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Reference Details
CWPE 2246
Published 12 August 2022
Key Words Economic Methodology, Market Failure, Neoclassical Economics, Social Policy, Welfare State
JEL Codes B22, B31, B41
Website www.econ.cam.ac.uk/cwpe
Economic Theory and Policy Today: Lessons from Barbara Wootton and the Creation of the British Welfare State†

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Abstract

This article investigates Barbara Wootton’s contribution to the creation of the welfare state in Britain through her interpretation and adaptation of economic theory to support social policy. It revisits Wootton’s Lament for Economics (1938) and explores unpublished archives showing her considerable engagement in public discussions on government spending, employment, poverty alleviation and her interaction with William Beveridge’s epoch defining welfare plan for Britain. We claim that her critique of economic theory for being an abstract science confined to equilibrium states, combined with her acute observation of social reality, allowed Wootton to cut free from established modes of economic thought. This laid the foundation for pioneering insights justifying an interventionist welfare state based on real-world issues and concepts of social justice, rather than self-interest and market failure principles.

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† A shorter and more historical version of this working paper is forthcoming in the European Journal of the History of Economic Thought (EJHET), February 2023.
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INTRODUCTION

Barbara Wootton, Baroness Wootton of Abinger (1897-1988), was a leading name in the areas of Sociology and Criminology. Her seminal works on prison systems, juvenile criminality and drug dependence awarded her a distinctive role in British social policy, being the first woman to sit in the House of Lords. Wootton’s work remains as one of the most important contributions to 20th century British social policy (Oakley, 2011).

However, despite having completed the Economics Tripos in Cambridge in 1919, where Wootton was the first ever to achieve a first class mark (but barred as a woman for being awarded a degree), it is striking that her contributions to economic theory, methodology and policy have been ignored by economists. This article fills this gap, while offering a tribute to a twentieth-century pioneer and brilliant mind.

An archival investigation of Wootton’s published and unpublished material between 1940 and 1985 (books, articles, manuscripts, correspondence and interviews) combined with an assessment of her Lament for Economics (hereafter Lament) written in 1938 sheds light on a what we call a ‘Woottonian system of thought’, which embeds and prescribes theory within economic practice – a view highly disregarded and criticised by her contemporaries. This supports further existing attempting to theorise the welfare state, as seen in seminal studies such as George and Wilding’s (1976) Ideologies and Social Welfare, Gough’s (1979) The State as Welfare in and Barr’s (1992) Economic Theory and the Welfare State: A Survey and Interpretation.

Our argument follows the discussion posed by Dimand and Hardeen (2003, p. 23) about Wootton’s critique to ‘the narrowness and abstraction of Neoclassical orthodoxy’ and ‘her vision of a broader more realistic social economics’, which let her to propose a different form of economics (‘social economics’), one that shows a commitment to empirical research and observation. Some of Wootton’s contributions, as laid out in the The Social Foundations of Wages Policy [1955] (1962), Some Aspects of the Social Structure of England and Wales (1940a), and Incomes Policy: An Inquest and a Proposal (1974), reflect her view and commitment to a socially relevant economics discipline (Dimand and Hardeen, 2003). We develop this investigation further by examining Wootton’s attempt to apply this vision of social economics in the discussion and the implementation of a welfare system in Britain, which has been unexplored by economists, and by discussing her contribution to the theorisation of welfare state.
While analysing Wootton’s dissatisfaction with economics, which made her to become a ‘self-renegade economist’, we demonstrate how her contributions to the study of economic methodology and theorising offer a reconsideration of how economists link theory and practice. We claim that Wootton’s critique of economics as a hypothetico-deductive science and her stand for economics as a science whose concerns should be about improving life conditions provided a sound foundation for her policy-making prescriptions, which resulted in a more interventionist perspective of Britain’s welfare state. Specifically, Wootton’s discussions on social policy in the 1940s invite to a reconsideration of the necessity of state intervention, in which the welfare state plays an active role in ensuring both social betterment and tackling poverty and inequality – or, dare we say, ensuring the functioning of the capitalism system.

The paper offers a reading of Wootton’s works through the ‘lens of practice’ (Stapleford, 2017) that is, exploring how her system of ideas and her methodological critique to the state of economics addressed practical policy issues and recommendations that contributed to the implementation of Britain’s welfare state in the 1940s. Her view of economics, her critique of how markets are theorised by the discipline and her intervention in the creation of Britain’s welfare state lead us to argue that she is dealing with a more general form of welfare state in capitalism in which social policies manifest as particular instances – be it due to either specific historical circumstances or a structural necessity for the capitalism system.

Such conception of the welfare state is not associated with common approaches to welfare economics, which consider market failure and Pareto efficient outcomes as supported by a free-market economy. Thus, the difficulties to theorise welfare go back to much discussed by Potter (1981), which gravitates around two main issues: how to combine theoretical analysis and policy conclusion, and how to combine social policy and welfare state. Wootton’s contributions enlighten this discussion neither with a theory of state nor general sociological theories, but with an economic theory that allows room for developing a specific analysis of the welfare state apparatus.

The article is structured as follows. Section 1 focuses on Wootton’s Lament and reconstructs her insights on economic methodology, deservedly placing her among the leading thinkers debating economics methodology in the 1930s and addressing the foundations of the Wottonian system of thought. Section 2 offers a historical background to the implementation of the welfare state in the UK, demonstrating how the debate was placed at that time and place. Section 3 then sheds light on the connections between William Beveridge and Barbara
Wootton, exploring how they contributed to the debate on the implementation and mechanics of the welfare state, and how it represented an opportunity to reconsider economic theorising and policy to achieve social betterment. Lastly, some concluding remarks are presented.

1. ECONOMICS AND THE ‘APPLE-PIE’ WORLD: A CLOSE LOOK INTO
WOOTON’S LAMENT FOR ECONOMICS

‘If all the world were apple-pie
And all the sea were ink,
And all the trees were bread and cheese
What should we do for drink?’
(Wootton, 1938, p. 31)

The economic methodology debates between 1870 and 1890 known as Methodenstreit commonly known as the Methodenstreit (see inter alia Deane, 1983) gave economics both its positive-normative distinction, and (a few decades later) the definition of the discipline as a relationship between given ends and scarce means. The former has its roots in John Neville Keynes’ (1891) The Scope and Method of Political Economy, and the latter in Lionel Robbins’ (1932) An Essay on The Nature and Significance of Economic Science (hereafter Essay).

Robbins’ Essay paved the way for a decade where economics methodology would be widely questioned, with debates embedded in a period where two different ways of doing economics were presented through institutionalism and neoclassical economics, and mathematised theory was rapidly developing. Most of the literature would directly engage with Robbins, expanding, for example, on ‘economic theory versus empirical analysis; how economic theory is to be conceived; and the role of ethics in economics’ (Backhouse & Medema, 2009, p. 807).

Barbara Wootton was among the group of intellectuals who were challenging Robbins’ propositions and definition of economics. She was pulled into the debate when economics had been suffering from accusations of lack of purpose and unrealism, somehow resembling the debate post-2008 Global Financial Crisis: ‘economics is no use’, ‘intelligible to the plain man’, ‘economists cannot agree’, ‘economists ignore reality’ (Wootton, 1938, pp. 15, 19, 22, 31). By the end of her quest, she had engaged with leading names of her time, such as John Neville Keynes, John Maynard Keynes, Ludwig von Mises, Friedrich Hayek and Sir John Hicks.

Wootton’s (1938) Lament represented her debut as a methodologist. With an analogy to a nursery poem that assumes the world as an apple-pie slashing a seared road throughout the
book, Wootton carefully laid down the ‘practical sterility in contemporary economic theory’ at her time – mainly attributed to Marshall and Robbins’ definitions – while offering a new proposal for economics (Wootton, 1938, p. 107). Unfortunately, *Lament* also represented the end of Wootton’s interest in formally exploring economics as a tool to improve society (Dimand and Hardeen, 2003; Jacobs, 2007), potentially exacerbated by the ways economics was being shaped by her peers at the time (see also King, 2004). For instance, a seminal discussion led by Harrod’s (1938) on the *Scope and Method of Economics* enthusiastically stresses some of the new theories and methods in economics, including promising advances in data availability and statistical analysis, while dismissing some of the criticisms addressed to discipline at that time, including Wootton’s *Lament*, which for him represented an ‘unappetising programme for the future development of economics’ (p. 384).

Indeed, Wootton’s critique has a particular starting point, i.e., that economics should be useful and concerned with social betterment. This concern might certainly be beyond any intellectual argument and dependent on a particular system of values, but, for her, the study of economics should not be ‘undertaken in a spirit of indifference to its practical utility as a means of improving conditions of human life’ (Wootton, 1938, p. 16).

Wootton seemed puzzled by the fact that instead of making useful and consistent propositions about the world, economists preferred to spend ‘too much time” examining a form of society that “does not exist outside the sphere of their own, rather quaint, imaginations’, i.e., ‘the apple-pie world’ (Wootton, 1938, p. 31). This is very much the result of core conventions adopted in the discipline and also the very own definition of economics. A closer look into the latter shows that, within the traditional English economic theory in Wootton’s time, one could define economics theory as the study of the market process in a particular sense, i.e., the mutual interactions of demand and supply, and price (value), where equilibrium and competitive markets are of central importance. Equilibrium, then, is the ‘stock-pattern key’ to unlock the door to every theoretical problem in the market so that economists enquires are dependent upon this postulate (Wootton, 1938, pp. 38–39), which becomes the new *raison d’être* of economics.

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Robbins’ definition of economics would then represent the ‘nail in the coffin’ for the future of the discipline. Insofar as the Robbinsian conception deals with the influence of scarcity and human behaviour, it becomes an analytical definition (Backhouse and Medema, 2009) that allows for regularities and the homogeneity of the market economy. It is the scientificity brought by Robbins wrapped in the idea of equilibrium and generalisations about human behaviour that, for Wootton, represented an unnatural marriage that kept economics from being useful.

The fact that all market processes ought to have a certain objectivity comparable to the regularities of the natural world, so that changes in the market can be predictable and show uniformity – and not be subjected to ‘arbitrary caprice’ –, was a fundamental flaw for Wootton (1938, p. 49). ‘Human volition’ (Wootton, 1938, p. 49) does not allow for a coherent theory where a certain independence of status is needed. This is why certain implied assumptions about human behaviour are needed, where all individuals attempt to behave economically, i.e., doing ‘their best to make the means go as far as possible in fulfilment of the said uses’, so that the movements in the market are the outcome of this behaviour. Then, economists set themselves the task to modify the theory to meet cases when people do not behave accordingly, but rather as exceptional cases departing from the norm that gives the entire discussion a coherent unity (Wootton, 1938, pp. 50–51).

Such peculiar view of the market is reinforced by differentiating what happens inside and outside the market. Understanding the patterns of demand or technical conditions of production, for example, are not directly part of the occupation of an economist – an approach that directly echoes Robbins’ focus on means and argument that ‘economics is completely neutral between ends’, taking production as a given factor, as it is not interest of economics the study of ‘history of the social construction of the means’ (Robbins, 1932, pp. 24 and 33).

This ideal market also involves a certain disregard for the intricacy of the network of relations between one market and another. ‘Technical problems’ (Wootton, 1938, p. 63) can be solved in isolation and then results compounded without loss of usefulness, but the same it is not possible for economic problems. These are interconnected. Moreover, the economic structure is indivisible, making the ‘isolation of particular problems or factors almost impossible to achieve except at the cost of grave departure from reality’ (Wootton, 1938, p. 64). The sacrifice of realism impedes us to see that economic situations are unique, which for Wootton made them intractable to generalisations. Two options emerge in this context, either testing a range of hypotheses to try to cover all this complexity, which becomes a time-
consuming task of analytical economists, or safely impounding all potentially disturbing factors ‘in the prison of ceteris paribus – other things remaining equal’ (Wootton, 1938, p. 71). Both are not ideal for ‘practical men’, such as policymakers.

With her attention towards prompt solutions of actual problems, Wootton (1938, p. 108) saw the above nature of markets as ‘formidable obstacles in the way of prompt and complete analysis’. This, in turn, raises the question about the desired status of economics as a science, which can be seen as a second stage of her critique to economics. Despite realistic economic studies corroborating pure theory or economic phenomena guiding some of the hypotheses elaborated, it seems that economics neglects one of the most basic and distinguishing characteristics of scientific work, i.e., the observation of phenomena. The divorce between theory and observation gives, on one side, authors of statistical studies, and on the other side, ‘carefully segregated’, the a priori deductive theorists. As a result, at the end, we have a market analysis that is based upon a broad general view of the principles governing human behaviour in actual market situation and ‘the theorist’s pages are spattered with’ hypotheses where no close observation is required (Wootton, 1938, p. 114).

The claim of scientific status fits well with the unwillingness that economists have in accepting the normative aspect of the discipline. Yet, for a field that aims at studying the human behaviour in the distribution of scarce means between alternative uses, it seems impossible to avoid references to an underlying norm. Economists might deny the normative aspect of their work, but they are in effect committed to approval of the principle of economics where they agree upon some norm against which the economic merits of different action may be assessed (Wootton, 1938, p. 137).

The economist’s assessment (judgment) looks into a form of behaviour that is assumed as rational and commendable, which indicates efforts directed to no other goal than equilibrium and is only applicable to an economic theory based on the assumption of scarcity. This normative judgment must, therefore, include the condition of equilibrium, i.e., the satisfaction derived from the last unit consumed (within a given system of ends). In other words, the underlying norm, which Wootton (1938, p. 139) called ‘the economist’s norm’, is the condition in which equi-marginal returns is realised, and competing ends are somehow measured against one another. The theoretical solution to convert the alternative ends of a social group into comparable terms is the market mechanism, with the reductions ‘of desires, needs, hopes and aspiration of millions to a common denominator in monetary terms’ and the ‘ingenious’ invention of pricing (Wootton, 1938, p. 143). In this sense, for Wootton, the concept of
equilibrium itself ‘both makes economics activity intelligible, and, by the same process, exposes it to normative judgements’ (Wootton, 1938, p. 137).

It follows that the equi-marginal aspect of the economist’s norm excludes a definition of social satisfaction that is not associated with ‘maximum personal satisfaction’ produced by the demand and supply equilibrium and price in the market (Wootton, 1938, p. 164, original highlight). Thus, in this framework, there is no room for collective decision. Here, economics offered the foundations to provide a critique to planned economies, which for Wootton rather resembled a normative defence of the validity of the market mechanism and a justification for capitalism. Economics promotes policies that guaranteed the operation of competitive markets at the same time it discourages economists from endorsing measures that involved any aspects regarding regulation, redistribution or any form of intervention that could change the ‘natural’ course of markets and diverged from the socially optimum level of well-being (Waller, 2019).

The combination of two fundamental theses, namely, the nature of the markets and the appropriateness of economics in calling itself a science, captures Wootton’s critique to economics and structured the Wottonian system of thought. Her Lament explores the gaps and contractions between economic theory and practice; the confinement of economics theory to market analysis; and the convoluted relationship between normative and positive economics within market equilibrium analysis.

It can be argued indeed that Wootton seemed to have pushed for a return to a broad definition of economics where, going back to the historical-inductivists position, a scientific approach and relevant economic theorising should include a careful observation of economics phenomena and the study of institutions and production (Waller, 2019). In this sense, her critique also reinforces the tensions and difficulty in conciliating institutionalism with neoclassical economic theory, leaving little room for complementarities between these two approaches (Kaufman, 2007).

We also see Wootton following the steps of critics such as Dobb (1933, pp. 589–590), who eschewed Robbins for his emphasis on the purely formal character of economic theory without ‘seizing the full implications’ of his definition, such as exempting economics from any concern with norms and ends, as it is a theory of equilibrium. In this sense, she was directly challenging one of the aspects of the ‘new consensus’ that emerged after the Methodenstreit,

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2 This discussion reflects Barbara Wootton’s engagement both Ludwig von Mises’ (1936) Socialism and the Collectivist Economics Planning (1920) edited by Friedrich Hayek.
namely, the idea that ‘basic postulates of the discipline were value free”, that they were objectively given by the industrial and organisational conditions of modern society’ (Deane, 1983, p. 4).

Overall, a walk throughout Wootton’s critique suggests a radical take on how economics should be conceived and done. Besides pointing out the flaws in market analysis and choices, the Woottonian system of thought contributes to the understanding of how economics neglected institutions and processes of production as well as collective decisions. Equally importantly, it claims that the purpose of economics is to assist in solving social problems, which also implies a rejection of Robbins’ limiting vision of economic science: ‘if anything of substantial utility is to come out of economist’s work, he must be allowed to poke his nose into questions of the quality of social ends, and of the means by which these are formulated’ (Wootton, 1938, p. 261). While recommending ways to move forward, she thought that economics should, among other things, 1) study existing social issues and trends; 2) enquiry into the nature of social ends in modern communities, and the means of formulating these; 3) research into the technical problems with the satisfaction of social ends; and 4) attempt formulations of plans of social betterment (Wootton, 1938, p. 267-268).

Perhaps even less known to historians of economics is how Wootton’s radical and pertinent critique of economics can also be connected to a set of policy prescriptions. In 1943, following the notoriety of Beveridge’s 1942 report, Wootton was invited to be part of the ‘brains trust’ for Beveridge’s (1943a) Full Employment in a Free Society inquiry, together with Thomas Balogh, Nicholas Kaldor, Michal Kalecki, Joan Robinson and E. F. Schumacher.

The next section outlines the implementation of such system in the UK, later connecting it to the Woottonian view on the topic.

2. THE IMPLEMENTATION OF BRITISH’S WELFARE STATE

The case of Britain’s welfare state provides a useful background to lay out how Wootton engaged in the public debate and had the chance to expose and clarify her views on theorising economics. This section addresses some of the core elements behind the planning and implementation of Britain’s welfare state. It highlights how, following the publication of his (1942) Report on Social Insurance and Allied Services (hereafter Beveridge Report), Beveridge put together an expert, privately-funded committee in 1943 to explore potential avenues for a full employment policy and its impacts on the recently-created pillars of the
welfare state. This draws the path for later exploring Wootton’s views on the welfare state and how a link between her theories and policy suggestions can be brought to light (section 3).

The history of the evolution of the welfare state goes beyond its formal creation in the 1940s. Its trajectory can be divided in two main historical periods (Fraser, 2009), which shows both the evolution of the notion of population as a political subject, and the inclusion of poverty relief as a policy objective under specific historical contexts.

The first period refers to the ‘social service state’ (Briggs, 1961) between 1885 and 1939, which included a set of countermovements or countercyclical measures that emerged side-by-side with economic liberalism (Polanyi, 2001). These measures were mostly directed to offer poverty relief and reduce social distress. They aimed at controlling free-market forces as a response to social changes caused by the Industrial Revolution, the declining tendency of Victorian prosperity (Feinstein, 1990) and the growing awareness of poverty as a social issue (Harris, 2004).

The Liberal welfare reforms in the beginning of the 20th century, which included free-school meals (1906), old-age pensions (1908) and national insurance (1911), gained notoriety for their collectivist character when compared to ‘Benthamite individualism’ that reigned throughout the 19th century (Davis, 1999), as a supporting principle of the Poor Laws. Despite the questionable success of these reforms in terms of provoking social change (Briggs, 1961), for example, failing to meet the needs of the poorest sections of the population as it only provided aid to selected groups, their importance cannot be ignored. Rather, this period represents the drawing of the foundations for the development of the welfare state in the 1940s.

The second moment refers to the ‘classic’ welfare state (1940-1979), which stemmed as one of the fruits of Second World War reconstruction. Indeed, economic historians point out to a fundamental social change caused by the war, which led to a shift on how social policies and the need for public aid were seen. There was a social change on how poverty was seen during the war (Harris, 2004). More specifically, people could be placed in poverty through no fault of their own as a result of the war, and the problems associated with poverty could no longer be addressed on the basis of traditional ‘selective’ attitudes to welfare provision. On the contrary, a universal approach was needed.

During the Second World War, the British government published a series of reports stating the need for changes in welfare provision, fuelling a widespread desire for social reconstruction in the post-war period. The post-war Western welfare state model was unique in the sense that it combined three grand systems of capitalism, democracy and social security. Rather than a mere set of social policies, the welfare state actually represents as a complex
system of social organisation historically embedded in the 1940s, also allowing space for state regulation of private activities.

Hence, one can argue that two important combined elements paved the way for Britain’s welfare state: changes in economic policy during and after the war, and an attempt to fill in the missing gaps in Liberal welfare policies, which required both a change in the role of the state regarding social policy and a more encompassing approach to welfare state.

In regards to changes in economic policy, although the consolidation of the Keynesian governmentality and its influence to welfare systems actually took more than a decade to constitute itself as such (Marcuzzo, 2010), it is undeniable that the role of Keynesian ideas (both Keynes’s and subsequent Keynesians) into the design of social security and a national health system in 1944 played an important role.

The efforts made both by Keynes and the Keynesians to seek a stable, full-employed economy impacted economic governance from a perspective of crisis management. Put differently, changes in policy-making in the early years of the Second World War changed the role of the state to a leader in stimulating public works and balancing the national economy by including consumption, investment and employment policies in its core. Creating a political-institutional environment where these policies could actually be accepted and put into practice was the main characteristic of the consolidation of a Keynesian governance (or ‘governmentality’) in the decade of 1940, thereby representing a shift in both in theory and in policy, which indeed helped to pave the way for the modern British welfare state.

Regarding the missing gaps in Liberal reforms initiated in the early 20th century, there was an acknowledgment by the government about the eligibility for benefits not being universal and the inadequacy and/or limited duration of benefits paid to those in need (Boyer, 2019). A governmental effort began to identify existing cracks, resulting in the creation of a 1937 Report on the British Social Services by the Political and Economic Planning group. Four years later, Beveridge chaired the Inter-departmental Committee on Social Insurance and Allied Services and reported the situation, which resulted in the 1942 Beveridge Report.

The Beveridge Report represents a particular historical moment that embodies the post-war-Keynesian governmentality. Such moment reflects the main changes in economic theory with the rise of Keynes’s ideas, as well as the new political economy of power that brought the population’s welfare to the centre of political discussions in a context of shortcomings of capitalism. For instance, for Owen (1943), there was a political and social evolution on the way the British government understood the issues of population’s welfare and care, thereby classifying the rise of the Beveridge Report as a state response to fight inequality and instability.
The Beveridge Report is undoubtedly a benchmark in modern social policy; it is seen as both an end and a beginning (Boyer, 2019). It assumed the coordination of three core pillars: children’s allowances, comprehensive health and rehabilitation service, and full-employment policy as a broad proposal that provided income security (Beveridge Report, 1942, n. 410-443). Its greatest innovation in comparison to old schemes involved the principle of universal eligibility was that it covered all British citizens, not just the working class, financed through a flat-rate contribution, moving us away from contingencies and closer to a continuous need. For historians of economic policy (Lowe, 1999), there is, to some extent, a consensus that the plan was considered to be revolutionary at that time, inasmuch as it drastically changed perceptions in Whitehall and Westminster of what was politically possible and necessary.

The White papers that followed the Beveridge Plan (‘Employment Policy’ and ‘National Health Service’) can be considered a measure of its success, also shedding light on a new governmental rationale. They demonstrate a change on the way that policymakers conceive economic problems and reality, where the government is prepared to take action ‘at the earliest possible stage to arrest a threatened slump’, as under modern conditions and a complex industrial society, trade depression does not automatically ‘bring its own corrective’ and any process of self-recovery is ‘likely to be extremely prolonged and to be accompanied by widespread distress’ (Minister of Reconstruction, 1944, p. 16).

The Beveridge plan met its economic support in the hands of Keynes and his allies. While Beveridge delimited the plan of social security and social policy – what he defined as ‘assurance of a certain income’ to maintain the essential freedoms of mankind (Beveridge Report, 1942, n. 409) – Keynes and James Meade discussed the operationalisation of the plan to make it practicable and politically possible.

In a 1942 Summary Report (War Cabinet W.P. n. 42/547, 25 November 1942), the Economic Section of the Cabinet Office discussed the cost of unifying specific benefits into broader provisions, as well as questioned the possibility of including other social sectors. Keynes emphasised the financial sustainability of Beveridge’s plan and defended the economic possibilities of implementing it on a draft for the House of Lords (24 February 1943), saying it could achieve its desired results at a low budgetary cost if it followed the principle of intertemporal saving-consumption.

Keynes’s spirit reinforced the post-war way of thinking, which included the belief that future economic issues should not involve scarcity or poverty. He pointed out the role of social and international security, as well as redirecting the outcomes of economic activity to achieve better conditions of collective welfare. That meant building future economic prospects not
simply based on deficit spending, but also in confidence towards the future, an element that could be provided by public institutions rather than the market – a view strongly shared by Wootton. Even though some scepticism remained across social policy specialists towards the Beveridge Plan as an effective blueprint for the eradication of poverty (Lowe, 1999), its views and proposals represented an important step in designing modern welfare policies.

A less-publicised side of the *Beveridge Report* is the immediate events that followed its official publication in 1942. The report triggered a need for further explorations on the issue of full employment in the context of social security (Harry, 1997). The Ministry of Production, Olivier Lyttleton suggested to the War Cabinet that Beveridge should be commissioned to follow up his 1942 report. However, Lyttleton suggestion was not acted upon – the government was advised against Lyttleton’s proposal by economist Lionel Robbins, on the ground that Beveridge was not a genuine expert on the unemployment question (PRO, CAB 66/3, ‘Social Security’, note by the Min. of Production, 13 Jan 1943) and (PRO, CAB 123/43, Lionel Robbins to Sir John Anderson, 14 Jan 1943).

Unable to secure governmental support for such endeavour, Beveridge accepted an offer from a group of progressive businessmen to finance such inquiry out of private funds (Harris, 1997). To assist him, Beveridge gathered together a small ‘technical committee’ (‘Employment Investigation’ group or a ‘brains trust’) that consisted, among various scholars, prominent economists: Thomas Balogh, Nicholas Kaldor, Michal Kalecki, Joan Robinson, E. F. Schumacher and Barbara Wootton.

Following such formal connection between Wootton and Beveridge, this article now presents Wootton’s views on the welfare state, connecting her policy plans as part of her methodological critique of economics.

### 3. A WOTTONIAN PLAN: ECONOMICS, THE WELFARE STATE AND SOCIAL BETTERMENT

It is no coincidence that the discussions that followed the publication of the *Beveridge Report* acquired a passionate tone, particularly amongst economists (see R. W. Dimand, 1999). One element, however, that remains underexplored by economists is how Barbara Wootton saw the institution of the welfare state and its underlying discussions, which follows her association with the Labour plans for social justice (Jacobs, 2007). Indeed, she was a pivotal character in shaping Beveridge’s views on welfare and his understanding of employment policies, which included changing his view on Keynes’s employment theory during the 1940s.
(Oakley, 2011). How these elements relate back to her view of economics and her methodological motives of economic analysis is to be laid out by the present section.

Among the members of the Employment Investigation group set up in 1943, Harris (1997) suggests that Wootton was perhaps the closest to Beveridge himself. Like Beveridge, considered by many an empiricist (Dimand, 1999) who was concerned about concrete issues (Wootton, 1955), Wootton also treated pure economic theorising with suspicion and emphasised the need for macroeconomic policy to be supplemented with empirical studies and administrative controls (Harris, 1997 and Beveridge (1943c). Wootton often complained that economics was of no use for being unintelligible to all, except a small minority of specialists that ignore reality and often serves as apologists for capitalism (King, 2004).

A closer investigation into some of Wootton’s published and unpublished papers between 1940 and 1985 confirms such perspective, also revealing useful interpretations on the mechanics and implementation of a welfare system to Britain. Wootton saw the welfare state not simply as social and biological necessity for the people in the sense of providing minimum living standards (Wootton, 1940b), but also as an opportunity to reconsider economic theorising and the policies that emerge from such, particularly those that go against the common good. In this sense, anticipating many future attempts to theorise the welfare state, such as George and Wilding (1976), Gough (1979) and Barr (1992), Wootton embedded state welfare in economic theory, combining theorising analysis and policy recommendations.

Specifically, when discussing the dangers of dualisms in politics (Capitalism vs. Socialism), Wootton clearly stated how this actually distracts individuals from real discussions, namely, how to ensure collective wellbeing, human freedoms and minimum provisions (Wootton, 1942). Her position directly echoes the 1938’s Lament and the critique to the theoretical market, given its unrealistic distribution of resources via price mechanism and an antagonistic predisposition against the idea of planned economy.

On the contrary, we ought to overcome such meaningless debates and be as concrete as possible in our ends, drawing up a list of specific objectives that must take place in a reconstruction programme for the war. For Wootton (1942), these should include ensuring personal freedoms; providing minimum nutritional, housing, educational and leisure standards; and limit the expansion of economic inequality. An emphasis on social ends rather than individual ends or even the necessary means to achieve such programme meets Wootton’s methodological views on the problems of economic theory as outlined by Robbins (1932).
Later on, in an article discussing the impact of the Beveridge plan for *The Political Quarterly*, she claims:

> The future of civilisation (…) does not depend on a change of heart or greater moral fervour, but upon the application to social and political problems of the scientific method which has accomplished such marvels in other fields. That method implies patient and accurate observation of the facts, and choice of means, not for the satisfaction which their use gives to the user, but for the likelihood that they will, in fact, promote the ends in view (Wootton, 1943a, p. 55)

In Wootton’s eyes, we do not lack knowledge nor the mere willingness to change, but a political commitment that change is possible, supported by economic ideas and theories that meet the proposed ends. When questioning if the British need their empire, for example, Wootton (1941) shows disbelief in Britain’s insistence in maintaining its international position as a creditor while its population suffers from poverty. She criticised the reluctance of policymakers in implementing a more generous allowance system financed by taxation: ‘why not make up our minds that we will guarantee a physically necessary minimum to everybody and put a limit to our inequalities?’ (Wootton, 1940b).

She sees in Keynes’s ‘heterodox’ approach at the time (Wootton, 1963, p. 182) an opportunity for some change, a new economic governance. More specifically, his theories of investment and employment, as well as his active support for the affordability of a more generous and broader welfare system (Wootton, 1940b; 1943b and 1946c). In the aftermath of the Second World War, Wootton (1943b) sees Keynes’s ‘spend-for-employment policy’ and his acceptance of unbalanced budgets as key elements to show the necessity of planning that followed post-war reconstruction.

Thus, her support of the implementation of Beveridge’s 1942 report is not unexpected; it is linked to both her understanding of how markets operates and her view of economic theory through the lenses of practice with social betterment as a fundamental goal. She also emphasised the drastic (and much needed) change it represented to British social policy. Even though Bismarckian Germany and New Zealand have already proposed comprehensive welfare systems, the idea of universal eligibility was new for British standards, which was the key element of Beveridge’s proposals (Wootton, 1946a). Further, Wootton reported a radical change in the social understanding of poverty pre-Beveridge as well, following others in the
view that the war had changed the public comprehension about the problem of poverty (as raised earlier in section 2). This gave a new meaning to the very phrase ‘social security’, changing its negative conception within different classes in British society (Wootton, 1943b).

For Wootton, in modern capitalist economies, income-distribution and capital accumulation appeared to be contradictory, which echoes her critique in the *Lament* towards the argument that there is a merely ‘distortion’ in the market’s interpretation of maximum satisfaction ‘whatever there is not an approximately equal income-distribution’. In her view, the very idea of a ‘distortion’ is in fact to admit ‘that the market neither does, nor can, give sound guidance in any economic system that relies upon the profit motive to keep going’ (Wootton, 1938, p. 194).

In this sense, it seems that for Wootton, the nature of the term welfare state can be found in both capitalism itself and in the experience of the war. The former challenges the views on market superiority, claiming a more general welfare state as an activity of capitalist state. The latter associates nature with the post-war momentum. It emerged with the Labour Party and with Archbishop William Temple (Wootton, 1963) in the early 1940s and quickly enjoyed significance and success due to a new social meaning of ‘social security’, translated into two core pillars. First, the immense reduction in the risk of unemployment and insecurity, as it proposes to address a structure that covers medical care, child allowances, widowhood support, national insurance, unemployment insurance, sickness benefits and old age pensions. Second, the administrative simplicity and universalism proposed by the state, which facilitated access to benefits and provides support to all citizens from cradle to grave (Wootton, 1963 and 1980).

Crucial here is Wootton’s emphasis on the duty of the state to provide protection, as raised by Beveridge in his 1942 report. Specifically, she advocated how benefits should be sufficient in amount and duration, going against the premise that the public supply of provisions would stimulate people not to work or earn enough (Wootton, 1944). Wootton also resorts to surveys and statistical reports to reiterate that the question is not about affordability – as it will be financed by the people themselves – but about *distribution*. She says:

For there is nothing in the Report which would cause the whole output of the country to be reduced: it is a plan for distributing what we have amongst ourselves in a particular way, not for subtracting from (or adding to) what there is to distribute. (…) The sensible question to ask is, therefore, not can we afford the Beveridge Plan, but who loses and who gains by the changed distribution of
the pudding which the plan suggests. (…) It is a plan for making our shares in
the pudding less unequal than they are at present (Wootton, 1944, pp. 10-11)

This duty of the state for Wootton is not associated with what Stiglitz (2017, p. 13) calls
the ‘twenty-first-century welfare state’ and the recognition that markets on their own will not
necessarily achieve a just society and improving the wellbeing.³ Neither could her approach
‘give the welfare state an efficiency function which is largely separate from redistributive
aims’ or derive its efficiency justification ‘from its properties as a device for ameliorating what,
in effect, is a series of principal-agent problems’ (Barr, 1992, p. 742). Rather, Wootton’s
welfare state is about a role to be played by the state regardless the market, tackling economic
and social hardships, injustices and inequalities (Glennerster, 2010; as seen in Lowe, 1999; see
Timmins, 2001). That is, a new kind of social contract between citizens and state, as put by
Jensen and Tyler (2015), whose particular features and social policies are historical specific.

That is why this duty follows a pivotal point related to how the implementation of
practical welfare policies would require some state planning to be fully achieved. Years before,
in her book Plan or No Plan (1934), she discussed the advantages and disadvantages of planned
and unplanned economies, offering a systematic comparison between capitalism and socialism
beyond its usual mystique. However, it was in a debate with Hayek years later in 1946, that
Wootton’s views on planning and freedom pushed forward the integration of Keynesian ideas
with the progressive political mood that came to dominate Britain at the close of the Second
World War (Oakley, 2011).

In a conversation on the implications and perils of economic planning in her 1946b’s
Economic Planning: Serfdom or Freedom?, Wootton called for the naivety of Hayek’s chant
that the road to planning is inevitably the road to slavery and established once again her
practical view of how economic policy should be pragmatic: ‘the very fallacy in all this
business in the simple confusion of ‘must’ with ‘may’. (…) Whatever it will happen is another
question’ (Wootton, 1946b, p. 255, original highlight). She argues along similar same lines in
her 1938’s Lament when pointing out that the criticism to non-market economies found in the
1920’s Collectivist Economics Planning edited by Friedrich Hayek is ‘a criticism of contrast –
of contrast between what is proposed and what is’ (Wootton, 1946b, p. 159). In her view,
demonstrated in section 1, the hostility towards planned economy goes hand in hand with an

³ What remains of the post-war welfare state and its theorisation mainly through the lenses of market failure was
indeed shaped by struggles against welfare regimes (Jensen and Tyler 2015).
implicit defence of the validity of market mechanisms and an advocacy of the normative merits of the market.

For Wootton, it is unthinkable to consider real policies and to assume planning as being inconsistent with the fundamental principle of democracy for two main reasons, which crystallise her political-methodological view. First, that we do not have empirical grounds for such conclusion, particularly because in the real-world people are interested in concrete ‘freedoms’ (civil, cultural, economic and political), rather than a hazy picture of ‘Freedom’. Second, because economic policy should be separated off from the game of party politics and translate themselves into physical betterment (Oakley, 2011): ‘good political principles must spell real changes in the real lives of real people: otherwise they are dust and ashes’ (Wootton, 1944, p. 1).

Despite Wootton’s belief in economic planning and her defence of the Beveridge Plan, she was not blind to flaws and potential criticisms to the welfare state, particularly in its practice. Rather than simply advocating a blind implementation of a welfare system, she often highlighted why it was necessary to tackle poverty, inequality and improve the population’s wellbeing, further underpinning the importance of continuous revision and updates in the system for it to remain efficient to its ends, always supported by surveys, statistics and concrete information (Oakley, 2011).

She acknowledged that the purpose of a comprehensive social security system is to provide protection on a prescribed minimum level against certain contingencies and structural inequalities in capitalism (Wootton, 1944; 1953; 1963) rather than both a correction to market failures, as it became common in the current discussions of welfare state, and a utopian change.

She also claimed the plan still had many questions still untouched. For instance:

How are we to ensure that the best use is made of the resources of this and other countries? What about our relations with the rest of the world, and international organisation generally? What are fair and workable principles on which to regulate payment for the various jobs that have got to be done by someone? How far is employment for all compatible with the individual’s freedom to choose at what and where he will work? (Wootton, 1944, p. 14).

Some of those questions were answered by Wootton herself as being from a lack of political and general conviction in the welfare state system, rather than knowledge. In her view, Beveridge’s recommendations that emerged from its initial report were in fact politically
agreed measures that the Coalition Government gave a ‘very mild blessing’ when they were published, blaming the Labour Government for ‘whatever difficulties and annoyances have emerged from the actual laws’ (Wootton, 1949, p. 101). This view was not presented only by Wootton, but by other scholars at the time, including Keynes himself (2013) [1943]. For Wootton, this contributed the perpetuation and maintenance of poverty in British society (Wootton, 1956; 1963), as the welfare system should have been strengthened and combined with other programmes to reduce structural inequality.

Wootton connected some of the limitations of the welfare state with economic theory and unequal power relations in the labour market and capitalism more broadly: first, pay and remuneration needed to be considered side by side with welfare policies, as collective bargaining and equal pay played a crucial role in tackling inequality and poverty, including differences in gendered professions (Wootton, 1961). Second, the implementation of a welfare system in Britain caused the misimpression that poverty had been eradicated, and hence disappeared from the catalogues of social and economic investigations (Wootton, 1963), when the causes for inequalities within capitalism has much wider and deeper causes.

In Wootton’s eyes, the welfare state should be seen as a first step to better and more comprehensive social policies that would eradicate social distress and provide collective betterment (Wootton, 1938; 1985). Amidst the rise of neoliberal policies in the 1980s and the attack on welfare state systems, which translated into cuts in social services, she reiterates such systems should be working towards providing a universal basic benefit for all, from cradle to grave.

She criticised the government’s desperate attempt to save money, launching an attack on what she called ‘the Giant Parsimony’ (Wootton, 1983, p. 287). For her, the very existence of the welfare state was due to the fact that people had signally failed to provide welfare provision for themselves through market forces, so it is unthinkable that the welfare state should be allowed to wither away, at least in the short run (Wootton, 1983). After all, even though in capitalism it is assumed that individuals will manage to provide an income for themselves and their dependants, it is a fact of experience that capitalist countries demonstrate a highly unequal distribution of income.

Governments may not be responsible for these initial levels of inequality, but Wootton was convinced that they could certainly modify these trends. Then, on what concerns long run objectives, she underpinned the importance of rethinking social insurance based on individual
contributions, as it lends higher weight to workers, and proposing more radical proposals in the sense of ensuring poverty is eradicated above all.

One possibility, in her view, was to adopt a universal standard of civilised living which makes a regular welfare payment to every citizen (Wootton, 1985), resembling contemporary debates on universal basic income (UBI) (see Van Parijs & Vanderborght, 2017). Unlike some UBI advocates, however, she did not defend the removal, or even replacement of the welfare state by uniformed payments – on the contrary, such task should be done with a well-grounded system of public provisions that takes active steps to establish minimum living standards (Wootton, 1985).

Writing at a time before economists began to rely on the theory of market failure to understand the economic role of government and improve the performance of the market, Wootton gives us elements to theorise the welfare state based on real-world issues and without starting from the market equilibrium straight jacket from where these issues are exceptional cases departing from the norm. The welfare state for her being is a permanent feature of the capitalist state.

She is also exempt from the marginal revolution that precipitated ‘a change in the way that economists went about their analysis of the economic role of government’ (Medema, 2006, p. 1). Therefore, Wootton neither shied away from the ethically normative discussion behind this role nor separate issues of ‘efficiency’ from distribution/equity. Her economic theory is one that supported the welfare state and specific social policies based on both a view of social justice and a view on intervention that emerged from capitalism structural shortcomings, thus encompassing a much broader idea of welfare state.

4. CONCLUDING REMARKS

Barbara Wootton’s acclaimed contributions to social policy is still unknown by economists, particularly on what concerns her contributions to the methodology of economics, and the debates on the British welfare state in the post-war. This article offered an exploration of Wootton’s views on welfare policies by drawing from her engagement in the public debate and her interactions with William Beveridge on the topic, making her an important pillar to 20th century British social policy.

Her forgotten contributions to economic methodology also provide a timely reconsideration of the connections between theory and practice in economics. Wootton, who
took economics by training, was significantly dissatisfied with the state of economic theorising, as it lacked real-world contributions and was nothing more than a detached, decadent science that was more worried in feeding its own internal logic than improving the conditions of the population.

She was very discontent with four core issues in the economics discipline. First, that economists’ concerns lie only within positive economics; second, a neutrality and further neglect towards the content and quality of human ends; third, the obsession for individual maximisation of well-being, which oddly enough can lead to a social optimum; and fourth, a believe that there is an optimal distribution of resources within the market.

In stark opposition to these – and challenging Lionel Robbins’ definition of economics –, Wootton argued that it is the role of the economist to deal with the improvement of the population’s wellbeing. Economics should not take ends merely as a given; rather, it should care about the quality of ends and consider individual satisfaction via-a-vis social satisfaction. Further, she also exposed the unacknowledged bias towards the market as the best form of social organisation, which becomes a strong theoretical argument against planned economies, and against interventionist policies on the market to deal with rising poverty and inequality levels.

Wootton’s approach allows us to think the welfare state as a general and permanent feature of the capitalist state. Social policies are therefore particular and contingent, being a manifestation of the public provision of welfare – as it happened in the post-war experience. Although not directly constructing a theory of welfare state, she embedded its needs and functions within economic theory. In a world marked by inequality, instability and uncertainty, economists should enquire into the nature of social ends and find solutions to satisfy these ends – understanding and elaborating their theoretical analyses through the lenses of practice and relying on institutions to formulate plans of social betterment.

With a fierce critique to how economists can only provide economic analyses through the sense of markets, where there is no room for collective decision but only maximum personal satisfaction, Wootton’s welfare state does not resemble any modern idea of a public sector being governed by the same principles and axioms as that of the market, or ideas around providing insurance against risks that individuals face. Quite the opposite, her view of welfare state does not start from an individual but a collective premise, which makes Wootton an outlier
in the history of economic thought that sees the role of the government ‘as a response to the forces of self-interest’ (Medema, 2003, pp. 228–229)

The current Covid-19 pandemic has led to calls for a strong welfare state, with a nostalgia about the post-war period (Curtice, 2020; Kleider & Sandher, 2020). However, what Wootton’s analysis tells us is that welfare state is neither about a contingent set of provision policy nor correcting market failures. For her, the welfare state is a crucial part of economic theory in the sense of how economists see and use the state to eradicate structural inequalities, regulate private activities and at the same time provide collective betterment. It is about theorising the welfare state via an active and interventionist role of the state, with social policy being the manifestation of this welfare state in different historical moments. Thus, given the lack of preparedness to face the pandemic, ranging from low number of hospital beds to poor remuneration key workers current in the front line (Alves & Kvangraven, 2020), Wootton’s work invites us to question and reassess the welfare state structurally. Equally importantly, it urges us to be creative – not nostalgic – about which social policies our historical moment demands.

Acknowledgments

We are very grateful to Girton College’s Library and Archives for allowing access to The Personal Papers of Barbara Wootton. Our special thanks to Girton’s Librarian and Fellow Jenny Blackhurst, as well as Girton’s Archivist, Hannah Westall. We also thank Angus Armstrong for the discussion on welfare state and current policy making in the UK, and Cléo Chassonnery-Zaïgouche and John King for comments on early draft of this paper. Finally, we thank the feedback received at the 51st annual UK History of Economic Thought Conference (Goldsmith, University of London), and 7th Biennial Conference of the Latin American Society for the History of Economic Thought (Universidade Federal do Paraná, Brazil), particularly from Maxime Desmarais-Tremblay and Rebeca Gomez Betancourt.

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