Chapter 14

REDISTRIBUTION, POOR RELIEF, AND THE WELFARE STATE

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Abstract
This chapter examines various justificatory arguments regarding state involvement in redistribution and poor relief, and contrasts those arguments with some of the implications for redistribution that emerge out of rent seeking models of government. This examination includes both historical consideration and contemporary controversy, and covers territory ranging from the state guarantee of income to full reliance on private provision.

Keywords: Poor relief, redistribution, welfare state, rent seeking

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The redistributive programs that constitute the welfare state have become objects of growing controversy. This controversy involves contrasting claims about both the impact of a market economy on poverty and the contribution, positive or negative, of government programs to poverty. Those who support an extensive welfare state typically claim that however strongly a market economy might promote economic progress, it also leaves behind a good number of people in its progressive wake. In sharp contrast, there is a good deal of argument and evidence in support of claims that governments do much to impede progress and promote poverty. To the extent these contrary claims are correct, an effective program of poor relief would seem to require a less energetic welfare state than we now see.

The programs of the welfare state are often described as forming a type of safety net. It is hard to object to a safety net. Among people who are trying to climb high to the best of their talents, some may fall through no fault of their own. If they do, the safety net breaks their fall and sends them on their
way again. This is a vision of the welfare state as offering people a helping hand if needed to support their own responsible conduct, as distinct from giving a handout that substitutes for responsible conduct. Much of the growing controversy over the welfare state arises over whether the hand or the handout is the more accurate vision. Various general examinations of this controversy are presented in Atkinson (1999), Barr (1993), Beito (2000), Ebeling (1995), Mead (1986), Murray (1984), Ofrey (1984), Olasky (1992), Rector and Lauber (1995), Schmidt and Goodin (1998), Tanner (1996), Tullock (1983), Wagner (1989), and Weicher (1984).

There is no doubt that people try in many ways to protect themselves against disruptive or calamitous events. The development of insurance is good testimony to the energy and creativity that people have brought to the search for such protection. Through insurance people cover themselves against a variety of catastrophes ranging from accident or illness through the destruction of property. People can also create safety nets through saving, which can support them against unemployment and provide annuities for retirement. To be sure, a safety net is not created through individual effort alone. Everyone is born into a family, and families are valuable sources of support and instruction. So too are churches and a variety of associations and organizations that people create to deal with their needs for mutual support. In any case, people will craft safety nets on their own without government.

The claims on behalf of the welfare state are that the state can supplement and support the other efforts of people in society. The welfare state thus fills in gaps in the safety nets that people create for themselves. A considerable body of analysis and evidence, however, tells a different story. This alternative story is one where the welfare state does not seem so much to complement or support individual effort and initiative as it seems to undermine it. We might assert that dependency or poverty is a function of the size of welfare programs, as illustrated by $D = f(W)$. One possibility is that $f' < 0$, indicating that dependency or poverty varies inversely with welfare spending. Most supporters of an expansive welfare state would advance some form of this claim. Another possibility is that $f' > 0$, which would indicate that dependency varies directly with welfare spending. Most of those who support some contraction of the welfare state advance some form of this claim.

Furthermore, dependency is not the same thing as poverty. Welfare spending might reduce poverty while increasing dependency. Indeed, one of the primary lines of argument against an expansive welfare state is that its programs induce people to rely less on their own efforts and more on the state. John Maynard Keynes (1951), in his biographical essay on William Stanley Jevons, notes that Jevons thought that the natural course of the development of civilization would be to eliminate poverty and poor relief as a source of concern. In particular, Keynes cited an 1869 address that Jevons made to the Manchester Statistical