

Book Review

Theodore R. Marmor, Jerry L. Mashaw, Philip L. Harvey. 1991. *America's Misunderstood Welfare State: Persistent Myths, Enduring Realities*. New York: Basic Books. xvii + 268 pp. \$22.95.

THE READER OF *AMERICA'S MISUNDERSTOOD WELFARE State* may well emerge from the experience with two somewhat conflicting emotions. One is simple admiration for the authors' ability to marshal so much evidence about a complex subject in such an orderly and compelling fashion. Nobody open to persuasion will remain unconvinced that the American welfare state is far from being what its critics charge—"undesirable, ungovernable, and unaffordable"—that it is, on the contrary, an excellent bargain, and a striking example of how well government can perform when it is set clear tasks that have the overwhelming support of the ordinary citizen.

The other, however, may be a slight disappointment that the authors have stuck so firmly to their brief of showing that the American welfare state performs most of its functions efficiently, and that its noisiest critics habitually direct their fire at exceedingly marginal features of its operations. Readers may feel that the authors have left the field littered with slain conservative critics, but that a more rousing liberal or social-democratic finale would have rounded things off nicely. The conservative sword is blunted, but the liberal trumpet is muted.

Their irritable marshaling of the facts of successful performance ought, if there is any justice in the world, to have a powerfully dampening effect on the inflamed rhetoric of the critics of the welfare state. In-

deed, the entire book is a deeply satisfying demonstration of the value of sobriety and common sense as a corrective to ideological nonsense. Nonetheless, only at the end of the book do the authors allow themselves the luxury of rolling up their sleeves and arguing uninhibitedly for their own view of the world—even then, it is in a chapter rather characteristically entitled “How Not To Think About The Welfare State.” That chapter’s aggressive insistence that in a complicated world we must think complicated thoughts might better have come at the beginning of the book because it is both the guiding light and the moral of the story. Time and again, the authors urge us to remember that the American welfare state already has a history. It is more than half a century since FDR’s Committee on Economic Security set down the principles of “income assurance”; it is, astonishingly, already a quarter of a century since the establishment of Medicare. Mature programs cannot be changed in a moment, and in any event the programs as established are exceedingly popular—90 percent of all Americans are in favor of pensions for the elderly, the widowed, and the disabled.

What Americans think, want, and will vote for quite rightly sets limits to our plans. This is, after all, a democratic polity. Nor does the public vote for a monolithic approach to social policy. All of which means that we must sober up. We must accept the fact that welfare arrangements serve a plurality of ends, we must eschew the superstitions of microeconomics, we must remain ambitious in our hopes for the future of the welfare state, but be unseduced by the lure of “comprehensive reform.” I agree, but cannot help wondering whether we would have got as far as we have if we had always been as sober in our hopes.

Still, the authors open their account in fighting fashion: “This book has a simple message: America’s welfare efforts are taking a bum rap.” They are, they say, puzzled by the near-universal consensus that there is a “welfare crisis,” but they agree that such a consensus exists. Liberals concede glumly what conservatives gloat over: the Great Society has failed. The “war on poverty” has left poverty undefeated; the Aid to Families with Dependent Children (AFDC) program has not reduced the number of children living in poverty. More apocalyptically, the Social Security fund on which we depend for our future pensions is (according to which commentator is foreseeing disaster) so large that it is distorting the economy, or too small to meet the demands of 50 years hence, or both. Marmor and his colleagues are particularly fond of the *New York Times*’s suggestion that the massive surpluses of the Social

Security Trust Fund form “a crisis in slow motion,” a concept nicely combining visions of the future that are incompatible in everything but their capacity to frighten us. The one field in which the authors think public alarm is justified is that of health care. Here, they are inclined to agree with the public at large that uncontrollably large sums of money are spent to do too little good to too few people. Because most people appear to believe that Congress is wholly incompetent or corrupt, the sense that things are terribly wrong is not countered by any sense that they are likely to be improved by government action.

The diagnosis mapped out in *America's Misunderstood Welfare State* is that the public is suffering a panic attack, and that the first step is to take a deep breath and look at things calmly. Because the public approves of almost every individual program that the federal government has introduced over the last half century, there is something suspect about the thought that all these individual successes somehow add up to a grand failure. The first thing to notice is how far the “failure” of the Great Society is a sort of optical illusion. There has certainly been a failure, but it is of the American economy generally. Median family income doubled in the quarter of a century after 1947 and has remained stationary since; the best-off quintile has seen its average real income rise by a quarter in the last 20 years, but the poorest quintile has seen its average real income drop by 10 percent. It is inaccurate to see this as a failure of the welfare state, but it is perfectly accurate to see it as a case of the poor getting poorer—something the welfare state might be supposed to prevent.

Other indicators of economic malaise point in the same direction. The proportion of the population living below the poverty line fell steadily until the late 1960s, and has hardly dropped since. The “misery index” that ingenious economists constructed to measure the combined ill effects of inflation and unemployment rose to a postwar high in 1981, and is still several points higher than it was throughout the 1960s. To some extent, then, it is the total situation of the kind of people who most need the services of the welfare state that represents a “failure.” To a further degree, however, this tempts us to think that the welfare state is mysteriously at fault, either because it has not alleviated these larger failures or, as the authors suggest, because we are more tempted than we ought to be by the fallacy of “post hoc, ergo propter hoc”: the postwar years saw the establishment of the modern American welfare state; things have gotten worse; it must be the effect of the welfare state. This

is not to my mind a very likely explanation, and the authors wisely make little of it. More tempting is the suggestion that American politics is permeated by a rhetoric that is almost bound to end in disillusion. The metaphor of "war," as in the "war on poverty," suggests that there is an enemy to be destroyed once and for all; because poverty manifestly still exists, it seems that the war has been a failure. A program advertised as aiming to alleviate only as much poverty as government seemed likely to be able to alleviate at a tolerable cost to the taxpayer might have led to less disappointment, but initial approval for this lower-keyed approach would have been uncertain.

True to their aim of persuading us that life is too complicated to be handled by simple slogans—Charles Murray's *Losing Ground* is a recent book that particularly irritates them on this score—Marmor and his colleagues present two kinds of complexity; the first is what the American welfare state actually does, and where the money goes; the second is the diversity of justifications that its activities naturally demand. They see the United States as an "opportunity-insurance" state; we expect government neither to provide cradle-to-grave welfare nor to pitch us into an unregulated free-for-all in the marketplace; rather, we look to the government to "insure broad strata of the nation's population against impoverishment from the loss of a breadwinner's income, or to assist those whom opportunity has passed by" (31). This double aim contrasts with some other well-known accounts of the moral basis of welfare: the "behaviorist," which aims to make the feckless behave properly, and whose model institution is the Dickensian workhouse; the "residualist," which aims to assist only the destitute, and whose model is a Lady Bountiful with a padlock on her purse; and the "populist-egalitarian," which aims to use the institutions of the welfare state to empower the poor and disorganized. None of these three ideals plays a large role in the American system, although the populist view achieved a brief popularity during the late 1960s, and was satirized to death in Tom Wolfe's entertaining novella, *Mau-Mauing the Flak Catchers*. Elements of both the behavioral and residualist versions emerge in the arena of means-tested programs of all kinds.

Again, however, the authors explain some of the virulence of the critics of the welfare state as the result of the critics' just missing the point. Anyone who thinks that the welfare state ought to serve residualist goals and no other is sure to think that what we have is amazingly wasteful because, as they say, the Rockefellers get their old-age pensions like ev-

everyone else, but need them rather less. Conversely, anyone who thinks that the welfare state ought to serve egalitarian goals is equally sure to think that it is a shocking failure when it does little to close the gap between rich and poor: the Rockefellers and I may receive the same government pension in old age, but they will have a great deal more besides, and I may well have little. As the authors rightly point out, however, a very large part of welfare expenditure is in the form of insurance against a loss of income due to age, illness, or disability. It is absurd to complain that such payments are more generous than would be proper if all we were doing was rescuing the destitute, and equally absurd to complain that insurance serves an end other than political equality.

The complex character of the American welfare state emerges in the ideological underpinnings of the means-tested programs that are administered on the basis of need rather than as part of a system of insurance. A striking aspect, equally characteristic of most Western European countries, is that cash handouts are a smaller part of such programs than one might expect, accounting for a little over a quarter of expenditures. Because people who qualify for means-tested programs such as Medicaid, AFDC, lunch programs, energy assistance, and the rest suffer above all from an income deficiency, one might think that the easiest way to help them would be by giving them cash. Indeed, many writers have for years argued that both individual liberty and overall efficiency would be promoted by scrapping the individual programs and replacing them with cash handouts. This drastic, and in some ways attractive, idea has never caught on and shows no sign of making many converts today.

America's Misunderstood Welfare State suggests that this is largely because Americans are deeply committed to the idea that normally everyone is responsible for his or her own economic well-being. This in turn suggests that nobody is entitled to receive an income without making some kind of productive effort, and therefore that such means-tested programs ought to be linked to helping people return to productive work, or to assisting families to raise their children as effective and productive citizens. Just filling in an income deficit is not part of the goal, an ideological outlook that explains why healthy poor adults without family responsibilities are eligible for next to nothing beyond food stamps. It is sometimes thought that the public is morally obtuse in favoring programs for the elderly more than programs for children. The more plausible view is that this is just the backwash from a view of social justice that rates very highly whatever efforts to contribute to the econ-

omy beneficiaries are making or have made. The elderly are thought to have a right to help, both because they have contributed through FICA, and in general moral terms, because they did their bit for the rest of us when they were younger and are entitled to support when they can no longer fend for themselves.

Once one sees the welfare state in such terms, it ceases to be surprising that the beneficiaries of the welfare state are overwhelmingly the elderly receiving old-age pensions and Medicare benefits. Equally, it is less surprising that the United States has not tried to extend the welfare state in two fairly obvious directions. One is having the government guarantee employment to all who want it, by acting as employer of last resort, or by undertaking labor-intensive public works in a countercyclical fashion. During the earliest New Deal years of the creation of the American welfare state, this was indeed done on a considerable scale; it produced a good many improvements in the environment, and mopped up surplus poets and playwrights into the bargain. Since then, such policies have dropped out of favor. The postwar labor market has generally been tight—certainly in comparison with the prewar labor market—and the American taste for limited government has been stronger than the urge for social experiment.

The other direction in which the failure to act is much more striking is in the field of health care. All other Western countries have put in place some kind of uniform national health service, either free at the point of service, or working on the basis of a very simple system of refunding whatever the patient spends. The United States uniquely possesses nothing resembling such a system for anyone other than the elderly, the disabled, or the very poor. Nor is this restricted provision the result of a search for the leanest and most efficient system available, as “pursuing this partial public provision by simply agreeing to pay the charges of private providers creates truly extraordinary incentives for wasteful utilization of health care.” European observers tend to blame the American medical profession for this state of affairs because most national health services have come into existence only after the most strenuous opposition from the local medical profession, and that opposition has been fiercer in the United States than anywhere. Even in Britain, Australia, and Canada, the final shape of the system of national health insurance reflects the medical profession’s passionate attachment to traditional work practices, and in the bargaining process that preceded the establishment of a national system of health insurance, Britain alone escaped

strike action by the medical profession. However, the intransigent hostility of the American Medical Association (AMA) to every least suggestion of "socialized medicine" has always made the conservatism of doctors elsewhere seem pallid. Marmor and his colleagues characteristically complicate the issue a little; they do not deny the role of the American medical profession, but they point out that the profession's ability to obstruct reflects the fact that it has been in tune with popular political sentiment. Until recently, the AMA has run no risk of seeming merely greedy or intent on protecting a sectional interest. The (absurdly oversimplified) claim that bureaucratic inflexibility is the inevitable price of greater government intervention in the provision of health services plays on anxieties about overextensive government shared by almost all Americans.

Still, the authors argue that the failure of the health care system is only an isolated failure in an otherwise successful welfare state. That health care is a disaster area they do not deny. Of course, this is not an indictment of "American medicine"; the effects of technological advance have doubtless been two-edged in this field as in most others, but it would be absurd to overlook the advances that have halved infant mortality rates in the 20 years after 1960, and added another four years to our average stay on earth. The difficulty is not with what good medical care can achieve, but rather with the cost of its delivery, and the inadequacy of access to it in the first place.

It is worth emphasizing, as the authors do, that this is the one area in which American practice is entirely at odds with that of every other developed Western country. Looking at the rest of the American welfare state, a European is likely to be struck—as always—by the messiness of a federal system that divides responsibility for welfare services among national, state, and local governments, but otherwise, by the similarities between American and European sentiments and practices. A British observer, on the other hand, would remark on the absence of just that part of the welfare state that British public opinion is most deeply attached to. This is not to say that the British think the National Health Service (NHS) is in particularly good condition; recent polls suggest that barely one in eight of the electorate thinks the service operates acceptably. What the public is deeply attached to is the idea of a national service, access to which is based on need, not income; recent Conservative governments have found to their cost that any "reform" that seems to threaten the fundamental principles of the NHS is a recipe for electoral

disaster. The argument in *America's Misunderstood Welfare State* is that this is the one case where the sentiments of the American citizen do not explain what is going on. The differences between American practice and that of the rest of the developed world do not stem from a widespread affection for the present system of medical care. "Clear majorities favor national health insurance financed by taxes and paying for most forms of care. In contrast to our pensions system, Americans do not have the health care system they say they want" (199).

The litany of complaint against a system that costs anything from 3 to 5 percent of the gross national product (GNP)—more than any other in the world—and provides a lot less than the universal coverage taken for granted elsewhere is largely familiar. What is less often noticed, and is spelled out here, is the sheer administrative inefficiency of American medical care. It costs five times as much per head to administer as the Canadian system does, in terms of the *visible* costs; because doctors and insurance companies try to economize on their costs by shoving as much of the paperwork as they can into the laps of the consumer, the real costs in anxiety, frustration, and general bewilderment with the system are very much greater. The supposed benefits of better health and greater freedom of choice, say Marmor and his colleagues, are pretty hard to find; cost containment on the one hand, and physician specialization on the other, mean that what we receive is aptly called "managed care," managed, that is, by someone other than the patient.

Can the American citizen expect to see something better before rising costs bankrupt both manufacturing industry and the health insurance companies? One ground for optimism is the existence of the Canadian Medicare system. Even the AMA hesitates to denounce Canada as a hotbed of socialist repression. Since 1971 Canada has operated a system of national health care that has performed vastly better than that of the United States, and is, according to every opinion poll, cherished by the Canadian people as one of their greatest national achievements. Its organization and administration are decentralized through the provinces, decisions about treatment remain as firmly in the hands of doctors as they ever did, and the position of doctors in the league table of professional salaries is as exalted as ever. The charm of the Canadian comparison is that, whereas here we seem doomed to trade wider coverage for cost control, in Canada, the arrival of universal coverage meant a rational system of cost control too. Until 1971, Canada and the United States spent almost identical proportions of their GNP on medical care; since

1971, the U.S. proportion has risen from 7.5 percent to 11.5 percent, the Canadian from 7.5 percent to 8.5 percent. Surely this example of neighborly success must make an impact on American politics.

As the reader might expect from the overall tone of *America's Misunderstood Welfare State*, Marmor and his colleagues will not give way to premature optimism. Certainly some signs point in a cheerful direction: American industry is increasingly unhappy with the high cost of health insurance and irritated with the way arguments over benefits play as acrimonious a role in labor disputes as arguments over pay; health insurance companies are not making much profit, if any, on their medical underwriting, and are unhappy with the practice of "skimming," by which upstart companies try to make a profit by siphoning off the healthier risk pools, leaving the less healthy to established providers; and physicians are finding their freedom to practice as they choose increasingly curtailed by hospitals and insurers. The attractiveness of the status quo is dwindling, so the prospect of change is becoming less alarming. On the other hand, free-market ideology dies hard. Twenty years of politics predicated on the idea that government is always wrong provide a poor basis for the kind of large-scale government initiative that it would take to emulate Canadian Medicare. Politicians who have prospered mightily by making silly noises about taxation would, as they say, "have to put aside their fixation with where costs are counted and deal with real issues of public economics." It is not at all clear that they can do this.

By now, it should be obvious that I find this an extremely congenial and persuasive volume. It is an engagingly written book, and one that wears a lot of learning lightly. It makes one wonder about one area that the authors do not discuss, however, and that is whether American democracy is irretrievably schizophrenic about welfare issues. On the one hand, the values of "community" are professed at all levels, from small-town loyalties to the sort of patriotic fervor triggered by the Gulf War; on the other, individual initiative and achievement are prized above everything else. One can readily see how the "insurance state" interpretation of the welfare state would be compatible with this individualism, for there is no difficulty in seeing why the state might step in to insure risks that the market would not cover, and not much difficulty in swallowing the paternalism inherent in the idea of compelling individuals to purchase insurance from the state. One can as readily see how the values of community might express themselves in provision against destitution

in old age or during extended and disabling sickness. "We" ought to look after one another, and the ministering state is simply the agent of that communal concern. Yet it is just this communitarian sentiment that seems not to prevail at all in such fields as the provision of universal health care, and very weakly in such areas as the provision of some system of universal child benefit.

Marmor and his colleagues are so persuasive in reminding us to think complicated thoughts about complicated topics that one hesitates to end with a simple thought—but it is hard not to believe that many of the peculiarities of the *American* welfare state flow from the fact that Americans do not think of America as the "great community" that Josiah Royce and John Dewey hoped they might create, but as a collection of disparate groups and individuals, held together only by their politics. In which case, the common provision against shared dangers that is the essence of the modern welfare state finds itself unsupported by the kind of moral collectivism that is the common coin of European discussions of welfare. It is then unsurprising that the welfare state should be *felt* to be at risk even when it is immensely popular. No wonder so many journalists, politicians, and academic pundits have spent much of this century struggling for a vocabulary and a vision that would allow Americans to come to terms with their achievements as well as their still unsatisfied needs, and no wonder that America's welfare state is, as this book says, so thoroughly misunderstood.

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