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CONSERVATISM AND THE WELFARE STATE

Mrittunjoy Guha Majumdar
PhD Scholar, Christ's College, University of Cambridge, U.K.

ABSTRACT

Conservatism is a socio-political concept that promotes the retention of traditional social institutions in the context of the culture and civilization. It has held sway over the politics and society of various countries over the ages, especially after periods of economic recession and instability. However, the one pertinent issue that is raised against the idea is that of a 'Welfare State' under Conservatism**.** Going by the traditional conception of *Conservatism*, the whole idea has and always will be that you earn as you spend and those who contribute to the society will get the returns, albeit with a certain inclination to letting the order of society 'and nature' remain as it is. So does this not leave any space to reconcile 'Conservatism' and 'Welfare State'?

In this paper, the historical and economic aspects, particularly with respect to taxation, of the subject and the correlation with traditional Conservative policies have been analyzed, and the conclusion drawn that state welfare has to be reconciled with supply-side policies in an increasingly capital-mobile international market.

Keywords: Conservatism, State Welfare, Administration

Historical Overview

To begin with, on a historical note, Otto van Bismarck and Winston Churchill, two self-professed and well-recognized Conservative leaders, were among the first to introduce the whole concept of a welfare state! The idea was simple: without the welfare of the working class, capitalism could not possibly strive. The markets, and the idea of free enterprise, simply could not function without the proverbial cogwheels that the labor and the workers represented in the behemoth of a structure that the market was and was shaping into at that point of time in history.

The concept of 'State Socialism' arose to blunt the sharp rise of socialism and detract the supporters of the Social Democratic Party of Germany from gaining more support. A point to be noted here is that Bismarck's state socialism was not socialism at all probably. It sought to maintain the order and structure of German society, and as means to pre-empt the implementation of the much-celebrated programs and ideas of Marx and Engels. Bismarck's policy was centered primarily on insurance programs to increase productivity, be it health insurance, disability insurance or an old-age retirement pension.

Charchill's concept of the welfare state was founded on what is so beautifully expressed by Steven Hayward in his article titled 'Churchill and the Welfare State'

> 'While Churchill supported
> social insurance, he never favored
> social engineering, which has been the
> dominant impulse of the Left for a long
> time now".

Churchill's was a policy centered on the market and the 'wisdom of the market', rather than of central planning. Churchill was most definitely a Conservative, with his policies and program for income tax cuts. Just as John F. Kinnedy justified income tax cuts saying that "a rising tide lifts all boats," the war-time hero of Great Britain felt that such measures were beneficial not only for the rich but for society as a whole. However, particularly during the time from 1908 to 1911, Churchill championed measures for the welfare of the masses, as is best put in the seminal work of Robert Blake and Wm. Roger Louis [1]

> **"…***he was the principal driving force behind the Liberal Party's welfare reforms of 1908–1911. At the Board of Trade, he pioneered measures to reduce poverty and*

> *unemployment through state intervention in the labour market. In 1909, he toured Britain campaigning for the 'People's Budget' and its radical proposals for the taxation of wealth. At the Home Office, his penal reforms as well as his measures to improve working conditions in shops and coal-mines…"*

Today, even as the National Health Services stands as an issue of deliberation and even a bone of contention in political circles in Britain, one fails to realize often that nationalization of health services was done during war-time economic deliberations rather than by post-war, left-leaning Labor governments. What one needs to realize, as described by Norman Barry [3] is that the economic liberals of that age were not as much against collectivized distribution of welfare services as much as to institutionalized distribution of such services, which they saw as constraints on the freedom and efficiency of individuals. What is primary to the thinking of a conservative has been the idea of ***reciprocity,*** of the 'giving back' for a welfare scheme given to an individual which is not the case in the classical liberal economic thought process.Recently, one of my Left-leaning friends said that the very instance of moving out of your mother's womb should guarantee you welfare from the state. This is the sense of entitlement to a society's resources which the Conservatives don't quite align with.

Fair instances of employment are surely needed and have always been safeguarded by Conservative governments, going by the past records. The state does have a responsibility for those who have absolutely no way of supporting themselves, but that can be channelled as well through social entrepreneurship and providing incentives for social responsibility among those in the market economy who are able to undertake such initiatives.

Moreover, as Norman Barry [3] also mentions in his work, modern Conservatives, especially those in America, argue more on the issue of the nature of welfare than on the size or impetus needed to sustain it. For one, cash schemes, which do not have an inherent sense of reciprocity, are criticized. Instead, schemes like the Sampoorna Grameen Rozgar Yojana, started by Shri Atal Bihari Vajpayee, former Prime Minister of India and erstwhile leader of the right-wing Bharatiya Janata Party, which ensures a certain time period of assured employment and

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associated welfare benefits such as the provision of subsidized food grains, is one which does help the state as well as the individual, who 'gets what he earns'.

In this regard, one pertinent point that is sure to rise is regarding the aged and the young, the disabled and the handicapped. One is led to believe that reinforcing the whole institution of families could go a long way in channeling the capital and benefits down to them, besides the aforementioned incentivization of social-responsibility schemes by individuals and companies.

The Beveridge Report, which formed the basis of various economic and social reforms after World War II, in one of its key recommendations, succinctly highlights the need for this idea

> "Policies *of social security "must beachieved by co-operation between the State and the individual", with the state securing the service and contributions. The state "should not stifle incentive,opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family."*

This leaves ample space for private initiatives along with maintaining the public sector. Moreover, in large and unrestrained free-markets, the issue of whom to insure and who really deserves benefits is a big problem. As a result, Conservatives do see the idea of a 'Welfare State' as a 'Mutual Insurance' scheme. The individual does what he can and has a share in benefits that are associated with this task undertaken. Interestingly, a most fundamental idea within Conservatism validates the need for a measured amount of institutionalized welfare schemes as well: *communitarianism*. The institution of the community.

Leaving the less deprived of a community, or for that matter of a nation in the whole concept of One-Nation Conservatism, is against the principles of Conservatism since it hits at a most basic social construct and institution. Thus, besides the private initiatives for social responsibility, a certain amount state-run welfare is beneficial and needed, and definitely not what Conservatives are or should be against (this statement of course goes with the caveat that there are various shades of Conservatism and some individuals may disagree with me on this).

However, this same argument of communitarianism also raises the important question: how much does the state get involved in?

Communitarianism: Arguing for Compassionate Conservatism

John Gray [4] states that there are some goods which can be provided by the state at minimal prices without creating an infinite demand. This is enshrined in the concept of '*satiability'. In the* absence of a proper awareness of what defines this criterion or which goods come under the ambit of this concept, there is a certain amount of subjectivity relating to goods and commodities. And this is what creates another round of debate among Conservatives. Moreover, particularly among American Conservatives, there is a certain amount of bickering regarding the occurrence of what I like to call 'apparent permanence in deprivation'**.** This is the occurrence whereby the imposition of state-run welfare increases the target group that it seeks to reduce, in number.

For instance, benefits for single mothers leading to breakdown of more families, in turn leading to more economic pressure on the state, or the imposition of reservation schemes leading to more number of communities wanting to qualify as reserved classes. Thus there is an associated 'hazard', as Barry (3) put its, relating to who gets the benefit of such schemes: the genuinely deprived or the opportunists, as he puts it.

Taxation Policies and Funding the Welfare State

A point of interest in this paper is that of taxation. In a period when capital mobility in the international market is on the rise, due to factors such as technological advancements and market forces, one is led to analyse taxation policies and means of funding welfare, besides whether this mobility directly leads to the need for a reduction of taxation for businesses, as is posited by Conservative economists.

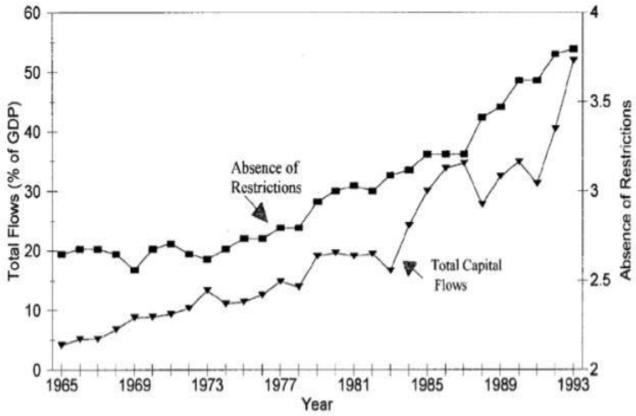

Figure 1: International Capital Mobility

Reference: Swank, Duane. "*Funding the welfare state: globalization and the taxation of business in advanced market economies*." Political Studies 46.4 (1998) [5]

Dooley et al [6] have presented evidence that a close association exists between national savings and national investment in what is seen as a 'robust empirical regularity'. In his seminal work, Swank [5] mentions

> *"With regard to the internationalmobility of capital, both classic and modern political economists have argued that increasingly mobile capital effectively strengthens the relationship betweeninvestment climate and government policies."*

Social scientists like Sven Steinmo have argued that redistributive taxation has been nearly rendered obsolete by the rise of international capital mobility. Others like Freeman have stated that *globalization may undercut the ability of governments to provide public services and social* *rights* [5], [7]. Thus, boosting business confidence is a must for domestic markets to thrive in any country today, and in such a scenario reduction of taxation to the bare minimum denomination required is a requisite for reducing tax burdens on businesses.

A significant point of discussion here is the need for re-inforcing the human resources capital by the development of supply-side welfare today, even as significant social welfare schemes and the spread of social welfare schemes become increasingly difficult. Not only does this accommodate the goals of ‘state welfare’ but also leads to increasing the business and market potential of a particular country. Here one does have to consider the entrenched political systems and institutions of the country though; a point that even led Lady Margaret Thatcher to introduce moderate welfare cuts in her policies due to the associated political collaterals that were associated at that period of time [5].

Swank [5] posits that there is no simple conclusion one can draw for the correlation between international capital mobility and taxation

> *Concomitant with liberalization of capital flows, business tax policies were stripped of their strict market regulating roles. Specifically, while tax rate cuts were viewed as economically advantageous, the policy makers emphasized the need to make overall changes revenue neutral, orotherwise protect the revenue needs of the state”.*

Swank goes on to posit the need to reduce exemptions and investment credits to businesses in a bid to safeguard the revenue needs of the state. Thus, Swank asserts that governments can pursue state policies but they are severely restricted by the liberalized and capital-mobile international market.

Conclusion

I would like conclude by stating that Conservative economists and philosophers have to tread the narrow line between what is morally correct and what is efficient for society and humankind.

And in there**,** the concept of 'Welfare State' does arise and exist, albeit in a regulated and oft-privatized mode of existence.

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