FACTS AND THEORIES OF THE WELFARE STATE

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The early months of the third post-war Labour Government in Britain provide a fitting opportunity to review the present state of the debate on the nature of the welfare state. The notion that there is something specifically "socialist" about higher pensions has been given fresh currency by the suggestion that foreign bankers have looked with disfavour upon the new government's proposals in this respect, cautious and limited though they were. In the immediate post-war years the "welfare state" was generally regarded as an almost exclusively British phenomenon. It was identified as the "achievement" of the 1945 Labour government and it acquired in those years a "socialist flavour." Only critics of the far or idiosyncratic Left were to be found asking: What was "socialist" about it? In what ways had the capitalist system been fundamentally modified by it? Or, if not, by what other tests did it rank as a socialist achievement?

Now twenty years later the intellectual fashion has changed. Sociologists of various political persuasions observe that the "welfare state" is a common phenomenon of all capitalist societies. In its most extreme form this view maintains that the "welfare state" is but one aspect of "industrial society" as such, be it capitalist, communist or any other. It is part of the "logic" of industrialisation which "everywhere has its managers, its managed and a pattern of interaction." This particular theory is discussed more fully below. But in the course of the debate in which this change of emphasis has occurred certain insights into developments in society and the nature of the forces producing these developments have emerged. This article reviews some of the major contributions to the discussion, and indicates certain of the areas which particularly require further attention and analysis by socialists. As a starting point, however, we must examine the facts of the "welfare state" in capitalist society.

Meaning of the Welfare State

First, what do we take as the "welfare state" for the purpose of this essay? The various meanings given to the phrase would be worth an essay in themselves and some of the argument about whether the welfare state has or has not meant a fundamental change in capitalist society is no more than a semantic disagreement about definitions. There is often confusion, too, between objectives themselves and the means of attaining those objectives. There is, though, a central core of agreement that
the welfare state implies a state commitment of some degree which modifies the play of market forces in order to ensure a minimum real income for all. By implication, if not explicitly, this is done to protect individuals against the hazards of incapacity for work arising through sickness, old age, and unemployment. There is also general agreement that the objectives of the welfare state will include a guarantee of treatment and benefit for sickness and injury, and the provision of education. There is less agreement about whether the essential goal will also include the maintenance of full employment, economic growth or even ensuring

“that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services.”

Few people will use the term as widely as Professor Meade when he says: "I mean the taxation of incomes of the rich to subsidise directly or indirectly the incomes of the poor." Others may imply that such redistribution is a necessary consequence of legislation, say, to guarantee a minimum income. But just as the trend has been towards an acceptance of the view that the welfare state is an "essential" feature of capitalist society, so also there has been a trend towards a narrowing of the content of the concept itself.

Education requires volumes to itself; and the present discussion is confined to an examination of the facts of the welfare state in so far as it is concerned to guarantee minimum health and income for members of the society; and also in so far as the measures necessary to achieve those ends do or do not contribute to the reduction of economic inequality in the society.

The Welfare State in Western Europe

Most Western European capitalist societies today accept the need for state intervention to provide minimum incomes and to protect against social contingencies through legislation related to achieving these ends. It came as something of a surprise to the insular British to discover at the time of the major debate over entry into the Common Market, that many Western European countries had social security provisions which could provide better benefits than did their British counterparts. In all of these countries there are state programmes to provide old age pensions, sickness and maternity benefits, industrial injury provisions, unemployment benefits and family allowances. In many of them such provisions have a continuous history from the beginning of the century. Major changes have occurred since 1945 and in two cases, Britain and France, there was a great period of legislative activity at the end of the war. Development has been towards a more and more complete coverage of the whole population and away from restricted groups of manual workers. It had also been towards more generous levels of benefit.
Important differences remain, however, which could be of considerable importance in contributing to an understanding of the "welfare state." The method of ensuring a minimum income is in most countries two-tier. The first is the state itself using, or enforcing via other bodies the use of, the market principle of contributions to guarantee benefits. This is the system of social insurance. "Need" is recognized, but only providing the necessary price in the form of contributions has been paid. The rôle of the State varies considerably. In Britain and the Scandinavian countries the general exchequer plays a much greater part in the financing of this insurance than in France, West Germany or Belgium. In some of the continental countries and for some of the schemes coverage is only of "employed persons." Since some of these countries have large peasant sectors this can mean major exceptions from coverage. In Britain, since the war, everyone has been included. Again in most of the continental countries the main contribution and benefits are wage-related. The judgment of the market on the individual's ability to pay contributions and, more important, on his standard of need is accepted. In Britain there is still, despite small changes in 1959, basically a flat-rate contribution and a flat-rate benefit which is supposed to represent a "subsistence income." In Britain the major elements of social insurance are unified under one National Insurance scheme. In other countries they are frequently administered separately.

The second tier of the system in all countries is some form of public assistance—that is the provision of support not on terms of the market, i.e., the contribution, but on satisfaction of some test of need (usually defined in monetary terms). The stringency and the punitive nature of the tests again varies. In Britain there remains (despite major improvement in 1948) a strong flavour of the Victorian poor law. Family allowances in Britain are paid out of general taxation but remain at a very low level. But elsewhere, in France and Italy for instance, they are financed by contributions from employers and the level of benefit can represent a considerable addition to wages. A further example is in the health service. In Britain this is universal and free (subject to prescription charges which the Labour Government is pledged to remove). In France and Italy part, at least, of the cost of medical care may be recovered by certain groups. This is also the case in Sweden for doctors and medicines, where there is a scheme of compulsory insurance which reimburses patients. If we had to summarize these differences which have been touched on here only superficially it would be to say that they lie in the extent to which the various provisions are close to, or further away from the simulation of a market situation. But what all the countries have in common is the recognition of a similar range of needs and states of dependency.

The Welfare State in the United States

But what of the U.S.A.? Insufficient attention has been given to the
extent to which America is outside the mainstream of capitalist societies
in so far as welfare state provisions are concerned.

There is overt commitment by the Federal Government to the goal
of a minimum income for all, but it is not backed by the necessary
legislation.\textsuperscript{10} The only Federal scheme in operation to guarantee a
minimum income is that which provides old age pensions and survivors
benefits. Other provisions are left to individual states with varying
degrees of direct encouragement and financial support from the federal
government. One authority on American welfare policies has written
that "the gaps in coverage are serious in both workmen's compensation
and in unemployment \textbf{insurance}."\textsuperscript{11} More than a fifth of all wage and
salary workers are excluded from the federal-state unemployment
insurance, and many states do not provide supplements for dependants
of the unemployed worker. It has been estimated that only 60 per cent
of workers are covered by schemes to provide cash benefits when sick,
and in all but four states these schemes are in private hands; and there
are no family allowances of any kind.

The position of the unemployed worker is particularly worthy of
note. Most European insurance schemes limit the right to benefit when
unemployed. In Britain, for instance, if full contributions have been
paid benefit may still only be drawn in the first place for 180 days and
then up to a maximum of 492 days. After entitlement is exhausted,
however, the worker can have recourse to national assistance, which will
certainly provide him and his family with a bare minimum income. But
in the United States, as Margaret Gordons points out:

"The American unemployed worker who exhausts his benefit right is at
a disadvantage compared with his counterpart in most other industrial
countries... since in many parts of the U.S. public assistance has been
unavailable to an unemployed worker or is available only on the most
meagre, restrictive and humiliatory terms."\textsuperscript{14}

The nineteenth-century view of the virtue of work and the sin of
idleness dies hard everywhere, but nowhere harder than in America.

Another area in which the United States noticeably lags behind
European capitalism is in the provision of some form of state financed
medical care. In America the heavy burden imposed upon individuals
by the system of paid medical care are well known. Progressives have
followed with interest the battle of first Kennedy and then Johnson to
get even a limited system for meeting the medical care costs of the aged
agreed upon.\textsuperscript{13} Finally, public assistance is administered entirely on a
state or county basis and there are wide divergences of approach. In
many states the means test is so severe that people have to be practically
destitute before they become eligible for relief.

In the light of these deficiencies it is questionable how far the pheno-
menon of the welfare state can be said to exist in the U.S.A. To argue
that many welfare provisions supplied in other countries by government
are supplied in the U.S.A. by industry is to miss an essential quality of welfare state provision in Europe. Even where, as in Germany, emphasis is laid upon social insurance, being an arrangement between employers and workers, it is, of course, between the collectivity of employers and workers. It is not an individual trade union negotiating the best terms it can for its members and irrespective of those who are not its members. In any case the coverage of such market negotiated provisions within the U.S.A. is extremely limited.14 The main feature of the European systems of social security is that by one organizational means or another the provision of at least minimum security shall be supplied outside of the market to large sections of the population.

Doubts about whether, in the most restricted sense, a welfare state exists in America are reinforced if account is taken of the accumulating evidence about the nature and extent of poverty in America today.15 The only European country for which even roughly comparable data is available is Britain.16 Most American estimates suggest that 20 per cent of the population have incomes below the poverty line; the British estimates show 8 to 10 per cent. Both these estimates are based on a poverty line appropriate to the standard of living in the particular country concerned. In real terms the American poverty line is much higher up the scale than the British one, although judged in relation to average earnings in each country the two poverty lines are about equal. Even if some allowance is made for the American standard being higher absolutely than the British, the interesting fact emerges that in Britain those below the poverty line are only a little way below it. This is achieved because of extensive reliance upon public assistance nationally administered, but generally available to all who satisfy the financial conditions. In this way the British welfare state has a floor built into it. In America, on the other hand, millions are a long way below the poverty line as defined, and live in what, by British standards, might be called destitution. Low wages and earnings for the largely unorganized service and farm workers; low wages, too, for those sections of the population against whom discrimination is practised, like Negroes and Puerto Ricans. But illness, unemployment and old age are also major problems in America. In Britain these particular matters are cared for by social security legislation and public assistance at least to the point of keeping the majority of people so afflicted at, or only very little below, the poverty line.

Data on the extent of poverty in other European countries, in a form from which comparisons can be made, is badly needed before the achievements of the welfare state can be judged against the goal of a minimum income for all. Some of the countries like Italy and France, with large agricultural sectors and rapid structural change are much less homogeneous than Britain. They may well present a more diverse picture of economic levels at the lower end of the income scale however comprehensive and effective the social security legislation may be.
There are difficulties in comparisons on the basis of general observation because the standard of living generally in these countries is lower than in Britain. But the social security legislation does at least exist. In this respect the welfare state can be said to be a fact of Western European capitalist society but not of American society. What is, perhaps, most significant of all to the outside observer is that any extension of welfare legislation seems scarcely on the agenda for public discussion in the United States. In the 1964 programme to combat poverty there are the "job corps," "work-training programmes" and "employment and investment incentives." There is no suggestion that the provision of a minimum income for the old, the sick, the unemployed or the widowed mother through social security and public assistance legislation is administratively very simple. Politically, of course, it is another matter.

The Welfare State and Redistribution

Although we pointed out that redistribution is not generally accepted as a goal for the welfare state of capitalist society it may be useful to conclude this necessarily brief review of the "facts" with reference to the nature and extent of redistribution. An important part of the mythology surrounding the "welfare state" of the fifties which became incorporated in theories of radical transformation of capitalist society was that first, there had been a major reduction in the inequality of pre-tax income distribution; and second (although perhaps less widely held) that welfare state measures had made a major contribution to the further reduction in inequality observable in post-tax income distribution."

Of recent years both these views have been subjected to sustained and devastating criticism on two main grounds. First, the basic data on income has been properly criticized for its unreliability and incompleteness. The growth of devices like expense allowances, methods of redistributing family income to reduce tax liability, and the problems of distinguishing capital from income all make the income tax returns of very limited value as a basis for evaluating reductions in inequality. Second, criticism arose because of the impossibility of making comparisons over time in terms of tax units when there have been major demographic and social changes such as reductions in the size of the family and the increased incidence of married women working. For Britain the most sustained critique along these lines has come from Professor Titmuss. But his approach was already foreshadowed in many ways in a study of income redistribution in the main European countries carried out by the Economic Survey for Europe in 1956; and this revealed remarkably similar trends in most Western European countries.

In so far as the taxation authorities' figures could be said to show an improvement in income equality, some economists have argued that this was the result of a permanent trend in modern capitalism." The data for the last few years do not bear this out for Britain, and in the
U.S.A., where the figures also showed an apparent shift towards greater income equality in the immediate post-war years, it is argued that this was the result of wartime changes and the once and for all achievement of a higher level of employment in the post-war period. A leading American economist has summed up the position:

"There is some evidence that the movement towards equalization was a consequence of the wartime recovery from depression and of the more or less sustained prosperity of the post-war period. And, equally significant, it is a sea change which roughly parallels the developments in the advanced industrial countries of Western Europe during the same period."

The contribution, if any, of welfare state legislation to any post-tax reduction in inequality must be seen in the total context of state taxation and state provision of benefits. There have been one or two studies of the post-war British position which again suggested that the amount of post-tax redistribution in total was not as great as some people believed. It was suggested, for instance, that "horizontal redistribution" was more important than "vertical redistribution," i.e., there was redistribution from smokers to non-smokers, or people without children to people with children, rather than from rich to poor in the sense, simply, of income level. Recently there has been published an interesting study by J. L. Nicholson, more complete than any previously attempted. Again it is restricted to Britain, and it is possible that a different situation would be revealed elsewhere. But since it has widely been held that Britain is the country where redistribution has gone further than elsewhere as a result of deliberate government policy, that may be thought unlikely.

Nicholson is concerned, first of all, with what has happened in the post-war period, and he is constrained by his data to begin with 1953. His analysis suggests that pre-redistribution income showed much the same degree of inequality in 1953 and 1959; and although the total effect of government taxes and benefits was a reduction of inequality, again it was of the same order of magnitude in the two years. Nicholson estimates that in those two years the total effect of government redistributive activity was to reduce the measure of inequality by one-fifth on what it was originally. In the process of doing this he makes some interesting estimates of the power of various types of tax or benefit in contributing to a reduction of inequality. In an appendix he also makes a comparison between his measures of post-war inequality and those made in 1937 by Barna. He stresses the fact that because of the differences of method this can only be a very rough comparison, but he arrives at the interesting conclusion that "There appears to have been little increase in the amount of vertical redistribution between 1937 and 1959."

Nicholson's approach is to make his calculations first for families of different size and composition in different income ranges, and then to
derive global estimates by reweighting according to the estimated true proportions of these family size and income types in the total population. We are then able to see that the extent of vertical redistribution varies very considerably for families of different composition. This brings home the complexity of the notion of inequality. Up to the present most attempts at measuring inequality of income distribution have been concerned with global measures. But these can be misleading in that an overall reduction of inequality may mark a growth in inequality as between certain groups (perhaps of considerable importance in political terms, or in terms of social injustice) because reduction in inequality elsewhere is sufficient to outweigh it in the overall measure. A sociologist, J. H. Goldthorpe, has commented upon this when he says:

"For example there may be a tendency towards greater equality in that the number of middle-range incomes is growing; but at the same time the position of the lower income groups relative to the upper and middle groups alike may be worsening." 26

Finally we must note that the available statistics still point also to considerable inequalities in the ownership of wealth. In so far as international comparison can be made, the position of inequalities of wealth in the capitalist countries seems to have paralleled that of pre-tax income. There has been some reduction of inequality comparing the pre- and the post-war period, but it is not a dramatic reduction and there is little evidence to support any view that there is a long-term trend towards equality. Professor Meade has recently written that: "The problem is already a very real one in the highly industrialized developed countries in many of which there is a really fantastic inequality in the ownership of property": 27 and he then quotes estimates from a recent new survey in Britain which shows the following position. 28

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No socialist can fail to be shocked that the top 5 per cent of the population in Britain in 1960 still owned 75 per cent of the wealth. As Professor Meade further points out, inequality in the ownership of wealth is significant apart from any income inequality which it implies:

"A man with much property has great bargaining strength and a great sense of security, independence and freedom; and he enjoys these things not only vis-a-vis his propertyless fellow citizens but also vis-a-vis the public authorities. . . . An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income."
A summary of this necessarily rather sketchy review runs the risk of over simplification. But it might be reasonable to say that if the welfare state is defined in a fairly narrow way to mean state intervention to achieve the goal of guaranteeing a minimum income against the natural calamities of life—sickness, unemployment, old age, and some protection against ill health, it exists in most Western European capitalist countries, but it is extremely doubtful whether it exists in America. There is, however, no evidence to support the view that the welfare state, so defined, is a significant factor contributing to a growth of equality in capitalist society. There is limited evidence that in capitalist society there has been some reduction in the past forty or fifty years both in inequality in the ownership of wealth and in the distribution of pre-tax income; though it is hardly of major proportions and there has been much technical criticism of the income statistics in recent years. There is meagre evidence to support the view that this represents a continuing trend. As for the total results of Government activity as taxer and as provider of benefits, this does result in some reduction in inequality, but the suggestion is that the reduction is about the same order of magnitude now as before the war.

Theories of the Welfare State (1) The anti-collectivists

We turn now to a consideration of the attempts to explain the emergence and development of the welfare state. Of course many of these theories will represent attempts to explain things which our survey of facts have shown not to exist or not to be true. It is necessary also to recognize the degree of "pure ideology" contained in most of the attempts at analysis and explanation. Both from the left and right, historians and sociologists of the welfare state have injected into their work strong overtones of what, in their view, should be, as well as of what is or has been. This can be seen perhaps most clearly in the anti-collectivist school from Dicey through to Hayek where analysis is at a minimum and polemic against the growth of state intervention in the field of social policy the main concern. Goldthorpe has shown that in so far as Dicey offered any "explanation" of the departure from laissez-faire it was almost solely in terms of the success of the ideas of individuals who held collectivist views in capturing public opinion. Public opinion, then, in its turn succeeded in carrying legislation. Later writers of this school have substituted "pressure groups" like trade unions or monopolists for the "ideas" of the great men as the agency responsible for bringing about a continual increase in the power of the state.

In a moderated form this laissez-faire approach has provided the foundation for the work of a group of contemporary liberal economists in Britain like Seldon and Professors Peacock and Fofgarty. They see the welfare state as a phase to be passed through at a particular stage of industrialization, but which can be increasingly dispensed with as output increases. Economic growth, so they argue, provides a vision "of
increasingly independent individuals who make use of a variety of means—state, occupational, personal—for providing against the common contingencies of life."

Features of this school of thought worth noting are, first of all, its devotion to the superiority of the market mechanism for the allocation of resources wherever possible. Secondly, and a corollary of the first, it is believed that the structure of the welfare state can be progressively dismantled as output grows. Recently, for instance, this group of writers have argued for larger sections of health and education services to be returned to the market and to the operation of the pricing mechanism. In both regards there is a complete failure to examine the conditions which create "the common contingencies of life" and to ask whether these may change in character rather than disappear as economic growth proceeds. There is singularly little attempt by these writers to examine the situation in the United States, where as Myrdal's recent analysis shows, there is nothing automatic in the way in which increasing real output can solve the real and pressing problems of poverty.

Lastly and interesting, because less recognized, there is implied in all the arguments of the anti-collectivists a particular viewpoint about human behaviour. As Professor Peacock has written: 

"The true object of the Welfare State. . . is to teach people how to do without it."

These writers tend to assume, for example, that monetary incentives are essential to make men work; and that state provision of income runs the risk of undermining an individual's independence and desire to work. Their judgments are heavily loaded with the value systems associated with the Victorian bourgeoisie, with the emphasis upon the desirability of thrift, self-help and independence. Existing welfare state legislation in Britain already carries some overtones of such values. Two of what could be described as the essential features of the welfare state reflect these Victorian norms. The contributory principle for the financing of social security which is found in most countries is, above all others, an example of the triumph of the "virtue of thrift." The beneficiaries must in some way be made to pay for their benefits. The notion of "minimum" income itself also implies that the income provided by the state must be kept at such a low level as not to remove incentives for the individual to make efforts to better himself in other directions.

These positions might be regarded as unfortunate legacies of the past. Certainly their uncritical adoption today is difficult to justify because there is an accumulating body of data which casts doubt upon their validity. Most studies of unemployment show that apart from a small group who are usually found to have physical and psychological difficulties, men's main concern is to have a job. Work implies other satisfactions—of interest, status, social contacts—as well as just monetary reward.
The adoption, by the anti-collectivists, of the model of economic man sufficiently well informed, and economically powerful enough, to exercise "choice" and "rational" choice (in some sense) when confronted with the "contingencies of life," is a major barrier towards a real understanding of the problems of the welfare state. It ignores the rôle of social institutions and forces both in shaping the needs and the preferences of the individuals concerned. Evidence from psychological studies of behaviour might enable serious students, rather than propagandists, to make some headway in understanding this relationship.

(ii) The functionalist approach

Apart from the Marxist opposition to the anti-collectivists, the main body of Left writing on the nature and origin of the welfare state first concentrated upon what a modern sociologist would call a functionalist approach. This sees the welfare state as "necessary" to the survival of capitalist society. Such a view can be found in the work of E. H. Carr, Polyani, Beales and others, and "necessity" as Goldthorpe shows may be postulated in two ways; to avoid the waste and inefficiency of laissez-faire capitalism or to prevent the class struggle breaking out into open rebellion and so rupturing the fabric of society. There are affinities between this approach to an explanation of the growth of the welfare state and that Marxist position which sees social reform simply as a palliative; that is, concessions made by the ruling class in order to prevent more serious attacks being made upon their position. The welfare state is here seen as a convenience to capitalism, a "shock absorber," as John Saville has called it. Both approaches, the functionalists and the Marxist, begin from observable conditions, like poverty and ill health, which cause hardship and social unrest. Social legislation is then a response to those objective conditions. The difference lies in the process connecting the condition and the response. In the "necessity" school it might be simply a recognition of the problem by the more enlightened legislators, in the Marxist school the essential channel is the pressure applied by the organizations of the working class. From a non-Marxist standpoint Goldthorpe argues the limitation of an over-simple "necessity" approach convincingly. He is concerned with its failure to provide a satisfactory account of the connection between condition and response without which, he argues, we cannot understand the different pace and forms of development in different countries.

"In other words when it is said by historians that a particular social problem 'had to be dealt with' or that a particular piece of legislation was 'imperative' or 'inevitable,' what apparently is meant is that the alternative to action of the kind taken was such as to be clearly incompatible with the ends of those, at least, who were in a position to make the effective decision."37

One of the most thoughtful and stimulating commentators on the
welfare state is Professor Titmuss. In one sense he might be described as a functionalist because he sees the welfare state as the collective recognition of certain socially determined needs:

"All collectively provided resources are deliberately designed to meet certain socially recognized 'needs'; they are manifestations, first, of society's will to survive as an organic whole, and secondly, of the expressed wish of all the people to assist the survival of some people."

The great value of this particular approach is that it is dynamic. There is no once and for all set of "needs" which having been provided for can then set a limit to the development of social policy. The process of the creation of needs is a continuing one. Technical change, measures taken to meet needs in one sphere (i.e. raising of the compulsory school-leaving age) all can create new dependencies and needs elsewhere (i.e. for assistance to the family in supporting the child during the extended period of dependence). His analysis provides moreover greater insight into why certain "needs" receive recognition first in terms of social legislation. In this way Titmuss has supplied a devastating critique of the view that the British welfare state is an act of collective charity. Moreover he has drawn attention to the continuous growth of new and subtle forms of privilege.

A welcome feature of Professor Titmuss's analysis is the emphasis placed upon the rôle of capitalist institutions, and the distribution of economic power in creating social needs, or in blocking the measures necessary to meet those needs. In attacking the view that the fundamental problems of the industrial revolution have been solved and that the welfare state has contributed to their solution, he writes:

"Implicit in the thesis is the assumption that the industrial revolution was a once-and-for-all affair. Thus, it ignores the evidence concerning the trend towards monopolistic concentration of economic power, the rôle of the corporation as private government with taxing powers, the problems of social disorganization and cultural deprivation, and the growing impact of automation and new techniques of production and distribution in economically advanced societies. If the first phase of the so-called revolution was to force all men to work, the phase we are now entering may be to force many men not to work."

In his study of the development of individual services in the welfare state (for instance the health service) Professor Titmuss has produced a revealing model of the way in which the conflict of different interest groups can shape and mould the final form of legislation which emerges. What is missing, however, is any notion of class conflict as crucial in creating the overall balance of political forces which determines whether or not social legislation is enacted, or as an influence upon the final form of that legislation. At times it is as though classes, shaped by the overall distribution of economic power and authority in industrial society, did not exist. It is significant that in one of his most recent
essays on the development of the welfare state Professor Titmuss places his main emphasis not upon the trade unions but upon nineteenth-century friendly societies, which he describes as "microscopic welfare states."

"aptly and significantly named, during a century of unbridled competition they were the humanistic institution of the artisan and his family far outdistancing in active membership all trade unions, political parties and religious bodies."

(iii) The citizenship view

Much of the writing on the left has been concerned to trace the origins of the welfare state in order to show that it was not "socialist." One of the sociologists who perceived this earliest and who contributes much to an understanding of the welfare state as part of the process of the development of capitalism is Professor T. Marshall. In 1949 he was already arguing that the development of the social services did not represent a move towards economic equality as such (indeed financed in certain ways and with certain forms of benefit, he noted, they might positively increase economic inequality). But they were to be seen as an essential ingredient in what he called the achievement of equality of status required for the functioning of the market mechanism. There are three elements in Marshall's notion of citizenship, civil (equality before the law), political (equality in voting) and social (equal right to a minimum income and other social services). Together these make up the "status of citizenship, which provided the foundation of equality on which the structure of inequality could be built." Marshall was well aware that while formal equality might be achieved in these three areas, in reality inequalities would and did persist. But at that time (1949) he was optimistic about the possibility of moving towards more equality in the content of the status of citizenship and through it towards less economic inequality:

"the preservation of economic inequalities has been made more difficult by the enrichment of the status of citizenship."

These predictions were set very clearly in the context of Britain, and in later writing Professor Marshall suggests that there was a special feature of the British Welfare State which distinguished it, for a period at least, from the parallel developments in other European countries. This was the ideological position of a society committed, as he put it, to "fair shares for all," expressing itself first in the principle of universality in the provision of social security, but, more important, in the provision of certain welfare services, notably the health service, free to all. As we have noted, social insurance, even when universal, still retains the notion of contribution in order to qualify for benefit. The health service requires only the establishment of "need" before benefit can be enjoyed. But even the development of social insurance in post-war Britain was
imbued with an emphasis upon need which might be contrasted with the following kind of statement of the philosophy behind the German welfare system:

"Social policy is not a policy administered by the rich on behalf of the poor; it aims to harmonize the social relationships of the whole people and to guarantee to each the status he has achieved by his own efforts within the general order." 

On that basis the welfare state reinforces and legitimizes the activities of the market, whereas "fair shares for all," as Marshall puts it, implies "a distribution of real income which could be rationally justified and was not the unpredictable result of the supposedly blind forces of a competitive market." 

Marshall sees the emergence of this special element in the British Welfare State system as a consequence of the consensus of the war years, and the post-war period of austerity. In 1961 he was writing:

"That phase has ended, as it was bound to do. . . . it was also the product of an explosion of forces which chance and history had brought together in Britain's unique experience in the war and in the transition to a state of peace. As this situation dissolved the society changed and the thing to which we had first given the name of 'Welfare State' passed away. Its institutions, practices, procedures and expertise are still with us, but they are operating in a different setting and without the original consensus which welded them into a social system with a distinctive spirit of its own." 

This attention to the "superstructure," to the rôle of ideas in interaction with the objective interests of different groups in the society is important. It is echoed in a short but interesting contribution to the debate from Dorothy Thomson. She criticized the essay by John Saville already referred to above on the grounds that he had adopted an over-simple "palliative" view of reform. She agreed that the welfare state of Britain was not "a new form of society qualitatively different from Socialism or Capitalism." But she continued:

"What is important in the British situation is that a range of benefits are provided purely on the basis of need and not of cash payment, or even on any abstract conception of social value. This conception is a profoundly anti-capitalist one"; and following T. H. Marshall she went on: "The Welfare Services, like the civil rights which are enjoyed in England, and which have also been fought for over the years, are enjoyed by all sections of the community. But their greatest significance is for those without property or power."

(iv) The integrationist school

A final important trend in the analysis of the welfare state, which has already been hinted at in our account of the functionalist approach, and also in Professor Marshall's analysis, is what may be called the
"integrationist school." Dahrendorf, for instance, starts from a position akin to that of Marshall by maintaining first that the social rights of citizenship (including old-age pensions, public health insurance and a minimum standard of living) ensure that "conflicts and differences of class are at the very least no longer based on inequalities of status in a strict sense of this term." He then suggests that enforced recognition of such civil rights becomes part of the process of the institutionalization of class conflict:

"organization presupposes the legitimacy of conflict groups, and it thereby removes the permanent and incalculable threat of guerilla warfare. At the same time it makes systematic regulation of conflicts possible."

This particular passage was written primarily in the context of the development of collective bargaining institutions, but clearly the welfare state, which guarantees at least a minimum income to all, can be viewed as part of the "rules of the game" of capitalist society.

One might say this was close to John Strachey's position although the terminology is different. Strachey maintains that if the democratic countervailing pressures can become strong enough to make the distribution of the national income significantly more favourable to the mass of the population, then wage earners acquire a stake in society. Old-age pensions, the health service are all part of the stake.

"Once such rights as these have been acquired democracy becomes much more strongly entrenched than before. For then the struggle to maintain and extend democracy can be undertaken as a struggle to preserve known and tangible rights not merely as a struggle to achieve theoretically desirable ideals."

Dahrendorf did not see the process of institutionalization of conflict as necessarily implying the end of conflict — indeed he specifically refers to conflict emerging in new forms. But by the time we get to the attempt by Clark Kerr and other American sociologists to formulate the grand theory of industrial society this point is almost lost. In *Industrialism and Industrial Man* the authors are concerned with a much wider canvas than that of the welfare state alone. Indeed they seek to develop a theory of the development of society which lays its emphasis upon the similarity of demands made upon social organization in all countries by technology itself. In this sense all industrial societies are becoming increasingly similar; capitalist and communist societies are converging. One example of this claim is that:

"In the logic of industrialization the responsibility for guaranteeing the minimum welfare and security of industrial man rests in large measure upon his manager and his government."

This guaranteeing of minimum welfare is common to capitalist and communist countries alike and moreover is part of the essential process
in industrial society by which inequalities of all kinds, of status, of income and wealth, and of political power are reduced.

Our earlier examination of the available evidence on the reduction in economic inequality is enough to raise serious doubts about the validity of this theory, and for the U.S.A. it is at least arguable that no agency, or group of agencies, exist for guaranteeing minimum welfare. In a general critique of the whole thesis Goldthorpe suggests that apart from doubts about much of the evidence upon which these authors draw, there is a crucial difference between any existing inequalities or systems of stratification in capitalist and those in communist societies.

"In the industrial societies of the West, one could say, the action of the state sets limits to the extent of social inequalities which derive basically from the operation of a market economy: in Soviet society the pattern of inequality also results in part from 'market' forces, but in this case these are subordinated to political control up to the limits set by the requirements of the industrial system."

Thus the welfare state in capitalist society is to be seen as a part of the mechanism for setting limits to the extent of social inequalities; and, following Myrdal, Goldthorpe argues that the limits set differ in different capitalist societies because of differences in the balance of political forces:

"If then Myrdal's analysis has any general validity—and it has yet, I think, to be seriously disputed—it follows that we should look somewhat doubtfully on arguments about a new equality which 'has nothing to do with ideology' but which is the direct outcome of technological and economic advance. Such new equality there may be for some. But for those at the base of stratification hierarchies at least, how equal they are likely to become seems to have a good deal to do with ideology, or at any rate with purposive social action, or lack of this, stemming from specific social values and political creeds as well as from interests."

Conclusions
This survey of some of the main strands in recent thinking about the welfare state immediately raises a central theoretical problem for all socialists: what have been the crucial changes in the nature of capitalism in recent years? The "welfare state" is but one aspect of those changes which has to be fitted into the wider analytical framework. In so far as some theorists have claimed that the welfare state is an "essential" and universal feature of capitalist or industrial society they have directed attention at the undoubted fact that the process of economic growth itself appears to make possible a more rational handling of the problems set by the "natural contingencies of life."

But to explain some of the important differences which exist between different capitalist countries we have to examine political forces. We have to focus attention upon the demands of the working class for social justice and upon an analysis of the political strength of the
working class; and its success in winning allies from particular pressure and interest groups then becomes an essential part of the story. On another level, although we may not go all the way with Professor Marshall in believing that the British Welfare State from 1945 to the 1950s constituted a specific social system, it is none the less important to note that the post-war consensus appears to have been greater in Britain than in the U.S.A. or even in most other European countries (even where, as in France, major programmes of social reform were enacted). Hence the predominance during the years of the post-war Labour government, of devotion to the norms of equality and fair shares, which did lend a special flavour to, and in some areas affected the specific form of British legislation. An important question is what led to the dissipation of the consensus? Some suggest that it may be "affluence" itself; but part of the explanation must surely be the willingness of the Labour government and its spokesmen to be blinded by, and indeed to propagate actively, the myth that "equality" had been achieved. Another feature which from a study of the U.S.A. we might judge to be important in the British situation (and one could add the Scandinavian as well) is the hitherto homogeneous structure of British society. There are few extremes of agricultural and industrial sectors or of different racial or religious groupings. This, too, must have contributed to the high degree of consensus in the past, although it is legitimate to ask for how long it will remain in the light of recent developments (the growth, for example, of the immigrant population and the emergence for the first time in the 1964 election of colour as a major political issue).

This survey of fact and theory also reveals the limitations of viewing the "welfare state" as a static achievement, "conceded by the capitalist," "inevitable in an industrial society" or any of the once and for all explanations which fail to see the continuing process of change and struggle. This has profound implications for the programme of socialist parties and groups. But so, too, has the fact that there is nothing about any of the particular bits of social welfare legislation which is specifically or "essentially" socialist. At all points, the actual effect of welfare legislation (i.e. whether it contributes to a reduction of inequality), the values embodied in welfare legislation (i.e. whether it is fair shares for all, or help to those who have paid), represent a compromise between the market and *laissez-faire* on the one hand, and planned egalitarianism on the other. How near to either extreme a particular piece of legislation falls depends both upon the balance of political forces and upon the awareness of the reformers of the difficulties and dangers of doing what Professor Marshall said the Labour Party were attempting with their national superannuation proposals, which "narrows the arrangements of private enterprise and sets out to beat it at its own game." The dangers are especially great, because a social reform won at a particular point of time can become adapted, modified, less effective as a result of market
forces acting upon it. We cannot insulate our socialist victories from the complex operations of the capitalist system.

There are certain needs where it may well be relatively easy to get general agreement to abandon the market; and to recognize, for instance, that all needs are equal in respect of care in ill health, or for education of children. But in social insurance we are touching on the market at its most vulnerable point, the distribution of incomes. The "need" for income is in part determined by the market itself in that men become accustomed to standards of living and ways of life. Should we not then abandon what must be an artificial notion of equality, for instance in pensions, particularly when it may mean equality in poverty for many, but equality in comfort for those with private wealth or occupational pensions? But in abandoning this false equality are we not then to accept the judgment of, and the inequalities in, the market? — for this is what we do if we accept wage-relation as a basis for fixing social security benefits. I have discussed this dilemma more fully elsewhere.

A socialist cannot be simply concerned to perpetuate and to emphasize in state legislation the values of the market; he must be involved with the ideological struggle against these very values.

Welfare state legislation in capitalist society is a battleground not only for the short-term solution of immediate social problems but also for the longer-term battle of ideas. The former has received much attention from the Left; the latter all too little.

December 1964

NOTES


8. One interesting exception is Denmark where pensions, for instance, are financed very largely out of general government revenues and are paid subject to an income test.
9. For instance, the British National Assistance lays down a minimum income for a couple and its children. The needs of larger families defined in this way may approach or even exceed the lowest levels of wages. If they do so exceed them, the allowance from the National Assistance Board is reduced to avoid the danger, presumably, that it may be more attractive for a man to live on public assistance than to work.


13. In a recent textbook on the psychology of aging the costs of the terminal illness, hospitalization, physician's fees, burial expenses are noted as major contributions to the psychological and social problems of adjustment of the survivor. See James E. Birren, *The Psychology of Aging.* (Prentice Hall, N.J. 1964.)


17. For instance, C. A. R. Crosland who believed the first—"Britain had an appreciably more equal society after six years of Labour rule either than it had before the war, or than it would otherwise have had"—did not subscribe to the second —"In fact the social services are now scarcely redistributive between rich and poor." C. A. R. Crosland, *The Future of Socialism* (Jonathan Cape, London, 1956.)


22. For instance A. M. Cartter. *The Redistribution of Income in Post-war Britain.* (Yale, 1955.)


24. Pre re-distribution income is roughly gross household income excluding direct cash benefits like pensions, family allowances, etc.


29. This account does not pretend to be comprehensive since it is almost exclusively concerned with the writings of sociologists, historians and political theorists in Britain and the U.S.A.


34. For a trenchant criticism of some of the anti-collectivist views of human behaviour, see B. Wootton, *Social Science and Social Pathology*. (George Allen and Unwin, London, 1959.)
35. J. Goldthorpe, 1963, *op. cit.* (Author's translation.)