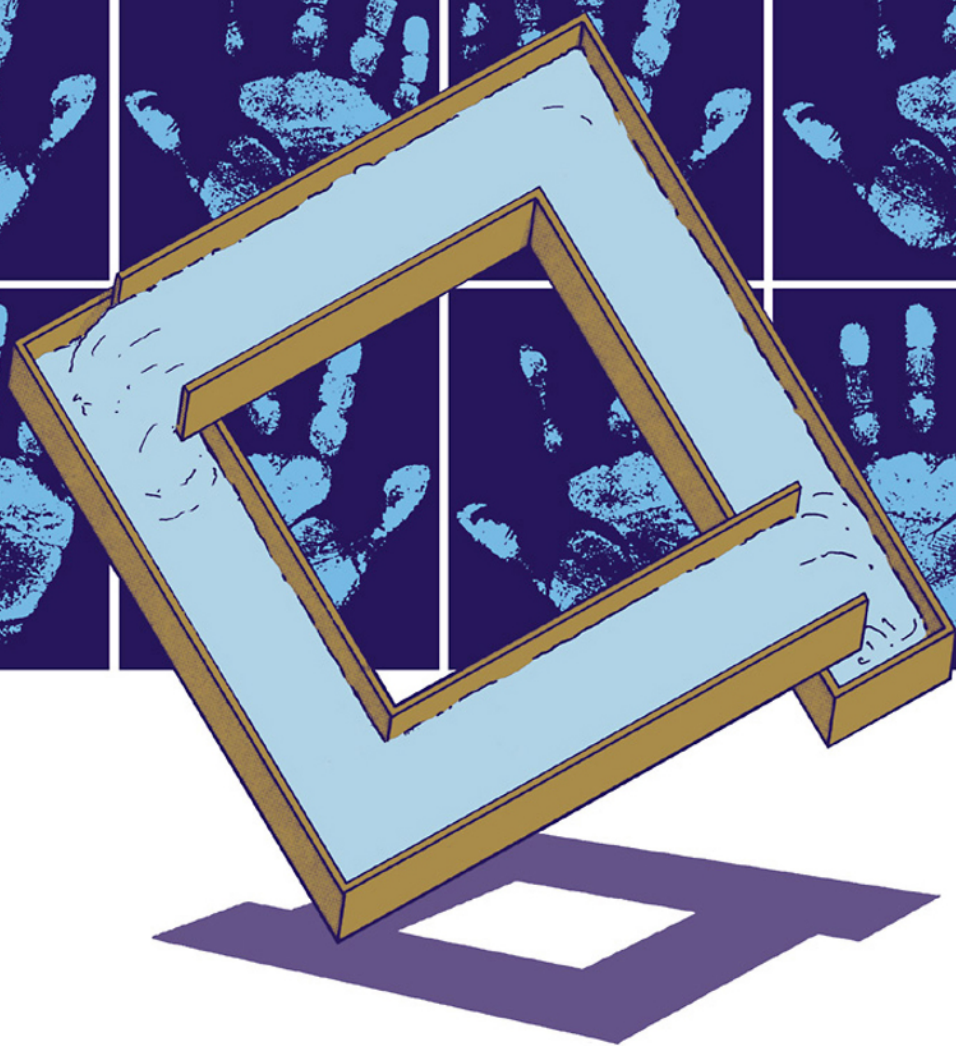


BARRY HINDESS

FREEDOM, EQUALITY, AND THE MARKET

ARGUMENTS ON SOCIAL POLICY



Freedom, Equality, and the Market

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*Freedom, Equality,
and the Market*
Arguments on Social Policy

BARRY HINDESS



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I

Introduction

In 1981 the OECD published *The Welfare State in Crisis*, a collection of conference papers dealing, we are told, ‘with a major contemporary problem. It is important to understand the fundamental nature of the crisis if wrong conclusions and presumptions are to be avoided’ (OECD 1981:5). The same title was used again in 1984, this time for an Open University set book. It begins with the claim that ‘the welfare state throughout the industrialised West is in disarray. The outward signs of trouble are of course all too familiar’ (Mishra 1984: xiii). Today it is almost a commonplace to say that there is a crisis of the welfare state (but see Klein and O’Higgins, 1985, for a note of caution). Accounts of the nature of the supposed crisis vary considerably. Perhaps the most straightforward is in terms of a combination of demographic and economic changes. On the one hand, the increasing proportion of old people imposes a growing burden of support costs on the working population. On the other hand, the slowdown in economic growth and the rise in unemployment since the 1960s had a considerable impact on expenditure on the social services. The expansion of welfare programmes came to a halt at the same time as increasing demands were made on the welfare services. Improved welfare could no longer be financed out of the increment of economic growth, and the level of welfare expenditure became a matter of political dispute. The question was raised in some quarters whether we could really afford a welfare state on anything like its present scale, and there were fears of taxpayers’ revolts.

In other accounts these economic and demographic factors are

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merely the occasion for a crisis that has more fundamental roots; that is, the problem lies in the very structure of the welfare state itself. On one side the welfare state is seen as a coercive apparatus tending to undermine the workings of a free society. In this scenario individuals are coerced into paying, through taxation, for services that are frequently unresponsive to their particular needs and which they have not personally chosen to use. Furthermore, the welfare state restricts the scope for market-based alternatives to its services so that opportunities for the exercise of freedom of choice are severely limited. From this point of view the crisis of the welfare state is a welcome development. Arthur Seldon, Advisory Director of the Institute of Economic Affairs, argues that the welfare state is an enemy of liberty. At one time it was regarded in Britain 'as not only morally sacrosanct but politically impregnable' (Seldon 1981:47). By the time he published his pamphlet *Wither the Welfare State*, the situation had changed: 'the welfare state is withering away because it is being undermined by market forces in changing conditions of supply and demand for education, medicine, housing, pensions and lesser components of welfare (Seldon 1981:11). If the welfare state is to continue, it will have to resort to increasing levels of coercion of consumers and suppliers of welfare services. The British will not tolerate that development, so the state institutions of welfare will eventually wither away.

On the other side is the view that there is an inescapable tension between the welfare and egalitarian principles of the welfare state and the market principles of a capitalist economy. Several versions of this view are discussed in later chapters. For the moment, notice that many on the left see the welfare state, for all its faults, as a little island of socialism in the wider capitalist society, an achievement of the organized working class (and other groups) against capitalist opposition. From this point of view the economic problems of the 1970s and 1980s have strengthened the hand of the other side, thereby providing the occasion for an ideologically motivated attack on the post-war welfare state. The blurb for a book based on a Fabian Society seminar suggests that the welfare state is now 'facing its greatest crisis. Under political attack from the free marketeers, and financial threat from the policies of monetarism and supply-side economics, does the Welfare State have a future?' (Glennerster 1983). The attack, of course, is denied—and that by a government that is cutting back on the real value of many

social security benefits and actively encouraging the growth of private medicine and education and the sale of local authority housing. It is not the welfare state, it claims, that is under attack, but only its excessive development.

This is a book of social theory, not another book about the crisis of the welfare state. An important part of what is in dispute between these various accounts of the welfare state and of its supposed crisis is the matter of how we should think about modern British society and the place of government and other social forces within it. This involves questions of social theory—how to analyse society and the relations between its different parts—and questions of political principles or values. These questions are the subject-matter of this book. It discusses the role of public intervention in social and economic processes in modern Britain, with particular reference to the welfare state. The aim is to examine different theoretical and political perspectives on social policy by considering how they depend first on particular conceptions of modern British society and of the place of government and other social forces within it, and secondly, on particular social values or principles and conceptions of the relations between principles and the activities of governments and other agencies.

Discussion of these issues is inevitably contentious. It raises matters of dispute in social theory as well as matters of political disagreement. My own position on many of the issues raised will become clear in the course of discussion, but my primary aim is to exhibit competing views about what kind of theory of society and what political principles are involved, and to analyse what is at stake in the disputes between them. This is a book about arguments, about different ways of analysing British society and the place of social policy within it. Some of the arguments considered here are employed in political debate, but this is not a book about the political struggles around social policy. It makes use of information about British society and the welfare state, but it is not primarily about the institutions of the welfare state or its history. Finally, it is written as an introduction to the arguments rather than a comprehensive survey of the debates. Most of the chapters examine a small number of representative texts in order to show how their arguments work or fail to work, and the problems that arise within them.

Many commentators suggest that, until recently, there was a broad consensus on social policy in Britain. The editor of the Fabian collec-

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tion referred to above writes of ‘the basic assumptions on which social policy has been based’ (Glennester 1983:1) for most of the post-war period, and which now have to be rethought. On the right, we have noted Seldon’s comment that the welfare state was once thought to be impregnable. The first two chapters after this introduction examine that ‘consensus’ view. Subsequent chapters consider, first, some of the objections that have been raised against it and, secondly, two alternative perspectives that have become significantly more influential in social-policy discussion as the old consensus has broken down.

We begin then with a perspective on social policy that was widely shared by senior politicians, civil servants, and social-policy academics throughout much of the post-war period. In this perspective contemporary British society was seen as the product of two fundamental and interrelated changes. One concerns the character of the economy: the power of the capitalist class has declined, and that of government has expanded. The result is that government can achieve any objective it wishes in relation to the level of employment, income distribution, and the balance between investment and consumption in the economy as a whole. Crosland gives the clearest expression of this view in his book *The Future of Socialism*, published in 1956. He argues that Britain is no longer a capitalist society in the traditional sense, and that with economic power firmly in the hands of government, the eradication of poverty and other socialist objectives can be achieved without significant changes in the pattern of property ownership. Similar views, with rather different ideological undertones, were dominant in the Conservative Party for much of the post-war period. [Chapter II](#) thus considers Crosland’s argument and some of the difficulties with it.

The other supposed change concerns what Marshall calls the growth of citizenship, a qualitatively new relationship between the state and the underlying population. Marshall argues that the growth of citizenship has produced a broad equality of legal, political, and social rights throughout the adult population. The development of social rights in particular means that all citizens now have a claim to a minimum level of welfare as of right, not as charity. In this sense, citizenship, with its implications for equity, is supposed to conflict with the market principles of capitalist society. Closely related arguments can be found in Townsend’s attempt to establish an objective definition of poverty based on concepts of ‘participation’ and ‘relative deprivation’

(Townsend 1979), and in Titmuss's account of the conflict of values between social policy and the market. These views are considered in [Chapter III](#).

If we take these two supposed changes together, it must seem that the only real obstacles to the eradication of poverty and a more egalitarian society are the government's lack of knowledge of social conditions, on the one hand, and its lack of political will, on the other. These assumptions underlie much of the 'Fabian' critique of social-policy provision, and a whole tradition of social administration research (see Donnison 1979; or 1982, Ch. 2, for a good short account). The discussion here and in the rest of the book will consider questions of how far modern Britain can indeed be characterized in terms of these changes, whether there is more to the failure of egalitarian welfare policies than ignorance and lack of political will, and whether what the welfare state does is best analysed primarily in terms of equity and the distribution of welfare.

Following the economic policy failures of successive British governments in the 1960s and 1970s, problems for the consensus view became increasingly apparent. Crosland's optimistic picture of the capacity of government to manage the economy is now widely disputed on both the left and the right of British politics. Some of these arguments are considered towards the end of the book. But first we consider two other kinds of objections that have been made against the consensus view. The first is that the changes which once made the consensus view appear plausible have potentially destructive consequences in the longer term. [Chapter IV](#) considers Goldthorpe's argument that the combination of citizenship and economic growth in a capitalist economy leads to the emergence of a mature working class willing and able to use its power to secure inflationary increases in real wages, thereby undermining the political and economic conditions of the consensus. We shall see that Goldthorpe's account of the British inflation of the 1970s displays a striking sociological reductionism. For all his insistence on the social antagonisms underlying Britain's inflation, he pays little attention to the political conditions in which those conflicts are conducted.

[Chapter V](#) considers a more general argument to the effect that the consensus view generates a style of politics that is ultimately self-destructive as the 'logic of the situation' leads sectional interests to

make demands on government, and it leads political parties to compete for their support with promises of action. There are several versions of that argument. In this book we concentrate on Beer's discussion in *Britain Against Itself* (1982) and on the liberal argument that 'unlimited democracy' generates a 'new Hobbesian dilemma', a competitive struggle between sectional interests for state intervention in their favour. We shall see that the argument from the 'logic of the situation' in an interventionist state suffers from many of the weaknesses of Goldthorpe's sociological account of Britain's inflation.

The second set of objections to the consensus view are based on the observation that public expenditure on social-service provision has markedly inegalitarian consequences. Our interest here is not so much with the evidence, which is generally unambiguous. It shows that in many areas of public-service provision the overall effect of public expenditure is to exacerbate the significance of differences in income and wealth. Rather, we are concerned with the political conclusions that have been drawn from this evidence, especially with regard to what le Grand (1982), following Tawney (1931), calls 'the strategy of equality'. That strategy involves moving towards social and economic equality by means of public expenditure on social services, on education, health, housing, and transport. The conclusion drawn by le Grand is that 'the strategy of equality' has clearly failed, and therefore that a far more radical attack on privilege is required. This argument raises important questions regarding the uses of social principles, such as equality, in the assessment of policies and social conditions. We shall see that the political implications of the evidence are by no means as clear-cut as le Grand and others suggest.

Finally, [Chapters VII](#) and [VIII](#) consider two alternative approaches to the analysis of social policy that have become considerably more influential with the collapse of the old consensus. Marxism analyses politics and the state primarily in terms of the struggle between contending classes. The welfare state therefore appears both as serving the interests of the capitalist ruling class and as an island of socialism in the sea of capitalist society, brought about and defended by working-class struggle. Considerable ingenuity is devoted to attempts, never entirely successful, at resolving the tension between these two positions.

In many respects the approach of liberalism to the analysis of social policy could not be more different. Liberal political thought is con-

cerned to establish limits to the role and power of the state, seeing the growth of the state as posing a threat to individual freedom and privacy, with potentially damaging consequences for economic activity and for social life generally. Recent liberal writing on the welfare state has insisted on the need to minimize state economic intervention and on the disruptive effects of removing responsibility for welfare provision from the individual and family. In effect, an apparent concern for the liberty of the individual is given priority over all other social and political objectives. Where Marxism operates with a relatively systematic theory of social structure and social change, liberalism's interest in social structure is primarily because of its supposed consequences for the liberty of the individual. Liberals do have something to say about social structure, but it is generally crude and simplistic. The problem here is obvious enough in the vulgar polemics of Friedman and the Institute of Economic Affairs, but it can also be found in the otherwise more serious and sophisticated work of Hayek.

There are, of course, alternatives to the consensus view other than those based on Marxism and liberalism. The most far-reaching of these, in terms of their theoretical and political ramifications, relate to feminism. Feminism gets little mention in most general discussions of approaches to social policy, and this book is no exception, but there is a growing feminist literature on a whole range of issues relating to social policy. These issues certainly need to be discussed, and the fact that they are not considered here does not mean that they are unimportant. Any book on social theory will take up some issues and not take up others that have a bearing on its argument. In this case, there are two reasons why a chapter on feminism would not have been appropriate. First, I am concerned with two interrelated themes that recur throughout the positions considered in this book and which give it a certain unity. These themes concern first an essentialism of the market, shared by Marxists, liberals, and most of the other positions considered here, and secondly the question of the place of principles in political discussion and the analysis of social conditions. Feminism raises important issues for any politics concerned with the principle of equality, but it does not do so primarily in relation to the essentialism of the market that characterizes the other positions considered here.

The second reason is more significant. The unequal treatment accorded to men and women, important though it is, is not the only

issue raised by feminist discussion of social policy. Feminism has also brought to the fore fundamental questions of the place of gender in relation to other features of social life, and, in modern society in particular, of the role of the state and other social-policy agencies in fostering certain patterns of gender relations and of domestic organization. In the course of her argument that the welfare state can be defined as ‘the State organisation of domestic life’ (Wilson 1977:9), Wilson quotes from the Beveridge Report of 1942 as follows: ‘the attitude of the housewife to gainful employment outside the home is not and should not be the same as that of the single woman. She has other duties’ (1977:151). There can be little doubt that what I have called the consensus view does involve powerful, and often unexamined, conceptions of gender relations and of desirable forms of domestic organization. The same is true of the other positions considered here—although the situation has begun to change in recent years as liberals have tried to counter feminist arguments, and Marxists to accommodate (at least some of) them. To have considered here—although the situation has begun to change in covered in this book would have required not just another chapter (feminism as a third alternative to the consensus view) but also a radically different treatment of the consensus view in [Chapters II and III](#), and of the positions discussed in subsequent chapters. It would have made for a different, more complex kind of book, and perhaps for a better one. It would certainly have been much longer.

The two recurrent themes are taken up in the concluding chapter. The first concerns the essentialism of the market. For all of the striking differences between them, Marxism and liberalism both tend to analyse the market in terms of an essence or inner principle that produces necessary effects simply by virtue of its presence. Of course, they arrive at this essentialization of the market and its workings in rather different ways. In the one case it is a sign of exploitation and the anarchy of capitalist production; in the other case it is an index of freedom. But in both, market and plan appear as distinct and incompatible principles of social organization, so that any combination must appear to be inherently unstable. Different but closely related oppositions between the market and the principles of social welfare and citizenship can be found in the works of Marshall and Titmuss, discussed in [Chapter III](#) (e.g. Marshall 1950, 1981; Titmuss 1958, 1970), and again in Goldthorpe’s account of Britain’s inflation (Goldthorpe 1978).

Wherever it appears, the essentialism of the market involves a serious weakness in the shape of a failure to take account of the institutional conditions within which particular markets operate. The result is that simplistic generalizations about the market and its supposed antitheses are altogether too prominent in many accounts of social policy.

The second recurrent theme concerns the place of principles in political discussion and the analysis of social conditions. In social-policy discussion principles may be invoked both as an explanation of social conditions and as a means of evaluating them. This is clear enough in the case of Hayekian liberalism, where social conditions and policies are analysed in terms of their supposed consequences for the liberty of the individual. Or again, the principle of equality is used by le Grand both as an explanation of British social policy and as a measure of its success. Finally, the arguments of Marshall and Titmuss involve the analysis of social conditions in terms of a conflict between the principles of citizenship or altruism and the unprincipled workings of the market. There are, of course, differences in the ways in which principles are used in these examples, but they all raise similar general issues of the place of principles in the assessment of social conditions and in the evaluation of proposals for change.

In fact the analysis of social conditions in terms of the realization of principles depends on an essentialism not unlike the one we have noted with regard to the market. To analyse social conditions or policies solely in terms of the realization of some general principle is to ignore the unavoidable complexity both of social conditions and of attempts to change them. Principles do indeed play a part in political life, but they do so always in conjunction with a variety of other concerns, interests and objectives. Political parties and governments act in terms of existing institutional conditions and social forces which invariably restrict their room for manoeuvre in certain respects. Some of those conditions may well be changeable as a result of political action, but many have to be regarded as more or less fixed, at least in the short term. It makes no sense to analyse societies or parts of them in terms of the realization of general principles.

That point has serious implications for the use of principles in the evaluation of the success of policies and political strategies. If society cannot be organized as the realization of a single general principle, then governments and political parties cannot reasonably be blamed for

failing to bring about that state of affairs. Consider le Grand's argument that 'the strategy of equality' has failed and that therefore a more radical attack on the sources of inequality is required. The argument takes the fact of discrepancies between British social conditions and the principle of equality as a measure of egalitarian failure. The evidence here is pretty well decisive. What is not so clear are the political conclusions to be drawn from it. Inequalities are to be expected, and they will come about for a variety of different reasons. They will not be equally matters of political concern or equally amenable to political action.

Serious assessment of policies involving egalitarian or other principles depends on an analysis of the political and institutional conditions in which those policies have been pursued and of the obstacles that they confront. It does not follow from the continued existence of inequalities in our society that 'the strategy of equality' should be scrapped, or that the gestural alternatives are likely to be more successful. The argument, then, is not that principles have no place in the evaluation of social conditions and policies. Quite the contrary. The point rather is that social conditions and policies intended to change them cannot be evaluated in terms of principles alone. The evaluation of proposals for reform should be a complex matter in which considerations of equality, freedom, or whatever, appear as one element together with a variety of other considerations. The alternative is a naive political radicalism, with limited purchase on current political conditions or possibilities.

This last point has been made in terms of equality, but it could equally well be made in terms of other principles, for example, liberty, fraternity, or solidarity. But a word of warning is in order before concluding this introduction. To say that there are simplistic political analyses conducted in the name of equality, and others in the name of liberty, is not to say that these naive radicalisms are equivalent. Naive political radicalism comes in many shapes and sizes, and its effects are not all of a kind. What those effects are depends on the objectives it sets itself, their relation to other concerns and objectives, the political forces that act on its proposals, and, of course, the obstacles that stand in its way. Simplistic political analyses are all too common on the left, and that is part of the reason for its weakness. The tradition of broadly egalitarian social-policy writing, from which le Grand draws much of

his material, is responsible for some of those analyses. But it has also produced some excellent research studies and well-informed, severely practicable proposals for change in particular areas of social policy. At its best, it has contributed to the development of a more effective 'strategy of equality'. The more naive egalitarianism has had little direct impact on the practical conduct of national or local government. Unfortunately, the same cannot be said of that pursuit of individual liberty which appears to override all other objectives. That naive radicalism is altogether more dangerous.