

Guarantees

People have accidents. They get old. They eat too much. They have bad luck. And sooner or later, something will be fatal. It would be a better world if such things did not happen, but they do. There is no use arguing about it. What is worth arguing about is whether it makes for a better world when people have to pay for other people's misfortunes and mistakes rather than (or as well as) their own.

Misfortune and mistakes aside, it is sometimes said that, even in the ordinary course of events, people should not have to pay for basic human needs. There is no use arguing about that, either. Someone, after all, has to pay. The question is who. Edwin Baker says,

If the practices of the society indicate that certain things are necessary in order to be a full member, then the community must assure the provision of these things to all who are expected to be part of the community. Anything less would not be a convincing basis from which to argue that he ought to join, that he ought to accept the request to be obligated. Or to put it in different terms, it would be an insult for a person to have to do without those things.¹

Is that true? Baker leaps straight from the premise that certain things are necessary to the conclusion that the community must assure their provision. However, the "insult" of having to do without "those things" is not the same as the "insult" of having to do without guaranteed provision of those things at someone else's expense. Even if the value of the goods themselves is beyond question, the value of the guarantee is not. After all, the guarantee does not mean the goods are free. What it means is that someone else has to pay.

This essay is about guarantees. It is about trying to ensure that no one ever loses. It is about trying too hard. This essay is also about what actually happens in the absence of guarantees. How do people respond when left to fend for themselves, with no guarantee that their needs will be satisfied at someone else's expense?

1. Baker (1974) 52.

Do they cooperate, voluntarily coming together to pool resources, share risks, and help each other in times of trouble? If they do, then to that extent they are accepting responsibility for their welfare as a group rather than as individuals. Are they making a mistake? It depends. Collective responsibility is not a problem in and of itself, and individual versus collective responsibility is not the crucial distinction.

1. Individual versus Collective Responsibility: Not the Real Issue

More crucial is a distinction between *internalized* and *externalized* responsibility. In general, we say a decision has a (negative) external or spillover effect when someone other than the decision-maker ends up bearing some of the decision's costs. A factory deciding to dump wastes into a river, leaving them to be dealt with by people who live downstream, is a classic example. When I speak of responsibility being externalized, I have something similar in mind. Responsibility is externalized when agents are able to foist responsibility on someone else—responsibility for cleaning up the messes they find themselves in, whether the mess results from mistake, misfortune, or (in the case of the factory) business as usual.

This contrast between internalized and externalized responsibility—taking responsibility for meeting one's own needs versus foisting such responsibility on others—does not neatly track the contrast between individual and collective responsibility. Some forms of collective responsibility help to internalize responsibility. They have a history of enabling people to take responsibility for themselves as a group and consequently have been important contributors to human welfare. My thesis is that a society is trying too hard when, to avoid the prospect of leaving individuals to “sink or swim,” it issues guarantees that not only collectivize responsibility but externalize it at the same time—that not only help decision-makers spread costs among themselves but also help them pass costs onto third parties without consent.

2. Joint Responsibility

My brother Jim smoked two packs of cigarettes a day. He died of lung cancer at the age of thirty-nine. I sometimes think anyone who ever sold Jim a cigarette ought to be in jail, but Jim blamed himself. He did not need to guess at what role he played in his impending death, either. He knew beyond reasonable doubt. Untangling joint responsibility may be an intractable problem in theory. It can look that way to theorists. In practice, figuring out whom to blame is a matter of daily routine in any court of law.

But this essay is not about whom to blame. It is about institutional settings that make people more likely to take responsibility. *Holding* people responsible involves assigning blame or credit. When I speak of *taking* responsibility, I use the term in a different way. To take responsibility is to accept a cluster of challenges: to plan your future, to deal with your own mistakes as best you can, to deal with other people's mistakes as best you can, to make the best of your good luck, and your bad luck as well.

Internalizing responsibility, then, also is a cluster of things. In particular, it involves being committed to working for a living. (It need not involve working for wages. Homemakers and subsistence farmers work for a living.) It does not preclude cooperation or mutual aid, though. More generally, we internalize responsibility when we take responsibility for the future. We need not take credit for the past. We internalize responsibility when we take responsibility for making use of our opportunities. We need not take credit for the existence of those opportunities. We internalize responsibility when we see our problems as our problems; we need not see them as our fault.

Internalizing responsibility is not a matter of courts sorting out how much to blame Jim and how much to blame tobacco companies for Jim's death. It is more a matter of courts doing what they can (1) to make tobacco companies take a more proactive responsibility for the consequences of their actions, and (2) to make people like Jim do the same, so as to save people like Jim from tobacco companies, and also from themselves. In turn, citizens internalize responsibility when they face the world of tangled joint causation as it is, and do not rely on courts to save them from themselves.

How, then, can institutions help? It would be easy to oversimplify obstacles facing institutions that would lead people to internalize responsibility. The big oversimplification, though, lies in supposing that we do not need to internalize responsibility—that a cure for poverty lies in taking wealth from those who create it and giving it to those who do not. Causation is indeed complex, so we should not be surprised if and when simply handing out other people's money fails to do much good.

Some people think social conditions partly determine whether people take responsibility. I agree. I have stressed the point. I have heard it said that when people fail to take responsibility, it is not entirely their fault. And if it is not entirely their fault, then they should not be punished for it. Therefore, society (that is, other people who are not even partly at fault) ought to pay. That conclusion does not follow, but in any case, the real implication is hard to miss: if institutions determine whether people take responsibility, then we should *favor* institutions that lead people to take responsibility.

3. Static and Dynamic Perspectives

I have come to see that there are two fundamentally different perspectives on questions of justice in distribution and in production. From a static perspective, we see society as a snapshot, and what is wrong with the picture is that some people have unmet needs while others have plenty. The question defining the static perspective is how do we get needed resources to needy people? How can we help those the system has left behind? From a more dynamic perspective, though, society is a process by which one snapshot evolves into another. The question defining the dynamic perspective is, which institutions make people less likely to need help in the first place?

From a static perspective, our task is to rearrange the resources visible in the snapshot, frame by frame. From a dynamic perspective, our task is to nurture the processes that produce the resources, and thereby produce better snapshots in the

future. From a dynamic perspective, we worry about the consequences of rearranging resources for purposes other than the purposes for which producers are producing them. When we worry about that, we appear from a static perspective to be willfully out of touch. We are talking about history or economic theory, perhaps, but not about the real world. The real world is the snapshot.

To people who see things from a purely static perspective, it will seem that people who take a dynamic perspective want people to suffer. Why else would people hesitate to rearrange resources? Those who see things from both perspectives, though, see a complex dance of incentives, opportunities, evolving culture, and fragile personal values. They see that many things happen when we reshuffle resources, and that not all of them are good.

What should be our top priority—to clean up messes, or to prevent them? Which is the key to reducing the amount of mess in the world? I am not against cleaning up messes, but I do want to say that if we focus on the first task and ignore the second, we miss the point of encouraging people to take responsibility for their own welfare. Encouraging people to take responsibility can help many of the people who need help right now, but that is not the main reason for such encouragement. The main reason is that when people take responsibility, they are less likely to need help in the first place.

When I refer to the static perspective as static, I mean no insult. I mean only to suggest that an exclusively static perspective is not enough. A static perspective looks at how things are, while a dynamic perspective looks at how things change. Each perspective is legitimate in its own way. The suffering we see from a static perspective is, after all, really there. Unfortunately, there are things we do not see from a static perspective. We do not see long-term progress. We do not see what causes long-term progress. Those things are abstract. They lack the visceral urgency of the crises of the day. But they are no less real.

If it is only from a static perspective that we fully appreciate the problems, it is only from a dynamic perspective that we fully appreciate what it takes to solve them.

4. How to Make Sure the Poor Are Left Behind

Some theorists look at those who are left behind, and all they see, to invoke another familiar metaphor, is the part of the glass that remains empty. We have to look at the part of the glass that has been filled, though, to see the point of internalizing responsibility. The people who take responsibility are the people who fill the glass.

If the degree of internalization now in place has not filled the glass to the brim, some people conclude that internalization has failed. They say we need something else, usually something that, in my eyes, involves punching holes in the glass. Danziger and his colleagues estimate that every \$1 in U.S. welfare transfers causes a reduction of 23 cents in the amount of labor that recipients contribute to the economy.² Is the number correct? I do not know, but I am confident that any institution that has such a result is not good for people. Not good for recipients. Not good for

2. Danziger, Haveman, and Plotnick (1981) 1020.

their neighbors. My view is, if you want a full glass, then you want institutions that lead people to live and interact in ways that fill the glass.

President Clinton presumably wanted to help fill the glass in 1993 when he tried to appropriate \$17 billion for a program he predicted would create five hundred thousand jobs. From a static perspective, it was an obvious response to problems visible in the current frame. Suppose Clinton's numbers were correct. That would amount to \$34,000 (in 1993 dollars) for every job created. How many jobs would be created if that much money were left in the hands of those who produced it? Five hundred thousand? A million?

All we know for sure is that, after the appropriation was denied, the unemployment rate fell. By August 1996, it had fallen to 5.1 percent. The unemployment rate for African American males over age twenty fell to 8.1 percent.³ No minority ever was more notoriously left behind than African Americans, yet their unemployment rate was lower than the *overall* unemployment rates of Germany (10 percent), Italy (12.2 percent), France (12.5 percent), and Spain (22.9 percent).⁴ Fifteen million new jobs were created between the end of 1992 and July 1997.⁵

Market society is sometimes described as a tide that lifts all boats. In many ways, the metaphor is apt. It reminds us that the key to prosperity in market society is to produce what other people value. Profits normally are not made at other people's expense. People get rich when they market the light bulb, telephone, or computer not because such inventions make people worse off but because they make people better off.

People tend to see human commerce as a zero-sum game—a game in which wealth is redistributed but not created. If society were a zero-sum game, though, we would be born in caves. Our teeth would fall out before we turned thirty, and we would die soon thereafter, as our ancestors did when human society was in its infancy. We fare better than that today because human commerce is not zero-sum. There is a tide. It is lifting boats. In principle, it could lift them all.

What I do not like about the metaphor is its suggestion that the tide lifts us all unconditionally or indiscriminately. There are tides in market society that lift virtually all boats, of course. Market society gave us telephones and light bulbs, and few of us would be better off without them. Nevertheless, as a general rule, material progress does more for some people than for others. The tide lifts the boats it touches; the rest are left behind. They are not left living in caves, but still they are left behind, at least in relative terms.

3. Bernard Baumohl, John Greenwald, Joseph R. Szczeny, Adam Zagorin. "Too Many Jobs?" *Time*, Sept. 16, 1996, 68.

4. Thomas K. Grose, "Labor, Social Costs Taking Toll on Governments," *USA Today*, Sept. 19, 1996, 1–2B. There are several ways to explain (or explain away) these numbers. Grose says, "Laws in many European countries, including Germany, Italy, and France, make it all but impossible to fire people. So companies don't hire—they invest in equipment instead" (2B). Gary Becker says the European picture is worse than the numbers suggest, for new jobs in Europe tend to be temporary or casual, owing to the difficulty of firing regular staff. Moreover, in Europe, "those out of work for more than a year now account for one-third of the unemployed" (1996, 101).

5. In 1993, the unemployment rate was 6.9 percent. As of July 1997, it had dropped to 4.9 percent. U.S. Bureau of Labor Statistics, at http://www.bls.gov/cps/prev_yrs.htm

Why are they left behind? To see why the tide does not touch everyone, we need to see why it touches anyone. If we try to force the tide to lift everyone, without understanding how the tide works, we are likely to end up with more poverty rather than less, a few decades down the road. The first question, then, is not why some people still live in caves, but rather, why doesn't everyone? Why is there such a thing as material progress in the first place?

The basic answer is that progress occurs because people produce. People perceive a need. They take responsibility for meeting it. And in meeting perceived needs, they produce things of value. Their productivity creates and constitutes the tide of material progress. That explains in the most general terms why there is a tide, and why some people are lifted by it. The tide tends to lift people when they contribute to it. The tide is not an external force. People who contribute are not merely *lifted* by the tide; they *are* the tide.

Unfortunately, those who do not produce do not contribute to the tide. They are not part of the tide. And the tide tends to leave them behind. The tide tends to offer less to those who, sometimes through no fault of their own, fail to produce what other people value.

People in market societies view poverty as an aberration, but it became unusual only recently, and only in some countries. People sometimes make an extraordinary claim about what market society can afford. They claim that market society is so rich that (to provide guarantees against ever being poor, say) it can afford to become a nonmarket society—a society whose central government is licensed to distribute according to need. Or, if we cannot afford to convert the whole society to a nonmarket system, surely we can create enclaves within which people are sheltered from the imperative to produce something of value and can instead acquire money simply by needing it. Obviously, such enclaves can and do coexist with market society, but not without cost. While people are sheltered from the tide (that is, from the need to contribute to it), the tide is leaving them and their children behind. If the enclaves' inhabitants find themselves living like victims of a third-world economic disaster, and if their children are no more ready to participate in market society than suddenly free citizens of the former Soviet Union, what do we conclude? If we look only at the snapshot, it will seem obvious: we need bigger enclaves.

If we truly want to help our fellow citizens, though, we should stop to remind ourselves that the overwhelming majority of them are contributors. They are not being left behind. They do not need our help. We should try not to change that. Above all, we should avoid disrupting economic processes in virtue of which ordinary citizens of market societies do not need our help.

Welfare programs, though, sometimes seem highly disruptive. They seem not to encourage people to take responsibility. In the U.S., out-of-wedlock births have risen by over 600 percent since 1960. They now represent over 30 percent of the total. (Japan's illegitimacy rate, by comparison, is 1.1 percent.)⁶ Thirty percent of out-of-wedlock births are to teenagers. Sixty percent are to women who were teens when they began bearing out-of-wedlock children.⁷ Several studies suggest that incentive

6. Nechyba (1997).

7. Tanner (1996) 70–71.

structures of programs like the now-defunct Aid to Families with Dependent Children (AFDC) made the problem worse.⁸

However, even if AFDC initially caused the problem, it does not follow that simply shutting down AFDC would make the problem disappear.⁹ The current problem is not merely a matter of perverse incentives but also a matter of transformed values and attitudes—a transformed sense of responsibility—and no one can think the transformation is easy even to understand, let alone undo.¹⁰ We have experimented with externalized responsibility on a massive scale, without what scientists would consider an adequate experimental control.

In some cases, the experiments were self-conscious attempts to encourage dependency. There was a time when journalist Richard Elman could say in all seriousness,

Perhaps when all our poor have been made dependent upon government and assured of stability and decency, liberty, and justice, we will be able to worry about how they work out their psychic destinies without seeming like hypocrites. In the meantime, data that the American poor are not yet dependent accumulates.¹¹

Elman concludes that “we of the rising middle class must somehow dispel our own myth that we are not dependent and do not wish to become dependent. We must try to create even more agencies of dependency.”¹²

And so it was. In 1966, New York City mayor John Lindsay appointed Mitchell Ginsberg as his social services commissioner.

Ginsberg organized his staff to go out and recruit more people on to the welfare rolls. Using federal funds, they set up some 200 storefront centers in the city to recruit new welfare clients. . . . The new commissioner both raised payments and eliminated eligibility background checks—people qualified for welfare on their own say-so. . . . New York City’s welfare population barely grew between 1945 and 1960. But between 1960 and 1965, it grew by more than 200,000 to a total of 538,000. It then ballooned to a staggering 1,165,000 in 1971—larger than the total populations of 15 states and more than double the size of the state’s second largest city, Buffalo. Amazingly, the explosion occurred amid a great economic boom and declining black male unemployment.¹³

As I said, we do not have an experimental control. We know only so much about what happens to people and to their children when they go on welfare. We do not know

8. For example, Lundberg and Plotnick (1995).

9. The passage of the Personal Responsibility and Work Opportunity Act in 1996 limited lifetime eligibility for benefits to a total of five years. Since then, teen pregnancy rates have been dropping. Different sources offer different numbers and different explanations, but all sources seem to agree that the drop has been large and steady in every state, and that teen birth rates had already begun to drop by 1991. The most reputable (albeit least decipherable) source is probably the National Center for Health Statistics. See <http://www.cdc.gov/nchs/fastats/teenbrth.htm>. Other readily available internet sources include the Guttmacher Institute, PhysiciansForLife.org, and the Annie E. Casey Foundation.

10. Nechyba (1997).

11. Elman (1966) 198.

12. Elman (1966) 300.

13. Siegel (1996) 14, 16.

what would have become of them if they had relied on themselves and on each other instead. And we do not know what will happen if we throw them off welfare now, a few years after encouraging them to get on. Intuitively, though, we do know that it is a mistake to rescue children from the prospect of growing up poor by putting them in a situation where they grow up not knowing what being productive (or feeling the self-respect that goes with it) would even be like. The cure is worse, much worse, than the disease.

Some say welfare programs encourage (or even require) people to drop out of the workforce.¹⁴ Is it true? Robert Goodin concludes that they do not, at least not in a major way.¹⁵ Yet, on Goodin's own account, citing the aforementioned Danziger study and describing it as a "masterly synthesis," Goodin admits that "the major U.S. income transfer programs, all taken together, are probably responsible for a total reduction of work hours by recipients amounting to 4.8 percent of total work hours for all workers in the U.S."¹⁶ Obviously, though, as Danziger and his colleagues warn readers, "the percentage of reduction in work *per transfer recipient* implied by this estimate is substantially larger than 4.8 percent."¹⁷ Transfer recipients account for only a small part of the overall work force, so for that small group to be pulling the entire workforce down by 4.8 percent, the effect within that small group has to be huge. Danziger and his colleagues estimated that "AFDC reduces work effort of the average recipient by roughly 600 hours per year."¹⁸ If the Danziger estimate of six hundred hours was anywhere near true, AFDC recipients were dropping out with a vengeance.¹⁹ (One might object that AFDC recipients are not typical members of the workforce. Indeed this is the whole point. Something about being an AFDC recipient went hand in hand with at least a 30 percent decrease in work effort, if Danziger et al. are right, given that a year's worth of full-time work is no more than 2000 hours.)

The financial gap between people who accept responsibility for themselves and people who do not cannot help but grow over time (and the gap in self-esteem will grow along with it). The only way to fully share in society's growing wealth is to fully participate in the process that makes wealth grow.

If we wanted to guarantee that the poor would be left behind, here would be the way to do it: teach them that their welfare is someone else's responsibility.

5. Need-Based Distribution

If we suppose that the point of the welfare state is to help poor people prosper, what role does that suggest for need-based distribution? From a static perspective, the

14. Mead (1986).

15. Goodin (1988) 235.

16. Goodin (1988) 233.

17. Danziger et al. (1981) 998. Emphasis added.

18. Danziger et al. (1981) 997.

19. Why do they drop out? There is no simple explanation, but Tanner, Moore, and Hartman (1995, 27) calculated that AFDC payments, together with food stamps and associated benefits, were the equivalent of (in 1995 dollars) a pretax hourly wage of \$14.76 in New York, \$12.45 in Philadelphia, \$11.35 in Baltimore, and \$10.91 in Detroit, based on a forty-hour work week.

answer is obvious. Need-based distribution meets needs. Or is that not as obvious as it sounds? Need-based distribution is meant to meet needs, but how well does intent match reality? The record of twentieth-century attempts to distribute according to need is not encouraging. Although there is a place for need-based distribution, we should neither exaggerate this place nor jump to conclusions about how centralized or bureaucratic the administration of such distribution ought to be. It would be a fallacy to assume that those who object to need-based distribution by a central bureaucracy do not care about need. Some think instead that need-based distribution (especially by a central bureaucracy) is not what people need.

Goodin knows that need-based distribution is not the only way to meet needs, but he observes, “What a straightforward redistribution would accomplish in an instant, supply-side policies would accomplish only in due course.”²⁰ Goodin has a point. To borrow a proverbial metaphor, giving someone a fish accomplishes in an instant what teaching the person to fish accomplishes only in due course. What constitutes “due course”? We certainly want to know. However, it misconceives the nature of free society to think that, within it, poor people have no choice but to wait patiently for wealth to “trickle down.”²¹ There was a time in the nineteenth century when poor people found it hard to afford the price of health care. They did not wait for the “long term.” They got together and solved the problem.

6. How Friendly Societies Solved the Problem

If we honestly sought to identify social arrangements with a history of helping people to become self-supporting, would we find that collective responsibility has a history of failure, while individual responsibility has a history of success? Not exactly. Certainly, the prosperity of any society depends substantially on the ability of its culture and institutions to inculcate expectations of individual responsibility. Just as certainly, though, some ways of collectivizing responsibility can be and have been important contributors to economic and cultural development. Certain kinds of collective responsibility, it turns out, are compatible with a culture of personal initiative and accountability.

Francis Fukuyama says, “the United States has never been the individualistic society that most Americans believe it to be; rather, it has always possessed a rich network of voluntary associations and community structures to which individuals have subordinated their narrow interests.”²² Fukuyama is right. Institutions of collective responsibility per se are nothing new.

They have taken a new shape, though. Collective responsibility once manifested itself primarily in family-based and community-based norms that sustained neighborhoods and a rich network of mutual aid and thus made crucial contributions to social welfare. Today, collective responsibility is a concept we associate with a distant bureaucracy. It has been externalized. People we never meet decide what

20. Goodin (1988) 271.

21. I thank Dan Russell for discussions of this point.

22. Fukuyama (1995) 29.

to deduct from our paychecks and how to spend it. It has become commonplace to accuse the welfare state of eroding norms of individual responsibility by encouraging dependence, but that may not be the worst of it; in some ways the welfare state also undermined our sense of *collective* responsibility. David Green says that, in recent times, “socialists have not seen the good person as someone who gave his own time and energy in the service of others, but as the individual who demanded action by the state at the expense of other taxpayers.”²³

In his 1996 State of the Union address, President Bill Clinton said we can’t go back to the time when people were left to fend for themselves. But what time was that? Perhaps he had in mind the time before Franklin Roosevelt’s New Deal. Were people in fact left to fend for themselves? If so, what actually happened? Did people roll over and die? Did they thrive as hermits, in the manner of Robinson Crusoe? Or did they get together with neighbors and figure out how to solve their problems? Perhaps Clinton is right; it may be impossible to go back to such a time. I suppose no one knows for sure. What I do know is that it is a false dichotomy to suppose the only alternative to the welfare state is everyone fending for themselves. (The dichotomy is too obviously false for anyone to endorse it explicitly, but endorsing it implicitly is so commonplace that no one bothered publicly to make note when Clinton did it in 1996.)

As in many other countries, there once flourished in England organizations known as “friendly societies” that, according to Green, historically share with trade unions an older kind, a self-help kind, of collectivist philosophical underpinning.²⁴

Through the trade unions workers would win the wages necessary to sustain a decent existence, and through the friendly societies they would organize their own welfare services—social insurance, medical care, even housing loans. The profit motive, too, was to be supplanted: in the factory by the mutuality of the workers’ co-op; and in retailing by the co-op store. Not all of these working-class hopes were realized, but the friendly societies, the trade unions, and the co-op stores were successful and offered a fraternal alternative to the sometimes cold world of commercial calculation. Particularly striking is the success of the friendly societies, whose social insurance and primary medical care schemes had attracted at least three-quarters of manual workers well before the end of the nineteenth century. Until the 1911 National Insurance Act every neighborhood of every town was dotted with friendly society branches, each with their own doctor, who had usually been elected by a vote of all the members assembled in the branch meeting.²⁵

How expensive was participation in such societies? Access to club medical care was inexpensive to the point of being an outrage to the organized medical profession. David Beito writes that in America in 1900, a lodge member “could acquire a physician’s care for about two dollars a year; approximately a day’s wage for a laborer at the time.”²⁶ Green and Cromwell report that in Australia in the 1830s and 1840s,

23. Green (1993) 3.

24. Green (1985) 1, 4–5.

25. Green (1985) 1.

26. Beito (1997) 580.

fees charged by private doctors were sometimes over 10 shillings per visit—well beyond the means of most people. By 1869, friendly societies had emerged, providing medical service at a rate of 10 shillings per *year* for members, plus an additional 10 shillings per year for a member's wife and children. To win election to a post as club doctor, candidates offered competitive rates, submitted to questioning by the assembled members regarding their training and experience, and offered perks such as free house visits within 3 or 4 miles of the lodge.²⁷

How widespread was participation in such societies? Green estimates that “at least 9 million of the 12 million originally included in the National Insurance scheme were already members of friendly societies offering medical care.”²⁸ Moreover, between friendly societies, provident dispensaries (which provided need-based subsidized care), private charity, regular insurance, fees for service (which competition from friendly societies eventually forced down to levels that average workers could afford), and—as a last resort²⁹—the Poor Law, universal coverage had, for all practical purposes, been achieved. “No one, therefore, went without some sort of primary medical care.”³⁰

How adequate was the care such societies provided? Green reports disputes between the societies and the organized medical profession over the societies' refusal to exclude wealthy members; means-testing would have been contrary to the principle that all joined on equal terms.³¹ The fact that there was an issue over wealthy members using the service suggests that the quality of service must have been reasonably good—good enough that rich people in significant numbers wanted access to it.³²

For what it is worth, the friendly societies were a remedy for exploitation as well. When there are multiple providers of relevantly similar services, people who dislike terms offered by one provider can look elsewhere. No provider, nor any coalition of providers, was in a position to dictate terms to clients. The friendly societies decentralized collective responsibility for medical care without turning it into a strictly individual responsibility. Individually and collectively, they gave people a range of choices at prices that almost anyone, even then, could afford.

Unfortunately, as Fukuyama says,

the growth of the welfare state accelerated the decline of those very communal institutions it was designed to supplement. Welfare dependency in the United States is the most prominent example: Aid to Families with Dependent Children, the depression-era [1935] legislation that was designed to help widows and single

27. Green and Cromwell (1984) 76–80.

28. Green (1985) 95.

29. England's Poor Law Amendment Act of 1834 sought to limit access to (and desirability of) government poor relief, so as to ensure that it would indeed be treated as a last resort. The general idea was that the standard of living made possible by public assistance ought to be less desirable than that available to the humblest of self-supporting laborers. See Himmelfarb (1994) chap. 4.

30. Green (1985) 179.

31. Green (1985) 19–21.

32. A royal commission assigned to investigate whether the poor were systematically deterred from joining friendly societies found that in 1901–2, “registered friendly society membership was highest in rural areas where wages were lowest” (Green, 1993, 68).

mothers over the transition as they reestablished their lives and families, became the mechanism that permitted entire inner-city populations to raise children without the benefit of fathers.³³

Also helping to make friendly society medical services redundant were benefit packages provided by employers. Meanwhile, physicians' guilds hated the friendly societies, correctly believing that friendly societies gave medical consumers the bargaining power they needed to prevent effective price collusion by doctors. By the early 1900s, such guilds had become a powerful political force, especially when they joined forces with for-profit insurance companies (who likewise recognized friendly societies as an obstacle to higher profits). Together, they played an active and highly visible role in the friendly societies' decline. In England, they were a major influence on the process of amending early drafts of the 1911 National Insurance Act so as to make the final legislation as prejudicial as possible to the friendly societies.³⁴

Similar forces were at work in the United States. David Beito reports that doctors who worked for lodges

faced forfeiture of membership or, just as seriously, a boycott. In 1913, for example, members of the medical society in Port Jervis, New York vowed that if any physician took a lodge contract they would "refuse to consult with him or assist him in any way or in any emergency whatever." In this instance, and many others, boycotts extended to patients as well. One method of enforcement was to pressure hospitals to close their doors to members of the guilty lodge.³⁵

Their demise notwithstanding, friendly societies seem to have had many of the features that we wish our health care system had today. They also provided services like old-age pensions, unemployment insurance, life insurance, workmen's compensation, day care, and so on, at the same time serving as a form of community association. Is it realistic to suppose that friendly societies in the twenty-first century could emulate their earlier success?³⁶ Realistically, they could never be like they were, simply because they would be responding to needs that are not the same as the needs of nineteenth-century lodge members. Times change. Conditions that contributed to an institution's history of success may no longer be operative, and we may not realize that until after we try and fail to replicate its success in another

33. Fukuyama (1995) 313–14.

34. The Act made it compulsory for male workers earning less than a certain income to purchase government medical insurance. Panels and committees staffed by representatives of doctors' guilds and insurance companies were established to regulate the benefits provided by local friendly societies. The fees of local doctors were subsequently established by the committees rather than by the societies, and as a result more than doubled within two years of the Act's passage (Green, 1985, 113). It is also interesting that, in some respects, the Act hardly even pretended to be providing national insurance. For example, the Act made no provision for the care of widows and orphans because the insurance companies felt that such provision would make it harder to sell life insurance (Green, 1993, 99).

35. Beito (1997) 30.

36. Given the lack of modern actuarial and accounting techniques, it is easy to imagine how nineteenth-century friendly societies could have run into financial difficulties. Yet, none of them, to my knowledge, ever appealed to financial hardship as a reason for refusing to provide promised benefits.

time and place.³⁷ But all that says is that policy-makers, too, have to live without guarantees. It is no reason not to explore alternatives, especially alternatives that have histories of success.

In any case, friendly societies show how responsibility can be successfully collectivized. Medical savings accounts and privatized pension plans can help people to internalize, by helping them individualize, responsibility for their health care and their retirement. Friendly societies are a distinct alternative, allowing people to internalize responsibility in a collective form.

7. The Possibility of Political Disarmament

There are reasons why people voluntarily seek to join groups that collectivize responsibility. Certain forms of collective responsibility help to spread risk, for example.³⁸ For some people, sharing is intrinsically desirable, and understandably so. It is intrinsically a form of community. Theda Skocpol defends the welfare state;³⁹ she is skeptical about mutual aid societies on the grounds that the former institution has woven into it a pattern of sharing (to use Skocpol's apt phrase) while the latter does not. I see exactly the opposite. What is woven into the welfare state is a pattern of transfer, not a pattern of sharing. It is mutual aid societies, not welfare programs, that are knit together by a pattern of sharing. It is not true that where the welfare state goes, community spirit flourishes. Nor is it true, to say the least, that authentic community spirit was dead before fifty years of expanding federal programs gradually brought authentic community back to life.

According to Robert Goodin, the welfare state is a form of institutionalized altruism. "Fraternal feelings and generalized altruism thus constitute at least the historical core of the communitarian case for the welfare state."⁴⁰ Goodin is right to say that some communitarians have appealed to this sort of argument. Anticommunitarians could argue, alternatively, that the welfare state obliterates fraternal feelings, and that this is a good thing. It enables people to move to the anonymous big city rather than remain financially tied to a thick community of small-town relatives.

In any case, fraternal feeling is possible in a small group, but when we institutionalize altruism on a national scale, the possibility of genuine community is precisely what we give up.⁴¹ At present, the welfare state's actual operation plainly provides more occasion for mutual resentment than for fraternal feeling.⁴² By giving people

37. As recently as the 1960s, though, the Taborian Hospital of Mound Bayou, Mississippi, provided basic medical coverage for as little as \$30 per year, according to Beito (1999).

38. There is some evidence, though, that the advantages of communal management as a form of collective responsibility tend to decrease as an economy matures. See chapter 11.

39. In conversation following my presentation of a draft of this essay at the University of Chicago, April 18, 1996.

40. Goodin (1988) 78.

41. I thank James Buchanan for this point.

42. I am surprised that "corporate welfare" does not provoke more resentment than it does, from all sides of the political spectrum, but that is a topic for another essay.

the right to extract benefits from productive ventures without making contributions to them, the welfare state turns individual productivity into a commons problem, and commons problems have a robust history of turning people against each other, turning them into what communitarians call “social atoms.” Commons problems isolate and alienate people because they leave people feeling too vulnerable to each other—too easily, pervasively, and uncontrollably liable for costs of other people’s overconsumption and underproduction.

A peaceful community is one in which people have no reason to fear each other. A community in which people hold blank checks on each other’s incomes is a community in which that condition is not met. If we want a system that nurtures fraternal feeling, we have to start by acknowledging that compulsory deductions from paychecks do nothing of the kind. Rightly or wrongly, more than a few taxpayers feel victimized by the welfare state. Rightly or wrongly, more than a few beneficiaries feel the same way. (Taking it as given that they are entitled to be given whatever they need, some beneficiaries consider it an insult that they could be viewed as needing so little. I admit that this attitude seemed more common in Canada when I was growing up than it seems in the U.S. today.) The upshot is that the welfare state balkanizes people. It externalizes responsibility, and in the process does the opposite of fostering a sense of community. What we need are ways of bringing people together that are (in their own eyes) in their common interest, so that they may come together willingly. We have to look for ways that enable people to live peaceful and productive lives, pursuing their own projects in such a way as to make themselves better off by making the people around them better off.

When an activist government takes itself to be a player with a license to do whatever it takes to win, people do not know what to expect from it. Or, to the extent that they do know, their own interests lie in trying to get the government to play for them rather than against them, which results in a channeling of resources into the negative-sum game of maximizing the extent to which government plays for their side. In contrast, voluntarily assumed responsibility, whether individual or collective, reduces the extent to which people constitute threats to each other. It is a form of political disarmament.

8. Progress

In any society, there really are people who cannot look after themselves, and there really are people who choose not to look after themselves. We rightly evaluate any society by asking how good it is to live there. The answer will depend in part on what happens to people who cannot, or in any case do not, take care of themselves.

I think we drastically exaggerate the importance of solving the problem in the short term, which has led us to create programs that obliterate the very social capital that was already solving the problem in the long term—namely, forms of mutual reliance that do not presume we owe each other a living but instead treat self-reliance as the default responsibility. So much of what we do in the policy arena seems aimed not at solving problems so much as at proving that our hearts are in the right place.

Within a nation's population, Goodin observes, there is "much productive potential; but to bring out that productive potential, people must be healthy, educated, well fed, etc. The welfare state guarantees that such basic needs are met. . . . That the welfare state contributes in this way to economic efficiency is pretty well indisputable."⁴³ Guarantees? I only wish it actually were true that children of welfare recipients are guaranteed, or even *tend*, to be healthy, educated, and well fed. Nevertheless, in Western market society more generally, children today are healthier, better educated, and better fed than children were a century ago. Someone must be doing something right. Looking at the long run, it is obvious the poor have not been getting poorer.⁴⁴ American graduate students, for example, are poor. Their incomes place most of them squarely in America's bottom quintile. (The country's poorest adult age bracket consists of those aged eighteen to twenty-four, for obvious reasons. Many are in school. Most of the rest are in entry-level jobs.) Yet most own a telephone, a microwave oven, a radio, a toothbrush, a closet-full of factory-made clothing, even an automobile. All have access to flush toilets, and most incredibly, computers. As recently as a century ago, these amenities and thousands of others would have been rare if not inconceivable for people in the bottom quintile. In 1900, the average life expectancy was 47.3 years in the United States. By 2004, it had risen to 77.8 years.⁴⁵ I suspect the increase in life expectancy would be even more dramatic if we compared only people in the bottom quintile for income. I am not suggesting that everyone in the bottom quintile has a lifestyle as comfortable as that of graduate students.⁴⁶ The point, rather, is that people in the middle of the bottom quintile are spectacularly wealthy compared to people in the same relative position a hundred years ago. We could show that by comparing today's students to nineteenth-century students (with similar family backgrounds), by comparing today's manual laborers to nineteenth-century manual laborers, and so on.

There are people, though, who find it offensive to compare the snapshots of today to the snapshots of a century ago. The comparison will seem complacent to those who think the only things that really matter are problems they see in snapshots of today. To them, the fact that things are far better than they were a century ago does not matter. I tried to explain the vitriolic nature of debates concerning the welfare state by positing two kinds of perspectives, static and dynamic. One of this essay's themes is that the world looks very different from the two perspectives. People who

43. Goodin (1988) 237.

44. For some discussion of short-run trends, see Schmidt (2006) pt. 4.

45. U.S. Department of Health and Human Services (2006) table 27; www.cdc.gov/nchs/data/hus/hus06.pdf#027

46. Many readers of previous versions of this essay have hated my use of graduate students as an example of what it is like to be in the bottom quintile. I am not saying everyone in the bottom quintile lives like a student. My point is merely that we all have more reliable impressions about what it is like to be in the bottom quintile than we can get from Charles Dickens novels or even from newspapers. All of us know people, and most of us have at one time been people, who live on bottom quintile incomes. Admittedly, students and retired people make up a substantial portion of the bottom quintile, and of course many of these people have resources far beyond their bottom quintile incomes. Many other people, though, really do live on bottom quintile incomes, and since most of us know some such people, we can get some indication of how deprived they are by looking at them, or asking them.

take the static perspective sometimes think that those who see things differently are indifferent to suffering, and in some cases they are probably right. People who take a dynamic perspective sometimes think that those who see things differently must simply hate it when a society's institutions enable people to prosper, and in some cases they, too, are probably right.

Another theme is that the extent to which a society is peaceful and prosperous depends on the extent to which responsibility is internalized, that is, on the extent to which people bear the cost of their own mistakes and misfortunes, and are not made to bear the cost of other people's mistakes and misfortunes without consent. At the same time, certain social arrangements for collectivizing responsibility have a history of making people better off—specifically, those that avoid externalizing responsibility in the process of collectivizing it. Internalizing responsibility is a form of political disarmament. As with literal disarmament, it is a recipe for peace and prosperity.

A third theme is that, although we all want guarantees, their hidden cost is high. Systematically rewarding productive effort helps people internalize responsibility and thus helps make for a peaceful and productive society. It is in response to a lack of guarantees that people take responsibility for their own welfare and for the welfare of those they care about. Like it or not, a lack of guarantees has been one of the great engines of human progress.

A fourth theme is that although the direct approach to meeting needs is the most obvious, it is not always the best. Could a welfare safety net be packaged in such a way that people would willingly pay for it? It would have to avoid treating those who work for a living as mere means to the ends of those who do not. It would have to serve the ends of both those who support it and those supported by it. It would have to institutionalize reciprocity rather than free riding. Is that possible?

The answer is that such schemes are not only possible; they have a long history. The history of friendly societies is a history of people producing and paying for their own guarantees. Friendly societies never were perfect, and never would be, but in many countries they have a history of doing what a welfare safety net is supposed to do, and doing it increasingly well over time as they evolved in response to consumer demand.

I conclude that there are reasons for endorsing certain forms of group responsibility but that the best arguments for group responsibility are bad arguments for the welfare state as a set of institutions for administering that responsibility. The welfare state undertakes to offer people the wrong kind of guarantee, namely a guarantee that externalizes responsibility. It is a better world when people come together of their own free will to share each other's burdens. It is a worse world when people can foist the cost of their misfortunes and misadventures on others without consent.

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