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Is the Welfare State Justified?

In this book, Daniel Shapiro argues that the dominant positions in contemporary political philosophy – egalitarianism, positive-rights theory, communitarianism, and many forms of liberalism – should converge in a rejection of central welfare-state institutions. He examines how major welfare institutions, such as government-financed and -administered retirement pensions, national health insurance, and programs for the needy, actually work. Comparing them to compulsory private insurance and private charities, Shapiro argues that the dominant perspectives in political philosophy mistakenly think that their principles support the welfare state. Instead, egalitarians, positive-rights theorists, communitarians, and liberals have misunderstood the implications of their own principles, which support more market-based or libertarian institutional conclusions than they may realize. Shapiro's book is unique in its combination of political philosophy with social science. Its focus is not limited to any particular country; rather it examines welfare states in affluent democracies and their market alternatives.

Daniel Shapiro is associate professor of philosophy at West Virginia University. A specialist in political philosophy and public policy, he has published in *Public Affairs Quarterly*, *Social Philosophy and Policy*, *Journal of Political Philosophy*, and *Law and Philosophy*. In the spring of 2003, he was a Distinguished Visiting Humphrey Lecturer at the University of Waterloo.

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*Dedicated to all academic supporters of the welfare state.
And, of course, to Kathy, Genevieve, Brandi, Peter, and Kirsten.*

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DANIEL SHAPIRO

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Preface

In the last dozen years or so, my philosophical writings have had two main themes: (1) political philosophers who have different philosophical principles actually are closer on institutional matters than they realize and (2) one cannot really make a sound or decisive argument for institutional change unless one has made a comparative institutional analysis of different, feasible alternative institutions. I think this view originated, in part, in my late teenage years, when I changed from what would be roughly described as a liberal view – in the modern American sense of the term, wherein one favors individual freedom and distrusts the government on “personal” or on civil liberties matters but favors a vigorous role for the government in restricting or regulating free markets and providing for the unfortunate – to a libertarian view that the government’s sole role should be to protect the right to life, liberty, and property and keep its hands off the free market, which operates just fine if the government gets out of the way. When I looked back at this change, I thought that in one sense I had not changed at all. Once I realized how free markets really worked, and how government programs that were supposed to realize their seemingly compassionate or just goals didn’t really do so, I realized that the attitude of distrust I had toward government power or the view I had about the value of individual freedom really applied to economic as well as personal matters. So at some level I came to think that my liberal friends who disagreed with me – and when I became an academic most of my fellow academics who opposed libertarianism – could come to agree with

me, if they would just understand how free markets really work and how government programs, specifically welfare-state programs, really work (or don't work). Thus, in an embryonic form, I had the view that people with seemingly different philosophical principles actually could converge on institutional matters.

So I began to write articles such as “Why Rawlsian Liberals Should Support Free Market Capitalism” (*Journal of Political Philosophy* 3, March 1995), in which I argued that those who followed John Rawls's philosophical framework, which apparently opposed libertarianism, could actually, following their own principles, end up with more libertarian institutional conclusions than they realized. Perhaps this just represented a temperament of optimism – even if we disagreed about philosophical principles, we could come to agree on institutional matters if we could incorporate social theory or social science about how alternative institutions worked (or didn't) – but it also, I suspect, grew out of a frustration that during decades of philosophical disagreements about basic principles few minds were changed and the realization that many of my students' complaints about political philosophy – “they don't focus on the real world!” – had a point. You couldn't, I came to realize, after reading the writings of N. Scott Arnold (e.g., *Marx's Radical Critique of Capitalist Society*, Oxford University Press, 1990) and David Schmidtz (e.g., *Social Welfare and Individual Responsibility: For and Against*, Cambridge University Press, 1998), really make a sound argument for institutional change without doing social science, that is, without showing that there was some feasible alternative institution that could actually get rid of the injustice that was supposedly present in an existing institution. I owe Scott and David an enormous debt for the clarity and insight of their books and for their friendship and guidance over many years and their helpful criticism of earlier versions of this book. (I owe Scott a particular debt, as he read the entire manuscript and made detailed comments.) I also want to thank Christopher Morris and Eric Mack for their friendship and philosophical guidance over the years, and for comments on earlier parts of the manuscript. In addition, Jeffrey Friedman's journal, *Critical Review*, constantly stressed the need for political philosophers to look at how institutions really functioned, and I want to thank him for that journal as it also influenced my approach to political philosophy.

This book came about, in a way, almost by accident. In the spring of 1995 I was looking for some external support during an upcoming sabbatical year to write some articles that the welfare state is not, by the standards used in mainstream political philosophy, just or fair, and I contacted Jeffrey Paul of the Social Philosophy and Policy Center at Bowling Green State University and asked him who might support such a project. He invited me to spend a year at the Policy Center, and the idea of writing articles turned into this book, which, in a nutshell, argues that the dominant nonlibertarian philosophical principles prevalent in contemporary political philosophy provide good reasons for supporting a change from present welfare-state institutions to feasible market alternatives. I want to thank Jeffrey Paul, Ellen Paul, and Fred Miller, who all run the Policy Center, for providing such a congenial and supportive place to work and for supporting my book throughout the many years it has taken to complete it. They provided financial support during my sabbatical year (1995–6), but also during the last phase of the writing in the spring of 2006. In addition, they gave me the opportunity to present earlier versions of some of the chapters at three of their conferences. At a conference on “The Welfare State Reconsidered,” I presented an early version of Chapter 5, later published as “Can Old Age Insurance Be Justified?” (*Social Philosophy and Policy* 14, Spring 1997). At a conference on “New Directions in Libertarian Thought,” I presented an early version of Chapter 3, later published as “Why Even Egalitarians Should Support Market Health Insurance” (*Social Philosophy and Policy* 15, Spring 1998). At a conference on “Should Differences in Income and Wealth Matter?” I presented an early version of Chapter 6, later published as “Egalitarianism and Welfare State Redistribution” (*Social Philosophy and Policy* 19, Winter 2002). And last, but not least, Ellen Paul provided invaluable editing suggestions during the final phase of completion of this manuscript.

Other institutions and persons gave me financial support and the opportunity to present my work and arguments, and I want to thank them as well. The Earhart Foundation of Ann Arbor, Michigan, gave me support during the fall of 1998, which enabled me to do additional work on my chapters on health insurance and retirement pensions. In the fall of 1998, Peter Boettke of the economics department of George Mason University invited me to give a talk on health insurance, which

enabled me to find out if my work was economically literate. Gerald Gaus invited me to present “Communitarianism and Social Security” to the International Economics and Philosophy Society in the summer of 1998, which was later incorporated into my chapter on retirement pensions. Michael Tanner of the Cato Institute invited me to a debate on Social Security in the fall of 1998, which led to a publication for the Cato Institute (“The Moral Case for Social Security Privatization,” *The Cato Project on Social Security Privatization* 14) that gave me my fifteen minutes of fame until the news of President Clinton’s impeachment focused the media’s attention elsewhere. In the spring of 2003, during another sabbatical, Jan Narveson of the University of Waterloo invited me to give a series of talks that enabled me to get most of the chapters of this book closer to their present form. (Most of the statistics or empirical information in the book stem from that period of spring 2003, although the last chapter has information on the financial ills of the U.S. Social Security system that applies through the year 2005.) Then, in the spring of 2005, in what I thought was icing on the cake, I was given the chance to present a synopsis of the main arguments in the book, in a paper entitled “Egalitarianism and Libertarianism: Closer than You Might Think” at the Association for Private Enterprise Education and at the World Congress of Philosophy of Law and Social Philosophy in Granada, Spain, where I presented my arguments to an international audience.

I thought at the time, “The book is just about finished. It has been accepted by Cambridge University Press, and I will finish it up in the fall of 2005 and be done.” But life has a way of surprising you, and now, to use the commentator Paul Harvey’s phrase, here is the rest of the story.

I fell seriously ill in July 2005. It has become a cliché in prefaces to thank one’s spouse and family. In this case, the word *thanks* is so inadequate that words fail me. Without the support, love, and encouragement of my wife Kathy, I would not have made it. She helped me when I fell ill, got better, fell ill again, and then made what we hope is the start of a complete recovery. My daughter, Genevieve, who is now fifteen, handled her father’s illness with aplomb and a maturity far beyond her years. My mother has been incredibly generous and supportive, and my brother, Mark, has been a source of support and comfort and superlative long-distance diagnoses. I also want to

thank a long list of health-care providers who helped me during this period: Nicole Gauthier-Schatz, Raymond Hearn, Ryan Kurczak, Terra McColley, Terry Miller, Erika Pallie, Jim Slaymaker, the late Kimberly Stearns, Michael Todt, and Jacob Teitelbaum and his assistants Cheryl Alberto and Denise Haire. And during this period I was also fortunate enough to have an empathic and understanding chair of my department, Sharon Ryan.

Finally, during the last six weeks of writing this manuscript, two research assistants, Nikolai Wenzel and Diogo Costa, helped me with some of the economics and technical matters necessary to write the last chapter about a just transition from Social Security to a private-pension system. (Michael Tanner of the Cato Institute complemented their work by patiently answering a barrage of e-mails about these matters.) Their assistance greatly improved the final chapter. My brother-and-sister-in-law, John Pepple and Sarah Blick, helped with the bibliography, and my wife Kathy again stepped in and provided final editing advice and assistance.

I am truly grateful to all the people and institutions mentioned in the preceding text.