



# **Welfare Populism: Welfare State Vs Welfare Society**

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# Populism: Making Distinctions

1. Vote buying—gifting colour TVs, household appliances, gold chains, laptops
2. Equal opportunity—provision of education and health services
3. Safety net—unemployment benefits, retirement security, food



# Against all welfare provisions?

- Classical liberals and Ordo liberals
  - Encourage civil society but some state provision was seen necessary
- Western Europeans (FDP) would be aghast if all state provision was opposed



# Rationale for the Worry

- Heavy taxation and public debt
- Monopoly provision by state undermining voluntary initiatives
- Deepening dependency, lack of self responsibility
- Freedom without responsibility
- Reducing economic freedom of service providers (in education, water, health)



# Ideally...

- Promoting self-help and self-esteem
- Affordable over time
- Well targeted
- Efficient and innovative delivery



# Self Help & Self Esteem

- Personal engagement
  - Three ways to help others
    - Ask government
    - Give money to the right charity
    - Do it yourself
- **Mutual aid**—medical societies of Britain
- Philanthropy

**How can society and state promote these values?**



# Role of the State...a little

- Help create or build markets for the services
  - Education through school vouchers
  - Food through food stamps
  - Pay large part of the premium for health insurance of the poor
  - Provide access subsidy—for opening bank account, getting life insurance, cooking gas



# Safety Net to Safety Hammock?

The biggest challenge is to keep the safety net from becoming an hammock.

How do we limit the scale of the state provision??





# Limiting the Scale of the State

- Promote self-help, mutual aid, and charity
- All subsidies should come from a separate earmarked fund/account, not from general treasury (pensions, unemployment benefits)
- Develop genuine experimentation in alternatives by following the subsidiarity principle, implement all schemes at the local level



# Limiting the Scale of the State

- Subsidiarity would promote choice & competition and voting with feet
  - If the taxes are collected at the central/federal level than require that at least 80%/ 66% of the national welfare budget should be sent to the local government



# Friedman's Law of Spending

## Four ways to spend money

1. Spend your money on yourself
2. Spend your money on someone else (gifts)
3. Spend someone else's money on yourself (company expense account, vouchers, cash transfers)
4. Spend someone else's money on somebody else (all government spending)

**Advise: Spend so that we move up the Friedman ladder, from 4<sup>th</sup> to 3<sup>rd</sup> type of spending (eg. state run schools vs school vouchers, move from 4<sup>th</sup> to 3<sup>rd</sup> step)**



# Two Radical Proposals..

- Earmark budget for the core functions of the state-- defense, police, courts--protection of life, liberty and property
- Right to life, liberty and property must come before right to education, health, unemployment benefits
- Allocate L% of the budget to these functions first

**Liberal Demand for First Rights!**

**First Rights! First Claims!!**



# Second Radical Proposal

- On the income tax form, allow taxpayers to allocate the proportion of their tax that will go to particular functions of the state
- Government tallies up all the choices of taxpayers, which determines sectoral allocation of expenditures. Government still decides the specifics of spending within the overall mandate of taxpayers

## Taxpayer Swaraj!