; the former is based on rights (e.g. of citizenship) and needs, the latter recognises claims on resources based on deserts (e.g. through the ownership of property). Thus Gough (1979) sees the state not as a neutral umpire, nor as acting merely in the interests of the capitalist class (as opposed to the capitalist system), but as responding to pressure from the working class to meet needs and extend rights; and from capital to foster capital accumulation. Ginsburg, too, recognises the importance of class conflict in the development of the welfare state, but argues that though the demands of the working class have produced important material gains, 'those demands have been processed and responded to in such a form that, far from posing a threat to capital, they have deepened its acceptance and extended its survival' (1979, p. 19).

The welfare state thus has contradictory functions.

It simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over the blind play of market forces; and tendencies to repress and control people, to adapt them to the requirements of the capitalist economy. [Gough, 1979, p. 12.]

As a result it is not surprising that some Marxists have ambivalent attitudes. Is the welfare state an

agency of repression, or a system for enlarging human needs and mitigating the rigours of the free-market economy? An aid to capitalist accumulation and profits or a 'social wage' to be defended and enlarged like the money in your pay packet? Capitalist fraud or working-class victory? (*ibid.*, p. 11.)

Whether the welfare state contributes to justice is clearly a matter of perspective, and hence susceptible of no definitive answer. Miller (1976, pp. 343-4) admits that

readers with a yearning for Rawlsian 'moral geometry' may ... find this [conclusion] disappointing. Can there be no ... arguments of universal validity that hold good across social and historical barriers? This is indeed a pleasant prospect, but since there seems little hope of it being realised, I conclude that we shall have to make do with more modest results.

It is, nevertheless, instructive to conclude with a few words on who can usefully talk with whom, and about what. It is not possible to enter debate with natural rights defenders of free markets and the nightwatchman state, save by disputing their values, nor with Marxists, to whom the evils of the market system are axiomatic. But dialogue is possible between empirical libertarians, liberals and Fabian socialists, and would (I suspect) be particularly fruitful between the first two. Writers like Hayek and Friedman share common roots in nineteenth-century Classical liberalism with the largely utilitarian arguments of this book. Their position rests less on an ethical than on a theoretical and empirical view about the institutions likely to maximise total utility. The distinction is vital. The issues dividing a liberal defence of the welfare state from the views of empirical libertarians are not moral but largely factual. The main thrust of the argument is that technical problems with markets as both a theoretical and an empirical matter are much more pervasive than Hayek and Friedman allow. These are the grounds of the debate; the theoretical heart of the argument is the subject of Chapter 4.

### Further Reading

Libertarian ideas are set out by Nozick (1974) (a natural rights defence), Hayek (1944, 1960, 1976) and Friedman (1962, 1980). The intellectual roots of these ideas are discussed by Robbins (1978). For a libertarian critique of egalitarianism, see the essays in Letwin (1983).

The liberal approach is analysed by Barry (1973) and Miller (1976). For an introduction to Rawls (1972), see Gorovitz (1975) (one of the best teaching articles I have read, and one to which readers are most warmly referred). For more detailed commentary, see the contributions in Daniels (1975), and Sen (1992, Ch. 5); for liberal critiques Barry (1973) and Miller (1976); and for cogent libertarian criticism Nisbet (1974). McCreddie (1976) offers an interesting application to the UK National Health Service.

A simple introduction to socialist thought (and also to the other theories of society) is given by George and Wilding (1976), and discussion in greater depth by Leask (1967), Miliband (1969), Crosland (1956) and Tawney (1964) (a defence of equality).

The classic exposition of Marxist economic theory is Sweezy (1942). For a simple introduction, see Robinson and Eatwell (1973) and Fine (1975); and for more complete discussion, Mandel (1976), Harrison (1978) and Desai (1979). Marxist attitudes to the welfare state are discussed by Gough (1979), Ginsburg (1979) and Mishra (1981).

## Appendix: Non-Technical Summary of Chapter 3

1. Chapter 3 discusses various theories of society – libertarianism, utilitarianism, Rawlsian arguments and socialism. In practice the theories blur into each other like the colours of the rainbow – but it is useful for exposition to talk about them as separate entities.

### LIBERTARIAN THEORIES

2. To libertarians (section 2), as their name implies, the primary aim of institutions is individual liberty, and the best method of achieving its economic dimension is through the operation of private markets. *Natural rights libertarians* like Nozick (1974) defend a minimal (or 'nightwatchman') state on ethical grounds; *empirical libertarians* like Hayek and Friedman out of a belief that such a regime will maximise total welfare. For natural rights libertarians the state has no legitimate distributional role at all; to empirical libertarians its distributional activities are strictly circumscribed.

3. Hayek argues in addition that the pursuit of social justice is not only fruitless because there is no such thing, but also dangerous because it will destroy the market order which is both efficient and the only guarantee of personal freedom. According to Hayek (1976) a given circumstance is just or unjust only if it has been caused by the action/inaction of a *named* individual or individuals. The outcome of impersonal forces ('Nature') can be good or bad, but never just or unjust. The market is seen as an impersonal force, akin to an economic game with winners and losers, and so the market-determined distribution of goods can be neither just nor unjust. The notion of social justice therefore has no meaning. Its quest, however, is dangerous, according to Hayek, because once governments start to interfere with the market-determined distribution a process is set in motion which progressively approaches totalitarianism.

### LIBERAL THEORIES

4. Liberal theories (section 3), e.g. utilitarianism and writers like Rawls, contrast with libertarian views first by allowing the state a greater distributional role, and second through a weaker presumption that the free market is necessarily the best means of production and distribution. The treatment of property rights is not an end in itself, as with libertarians, but a means towards the achievement of stated policy aims. In certain circumstances this can justify a mixed economy.

5. The utilitarian aim is to distribute goods so as to maximise the total utility of society's members (section 3.1). Where individuals have identical marginal utility of income functions this occurs when income is shared

equally (Figure 3.1). Utilitarianism thus enables statements to be about the optimal distribution of goods (which in certain circumstances can be egalitarian), and so legitimates a redistributive role for the state.

6. This approach is criticised by Rawls and others because it can justify harm to the least well-off individual or group, if this raises total utility.

7. Rawls, in contrast, makes justice the primary aim of policy (section 3.2) (for a very clear introduction, see Gorovitz (1975)). Rawls defines social justice in terms of two principles, the first dealing with the distribution of liberty, the second with that of other goods. Taken together they imply that all goods (interpreted broadly to include liberty and opportunity) should be distributed equally unless an unequal distribution is to the advantage of the least well-off individual or group. No policy should be undertaken, according to Rawls, unless it benefits also (though not necessarily only) the least well-off. Again, there is a legitimate, and generally egalitarian, redistributive role for the state.

8. The theories of utilitarians and Rawls can have different policy implications. Suppose a given policy change makes at least one person better-off without making anyone worse-off. This is a Pareto improvement (see Chapter 4:2.1); hence utilitarians would regard the policy as desirable even if the individual thus benefited were rich. Rawls' principles of justice would oppose the policy unless it were also to the advantage of the least well-off. Thus an efficient answer in a Paretian sense is not always just in a Rawlsian sense (see Chapter 4:2.2).

### SOCIALIST THEORIES

9. The main socialist aims are equality, freedom and fraternity. These values can conflict, and different writers accord them different weight. But there is general agreement about the importance of equality, which is closely related (though not logically equivalent) to the further socialist aim of meeting need.

10. Despite agreement about their aims, and in their diagnosis of the failings of the free market, socialists are divided over how best to achieve them, most fundamentally over the role, if any, of the market system.

11. Some socialists (section 4.1) argue that institutional changes, not least the enlarged role of government in economic life, have greatly reduced the evils of capitalism and made it possible to harness the market system to socialist goals. Adherents of this view accept a role for private property and the market mechanism, though modified in both cases by state intervention – i.e. like liberals they feel that their aims are likely to be best achieved by some sort of mixed economy.

12. Other socialists, e.g. Marxists (section 4.2), argue that private ownership and the market system are inherently in conflict with socialist aims. In particular they regard the market as exploitative and therefore incompatible with equality. Marxists therefore reject capitalism outright, whether or how it makes up part of a mixed economy, and give the state a primary role in production and allocation, as well as in distribution and redistribution.

#### ATTITUDES TOWARDS THE WELFARE STATE

13. The appropriate role of the state depends crucially on the underlying theory of society (sections 5.1 and 5.2), as also do attitudes towards the welfare state (section 5.3).

14. Natural rights libertarians reject all but minimal intervention and are unambiguously hostile to the welfare state, which they regard as a coercive agency which stifles freedom and individualism, and encourages waste and inefficiency in pursuit of the spurious and dangerous goal of social justice.

15. Empirical libertarians have a broadly similar attitude towards a large-scale welfare state with substantial redistributive goals. They do, however, recognise that a free society based on private property and competitive markets is likely to distribute income unequally, and are therefore prepared to support an austere welfare state whose primary aim is the relief of destitution.

16. The main support for the welfare state comes from liberals and some socialists, in the latter case unreservedly, because it is seen as an equalising force. For liberals its existence is a contingent question: they support the institutions of the welfare state where (and only where) they contribute more than alternative arrangements to the achievement of society's aims. In such cases their support is unreserved.

17. Marxists are generally hostile to the welfare state, though with some controversy. 'Hardline' commentators regard it as an actively malign agency which serves *only* (or mainly) as an instrument of social control, to protect the continued existence of the capitalist system. Other writers argue that, though the welfare state is indeed a 'ransom' paid by the dominant class, it *also* represents a genuine improvement in working-class conditions.

18. Finally, who can talk with whom, and about what? No debate is possible between liberals and natural rights libertarians on the one hand, or Marxists on the other. Debate *is*, however, possible between liberals and libertarians like Hayek and Friedman, who argue less from a moral position than from an empirical view about the institutions likely to maximise total utility. The main thrust of this book is that technical problems with markets, as both a theoretical and an empirical matter, are much more pervasive

than Hayek and Friedman allow. In other words, the issues which separate a liberal defence of the welfare state from the views of empirical libertarians are at least as much factual as ideological.