

# CREEPING SOCIALISM

## The Welfare State and social Transformation

By

Philip Harvey

Reprinted from *Dollars and Sense* (Oct. 1991), pp. 12-14.

This may seem an odd moment in history to proclaim the victory of socialism. But perhaps the collapse of socialism as we knew it in Eastern Europe will permit other, less obvious signs of socialism's advance to receive more attention—particularly socialist tendencies within capitalist societies. I think a case can be made that capitalism is actually heading toward socialism, if by socialism we mean an economic system in which production is democratically controlled and everyone's needs are accorded equal weight.

I am not suggesting that capitalism is on the verge of a sudden transformation. On the contrary, it has rarely looked more stable. Rather, I have in mind the gradual development of an assortment of economic and political institutions that are usually called the welfare state. They include income transfer programs, government regulation of economic activity to achieve social goals, and the production of public goods and services. To put it bluntly, I am suggesting we consider the possibility that the welfare state is socialism in embryo, the set of institutions from which mature capitalism is destined to grow.

It's easy to lose sight of the evolutionary potential of the welfare state at a time like this, when conservative interests have gained so much ground. In the United States and Great Britain, the Reagan/Thatcher era has been a stunning setback. But temporary periods of conservative reaction should not be confused with long-term trends. From small beginnings in the mid-nineteenth century (when laws regulating factory conditions and the length of the working day were first adopted in Great Britain), the welfare state, rather than viewing it with suspicion or rejecting it outright as a capitalist palliative.

### MARX REVISITED

This picture of the transition to socialism is not how most radicals have conceived it. According to Marx, the contradictions within capitalist society would build until the working class threw off its shackles and seized control of the economy. That vision has dominated radical thought for 150 years, albeit with much debate. Some have seen socialism arriving through the ballot box, others by revolutionary force. Some have viewed state ownership as the best way to achieve worker control; others have advocated decentralized, cooperative ownership of the means of production. But virtually everyone on the left has assumed that the construction of socialism must await a decisive repudiation of capitalism.

[It was Marx's account of the role of class struggle in determining the value of labor power that first led me to doubt this view of the] transition to socialism. If the antagonism between capital and labor is to grow worse over time, a gradual buildup of pressure should be apparent in the relations between the capitalist and working classes. In fact, despite a rhetorical drum-beat of references to the worsening lot of the working class, Marx's own analysis of the class struggle suggests other out-comes are possible.

First, in analyzing how wages are determined under capitalism, Marx assigned the working class a surprisingly active role. He described the class struggle, not impersonal economic forces, as ultimately determining the working class's share of the wealth it produces. Second, he emphasized that the working class won victories as well as suffered defeats in this struggle. For example, he described the statutory shortening of the working day and the educational provisions of the factory acts in Britain as working-class victories, not capitalist strategies to keep workers in line. Third, he implicitly acknowledged that the course of the class [struggle was unpredictable]. Though broadly proclaiming that the contradictions of capitalism would intensify over time, he declined to predict how the working class would fare in its ongoing contest with [capital].

If workers play an active role in determining their share of the economic pie, and their prospects of winning each small struggle are unpredictable, how can we be certain of the cumulative effects of their efforts? Why assume that conflict between workers and capitalists will lead to social polarization and increasing class tension rather than to the easing of class antagonisms as workers gradually win what they want? Why assume that the contradictions of capitalism can be resolved only by means of a social revolution, rather than through a multitude of piecemeal corrections?

Marx's "big bang" theory of the transition to socialism is also hard to reconcile with his account of the development of capitalism. Capitalism was not built by blueprint following a fight to the finish between capitalists and nobles. It grew within feudal society over centuries. The transition was well advanced long before the capitalist class gained political hegemony, with some sectors of the feudal ruling class playing important roles in the change. Feudal monarchs in particular played [patron] to nascent capitalism, seeing it as a source of revenue and an aid to conquest. Cataclysmic political events like the French Revolution clearly aided the process, but there is no precise moment, no single event that marks the end of feudalism and the start of capitalism. Even now vestiges of feudalism survive. For example, England still has hereditary nobles living on ground rent.

Why should we expect the transition to socialism to be any different? Isn't it at least possible that the institutions of socialism will develop within capitalism, just as capitalist institutions developed within feudalism?

If socialism is developing within capitalist society, how might we recognize it? In truth, we can't be sure which tendencies, if any, have the potential to mature into socialism. As astute an observer as Adam Smith, writing in the *Wealth of Nations* in 1776, failed to foresee that an industrial revolution was about to break out in England. Predicting the future is a risky business, but we can consider possibilities.

## **LONG TERM TRENDS**

I believe the institutions of the welfare state warrant special attention as possible bearers of socialism. First, the welfare state is gradually socializing the distribution of income through a slowly expanding set of government mandated benefits. This tendency is weak in the United States, but Swedish practice shows it can be quite expansive. The Swedish government effectively guarantees work at decent wages to all job-seekers through a variety of training and job-creation programs. In addition, all residents are entitled to free medical care, generous disability and old-age pensions, subsidized daycare, and a host of special benefits, such as 12 months of paid parental leave from work when giving birth or adopting a child. Part of this leave can even be saved and taken when the child is older. Parents also receive paid leave from work to care for a sick child. As a result of these policies, income is distributed almost as equally in Sweden,

with its market economy, as it was in Communist-ruled Eastern Europe. This equality has not come at the expense of economic prosperity. The standard of living in Sweden is consistently rated among the highest in the world.

It has taken over 50 years of social democratic rule for Sweden to achieve what it has—as though the extremely liberal early New Deal administration of Franklin Roosevelt had controlled Congress and remained in office ever since 1932. There have been set-backs and retrenchments along the way, and these will continue. No one, least of all the Swedes, thinks their welfare state is perfect. Like welfare states elsewhere, it continues to evolve as [ ] economic and social problems capture public attention. Sweden is unique among capitalist countries only in that its welfare state has evolved so steadily and so far during the past half century. Taking a long view, it is clear that similar, albeit less advanced trends, are universal in capitalism.

The welfare state is also gradually socializing the wage contract, dictating a slowly expanding set of minimum standards for working conditions, pay, fringe benefits, and protections from arbitrary dismissal. Sometimes government intervention is dramatic, as with laws setting minimum wages or prohibiting racial discrimination in employment. Sometimes it is almost imperceptible, as with court decisions over the past 20 years limiting the right of employers to fire workers without showing good cause. Sometimes the government steps in to administer employee benefits, as with social security pensions. In other instances, employers are required to provide certain benefits, such as mandatory lunch breaks, or the tax code encourages them to do so, as with employee stock ownership plans. Rather than mandating specific benefits, the government may also strengthen the bargaining power of workers—for example, by protecting their right to join a union.

Government regulation of the wage contract, along with income transfer programs, may allow politics rather than the market to substantially determine the distribution of income in the future. How far this trend will develop is impossible to predict. Private labor contracts and income inequality may persist. Progress may be slow and erratic. Over the past decade the distribution of income in the United States has grown less equal. Still, social control of the wage contract is growing.

The welfare state also appears to be socializing control of the means of production. The key to understanding this trend is not to confuse ownership with control. Theorists have generally assumed that the working class must own business enterprises to exercise effective control over socially significant economic decisions. Real-world socialism may use different means: a slowly tightening web of regulation that promises eventually to pass substantial control over these decisions to the public, regardless of who owns the affected enterprises. This trend includes laws that tell producers what they can't do or must do, tax incentives that influence business decisions, and fiscal or monetary policies that affect the general level of business activity. Examples include environmental protection laws, tax breaks for constructing low-income housing, and interest rate manipulation to encourage or discourage business investment.

I am not suggesting that government regulation of business is always progressive. Conservatives regularly use the government to zap labor or pad the pockets of the rich. The point is that the battle over economic decisions is gradually shifting to the political sphere. The degree to which non-business interests benefit from this shift depends on their relative political power. But that, too, has tended to grow over time. In a conservative period such as this it is easy to lose sight of the long-term trend. A hundred years ago women, most people of color, and even most propertyless white men had yet to win the right to vote. As the relatively powerless continue their political advance—and I grant that the road ahead is a long one—the

regulatory welfare state could become a truly effective means of democratically controlling the economy. Ownership may turn out to be a specifically capitalist way of [ ] control over economic resources. Socialist control may assume a different form.

### **THE ROLE OF THE LEFT**

If the welfare state is actually a form of socialism growing within capitalist society, the left needs to reassess its thinking. For example, it makes little sense to criticize the welfare state because it helps to stabilize capitalism. The development of capitalism in Europe also stabilized feudalism up to a point. Capitalist institutions first appeared to serve the needs of the feudal nobility. They enriched and strengthened feudal monarchies for centuries. Nevertheless, these same institutions eventually supplanted the feudal structure they had helped prop up. Similarly, the welfare state may stabilize capitalism while at the same time establishing a new base of post-capitalist popular power.

It serves no purpose to criticize the welfare state because capitalists have used it to forestall more radical change. The growth of the welfare state reflects a variety of influences. It has been partly won by workers and partly imposed on them. Some of its promoters have been motivated by progressive ideals, some by a desire to prevent more drastic measures, and some by simple humanitarianism. But who says those who make history necessarily achieve the results they intend? Self-conscious class leaders are not the only ones capable of catalyzing social change. History will unfold whether or not the people who [ ] its [ ] are aware of their role in the process. It is senseless to condemn a historical trend based on the motives of its authors, or even its short-term consequences.

An objective view of the welfare state's historic role should not depend on whether the brand of socialism it embodies is ideal. It is easy to design a more democratic, less bureaucratic form of socialism on paper, but can we get there? No matter what replaces capitalism, some socialists will be disappointed. So be it. As Marx observed, we do not make history just as we please. Some disappointment is inevitable for those who try to shape its course.

Finally, because the welfare state has no fixed form, influencing its evolution should be a primary goal of socialist political action. Welfare state institutions are less developed in the United States than in other advanced capitalist economies. Our organized labor movement has been weaker and less politicized. Racial and ethnic prejudice—often intentionally stirred up by defenders of the status quo—has undermined solidarity. And the ideology of frontier individualism, typically linked to a suspicion of government, has deep roots in the nation's culture. The very term welfare state has negative connotations in this country. There is much work to be done.

It is possible, of course, that the welfare state is not destined to play an exalted historical role. It may turn out to be a vestige of late capitalism, like absolute monarchy was of late feudalism. But if it does turn out to be the progenitor of a new society, then socialists who have scorned it have been doing their cause a disservice. Criticism of the inadequacies of the welfare state is always needed. But there is a difference between criticism that supports its further development and criticism that urges people to turn their backs on it. By undermining popular support for welfare state initiatives, the latter kind of criticism may actually slow the transition to socialism

\* \* \*