

The Problem of the Welfare State

By PHILIP M. SMITH

IT IS INDEED UNFORTUNATE that the price of technological progress in this country has been social maladjustment and dislocation. Our inability to iron out the fluctuations of the business cycle, and thereby stabilize employment, has heretofore proved an insurmountable barrier to the realization of economic security for a large segment of our population. In view of the growing complexity of modern society, as related to our highly industrialized economy, there have been insistent demands that the federal government assume greater over-all responsibility for the welfare of its citizens. Only through centralized planning, administration, and control, it is argued, can resources be mobilized which are adequate to deal effectively with economic crises that are national in scope. Judging from past experience, there are ample precedents for continued and expanded federal participation in the field of social welfare. When Congress considered the latter of sufficient importance to authorize establishment of federal agencies invested with power to administer a comprehensive social security program it laid the foundations of the modern *Welfare State*.¹

I

DOUBTLESS it is from the political experience of Great Britain that most contemporary references to the Welfare State have been derived. As might have been anticipated, the program of the British Labor Party, calling for outright nationalization of a substantial portion of heavy industry, aroused antagonism among the more conservative political elements in the United States. Detecting symptoms of a serious breakdown of Britain's

¹ The Welfare State must not be confused with either outright collectivism or benevolent totalitarianism. Evolving within the framework of democratic institutions, it is but one aspect of the trend toward centralization of certain governmental functions. It seems obvious that considerations of political expediency rather than of semantic accuracy have prompted the injection of popular shibboleths into current discussions of the topic, thus serving only to further confuse the issue. The terms *Welfare State*, *Statism*, *Welfare Capitalism*, and the like, are used altogether too loosely in much of the current literature. Admitting that they do not readily lend themselves to accurate definition, it is still practicable to formulate an operational or working definition on the basis of expert consensus, free from the prejudices of party politics.

As for "public welfare," it "now means all of the positive programs of government designed to produce economic security, health, knowledge, and well-being." (Dimock and Dimock, "American Government in Action," New York, Rinehart & Company, Inc., 1946, p. 822. See also H. H. Stroup, "Social Work," New York, American Book Company, 1948, pp. 60-75.)

economy—a situation due largely to a combination of adverse factors stemming directly from the war—some American critics went so far as to ascribe it to the heavy financial burden resulting from a social welfare program of unprecedented scope. Furthermore, unconfirmed reports were circulated to the effect that American capitalism had been coerced into underwriting the British socialistic experiment by an administration in Washington sympathetic to collectivism. It is not surprising that such statements created resentment in official circles both at home and abroad.²

Although the problem of determining the causes of Britain's economic plight continues to involve debatable issues, there seems little doubt that her people are now irrevocably committed to a way of life in which the State has an expanding rôle in promoting human welfare. Even the Conservatives have given their approval to some of the sweeping reforms that have been consummated. What appeared to be the major issue in the general election of February, 1950, was the question of whether nationalization of industry should be extended in the near future. It is significant that at no time during the campaign was the National Health Service a subject for debate in the sense that the Conservatives were advocating its elimination. Their main contentions were to the effect that the Labor government had deteriorated into an inefficient bureaucracy and that they themselves could carry out similar policies more effectively.

Britain has accepted the principle that many essential social and economic functions are performed more efficiently on a collective rather than individual basis, through the medium of governmental agencies. Whenever they desired to make changes, however, it is noteworthy that the British scrupulously adhered to the gradualistic approach, in contrast to the cataclysmic tactics recommended by certain extreme radicals. So long as the Englishman conceives of the central government as the guardian of his welfare "from the cradle to the grave," it is his privilege to view the extension of its powers with approval, provided that its methods and objectives are consistent with constitutional principles.

² Said Paul-Henri Spaak, President of the European Consultative Assembly, and former Prime Minister of Belgium: "I think that all the world should remember that most of Britain's economic problems were born while she resisted Germany alone." (Strasbourg, August 25, 1949.) The events leading up to the devaluation of the pound sterling are now a matter of history. Britain was seriously handicapped by her dollar shortage, although exports in 1949 averaged almost 50 per cent by volume above the figure for 1938. Industrial production in 1949 was about 30 per cent above the pre-war level, and agriculture had registered a gain of at least 25 per cent. (Source: *Labor and Industry in Britain*, VII (3), September, 1949, and VIII (1), March, 1950; British Information Services.)

II

WHAT AFTER ALL, is the ultimate purpose of government? According to one school of thought its aim is to promote the "general welfare," even though there are subordinate and auxiliary objectives. Some maintain that we have moved steadily in the direction of a frank recognition that the only inalienable rights are human rights and that property is of value only as it serves mankind. In this country, of course, there have been many historical precedents justifying the use of federal funds for welfare purposes. In his *Report on Manufactures*, Alexander Hamilton held that it was "therefore of necessity left to the discretion of the National Legislature to pronounce upon the objects which concern the general welfare." Under the doctrine of implied powers, as later clarified by the courts, the jurisdiction of Congress over expenditures for welfare purposes has indeed been construed broadly.

During the period of the New Deal the tendency to invest Congress with authority formerly regarded as properly limited to the states culminated in a definite political philosophy. Justice Benjamin Cardozo, of the United States Supreme Court, said in reference to a social security case: "Congress may spend money in aid of the 'general welfare.' . . . The purge of the nation-wide calamity that began in 1929 has taught us many lessons. . . . The problem is plainly national in area and dimensions. . . . Only a power that is national can serve the interests of all."³ Here is conclusive evidence that a distinguished purist saw in the havoc created by the depression a justifiable reason for the federal government's program for conserving human resources.

With the passing of time, when viewed in retrospect with historical objectivity, it is clear that much social legislation once deemed ill-advised, unduly paternalistic, and even "extremist," is now accepted without question as meeting definite needs, an integral part of the American way of life. Existing provisions for public education, health, and housing—together with the entire social security program—are convincing proof that certain powers assumed by the federal government to insure the well-being of our people have unqualified popular sanction. Nor have business, agriculture, and organized labor been at all reluctant to call upon the government for special concessions whenever the opportunity afforded. Our tariff laws are a case in point, and many similar illustrations could be cited.

Today it is not a question of whether some centralized control of our

³ *Helvering v. Davis* (1937).

institutional life is necessary but rather of how far we shall proceed in that direction. Certainly, in these times of complex social and economic organization, of great concentration of corporate wealth, and of amazing technological change, it seems reasonable to look for continued expansion of federal powers. Because of our fear that another depression would prove a world disaster and play into the hands of Communists, is it not probable that we shall expect federal agencies to become more active in the field of social planning, rather than to be confined to the exercise of regulatory functions, on the assumption that "prevention is better than cure?"

III

MANY STUDENTS of the problem of the Welfare State insist that so long as control of the government is in the hands of the people we need not worry about the goal toward which it seems to be moving. They likewise contend, with some justification, that those who seek to discredit aggressive proponents of social reform by labeling them fellow-travelers with Communists, without considering the possible merits of their proposals, may be striking at the very foundations of democracy itself.⁴ For while victims of real or imaginary injustices may listen eagerly to the plea of the agitator, they usually embrace communism in desperation only as a last resort when normal channels for the redress of grievances seem closed to them. To expose the fallacy of an idea which is repugnant to us we must examine it in the light of a better idea. We cannot defeat world communism by glibly reciting meaningless clichés which have long since outlived their usefulness; and in an economic order where powerful monopolies tend to strangle small businesses the term "free enterprise" has certainly lost its original significance. To the individual deprived of economic opportunity through no fault of his own—as is true of a large portion of the Negro race in this country—the word *democracy* may also be relatively meaningless.

Hence, many persons feel that if we are to vanquish the communistic philosophy, we must present a dynamic alternative which will have an irresistible appeal to all oppressed peoples. Yet it is extremely doubtful that a resurrection of *laissez-faire* would meet with enthusiastic support in this connection. What appears more probable is that some degree of social planning within the democratic framework of government can provide an answer which will effectively neutralize the communist and

⁴ For further discussions of this point, see P. M. Smith, "Educational Sociology and Ideological Conflict," and "Teacher Loyalty and Academic Freedom," *The Journal of Educational Sociology*, February, 1948, and January, 1950.

fascist ideologies in areas having little natural affinity for either a ruthless dictatorship or unbridled individualism.

Call it the Welfare State if we must, they say, but let a major portion of its program be somewhat along the lines of the Tennessee Valley Authority in application, a project designed to build the more abundant life upon a sound economic foundation while offering the people every opportunity to help themselves and thereby render the plan ultimately self-liquidating. For the most part it would apply principles whose legality has already been tested in the courts, extending them whenever needed in accordance with the requirements of the ever-changing social scene.⁵ As evidence of the esteem in which TVA is held, the following tribute, for example, is typical:

No federal enterprise undertaken for the economic well-being of the people in half a century can total up such a performance as TVA for the 16 years since it was inaugurated by the late President Roosevelt. . . . In terms of human benefits, happier living conditions, better facilities for industry and farming, and lightened burdens for homemakers, what TVA has accomplished is almost unassessable. The greatest tribute paid this magnificent enterprise . . . is the fact that most of the original opponents of the project . . . are now TVA's enthusiastic supporters.⁶

IV

A NUMBER OF SOCIAL SCIENTISTS contend that there are clearly-defined limits beyond which the State must not be permitted to go in providing for the welfare of the people, if we are to preserve our democratic philosophy of government. One need not necessarily agree with Winston Churchill that British socialism can lead to communism, nor with Hayek that our emerging collectivism is the road to serfdom. But there are some things that the individual can do best on his own initiative, and he should be encouraged to accept responsibility so long as he does not infringe on the rights of others. If we insist upon placing great power in the hands of government, there is grave danger of the State becoming all-powerful at the expense of the individual citizen. Indeed, it is the impartial verdict of history that the struggle for liberation from the bondage of despotism was a long and costly process. Should the Welfare State finally come under the control of a ruthless dictator and his unprincipled hirelings, in-

⁵ Mainly an example of *regional* planning, TVA in some respects capitalizes upon forces working toward decentralization. (See David E. Lilienthal, "TVA Democracy on the March"). In any event, similar developments, such as a Columbia Valley and a Missouri Valley Authority, appear likely in the future because of the regional support.

⁶ Excerpt from an editorial in the *Boston Globe*, July 29, 1949.

stead of merely sacrificing liberty for security we would wind up losing both.

Inherent in the Welfare State are certain hazards stemming from the weaknesses of human nature. The old saying that "everybody's business is nobody's business" is more than a trite expression. It is replete with meaning under conditions where the cultural influences to which the individual has been exposed make no provision for substituting altruistic incentives for the motivation of self-interest. This is not to argue that human nature cannot be changed and the profit system eventually be succeeded by some arrangement stressing service and sacrifice rather than pecuniary considerations. But, as things stand, it is doubtful that most men will work as diligently to increase production for the benefit of society in general as when their added efforts yield larger pay checks for themselves and their families in particular. At the present moment, it must be conceded that we have not progressed to the point where this would be a serious issue. Nevertheless, it is conceivable that such a hazard could exist.

So long as a benevolent, paternalistic government is willing to foot the bills—seemingly without obligation on the citizens' part—it is probable that some voters will repudiate their responsibilities as citizens and permit political bosses to arise who would entrench themselves in power through graft and corruption. There is no magic in governmental action as such. Not until we are prepared to make the necessary sacrifices over long periods of time will the complete Welfare State be practicable or even desirable. Furthermore, if it be not preceded by an educational program of suitable character and scope it might easily collapse by reason of lack of enlightened leadership.

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Land Reform in Kashmir

THE GOVERNMENT OF KASHMIR, according to advices from India, is making progress with its land reform effort. Under the law, holdings are limited to twenty acres. Landlords owning more than twenty acres are permitted to select the portion of their holding that they wish to retain. The tracts made available under the measure are distributed to peasants, with the preference given apparently, to the cultivator.

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