

The End of Welfare, and Its Effect on the Poor

Alphonse Crespo, M.D.

Rationing medical care and bludgeoning doctors will not save welfare systems inherited from Bismarck and Karl Marx. Fiscal bankruptcy of all institutions rooted in a socialist ideology inevitably occurs, as it does in any morally bankrupt system. The return of free-market medical services is only a matter of time.

Individuals will have to assume full responsibility for their medical care. They will find many viable alternatives to compulsory state controlled and constricted medicine. Tax-deductible health savings accounts (HSAs) will enable them to defray the costs of predictable illnesses, in particular those that come with age. Differentiated insurance products—ranging from mutual assistance funds to commercial insurance—will cover the risks of unexpected health accidents that can strike at any time of life. Genetic screening will identify predispositions to particular diseases (diabetes, smoker's lung cancer, heart conditions), guiding individuals towards specific preventive action while allowing insurance institutions to optimize assessment and management of risk.

The end of inflationary tax-and-spend welfare profligacy, the dissolution of the hidden costs of regulation, the demise of health lobbies and monopolies, and a return to true competitive markets will make medical care and health insurance far more affordable for all than it is today. Private charity and philanthropy will reclaim their natural functions in human society.

What About the "Poor"?

Government can abolish neither hurricanes nor poverty. Citizens who have allowed themselves to be seduced into becoming wards of the State and whose ability to confront risk in a free society has disappeared may be shocked by the necessity of shouldering personal responsibility for their lives. An irreducible minimum of the population will be too crippled by socialism or by severe misfortune to assume full responsibility for themselves and their families. Who will take care of those people when the welfare state has collapsed under the weight of moral failure?

The welfare state has not, and never will, put an end to poverty. Rather, it fosters dependence on government and stifles the inclination to assist one's neighbor in times of distress. The mix of passivity and violence the world witnessed in New Orleans immediately after hurricane Katrina roared ashore there illustrates the pathology that government dependence breeds.

The myth of cradle-to-grave welfare, provided by a benevolent state, has done more to harm the poor than the supposedly "ruthless" free market ever did. The market is indeed morally

neutral insofar as it does not impose a specific norm of moral behavior. However, the free market remains the most moral method for human beings to voluntarily trade with one another in order to meet their human needs.

Markets have always harbored thieves, crooks, and charlatans. Market mechanisms have integrated this fact of business life by adding value to integrity and reputation. The greed of some adds harshness to competition. The generosity of others will temper strife. Pathological ruthlessness reaps fewer dividends and certainly does less damage in business transactions than it does in political or military careers. Even in the most hostile of corporate takeovers, the ruthlessness generated by industrial raiders cannot match that which is unleashed by states (even the more benevolent) in their natural functions of taxation and war.

In Praise of Beggars

Most interchange between individuals takes forms other than those that economists can measure. The ties of family and kinship, friendship, professional companionship, religious creed, and nationality play an important role, as do emotions such as pride, anger, and envy, and feelings of love, gratitude, and compassion.

Compassion and generosity are characteristic of human behavior, just as are hardheartedness and envy. Switzerland is better known for its bankers than for its philanthropists; yet a recent Swiss poll indicated that a surprising 50 percent of people who were questioned said that they readily gave alms to beggars. On another scale, more billions were raised from private pockets after the tsunami of December 2004 than the recipients will ever be able spend in a lifetime, even after reconstruction of their devastated coastlines. The flow of global aid was such that it has even come to cause inflationary problems of its own. Just as they reward reputation and integrity, markets leave ample room for generosity.

The beggar is an archetypal figure of the market. Should there be no givers, there would be no beggars. Just as there is a market for charity, there is a matching one for mendicancy. Every beggar has something to offer in exchange for alms, though not necessarily thankfulness. The gratitude of the beggar may be as ephemeral as the ersatz "love" a prostitute gives to her customer. Beggars, however, do not need to be grateful because the intangible good they offer is worth more than the coin that finds its way to their hats. Beggars are basically in the business of providing virtue. In exchange for alms, the donor claims an instant sense of virtuousness no other commercial exchange can quite match.

Giving to a beggar and receiving a small parcel of virtue in return is the quintessence of private charity. It is also an eye-to-eye transaction between fellow human beings with no third parties, no hidden costs, no strings attached. A society geared to turn its

beggars into assisted (and often coerced) wards of the State has as much to lose as one that puts an onus on wealth and replaces it by the power of the State.

Welfare societies have denied beggars their social value. They have hidden the truly poor, and have morally impoverished the lazy and improvident. They have warped the moral value of giving; welfare munificence goes hand in hand with taxation, the latter being nothing more than legalized plunder. Giving to a mugger, even if the money serves to feed his children, does not qualify as generosity, let alone as virtue. Neither does sharing part of his loot with the poor make the mugger benevolent. A good action can be virtuous only if it results from free choice and harms no one.

Tax-supported welfare creates dependence.¹ Welfare beneficiaries come to see their stipends as something society owes them rather than the products of brotherly love and compassion. Gratitude becomes unnecessary and obsolete. The industrious, whom the State fleeces in order to feed its dependent wards, may, unfortunately, respond with contempt for all beneficiaries of social aid. The destitute are cast as parasites. And the citizens who have been mugged by tax collectors to support the poor think twice before giving alms to beggars.

Charity versus Welfare

The destitute were not always dependent on tax-tainted welfare. For many centuries, patronage of the poor by the well-to-do was a voluntary act dictated exclusively by personal motivations. In some cases it was fostered by a quest for gratitude and recognition; in others, it became a symbol of prestige. Some wanted their family name to be remembered. Others felt they were endowed with a sacred mission. For many, giving to the poor was an investment for paradise.

All the great religions have placed moral duties on their rich. Before the atheistic welfare state, clergies were major instrumental powers in the management and redistribution of voluntary charity. Hospitals as institutions were born out of the great charitable movements that swept the Christian world.² The bulk of their resources came from private bequests and voluntary endowments collected by churches and religious orders. Guilds and philanthropic societies would later enter the field of assistance to the ill, the destitute, and the disabled.

In 1837, Great Britain counted 28,840 charitable foundations, and throughout the 19th century British hospitals were entirely financed and managed by private philanthropic associations.³ Doctors charged fees according to patients' incomes and their services were generally available to all, irrespective of social condition. Voluntary hospitals and charitable dispensaries in most large towns provided free medical care to the poor.⁴

The story of American charity and philanthropy begins with the arrival of the first settlers, for whom voluntary mutual assistance was a necessity for survival. Before the War Between the States, few laws governed the distribution of assistance and aid. Churches, religious groups, ethnic communities, fraternal societies, and innumerable other private organizations efficiently provided or financed medical care for the poor. Friendly societies and fraternal organizations gave rise to mutual aid societies and to many insurance institutions, which dominated the insurance market for working class people.

By 1920, approximately 18 million Americans belonged to some type of voluntary mutual aid society. The Bismarckian model of compulsory public health insurance found no fertile ground in America and recruited its most vehement opponents among labor leaders.⁵ Long before Medicare and Medicaid, Americans cared for themselves and for one another with remarkable thrift, generosity, and compassion, yet "no coercive regulation forced every man to be his brother's keeper."⁶

Voluntary private charity organizations may not solve all the hardships and misery in human life. However, compared to their extort-and-spend compulsory social security counterparts, they clearly hold the moral high ground. Virtue does not necessarily guarantee efficiency. Yet multiple decentralized philanthropic institutions are capable of fine-tuning assistance to the poor far better than the monopolistic welfare state. Beneficiaries of charity cease to be parasites, and may be lifted up by their benefactors to become contributing members of their community. Benevolence comes with a smile. Administrative costs of private charity do not consume resources faster than they are generated, while any malfeasance is sanctioned by donors far more drastically than political pork, dishonesty, and corruption will ever be punished by the taxpayer.

Conclusion

Generosity and compassion can bloom only in a society that recognizes autonomy and personal responsibility as its prime values. The death of the welfare state and of public social security may well be the best news the poor will receive in the upcoming years. Some of them will be able to marshal enough resilience to overcome their dependence on inefficient and corrupt bureaucracies. Others will find helping hands no longer bound by indifference and contempt. Resources no longer sapped by oppressive tax kleptocracy will find their way to philanthropic ventures.

As for physicians, they will rediscover the unique moral gratification of treating the poor for free. In so doing, they will not only regain a sense of their honorable mission, but they will also reclaim the honor and integrity of the profession, which welfare bureaucracies have confiscated in the name of a corrupt ideology.

Alphonse Crespo, M.D., an orthopedic surgeon, is now Director of Research for the Institut Constant de Rebecque, 1001 Lausanne, Switzerland, www.institutconstant.ch. Contact: alphonse.crespo@institutconstant.ch.

REFERENCES

- ¹ Green DG. Medical care before the NHS. *J Institute of Economic Affairs* 1994;14:16-17.
- ² Marais JL. *Histoire du don en France de 1800 à 1939*. Presses Universitaires de Rennes;1999:387.
- ³ Martz AC. *Philanthropy's Role in Civilization: Its Contribution to Human Freedom*. New Brunswick, N.J.: Transaction Publishers; 1991:7-8.
- ⁴ Trattner WI. *From Poor Law to Welfare State: A History of Social Welfare in America*. 6th ed. New York, N.Y.: Free Press; 1991:228.
- ⁵ Tullock G, Seldon A, Brady GL. *Government Failure: A Primer in Public Choice*. Washington, D.C.: Cato Institute; 2002:143ff.
- ⁶ Watner C. The most generous nation on earth: Voluntarism and American Philanthropy. *The Voluntarist* 1993;61:1.