

Should the Welfare State Be Abolished?

I was honored to be the guest speaker of the Yale University Political Union last week, addressing the need to abolish the welfare state. The structure of the union breaks down students into “parties” based on political ideology. The guest speaks and then the students challenge. This is followed by minor speeches and challenges from students. The entire event lasts two hours, and the guest gets the final word.

A word on the students themselves: I was amazed at the erudition, decorum, and adult-like collegiality among them. It seems almost out of some movie I’ve seen, something set in the 1920s. I’m not entirely sure the students fully realize just how special they are. With a student body like this, I suspected that they learn more from engagement with each other than from their classes. Several students confirmed this. And, to be clear, this was true regardless of political outlook.

I, of course, was speaking on behalf of the pure free-market position on the welfare state, going [further](#) even than F.A. Hayek to say that the whole thing ought to be scrapped. There is nothing that the welfare state contributes to our lives that couldn’t be replaced by the normal operations of the market and civil society. In the end, I lost the debate, two to one, which is not a surprise, but I hope I planted plenty of seeds of doubt about the merit of the welfare state.

Command and Control

This whole topic is widely misunderstood. People think of the welfare state as a system of redistribution to help the poor improve their lot in life. Those who oppose it, we are told, are greedy advocates for the interests of the rich.

My contention is that this is just a story we tell ourselves

that has nothing to do with the history and current reality of the welfare state. The welfare state is a system of command and control, imposed by the political elites, that targets politically marginalized groups in a way that, through both bad and good intentions, excludes them from participation in mainstream society.

The grim history is undeniable. Going back 100 years, controls on wages, working hours, marriage, migration, and professions were heavily influenced by eugenic and white supremacist ideology and pushed forward with the intention to mold population demographics in a way approved by political elites.

This is not the story anyone is taught in class. Mostly this history is suppressed, especially by champions of the welfare state. We are supposed to believe that the purpose of the welfare state was to help people. But I explained that the US already had a huge and growing structure of private welfare in place, particularly as provided by religious institutions dedicated to helping widows, orphans, and new immigrants.

A great example is Mother Cabrini of the [Missionary Sisters of the Sacred Heart of Jesus](#). They opened orphanages all over the East and West Coasts, managing hundreds of properties including hospitals and schools. But for the "Progressive" intellectuals of the period, these institutions were considered unprofessional and entirely too undisciplined, and they sought to displace these institutions with secular and publicly funded services. They succeeded.

Between 1905 and the mid-1930s, the welfare state was built and came to replace private provision. Funding sources dried up following the double blow of the income tax and estate tax, together gutting the fortunes that had been so generous to charitable institutions. Public provision did not make up the difference. But the big change was regulatory. A great example of early efforts is the minimum wage. When it was first presented, it was designed not to raise the wages of the poor

but to raise the bar of entry into the workforce as high as possible so as to exclude “unfit” portions of the population (for more on this, see my [full article](#).)

The same story can be told about maximum hours legislation, immigration restriction, marriage licenses, public schools, business regulation, and so much more. The rationale was slightly different in each case but the main goal was the same: to control and manage the population through coercion.

Where do we get this idea that the welfare state is designed to help people live a better life? It began to emerge during the New Deal, but that was just a cover. The New Deal was really about creating large-scale business cartels. The story repeats itself: the people who construct and manage the institutions of the welfare state are not the poor; they are privileged intellectuals working with power elites in industry and government. It has always been so.

Not What We Think

But let’s look today at the workings of the modern welfare state. The idea that it actually helps the poor is unsupportable. It is funded by vast payroll and excise taxes that harm the poor and middle class disproportionately (the rich pay most of the income taxes). Of the more than \$1 trillion of spending that today constitutes what people call the welfare state, most of the dollars end up in the hands of the cartelized medical industry, which results in higher prices, less competition, and lower quality service.

There is a reason why obtaining medical insurance and service is so difficult as compared with buying groceries or software. It is precisely because of so much state involvement. It has ended up restricting, not expanding, access.

Or consider food stamps. These aren’t for the poor. The program is administered by the Department of Agriculture to create a guaranteed market for big agriculture. Imagine if the

big three automakers could back “car stamps” so that taxpayers were forced to pay for cars for people in a certain demographic. It’s nice work if you can get it.

I concluded my speech by calling for a complete end to the welfare state as a necessary part of ending the hegemonic control by the ruling class. If you want to see what the state really does to the poor, visit the traffic court, the jails, the prisons, or see how policing works in poor communities. The state is not the friend of the poor.

The Responses

As you can imagine, my presentation confounded many of the people on the left—which probably constituted fully two-thirds of the people present. Following my speech, speaker after speaker pleaded for the need for the state to take from the rich and give to the poor as if this had never been tried. It’s like a narrative that some minds just cannot shake, despite all the evidence.

Still, I found their speeches fascinating because of the pervasive mistakes in their thinking.

First, not one speaker on the left seemed to connect the issue of poverty alleviation with the solution of wealth creation. Failing to address the issue of where wealth comes from—the zero-sum mindset here is pervasive—they have yet to learn the basic lesson that Adam Smith tried to explain two and a half centuries ago. He explained that wealth comes from the expansion of the division of labor, trade, innovation, and a flourishing commercial society. The dramatic decline in poverty around the world over the last 20 years comes not from more welfare but from expanding markets.

Second, not one speaker on the left seemed interested in the problem of granting the state power over people’s lives, which is very strange. An underlying assumption of their comments was that the state is a benevolent institution that is wise

enough to pass and implement legislation that promotes social justice. It seems to be completely lost on these people that political establishments operate according to self-interest and end up advancing themselves most of all. Certainly, no state is interested in the precise political vision of Yale students.

Third, not one speaker on the left seemed particularly interested in the real history and experience of the welfare state as it has been practiced. Indeed, they seemed unwilling to defend any aspects of the status quo, even though policy has been striving for 100 years to implement precisely what they claim to favor. Why the lack of interest in the failures of the past? I suppose it is somewhat analogous to how today's socialists are uninterested in the history of the Soviet Union or Mao's China.

Welfare, Diversity, and Fascism

In my concluding remarks, I drew attention to the complex political dynamics between welfare and diverse population groups living under the same regime. People genuinely resent having their money taken and transferred to groups with which they feel no integral relationship. The welfare state, then, ends up exacerbating religious, racial, gender, and language conflicts, giving rise to populist movements that trend fascist. The advocates of the welfare state bear some responsibility for the rise of authoritarianism around the world.

These remarks were obviously unwelcome by the "social justice" crowd in attendance. Though I faced a lot of opposition, I do have to credit the students for not shutting me down and instead keeping the debate civil. As I mentioned, I was voted down by a margin of 2 to 1, but my hosts were thrilled with this result.

Your speaking appearance yesterday evening at Yale was

memorably phenomenal! I was so very grateful for all of the substantive content and energetic explanations which you provided to our Yale Political Union assembly! Having brought in [other speakers], I can say proudly that in terms of intensive argumentation you topped the list!

In my perspective your arguments at yesterday evening's debate were unrivaled; none of the opponents of your views who spoke during the debate actually provided convincing ideas and arguments that could match your own....This afternoon you were the subject of many campus conversations.

This is what it is all about: advancing good ideas, furthering the conversation, promoting engagement, and encouraging people to rethink the ideologies of top-down social management.

I had a wonderful experience. In some way, I lived my dream: to advocate the abolition of the welfare state at one of the places where the ideology of welfarism was born.

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