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## The Welfare Monopoly

*John Hyde*

When Dr Hewson suggested that some administration of the welfare system might be privatised, Mr Keating forecast rather dire consequences. Mr Keating was, however, at best, misguided. Consider the following arguments:

That men are not all saints is hardly to be doubted. In the absence of the necessity of behaving otherwise, people can be rapacious, indolent or both. We, therefore, need a restraining hand if some people are not to rob or bludge upon others. Beyond the family and the small group, where moral suasion is effective, the necessary restraint is imposed mainly by the visible hand of the law and the invisible hand of competition. The welfare system needs both.

Command will seldom substitute for competition, nor competition for command. Competition is much better at identifying and punishing error. It is, however, flexible, rewarding innovation, encouraging people to match action to circumstance, and capable of respecting fine judgements. Command, on the other hand, when properly exercised by rule-of-law principles, is inflexible, being without fear or favour. It alone can set the ground rules, but it must let much error pass.

Last week, with help from a Centre for Independent Studies publication, "The Education Monopoly Problem", I drew attention to the lack of competition in education and its bad consequences for children. Another CIS publication, "Voluntary Welfare", by Goodman and Nicholas, looks at the welfare monopoly in similar terms.

The Welfare State confers legal rights upon members of categories of people---the poor, the sick, single parents and so on. It does not ask how a recipient became unemployed, poor, sick, homeless or spouseless. Nor does it ask what the recipient is doing to change his dependent status. Because the law cannot categorise people by anything as subjective as,

say, attitude to work, the fact of low income, irrespective of its cause, must determine eligibility for taxpayer assistance.

Unless life has become much more difficult than it was before World War II, our welfare system is picking up people who are not in common man's parlance 'needy'. The proportion of poor people as defined for the purposes of the aged person's pension, single parents, the chronically sick, and the boom-time unemployed have all increased markedly. It is hard to believe that the existence of welfare benefits did not encouraged people to qualify for them. There have been several recent studies, including Australian studies, that suggest that this indeed has happened.

Welfare dependency is bad. Charles Murray, also writing for CIS, put it this way: "The effect of the new rules was to make it profitable for the poor to behave in the short term in ways that were destructive in the long term. We made it economically possible to have a baby without a father, possible to get a high school diploma without studying, possible to get along without a job, possible to commit crimes and suffer no immediate consequences. In the long term, all of these behaviours had disastrous consequences...."

Most of these studies show that welfare dependency increases with increased welfare benefits. One, however, a study done by the US General Accounting Office, demonstrates the obverse: namely, that when welfare payments are reduced dependency is also reduced. This study showed that in many cases household income actually rose as welfare was withdrawn. 43% of welfare mothers in Boston had at least as much income after they had lost their welfare benefits as before.

The General Accounting Office study also shows that other people really needed their welfare-payments. The fact is that the attitudes and circumstances of the people who draw welfare differ widely. But, the state welfare monopoly, which, for good reason, is bound by rule-of-law principles, is ill equipped to allow for these differences. The State dare not insist that people change their attitudes. And, unable to distinguish between deserving and undeserving poor people, it is obliged to hand over taxpayers' money to some people who have deliberately changed their circumstances in order to qualify for it. So as not to be everybody's milch cow, the Welfare State has no option but to insist upon complex and rigid rules, and these rules inevitably excluded some of the genuinely needy even though they admit many who are not.

Private charities differ in several ways from the Welfare State. For one thing, it is much easier to get onto their books and much harder to stay there. Private welfare insists that people change their behaviour as a condition of continuing support. Case-workers with the St Vincent de Paul Society, for instance, may vary the level of aid with their evaluation of a recipient's condition and record.

St Viny's can afford to discriminate because it is not a monopoly. If they should get a case wrong---as they will from

time to time---the individual adversely affected can appeal to another charity. What is more, private charities can afford to be generous when assessing new clients because, if they don't try to improve their circumstances, they can be sent packing. Their's is a hands-on administration such that governments cannot match.

The Scope Foundation is another example of successful hands-on administration. It runs half-way houses for alcoholics and drug addicts in Sydney and was formed out of frustration with government-run half-way houses. It allows its residents more autonomy than does the Government, but it also requires them to be more socially responsible. Other examples abound.

The Government no more needs to nationalise social welfare in order to protect people who fall on hard times, than it needs to nationalise car insurance or workers' compensation insurance to protect people who suffer accidents. Dr Hewson, and the NSW and New Zealand Governments as well, seem to have realised this. But they still find it hard to advocate ways to reduce the moral hazards associated with the best welfare systems, and state-run monopolies in particular, without being accused of wanting to abandon the safety net itself.

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