THE POLITICAL ECONOMY
OF THE WELFARE STATE

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THE POLITICAL ECONOMY OF THE WELFARE STATE

IAN GOUGH

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EDITOR'S INTRODUCTION

As a form of ideological mystification, the concept of the welfare state has played a most significant role in post-war Britain. The major political parties have conducted their debate largely around questions about the purposes, costs and effectiveness of the various state services and activities which are generally seen as comprising the welfare or social service operations of the state. But although there has certainly been *debate*, it has been conducted within very narrow confines and has reflected, on the whole, a most naive, ahistorical and unscientific appreciation of the political and economic imperatives which determine the activities of an advanced capitalist state. Of course, the poverty and irrelevance of much of this debate—for example, between Fabians and monetarists—have not been the result simply of a failure to comprehend the complexities and contradictions of the economy, but have been, ultimately, the outcome of a commitment (sometimes faltering) to the dominant ideology which supports the economy.

Debate and discussion about the welfare state has been conducted *within* bourgeois political categories and bourgeois academic disciplines—categories and disciplines which effectively limit the debate and contribute to a continuing intellectual legitimization of existing social arrangements. The concept of the welfare state as a humane response to need has performed an invaluable ideological function in the control and discipline of working-class populations, for in the name of 'welfare' much can be achieved which would be impossible by more direct methods of repression. At a material level the ideological mystification of 'welfare' is embedded in the concrete operations of the services themselves, in the assessment of 'need', in the evaluation of 'effectiveness', in the state organisation of 'participation', and in many other aspects.

The ideological nature of both the discussion and the practical operation of the welfare state has quite clearly been reflected in

academic study and professional training. Thus, within economics, social administration, social work education and, to a somewhat lesser extent, sociology, analysis of the welfare state has been dominated by taken-for-granted assumptions about both the economy and the state. Whilst the work of some mainstream writers, such as Richard Titmuss, has certainly contributed to a re-evaluation of the welfare state, nevertheless their lack of the basic conceptual tools with which to construct an adequate *social* theory of the welfare state has left their analyses without a proper scientific foundation. In more recent years the exclusive domination of varieties of mainstream Fabian and conservative approaches to the welfare state has given way to a more confused and conflict-ridden situation. This has been not only because of the inevitable disillusionment which is accompanying public expenditure cuts as a reflection of a deep-seated economic crisis, but also because alternatives to the previously dominant approaches to the welfare state are steadily emerging.

Without question the most significant of these alternative approaches are those which are firmly based in an historical and comparative method and which are contributing to the articulation of a political economy of the advanced capitalist state and the social services apparatus that it develops. This creation and elaboration of a specifically Marxist perspective on the welfare state is emerging in many places—for example, in the Conference of Socialist Economists. Ian Gough published a seminal paper on public expenditure in the welfare field in the *New Left Review* in 1975 which created immense interest and debate and contributed substantially to furthering the Marxist perspective. He has now been able to develop and revise his ideas more fully and to produce a book which most appropriately appears early in a series specifically devoted to extending Marxist theory: 'Critical Texts in Social Work and the Welfare State'. This book will prove to be an important break-through in the analysis of the welfare state and the origins and implications of its present crisis. Here the ground is laid for a political economy of the welfare state which is not confined by the traditional disciplinary boundaries of economics, political science, social administration or sociology, but which attempts to grasp its development *holistically* as a feature of the state in advanced capitalism.

What Gough's book clearly demonstrates is that a scientific approach to the welfare state must include considerable emphasis

on economic analysis and the careful use of historical materials. Thus, an understanding of the laws of motion of capital is the means by which we can chart the development of productive forces, the concentration of capital and the establishment of a world monopolist economic system which determines the parameters of social policy within Western countries. Again, documentation of the historical origins and growth of the working class is essential to an understanding of the part played by class struggle in the development of social policy and to a tactical and strategic appreciation of the extent to which the apparatus of the welfare state itself can today be considered as an arena of class struggle. But mention of the laws of motion of capital on the one hand and class struggle on the other brings us to a central problem in Marxist analysis: the understanding of contradiction. Contradictions exist in the material world and are reflected in the world of ideas; the welfare state can be envisaged *both* as functional to the needs of capitalist development *and* as the result of the political struggles of the organised working class. This material contradiction is reflected in the attempts of Marxists to understand it, to grasp the dynamic relationship between historical laws and tendencies and the collective intentions of men and women confronting these laws. All sensitive and careful Marxist writing on the state and on the economy has to walk a tightrope between crude functionalism and starry-eyed voluntarism—at its extreme, between seeing the welfare state as wholly oppressive and seeing it as a bastion of socialism within a capitalist economy. In this book one senses a real dialectical grasp of the relation between function and struggle, one which will give rise to considerable debate, especially among Marxist economists and students of social policy.

Many will find this a contentious book; both Marxists and non-Marxists will want to argue with it as well as experiencing a substantial gain in understanding as a result of reading it. It will place, more firmly than ever, the contribution of Marxist analysis on the agenda of study and debate about the welfare state. But Marxists write not only to understand the world, but to change it, and so the scientific advance represented by this book must not only form a basis for the critique of dominant ideologies of the welfare state, but, very importantly, contribute to the practice of workers within the welfare state apparatus who are attempting to further the class struggle within it.

PREFACE

The phrase 'the welfare state' entered our vocabulary during and immediately after the Second World War. The rash of social legislation enacted in Britain in the 1940s appeared to mark the dawn of a new era variously interpreted as 'post-industrial society', the 'mixed economy', 'welfare society' or even 'democratic welfare capitalism'. Certainly the post-war period has witnessed a profound transformation in economy and society, and in the role of the modern state. But now the tide appears to be turning, and it may well be that with hindsight the period from the 1940s to the early 1970s will be seen as the golden age of the welfare state, as a rather abnormal period associated with the 'long boom' of the advanced capitalist world.

Certainly the signs of crisis are everywhere to be seen. In 1974 the capitalist world entered its most profound economic recession since the 1930s and at the time of writing the prospects for another long boom are distinctly unpromising. In the welfare field, social expenditure is being cut back whilst here and abroad a rising tide of criticism engulfs the major institutions of the welfare state. The goals of liberal education are questioned, social workers are villified in the right-wing press, and a welfare backlash develops against the poor, 'scroungers', unemployed youth and coloured people whilst a 'taxation backlash' develops against the ever-growing level of state impositions. On right and left the earlier belief in the harmonious progress of welfare capitalism recedes.

Sociology, according to Alvin Gouldner, is the child of the welfare state. If so, the sickness of the parent has infected its progeny; and not only sociology but all the social sciences reflect the present crisis in the welfare state. In economics, for example, Keynesianism retreats in disarray whilst a strident anti-collectivist, free-market ideology has a field day, reiterating the impossibility of modifying economic laws or 'human nature' by means of welfare policies. Less

confidently, social administration and the Fabian tradition is reduced to counterposing a system of priorities based on need to those of the market, subject to one small condition: a strong economy is a necessary prerequisite for a humane society and, to strengthen the economy, anti-humanitarian and anti-welfare measures may indeed be necessary. At the same time, others bemoan the threat which the welfare state poses to parliamentary democracy.

We approach the 1980s, then, with an endemic crisis not only in the capitalist economic system and the welfare state, but also in the ability of social science to understand these changes. This book attempts to disengage itself from the fetters of conventional social-science disciplines by adopting a totally different perspective on the welfare state: that of Marxist political economy. It is no coincidence that a revival of political economy is taking place at the present time, as the real world of capitalism enters a new phase which orthodox disciplines are ill equipped to explain. Whether the alternative advanced here represents a step forward in our understanding of the welfare state is for the reader—and the future—to judge.

Many friends have contributed in various ways to this book. In particular, for detailed and constructive comments on virtually an entire first draft, I would like to thank Risto Erasaari, Norman Ginsburg, John Harrison, John Holloway, Phil Leeson, Vicente Navarro, David Purdy, Len Rodberg, Bob Rowthorn, Ian Steedman, Peter Taylor-Gooby and Alan Wolfe. Since no two of the above colleagues are likely to agree on its contents, it is perhaps unnecessary to add that they bear no responsibility for the final product.

Thanks are due to Len Rodberg, formerly of the Institute for Policy Studies, now at the Public Resource Center, for providing me with a seven-week visiting fellowship to Washington, DC, in 1977. During this time I was able to discuss my ideas with many individuals and groups in the eastern United States, all of whose friendly criticism I much appreciated. I am grateful to Dit Talley and Susan Stairs for their hospitality whilst I was in Washington, and to Gordon Forsyth and other colleagues in the department at Manchester for their co-operation and support in enabling me to go.

Thanks also to all the typists who have wrestled, not always without complaint, with my shameful handwriting at various stages in the book's progress; to the secretaries in the department, in particular Joyce Wolfson; and most of all to Edith Gillett and now

Jean Ashton and all the typists, past and present, of the secretarial reserve.

Lastly my thanks to Sandy and the boys for their support and forbearance. Despite the best intentions, writing a book is always at heart a solitary and selfish process which relies on others more than we care to admit.

The book is dedicated to my mother and to the memory of my father.

* * *

I am grateful to Ken Judge of the University of Kent for pointing out an inaccuracy in my calculations for Figure 5.2 on page 89, which purports to show the proportion of the growth in spending on various social services attributable to specific factors. My figures were generated by deflating total spending by each factor sequentially. Of course, this procedure gives widely different results according to the *order* in which the factors are used to deflate the original figures, as a result of interaction effects between the factors. Consequently, the results in Table 5.2 are unreliable and should be discounted. I hope in a subsequent edition to provide a more acceptable substitute for these calculations. Their omission does not, however, affect any of the arguments of the chapter.

The book was completed in the summer of 1978 well before the change of government and the subsequent hotting-up of the economic and ideological attacks on the British welfare state. In lieu of a second edition, I have tried to extend and develop the analysis in Chapter 7 to encompass the phenomenon of Thatcherism, in 'Thatcherism and the Welfare State', *Marxism Today*, July 1980. This article has in turn been updated for inclusion in a reader on Thatcherism edited by Stuart Hall and Martin Jacques to be published by Lawrence & Wishart in 1982.

November 1981

IAN GOUGH