

Neoliberalism and the welfare state: Prospects for the year 2000

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ABSTRACT

This paper sets out to reappraise the central principles upon which a revived welfare state could be constructed. In order to do this I will undertake three main tasks. Firstly, I will briefly review the rise of neoliberal policy in New Zealand which supplanted Keynesian demand management of the welfare state. In this section I will focus specifically on neoliberal policy development with respect to education. Secondly, I will examine the failings of neoliberal theory in its own terms, focusing on the themes of rationality and consumer choice, the efficiency of markets, its views towards the state and central planning, as well as the important issue of liberty. Finally, after examining some of the important criticisms of the traditional, bureaucratic welfare state, I will examine alternative possible models in terms of which a revised, non-bureaucratic welfare state could be constructed.

There has been a crisis of welfare liberalism in the past decade in New Zealand. The crisis can be seen to originate in New Zealand with the election to office of the Fourth Labour Government in 1984, which saw the introduction of neoliberal policies in education and social welfare, forcing a reversal of Keynesian economic and social policy, and an assault on the structures and practices of the welfare state.

The crisis itself must be traced to a more deep-seated and global crisis occurring in socialist thought and practice since the second world war. It has been a crisis of both practice and ideology. At one level the collapse of the communist regimes of eastern Europe can be seen as both the effect of a general ideological crisis of left-wing thought and the cause of its more rapid demise. The collapse of communism has, by association, tainted the respectable left in western countries. Added to this, the rise of neoliberalism and of postmodernism has served to undermine the legitimacy of left-wing thought. These developments must themselves be seen in relation to a general post-Fordist diversification of economic and social structure as well as the globalisation of economic, political and cultural life.

The resurgence of neoliberalism discredited any popular appeal that socialist politics in New Zealand might have had, although even without neoliberalism socialist politics appealed to only, always, a numerically small proportion of the politically interested population. To a large extent, traditional socialist movements had always struggled for recognition in opposition to the politics of liberalism. What neoliberalism also effected, however, was to discredit the more moderate policy framework of Keynesianism - leading to a crisis of the welfare state (Joppke, 1987). Keynesianism sanctioned a mixed economy where the role of government and the scope of politics were expanded. As a consequence, during its golden years New Zealand experienced nearly full

employment. While Keynesian demand management was the dominant policy framework for more than two decades, from the end of the 1960s it slid into crisis triggered by the general international economic recession of 1974-75, by the breakdown of regular exchange rates, by the collapse of the profitability of business, or by its inability to maintain full employment. In more general terms, as Offe (1984), Habermas (1975) and O'Connor (1973) explain it, the crisis was a response to the increasing inability to reconcile the problems of capital accumulation with the political processes of democratic management and legitimation.

The neoliberalism that filled the gap was a revived form of classical liberalism. It critiqued both socialism and the welfare state in one stroke as being plagued by the evils of statism, central planning, and bureaucratic, collective provision. It scolded statist options and posited non-statist alternatives emphasising a greater role for freedom and markets. Socialists and welfare state liberals were outflanked and many conceded that the emphasis on a state provision had left a lot to be desired, that it had been unresponsive to public needs, inefficient in providing for them, and at worst brutal and authoritarian (Amin, 1994; McLennan, 1993; Martell, 1992, 1993).

In the twentieth century, neoliberal economic doctrines were elaborated by various 'organic intellectuals' in economics, political science and in various business and management studies. Foremost amongst these were the 'Chicago School' of pioneering economic researchers led by Friedrich A. von Hayek (1935, 1944) and Milton Friedman (1962, 1980), and the 'Virginian School' of public choice theorists led by James Buchanan and his researchers at the Virginia Polytechnic's School of Political Science (Buchanan, 1960, 1969, 1975; Buchanan & Tullock, 1962).

Neoliberals supported the free-market. The associated economic and social policies became central to the state's role in America under Ronald Reagan in the late 1970s, in England under Margaret Thatcher in the 1970s, and in New Zealand under the influence of Roger Douglas, the finance minister of the Fourth Labour Government, in the 1980s. The freemarket line's appeal to business was obvious, and, although their ideas seemed extreme, they quickly gathered popular support. The doctrine of monetarism which entailed restraint of the money supply and the public sector replaced Keynesian demand management throughout OECD countries in the mid 1970s. In addition, and encouraged by international organisations such as the World Bank and the IMF, growth in government was halted in most western advanced economies, the privatisation and commercialisation of the public sector began, and support for income redistribution and universal services became substantially weakened.

This paper sets out to reappraise the central principles upon which a revived welfare state could be constructed. In order to do this I will undertake three main tasks. Firstly, I will briefly review the rise of neoliberal policy in New Zealand which supplanted Keynesian demand management of the welfare state. In this section I will focus specifically on neoliberal policy development with respect to education. Secondly, I will examine the failings of neoliberal theory in its own terms, focusing on the themes of rationality and consumer choice, the efficiency of markets, its views towards the state and central planning, as well as the important issue of liberty. Finally, after examining some of the important criticisms of the traditional, bureaucratic welfare state, I will examine alternative possible models in terms of which a revised, non-bureaucratic welfare state could be constructed.

1. The new right in New Zealand education: An overview

In the 1984 Treasury brief to the incoming Labour Government, *Economic Management*, new-right theory and strategy in relation to the economy in general was established as necessary in relation to several Treasury arguments. In the 1987 brief, *Government Management Vol. 1 and 11*, Treasury set forth its arguments in relation to more specific areas. Volume II was concerned specifically with education. In this they maintained that:

- education could be analysed in a way similar to any other service (p.2);

- education shares the main characteristics of other commodities traded in the marketplace, and that it could not be analysed successfully as a 'public good' (p.33);
- New Zealanders were too optimistic about the ability of education to contribute to economic growth and equality of opportunity (p. 8);
- increased expenditure in education does not necessarily improve educational standards or equality of opportunity, or lead to improved economic performance (pp. 8, 18, 39, 130, 132, 141, 142);
- the nature of education should be determined by society's aims (p. 6); that in particular education should be more responsive to business interests and to the needs of the economy (p. 27);
- not only has the education system not adjusted to changed circumstances but it has performed badly despite increased expenditure on it (pp. 6, 16, 18, 140);
- the reason it has performed badly is because teachers and the educational establishment have pursued their own self-interest rather than those of pupils and parents; i.e. they are not responsive enough to consumer interests and desires (pp.37-38);
- the educational system lacks a rigorous system of accountability. There is a lack of national monitoring procedures or of any satisfactory ways of comparing the effectiveness of schools in order to account for the public resources employed (p. 108);
- government' expenditure on education has been too high and should be cut (pp. 37-38, 146);
- government intervention and control has abetted the inflexible nature of the system and causes credential inflation which promotes educational inequality. Government control has also given rise to increased educational expenditure resulting in general inefficiency (pp. 37-39, 132, 137);
- educational management should be decentralised. Decisions can be more efficiently made at the local rather than at the central level. Under central planning mistakes are more likely, less easy to rectify and more costly (pp. 40- 41);
- government intervention and control has interrupted the 'natural' free-market contract between producer and consumer with all that entails for efficient and flexible producer responses to consumer demand (p. 41).

In short, Treasury argued that state provided and controlled education had performed badly and would continue to do so unless radical changes were implemented. The Treasury buttressed its arguments for the necessity of change by reference to 'falling standards', rising mediocrity, and 'provider-capture'. They claimed that these threatened our future as a nation.

The second half of the 1980s saw a large number of reports and policies produced by government and their various advisory bodies. Amongst the most important of these are:

(in relation to early childhood education):

Report of the Early Childhood Care and Education Working Group (the Meade Report) (1988)

Before Five: Early Childhood Care and Education in New Zealand (1988)

(in relation to primary and secondary education):

Administering for Excellence (the Picot Report) (1988)

Tomorrow's Schools (1988)

Today's Schools (the Lough Report) (1988)

The National Curriculum of New Zealand (1991)

The New Zealand Curriculum Framework (1993)

(in relation to tertiary education):

The Report of the Working Groups in Post-Compulsory Education and Training (the Hawke Report) (1988)

The Business Roundtable document, *'Reforming Tertiary Education in New Zealand'* (1988)
Learning/or Life (1988)

The Tertiary Reviews (1994)

The Report of the Ministerial Consultative Group (the Todd Report) (1994)

(of general significance in terms of the relationship between education and the economy):

Bulk Funding: Wage Bargaining in the Education Sector (1991)

The New Zealand Qualification Authority's *Designing the Framework* (1991) and *Learning to Learn* (1992)

Education/or the 21st Century (1993)

The OECD Economic Surveys (1992-1993)

New Zealand Business Roundtable's *Towards an Enterprise Culture* (1993).

As large as the number of reports was the number of changes that have taken place in education because of them. There have been changes in the operation and functioning of education at the early childhood, primary, secondary and tertiary levels. The very notion of education has also changed. For the first time in New Zealand's history, the conception of education as a commercial investment subject to market conditions has become a reality. The central issue of equality of opportunity which dominated the educational debate up until the end of the Muldoon era gave way to talk about efficiency, choice and competition. In 1990, a new Ministry of Education was established, replacing the old Department of Education and its regional offices and boards. A great deal of administration of education was allocated to individual schools, now fitted out with Charters and Boards of Trustees which replaced the old Boards of Governors and School Committees. The new structure increased the responsibilities of individual schools, although whether it increased actual effective control over key issues in education is more questionable and has been challenged (see Gordon, 1992; Bates, 1990; Codd, 1990a, 1990b; Smith, 1991; Kelsey, 1993). At a superficial level, the BOTs were given a whole series of new responsibilities including staff employment, management of the institution's property, and the design and implementation of a charter (based on a contract). The Education Review Office (ERO) and the New Zealand Qualifications Authority (NZQA) were also established. These changes were instituted through the 1989 Education Act, the 1990 Education Amendment Act and the 1991 Education Amendment Act. These Acts also laid the framework for bulk funding for both teachers' salaries and school operations, revoked compulsory registration for teachers, and abolished zoning for schools. In 1991, a user pays system of student fees into tertiary education was introduced which laid the basis for the later modifications and changes introduced by the National government resulting in the introduction of student loans.

The reforms post 1984 have seen major shifts in both the ideals and practices of New Zealand education. In a fairly sudden manner and with subsequent fine turning, our education system has been subjected to the laws of the market undermining the egalitarian ideals of the framework of the welfare state that has dominated educational provision in this country for most of the century. Peters, Marshall and Massey (1994) have noted that it was a shift from a concern with equality of opportunity to a concern with technical notions of efficiency and consumer choice. While this describes the broad basis of the transition, it is worth noting that the conception of equality of opportunity had itself undergone modifications during the 1970s which educationally had created something of an impasse. The period marked by the Johnson Report (1977) to the Curriculum Review (1987) can be seen as marking a liberal-humanist interregnum between a technocratic

discourse concerned narrowly with equality of opportunity as access to the 'new right' concerns centring on the market. The key features of this interregnum were characterised by a shift from a conception of equality centring on equality as opportunity or access to a conception of equality as being concerned with outcomes as represented by the idea embodied in several reports of this period that everyone should receive something out of education. Although policy documents such as The Johnson Report, The Curriculum Review, and The Schools Without Failure Project all conveyed the impact of this radical shift, the general unsustainability of the expectations generated by these reports contributed, perhaps, to the impasse that was to occur, and which opened the way for market-oriented education initiatives. The new right reforms thus represented not only a shift from a conception of education centred around the state's assurance of the conditions for equality to a concern with issues such as 'efficiency' and 'choice', but it also represented a shift from a conception of education as a public good to one where it was conceived as a private commodity (Grace, 1989). In so doing, it established the conditions where education could become thoroughly inegalitarian. Although restructuring was first justified in terms of empowering local communities, the justification later became one of maximising competition or, as the Porter Report of 1991 made clear, of "upgrading New Zealand's competitive advantage".

The power of business

This restructuring of education was not initiated from within the educational establishment itself. According to Ian McLaren, this represented something of a change. In his *Education in a Small Democracy* (1974), he observes that prior to the 1970s educational policy was largely forged by departmental administrators who were "left alone to develop educational policy" (1974: 32) or by teacher organisations which have "so directly ... affect[ed] the shaping of educational policy that it is sometimes said that the New Zealand education system is one run by teachers for teachers" (1974: 42). Whatever the validity of these comments in the golden years of the welfare state, it is clear that they cannot be said to apply to the determination of educational policy since 1984. The move to neo-classical liberalism was a programme espoused predominantly by business groups and their intellectual supporters, and supported as well by conservative sections of the community. The concept 'new right' is frequently used to characterise this alliance of interests. Although the concept should not be used to exaggerate the cohesiveness of such an alliance, it serves, nevertheless, as a useful proxy indicator to characterise those groups that support market policies seeking to expand the role of the market and reduce the scope of public provision. In their thinking, the new right are free marketeers who criticise state education as bureaucratic and inefficient monopolies dominated by producer interests and unresponsive to the demands of its consumers, the parents and employers. The newness of the new right entails a comparative reference to policies and practices which bear a resemblance to the principles and percepts of 'old' economic liberalism, and in this sense constitute a revival of it. The concept is also useful as a critical tool in that it implies a conception of power and of the state which rejects the pluralist notion of society as a level playing field (Roper, 1992). While one should be aware that the concept is not altogether unproblematic and should not lead us to advocate simplistic conspiracy theories, its theoretical efficacy is attested to in that it conveys, in shorthand form, the uneven structures of power as they exist in welfare-capitalist states, and to the disproportionate influence of business in the formation of policy by the state which has been produced in the 1980s and 1990s. As Roper (1992) has argued, business associations have an inherent structural advantage over trade unions and social movements when lobbying government for desired changes in policy, because the state is structurally constrained and limited by its fiscal dependence on revenue derived from taxation of incomes generated in the process of capital accumulation. Because state power is largely dependent upon capital accumulation - a process which the state cannot directly control in a private enterprise economy - "every occupant of state power is basically interested in promoting those conditions most conducive to accumulation" (Offe & Ronge, 1982, cited in Roper 1992: 150). In this sense, the new

right revolution has been characterised by the increasing influence of business over what have traditionally been non-business sections of the community and over state-provided public goods.

While the historical timing and precise nature of these changes have in New Zealand had their own distinctive character, the situation is compounded by the growing internationalisation of the economic system and the fact that market-driven, neo-classical policies have been a prominent developmental trend in all advanced, western, capitalist societies. Such changes are indicative of a new refusal by business to fund welfare and educational concessions or, in straightforward language, to stop financing the welfare state. Policy making throughout the long boom of the 1950s and 1960s had taken place within the institutional and ideological contexts of Keynesianism. When the long boom collapsed in the context of a world recession of 1974 and the New Zealand economy entered a period of economic downturn, the Keynesian welfare state was increasingly challenged by business leaders and by business-sponsored international research, resulting in widespread support for free-market policy perspectives during the first half of the 1980s. As Brian Roper notes,

What [was] so remarkable about business political activism during this period is that the ideological shift towards free market or neoclassical policy prescriptions was not only a feature of the policy making of general policy orientated business associations, but also of the Employers' Federation and all the major sectoral business associations. (1992: 156)

Varieties of liberalism and the idea of the 'flexible' human subject

The changes to education which resulted from the insertion of the new right into policy making in New Zealand were motivated by the adherence of the groups most centrally involved - the Fourth Labour Government, Treasury, the State Services Commission - to a particular strain of liberal thought referred to most often as neo-liberalism (Codd, 1990a, 1990b; Marshall & Peters, 1990; Peters & Marshall, 1990; Peters, Marshall & Massey, 1994). The central defining characteristics of this new brand of liberalism was that it was seen as a revival of the central tenets of classical liberalism, particularly classical economic liberalism. Notwithstanding a clear similarity between neo and classical liberal discourse, as Marshall (1994), Burchell (1993) and Colin Gordon (1991) maintain, the two cannot be seen as identical, and an understanding of the difference between them provides an important key to understanding the distinctive nature of the restructuring of education in the 1990s.

Whereas classical liberalism represents a negative conception of state power in that the individual was taken as an object to be freed from the interventions of the state, neoliberalism has come to represent a positive conception of the state's role in creating the appropriate market by providing the conditions, laws and institutions necessary for its operation. In classical liberalism the individual is characterised as having an autonomous human nature and can practise freedom. In neo-liberalism the state seeks to create an individual that is an enterprising and competitive entrepreneur. In the classical model the theoretical aim of the state was to limit and minimise its role based upon postulates which included (1) universal egoism (the self-interested individual), (2) invisible hand theory which dictated that the interests of the individual were also the interests of the society as a whole, and (3) the political maxim of laissez-faire. In the shift from classical liberalism to neo-liberalism, then, there is a further element added for such a shift involves a change in subject position from homo economicus, who naturally behaves out of self-interest, and is relatively detached from the state, to manipulatable man, who is created by the state and who is continually encouraged to be perpetually responsive. It is not that the conception of the self-interested subject is replaced or done away with by the new ideals of neo-liberalism, but that in an age of universal welfare, the perceived possibilities of slothful indolence create necessities for new forms of vigilance, surveillance, performance appraisal and of forms of control generally. In this new model the state has taken it upon itself to keep us all up to the mark. The state will see to it that each one of us makes a "continual enterprise of ourselves" (Gordon, 1991) in what seems to be a process of "governing without governing" (Rose, 1993).

The state seeks to assure then the conditions for perpetual human responsiveness and flexibility that are advanced most forcefully in modern new right theories such as Human Capital Theory, Public Choice Theory, Agency Theory, Cost Transaction Analysis and the revival of various forms of Managerialism. These theories are variants of neo-classical liberal thought and share its major presuppositions:

- economically self-interested subjects;
- that the economy is separate from the rest of society;
- that the uncoordinated self-interest of individuals correlates with the interests and the harmony of the whole;
- that the individual is a rational optimiser and is the best judge of his/her own interests and needs; and
- that a 'flexible', that is, deregulated labour market provides the same opportunities for people to utilise their skills and therefore optimise their life goals.

The fundamental aims of the reforms - to manage education to meet the demands of a more unequal society - is at the same time a spur to individuals to act rationally in the market in order to maximise their own production and profit. Individuals will work harder because they are working for themselves, and by such activity also ensure the optimum allocation of resources in society, maximising consumer satisfaction and total economic welfare.

2. The failure of market theories

The fundamental untenability of the reform programme relates to shortcomings in the theoretical underpinnings of free-market theory. Neo-liberals seek to justify their policies in championing individual liberty against the excesses of the state in relation to central planning, regulation, and social ownership, as well as the inefficiency and lack of consideration for the rights of the consumer and the individual. Markets, they argue, have distinct advantages over state regulation. The laws of supply and demand operate as indicators of under- and over-supply as well as incentives for producers to produce high-quality, competitively priced goods for which there is an established demand. In a multitude of ways, markets provide fast and efficient methods of supplying information on consumer demand, and a sure way of making certain that producers and providers will respond. In this sense, it is argued they encourage innovation and dynamism because producers have continually to improve their products and efficiency as well as to discover new areas of demand in order to continue to function. Markets involve the distribution of purchasing power to consumers who are able to choose between products and dictate through their purchasing behaviour to producers what they should produce. Markets, therefore, claim neo-liberals, overcome the inefficiency and unresponsiveness of central state planning, as they decentralise power downwards to enterprises, schools and individual consumers. It is in this way that power is shifted from the state into the hands of individuals. It is also claimed that because market theory only advances the rights of individuals, it does not advance any substantive image of the social good or blueprint as to how society ought to operate.

While many on the left, including welfare liberals and older-style socialists, admit the obvious deficiencies of traditional socialism or of the overcentralisation of state ownership and planning, there are many problems of such a market perspective.

- Consumer demand cannot be seen as equivalent to social need, and in relation to the latter the market is a poor guide, and without compassion to boot. Markets fail to ensure employment or to ensure, or be centrally concerned with, equality in the distribution of resources.
- The market fosters competition at the expense of cooperation, and, in fact, a market orientation to social and economic policy establishes competition as a central structuring norm of a community. Relatedly, market policies underemphasise the requirements of

cooperation and coordination in society in order for groups and individuals to work together.

- In relation to education, the view that standards can be raised through comparison and competition, and that increasing systematic appraisal and accountability will lead to increased efficiency and hence productivity, must be questioned. In such views there is an assumed conception of education as a quantifiable product, i.e. as a commodity that can be measured or assigned a value in terms of measurable dimensions. It is assumed, in other words, that one can measure the value added effects of teaching on children's lives. Any attempts to do so, however, are likely to be highly spurious (Codd, McAlpine & Poskitt, 1991).
- A series of criticisms relate to the issue of rational choice. Of particular importance is that the consumer cannot be supposed to have perfect foresight or make rational decisions based on perfect knowledge or understanding of the situation. It is highly implausible, as Robert Lane (1993) points out, that all people can be represented as economic agents who can be relied on to make choices that are in all cases rational; that they are infinitely clear-headed about how to go about realising their goals and obtaining their desires; that they are capable of foreseeing all of the consequences of their actions; that they can discover which is the best strategy to service their chosen ends; or that each can experience the necessary feedback to keep their expectations in balance with the objective possibilities.
- Individuals will clearly differ in their ability to act rationally in their own self-interests; some will be more successful than others. If this is so, then the welfare state liberal believes that there is no reason to structure society exclusively in the interests of those that can succeed. Indeed, as social democrats from John Stuart Mill to Lord Keynes have argued, there is every reason not to do so because, in the main, human beings are not self-sufficient and fiercely independent but are connected to other people and the structures of social support in various relations of dependence and need (relations which will vary depending upon their age gender, financial means, race or other factors at a specific time and place). If this is so then the welfare liberals' demand for a state which is not exclusively geared to the self-interests of individuals, but is generally committed to an overall conception of the good in the interests of all individuals, is more likely to be acceptable to the vast majority of its citizens.

It can be argued, in fact, that the rise of the interventionist state in the late nineteenth and early twentieth century was to check the excesses and failures of the market in its unregulated form. Karl Polanyi (1969) argues that the increasing positive role of the state was not promoted by political arguments for socialism but by more pragmatic considerations related to weaknesses inherent in the market mechanism. As Polanyi states,

The antiliberal conspiracy is pure invention. The great variety of forms in which the "collectivist" countermovement appeared was not due to any preference for socialism or nationalism on the part of conceited interests, but exclusively to the broader range of the vital social interests affected by the expanding market mechanism. This accounts for the all but universal reactions of predominantly practical character called forth by the expansion of that mechanism. Intellectual fashions played no role whatever in that process; there was accordingly no room for the prejudice which the liberal regards as the ideological force behind the antiliberal developments (1969: 16).

From the 1860s there was an expanding range of matters on which state action was taken, ranging from legislation relating to employment (child labour), health and education. Polanyi argues, in fact, that the changes from liberal to collectivist solutions happened without any consciousness of deep-seated ideological and political changes on the part of those engaged in the process in countries as diverse as Prussia under Bismark Victorian England, and France of the Third Republic. Each passed through a period of economic liberalism characterised by free trade and laissez-faire, followed by a period of antiliberal intervention in regard to public health, factory conditions, child labour, municipal trading, social insurance, public utilities and so on. Intervention in the market, especially as it related to employment, social services and education, was increasingly designed to influence

the quality as well as the quantity of its provision, because in fact the free market proved to be "a poor guide to the best means of satisfying the real wishes of consumers" (Shonfield, 1965: 226-236). In relation to education, the operations of the market proved to be particularly pernicious for, without a reasonably planned approach, one is driven to reliance upon considerations of economic costs and benefits as criteria for the setting of educational goals, with the consequent danger that the determination of educational goals and objectives is taken out of the education realm altogether. The weaknesses of such economic principles were set out by Keynes in his original arguments against the free-market policies which he made in an article entitled "The End of Laissez-Faire" written in 1926.

It is *not* true that individuals possess a prescriptive "natural liberty" in their economic activities. There is *no* "compact" conferring perpetual rights on those who Have or on those who Acquire. The world is *not* so governed from above that private and social interests always coincide. It is *not* so managed here below that in practice they coincide. It is *not* a correct deduction from the Principles of Economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally *is* enlightened, more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these. Experience does *not* show that individuals, when they make up a social unit, are always less clear sighted than when they act separately. (1926, cited in Rea & McLeod, 1969: 52 - emphasis in original)

This statement illustrates the early rejection of market principles by many moderate liberals earlier this century who wanted to reform capitalism rather than abolish it. The real issue as Keynes saw clearly was in seeking to ascertain "what the state ought to take upon itself to direct by the public wisdom, and what it ought to leave with as little interference as possible to individual exertion" (1926, cited in Rea & McLeod, 1969: 53). Such arguments, it can be suggested, would still be relevant today, especially with reference to the restructuring in education where control has been increasingly divested from the providers and given to the consumers as well as to policy groups outside of the educational domain.

The state and central planning

Neoliberals such as Hayek (1935, 1944), Friedman (1962, 1980), Buchanan (1960, 1969, 1975) and Nozick (1974) represent all forms of state action beyond the minimal functions of the defence of the realm and the protection of basic rights to life and property as dangerous threats to liberty which are likely to lead down the 'road to serfdom'.¹

For Hayek, the proper functioning of markets is incompatible with state planning of any sort, either full-scale socialism or the more limited conception of the welfare state. A full-scale rational socialism is impossible because it would have no markets to guide resource allocation (Mises, cited in Hayek, 1935). In addition, central planning of any form, he claims, is not practical because of the scale of centralised calculation any effective attempt at allocation would require (Hayek, 1944). Hayek's main arguments against central planning are based on two claims: (1) on its inefficiency, and (2) on the threat to freedom of the individual.

It would be inefficient, in Hayek's view, because real knowledge is gained and true economic progress made as a consequence of locally generated knowledge derived from "particular circumstances of time and place" and the state is not privy to such knowledge (1945: 521). The market then is the mechanism which best allocates resources in society. Planning ignores this localistic character of knowledge and interferes with the market's self-regulating mechanism.

Socialist analyses of the role of markets and state planning in socialist societies depart radically from Hayek's view that planning and markets are incompatible with each other. Studies by Dickinson (1933), Lange (1939), Dobb (1955), Brus (1972), Nuti (1981) and Nove (1983) have argued for the central importance (although not priority) of markets moderated by the state. Nove, in his book *The Economics of Feasible Socialism* (1983), argues against the case for generalised central

planning as a desirable or workable alternative in western Europe. He recommends an active market economy moderated by a strong state as well as extensive state social and cooperative property.

Hayek's arguments depend on a sharp dichotomy between markets and planning. For Hayek, mistakes and errors become 'entrenched' in the process of planning. Yet, why they should become entrenched rather than be correctable, is not clear. The issue is important for the idea that administrative lethargy and proneness to error are endemic to all forms of planning, and are not correctable through internally applied quality controls, is fundamental to the concept of capture which has become an important theoretical term used in policy reports throughout the western world, including those introduced post 1984 in New Zealand. In addition, the extent to which Hayek's antipathy for planning is grounded in solid evidence or simply reflects his broader anticommunitarianism is problematic. Empirical studies of the history of planning in Britain, such as Wootton (1945), argue that there is little sign of any road to serfdom, or significant erosion of the liberty of the individual as a consequence of increases in state planning in the period between the two world wars.

Underpinning Hayek's views of markets and planning is an absolute priority he gives to a particular conception of freedom and liberty. As Tomlinson (1990: 40) observes, it is on the issue of liberty rather than inefficiency that Hayek's central objections to statism and communitarianism rest. Liberty is defined by Hayek as the basic feature of social organisation. It is "the state in which a man is not subject to coercion by the arbitrary will of another or others" (Hayek, 1960 cited in Tomlinson, 1990: 40). All actions of the state are arbitrary except those that conform to the rule of law. The rule of law embodies the legitimate limits of the state's proper functions and relates solely to the protection of personal property. It is a doctrine concerning the limits of the law aimed at restricting the coercive powers of the state. Freedom is threatened by state activity beyond these limits. For Hayek, as for Nozick (1974), or for that matter most neoliberals, this effectively excludes all welfare rights as well as rights to a minimum level of sustenance or reciprocity.

Tomlinson (1990: 40) cites Keynes (1931: 394) commented upon Hayek's work that "it is an extraordinary example of how starting with a mistake a remorseless logician can end up in bedlam." The alleged threat to the state rests upon a particular definition of freedom as the absence of coercion by the state. It is a limited and unambitious concept of freedom and is enormously problematic.

First, it focuses on the coercion of the state power, but excludes economic threats to freedom, simply ignoring the fact that most of the significant obstacles to freedom are threatened by the impersonal forces of the labour market rather than the state. Why does not the unintended consequences of the behaviour of the market place count as an infringement of liberty? The answer is Hayek does not want to condemn but rather he wants to celebrate the unintended effects of the market on people's lives. It is only intentional, willed coercion by the state, or by individuals, that can diminish freedom. This theory conveniently has the effect of preserving existing property relations.

Second, Hayek's concept of freedom is a purely negative one and it allows no notion of freedom *to* act. The concept of negative liberty relates only to the absence of coercion. As Isaiah Berlin (1969) puts it,

Coercion implies the deliberate interference of other human beings within the area in which I could otherwise act. You lack political liberty or freedom only if you are prevented from attaining a goal by human beings. Mere incapacity to attain a goal is not lack of political freedom. (1969: 122)

The central characteristics of negative liberty can thus be formally stated: (1) liberty is defined in terms of an absence rather than in terms of any positive capacity of individuals to achieve their objectives, and (2) poverty, illiteracy or unemployment may severely restrict what individuals are able to do but none of these affect one's negative liberty.

Negative liberty can be contrasted with positive liberty. While one offers freedom from, the other offers freedom to. While individuals are given freedom from state coercion, it does not offer "equal access to the means of life and the means of labour" (Macpherson, 1973: 96). To discuss freedom merely in terms of what it prevents being done to the individual ignores the public significance of many freedoms. By ignoring any conception of positive freedom, it ignores the sense in which people's freedom *to* act depends on, and presupposes a certain degree of equality in the distribution of societal resources.

Although neoliberals maintain a sharp distinction between negative and positive liberty, and emphasise only the former, writers such as MacCallum (1967) and Martell (1993) question whether such a separation is viable at all. To be concerned with negative freedom from coercion is also to be concerned with positive freedom from coercion to do whatever one wants to do. If state coercion is removed, but I still lack the opportunity, then freedom is pointless. As Martell states,

This makes the idea of liberty a nonsense because a person is just as unfree to pursue a path of action because of the lack of resources they have been left with as a result of their position in the market as they are because the state has deliberately deprived them of a right to do so. One coercion may be more acceptable than another. (1993, 110)

Negative liberty is achievable in a strictly inegalitarian society, and means that some have greater capacities to act freely than others. To believe in positive liberty is to maintain that all people should have the resources and capacities to express and realise their freedom in their actions. This would entail a broadly egalitarian society, at least in the sense of offering equality of access, a minimum acceptable standard of living, as well as access to forms of cultural capital such as literacy and numeracy.

A third problem with Hayek's concept of liberty is that it constitutes a purely abstract and formal claim that tells us nothing about what life is like for most people in society most of the time. What people tend to do depends upon the character of the society in which they live, and on the conditions they find themselves occupying within it.

A fourth problem with Hayek's concept of liberty is the absolute priority claimed for the freedom of the individual. For socialists and welfare liberals, liberty is only one of the desirable attributes of social organisation, and individual self-interest is not necessarily an appropriate basis for collective decisions (Wootton, 1945: 11; Tomlinson, 1994: 40). In exalting the liberty of the individual, not only does it deny that the state can have purposes and duties other than those arising from the purposes and interests of specific individuals or groups of individuals, but if followed logically as a principle it would prevent the state undertaking projects for or on behalf of communities (e.g. education, health etc.). It is not necessary to deny that there are many specific freedoms whose social value consists in allowing individuals to pursue their own ends, nor that the market is not the best means of allocation for many resources. The central issue is how far the liberty of the individual and the market can be extended, before choices in certain areas need to be limited because of the consequences of unrestricted individual liberty are undesirable. This might occur, for instance, in relation to allowing such things as unrestricted access to fishing reserves, or in relation to being prepared to tolerate enormous levels of poverty in the society. It may be that under certain conditions a government that refuses to act with regard to the distribution of income and wealth may well be more coercive than a government that attempts redistribution. A more communitarian approach has attractions for all those who think of society as a community independent of individuals, and who think of the well-being and liberty of individuals as in some way dependent upon the good or well-being of society. One argument for recognising the importance of society independently of the individuals which constitute it relates to the fact that there are general interests, social benefits and public goods which cannot be identified with the interests of individuals. As a result, then, the protection and promotion of these interests must be the responsibility of the state. That is, in order to protect the liberties of all individuals, the state must act to restrain those forms of actions which would necessarily damage or curtail the liberties of any

members of the community through either the intended or unintended actions of the labour market, the state, or any other person(s) or group(s) within society. The state should also act positively to enhance the opportunities of all members of society. State action in relation to the environment (e.g. clean air) or education have been advocated on this ground.

Freedom vs control

Arguments against central planning may be persuasive against the idea of completely centralised decision making for the entire economy, or in situations where the personal political and civil liberties of individuals are not protected in law. Beyond this Hayek's account of planning is simply a caricature (and in this respect the arguments of writers like Friedman, Buchanan and Nozick are fundamentally the same). One strategy Hayek uses is to posit a single polarity between the individual and centralised decision making, representing the issue as "freedom vs control".² The implication is that a market orientation does not advocate a particular form of society, but simply indicates a preference for individuals to freely plan their own futures, leaving the constitution of society to take care of itself. Such a view is hardly sustainable. In the first place, society necessarily always takes a substantive form, and the argument by neo-liberals that within its policy formulations it is not implying a particular preferred shape to society, or that it does not advocate the establishment of a social good over and above what individuals desire, does not rule out substantive commitments about what society should be like. In effect, in a theoretical sense, the substantive commitments of neo-liberals are as much a holistic blueprint for society as are those of Keynesians or even traditional socialists. As Martell (1992) argues, to claim that they are not making a choice about what form society should take must be seen, in fact, as a choice. If decisions are not made about the desirable shape of society publicly by social interests as a whole but left to emerge from the competitive interactions of individuals then the shape of society will be moulded by a combination of laissez-faire and the influence of powerful interests. In short, the neo-liberals claim that their own social plans are not really plans must be viewed critically. In Martell's own words,

[It] all sounds very nice until you realise that what it does, in effect, is to let in just another particular substantive vision of society as consisting of the sum total of individuals' preferences over which individuals have no overall control. In this sense [neo-liberalism] is in fact a highly substantive doctrine - one which posits a competitive individualist society immune to overall democratic direction. (1992: 156)

Neo-liberals might counter that any alternative to a market society is a monolithic community in which all individuals deny their own individuality for the good of the community. Defenders of market liberal societies like Hayek (1935, 1944) or Popper (1961) represent all alternatives to such an order as forms of monist communitarianism. For Hayek, state planning was a slippery slope leading to full-scale totalitarianism (1935: 24; 1944: Chap. 3). As Tomlinson points out, he typically dismisses any midway point between centralised and decentralised planning except "the delegation of planning to organised industries" (Hayek, 1945 cited in Tomlinson, 1990: 49). For Popper, although concerned more generally with the opposition between liberal individualism and marxism rather than the technical specifications of the market model, all alternatives to a society based on individual values and exchanges were also represented as forms of authoritarian control, or as tending to such control. Methodologically, and in terms of policy analysis and implementation they are ho lists. In his classic discussion of the principles which underlie an open society, Popper argues against utopian or holistic engineering in favour of piecemeal social engineering. Whereas piecemeal engineering favours a pragmatic and limited approach to change based on an awareness of the limits of human knowledge and allowing adequate room for the correction of errors, holistic engineering pursues large-scale social experiments. Popper further suggests that the persecutions in communist countries were the result of a holist conception of society. The holist, says Popper, believes that society is more than the sum of the individuals who comprise it, which gives a licence

to those who wish to curtail the rights and freedoms of the individual in the name of society 's greater good (1961: 76-93).

While Popper's arguments were directed against the Marxist-Leninist regimes of eastern Europe, it is through such forms of reasoning, aided, abetted and extended by neoliberals such as Hayek, Friedman and Nozick, that milder forms of democratic socialism and welfare statism have been also discredited. Such arguments must be seen as caricatures. Those who criticise neo-liberal restructuring need not deny the importance of individuality or the regard for liberty or plurality in order to advocate some form of social planning in the interests of the public good. It is perfectly conceivable for individuals to make concessions in the interests of a public good of society as a whole and still maintain a commitment to liberty. In fact, it might be said that it is hardly possible to maintain otherwise. In addition, as I will argue shortly, the social good need not be imposed in any dictatorial sense, but can itself be the outcome of a democratically negotiated process. This, one might add, is how it should be.

The anti-statism of the neoliberal needs careful examination. Is it not possible for individual rights and public goods to exist together and be held in balance? Is there no middle-around position which excludes the view that any degree of state planning throws us onto the slippery slope to serfdom? Can we not hold that societies exist independently of human beings without thereby committing ourselves to the beliefs about one being more important than another? It would also seem that individuals are socially constructed to a large extent in that they depend for all manner of things on society's opportunity structure, and yet it is possible to hold to this view without denying that liberty and choice are important. We can also hold that all that happens, and is important to human beings, is not to be explained entirely in terms of individual motivations and actions, and hold nevertheless that its importance is to be explained by appeal to the desires and interests of individuals.

Individualism

The individualism of neoliberalism attests to the extreme nature of its doctrine. In a tradition extending from Hobbes to Locke and onwards, classical liberals gave a moral priority to members of society as individuals, and marked the priority by according them non-legal and natural rights, which means that there are things the state cannot do to them even in the interests of society as a whole, and further that their obligations to the state as individuals are limited. In the Lockean conception, both the state and society were viewed as artifices, i.e. there is nothing necessary or natural about them. They came into being only by the consent of freely contracting individuals.

The individualism of neoliberalism can be broken down into three different types: ontological, methodological and political individualism. Ontological individualism holds that only individuals are real and that the individual is prior to society. Methodological individualism is the doctrine that collective phenomena (the state, class, education) can for the purposes of explanation be reduced to statements about individual actions and events and political individualism holds that social policies and state actions are to be judged good or bad only insofar as they serve the desires and purposes of individual members of society. One problem for neoliberals is that one can be politically individualist without being committed to ontological or methodological individualism.

At a theoretical level, the neoliberals' individualism is flawed on the grounds that it relies on a view of the individual which is ontologically suspect and psychologically unrealistic, an ideal which C. B. Macpherson (1962) has called the "possessive individual". In this model the individual is held to be proprietor of his/her own capacities and person, owing nothing to society for them. Not only does the individual own his/her own capacities, but each is morally and legally responsible for his or herself. The individual is held to be asocial and ahistorical. Such a conception also implies a model of society. Freedom from dependence upon others means freedom from relations with others

except those relations entered into voluntarily out of self-interest. Human society for the neoliberal, as far as classical precursors, is simply a series of market relations between self-interested subjects.

What individualist theories overlook in this regard is the significant sense in which people are socially constructed (Gergen, 1985; Hindess, 1990; Hacking, 1994). Individuals are not the constitutive subjects of social life, and their concerns and objectives depend on a variety of social conditions that are independent of and external to them as individuals. In addition, the concepts, language and forms of thought on which individuals depend, also exist in advance of and separate to them. Hence, as Hindess (1990: 19) points out, there is no particular inherent plausibility to the view that policy decisions by the state should be grounded in the choices of its individuals. In that the concerns and interests of individuals will depend on conditions prevailing in the society, some of which could be defined as public goods, there is no reason why the overall interests of individuals could not be addressed by focussing on those conditions, and in seeking to establish the structures necessary for individuals to go about their lives. While the overall ends of state policy would in this case still be for the individuals that constitute the society, the means of fulfilling those ends is not therefore relegated to the decisions of the individuals themselves.

Another thing individualist theories overlook is that there are significant actors other than individuals (Hindess, 1990). There are, for instance, significant corporate actors which are influential members of the economic community. What neoliberals do is dispute the ontological status of such corporate groups. While they recognise that they exist, they claim that for the purposes of explanation and analysis they can be treated as individuals. As a result, powerful institutional actors such as capitalist enterprises, churches or political parties have no effective, theoretical standing in terms of neoliberal, political theory. Yet such reductionism is unsatisfactory. As Hindess has put it,

Reductionism (of methodological individualism) in principle offers no practical guidance. It does not tell us how the actions of say, IBM or the Roman Catholic Church should in practice be reduced to the actions of the relevant individuals. Even if there were a clear sense in which the actions of corporate actors could in principle be reduced to the actions of human individuals we should still have to reckon with the concerns and objectives of corporate actors and what they do in their pursuit. (1990: 26-27)

3. Alternatives

Towards a reappraisal of socialist principles

There is more than just a theoretical interest to reappraise socialist principles. First, socialist principles and themes have been historically important in the formation of the welfare state. Secondly, various forms of social (state and community) ownership have existed within the welfare state societies, and to this extent democratic socialism is not necessarily incompatible with welfare liberalism. Thirdly, it is by no means vouchsafe that neoliberal hegemony will survive as the dominant discourse structuring state policy. Any number of internal contradictions may hasten its demise. Two would seem to be crucial, however:

(1) *Markets are inherently and cumulatively inegalitarian* (Martell, 1992). An expansion of the free market is likely to produce new extremes of inequality which will make the distributional failures of the welfare state look slight by comparison. In relation to education, for example, schools are increasingly distinguishable in terms of resourcing. As Liz Gordon (1993) has shown, rich schools grow richer while poor schools grow poorer, producing enormous social and economic differences between areas. To a large extent the differences were manifested in the ease with which different schools could resource new expenditures; schools in well-to-do, middle-class areas being able to do so relatively easily compared to the poor schools in working-class areas. It is a vicious circle. As rolls drop, poor schools get less money and more children leave, so the schools get even less. There is white flight in mixed-race areas, and class flight as parents look around, and zoning is abolished.

(2) *Neoliberal theory is thoroughly anti-democratic* (Snook, 1995). Snook has shown that there are several specific senses in which neoliberal theories contradict established principles of democratic theory:

It [neoliberalism] rejects majority rule because there is no general will but only the pressure of interest groups; and it opposes the equal involvement of all since only negative freedoms are to be protected and those with property have much more to be protected. (1995: 64)

Given (1) and (2), the issue as to how long neoliberal policy frameworks will dominate state policy before new political settlements are sought is a matter of conjecture, and it makes a reappraisal of the principles underpinning the welfare state of some importance.

The absence of attention to the welfare state can be seen as itself a consequence of the almost complete ascendancy of neoliberalism since the late 1970s. Only in recent years has there been a revival of discussion on the possibility of a revived welfare state and on revised models of socialism. Although my interest here is the former, relevant to the practical possibilities for New Zealand politics in the year 2000, the theoretical reconsideration of models of socialism emerging now in Britain is a suitable place to start in the attempt to reconstruct the welfare state.

Models of socialism

New models of the welfare state which permit the co-existence of social ownership together with a private market sector are premised on anti-statist agendas and draw off both the liberal and socialist traditions, acknowledging both the rich conceptions of rights to be found in liberalism and the commitments to equality and justice in the socialist and welfare state traditions. In this sense it is also acknowledged that forms of social (state and community) ownership are compatible with the welfare state.

Individualist socialism. The notion of 'individualist socialism' is referred to by Martell (1992) to characterise the work of British writers like Roy Hattersley (1987) and Raymond Plant (1988). Essentially Hattersley and Plant offer a socialist conception of liberty supplementing negative with positive liberty, and maintain that all people should have the resources and capacities to express and realise their freedom and actions. According to both Hattersley and Plant, an inegalitarian distribution means that some people have a greater capacity to act freely than others, and, hence, a precondition for positive liberty in that resources should be distributed evenly. Such a theory is not sufficient however. While it is a good socialist theory of liberty, it is not a good theory of the welfare state.

Market socialism and socialism with markets. Welfare state liberals have never disputed an important role that markets play within the economy. By and large, democratic socialists have not manifested any blanket hostility to markets either. Work by Dickinson (1933), Lange (1939), Dobb (1955) and Nove (1983) all supported both a strong state and a strong market. While the socialists preferred social, state and community ownership, the welfare statist opted for a private/public mix.

Views about the role of the market in the welfare state must be distinguished from more recent conceptions about market socialism (Gould, 1985; Forbes, 1986; Le Grand & Estrin, 1989). Market socialism constitutes a mix of neoliberal principles and traditional welfare concerns. Their vision of socialism is constituted by a commitment to equity or starting-gate equality (Martell, 1992) but no concern to redress structural imbalances through distributional resources. In Hayekian fashion, it exhibits two key characteristics: (1) the essentialisation of the market, and (2) the priority it gives to individual liberty. In doing this it tends to place the market at the centre of concern, subverting traditional welfare ideals. Not only do they shortchange important values other than liberty, they also (mis)represent the market as the ideal arena of individual choice and liberty. As a consequence, consumer demand is represented as choice which is confused with social need. Mistakenly believing that markets conform to a model of equality of opportunity, they overlook their inherent power

inequalities. In short, consumer demand must be kept analytically and theoretically distinct from social need. Consumer demand is skewed by people's ability to pay, and, because it is shaped by unequally distributed purchasing power, market forces are a poor indicator of social need. Producers will not respond to needs of groups who cannot pay or which translate as weak demands due to differences in purchasing power. Markets breed inequality in relation to neglected/prosperous, high earners/low earners, wealth/poverty, and success/failure. The extent to which this is so needs to be monitored on an ongoing basis through research by the state.

The traditional welfare state. A return to the golden days of the welfare state once the blue wave is over is seen by many as a likely scenario. This position maintains and hopes that when the new right finally recedes things will return to social democracy as usual (McLennan, 1993: 111). There are pluses and minuses to this prospect. As McLennan (1993: 111) puts it, the pluses are that "looking back on it, corporatism *did* generally raise the status and standards of labour in the state and the welfare state *did* provide' for people on a universalist basis".

The minuses are not insignificant, however. The distributional failures of the old welfare state are well documented. Julien Le Grand's (1982, 1987) studies of the British welfare state claim on the basis of a study of empirical data, that the welfare state is not redistributive across class lines, but that most redistribution is intra-class and over the course of an individual's life time. In addition, middle and upper classes secured a disproportionate amount in terms of per capita share of the total available equity of state-provided resources and services.

Le Grand's and other similar studies influenced the New Zealand Treasury in preparing their brief to the incoming Labour Government in 1984. As the brief reported,

A variety of studies (in countries with welfare systems broadly similar to New Zealand's) have concluded that most public expenditure on social services is actually distributed in a manner that favours the middle and higher social (income or occupation) groups, despite its notational targeting at low income groups (*Economic Management*, 1984: 259).

This especially applies to education, and it is claimed that the middle classes consume more publicly funded education per capita than the poor.

The New Zealand Treasury uses the theoretical concept of 'capture' to ground their critique of the welfare state. This concept is used both to account for the inefficiencies of existing welfare policies in terms of egalitarian objectives, and to advocate a shift to neoliberal solutions based on the minimal state and individual choice.

Bertram (1988, cited in Peters and Marshall, 1988e) summarises the Treasury's use of the three forms of capture which they claim have been central in criticisms of the welfare state. These are:

1. *Consumer capture*: which occurs when a group of users of state services secures preferential treatment against the interests of other users;
2. *Provider capture*: which refers to the situation where those who supply state services pursue their own interests at the expense of the interests of consumers;
3. *Administrative capture*: which refers to a situation where government departments not directly involved in the production of state-provided services act to advance their own interests at the expense of the quality of those services.

Bertram then argues that the concept of capture presupposes the neoliberal's individualist assumptions about society; that it presupposes that the welfare state is a zero-sum game; and that it initiates a critique which discounts externalities, public goods, and economies of scale. In overall terms, the concept is inherently biased and fails to distinguish the different particular problems while conveying the unsubstantiated impression that there is some overarching meta problem with the welfare state (1988: 115).

A further problem with critiques of the traditional welfare state relates to controversy over the interpretation of distributional data. In 1985, O'Higgins disputed Le Grand's analysis, arguing that

while social welfare spending in Britain has not brought about greater overall equality, between 1975 and 1982 it has combatted and significantly modified the effects of pressures towards increased inequality. On this point, Peters and Marshall note that

this is an extremely important point ... a crucial matter calling for careful research. It may be that the existing provision for state education in New Zealand has not reduced inequalities of race, class and gender to any significant degree: the salient point for educational researchers is whether the proposed restructuring of educational administration indicated by the Picot Taskforce will diminish or exacerbate existing inequalities (1988e: 88).

The point is important, not just as regards education but to all social services. Clearly, as Bertram (1988: 163) notes, there were problems with the traditional welfare state. The main three he lists are (1) the distribution or targeting of benefits or resources, (2) the exercise of monopoly power by suppliers of services, and (3) administrative distortions. These problems, we will argue, far from being insolvable can be overcome through the implementation of ongoing quality controls and research.

The changing social structure

There have been other, more recent challenges to the notion of the traditional, bureaucratic welfare state from both left and right. While time and space do not enable me to do more than briefly outline their main features, as challenges to the possibility or desirability of a welfare state they can be considered under the following headings:

1. Fordism-post-Fordism: This thesis maintains the view that society has remorselessly moved on from the 1960s and 1970s and that the revival of neoliberal policy reflects the different technological, economic and political developments in the material structure of advanced capitalism. The post-Fordist thesis maintains that the character of work itself is changing away from mass production models towards individualised, flexible specialisation. This will result in short-term and frequently changing employment patterns. It involves a complex and interrelated series of changes in the labour process and the overall dynamic of macroeconomic change (Hall, 1988; Jessop, 1994).

The Fordism-post-Fordism thesis is both an economic and cultural thesis. In the cultural orbit it is associated with greater fragmentation and pluralism, the weakening of older, collective solidarities and block identities, and the emergence of new identities associated with greater work flexibility, and the maximisation of individual choices through individual consumption (Hall, *ibid.*: 251). It essentially involves a theorisation of the process of change over the passing age, the origins of the crisis, and the shape of things to come.

2. Globalisation: This refers to the internationalisation of both capital and culture which diminish the significance and power of national politics, as politics and identity at once become "both more local and more global" (McLennan, 1993: 110). As Stuart Hall (1988) notes, it refers to an economy increasingly dominated by multinationals, and to the rise of computer-based information technologies which diminish the importance of national boundaries, undermine the autonomy of the nation-state, and involve a reorganisation of the state's activities along supra-national lines.

3. Enterprise culture: This challenge to the welfare state comes from neoliberalism and involves the charge that the traditional welfare state constitutes a culture of dependency and laziness where the individual regards others and not him/herself as primarily responsible for their own well-being. The essential idea of an enterprise culture emerged first in Britain during the 1980s (Morris, 1991) and, according to Keat (1991:1), functions to represent classic liberal arguments in cultural terms. The concept of enterprise culture typically conveys a number of different meanings. On the one hand it is a culture that encourages the acquisition of enterprising qualities such as self-help, self-reliance, initiative, energy, independence, boldness, a willingness to take risks, and to accept responsibility or one's actions and so on (Keat, 1991: 3). On the other hand it elevates the model of

the business enterprise as the preferred model for economic and social reconstruction. It also involves a sustained attempt to neutralise those qualities which are inimical to business values. This charge that the welfare state kills off enterprise is one of the most popular and widespread arguments levelled against it (Keat, 1991; Peters, 1992).

4. Modernism-postmodernism: The postmodernist argument advances yet another version of the thesis that things have moved on since the days of the welfare state. The shift from modernism to postmodernism parallels in many ways the shift from Fordism to post-Fordism, and from the Keynesian welfare state to neoliberalism. The postmodernist argues against the very idea of a central state on the grounds that such an institution is centrist and totalistic and cannot possibly claim to represent, let alone interpret, the needs and interests of the complex and multiple realities that constitute the social domain. In this the postmodernist opposes all integrating and unifying narratives displaying a preference for the values of difference, dispersion, localism, and plurality.

The postmodernist's opposition to centrism can be illustrated with reference to Foucault's distinction between total and general history (Sheridan, 1980: 92). Whereas total history explains all phenomena in relation to a single centre, general history employs the space of dispersion, and operates in terms of the principle of difference. For the postmodernist, then, the modernist conception of history and society imposes a false unity on the cultural formation by searching for its central organising principle - whether the state, or the economy, or social classes. The ultimate effect, says the postmodernist, is to underemphasise the essential plurality of the social order. The upshot of this form of theorising has been to usher in a new form of anti-statism.

Towards a revised, non-bureaucratic model of the welfare state

Neither the post-Fordist nor the postmodernist arguments seriously undermine the possibility of a new welfare state. The post-Fordist thesis has in fact been accused by Gregor McLennan of being misleading pop sociology.

The solidaristic effects of being a wage-earner, even today, remain in my view full of political potential in the face of extraordinary predatoriness of international capital; work itself (and its absence) still dominates the lives and potentials of people like *nothing else*. (1993: 110)

In addition to this, in spite of the fact that it constitutes a form of analysis stemming from the left, it tends almost by implication to suggest that the ascendancy of neoliberalism is in some sense inevitable and could not have been otherwise. It also suggests that it has emerged as a direct consequence of deeper changes in the society and thus ends up by suggesting that neoliberal options are an inevitable and necessary development. Notwithstanding such inferences, it can be argued that the developments that the post-Fordist identifies constitute an argument for rather than against the construction of a new welfare state. If work is to be of a more temporary and varied nature, and characterised by constant changes and a need for perpetual retraining, this would seem to me to create an indispensable case for the existence of some agency which can mediate the growing unpredictability of the relationship between individual human beings and the demands of capital accumulation.

The difficulties with the argument that the welfare state encourages dependency rather than enterprise are numerous. One is the abstractness of the claim. While it may conceivably have some validity in some situations with regard to some forms of state policy, it is difficult to understand as a blanket claim how all forms of welfare policy erode enterprise values. How, for instance, does universal health provision relate to enterprise? Should we all be self-reliant with respect to health care or medical treatment? The absurdity of such a possibility also highlights the fact overlooked by neoliberals that all human beings are reliant on the structures of state support at one time or another. It is easy to overlook the profundity of this fact. Let me state it as a general principle: All individuals depend at some stage in their lives on the structures of social support and on resources that they have not personally owned or created.

Related to this, a second issue is concerned with the fact that people vary in respect to the extent in which they need support and assistance from the state. A person with multiple disabilities who is confined to a wheelchair may require greater assistance than the daughter of a multi-millionaire who has just won a scholarship to Harvard University. A solo mother with three small children may require forms of assistance that her ex-partner who owns a successful business does not. There are both subgroups of people as well as critical periods in all people's lives where welfare rights may be required. The existence of welfare rights in relation to health, medicine or education, for people when they are sick or have special needs, does not signal dependence as opposed to self-reliance but rather indicates specific forms of dependence in a world where all people are dependent at some stage upon the structures of social support. The illusion of self-reliance simply indicates a privileged position in relation to the opportunity and reward structures of our society. As a consequence, it can be seen that the representation of the issue as being one of either dependency or enterprise is a false polarity. People do differ in the extent to which they rely on their own resources, but they could not have achieved such resources without social and institutional support. And just as every one of us has at some stage been dependent upon the resources of society, so too every one of us is potentially in need of assistance again.

Thirdly, a welfare state need not discourage enterprise, and hence a welfare state can also be an enterprise culture. Unlike the neoliberal conception of enterprise, however, the welfare liberal's view of enterprise is not limited to forms of busnocratic rationality (Marshall, 1994). Rather, enterprise is defined more broadly to include both business and nonbusiness forms of initiative and creativity. It may include financially unrewarding activities such as art, scholarship, or to do with the nurturing and rearing of children by the primary caregiver. In this sense, the concept of enterprise may co-exist and be consistent with a need for various forms of assistance.

Fourthly, in that the welfare state allows a significant private-sector market, there is plenty of scope for individual business enterprise of the sort the neoliberal likes.

Fifthly, the dependence/enterprise dualism of neoliberalism fails to recognise that some people, or groups of people, can experience bad luck, and that groups within society can be disadvantaged, just as it fails to recognise that the apparent self-reliance of some individuals and groups within society is based upon resources that were socially given.

The globalisation argument has some implications for the prospects for a new welfare state in as much as the increasing internationalisation of capital may well affect the ability of the nation state to act unilaterally. To this extent the contradiction between capital accumulation and democratic legitimation (Offe, 1984) will increasingly weight the power imbalances in favour of capital. Yet this in itself must not mean that a legally independent sovereign nation-state should give up in despair. Politics, after all, is the art of the impossible.

The concern with the issue of central planning may have some validity. It may well be, as the postmodernist argues, that the traditional welfare state has been unduly insensitive to local minorities and oppressed groups. It may also have been overly centrist and monolithic. Much of the tenure of postmodernism, like post-Fordism, and like neoliberalism, has been against the forms of monist communitarianism where an overarching central state exerts its hegemony over the entire society.

There is no reason why a revised welfare state should be statist or overly centralised, however. Many on the left in recent years have acknowledged problems with statism and many have searched for non-statist formulae which force a democratisation of the public good rather than via neoliberal private instrumentalism and market anarchy. The development of forms of 'associational socialism' (Martell, 1992; Hirst, 1990) or of decentralised democratic socialism (Bobbio, 1987) have called for radical, democratic, socialist alternatives based on citizenship, parliamentary democracy, the rule of law, the strengthening of the institutions of civil society and liberal democracy, as well as decentralisation. This model of democratic socialism has much to teach welfare liberals who have traditionally supported the institutions of liberal democracy. Essentially, the future for a revived

welfare state lies in its commitment to democratisation through new forms of decentralisation, citizenship and participation. Such commitments can also, under certain circumstances, imply the extension of democracy from the polity to the economy and to civil society. As Bowles and Gintis (1986) point out, it is one of the glaring contradictions which neoliberals don't like to talk about too much, that they support democratic control and decision making in relation to the political system but not in relation to the economic system. The welfare state liberal, then, can support the strengthening of the institutions of civil society, from parent involvement in Boards of School Trustees to consumer representatives on the boards of large business enterprises, through to new radical, pluralist, decentralised and participatory forms of democracy.

The welfare liberal thus has a different response to the crisis of the state than does the neoliberal. Rather than abandon ideas of the common good and of collectivism, the welfare state liberal's response to statism is not to abandon the state in preference for the abstract individual or to abandon public goods in favour of privatisation and markets but rather to bring them under greater democratic control. As Hirst (1990) has observed, democracy is the best answer the left has to the right. This might conceivably mean then any or all of the following:

- decentralise state powers into civil society
- strengthen controls and checks on central government and on employers and all corporate actors
- promote a more active role for citizenry
- promote a commitment to positive as well as 'negative' liberty.

Controls on government can be extended through legal and constitutional safeguards, through extending the separation and devolution of state powers, through promoting a vibrant civil society, increasing the number and strength of counteracting centres of power to the state, and promoting a strong role for independent associations. Activities of specific individuals or groups of individuals will only be restrained to the extent they conflict with the rights of other individuals or with certain democratically negotiated public goods.

In Britain, Luke Martell is one recent author who has advocated a theory of associational democracy (Martell, 1992, 1993). While his own thesis is developed in relation to a broader examination of new models of socialism, the general idea of strengthening the associations of civil society, of devolving state powers and of increasing checks and controls on the state power can contribute towards a model of a revived welfare state.

In Martell's theory, associationalism can provide the institutions appropriate to participatory democracy. Firstly, associations can provide forums for active popular participation of individuals at accessible decentralised levels. Secondly, an inclusive corporatist polity comprised of associations representing the plurality of interests is capable of negotiating agreed social priorities. Thirdly, the state can decentralise functionally, bringing democracy down to small-scale, local levels. Fourthly, associations, being corporate entities, can check the power of other corporate entities, including the state. Such a solution, says Martell, is neither statist nor laissez-faire.

The model of a decentralised welfare society advanced here is compatible with the notion of community, which has been advocated as the basis of a revived welfare state since the 1970s (Le Grand, 1982; Joppke, 1987). The model is compatible too with Peters and Marshall's empowerment notion of community which is consistent with a genuine state of participatory democracy (Peters & Marshall, 1988a, 1988b, 1988c, 1988d, 1988e, 1989). Such a notion of community embodies the strengthening of the institutions of civil society and an increase for the possibilities for democratic participation. In relation to education Robinson (1988) has argued in this respect that *Picot* presented possibilities for democratic participation that had not previously existed in schooling practices.

There is nothing inherently wrong with arguments for devolution of authority to schools or other community agencies. Such a devolution must be accompanied however, as Marshall (1981)

has argued, by theories of participatory structures that are genuinely democratic. This would entail moves towards a more responsive, community-based, service delivery welfare state which might involve power • sharing, devolution, as well as forms of community-based public ownership of business enterprises (along the lines of the Trustee Savings Banks, for example). Such a conception is consistent with those that advocate a conceptual shift from the notion of a welfare state to that of a welfare society in which family, voluntary societies, local bodies, trade unions and employers play a greater role (Davey & Dwyer, 1984). It is a welfare state which is sensitive to institutional abuses of power, which is committed to the twin goals of full employment and equality of opportunity, as well as to universal welfare entitlements and Keynesian demand management. It is a welfare state which constitutes a viable alternative to the bureaucratic welfare state. In Joppke's words (1987: 250), "it pursues the egalitarian project of a non-bureaucratic decentralized and self-reliant welfare society" based on a "red/green alliance". Consistent with Peters and Marshall's empowerment community, it is based on the values of cooperation, benevolence, aroha (maori: love), altruism, manaakitanga (maori: caring), fraternity, kinship and family obligation. In short, on attributes which encourage and promote cooperative rather than competitive behaviour and which make for a sense of cohesion and community. As Peters and Marshall put it,

This is tantamount to arguing simply that a welfare state ought to be concerned with developing a sense of *communal* rather than *self* interest, that values of the private and the individual ought not to be privileged or aggrandized over those of the public and the community; and that collective provision based on communal interest is potentially more egalitarian, socially responsible and democratic than similar services provided by the free market. (1990: 81)

This is a far cry from the neoliberal's conception. It rejects the notion of the market as a superior mechanism for allocating resources in society or as the instrument of a self-regulating or spontaneously ordered social system. It supports the notion that the real purposes of central planning are the creation of a genuinely free society, and that collective powers of the state are used only to protect individual rights and to enable individuals to "pursue their own goals in their own way" (Hindess, 1990: 10).

It supports the idea, too, that such a welfare society is committed to the principle of equality, although it acknowledges that the concept of equality, and its relationship to liberty, needs careful theorising. I am not so convinced that the traditional concern with equality needs ditching, as Gregor McLennan (1993: 109) has suggested, although if it could be shown that the concept generated undesirable features then these could be acknowledged and the welfare state's concern with equality could be modified accordingly. For McLennan, any merits in the concept can be recast in more precise terms which include a focus on access, needs fulfilment, social justice, and self-realisation. In addition, the term sometimes conflates concerns such as equality of opportunity with universal provision and with equality of outcomes.

Equality itself has not been the failing of socialist or welfare states. The failing has been identified as having more to do with means rather than ends (Martell, 1992), and in this sense tends to focus on the failings of the state (such as central planning, the encroachment of liberty etc.). I have already questioned whether this association is not itself ideological in support of a certain conception of property relations and class interests. Yet to abandon a concern for equality is, in my view, to abandon a concern for the welfare state, and in a world of dangerous arms stocks, starvation, huge extremes of wealth and poverty, it would seem to me that nothing could be more needed than a doctrine that stresses equality, community and the public good. In short, the concept of equality performs an important political function. Equality in all of its different senses is a precondition for freedom. Equality is a basis for an increase in the sum of liberty as well as in its equal distribution. Ultimately, as far as most people are concerned, a state that ignores the issue of equality is more coercive than a state that takes no action. In addition, the cumulative and compounding nature of the inequalities that the market generates relates to all of the different senses that McLennan mentions and yet it still means that such inequalities need to be rectified by distributional political decisions. Such a commitment need not entail a subordination of individual liberties in

preference for extreme forms of communitarianism. Indeed, such egalitarianism is not, in my view, the same thing as uniformity, and in fact is fully compatible with pluralist politics and liberal democracy. What is important for liberal democracy is not to abolish the state in preference for market anarchy, not to abolish liberty in preference for an all-powerful state, but to "rescue the middle ground" (Martell, 1993). In the final analysis, it is the inability to adopt a balanced perspective that stamps neoliberal restructuring as an extreme doctrine.

The welfare state, then can assure a degree of both equality and community in a number of politically important respects. In addition, it assures a number of other important functions as well. As Bertram suggests, it

improves resource allocation, minimises qualitative differentiation of services, is politically sustainable because of the wide spread of beneficiaries, and performs an important socially integrative function by underpinning rights of citizenship (Bertram, 1988: 135).

In addition, it is suggested that problems of administrative inertia or of various forms of capture can be overcome by the institutionalisation of quality checks and controls, through ongoing research, by the decentralisation of services, and by the establishment of countervailing associational networks of power which can mediate and represent the diverse interest of individuals.

Notes

1. In bracketing various neoliberal writers together, I am not wishing to deny that there are important differences between their theories. This is especially so in respect to the libertarian political philosophy of Nozick. Yet it is claimed that the common features that their works stress (anti-statism, individualism, priority on liberty, priority on the market) have generally contributed to the ascendancy of a neoliberal hegemony, and in this respect their common features become germane to understanding the decline of the welfare state. Having said this, specific analysis will focus principally on Hayek's formulations.
2. In this respect (again) the arguments of writers like Friedman (1962, 1980), Buchanan (1975) and Nozick (1974) are similar.

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