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Finally, government had to protect national boundaries from geopolitical threats; providing this protection was under the purview of the military. Our government's early efforts to protect property and regulate labor played a major role in creating the United States as a world economic leader.

### The Protection of Property

Among the Western capitalist democracies, the United States has always been unique for a variety of reasons. For one thing, the United States is much younger than Western European capitalist democracies. In addition, from the earliest days of U.S. politics, "the people" (at first only white men and, in some states, only white male property holders) elected our national leaders. Similarly, our nation-state (the state, for short)—the set of institutions comprising the implements of force (the army, police, etc.), the judiciary (courts), the legislature, and the executive and administrative branches—emerged concurrently with our market economy.

From our nation's inception, one of the primary purposes of government action was to protect and conserve the rights of private property, which were embedded in the Constitution. The Constitution originated in a period in which newly developing business classes (Southern planters and Northern manufacturers, merchants, and landowners) were struggling against the constraints the British royalty had imposed.

Our nation-state developed into a modern state during the period from the Civil War to the turn of the century. Prior to the Civil War an alliance between Northern business classes and Southern planters dominated (Lee and Passell, 1979). The Civil War brought an end to that alliance, and Northern business classes remained dominant. The emergence of Northern industrialists removed the last restraint to explosive economic growth of Northern industrial manufacturing interests, such as the steel industry. The activities of government supported that growth.

**Military Intervention** Although a preoccupation with westward expansion delayed United States entry into international trade, by the early 1900s American businesses were looking overseas for resources and markets. During this period, the government supported American property interests overseas through military involvement. China, for example, was of considerable interest to the American business class.

Access to China required some intermediary points of entry that the Philippines provided. To maintain an "open door policy" that allowed free trade with China, the United States, during the Spanish-American War, established colonies in the Philippines in 1899. By 1899, American businessmen obtained the trade contracts they sought (Williams, 1970). The army flexed its muscles in China in 1911, 1912, 1924, and 1926, when unrest threatened the security of American business concerns. In 1912, the American military interceded in Nicaragua to prevent interference in the financing of a railway. In 1915, United States troops occupied Haiti on behalf of United States bankers; in 1916, troops seized control of the treasury in Santo Domingo to force compliance with earlier economic obligations. Similarly, when oil interests were threatened in Mexico in 1916 the marines secured our interests through a show of force (Edwards, Reich, and Weisskopf, 1986, p. 112).

After the Russian Revolution of 1917, the anxieties of American business interests coalesced around the Soviet threat. As early as 1901, the Socialist party had garnered considerable support among working people in the United States. Although communism reached its ideological zenith after World War II, it motivated considerable state activity in this earlier period. Much of our military involvement throughout the world was to stop the spread of communism, which threatened not only, ostensibly, democratic rights but also capitalist markets (Weinstein, 1968; Edwards, Reich, and Weisskopf, 1986; Armstrong, Glyn, and Harrison, 1991).

**Infrastructure** In the era of the uninvolved state the government also played a major role in building the infrastructure of the country. Government land grants, financing, and police protection aided the building of railroads, highways, and waterways, all of which were necessary to interstate trade. Thus the "uninvolved" government was actively involved in providing the transportation necessary for economic expansion and growth.

By the mid-1800s, the government had provided financing for road and canal systems that connected the East and the West. Prior to the Civil War, of the \$190 million invested in canal construction, the government provided roughly \$143 million. To support railroad construction from 1850-1871, the government granted about 131 million acres to developers; the estimated value was roughly \$400 million (Lee and Passell, 1979, p. 310). Research suggests, however, that the grants were provided after the railways were built and that the grants were

economically unnecessary subsidies for already wealthy industrialists (see Lee and Passell, 1979).

**Business Regulation** Perhaps the most dramatic and oft-discussed role of the government before World War II was its role as regulator of business. This role emerged with the set of policies that defined the Progressive era of the early twentieth century. These policies were aimed at controlling big business; in reality, they aided the consolidation and stability of those very businesses they regulated (Kolko, 1963, 1967).

A period of dramatic economic expansion characterized by high levels of business competition had begun in the late 1800s. That competition, in the absence of any controls, led to dramatic fluctuations in prices, massive unemployment, recurring recessions, and the first Great Depression in 1873. Such disruptions took a heavy toll on businesses. For example, during the years 1890–1928 almost 600,000 businesses failed. Many businesses that did not fail *per se* were absorbed by more powerful companies. There were 1,208 mergers in 1899 and 1,245 in 1929, levels unmatched until 1967.

An economy in transition created profound social disruption as well, such as massive immigration from the even more devastated economies of Europe, relocation of black Southern workers displaced by agricultural mechanization, the spread of factory labor, and the proliferation of banking and financial institutions. Out of this cauldron of social changes came a series of movements characterized by efforts to maintain some control.

The Progressive movement demanded that government control the unrestricted growth and competition of large corporations. It was driven by small businesses that were being gobbled up by larger ones, some large industrialists who recognized the failure of voluntary efforts to control competition, and conservative labor unions. Their concerns motivated passage of the Federal Reserve Act, the Federal Trade Commission Act, and the Sherman Anti-Trust Act, which were among the first major examples of government action to stabilize and regulate the economy. The Sherman Anti-Trust Act (1890) attempted to prevent contracts and conspiracies that would interfere with free trade. While early interpretations of the act threatened the growth of big business, later interpretations allowed monopolies to develop as long as they did not create "unreasonable" restraints to trade. In some instances, the Sherman Anti-Trust Act was used against unions, claiming that union organization created restraints on trade. The Federal

Reserve Act (1914) standardized and regulated the banking and financial system, regulated the flow of money and credit, and controlled interest rates (to some extent). The Federal Trade Commission Act (1914) formed a government agency to investigate possible restraints of trade in industries such as tobacco, oil, beef, cotton, and others.

### Regulation of Employment Relations

In addition to regulating business, the government also sought to regulate the growth of radical working-class movements and politics. Political reforms and outright repression were used to keep industrial workers, immigrants, and other members of the "dangerous classes" from challenging the growing power of corporations.

**Repression of Workers** During the late nineteenth and early twentieth centuries, when the government intervened in conflicts between workers and employers, that intervention was consistently on the side of employers. Prior to the establishment of the Wagner Act in 1935, later solidified by Taft-Hartley in 1947, unions had no legal standing, and strikes could often result in jailing. Labor history during this period includes numerous incidents, many bloody, in which government troops were used to repress union organizing and strike activity (Boyer and Morais, 1955; Rubin, Griffin, and Wallace, 1983).

Of particular concern during the early twentieth century were the Industrial Workers of the World, or the "Wobblies." The IWW was an early industrial movement with an unabashedly radical platform. They sought to organize all workers, regardless of skill, ethnicity, or race. They not only demanded decent wages but claimed that "those who did the nation's work should own the nation's industries" (Boyer and Morais, 1955, p. 172). They challenged the strategies of more conservative unions like the American Federation of Labor (AFL) and called for a solidaristic working-class movement empowered by mass strikes.

The Wobblies were beaten, jailed, and executed. Their strikes were stopped with National Guard bullets. Their headquarters were dynamited and members were deported. Still, they had some influence at the local level. By 1915, 25 states had passed laws limiting the working day (there had previously been no legal limit), and states had begun to legislate child labor laws (Boyer and Morais, 1955).

Despite occasional victories, unions faced an uphill battle. Courts during this period were openly and consistently antilabor. They out-

lawed revolutionary unions, sympathy strikes, closed shops, and boycotts. Sympathy strikes refer to strikes by a group of workers to show support for other striking workers. For instance, if production workers in a factory strike for safer working conditions and the sales and clerical workers then strike in support of those production workers (all of which together would bring business to a halt), the second strike would be a sympathy strike. Closed shops are workplaces where employers can hire only unionized labor (where a union is already represented). Outlawing these strategies, all of which were very effective in union organizing struggles, was part of the routinization process discussed in chapter 2. Employers frequently obtained court-issued injunctions against strikes, ending the strike by decree and criminalizing its continuance. Injunctions against strikes over the right to organize were effective means of limiting union membership (Griffin, Wallace, and Rubin, 1986). In the 1920s, injunctions were used 921 times against unions. Also effective were yellow-dog contracts, which made the promise never to join a union a condition of employment. The courts upheld the legality of these contracts as late as 1917.

Repression of organized labor was not the only way in which the "uninvolved" government intervened in the affairs of the working class. One target was corrupt urban "machine" politics (Chicago's being perhaps the best known and longest lasting). Think, for example, of the movie *The Godfather*, in which the fictitious Corleone family, through a combination of violence and beneficence, protected the members of the Italian community. The Corleones took care of their own, punished their enemies, and rewarded their friends.

Machine politicians, like the Corleone family, protected their ethnic constituencies and provided benefits, jobs, and redress of grievances. They maintained their power to provide these services by falsely registering voters within their wards and intimidating critics. Voter registration legislation and other reforms were designed to curb such corruption. Some have argued, however, that these reforms actually limited ethnic and working-class participation in government (Piven and Cloward, 1993).

By cleaning up urban machine politics, reformers replaced ethnic workers' political power with the more nationally organized and elite-dominated party politics. Similarly, voter registration, while seemingly a positive reform, meant that potential voters had to register periodically and meet a variety of criteria in order to vote. Electoral participation decreased dramatically (Greenberg, 1985; Piven and

Cloward, 1993). A combination of force, legal action, and political reform served to diminish the influence of ordinary people on the government.

**Relief to the Poor** Sometimes the state used a velvet glove rather than an iron fist to quell workers' potential for self-organization and the militancy of ordinary people. **Poor relief** was an example of such a strategy. Though we now associate big government with welfare, social security, food stamps, and other federal programs like these, before the depression there were no comparable policies. By and large, the government in the pre-depression era was *uninvolved* in providing for the poor. The absence of any effort on the part of the federal government to collect data on the extent and composition of the poor reflects the government's indifference to their plight.

In part, this laissez-faire approach was the result of powerful ideologies depicting the poor as victims of their own godlessness or slothfulness. Still, many recognized that the poor among them often were poor because of some happenstance outside their control. Certainly, widows and disabled soldiers could not be faulted for their position. Similarly, some recognized that rapid industrialization had played a role in creating hardship and poverty.

Prior to the 1930s, churches, charities, benevolent societies, communities, families, and the occasional mutual aid society kept the poor from total, unmitigated destitution. **Poor relief**, or the dole, was administered to the "deserving poor"—that is, to widows, the disabled, the sick, and the aged. By and large, any able-bodied poor (including children) were often institutionalized in workhouses (the type of place in which Oliver, the title character in the Charles Dickens-based musical about the poor of England, sings the praises of "Food, Glorious Food"). They were put to work, often under completely odious conditions. Being "on the dole" was highly stigmatized and a source of deep humiliation for people.

There was, however, consistent support for some sort of old age pension, especially for widows and veterans of the Civil War (see Quadagno, 1988, for an excellent study of the origins of old age security). For the most part, aid to the poor was spotty and administered on a state or community rather than federal level. Economic downturns often resulted in complete cessation of any sort of relief.

The other source of old age pension during the pre-labor-capital accord era was union pension funds. World War I had increased the strength and size of unions and allowed them to initiate pension

plans for their members. But unions had little legal stability and protection during these years; so after the war, unions lost much of their membership and, therefore, their ability to maintain these pension plans.

### Depression, War, and the End of an Era

The stock market crash of 1929 ended the period of the uninvolved government. When the depression and World War II were over, the federal government was committed to making sure that society never again experienced such massive economic and political disruption.

Try to imagine the situation the government faced during the 1930s. One third of the work force was unemployed, banks and major businesses had failed, and the country was in danger from a major war in Europe. Ordinary men and women who had done everything they thought they were supposed to do had lost everything. Many had come to this country, often with nothing but the clothes on their backs. They had worked hard, saving a little bit here, a little bit there, putting those savings into banks, trying to live the American Dream. Suddenly, through no fault of their own, they were out of jobs; their homes were repossessed; the banks wouldn't give them their money; and they could put little food on their soon-to-be repossessed tables. Traditional nineteenth-century solutions of charity and local responsibility were completely inadequate to meet the needs of the millions of people suddenly thrust into poverty, unemployment, and homelessness by the depression. At the same time, the Socialists and the Communist party provided an answer that made sense to many people. They blamed society's distress on exploitation and greed on the part of big business and told working people that they were the source of the nation's wealth but were not rewarded for it (Lynd, 1973; Weinstein, 1973; Stepan-Norris and Zeitlan, 1989).

Besides the threat from the organized left, there were threats from populist and right-wing movements. Father Coughlin was a radio priest who had enormous support for his demands for guaranteed wages and nationalization of industry. The Townsendites of California called for old age pensions of \$200 a month for anyone over 60 years old that each pensioner had to spend within a month.

Then there was Huey Long, an enormously popular senator from the state of Louisiana who was elected in 1932. Long was flamboyant, charismatic, irreverent, and outrageous. He built bridges, roads, and

schools and bought the loyalty of thousands. His support was tremendously important for mobilizing the votes that brought Franklin D. Roosevelt to power. However, Long's populism increasingly distanced him from national elites. Particularly threatening was his Share the Wealth movement, which demanded a federally guaranteed family income of \$5,000 a year. Long had support not only from his own Louisiana constituency but more broadly throughout the impoverished rural South. Many believe that had he not been assassinated in 1935, he might well have made a successful run for the presidency (Amenta and Zylan, 1991; Piven and Cloward, 1993).

During the depression, many responded to economic hardship by leaving their homes and seeking work elsewhere. John Steinbeck's great novel *The Grapes of Wrath* recounts the story of the Joads, who left Oklahoma for California looking for work. The rootless despair of the Joads was one type of response to the depression, but others were less quiescent. In major cities like Chicago and New York, there was a rise in mass looting of department and other stores. Similarly, often under the radical banners of the Socialist and Communist parties, unemployed workers staged mass protests that ended in violent clashes with the police. People evicted from their homes often staged rent strikes in which they refused to leave and protested for relief. Many of these strikes ended in violence.

Some of the strikes were so dramatic, however, that local officials did indeed respond with funds. Unfortunately, even if these local officials wanted to come to the aid of unemployed citizens, they often lacked the fiscal ability to do so. Eventually, the federal government was forced to confront the faltering economy, the widespread social disruption, and the incessant demands for relief.

The social and economic disruption of the 1930s played an important role in the emergence of the Democratic party. The Republican party had dominated the government since the end of World War I, but as the depression deepened more and more urban voters turned to the Democratic party. In 1932, Democrat Franklin Delano Roosevelt became president, and was reelected three times. Although a product of an elite family, he immediately responded to the demands of the electorate with a program of legislation, now called the New Deal, that attempted to diffuse radical claims by partially responding to their demands (Piven and Cloward, 1977, 1993). These programs included social security, work relief, and unemployment insurance.

The result of protest and economic and political instability was a redefinition of how Americans and their government conceived the government's role. For the first time in history, some part of the responsibility for individuals' well-being shifted to the government. This view was radically different from the one that blamed the poor for their poverty and misfortune.

## THE INVOLVED STATE / Welfare State

Clearly the state had been involved in the economy prior to the New Deal, but it had been *uninvolved on a systematic basis with the well-being of ordinary citizens*. However, the political coalition that emerged after World War II devised policies that made the government a factor in people's lives. The involved state combined the social institutions of the New Deal with the military institutions of World War II (including the industries that made military hardware) as a way to protect the economy from future disasters. The range of issues with which government became systematically involved included policies regulating banking; protecting working people from the most odious conditions of employment; providing a certain amount of economic security for the aged, unemployed, and widowed; regulating industrial conflict; and using the government budget to stimulate the economy when its activity slowed. This set of policies structured government activity for the next two and a half decades. The United States thus became a welfare-warfare state (O'Connor, 1973).

### The Welfare State

Perhaps the most important change in the government's role was its adoption of the set of protections grouped under the label *welfare*. Central to creating this new set of protections was a shift in the political and social understanding of the rights associated with U.S. citizenship in the labor-capital accord described in chapter 2. One significant component of the Accord was the relationship between workers, particularly unionized workers, and their employers. Another major component was what Bowles and Gintis (1982) and others have called the *citizen wage*, payments one receives by virtue of citizenship rather than by employment.

Prior to this era, the rights of citizenship had not included guarantees of minimum levels of employment, health, and employment

safety. Rather, the government primarily protected the rights of property. However, as a result of the political and economic conflict that characterized the 1930s and 1940s, the government expanded its protections. The Wagner Act (1935) gave workers the right to bargain collectively through a representative of their own choosing. The Social Security Act (1935) provided, for the first time, a certain level of financial security to entire segments of the population. The Employment Act (1946) indicated commitment to maintaining a certain level of employment. Later, again as a response to social protest, riots, and disruption, the government extended the logic of responsibility with the extension of the Social Security Act known as Aid to Families with Dependent Children (1968), formally, Public Law 90-248. Similarly, the Occupational Health and Safety Act (1970) and the Clean Water Act (1971) also reflected the increased involvement and responsibility of the government in protecting the rights of citizens.

These legislative initiatives represent a very different relationship between the government and the citizenry. But all have come under attack or are threatened by current economic and political conditions. Perhaps the two that are most politically contentious are social security, which is a form of social insurance, and Aid to Families with Dependent Children, which is a form of public assistance.

**Social Insurance** Social insurance programs are linked to participation in the labor market. They distribute income to the aged, disabled, and unemployed, assuming they have worked in certain kinds of jobs for the minimum duration. They thus provide a citizen wage to those who have participated in the labor market. They provide income to poor and nonpoor alike. However, because they are tied to prior earnings and payroll contributions, they provide more income to those with lifetime, relatively high-level employment than to those with a spotty employment history.

Social security, which provides monthly payments to retired workers and their dependent families, is the most successful social insurance program and a prime example of the capabilities of the welfare state. It has been instrumental in saving many elderly persons from dire poverty. The percentage of the poor who are 65 years old or over decreased from 35.9% in 1959 (when data were first collected) to 10% in 1990 (Devine and Wright, 1993). (The government defines *poverty* as an annual income that does not support a minimum standard of living for a family of three or more.)

Social security has been enormously successful in protecting the well-being of Accord families, those consisting of a married breadwinner and homemaker. It has been less successful in helping people who, like my mother, do not fit the mold. Like many women of her age (born in 1932), my mother married in her early 20s and was a full-time homemaker. However, after her second divorce in the early 1970s she entered the labor market as a clerical worker. When she lost her first job she was able to replace it only with a part-time job. In the 1980s she was diagnosed with multiple sclerosis. She worked as long as she could until the debilitating effects of her disease forced retirement, at which point she applied for disability payments. Since she was not yet 65, she was unable to get social security. She did receive supplemental security income (SSI), which provides assistance to the blind, disabled, and aged. But given her late entry into the labor force and the limited years of her payment into the system, she was provided only a few hundred dollars a month on which to live. Moreover, she was informed that once she reached 65 her SSI payments would decrease. When my mother died well before her 65th birthday she was living below the poverty line and dependent for necessities on her friends and few living relatives. My grandparents, on the other hand, had stayed married over 60 years and had a successful business. The combination of social security payments and investments allowed them to retire to a comfortable and pleasant life. Even after my grandfather died, my grandmother has had enough income to enjoy life.

Another important form of social insurance provides benefits to military veterans. Over the years, these benefits have expanded to include medical care, college tuition, and housing loans. Of course, as recent protests by homeless Vietnam veterans make clear, these programs, for a variety of reasons, fall far short of need.

Unemployment insurance and workers' compensation are two other major forms of social insurance. Unemployment insurance provides temporary payments to workers to tide them over during periods of forced unemployment. The size and eligibility of payment are, of course, tied to past employment history. To obtain benefits, workers must meet state requirements and report weekly to employment offices. Workers displaced by industrial restructuring often use up these benefits before they find a new job, and they then fall into the uncouneted and unpaid ranks of unemployed workers. Workers' compensation, in contrast, is for those whose work is interrupted by illness, disease, or work-related injury. It is similar to unemployment insurance in its administration (Levitan, 1985).

**Public Assistance** The other major type of welfare program is public assistance programs, which provide support on the basis of need rather than on the basis of prior contributions. There are programs for the elderly, blind, and disabled, as well as for poor families with dependent children. (See Sar Levitan, 1985, for an extensive, detailed, and accessible book on the variety of governmental programs geared toward the poor.)

The most well known and politically contentious of the public assistance programs is Aid to Families with Dependent Children (AFDC). AFDC provides income to single-parent families with young children, presumably to keep those families out of poverty. The AFDC program supported the overall image of the Accord family. It was geared toward supplementing the incomes of women who did not have a male breadwinner and was originally conceived as support for widows with children. In other words, AFDC was not established as a program that somehow would allow women to become economically independent. Such a program would include job training, child care, and other benefits that would allow poor women to obtain incomes sufficiently high to support their families. Because the state played the role of the missing husband, it reinforced women's economic dependency, an aspect of the program that is now deemed one of its greatest weaknesses.

AFDC constitutes a relatively small part of total welfare expenditures. In 1960, for example, AFDC accounted for 4.2% of total federal social welfare expenditures; at its peak in the 1970s, it was only 6.3%, and by 1988 it was reduced to 3.2%. However, AFDC has been the fastest growing of the *means-tested* income programs in the post-World War II era. Means-tested programs are those for which recipients must demonstrate need. Such programs are in contrast to entitlement programs like social security. The percentage of all families that received AFDC in 1960 was 1.8%, but by the 1970s it was 5.0% and by 1988 5.8% (Devine and Wright, 1993, Table 6.2, p. 144). Among the reasons for the rapid expansion of AFDC expenditures were the ideological changes that swept the nation in the 1960s, which seemed to relax some of the stigma of accepting help from the government.

Table 5.1 presents the increase in current dollars allocated to AFDC and AFDC expenditures as a percentage of total government expenditures. These data show that during this period, the amount of money allocated to AFDC did grow dramatically. The data also show, however, that as a percentage of total government expenditures, AFDC payments were relatively minuscule.

Table 5.1 AFDC Expenditures in Current Dollars as a Percentage of Total Government Expenditures

Year	AFDC (millions)	AFDC as Percentage of Total Government Expenditures
1950	551	.89
1955	613	.56
1960	991	.65
1965	1,650	.80
1970	4,823	1.40
1975	9,186	1.55
1980	12,409	1.23
1992	24,923	1.00

Adapted from *National Income and Product Accounts of the United States 1929-1974*, 1977, Washington, D.C.: Bureau of Economic Analysis; *Survey of Current Business* (monthly publication), July 1976, July 1978, and July 1983, Washington, D.C.: U.S. Department of Commerce (Bureau of Economic Analysis); *Economic Report of the President*, 1978 and 1983, Washington, D.C.: Government Printing Office; *Statistical Abstract of the United States*, 1994.

AFDC is state administered; so the levels of benefits are highly uneven. In New York in 1991, for example, the average monthly payment for AFDC recipients was \$550, while in my home state of Louisiana the payment was \$167 a month. While there is little doubt that the cost of living in Louisiana is far less than that in New York, there is also little doubt that even in Louisiana, a family, no matter how small, cannot live on \$167 a month! In no state are AFDC payments alone enough to keep families out of poverty.

Some have argued that AFDC payments must be kept unattractively low so that they will not induce young women to have more children out of wedlock in order to get on the AFDC rolls or increase their benefits once on them. There is, however, little evidence to support either of these concerns. Devine and Wright's summary of the data on poverty, welfare, and illegitimacy indicates that women receiving AFDC are no more likely than poor women not receiving AFDC to have more children. They go on to argue that reducing AFDC payments would not decrease the number of children born out of wedlock; rather it would increase the poverty of children who are dependent on AFDC payments. Moreover, the minuscule dollar in-

crease associated with each additional child is scarcely enough to impel women to have additional children (Devine and Wright, 1993, p.141). It is true that there are increasing numbers of out-of-wedlock births; it is not true that the increase is related to the provision of welfare (Levitan, 1985; Wilson, 1987; Devine and Wright, 1993).

All public assistance programs have been successful in reducing poverty, even though they do not eradicate it. There is little doubt that without them the extent of misery throughout society would be much greater. The problem is that the political alliance that led to the expansion of the welfare state and the resources that have funded it may well be absent in the current era. I will return to this issue; however, before I do, I need to discuss the other arm of the involved state—the warfare state.

### The Warfare State

The policies of the New Deal alone did not end the depression. World War II also played a role. Wars stimulate economic activity (someone must build the tanks and guns). Business profits and workers' wages increase, and unemployment decreases. When employment and wages increase, so do consumer buying and corporate profits. The problem, of course, is that no one wants a war to go on forever. Though it might be good for the economy (at least if it is a war fought in someone else's country), it is certainly not good for the thousands of men and women who are killed and maimed, nor for their survivors. The coalition of leaders who emerged at the end of World War II recognized the economic role that war had played and sought to continue the benefits of wartime production without the costs. They sought to use the military budget, regardless of geopolitical threats, as a mechanism to stimulate economic activity (Griffin, Devine, and Wallace, 1982).

The continued expansion of the military budget after World War II was fueled in part by the cold war (see Figure 5.1, which shows military expenditures as a percentage of the total budget). Though Stalin had joined the Allied forces during the war, after the war was over military leaders focused their concerns on the possible spread of communism. The role of the Communist party and of Socialists in fomenting social protest, empowering industrial workers' movements, and organizing rent strikes and other forms of civil disobedience had not gone unnoticed by military and political leaders. Thus, after the



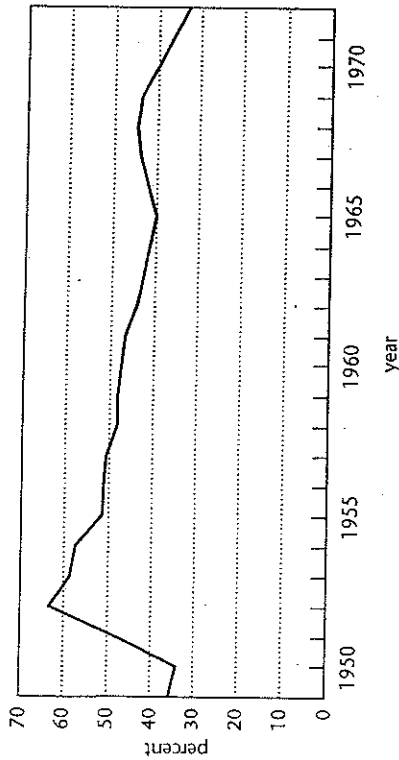


Figure 5.1. Military expenditures as percentage of the federal budget, 1949 to 1972.

From *Historical Statistics of the United States: Colonial Times to 1970*, 1975, Washington, D.C.: U.S. Bureau of the Census; *Economic Report of the President*, 1978, Washington, D.C.: Government Printing Office.

war, they also sought to purge all leftist influences from domestic institutions.

The most celebrated examples of this purge were exemplified by the witch-hunts presided over by Senator Joseph McCarthy. Senator McCarthy brought dozens of writers, producers, actors, and others up on charges of engaging in "un-American" activities—that is, being communists. In a country that celebrates freedom of speech, this period of history is deeply shameful. *It Did Happen Here* (Schultz and Schultz, 1989), for instance, includes testimony of a number of victims of the HUAC (House Unamerican Activities Committee): Hollywood screenwriters like Ring Lardner, Jr., the singer Pete Seeger, and others, many of whom were unable to work under their own names for years. Actors such as Gary Cooper, Ronald Reagan, and the writer Ayn Rand testified about the "red menace" that was sweeping Hollywood. The screenwriter Dalton Trumbo was vilified, for instance, for writing the line "share and share alike, that's democracy," among other things. Other careers were destroyed, and some, under the scrutiny of the committee and condemned by false accusations, had heart attacks or took their own lives (Schultz and Schultz, 1989; see also, Barnow, 1970). Woody Allen's movie *The Front* dramatized these conflicts.

The McCarthy hysteria was behind passage of the McCarran Act (1950), which forced unions to expunge many of those who had been

instrumental in union organizing efforts. This legislation was a component of the labor-capital accord. However, the anticommunist hysteria supported the cold war and provided a powerful ideological tool for justifying continued expenditures on the military budget, even in peacetime.

All the military activity from World War II to 1990, such as in Korea and Vietnam, was motivated by the United States' efforts to stop the perceived threat of communism. While there is no doubt that communism posed a real threat to the expansion of capitalist markets, it is less clear that communists threatened the United States directly. Some have claimed that military spending became a tool to prevent the stagnation of the economy (O'Connor, 1973; Griffin, Devine, and Wallace, 1983).

There is some evidence to back this claim. During the years 1944–1977, for example, when the rate of unemployment increased in the core of the economy, regardless of what the geopolitical situation was, military spending increased. Remember, it is in core industries (e.g., manufacturing, mining, transportation, communication) that unionized labor is most likely to work. And these are the workers with whom business had established the labor-capital accord. To maintain industrial peace and high wages and, therefore, consumption, the government increased spending for armaments and military products whenever unemployment in the core increased. These increases kept business production high, unemployment of the most powerful sectors of the work force low, and wages high.

Using military spending to stimulate the economy is attractive to both business and government for several reasons. First, the government can manipulate it easily—it need only write another armaments contract. Second, armaments become obsolete quickly. The supply never reaches the demand. Third, this kind of spending does not compete with private enterprise. If, for example, government poured money into building schools or hospitals in areas that needed them, such spending would compete with private economic actors such as construction contractors. Such competition is extremely unpopular among big business.

While it is true that President Roosevelt was able to initiate public works projects (for example, the dams of the Tennessee Valley Authority) during the depression and war years, such projects are only politically feasible during rather extraordinary times. In ordinary times, military spending became an acceptable way of stimulating economic activity. It provided employment to the most powerful



sectors of the economy (the unionized workers in the economic core) and kept core manufacturers busy producing goods that would not saturate the market.

### Tensions in the Involved State

The postwar accord thus included not only the changed relationships with labor that chapter 2 discussed but also a changed relationship between the government and the citizenry. Between 1947 and the early 1970s, the government increased its involvement not only in the affairs of business but in the lives of working people. For the first time in United States history, there was a set of programs geared toward protecting the aged, the young, the disabled, and the impoverished from the most desperate conditions. Although our social programs fall far behind those of our Western European counterparts (we are the only advanced capitalist democracy without a comprehensive health care plan, for example), there is little doubt that the implementation of these programs increased the standard of living for millions of Americans.

Despite the relative success of these programs (and this chapter has only mentioned a very few of them), just as the accord between labor and business unraveled, so too did the accord between the poor and the government. The sundering of that contract is linked to tensions between market and citizenship rights as well as to moral conflicts that have arisen in the past couple of decades.

*Market Freedom Versus Citizen Rights* Of all the sources of tension undermining government commitment to helping the disadvantaged, perhaps the tension between market and citizen rights is the most central. One of the consequences of adopting the concept of the citizen wage was that individuals acquired an alternative to participating in the labor market. In other words, in the absence of the citizen wage, an individual would have to take any job available, no matter how odious the conditions of labor or how low the pay. With an alternative source of income available from the government an individual could choose not to work (Piven and Cloward, 1982).

Although not working might mean living in poverty with the stigma of receiving a handout, it was often more attractive than the alternative. A young unmarried mother who chooses a minimum-wage job over AFDC would have to give up the food stamps and

medicaid that provide health care and food for her and her children. She would have to pay for transportation, clothing, and so forth to allow her to maintain her job. She would have to either pay for or forego child care. Finally, a minimum wage would fail to keep her out of poverty. In effect, to accept a minimum-wage job would end up costing her money and depriving her family of what it needed. This trade-off is economically irrational.

This aspect of the welfare state, more than any other, became anathema to many people, particularly those who were working at low-income jobs and did not have the benefit of social insurance or public assistance to raise their standard of living. For all kinds of people, the image of a lazy woman bearing children as a way out of work became a symbol for all that was unfair about their own economic difficulties. She became the symbol on which anti-welfare-state politicians fixed.

The real threat was not this woman, however. Rather it was an empowered working class. Remember that the labor-capital accord strengthened the position of working people by institutionalizing unions. The citizen wage also strengthened workers by offering some protections to those who were nonunionized. By having a source of income in the absence of a job, workers had more power to make demands on employers for safer workplaces, nonwage benefits (such as health benefits), and decent working conditions. But as corporations faced increasingly unprofitable conditions in the 1970s and 1980s, some realized that one way to minimize labor problems was to once again make workers more compliant. Making them more economically vulnerable would accomplish this end.

The election of President Ronald Reagan unleashed a wholesale attack on the welfare state (though it had begun earlier). Reagan's reforms sought to revoke the citizen wage and redefine citizen rights as privileges accruing from active participation in the market. Within a year of his election, Ronald Reagan slashed \$140 billion from social insurance and public assistance expenditures. Though he originally included social security in the potential cuts, the increased political clout of the elderly stopped him. His attacks fell, then, on the most vulnerable, the poor. AFDC payments decreased from about \$403 in 1970 to \$260 in 1985 (Devine and Wright, 1993, p. 143). Similarly, Reagan initiated decreases in expenditures for food stamps, health care, school lunch programs, job training, and other social programs (Piven and Cloward, 1982, 1993).

The Reagan policy toward housing also had dramatic consequences (Rubin, Wright, and Devine, 1992). A period of increased economic instability, industrial restructuring, worker displacement, and joblessness increased the ranks of poor and low-income people and decreased the supply of low-income housing. Tax policies that favored the gentrification of inner cities (tearing down old apartments and putting up expensive condominiums) removed many traditional sources of low-income housing such as flophouses and government-built low-rent housing. The Reagan-Bush agenda of deregulation and privatization removed government from the business of providing low-income housing and turned that responsibility over to private business. It is, however, more profitable to build and sell upscale housing than low-income housing. Thus, for example, in Louisiana, there was a 45.5% gap between the number of low-income households and the number of low-income housing units. In New York there was a 137.6% gap (Rubin, Wright, and Devine, 1993, p. 128). The result was a surge in homelessness.

In sum, the Reagan administration aggressively, and the Bush administration less so, pursued policies that once again elevated market and property rights over citizenship rights. Rather than seeing the role of government as one of protecting citizens from failures in market policy, these administrations viewed the role of government as strengthening markets and businesses. The assumption was that if businesses could act relatively free from regulation and demands by an empowered working class, profits would increase—and those profits would trickle down to the rest of society. As I discussed in chapter 2, profits did not trickle down (see also Treas, 1983).

**Moral Conflicts** Another tension that the welfare state generated existed between religious fundamentalists and secular liberals. Many conservative politicians and members of the religious right, led by Jerry Falwell's Moral Majority, now reconfigured as the Christian Coalition, believe that the welfare state encourages illegitimacy, cohabitation among unmarried youth, and a general abandonment of traditional values. Beginning in the 1970s, the religious right increasingly supported and was represented in the right wing of the Republican party. They sought to make values, particularly family values, the center of policy initiatives.

Popular support for the Moral Majority and later for the family values platform undoubtedly stemmed from the anxiety caused by many of the economic changes discussed in the earlier chapters.

Increased economic pressure and declining economic security created pressures on families for both adults to work (see chapter 4). Traditional gender roles were threatened, family stability appeared threatened, and children were increasingly unparented.

Given this range of pressures on families and other unsettling changes, the call for a return to family values was enormously appealing to many people. And what better to symbolize the failure of family values than a young, unwed welfare mother, having ever more and more babies to increase her welfare check? Although there is little evidence of such behavior, these fictitious "welfare queens" (Devine and Wright, 1993) were useful ideological tools to those who sought to dismantle the welfare programs that cost business and taxpayers money.

While the beginning of the post-World War II period was characterized by a growing economy and a redefinition and expansion of the government's role, the opposite conditions prevailed roughly 40 years later. The decade of the 1980s was characterized by a general willingness to chastise the poor and celebrate the rich. Haute couture, condominiums, yuppies, and "Beamers" (BMW's) came to symbolize the decade. Not only did society actively reject involvement in providing for the disadvantaged, but it celebrated the ability of business, not government, to solve all of the country's problems.