Advanced Capitalism and the Welfare State *

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The concept of the "welfare state" is perhaps vague enough to allow everyone his own definition of it, but all—conservatives, liberals, and socialists alike—seem to agree that Western capitalism has already moved into this orbit. The poor and the unemployed may see the welfare state as promising security or even affluence. The professional administrator, however, usually conceives of it as a safety valve for potential social problems or as an efficient instrument to control economic and social problems which regularly erupt in capitalist society.[1] By this time even the taxpaying man on the street has accepted most features of the welfare state as at least necessary evils.[2] I should like to offer some observations on what I consider to be the logic of development towards the welfare state.

During a recent extended stay in the United States, I was amazed at the unusual mutuality of admiration between America and Western European countries. Europeans in general are led to believe that the States are far ahead of us in almost every area of life—scientific and technological achievement, affluence and economic success, and political freedom. Of course, some of our conditioning is simply the residue of the post-fascist period of "re-education," but it is still very prevalent. Books such as J. J. Servan-Schreiber's *The American Challenge* are successful because they capitalize on this belief. Therefore, when a European visitor to the United States encounters dozens of articles, books, and statements which glorify the achievements of West European welfare states like England, Holland, West Germany, and the Scandinavian countries, he is justifiably surprised. Even American academic experts in social policy studies seem to assume that their country is quite backward compared to certain Western European countries. Robert Heilbroner indicated this in a recent *Transaction* article.[3] If Europeans and Americans share anything at all, it is a profound feeling of their own relative failure and great admiration for what is going on across the Atlantic.

*This article is a revised version of a lecture given at the New School for Social Research in 1971.

1. F. F. Piven, R. A. Cloward, *Regulating the Poor: The Function of Public Welfare.* New York, 1971.
2. L. H. Free, H. Cantril, *The Political Beliefs of Americans.* New York, 1968.
3. R. Heilbroner, "Benign Neglect in the United States," *Transaction* 7:12.

The historical genesis and contemporary quality of these apparent differences provide hundreds of researchers and commentators with material for endless speculation—e.g., Will the differences dissolve, maintain themselves, deepen, etc.? Heilbroner focuses on the "differences in basic institutions, attitudes, or responses that we call 'national character.' "[4] Rather than join the discussion of what the national differences are on both sides of the Atlantic, I prefer to describe the similarities of both systems and indicate how these systems are simply different manifestations of the same institutional structure—i.e., the economic, social, and political mechanism of advanced capitalism. My approach, then, begins with *unifying factors* and *similarities* rather than *differences* and *comparative* performance. Such an approach might be frustrating to those who would hope for more mutual imitation of each other's achievements—e.g., more features of the European welfare state in the United States and more advanced technologies and management techniques in Europe—but I can see few advantages to the traditional approach.

There are, to be sure, *quantitative* national differences worth mentioning. In the field of social security, for example, and other current transfer payments, the United States ranks behind France, West Germany, Austria, Italy, Belgium, Canada, the Netherlands, and the United Kingdom; only Portugal performs worse than the United States. Although this data comes from the late fifties, recent statistics indicate that "social welfare" has not been significantly improved since the Eisenhower years.[5] Similar comparisons could be made with regard to health, life expectancy, infant mortality, urban unrest, poverty, and a number of other indicators.

However, I find this preoccupation with quantitative comparisons and ranking scales somewhat misleading. Of course, it is true that the proportion of people who starve or suffer from other unmet needs can vary considerably. But two essential details are overlooked by this kind of statistical ranking: (1) the fact that such cases actually do occur in the wealthiest countries of the world, which, incidentally, have explicitly and without exception committed themselves to the *political* goal of universal welfare; and (2) the fact that *all* advanced capitalist societies with their own structural mechanisms *create* endemic systemic problems and large-scale unmet needs, regardless of their extent. The common denominator of the most advanced and of the most backward welfare state is the coexistence of poverty and affluence, or in more precise terms, the coexistence of the logic of industrial production for profit and the logic of human need. This contradiction, which is a basic characteristic of every capitalist society, has in no way been resolved

4. Ibid., p. 17.
5. Ibid., p. 16.

by the arrival of the welfare state. The contradiction has been simply tempered or modified in a few aspects. The welfare state in no way represents a *structural change* of capitalistic society. It does not direct itself primarily toward those classes and groups which are the most obvious *victims* of the capitalist process of industrialization; nor does it care for *old societal needs.* Instead, the welfare state tries to compensate for *new problems* which are the by-products of industrial growth in a private economy. Finally, its development has followed few of the ideological dogmas of the various political parties of capitalist societies. I should like to discuss briefly each of these negative characteristics of the welfare state.

1. *The welfare state bears no resemblance to what Marxist theorists would call a revolutionary process, that is, basic structural change.* What appears in the welfare state are new elements *within* advanced capitalist societies, but no basic change *of* these societies. That is, the welfare state has not changed political and economic power relationships. It has not changed the private mode of production for profit into public work directed to the solution of human need. It is even a moot question whether or not the welfare state was in any way responsible for recent general incomes improvement, relatively undramatic in any case. The English economist Meade has suggested that the welfare state cannot redistribute income to a very great extent because of the constraints built into the economic system. He concluded that only extremely progressive taxation in the welfare state could lead to a more equal distribution of income, but such taxation would "be bound to affect adversely incentives to work, save, innovate and take risks."[6] It is not likely that the powers that be in any capitalist society, welfare or not, would desire either this form of taxation or its consequences.

Although there is some evidence which indicates that countries with strong Social Democratic or Labor parties adopt welfare state measure more quickly and easily than countries with Conservatives in power, this has nothing to do with structural change. The proposal in the 1972 American federal budget that roughly 55 out of 229 billion dollars be spent for welfare and social policy purposes should not be interpreted as a shift to the Far Left. It should be pointed out that it was Bismarck who introduced the first general social insurance scheme in Germany—in order to buy off some of the nineteenth-century revolutionary Social Democrats.

2. *Although the term "welfare" connotes a paternalistic solicitude by the state in behalf of the lower classes, corporate business enterprises derive far greater proportionate benefits.* Even a superficial glance at direct and

6. J. E. Meade, *Efficiency, Equality, and the Ownership of Property.* Harvard University Press, 1964.

indirect state subsidies reveals that defense and space industries, corporate agribusiness, the industrial users of government-guaranteed foreign loans, and publicly financed research and development capture the lion's share of state "welfare." Weidenbaum shows the emergence of a new semipublic sector of the economy, which almost exclusively depends on the state for its survival but which at the same time operates according to the principles of profitability.[7]

It is clear, then that the definitions of the welfare state given in most social science textbooks are weighted toward a proportionately small number of "welfare" recipients: e.g., "government protected minimum standards of income, nutrition, health, housing, and education for every citizen, assured to him as a political right, not as charity."[8] They rarely mention government-protected minimum floors of defense research and development expenditures, or the maximum ceilings of taxation or pollution control regulation–all of which aid business enterprises and corporate executives to save costs or gain profits far beyond what anyone would consider mere charity.

The writers who apply the "Who benefits?" criterion often arrive at the conclusion that the welfare state is more accurately defined as "capitalism for the poor and socialism for the rich." Regardless of who benefits most from the welfare state, it should be understood that the welfare state in a capitalist society is by no means restricted to a defined area of problems or a narrow range of "welfare" problems. Rather than "creeping socialism," it is the most generous underwriter of large business enterprises in capitalism's short but glorious history.

3. *The welfare state cannot deal with primary human needs directly; it can only attempt to compensate for the new problems which are created in the wake of industrial growth.* Examples of this phenomenon abound. For instance, in the area of housing, when it became strategically important for corporate capitalism to take over the inner city for managerial headquarters, banking, and communication centers, the balance of urban life was disturbed, and it was necessary for the state to assume the "welfare" function of new public housing for those who were displaced from the inner city. Rapid capitalist development necessitated large-scale internal migration and immigration from foreign countries in a short period of time, multiplying the social problems of the city and once again causing the state to care for the problems which capitalism created.

Another consequence of industrial growth and subsequent urban development was disappearance of the three-generation family. Mobile

7. M. Weidenbaum, *The Modern Public Sector.* Basic Books, 1969.

8. H. Wilensky, Ch.N. Lebeaux, *Industrial Society and Social Welfare.* Free Press edition, p. xii.

isolated units are more functional in a capitalist economy, thus the ascendancy of the nuclear family and the destruction of the social framework of intra-familial "social security." A whole new range of welfare problems—from social security and aging to health and education—sprang into being. The state had to assume the burden of these new "welfare" problems.

Of course, industrial growth presupposes hazards and risks—not only the greater possibility of accidents at work or on the highways and a steadily high rate of unemployment, but also the hundreds of diseases and health or ecological problems tied in with industrial work and urban life. Public and private insurance of all kinds attempted to compensate for the chaotic living conditions in the city, which at best became an unhealthy but necessary gamble.

Finally, changing industrial technology demanded new kinds of skills and training—that is to say, more public expenditure for education. And when more industries became automated, educational requirements became stricter, education took on the additional task of occupying the time of large numbers of youth who would otherwise be unemployed. Since adolescents could no longer be counted on to help support their families, more welfare funds were needed for their mothers and fathers.

All of this means that the long and complicated process of capitalist industrial growth destroyed or altered the fabric of *every* social institution, not just the work-related ones. In other words, the services of the welfare state are not major social accomplishments, as some commentators would have it, but, rather, are meager compensations for the price of industrial development. In this perspective, most of the measures commonly associated with the welfare state fail to live up to their expectations as generous improvements of the quality of human life. They appear to be designed as stopgap mechanisms to offset the process of rapid and often permanent deterioration of social life caused by the capitalist pattern of industrialization. If the welfare state in its historical development has been following the path of "compensation" and "offset" rather than the path of improvement and the widening of life chances, there is a further aspect of its logic of development which I should like to touch on briefly.

4. *The development of the welfare state took place in relative independence from political controversy and ideological debate.* In order to support this point, one could quote from both the "End of ideology" and the "Does politics make a difference?" literature. There is considerable evidence that, as far as government and corporate interests are concerned, the ideological level of "welfare state" discussion lags behind actual changes rather than providing normative guidelines for their implementation: "While the argument about the welfare state has long since been resolved at the operational level . . . , it most definitely *has not* been resolved at the

ideological level."[9] The lip service that is being paid to old liberal stereotypes and myths has little influence on the actual operation of governments. The lack of choices made on principle is also acknowledged by authors who place "top priority" on "renovating our ideology."[10]

On the other hand, some authors have recently raised the question of whether politics is relevant at all: Is it the conscious will of voters and legislators, or is it the complete interrelationship of social and economic conditions which determine policy outcomes?[11] The latter would mean that ideological standards are not only absent, but would be inapplicable even if they existed, because the margin of "feasible" policy alternatives is too small to allow for principled choice. It is exactly this situation that best describes the development of the welfare state. Party platforms and election results seem to have no influence on the percentage of the State budget that is spent for welfare purposes or the new welfare programs that are inaugurated. Far more important policy determinants are economic and social variables such as the growth of productivity, the extent of social mobility, the technological level of basic industries, the size and composition of the work force, the age structure of the population, and other macroeconomic and macrosociological indicators.

This is as true in Great Britain and West Germany as it is in the United States. In Great Britain, for example, consider the large number of important reforms and policies which survived the last change of government: economic planning, incomes policy, the socialized health system. And in West Germany a Social Democratic government followed a Conservative one without any major change in domestic policy. Far from being the outcome of an ideological struggle, the development of the welfare state seems to be immune to ideological chatter.

Political decision making in the welfare state is bound to be quite narrow. On the one hand, in the words of Richard Titmuss, no Western democracy "whatever its political color, is today publicly committed to an official policy of more unemployment, less education, no social security provisions for the

9. L. A. Free, H. Cantril, loc. cit., p. 40; cf. Ch.I. Waxman, ed. *The End of Ideology Debate.* 1969.

10. George Cabot Lodge, "Top Priority: Renovating Our Ideology," *Harvard Business Review.* September/October, 1970.

11. Thomas Dye, *Politics, Economics, and the Public.* Chicago: Rand McNally, 1966. The most recent contribution to this ongoing debate is by Stuart H. Rakoff and Guenther F. Schaefer in *Politics and Society* 1:1 (November 1970): 51-77. A parallel though unrelated debate in France and Germany has been centered on the concept of "technocracy": cf. C. Koch, D. Senghaas, eds., *Texte zur Technokratiediskussion.* Frankfurt, Europäische Verlagsanstalt, 1970.

needy and no tax deductions for the needs of dependents."[12] On the other hand, no government can afford to expand welfare services beyond a certain limit without being punished by inflation, unemployment, or both. The margin of decision thus becomes so slight in a capitalist system as to be barely visible. The conservatives then are partly correct in their assessment of the welfare state as "creeping socialism," not because it is socialism but because it creeps. The welfare state is developing step-by-step, reluctantly and involuntarily. It is not kept in motion by the "pull" of a conscious political will, but rather by the "push" of emergent risks, dangers, or bottlenecks, and newly created insecurities or potential conflicts which demand immediate measures that avoid the socially destabilizing problem of the moment. The logic of the welfare state is not the realization of some intrinsically valuable human goal but rather the prevention of a potentially disastrous social problem. Therefore, welfare states everywhere demonstrate that the tendency of being transformed is less a matter of politics than a matter of technocratic calculus. Or to use the somewhat nobler phrase of Professor Moynihan, they indicate a tendency towards the "professionalization of reform"[13] and the concomitant "benign neglect" of those groups of the population whose demands the professionalized reformers consider less than urgent.

This technocratic and quite apolitical manner of reacting to emerging social pressures dooms the welfare state to an endless and aimless process of self-adaptation. Very simply, *the welfare state tends to generate as many problems as it is able to solve.* Once again, we need not delve deeply into social politics to find an abundance of examples of the self-contradictory effects of welfare state intervention.

Milton Friedman gives a good illustration of the problem in a biting criticism of a particular public housing project.[14] The project initiated the following chain of events: (1) Only a limited amount of funds was available; (2) therefore, an income limitation had to be imposed for occupancy; (3) this limitation had a selective effect in favor of "broken" families; (4) the predictable result was a high density of problem children and an exceptionally high rate of juvenile delinquency; (5) other social problems were generated from the high rate of crime among the youth of the area. Although the net effect of the welfare project is difficult to assess, it can hardly be called wholly successful. Instead, the welfare bureaucracy, placed under budgetary constraints, shifted the problem from one area (housing) to another (delinquency).

12. R. M. Titmuss, "The Welfare State: Images and Realities," ed., Ch. I. Schottland, *The Welfare State*, New York, 1967, p. 103.

13. D. Patrick Moynihan, "The Professionalization of Reform," *Public Interest* 1 (Fall 1965).

14. M. Friedman, *Capitalism and Freedom.* Chicago University Press, 1962.

A similar case is analyzed by Barbara Ehrenreich and John Ehrenreich.[15] They point out the relationship between health costs for the average American and federal expenditures for health, which leaped from five to twelve billion dollars between 1965 and 1967. During this time "hospitals took the lid off their reported 'costs' and doctors began to redefine 'reasonable' fees as the highest they could get away with. Between 1964 and 1969, physicians' fees rose by 33 per cent, and hospital charges by 77 percent. By 1970 the average consumer . . . was worse off medically than he had been in 1964."

Professional social scientists are accustomed to reacting in one of two ways to this type of vicious circle. They either analyze it in highly jargonistic terms like "unanticipated consequences of purposive social action" or "pathologies of bureaucracy" and attempt to design organizational remedies, which are by and large an exercise in futility. Or they resign themselves nostalgically to the desirability of inaction, arguing with Bernard Rosenberg that "all political problems can be reduced to one of two categories: those that solve themselves and those for which there is no solution. . . . We go on fatuously defining, and thereby creating, problems beyond our capacity to solve except by generating even greater problems,"[16] I should like to suggest another interpretation: Neither the dynamics of bureaucracy *itself* nor human impotency vis-à-vis political problems lies at the root of welfare problems. Rather the inherent, institutional constraints of a capitalist economy confound every effort of the welfare state to solve its internal difficulties.

At least one problem looms large if we assume that "inaction" is not a valid answer to our question. Increasing authoritarianism seems to be the only remaining remedy to control the problems which spawn ever new problems. In its initial state, authoritarianism does not necessarily mean open repression. The populace need only be exposed to a wave of diffuse propaganda against "permissiveness" along with dramatized reports of welfare fraud and corruption to justify stiffer rules of eligibility and closer controls on welfare recipients.[17] Until very recently California marital law "made social workers function literally as detectives," as Wilensky observes.[18] In Connecticut, legislation is proposed to prevent welfare mothers from having illegitimate children. Legislation is also before the California Assembly to force "able-bodied" welfare recipients to work in a public work force. And

15. B. Ehrenreich and J. Ehrenreich, "The Medical-Industrial Complex," *The New York Review of Books*, vol. XV, No. 11, Dec. 1970, p. 14.

16. B. Rosenberg, Foreword to S. Heidt, A. Etzioni, eds., *Societal Guidance, A New Approach to Social Problems*. New York, 1969, p. v, vi.

17. This situation is vividly described in S. M. Miller and P. Roby, *The Future of Inequality*. New York, 1970.

18. H. Wilensky, loc. cit.

not long ago Vice-President Agnew cautiously discussed the possibilities of separating illegitimate children from welfare mothers. These are only a few unsystematic impressions which confirm a much larger body of empirical evidence indicating the direction in which the welfare state is heading.

This is not a unique American experience. In Germany adolescent workers are exploited in public "apprentice homes." West Germany also suffers from scandalous living conditions in its low-income public housing projects. Great Britain is only beginning to see the magnitude of its racial strife. Every welfare state has its problems and most point toward some kind of "welfare paternalism" or authoritarianism. It is not enough to speak of "American fascism," which is overt and visible in the black ghettos of United States cities, as a kind of popular catch-word. The syndrome can be observed in Western Europe as well, and in areas outside the ghettos. Alvin Gouldner and Bertram Gross predict a rapid growth and interpenetration of the welfare and police bureaucracies.[19] They see a policeman behind every welfare worker, physician, and teacher, ready to control the disadvantaged efficiently and effectively.

In the wake of this welfare authoritarianism has come an awakening interest in the Marxist concept of the "Lumpenproletariat."[20] O'Connor refers to it as the "post-industrial" proletariat,[21] comprising those strata which (a) do not participate in the productive process and (b) are not competing for jobs with those who do. The latter differentiates them from the classical unemployed, who were called the "industrial reserve army" by Marx. In economic terms, technologically advanced production has caused a decrease in the quantitative manpower requirements and an increase in the qualitative manpower requirements of advanced capitalism. A growing amount of surplus labor power is generated by this process, made up the unemployed, the marginally employed, the part-time employed, the racially discriminated segments, the unskilled groups, the members of welfare families, segments of the elderly and of the college populations, perhaps also parts of a future professional army. The state supports this growing body of the population on a level close to subsistence: "Thus a new class is generated, consisting mostly of unskilled unemployed who have lost their competitive link to the labor market and who consist of a permanent welfare class."[22]

19. Cf. B. M. Gross, "Friendly Fascism, A Model for America," *Social Policy*, November/December 1970, pp. 44-52.

20. B. Franklin, "Lumpenproletariat and Revolutionary Youth," *Monthly Review* 21:8 (January 1970).

21. J. O'Connor, "Some Contradictions of Advanced U.S. Capitalism," *Social Theory and Practice* 1 (Spring 1970):1-11.

22. M. Nicolaus, "Proletariat and Middle Class in Marx," *Studies on the Left* 7 (January/February 1967).

The future development of the welfare state will depend on its capability to absorb this segment of the population into social and economic roles, that is, to make them participants in society. The only way this group can participate in our society legitimately is to be "productive" within the institutional framework of the labor market and capitalist industry—a solution which neither the economy alone nor the educational system seems to be able to provide. The more likely developments will no doubt include large-scale "anomie," retreatism or symbolic emigration—to communes, drugs, and dozens of subcultures. So long as the welfare state cannot find a place for this group in its society, it has to suppress, control, or fragment it, for it cannot allow it to become an independent, organized political force.

Given this structural dilemma of the welfare state, it seems to be more of a transitional phase in the development of Western post-World War II societies than an ultimate, stable sociopolitical arrangement. The concept itself fails to be convincing. It cannot live up to its promise and stimulate feelings of trust, loyalty, and hope. Though academic social policy experts as well as policy makers are not in agreement on the most likely and most desirable alternative course of action, a negative agreement seems to develop as to the limits of the welfare state. Either its promise of equality and security for all has to be openly rejected, or this promise will be fulfilled at the price of truly revolutionary changes in both the economic and the political system.