At the end of the 1980s the old contest between social democracy and economic liberalism had ended in stalemate. Paul Hirst contends the debate’s run its course. What’s needed is a new conception of providing public services outside the state: it’s a matter of thick welfare, thin collectivism.

The 70s ended throughout the ‘anglo-saxon’ world with a determined intellectual and political assault on state bureaucracy, collectivism and the welfare state. In the UK, USA, Australia and New Zealand, more or less sustained efforts were made to curb the growth in public spending on welfare and to rationalise provision along the lines of economic liberal doctrines. Tight budgetary controls, cuts in direct taxation, the privatisation of services and tax subsidies for market provision were intended to promote the primacy of private over public provision in welfare and to reduce state collective provision to a minimal safety net that only the poorest would use through dire necessity. By now it is clear that such economic liberal solutions to welfare problems are in ruins. They have not improved service delivery or quality; they have not tackled the perceived problem of an ‘underclass’ trapped in a ‘dependency culture’; and they have not contributed to increasing the rate of economic growth by reducing the overall tax burden on the mass of income earners.

The economic liberal agenda has lost its intellectual legitimacy, but the mass attitudes that provided political legitimacy for free market quick-fix solutions are still there. In the UK the Labour Party went to the polls in the April 1992 election with a determined effort to present itself as the party of welfare, to claim that the people had ‘seen through’ economic liberalism, and to suggest that higher income earners would accept proposed tax rises as fair. It failed. None of the presidential candidates in the US
proposes seriously to tackle the problems of poverty and urban decay, despite the spur of the Los Angeles riots.

J K Galbraith's *A Culture of Contentment* has provided a straightforward and widely accepted explanation for the failure of redistributionist and welfare politics. According to Galbraith, the postwar mixture of sustained economic growth and welfare spending provided the means for the majority to escape into relatively comfortable and 'middle class' conditions. The consequence of this was that collectivist solutions began to seem to them steadily less necessary. In this scenario the new mass 'middle class' is reluctant to make major sacrifices for that socially containable and politically ineffectual minority which has not benefited in the same way. Welfare states are thus the victims of their own past successes.

There is an element of truth in this thesis, but it overstates the extent to which people are simply tax resistant, and it underplays the fact that they also have other good reasons not to support simply spending more on existing forms of bureaucratic state welfare. The real problem is that supporters of the extension of state welfare services have been unable to come up with a clear new strategy that encompasses reforms to both funding and service delivery. Rather they have sought to break down public resistance to 'more of the same' with moralising and with the patronage of possessing superior principles. Yet resistance to the expansion of state welfare will only be overcome by new ideas that inspire people, and not by schoolteacherly social democratic exhortation to be altruistic and pay up.

There are three main problems which limit public willingness to be taxed for welfare provision:

1. Throughout the 'anglo-saxon' world we find the deadly combination of low economic growth and high expectations of private consumption on the part of the mass of the employed. The result is resistance to taxation—even though survey evidence also shows that a substantial majority would prefer high standards of welfare services like education and health to be publicly provided at low direct cost to the consumer.

2. People are widely resistant to the bureaucratic deformations of mass welfare services (administrative discretion, low public accountability and the absence of a 'consumer' culture in the provision of services). People do not want to be supplicants, to have to wait and to be treated rudely in squalid circumstances.

3. The alleged benefits of national public services—fairness and equal treatment—are by no means apparent to consumers or available in fact. 'National' services are by no means uniform; there is considerable variability in the way services are delivered between regions and households in most countries. Nor are 'universal' benefits equally distributed or specific services and benefits effectively targeted at those most in need.

The problem that most supporters of a social democratic mass welfare ethic fail to accept is that bureaucracies do not empower citizens. The vast majority of citizens expect to be treated as articulate, sensible individuals in charge of their own affairs and not as objects of tutelage. Yet state welfare bureaucracies habitually patronise and at worst demean a high proportion of recipients of their services. In the UK, for example, post-1945 local authority housing involved many absurd and humiliating restrictions on tenants. One could not even paint one's front door the colour one pleased. In the UK John Major has tried to exploit this dissatisfaction with 'Citizen's Charters' which are supposed to specify the minimum service standards the public has a right to expect, and the mechanisms for obtaining relief if they are not met. Likewise, his administration has sought to improve the accountability of public servants. Yet measures such as these make little sense in conditions where service failure is largely determined by government underfunding, and where accountability is a 'top-down' process that reduces the autonomy of welfare personnel in relation to their senior managers but does not directly empower the public. John Major has tried to demoticise economic liberalism but, in the absence of major new ideas from his government about how to improve the funding and delivery of services, he is hardly likely to do more than marginally improve welfare provision.

The position is, therefore, one of stalemate. Social democrats have no new ideas and the public will not trust them to spend more on the old services. Economic liberals have failed to revitalise or transform those stagnant welfare states which survive, albeit in an underfunded and ineffective state. Indeed, mostly those welfare states subsist merely in the absence of anything better, and are run by rightwing rulers who have little sympathy for them. How can the deadlock be broken? The answer, I believe, can be summed up in two sentences. First, the provision of public welfare and other services should be devolved to self-governing voluntary associations. Second, such associations should be enabled to obtain public funds to provide such services for their members. The principle of social governance involved here is called 'associationalism'. Its fundamental objective is to renew modern societies by transforming the private/public division; making the 'private' a sphere of social co-operation and collective governance, making the 'public' as far as possible nothing more than the mechanism for providing rules and funds that enable self-governing 'private' institutions to work.

Associationalism is a form of social organisation that can deliver all the political benefits economic liberals claim to seek from the market without the same scale of economic costs and injustices that unregulated markets impose. Associationalism simultaneously proposes solutions to the problems of funding, service delivery and citizens' involvement. It is attractive to citizens seeking greater autonomy; it is easy to understand in principle; and it explodes the terms of the conflict between economic liberalism and welfare collectivism.

Associationalism offers, first of all, **extended governance without big government**. Economic liberalism fostered the delusion that the answer to over-extended and unaccount-
able government was deregulation. The result has been the unwanted and unintended consequences of ‘free’ markets. Governance is essential; modern industrial societies need extensive ‘policing’ to ensure that acceptable standards are set and complied with. This is true even in straightforward commercial transactions where consumers have to be able to trust the honesty of the vendor and be aware that they can obtain relief through public agencies if that trust proves to be unfounded. The problem is government not government: government becomes too big, too multiform and too bureaucratic in struggling to cope with those diverse tasks that complex modern societies of necessity impose.

The advantage of self-governing voluntary agencies rather than state bureaucracies is threefold. First, personnel will be more committed to an agency with whose principles they are in agreement and which is chosen by them as a place of work for that reason. Second, self-governing voluntary associations will be internally accountable to their members; this ensures a first-line form of policing of service delivery by members, and reduces the load on the state. And third, the delivery of welfare services through voluntary agencies effects a separation between the service provider and the state as the ‘governor of governors’. In contrast at present the state is in the contradictory position of providing services through its bureaucratic agencies and also acting as the guarantor of the standard of those services.

In the second place associationalism offers thick welfare with thin collectivism. Bureaucratic collectivist delivery of welfare typically entails high administrative discretion on the part of providers and low consumer choice. For that reason it is less and less attractive to the even moderately successful. However, market-based insurance schemes can hardly serve as the general answer to this problem. They can assure a high and uniform level of welfare provision only in a society of mass affluence—one that does not have a substantial pool of long-term unemployed or a significant underclass. Even then, market-based systems entail serious distortions in provision due to strong financial incentives for suppliers to over-deliver services.

Associationalism, by contrast, both promotes consumer choice and—because of the joint producer-consumer self-governance of associations—also provides a mutual check on the tendencies to overconsume and overproduce that are inherent in any form of decentralised welfare provision. In such a system individuals can craft the package of services they need. This is because of the high level of choice in the type and mode of services on offer, due to the fact that service providers are voluntary organisations in competition, and their provision is mainly demand-led. Consumers have a large element of choice in the services they receive, but also considerable discretion in determining the overall level of funding for them. Thus when it comes to paying for services, individuals will tend to behave differently from the way they do now. Employed consumers with a substantial disposable income will have high discretion in controlling what they get; therefore they will be willing to adjust expenditure to meet their own perceived needs. The poor will get minimum entitlements, but still will be able to choose which agencies should fulfil them. The system will not be inherently egalitarian, but it will tend to promote higher welfare spending and incline individuals toward meeting their needs through collective consumption. Welfare expenditures will tend to rise to the extent that consumers see they can control services and that they benefit from consuming collectively. Associationalist welfare systems thus have the potential to unblock the tax constraint on welfare spending. Because they take the responsibility for making spending decisions from the state and place it in the hands of consumers, they promote real consumer choice in any ways markets do not, and they ensure accountability to consumers in a way markets do not.

Associationalism is a well-established idea and its principles are easy to understand. Why, then, has it not already gained widespread acceptance as the new basis for welfare systems? The answer: it is not a technical quick-fix solution. It requires fundamental changes in the forms of authority predominant in both state and civil society. Social democrats, for example, tend to be hostile to associationalism on the grounds that it lessens the power of the state. They remain committed to their perception that only the state can offer true welfare, because it is supposed to be able to deliver universal and uniform benefits. Yet this is an illusion; no system of welfare can reliably and over the long run ensure equality and uniformity in the way desired by classic social democracy.

An associationalist welfare system involves a quite different political principle. It offers greater empowerment, rather than equality of outcomes, as its means to the goal of social justice. It recognises that such empowerment cannot come from state centralism and the inevitable bureaucracy that accompanies it, but only from decentralisation and a degree of popular control. Associationalism is based on the principle of federation—that is the principle that activities should be administered and controlled at the lowest level feasible, and that ‘higher’ authorities should be limited to their specific functions and unable to appropriate those of the agencies and authorities ‘below’ them. Associationalism is thus decentralising and pluralistic, and looks messy to statistists because of the inherent weakness of top-down control in such a federative system.

The federalist and associationalist position is no longer the irrelevancy it appeared to be when the militaristic Keynesian welfare state was a going concern. The period of prolonged industrialised wars and cold wars between the great powers required the complete social mobilisation of populations. Then the welfare state had a clear rationale—as the locus of a pact with organised labour and as the
The national state has lost its centrality

Regional economic regulation and the regionalisation of economic activity have grown apace. The divisions in the levels of prosperity within nations are as substantial as those between them. National states are at once losing salience upwards, to economic blocs like the European Community, and downwards, to regionalist practices of economic regulation and regional sources of citizen identity. This suggests that in Europe at least the old project of a 'uniform' national welfare state is probably doomed. Italy and Germany offer clear examples of such regionalist rejection of national redistribution. The regional autonomist Northern Leagues, for example, protest that the south of Italy produces 25% of GDP and consumes 49% of it. German working class voters in the western Länder are unwilling to carry the main tax burden of integration of the east.

The only possible long-run answer to this crisis of national states in Europe is a 'federalist' solution in which EC, national and regional governments accept specific and partial functions in welfare. The EC would set minimum framework standards for social regulation and social welfare, and then ensure the supra-national redistribution between rich and poor regions to meet them. This project is itself problematic, since national governments are unwilling to concede such powers, and such common standards are currently quite low. Regions would then be free to determine welfare policies consistent with their explicit political objectives and their underlying economic performance.

Such a regionalised and federal system can in theory work either with associations or markets playing the main role in welfare. The real problem for economic liberals in accepting associationalism is not their addiction to the 'free' market. Rather, the real stumbling block is their commitment to a strong central state that protects market freedoms (and which in particular ensures that there is no political or social obstruction of the market from local government or voluntary associations like labour unions) as well as their commitment to corporate dominance of economic and social provision. In fact, contrary to economic liberal ideology, centralised state power and top-down corporate management go together. Decentralisation and the principle of self-governing voluntary associations are threats to economic 'liberals' (with a few honourable and genuinely libertarian exceptions), because the freedoms they really value are those for corporations to act in weakly-regulated markets. Modern economic liberalism is passionately addicted to 'management', and convinced that top-down authority and hierarchy are the only routes to social efficiency.

Associationalism would be a radical change from this managerial mentality. It would break up the current ossified private hierarchies that ensure that most of 'civil society' is a domain of authority and not of freedom. The citizen, at work and in purchasing private welfare (insurance), is at the mercy of largely unaccountable corporations. Associationalism, by beginning to restore citizen power, would threaten the corporate dominance of 'civil society'. The chief reason associationalism has not been seized upon as a solution to welfare problems is because it is radical. It is at once too decentralist for social democratic conservatives wedded to the nation state, and too democratic for corporate apologists in the guise of economic liberals. It might, therefore, appear to be marginal—except that existing doctrines of social organisation are bankrupt, the problems of welfare provision are very real, and it is implausible that sophisticated and individualised publics in industrialised societies will continue to accept passively the existing patterns of authority forever.

Associationalism, moreover, can appeal to and unite diverse social forces, break down the old opposition between Left and Right, and can profit from a variety of reform strategies. Indeed, one could argue that the one thing holding back the crystallisation of a variety of groups around an associationalist strategy has been the absence of a common concept that allow such diverse entities to communicate and to recognise one another as having shared interests. Thus the task of developing the concept is urgent, and the core of that development must be a credible model of social organisation.

That said, it is impossible to present in any depth the possible models of an associationalist welfare state within the compass of a short essay. We have suffered enough from the relentless organisational monism of economic liberalism, where there is no alternative and only one simple, comprehensive 'Year Zero' solution. Associationalism has the advantage that it can be added slowly and experimentally to existing welfare states as a principle of renewal and reform. It is not just another slick idea to attract funding, since it offers both recipients and providers of welfare a say in its governance and delivery. It is also compatible with a variety of methods of funding, and it can co-exist with those elements of collectivism and bureaucratery that are inevitable and inescapable in a complex contemporary society.

The easiest way to present a picture of such a welfare state is to state some basic principles:

* Provision is by voluntary self-governing organisations that are partnerships between the recipients and the providers of the service: such associations will be at least...
formally democratic and recipients will have an annual right of exit.

* Such organisations are funded predominantly from public sources (possible methods are outlined below) and are subject to public inspection and standard-setting.

* Any voluntary organisation—Church, trade union, charitable trust—may establish as wide or narrow a range of services as its members choose (for instance, a Muslim charitable foundation may wish to establish schools, hospitals, old people’s homes and so on). It is assumed, therefore, that (at least in urban areas) there will be a range of competing services with which citizens may choose to register.

* All such organisations must meet conditions of registration to receive public funds. Among these would be compliance with public standards, acceptance of exit rights and recipient choice (for instance, to register with a Catholic school but with a ‘neutral’ trust hospital), and participation in the public/associational governance of the whole system. It is assumed here that the setting of standards, allocation of funding and inspection would be ‘consociational’—that is, governance as far as possible would be by representatives of associations acting either by service (such as education or health) or regionally.

**The model avoids the tendency for well-educated, articulate citizens to dominate**

Such a fully developed associationalist welfare state would be ‘confederal’ in that the core organisation of provision would be the region, at which level public funds (including inter-regional transfers) would be distributed. Associations would co-operate with one another in the public governance of the distinct services and of the whole system, sending representatives to public bodies which would perform the central regulative and distributor functions. Voluntary associations would thus enter into public governance in a decentralised state; the associationalist principle would not only renew welfare provision, but also the state and governance itself.

In this confederal welfare state the associations would be democratically self-governing internally and would also contribute to a system of federated indirect democracy in the governance of the regional welfare state. Representative democratic bodies would remain at central and regional level, and would be the standard-setters of last resort. Citizens would have several ‘votes’, as well as the crucial power of exit from direct service providers. The state would retain major reserve powers over welfare provision—for instance, power to curb excessive growth in aggregate spending and to challenge standards of provision—but it would not have the unilateral powers available to politicians and officials in bureaucratic collectivist systems. Welfare professionals would be subject to strong public pressure and yet have far more say in how their own unit and the service of which it is a part is run.

How might such a welfare state be funded? The answer is that it could use for different purposes and in different combinations all or any of the present methods: general taxation, public or private insurance, markets and private purchases, charitable donations and so on. A citizen’s entitlements would depend on the precise nature of this mix. I will assume for simplicity’s sake that all welfare spending is funded from general taxation. Another important element in funding such a welfare state would be a Guaranteed Minimum Income (GMI) scheme, in which every citizen has a (low) basic income assured by the state. This GMI would be exempt from taxation, so that it could be supplemented, for instance, from part-time or casual earnings without loss of benefit. The minimum level might be pitched at, say, A$500 per adult per month. Assuming current levels of unemployment (11%) this would still be economically sustainable. If it would give citizens just sufficient income to pursue private activities the market does not value but which may be socially useful, or to undertake voluntary service. A GMI scheme would thus increase the potential personnel of the ‘welfare state’ at low cost. In an ageing society such a GMI scheme may become not only economically viable but essential. It may be more rational than collectivist welfare, if household/families are to be given the resources to care for elderly partners/relatives.

More specific entitlements would depend on needs and status (a school age child, a disabled person) and would relate to specific provision areas like health or education. The assumption here is that each citizen would be entitled to register annually with a service provider for each relevant service and receive a publicly specified quantity and quality of the service. Funding to associations would thus follow the election of citizens to use a particular service. I assume that the vast majority of citizens would re-register with the same service provider and that the annual public costs of turnover from one provider to another would be small. Inevitably, certain public services like policing, social work supervision of childrearing or compulsory psychiatry would not be at the citizen’s discretion and would be similar in form to bureaucratic collectivist welfare today, except that the service providers might be voluntary associations fulfilling public contracts (such as a co-operative of social workers or a private psychiatric hospital).

If the desire is to build in strong components of citizens’ choice in funding and to keep state discretion to a minimum, then the following methods might be used. Each service would develop (through the consociational machinery) a formula for funds per citizen election (dependent on age and status). Voluntary associations would thus receive annually funds proportionate to their previous years’ registered (and publicly audited) membership for a given service. This might make up the bulk of the welfare budget available to associations (say 70%). A number of objections need to be dealt with at this point. It might be argued, for instance, that associations would merely com-
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pete and not co-operate, that they would encourage inefficient duplication of expensive capital equipment, and that professionals would have little *esprit de corps* but be fragmented in specific associations. To meet these objections, two additional sources of citizens’ election or voluntary initiative might be available. First, taxpayers might be enabled to allocate a portion of their annual tax payments (amounting to, say, 5% of the total budget for associations) to a limited number of publicly registered associations of their choice (say 5). This would allow citizens to target issues of public concern through choosing on what to spend a portion of their taxes.

Again, about 25% of the budget for associations could be assigned to be spent through the consociational machinery on major new projects, on bids for extra funds or on co-operative ventures. This would give the consociational machinery real teeth, encourage associations to participate actively in it and provide professionals in a particular service with the means to co-operate across associations. It would both provide for major new capital spending and encourage associations to manage a particular service in a region as co-operatively as possible, developing common facilities where it was necessary and efficient to do so.

The many other complexities and difficulties of such an associationalist system cannot be explored here. One in particular does need to be dealt with, however. The associative model may appear to favour the well-educated middle classes with a ‘consumer’ mentality and the skill to ‘work’ the self-governing component of the system, defeating the poor and unskilled by the complexity of choices required. Actually, by giving the power of ‘exit’, the system would empower the poor to a considerable degree. They could walk away from bad schools, for example—something that is difficult to do in a collectivist-bureaucratic system. And because it does not require them to participate extensively in the democratic machinery of an association, it avoids the tendency for well-educated articulate citizens to dominate, which bedevils, for instance, school committees. Likewise, because the system could easily be made open to campaigning associations, it would enable those groups actively concerned to improve the position of the poor to obtain public funds by persuading poor people to make elections on their behalf. It would also enable alternative groups and non-establishment groups to set their own welfare agendas in ways that current bureaucratic welfare states do not permit (for example, providing proper medical services for ‘travellers’). For these reasons it has a strong potential to attract radicals as well as those who favour consumer choice.

Associationalism could contribute to resolving the current impasse of both policy ideas and public attitudes in the area of welfare. It would, as we have seen, promote greater citizens’ choice and give citizens the initiative in funding rather than bureaucrats. It thus provides citizens with a rationale for spending more on welfare. Associationalism also offers a model that could be extended to other public and private services and their governance. Indeed, it offers a new model of *governance*: publicising the ‘private’ sphere of voluntary associations, and decentralising and democratising the public domain through self-governing associations.

Associationalism also has the immense advantage that it is tied to neither Right nor Left; likewise well-to-do and poor alike can exploit its possibilities. As such, it is the one social doctrine that spans the major divisions of our current politics and enables diverse groups, political and apolitical, to co-operate while pursuing their own several projects. It is neither utopian nor dependent on a single social ‘carrier’. Of all the current major doctrines of social organisation, it is the one that has not failed. Unlike the socialism of the traditional Left and the corporate apologists of the Right in that it gives the power of choice to the people, associationalism has a chance of becoming truly popular.

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1. ‘Welfare’ is understood here in the broader sense (current in America) of that changing bundle of public services that the state determines is necessary for its citizens to lead a satisfactory life as members of the political community. This includes sectors such as health and education, as well as ‘welfare’ in the narrower British-Australian sense of the word.

2. This is by no means generous, and would be fiscally supportable under existing conditions. Indeed, it would probably cost less to administer than the existing structure of discretionary and program-specific benefits.