

Mr. Otto Lehto
otto.i.lehto@gmail.com
+358-407514748
PhD Student, King's College London, Department of Political Economy

Presentation for the BIEN World Congress (Seoul, Korea, 2016)

“The Limited Welfare State as Utopia: The Case for a Libertarian Basic Income”

1. Introduction

I wish to introduce a libertarian approach to basic income that is comparable to, but also differs slightly from, Philippe van Parijs's (1995) more well-known and laudable efforts for a “real libertarian” basic income. There are also many important left-libertarian approaches that I will have to omit from my analysis for reasons of space and emphasis, but which are conducive to a similar, if not identical, approach, e.g. Thomas Paine (1797), Henry George (1879), Hillel Steiner (1994) and Michael Otsuka (2009). I will focus on the economically libertarian undercurrent of classical liberalism – Locke (1689), Smith (1776), Hayek (1960/1982), etc. - interpreted from the emerging perspective of “bleeding-heart” libertarianism – Tomasi (2012), Zwolinski (2013), Lehto (2015).

My argument is that the classical liberal program – stretching from the 17th century all the way to contemporary politics - is a program that rests on three interlinked principles: 1) private property, 2) limited government, and 3) the provision of public welfare. The three principles can be defended for the consequences they have in the long run on the flourishing of the society. Such a society can be called a “limited welfare state”, because it combines welfare goals with the means of limited government. It aims to protect freedom of individuals and to advance the welfare of the society.

It is a regime of limited but robust welfare policies in partnership with liberty. Liberty without welfare is blind, whereas welfare without liberty is tyranny. I wish to defend the notion that liberty and the welfare state need each other in a fundamental way, and that urgent reforms are needed.

We can call this the “welfare libertarian” framework: 1) Freedom from private coercion (Robust Private Property), 2) Freedom from public coercion (Limits on Government); and 3) Within these limits, the provision of a robust range of public goods and public welfare (Limited Welfare State).

2. The Limited Welfare State

As John Tomasi points out in his book *Free Market Fairness* (2012), today's academic debate often revolves around the debate between Nozickian libertarians and Rawlsian social liberals. The latter group often places little emphasis on economic freedom and private property rights, whereas the former group wishes to grant property rights a sacrosanct status. Tomasi's argument is that both of these positions are wrong. Rawlsian social liberals are wrong to dismiss economic freedoms as unimportant to justice; while hardcore libertarians like Nozick are wrong to dismiss the notion of “social justice” and all more-than-minimal functions of the state as *prima facie* violations of absolute property rights. I agree with Tomasi in this analysis. Property rights are not God-given; they need to be justified rather than assumed, and I believe they *can* be justified (to an extent). Namely, they can be justified on *consequentialist* grounds.

a) My first argument states that the classical liberal tradition of John Locke, Adam Smith and Friedrich Hayek provides a meaningful doctrine. My hypothesis is that, indeed, this tradition advocates a regime of strong property rights and a limited government, which together form the libertarian core of the society. The provision of public goods – or the principle of the limited welfare state - is built on top of this libertarian core, and complements it, by creating the boundary conditions within which the spontaneous order of the market and the civil society may flourish.

b) My second argument states that we need to rethink some of the current philosophical discussion around the issues of the welfare state. If the classical liberal theory of property rights holds true, contemporary welfare states need to reform. Today's defenders of the welfare state often forget about the importance of property rights and individual freedoms in advancing the prosperity of the society – *including* for its least well-off members. An attack on the institution of private property would thus classify as an attack against the rights of the poor. Liberty, in fact, should be defended because it generally benefits the great mass of the society, *including the poor and the propertyless*.

The proposed solution is the **limited welfare state**. People like Adam Smith, Friedrich Hayek, Milton Friedman, James Buchanan, John Tomasi and others provide good blueprints for a bleeding-heart libertarian framework of society. They accept the libertarian framework of strong property rights and limited government; but they also accept the provision of some (limited) public goods. The Basic Income Guarantee is an example of a welfare mechanism that can be, and overwhelmingly has been, defended by such thinkers as compatible with liberty.

The consequentialist reading of classical liberalism (from Locke to Smith to Hayek to Tomasi) justifies a strong notion of property rights, because the classical liberal framework shows that *strong (robust) property rights* under a *limited (minimally welfarist) government* are extremely beneficial, perhaps vital, for the peace, prosperity and progress of a complex civilization. But before we analyse how this framework applies to basic income, let me sketch a framework of “welfare individualism”, which allows us to understand the need for a *libertarian* dimension.

3. The Framework of “Welfare Individualism”

In order to understand the importance of property rights, we need to understand how individual freedom – one's private sphere protected under the law - is vital for the welfare of the society.

In order to understand freedom, we should interpret it as the power of the individual.¹ Power, ultimately, derives from individual human beings. Liberal law protects the individual by setting limits on what one individual can do to coerce another individual (whether privately or publicly).

Private coercion is a crime against a person's property: theft, murder, rape, violence, etc. Public coercion is simply collective version of the same: legally defended theft, murder, rape, violence, etc. Coercion, in general, is the use of one's power – whether privately or publicly – against the will of another, in a manner which violates the personal power of another human being, i.e. her freedom.

Since all human beings have power, they will inevitably conflict, and coercion tends to occur. To minimize conflict, the sphere of freedom is legally established. The conflicts between people are thereby (peacefully, non-violently) turned into conflicts within a framework of property rights.

¹ I have borrowed this notion from Spinoza's Ethics (1677). It is also comparable to various conceptions of “positive” and “negative” freedom, as Isaiah Berlin called them. Freedom-as-power can be seen as “positive” to the extent that it relies on the notion of freedom as the capacity to achieve one's ends, and not merely the absence of restrictions (see the discussion on Isaiah Berlin's terminology in chapter 5 below).

The defence of such a framework of freedom, i.e. setting limits on coercion, is a vital component of any realistic welfare utopia. Groups and collectivities can be made stronger by protecting the liberty of citizens, and by allocating decision-making and choice-making onto the level of the individual, where their values, designs, pathways of aspirations, choices and desires reach their consummation.

Welfare, too, should be measured as the empowerment of individuals to pursue *their* private ends. (E)valuation, then, derives from individual human beings. There is no “public good” beyond what is “good” and “bad” to the citizens as individuals, each with their own individual values, needs and plans. These individual values multiply and diversify rapidly in a complex society. They derive from the nature of human beings as thinking, feeling, valuing, social creatures. All human beings partake in a shared humanity - with many shared basic needs, values and propensities - but these basic values are only relevant to the extent they manifest as individual values. Value is not collective. Thus, although there is considerable statistical overlap between individuals, the precise preferences for clothing, food, clean air, etc., varies from individual to individual. Welfare individualism is an important and vital component of the bleeding-heart libertarian program.²

4. Against the Unlimited Welfare State

While a recognition of the importance of individual welfare might suggest, in the first glance, that we ought to support the maximization of the size, scope and functions of the social democratic welfare state, which purportedly aims to maximize human welfare, I maintain that, on the contrary, the traditional welfare states of the Western world have failed in their main mission. Continuing down the same path of “unlimited welfare” policies, unchecked by liberty, would be a serious mistake. Unlimited political power destroys the socially beneficial framework of freedom.

Social and economic liberty is a necessary condition for the raising of the living standards of all, and erstwhile (social democratic) welfare states have provided/protected a sub-optimal amount of social and economic liberty, choosing, instead, to focus on maximizing short-term welfare gains, at the expense of long-term, systemic gains on the welfare of individuals that *would* (perhaps) have been attained *if* a higher level of social and economic freedom had been protected and nurtured.

The desire to limit the power of the welfare state can be used as an excuse to keep people poor; it can be used as a means whereby property owners, as a class, attain a monopoly position. But it can also be used to strengthen individual autonomy. It can foster the power of choice that can help poor people get out of poverty. The combination of open markets and an open civil society can be an empowerment tool for the poor and the powerless. But it cannot exist if the state micromanages private affairs. Only by denying the state the power of paternalistic interventionism, and limiting the power of bureaucracies, we can create conditions that can lift people out of poverty and oppression.

The welfare individualist, liberal position seems to call for restrictions on state power, while the social recognition of the democratic claims by all citizens seems to call for the empowerment of state power. This is the paradoxical push and pull of modern society: the desire to be free of the powerful state clashes with the recognition of the necessity of its existence. On the one hand, we need to limit state power in order to create space for individual freedom and flourishing; this is the realm of “life, liberty and property” in liberalism. On the other hand, we need to enable a limited domain of state power – the coercive capacity of the collective power of citizens - in order to protect, and place under the rule of law, the basic necessities of human welfare; this is the domain of the “welfare state.” There are many ways of resolving this tension, but some are better. For my

² Welfare individualism can, with justification, also be generalized to non-human animals, at least to the extent such animals have capacities for individual empowerment and (e)valuation. Such thoughts cannot be developed here.

proposal, I will outline the historical arguments for the classical liberal program of welfare.

5. The Classical Liberal Framework of Property Rights

There are many ways of tracing the history of classical liberalism, but here is one suggestion.³

John Locke laid the foundations of a theory of strong property rights under a limited government in his *Two Treatises of Government* (1689). According to Locke's theory, people in the proverbial state of nature have a free and equal right to appropriate land into private property, as long as they "mix their labour" with it, and leave "enough and as good" for others to appropriate (the "Proviso"). This constitutes Locke's account of the origin of private property, and it can be rightly seen as one of the earliest justifications of the libertarian "homesteading" principle (cf. Rothbard, Nozick, etc.). It has thus been used to justify *absolute property rights*. My argument, however, is that these rights have strong consequentialist justifications attached to them (cf. *2nd Treatise of Government*, §27, §31, §37, §40, §43, etc.). In non-technical language, Locke thinks that property rights are a socially beneficial institution whereby the society can be made more productive, especially if and when combined with representative democratic institutions and public welfare policies. The resulting framework of "Lockean" liberalism can be seen as substantially libertarian, but also pro-welfare.

Adam Smith, in his *The Wealth of Nations* (1776), argued for a "system of natural liberty", which consists of the institution of a private property and voluntary transactions in the marketplace, under a limited liberal government, as an engine of economic prosperity. Private property rights, with the incentives to productive increases, achieve socially beneficial results even to people who are not the immediate beneficiaries of the enjoyment of profit, rent and labour income. In fact, Smith's justification of property rights lies in their desirable neighbourhood effects (aka. positive externalities). But the realization that *property rights benefit the propertyless* is not sufficient, by itself, to justify a regime of *absolute* and *unlimited* property rights. At least if we can show, as I believe we can, that a total laissez-faire situation would result in a sub-optimal equilibrium.

F.A. Hayek, too, in *The Constitution of Liberty* (1960) and *Law, Legislation and Liberty* (1982), lays down a consequentialist analysis of private property as an institution whereby coercion in the society is minimized, the abstract rules of the market game are protected for mutual benefit, and private information and incentives are utilised for private gains and socially beneficial outcomes. Hayek's analysis is also compatible with a limited government that nicely fits the bleeding-heart libertarian framework. Hayek, in his analysis, does not see private property as based on absolute first principles – such as strict historical entitlement or the non-aggression principle - but on the *beneficial consequences* of the "general and abstract rules" that make a complex civilization possible. Similar, although slightly varying, consequentialist analyses of the institutions of private property and the importance of the (economic and social) freedom of individuals, can be found in Mises (1929); Friedman (1962); Buchanan (1975); Schmidtz (1991); and others.

The result of this very cursory and simplified historical analysis is to show that the classical liberal framework justifies the three principles of "welfare libertarianism": 1) robust property rights, 2) a limited government, 3) and the provision of limited welfare policies.

Such a framework of freedom is equivalent to what Isaiah Berlin called "negative freedom" (Berlin, 1969). For classical liberalism, negative freedom ("freedom from") was always much more important than so-called positive freedom ("freedom to"), and this interpretation of freedom is the one I also wish to defend. Negative freedom "is involved in the answer to the question 'What is the

³ For a more extensive analysis of the history of the classical liberal framework, see my master's thesis, "The Three Principles of Classical Liberalism" (Lehto 2015).

area within which the subject – a person or group of persons – is or should be left to do or be what he is able to do or be, without interference by other persons?" (Berlin: 2) It is thus equivalent to setting up appropriate limits, negative borders, against coercive actions by intruders. Negative freedom is the notion that underlines the importance of property rights and inviolability rights.

But since *welfare is given priority over freedom* in Locke, Smith, Hayek and many other classical liberals (yes, a contested claim), and *freedom has value only as long as it increases welfare*, this proposal can also be understood as a version of a positive freedom. After all, the institution of private property under a limited welfare state is seen as the best *method* to maximize social welfare.

But there are also those libertarians who deny the validity of the welfare principle. Why?

6. The Hardcore Libertarian Challenge: Against Public Welfare

Libertarianism soon turned the argument for private property into an argument against welfare. In France, for example, Frederic Bastiat argued, on explicitly Lockean grounds, in *The Law* (1850), that any attempts to go beyond the very limited sphere of the minimal state are a "complete perversion of the law."⁴ The only function of the law is the protection of the absolute right to private property. This is Locke on steroids, since *all* redistributive policies are theft. In England, the great philosopher Herbert Spencer (1884) argued the same point. Nozick, too, would make a similar argument a century later (1974), in *Anarchy, State & Utopia*. Such "hardcore libertarian" readings of the Lockean first two principles lead, naturally, to a fanaticism about absolute property rights.

But it is also possible to defend Lockean rights on consequentialist terms, where one can justify, on top of private property, a range of public services and welfare functions. If one approaches the the justification of private property rights from the welfare utilitarian⁵ perspective, there is no *intrinsic* reason why private property owners should be entitled to the full ownership of their labour, except *if and when, and to the extent that*, such ownership is beneficial to the development of the society.

Rather than thinking of liberty in terms of *rights* (deontology), we should think of it in terms of its *effects* (consequentialism). We need ask of institutions, how well are they able to provide for the maximum flourishing of individuals, as they themselves see it, in the long run? It is possible to argue that a "limited welfare state", which combines a free market with welfare legislation, has highly beneficial effects on the society. A libertarian basic income society suggests itself as a viable competitor to *both* (right-leaning) hardcore libertarianism *and* (left-leaning) social democracy.

7. The Need for Basic Income: Why Markets are (Probably) Not Enough

If we take welfare individualism seriously, what follows?

- 1) We should take individual freedom seriously.
- 2) We should take individual welfare seriously.

"Freedom" can be only guaranteed to the majority of the population through property rights. Under lawless anarchy, "freedom" becomes coextensive with "might is right", as long as the security of person and possessions are not backed by the superior power of the state, the Hobbesian Leviathan.

⁴ No page numbers in the online edition.

⁵ This is the only time I use the term "utilitarian", since I don't want my consequentialist, institutionalist approach to be needlessly confused with the utilitarianism of Bentham, Mill or, say, Peter Singer. The similarities are striking enough, however, so that the term is not entirely inappropriate – if we remember that "utility", here, means individual welfare.

Law sets limits on the coercive power of individuals and groups. Such limits (private property rights) delineate spheres of private action, which excludes non-owners and non-users from other (claim-based) sharing arrangements. Such an “enclosure of the commons” is both necessary and justified because it creates beneficial results on society. Property rights – a social institution for common welfare - creates both social progress and personal utility. However, it also causes exclusion problems and needless misery, if private property is allowed to be absolute (non-taxed).

With the following words, Locke justified the institution of private property: “God gave the world to men in common; *but since he gave it them for their benefit...*” (TTG: §34, *my emphasis*) Without the boundaries, limit, side-constraints, between individuals' private spheres, the world would remain a barren wasteland – or, at least, hugely underdeveloped. Private property allows for the accumulation of capital, and the development of natural resources for private ends, which has positive ripple effects for the public good. People like Smith and Hayek concur. I wish to defend this approach, and to highlight the benefits that accrue from instituting fixed limits on coercion.

The institution of fixed rules does not guarantee optimal immediate or local results. But it is precisely because its long-term and large-scale benefits are so great that we should try to restrain from interfering in the particular and immediate cases. The slight local benefit we gain may come at the expense of a global disintegration of the system as a whole: “*Public utility* requires that property should be regulated by general inflexible rules; and though such rules are adopted as best serve the same end of public utility, it is impossible for them to prevent all particular hardships, or make beneficial consequences result from every individual case.” (Hume, 1777: §257, *my emphasis*)

The state is a good instrument for protecting the private spheres of individuals. Under the law, liberty is understood as the fundamental human right of citizens. Nonetheless, in a market society, the protected private sphere cannot be limited to the pure negative command against encroachment, since the protected private sphere must be protected against physical and economic dangers. The private sphere is only as strong as the possessions that it contains, and people without possessions are people without power. The power to maintain oneself is a necessary condition for the continuation of the life of the individual and, where it is absent, it must be generated. We cannot limit the understanding of the self-ownership criteria to the mind and body of the individual, since they are only a necessary but not a sufficient condition for real autonomy in the modern world.

Mind and body constitute the primary productive capacity of the individual, for sure, but they are dependent upon external resources, i.e. natural nourishment, without which they will perish. Mind and body will survive only if they (as the unified organism) are able to reproduce the material, economic, social, biological and psychological conditions of their own existence in time. Organisms are dependent upon their own level of productive power, which, under capitalism, is bought and sold in the marketplace. This productive power of the individual fluctuates naturally over time, both because of inherent and accidental reasons. The productive power of individuals can be either temporarily or permanently diminished, due to congenital reasons (e.g. disability, brain power), social reasons (e.g. lack of education, political oppression) or environmental reasons (e.g. viruses).

The exchange value of a person's labour capacity, understood as the output of self-owning bodies and minds, can either temporarily or permanently fall below a self-sustaining level of existence. If we are to allow for the appropriation of external resources into private property, we must make sure that all people benefit from the system, even if some people naturally benefit more than others.

The private property system is dependent upon capital accumulation. Individuals are turned into capital, too, in the form of labour. People need purchasing power to survive, and the purchasing power must be earned in the labour market or through some other means. In order to uphold a

capital-based society, the state has the responsibility to uphold private property - understood in the libertarian sense of setting limits on coercion - but it also has to uphold the minimum security and dignity of individuals subject to market forces within such a system. The solution to such a paradox is to guarantee the basic security and dignity of individuals through collective policies, as long as the market fails to provide a sufficient level of security, autonomy and purchasing power. *Basic income* should, thus, be understood as the government-backed *basic purchasing power* (or *basic capital*) guaranteed to all citizens. It guarantees the liberty and autonomy of the individual. (Of course it does not guarantee welfare beyond a minimum level; and it might not be enough for all people. For this reason, a responsible society probably offers a few supplementary policies.)

8. Basic Income Guarantee as a Libertarian Proposal

BIG has been defended by many classical liberals (Paine 1797; Friedman 1962; Buchanan 1997). Libertarian scholars Matt Zwolinski (2013) and John Tomasi (2012) have proposed a “bleeding-heart libertarian” defence of basic income on similar grounds. The reason is that it solves the problem of combining welfare with a market economy under a limited government. It thus fits the utopia of the limited welfare state. Constitutionally enshrined BIG forms a part of the basic framework of the security apparatus of the society. It cannot be denied to any citizen, nor is anybody given more. Thus it implements the welfare principle of liberalism in an equal way to everybody. Since it leaves it up to the individuals how they wish to spend the money, it respects the libertarian “self-ownership” core of liberalism. Since it supports the efforts of individuals to improve their own lives in the job market, by providing (uncoerced) incentives for low wage-earners, it supports the market economy. Since it does not dictate to people how they should use the money, it allows for non-patterned outcomes. Since it eliminates political privileges to special groups, it reduces rent-seeking in society. And since it supports individual responsibility and entrepreneurial risk-taking, due to the added security and stability it provides, it supports wealth production in the market economy. It enhances the welfare aims of the market democratic society.

Further liberal arguments for the BIG have been put forward in the book *Basic Income and the Free Market* (ed. Nell, 2013). The central conclusion of the book is that “a nonintrusive redistribution like the BIG might actually represent an improvement upon pure *laissez-faire*.” (3) Hayek and Buchanan agree. Optimal free markets might need a bit of state intervention, but within strict limits. This, as I have shown from Locke and Tomasi, is the typical position of classical liberalism. They consider a combination of substantially free markets and a robust system of governance to be an improvement over *both* *laissez-faire* libertarianism *and* socialist or social-democratic planning.

Instead of going through the various libertarian proposals for basic income, let us take the example of Friedrich Hayek, one of the most important classical liberals / libertarians of the last century. His theory is, in many ways, paradigmatic of the “limited welfare state” argument for BIG.

9. Friedrich Hayek's Neoliberal Welfare State

Hayek has argued for a minimum income floor in practically all his writings (1944; 1960; 1982).

In *The Road to Serfdom* (1944), that famous tractate written against the overweening welfare state, Hayek argues that a liberal society should have a program against poverty: “There is no reason why in a society which has reached the general level of wealth which ours has attained the [...] security [*qua* minimum income] should not be guaranteed to all without endangering general freedom.” (RtS: 148) But guaranteeing the absolute minimum floor is as far as it goes, according to Hayek, as he explains in his magnum opus, *The Constitution of Liberty* (1960): “any further provision

[beyond the limited welfare state provision] required for the maintenance of the accustomed standard should be left to competitive and voluntary efforts.” (CoL: 426) The redistributive power of the welfare state is robust, but strictly limited. He never changed his mind on the desirability, or at least the acceptability, of such a scheme. He always “take(s) for granted the availability of a system of public relief which provides a uniform minimum for all instances of proved need, so that no member of the community need be in want of food or shelter.” (*ibid*: 424) The same sentiment is expressed decades later, in *Law, Legislation and Liberty* (1982): “The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be wholly legitimate protection against a risk common to all, but a necessary part of the Great Society in which the individual no longer has specific claims on the members of the particular small group into which he was born.” (LLL: 55)

Hayek's arguments can be used to justify a guaranteed minimum income of the sort that the Basic Income Guarantee is a good example of: “The basic conception of classical liberalism, which alone can make decent and impartial government possible, is that government must regard all people as equal, however unequal they may in fact be, and that in whatever manner the government restrains (or assists) the action of one, so it must, under the same abstract rules, restraint (or assist) the actions of all others. Nobody has special claims on government because he is either rich or poor, beyond the assurance of protection against all violence from anybody and *the assurance of a certain flat minimum income if things go wholly wrong.*” (Hayek, LLL: 143, my emphasis)

The above quotation emphasizes the following: 1) That government should regard all people as equal, however unequal they may in fact be; 2) That government assistance be universal in the sense of applying to all citizens; 3) That government provide protection in the form of property rights and social welfare; 4) That a “flat minimum income” is the best form of social welfare; 5) That beyond the assurance of such protection, nobody can have further claims based on need.

Even if we could justify more extensive redistribution in the name of social justice – which Hayek thinks we cannot do (See LLL: 169-341) – its implementation would probably end up doing a great deal of harm: “Though we may have speeded up a little the conquest of want, disease, ignorance, squalor, and idleness, we may in the future do worse even in that struggle when the chief dangers will come from inflation, paralysing taxation, coercive labor unions, an ever increasing dominance of government in education, and a social service bureaucracy with far-reaching arbitrary powers – dangers from which the individual cannot escape by his own efforts and which the momentum of the overextended machinery of government is likely to increase rather than mitigate.” (CoL: 429)

I do not agree with Hayek that a “conquest of want” through government means is *necessarily* a “road to serfdom” doomed to fail or oppress. I believe that there are multiple ways in which governments can do great things beyond the provision of a guaranteed minimum income. But I agree with him that “[i]t is indeed probably that more harm and misery have been caused by men determined to use coercion to stamp out a moral evil than by men intent on doing evil.” (CoL: 213) This is a powerful consequentialist argument against expanding government power too far – i.e. for providing a *limited* welfare state, but not trying to maximize human welfare in a zealous fashion.

If we understand the reasons why Hayek was willing to accept something like a basic income guarantee (even if not fully unconditional), and why he was not willing to go much further in the direction of the welfare state (although still *surprisingly* far; see Lehto, 2015), we can understand the similar proposals for a libertarian basic income, and the larger limited welfare state, made by e.g. Friedman (1962), Buchanan (1997), Murray (2006), Tomasi (2012) and Zwolinski (2013).

10. Conclusion and Open Questions

The vastness of the different interpretations of the basic income guarantee is only matched by the vastness of the different interpretations of the classical liberal tradition, which is such an integral part of the Western societies (and increasingly of non-Western societies as well). However, I believe there are better and worse interpretations of liberalism, and I believe that the three principles of “welfare libertarianism” that I have outlined – 1) robust private property rights, 2) limiting government power to minimum, and 3) supplementing pure market forces with some public goods – are the most fruitful and relevant direction to go, *if we wish to maximize individual welfare*.

In my reading, the classical liberal framework of John Locke, Adam Smith and Friedrich Hayek is interpreted as providing a framework for a regime of a “limited welfare state” which incorporates a basic income guarantee and perhaps some other unspecified welfare policies, together with a robust framework of social and economic freedom made possible by the institution of private property.

I have introduced the methodological framework of “welfare individualism” which, admittedly, is not shared by all the classical liberal thinkers, but which seems to me to be a reasonable estimation of the attitudes underlying the desire to treat individuals as free and equal citizens, each with their own power to choose their own lives, and each with their own sphere of legally protected freedom.

There are many aspects of the framework which are left undefined or under-defined. E.g.: What counts as “limiting” state power? What is the appropriate level of taxation? Is there a need for some limited paternalistic legislation, as well? Do property rights *actually* benefit poor people?

The “consequentialist” framework, if we can figure out its details and justify its claims empirically, justifies social institutions on the basis of the socially beneficial consequences that they have. It offers a powerful and, in my opinion, devastating critique of *both* hardcore (anti-welfare) libertarianism and *existing* paternalistic, bureaucratic social democratic “welfare state” policies. It offers a true third way, not in the Aristotelian sense of moderation, but in the optimistic and utopian sense of offering a radical promise of an open-ended, non-patterned, flourishing future. In such a future, when basic income meets libertarianism, the welfare state can finally live up to its name.

References:

- **Buchanan**, James:
 - "Can Democracy Promote the General Welfare?" (1997). In: *Social Philosophy and Policy* 14 (2): 165-179.
 - *The Limits of Liberty: Between Anarchy and Leviathan* (2001/1975). Indianapolis: Liberty Fund.
- **Friedman**, Milton: *Capitalism and Freedom* (1962). Chicago: The University of Chicago Press.
- **George**, Henry: *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and Increase of Want with Increase of Wealth, The Remedy*. (1905/1879) New York: Modern Library.
- **Hayek**, Friedrich:
 - *The Constitution of Liberty: The Definitive Edition* (2001/1960). Chicago: University of Chicago Press.
 - *Law, Legislation and Liberty* (LLL) (1982). London: Routledge & Kegan Paul
 - *The Road to Serfdom* (1990/1944). London: Routledge.
- **Hume**, David: *Enquire Concerning The Principles of Morals*. (1777) Read at: <http://praxeology.net/enquiry2.htm>
- **Lehto**, Otto: *The Three Principles of Classical Liberalism: A Consequentialist Defence of the*

Limited Welfare State (2015). Master's Thesis, Dept. of Social and Moral Philosophy, University of Helsinki. Available online at: <https://helda.helsinki.fi/handle/10138/155211>

- **Locke**, John (ed. Laslett, Peter): *Two Treatises of Government* (TTG) (1988/1689). Cambridge: Cambridge UP.
- **Mises**, Ludwig: *Liberalism* (2012/1929). USA: Important Books.
- **Murray**, Charles: *In Our Hands: A Plan to Replace the Welfare State* (2006). Washington D.C.: The AEI Press.
- **Nell**, Guinevere Liberty (ed.) (2013). *Basic Income and the Free Market: Austrian Economics and the Potential for Efficient Redistribution*. USA: Palgrave MacMillan.
- **Nozick**, Robert: *Anarchy, State and Utopia* (2001/1974). John Wiley & Sons Inc.: USA.
- **Otsuka**, Michael: *Libertarianism without Inequality* (2009). Oxford: Clarendon.
- **Paine**, Thomas: *Agrarian Justice* (1797). Online at: <https://www.socialsecurity.gov/history/tpaine3.html>.
- **Parijs**, van, Philippe: *Real Freedom For All - What (if anything) can justify capitalism?"* (1995). Oxford, U.K.: Clarendon Press / Oxford University Press.
- **Rothbard**, Murray N.: *For a New Liberty: The Libertarian Manifesto* (2002/1973). Online at: <http://mises.org/rothbard/newlibertywhole.asp>.
- **Schmidtz**, David: *The Limits of Government: An Essay on the Public Choice Argument* (1991). Oxford: Westview Press.
- **Smith**, Adam: *An Inquiry into the Nature and Causes of Wealth of Nations* (2007/1776). Edited by S. M. Soares. MetaLibri Digital Library. Read online at: http://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf
- **Spencer**, Herbert: *The Man Versus the State*. (1884.) Online at <http://www.constitution.org/hs/manvssta.htm> (accessed August 24, 2014)
- **Spinoza**, Baruch: *Ethics* (1677/1989). J.M. Dent & Sons Ltd: London, U.K.
- **Steiner**, Hillel: *An Essay on Rights* (1994). Oxford: Blackwell.
- **Tomasi**, John: *Free Market Fairness* (2012). Princeton: Princeton UP.
- **Zwolinski**, Matt: "The Libertarian Case for Basic Income" (2013). Blog post. Available online at: <http://www.libertarianism.org/columns/libertarian-case-basic-income>