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POLITICS AND ETHICS OF WELFARE STATE

Cheriyā Alexander♦

1. Introduction

Fans of Charles Dickens will vividly recall the scene from the early pages of his novel, *Oliver Twist*, in which Oliver, the young orphan inmate of the workhouse, shocks the entire institution by daring to walk up to the master with his empty porridge-bowl and ask, "Please, sir. I want some more."¹ Oliver is quickly pummelled to the ground and bundled off to be apprenticed to an undertaker. Such episodes from the novels Dickens wrote did a lot to raise public awareness about the horrible conditions prevalent in the social welfare institutions of Victorian England. For readers today, it brings into sharp relief the paradoxes inherent in attempts to institutionalize charity.

A little earlier in the novel, Dickens writes about the motivation that animates the board that runs the workhouse, established on the basis of the laws passed by parliament:

The members of this board were very sage, deep, philosophical men; and when they came to turn their attention to the workhouse, they found out at once, what

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♦First published in *Journal of Dharma* 38, 3 (2013), 285-302.

¹Charles Dickens, *Works of Charles Dickens, Oliver Twist*, vol. 1, New York: Townsend & Co., 1861, 35.

ordinary folks would never have discovered – the poor people liked it! It was a regular place of public entertainment for the poorer classes; a tavern where there was nothing to pay; a public breakfast, dinner, tea, and supper all the year round; a brick and mortar Elysium, where it was all play and no work... With this view, they contracted with the water-works to lay on an unlimited supply of water; and with a corn-factor to supply periodically small quantities of oatmeal; and issued three meals of thin gruel a day, with an onion twice a week, and half a roll on Sundays.¹

The sarcasm with which Dickens treats the subject might make us think this was a cruel system because it appears that in the name of taking care of the welfare of the poor and disadvantaged members of society, the state was in fact administering a remedy that was worse than the disease. In its defence the state could very well have taken the line that a minimal level of assistance, even if it was humiliating, was better than total abandonment of the poor. It was a debate that was never quite settled and the ethical questions relating to welfare systems operated by the state don't easily resolve themselves even in our times.

2. Welfare State Model: The Present Crisis

The ideal and the practice of the modern welfare state, evolving as it did in stages from the 18th Century 'Age of Enlightenment' in Europe and finding its culmination in the cradle-to-grave security offered to citizens by governments in France and Scandinavia, has been hailed as the realization, on a large scale, of the ethical ideal of compassionate care articulated in all the

¹Dickens, *Oliver Twist*, 34.

major religious traditions. This was the thinking that also animated some of the founding fathers of the modern Indian nation. Ever since India emerged as a sovereign republic, the broad outlines of a state-directed welfare framework was enshrined in the Constitution and successive governments vied with each other to realize this or that component of the welfare state, albeit in a piecemeal fashion and through a process riddled with implementation hurdles and rampant corruption.

Today, all over the world the institution and the ideal of the welfare state are under siege. In countries which until recently proudly boasted social security protection for every citizen – the United States, Britain, France, Greece, and even some Scandinavian countries – the welfare state is to a significant extent being dismantled to the detriment of the most vulnerable segments of society. A case in point is the current situation in France, where it has become the unfortunate responsibility, ironically, of the *socialist* President, Francois Hollande to cut back on France’s celebrated pension and allied welfare schemes, owing to a number of inevitable factors. A key reason has been the demographic imbalance stemming from low birth rates and increasing life expectancy, leading to a much smaller working age population which can be taxed in order to fund pensions for the elderly. It is a well known fact today that communism in the former Soviet Union and its satellite nations in Eastern Europe simply collapsed (in the 1990s) because it couldn’t compete in an increasingly globalised economic system. China has retained communism in the political structure but has virtually abandoned it in the economic domain, embracing state-directed market capitalism to generate wealth. Cuba, a communist state that somehow managed to survive the collapse of communism elsewhere is now finding that it has to cut back on what the state can provide simply because it is difficult to get the revenue

needed to retain every feature of its once comprehensive welfare edifice. Earlier this year, the politburo member in charge of the government's economic reforms announced what amounted to a measure of privatisation, as this report from *The Economist* makes clear:

Mr Murillo, a burly economist who is in charge of implementing economic reforms (officially dubbed "updating"), stressed that the core of the system remained "social property". But he also talked of "wealth creation" and the need for "price signals" and "market factors". "Life has shown that the state can't do everything," he said. "Success will lie in how to maintain macro balance while giving space to the market and wealth creation."¹

Under 313 "guidelines" approved by a Communist Party Congress in 2011, Raúl Castro is trying to revive the island's moribund economy by transferring a chunk of it from state to private hands and by streamlining a cumbersome central-planning system. So far the changes have centred on farming and small business.²

Even in India there is an unstable see-saw between politically motivated populist welfare measures and cutbacks dictated by severe fiscal limitations. There are a variety of reasons for this – bureaucratic ineptitude, the rise of neoliberal

¹*The Economist*, June 22, 2013 <http://www.economist.com/news/europe/21579827-socialist-president-who-has-no-alternative-cut-pension-and-welfare-spending-faces>, <accessed on 1 November, 2013>

²*The Economist*, July 20, 2013 <http://www.economist.com/news/americas/21581990-and-eventually-perhaps-one-currency-tempo-reform-accelerates-money-starts>, <accessed on 1 November 5, 2013>

corporate vested interests, the profligacy of large government schemes that result in the benefits flowing to anyone but the intended beneficiaries, and so on.

3. Clash of Ethical Paradigms

When it comes to the philosophical level, there appears to be a clash between two broad ethical paradigms in our time – between the ideology of welfare economics and that of the ‘free’ market. Both claim ethical imperatives as their driving force. If the welfare state ideologies date back to religious and ethical injunctions ranging from Sabbath, Jubilee, Charity, (of Judeo Christianity), to socially engaged Buddhism and Loka Kalyana in Hinduism, the free-market emphasis on fiscal prudence and the work ethic, accompanied by condemnation of the social parasite can also be traced back to very early ethical frameworks, especially in the Judeo-Christian tradition and Confucianism.

This paper will attempt to provide a brief overview of the historical factors that led to the establishment of the welfare state and a brief analysis of its present state of crisis.

4. Social Welfare: A Brief History

In the sacred texts of Judaism (co-opted by Christianity under the rubric ‘Old Testament’) there are innumerable references to the creation of a just society as one of the imperatives that flow from divine action. The first book of the Torah (Genesis) inscribes the origins of the Sabbath, the weekly day of rest, into its mythos of the creation of the world by divine fiat (Genesis 2:2, 3). In the next book it is sought to be legitimized by nothing less than divine action, since God himself is presented as resting from his prodigious work of creation (Exodus 20:11). Decreeing a day of rest, especially in a context where the toiling masses constituted the majority, was undoubtedly a contribution to

their well-being. The Sabbath imperative is also applied to agricultural practice, as in the requirement to let the land lie uncultivated every seventh year, so as to make surplus food crops available to the poor (Exodus 23:10, 11).

Another notable feature of the social welfare system enjoined by ancient Judaism was the observance of the 'year of Jubilee' every fifty years. The twenty fifth chapter of the book of Leviticus is replete with instructions about Jubilee requirements. It was to be a time for universal debt cancellation. All debt had to be written off and properties taken as collateral had to be returned to the debtor who had pledged them, regardless of the quantum of repayment made. This reduced rural indebtedness and ensured that succeeding generations did not start life at a huge disadvantage owing to inherited debt burdens.

The question raised by Cain, "Am I my brother's keeper" is answered in the affirmative by the long line of Hebrew prophets starting with Isaiah, who conveys to the people God's emphatic words urging them "to seek justice, rescue the oppressed, defend the orphan, plead for the widow" (Isaiah 1:17).

The ethical basis of the establishment of a welfare state was further underscored by Jesus of Nazareth, whose life and teachings served as the inspiration for the founding of Christianity. Jesus, rooted as he was in the Jewish prophetic tradition, summed up his social ethic by re-stating the well-known golden rule in positive rather than negative terms: "Do to others what you would have them do to you" (Luke 6:31), thus offering a praxis of welfare rather than a mere doctrine. In the various traditions of Christianity, this injunction has been manifested as the commitment to charity and social welfare. In India, this can be seen in the numerous hospitals and schools started by Christian missions.

There is one recorded instance of a sort of early Christian ‘communism’ in the New Testament, which speaks of the followers of Christ in Jerusalem selling all their possessions and voluntarily redistributing the proceeds according to the needs of the members (Acts 4:32-37). The monastic traditions that later sprouted out all over Christendom can be seen as attempts at community living and need-based redistribution of resources, albeit on a small scale in isolated monasteries exclusively for celibate members, somewhat akin to the Buddhist monastic traditions. In the era of high capitalism that ensued after the Industrial Revolution, acts of philanthropy on the part of rich capitalists like John D Rockefeller were hailed as the extension into a secular age of the Christian ideal of charity.

In the Hindu tradition, the popular mantra “*Loka samastha sukhinobhavantu*” (May all beings everywhere be happy and free), points to the desire for the well-being of all. Mohandas Gandhi drew inspiration from Vaishnavite spirituality, the tradition in which he had been raised, to formulate his paradigm of social welfare – the idea that selfless service to the most disadvantaged sections of society was identical with service to God. In 1929, he wrote: “*Daridranarayan* is one of the millions of names by which humanity knows God who is unnamable and unfathomable by human understanding, and it means God of the poor, God appearing in the hearts of the poor.”¹ Social welfare and redistribution of wealth through charity is also a

¹M. K. Gandhi, *Young India*, 4-4-1929, 110 as found in E-book version of *The Mind of Mahatma Gandhi: Encyclopedia of Gandhi's Thoughts*, R. K. Prabhu & U. R. Rao, eds., Ahmedabad: Navajivan, 1967, http://www.mkgandhi.org/ebks/mindof_mahatmagandhi.pdf p. 194, <Accessed on Nov 5, 2013>

strong element in Islamic teaching, with the affluent being required to contribute to the welfare of the poor.¹

While the promotion of social welfare constitutes one of the core tenets of the ancient sacred traditions, they nevertheless also contain numerous warnings of the risks involved in institutionalizing charity. The book of Proverbs in the Bible contains ancient Jewish statements inveighing against subsidizing the lazy. One of them puts it this way: "Like vinegar to the teeth and smoke to the eyes, so are the lazy to their employers" (Proverbs 10:26). This critique has taken various forms all through subsequent history. The ethical argument invoked for the purpose is based on the injustice done to the hardworking members of society. Forcing taxes out of the latter to pay for the 'undeserving' poor has been seen as unethical by critics of massive welfare programs, regardless of whether these are undertaken by religious institutions or by the state.

Implicit in such critiques is also the argument that the poor are often to blame for their own poverty. In the case of the workhouse system as described by Dickens, the administrators of the welfare projects of Victorian England set up workhouses for able-bodied recipients of welfare funds from the public coffers. Following the legislations of the 1830s, there was an attempt to clearly differentiate between the 'deserving poor' and the 'undeserving poor.' In return for doles that kept them at mere subsistence levels, the undeserving poor could be made to toil away in workhouse settings that were deliberately kept somewhat bleak as a disincentive for the potentially indolent.²

¹"Muhammad and the Religion of Islam," *The Encyclopedia Britannica: Macropedia*, 15th ed., 2007.

²Richard D. Altick, *Victorian People and Ideas*, New York: Norton, 1973, 122-125.

The roots of the secular idea of a just social order can be traced back to two pan-European intellectual and cultural movements – the Renaissance (16th century) and the Enlightenment (18th century). As a result of the influence of these movements, the power of the church over people’s daily affairs began to weaken in Europe and the secular era began, bringing with it more secular articulations of the welfare ideal. The thinkers of the Enlightenment were among the first to present elaborate theories of society including the broad outlines of a system to secure social justice. For Adam Smith, the state could promote social justice by ensuring that its citizens were free to pursue their economic self-interest. Given such a condition, the free market would eventually settle the just price of each commodity as also the just wage of each person’s labour, both of which would be arrived at through the operation of what Smith famously called ‘the invisible hand’ [his metaphor for market forces]. John Locke argued for another essential requirement of such a paradigm, namely, the guarantee by the state that private property, acquired by the industrious through lawful means, would be protected. Beyond this, neither thinker advocates much of a welfare role for governments but would rather let private philanthropy take care of the desperately poor.

By the mid-nineteenth century, opponents of the classical laissez-faire doctrines articulated by thinkers like Locke and Smith began to express their contrarian positions. These were the early anarchists, socialists and, eventually, Marx and his followers. Proudhon made his now-famous declaration ‘property is theft’ in 1840, inaugurating an era of new debate on the ethicality of vast wealth in private hands. The idea of public ownership of the means of production became the cherished goal of the Marxist campaign for a just social order, a goal which could only be realized through the revolutionary uprising of the

international industrial proletariat. Marx and Engels held in contempt both the Christian notion of charity and its secular manifestation in the form of philanthropy. Friedrich Engels in his *Condition of the Working Class in England* (1845) denounces charity and philanthropy in strong words:

They who have founded philanthropic institutions, such as no other country can boast of! Philanthropic institutions forsooth! As though you rendered the proletarians a service in first sucking out their very life-blood and then practising your self-complacent, Pharisaic philanthropy upon them, placing yourselves before the world as mighty benefactors of humanity when you give back to the plundered victims the hundredth part of what belongs to them! Charity which degrades him who gives more than him who takes; charity which treads the downtrodden still deeper in the dust, which demands that the degraded, the pariah cast out by society, shall first surrender the last that remains to him, his very claim to manhood, shall first beg for mercy before your mercy deigns to press, in the shape of an alms, the brand of degradation upon his brow.¹

The Marxist ethical claim, then, was that whereas philanthropy was complicit in the exploitation of the poor, it was only the revolutionary overthrow of the hypocritical bourgeois order and its displacement by the dictatorship of the proletariat that could make life dignified and free for the downtrodden.

During the second half of the nineteenth century the claims of revolutionary socialism and communism caught the attention

¹Friedrich Engels, *Condition of the Working Class in England* (1845). Ch 13 as sourced from <http://www.marxists.org/archive/marx/works/1845/condition-working-class/ch13htm> accessed on 30 October 2013

of the youth and the intelligentsia. It wasn't long before governments in some industrial nations, often motivated by the desire to pre-empt violent revolution, began to legislate a slew of welfare reforms aimed at providing some measure of social security to vulnerable sections of their citizenry. The first to do so was the government of Otto Von Bismarck in Germany. In the 1880s, the government led by Bismarck introduced accident insurance and old-age pensions as well as a publicly funded healthcare system. This model of state intervention on behalf of the welfare of its citizens soon caught on and, as the decades went by, it became almost an axiom of democratic political thought that the state had a duty towards the economically vulnerable classes of society.¹

Following the economic shocks of the Great Depression, the Roosevelt administration in the United States began a programme of massive public spending in order to jump-start the collapsed economy.² Roosevelt's 'New Deal' programmes became immensely popular amongst millions of people who were dispossessed by the hard blows of the depression and he was voted back to power for an unprecedented fourth successive term, making him one of the most popular politicians ever to rule that country. Roosevelt's gamble worked, thanks in large measure to the tremendous economic boost that the Second World War brought with it. The New Deal ideology was essentially a welfare state ideology. It set up an enormous social security system funded by taxpayer money. The state could thus

¹Kenneth Barkin, "Bismarck," *The Encyclopedia Britannica: Macropedia*, 15th ed., 2007.

²Joseph A. McCartin, "The New Deal Era," *Oxford Companion to United States History*, Paul S. Boyer, ed., New York: Oxford University Press, 2001, 546.

claim to fulfil by proxy the comfortable citizen's moral duty of being his or her 'brother's keeper.' Successive administrations attempted to expand the safety nets of Social Security, culminating in the 'Great Society' legislations that Lyndon Johnson managed to get Congress to pass.

In India, the ideology of the welfare state informed the deliberations of the Constituent Assembly as it drew up the blueprint of the Indian republic. By incorporating a fairly elaborate section on the 'Directive Principles of State policy,' the Constitution makers were calling upon governments at both the centre and the states to begin the task of building, in stages, a viable welfare state. Coupled with this was the constitutional directive to set up affirmative action programmes for entire classes of the downtrodden (Scheduled Castes), who, by virtue of birth into their caste, were victims of grievous historical injustices. The aim was to make possible not just freedom from exploitation and humiliation but also equality of educational and economic opportunity to members of such groups. Politics in the early days of the republic revolved around the ideology of economic development along socialist lines, with the 'commanding heights of the economy' (Nehru's phrase) under public ownership and 'reservations' in educational institutions and in government sector jobs for the scheduled castes and other downtrodden, known today as the Dalits. It was hoped that this model of development, given enough time to work, would lift millions out of poverty and create security and well-being for the disadvantaged masses.

Meanwhile the USSR and China, role models for Indian socialist politicians and ideologues, were, by the 1950s, claiming to have realized the Marxian dream of the 'dictatorship of the proletariat' through their massively state-directed economies. Their mantra was centralized economic planning by the state. In

the early days the results were spectacular. Almost every aspect of life – food, housing, education, employment, recreation, healthcare, consumer goods, etc. – was directly run by the state for the welfare of its citizens. Nevertheless, the great economic achievements came at an appalling human cost. In the USSR, millions of lives were lost as the Stalin regime forced collectivization of agriculture and displaced large populations in massive social engineering projects.¹ In China, initiatives ordered by Mao, such as ‘The Great Leap Forward’ and the ‘Cultural Revolution’ – both ostensibly aimed at enhancing public welfare – also turned out to be catastrophic, with a very high cost in human lives.² By the 1980s, the internal contradictions of such vast state-run command economies soon exposed their fragility. The Soviet system imploded in 1989 and the Chinese radically changed course economically, albeit not politically, by adopting the model of the free market.

Meanwhile, in the developed world, politicians committed to wooing their electorates with more and more welfare measures found themselves running out of popular support, at least in Britain and America. By 1980, people in these countries had voted into power political leaders (Margaret Thatcher and Ronald Reagan) who vowed to conquer inflation and create more real economic activities by actually cutting back on welfare spending. For ideological and intellectual validation of their policies, these leaders cited the discoveries of the ‘Monetarist’ economists like Hayek and Friedman, who argued on the basis of another paradigm of ethics – that of fiscal prudence and the

¹Robert Conquest, *The Harvest of Sorrow*, New York: Oxford University Press, 1986, 299-307.

²Kenneth G. Lieberthal, “China,” *The Encyclopedia Britannica: Macropedia*, 15th ed., 2007.

work ethic (scripturally articulated in texts like the Book of Proverbs cited earlier in this article). Decades of welfare economics, they argued, had created large, inefficient public bureaucracies, caused populist politicians to promise fiscally unsupportable welfare benefits leading to oppressive increases in taxes for hard-working entrepreneurs, which, in turn acted as a disincentive to further entrepreneurial investments and thus to job creation. Add to this the reckless printing of paper money by governments to create funds in the face of loss of revenue from negative entrepreneurial growth and one gets inflation, which punishes the poor even further. The only way to climb out of this spiral, argued the Monetarists, was to re-incentivise entrepreneurship through tax cuts for businesses and cut back on bloated and inefficient government bureaucracies resulting from reckless and unsustainable welfare spending. The withdrawal of several easy freebies from the state would, they admitted, cause some misery initially, but, eventually these withdrawal symptoms would be overcome and, given time, businesses would bounce back and generate jobs and opportunities for all as the real economy would replace the illusory welfare paradise touted by populist politicians.¹

This was nothing short of a return to the paradigms of the classical economists like Adam Smith. The argument was that the unfettered pursuit of self-interest by the entrepreneurial class would create economic opportunities for all. Moreover, while economic inequality could not be eradicated, hardly anyone would be reduced to grinding poverty. For the deserving poor, it was argued, there was always philanthropy and even a modicum of support from the minimal state.

¹Manfred B. Steger and Ravi K. Roy, *Neoliberalism: A Very Short Introduction*, Oxford: Oxford University Press, 2010, 15-45.

The steady growth of globalization in trade was soon to facilitate the spread of this 'Neoliberal' economic philosophy to other parts of the world, particularly to developing nations like India. Historically these nations had just emerged from the long era of colonial rule during which their local economies were completely disrupted by the Industrial Revolution and the manipulation of global commerce by the colonial powers. With their traditional labour-intensive industries destroyed by cheap imports of manufactured goods and their traditional, ecologically sustainable system of mixed farming replaced by plantations producing ever cheaper cash crops for western markets, these nations were at an economic disadvantage vis-à-vis the developed world. They were now in a world where the prices at which the developed nations sold manufactured goods to them and the prices at which the same developed nations bought minerals, plantation produce and textiles from them were both largely determined by the developed nations. Soon developing nations, notably India, through the pursuit of a largely socialist objective of import substitution in manufacturing began gaining some measure of self-sufficiency and bargaining power in international trade. By the early 1990s, however, many developing countries, including India, were experiencing slow economic growth and mounting public debt. By this time it was becoming difficult to generate the revenue needed to sustain ambitious state-directed development programmes aimed at raising the standard of living of all citizens.

In India's case, the attempt to deliver on the constitutional promise of comprehensive welfare for all through economic development had led to the creation of a very large and largely inefficient bureaucracy. Widespread corruption, a lax work ethic, especially in public sector enterprises, an overemphasis on

a discourse of rights and entitlements at the expense of an equally necessary discourse of duties, all contributed to the growing malaise of public indebtedness. Add to this a global trading system skewed in favour of the developed world and it is easy to see why India had not much choice but to seek funding from overseas institutional lenders like the International Monetary Fund. Development assistance from such agencies was conditional on the state agreeing to make massive cutbacks in its welfare schemes and to disinvest from the public sector industries it was running, including the ones that were doing well. This writer can recall the time in the late 1990s when at the behest of its chief creditors, the IMF/World Bank, the Government of Karnataka began phasing out its 'grant-in-aid' scheme in support of privately managed colleges catering to all sections of society, particularly the economically disadvantaged. The phrase bandied about at time was that higher education was not, in World Bank parlance, a 'merit good' and therefore not entitled to state subsidy.

The world over now this neoliberal paradigm is being imposed with the completely paradoxical result that recently (2008 onwards), when unethical business practices by big financial corporations caused a general economic collapse, the United States government used taxpayer generated public funds to bail out these failing corporations and banks in order to keep the markets afloat. Nevertheless, when President Obama attempted to push through a piece of legislation aimed at providing affordable health insurance for the most vulnerable sections of society, objections were raised in Congress about how unaffordable this was, given the debt-financed state of the public exchequer. Meanwhile the once robust social security system – hitherto the hope of single mothers, the aged, the disabled and the unemployed – has now shrunk significantly,

putting at risk the future well-being of many ordinary citizens. Increasingly, states are being compelled to transfer pension funds to private investment firms whose promise of future security is subject to market risk. Some of these investment firms have turned out to be run by outright fraudsters like Bernie Madoff, whose firm declared bankruptcy in 2009, plunging into misery the thousands of people who had invested their hard-earned money into pension funds run by him.¹

5. Social Justice: Theory and Practice

So, which one delivers a better hope for a just social order – the market or the state? In this context, we might do well to look at the issue from a philosophical vantage point. In 1971, John Rawls wrote his highly influential *A Theory of Justice*, in which he argued that mere economic inequality could not, *prima facie*, be deemed unjust; injustice begins only when the social system is so structured as to deny equal opportunities for all: “While the distribution of wealth and income need not be equal, it must be to everyone’s advantage, and at the same time, positions of authority and offices of command must be accessible to all.”² However, this, the ‘second principle’ of justice, cannot, according to Rawls, be allowed to compromise what he presents as the ‘first principle’: “Each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.”³

¹*The Economist*, 18 December 2008, <http://www.economist.com/node/12818310>, <accessed on 15 October 2013>.

²John Rawls, *A Theory of Justice*, Cambridge, Mass: Harvard University Press, 1971, 60.

³John Rawls, *A Theory of Justice*, 60.

While Rawls's paradigm appears simply and elegantly phrased, it opens up a cascade of paradoxical reflections and he spends the rest of his voluminous treatise teasing out all its complex nuances and ramifications. When applied to societies like India's, with historically entrenched and discriminatory social hierarchies, the realization of the second principle often calls for a strong and assertive state, determined to create a level playing field in the interest of social equity. However, such a strong state is then highly likely to compromise on the first principle, that of upholding the liberty of each individual citizen. A telling example of this took place in India, during the period 1975 to 1977, when state functionaries, using the special powers conferred on them by the Emergency, attempted to push forward an otherwise well-intended component of the welfare agenda (population control) through a campaign of forced sterilisation, thus committing a gross violation of basic human rights.¹

Amartya Sen points out the problems involved when the state, in the exercise of its well-intentioned welfare policies, ends up willy-nilly *deepening* entrenched social inequality owing to its insensitivity to the interplay between the factors of caste and class. He employs the metaphor of 'friendly fire' (a military term denoting the situation when soldiers accidentally fire on members of their own army) to delineate the ways in which government welfare programmes, if not sensitively handled, can, ironically, cause *more* deprivation instead of enhancing the welfare of the poorest segments of society.² Sen goes on to

¹*Times of India*, Dec 29, 2010, http://articles.timesofindia.indiatimes.com/2010-12-29/india/28661327_1_slum-clearance-sanjay-gandhisterilization, <accessed on Oct 30, 2013>.

²A. Sen, *The Argumentative Indian*, New Delhi: Penguin, 2005, 206.

present a telling illustration of this in his discussion of the government's food policy. The Indian state's concern for the welfare of farmers leads to a policy of high support prices for procurement of grain from farmers. This helps stimulate an overall increase in food grain production which in turn leads to large buffer stocks in the government's storage facilities. This is hailed as great progress – and rightly so – for a nation that in the not too distant past had frequently been dependent on foreign aid every time the monsoons failed. However, once the large bureaucratic machinery directing this process is set in motion, it rolls on without regard to the complexities of the realities on the ground, leading to an inordinate emphasis on storage. The result is the painful irony of large buffer stocks rotting in state-run warehouses while hundreds of thousands become victims of starvation and malnutrition. Sen's analysis of this blatant contradiction is quite insightful:

The counterintuitiveness – not to mention the inequity – of the history of this development is so gross that it is hard to explain it by the presumption of mere insensitivity – it looks more and more like insanity. What could be the perceived rationale for all this? What could explain the simultaneous presence of the worst undernourishment and the largest unused food stocks in the world (with the stocks being constantly augmented at extremely heavy cost)?

The immediate explanation is not hard to find. The accumulation of stocks results from the government's commitment to high minimum support prices for food grain – for wheat and rice in particular. But a regime of high prices in general (despite a gap between procurement prices and consumers' retail prices) both expands procurement and depresses demand. The bonanza for food producers and sellers is matched by privation of food consumers.

Since the biological need for food is not the same as the economic entitlement to food (what people can afford to buy given their economic circumstances and the prices), the large stocks procured are hard to get rid of, despite rampant undernourishment across the country. The very price system that generated a massive supply kept the hands – and the mouths – of the poorer consumers away from food.¹

Amartya Sen points to a further irony that involves the subsidy side of the equation. In trying to make food prices affordable to the poorest, the government introduces a subsidy. But this does not result in any significant decrease in the price at which the poor buy food because much of the subsidy ends up paying for “the cost of *maintaining* a massively large stock of food grain, with a mammoth and unwieldy food administration (including the Food Corporation of India).”² This huge bureaucratic edifice, set up with the express intention of enhancing the well-being of the poorest, is in reality unresponsive to the exigencies in which the poor find themselves. It is thus tantamount to the denial of what John Rawls calls his second principle of justice, insofar as such a bureaucratic structure denies access to redress for the aggrieved segments of society. In this particular case, as Sen sees the problem, the political process, for all its declarations of fidelity to constitutional directives, is actually travelling in a direction that is subversive of democracy owing to the disproportionate influence of farm lobbies representing large and medium scale farmers. Sen concludes: “It is said that a little knowledge is a dangerous thing. So, unfortunately is a little bit of equity when its championing coincides with massive injustice

¹Sen, *The Argumentative Indian*, 213-214.

²Sen, *The Argumentative Indian*, 214.

to vast numbers of people. It is, again, a case of ‘friendly fire,’ even though the involvement of rich farmers’ pressure groups thickens the plot.”¹ For all his criticism of the state for its failure to ensure fair and equitable distribution of the basic necessities of life, Sen, nevertheless, steers clear of the neoliberal demand for a minimalist state. All he calls for is for a more sensitive framing of policy with a view to favouring the truly indigent sections of society.

Even a thinker as committed to libertarianism as John Rawls concedes the need for state intervention in the face of glaring social inequality, as is inevitable if his second principle of justice is to be realized. He invokes a form of social contract theory to delineate the imperatives that must necessarily flow from a commitment to the promotion of the public good that all rational citizens (standing in a hypothetical ‘original position’) can be expected to make:

Assuming that the public good is to everyone’s advantage, and one that all would agree to arrange for, the use of coercion is perfectly rational from each man’s point of view. Many of the traditional activities of government, insofar as they can be justified, can be accounted for in this way... The characteristic features of essential public goods necessitate collective agreements, and firm assurance must be given to all that they will be honoured.²

In India’s case, the politics and ethics of the welfare state inescapably revolve around the Directive Principles of the Constitution, which require the governments at the central, state and local levels to be committed to a range of publicly financed social welfare programs. The process of centralized economic

¹Sen, *The Argumentative Indian*, 215.

²John Rawls, *A Theory of Justice*, 267-268.

planning has indeed helped build capacity and employability in sectors like agriculture and industry. In July 2013, the Planning Commission brought out a report that declared that there had been a significant decline in the poverty ratio for the nation as a whole across the decade ending in 2012.¹ While the economic indicators surveyed for the report do indicate an increase in purchasing power for millions of underprivileged people, the absolute numbers of those continuing in poverty are still quite substantial. For the luckless millions who belong to that category democratic political processes still hold some hope. Politicians, in their perennial quest for dependable vote banks, make wild promises of making available basic commodities at unbelievably low prices. As welfare measures these have temporary value and may well be defended by appeal to the Constitution's directives, but they are virtually impossible to sustain from a long-term fiscal standpoint and in the end the poor are left high and dry waiting for the next populist demagogue. It appears that the enormous structure (political, legal, and bureaucratic) set up to dispense welfare is itself so expensive to maintain that what trickles down to the intended beneficiaries is simply not adequate to lift them out of endemic poverty. There are simply too many 'transmission losses' at every stage of the journey of subsidy from New Delhi or the state capital to the lowest and the least in the smallest rural hamlet. According to political analyst Atul Kohli, the problem often lies at the local level:

India's local governments have generally been quite ineffective in pursuing either redistributive policies or poverty alleviation programmes. Of course, there has been

¹Press Note on Poverty - Estimates, 2011-12 Government of India, Planning Commission, July 2013, http://planningcommission.nic.in/news/pre_pov2307.pdf, <accessed on October 30, 2013>.

some variation on this score, with some pockets of success, especially in states that have prioritized the welfare of the poor. On the whole, however, panchayats have not functioned very well because of the complicity of corrupt local politicians and bureaucrats on the one hand, and the powerful among the upper castes and classes in the village society on the other. A variety of distributive programmes sponsored in Delhi, or in state capitals, has thus failed to reach the intended beneficiaries.¹

6. Conclusion

When faced with such seemingly intractable problems and gross miscarriages of redistributive justice, neoliberal critics of the welfare state cry foul, arguing that it is blatantly unethical for government to squander honest and hardworking taxpayers' money on wasteful schemes that primarily enrich already prosperous bureaucrats and unscrupulous middlemen. On a philosophical plane they seek to validate what could well be called the 'ethical egoism' articulated by thinkers like Adam Smith. They see themselves as psychological realists in that they perceive self-interest rather than altruism as the natural motivating factor for human action. In their view, the state should restrict its role to that of a ruthlessly neutral umpire of a free market that is run on the principle of a level playing field for all economic players. The free play of market forces, in a zone kept free from unfair trading practices through government regulation, will then usher in a socially just society, they argue.

¹Atul Kohli, "Politics and Redistribution," *Oxford Companion to Politics in India*, Jayal and Mehta, ed., New Delhi: Oxford University Press, 505.

It is clear then that the philosophical and ethical conundrums involved in the debate between proponents of the neoliberal free-market model and those who advocate the welfare state model cannot easily be resolved. Both sides claim that their ideology is grounded in the soil of social ethics. Both accuse the other of sacrificing long-term goals for short-term benefits. Going forward, it will become necessary for both sides to engage in constructive dialogue with a view to benefiting ordinary people. Those who have known no other system save socialism will do well to realistically assess the limitations of a system that can produce both good and bad results – welfare for the deserving poor as well as bloated, corrupt and inefficient bureaucracies, too costly to maintain by the hard-working and enterprising sections of the tax-paying citizenry. Diehard votaries of neoliberal ideologies must, for their part, be able to realize that while the free market is a great discipliner and curtailer of fiscal irresponsibility, it can also be soulless and indifferent to real human suffering.

Whatever the philosophical implications of this dilemma, ordinary citizens from their street-level vantage point glimpse not just the exchange of accusations between the political class and the business class but also the numerous sordid cases of collusion between them to the detriment of the common good. All they can do, every once in a while, is to dare to ask, like *Oliver Twist*, for more of what is truly good for all.