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# The Concept of the "Welfare State"

## An essay of sociological interpretation

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This article will be devoted to an analysis of the problems raised by the evolution of the liberal democracies towards the regime known as "Welfare State",<sup>1</sup> to bring out the factors which are involved in this evolution and which can help us to explain it.

What are the sociological roots of the "Welfare State" ?

- (1) Why do we use in French the English expression to indicate the object of our studies? Etymologically, the name "Welfare State" is rather vague. It could apply indifferently to any political system, because there is not any that does not profess as its end, the welfare of its citizens. Use, however, has narrowed the meaning and the expression is now universally admitted, in the English language, to designate the particular system of economic regulation and social assistance which the liberal democracies are now adopting, half-way between the "laissez-faire" system and the socialist system.

It is probably the vague etymology of the expression that explains its success, permitting it to cover equally and without prejudice all the aspects of the complex and controversial reality that it represents.

No name in French has had the same success. "Régime de protectorat social", "Etat sécuritaire", "Etat de service social", "Etat paternaliste", "Etat-Providence"; none of these names has been granted unanimity, probably because they have all a too explicit, unfavourable meaning.

We shall therefore confine ourselves in the French text to the English expression of which the use is firmly established and which has the great advantage, in a sociological analysis, of not causing any prejudice at first sight.

We believe that they originate in the "Liberal State" as it was made up in the 19th Century. We submit that the "Welfare State" is situated in the prolongation of the traditional Liberal State, not only as its successor in fact, but if not as the necessary, at least as its normal product. We submit that it is born negatively, on one hand, from the laissez-faire economy, from the unsatisfied wants bred by the liberal capitalism; and, positively, on the other hand, from political liberalism, from the development itself of the democratic principle.

### Economic Liberalism

Conceived in reaction against the abuses of the mercantilism and held up by the glorification of the idea of liberty in all spheres, the laissez-faire economy is characterized by the radical separation that it operates between economics and politics.

According to the laissez-faire theory, in fact, the common prosperity is not an end to which the State should direct rationally the various economic factors. It is rather a happy consequence which is expected to result spontaneously by the search of each one, in competition with all the others, in the framework of a free market, of his own advantage: and this, by all the ways that his talent and industry can secure for him, with the exception, however, of violence, fraud and coalition, which would eliminate the mechanism of competition.

It is competition, in fact, which is expected to be the principal animator and regulator of the economy. On one hand, it must insure the maximum utilisation of productive resources and energy, as well as the continual improvement of products and services on the market. On the other hand, it must insure the balance of the system, by adjusting automatically in each sector, the production to the consumption, by the action of the law of supply and demand, which only shows the effects of competition on the commodity and labour market.

Here is how Jean Marchal describes this latter function attributed to competition by the fervents of the laissez-faire economy. "When there are too many products, owing to the competition among sellers, prices go down. Some entrepreneurs are discouraged and production diminishes. At the same time, the product being made accessible to new groups of buyers, the demand increases. When it is the demand, on the contrary, which exceeds the supply, prices go up, some buyers are obliged to reduce their consumption or give up the product, whereas the entrepreneurs, stimulated by the high profits, increase production. Identical mechanisms are met with in salaries, to adapt the supply to the demand for labour and in the question of international trade to equalize imports and exports."<sup>2</sup>

The economy, thus finding in competitive liberties its principle, at the same time, dynamic and regulating, not only State interference becomes useless but further it could only contribute towards paralyzing and straining the normal functioning of the system. Under this conditions one function only is reserved for the State, that of being on the watch for the respect of property and contracts, and to arbitrate thus from the outside, in

being content to sanction the rules of the game, the activity of the various economic factors. It is the famous "laissez-faire" policy.

### Competitive Capitalism and its results

It is under this economic-political conception that the capitalistic system has developed during the 19th century. Let us see how the facts measure up to the postulates of the doctrine.

It must be recognized that the open race to profits by the capitalistic entrepreneurs of the 19th century, putting to work more and more perfected techniques to lower their cost price and assure themselves against their competitors of a place more and more advantageous on a constantly expanding market through the parallel progress of means of communication, has caused an economic advance without equal in history and which has been properly called a revolution: the Industrial Revolution. Jaurès, who has not much sympathy for the system admired "the power of revolutionary action of the middle-class, breaking out of its former framework, wiping away all old powers and beliefs, turning upside-down the world's habits, renewing continually its own technique, letting loose the tragic beauty of unlimited productive forces."<sup>3</sup>

It must also be recognized that the letting loose of the productive forces, by the multiplication of the means of subsistence that this has caused, has permitted a growth without precedent of the population up until this time held back, by primitive methods of life, to a level of mere renewal. In Europe, the population increased in the 19th century from 160 to 400 millions. In the United

(4) Jean Marchal, Cours d'économie politique, Book I, p. 92, Librairie de Médecis, Paris, 1950.

(3) J. Jaurès, l'Armée nouvelle, Rieder, p. 306.

States, it jumped from 5 to 100 millions, and in the whole world, where there are still large zones that capitalism has not touched, went from 900 to 1,600 millions.

In conformity with the consequences of the Liberal thesis, the capitalism of the 19th century has therefore really led us to an ever-increased and improved production of goods and comforts of life; but, on the other hand, it has not fulfilled the promises of common prosperity and economic balance of liberalism.

In fact, if capitalism in developing itself has multiplied the means of subsistence, and permitted, because of this, an extraordinary increase in the population; on the other hand, it has maintained the vast working class to which it gave rise at the simple subsistence level, and this, as long as and to the extent that it has stuck to the principle of straight competition.

The worker's poverty in the first half of the 19th century is well known. Miserable wages, unduly long working hours, inhuman use of woman and child labour, pitiable working and living conditions; in a word, all the elements of general misery.

This situation, no doubt, was caused in some respects, by the newness of the system, by necessity; at the beginning of an era of industrialization, to sacrifice to production of capital goods that of consumer goods; but it was caused still more fundamentally by the competitive character of the system itself.

"Since the suppression of the corporations and the prohibition of all workers' associations", writes Jean Marchal, "the proleteriat finds itself naked and disarmed in the economic juggle. It finds there two competitions, one on top of the other. The competition of the employers between themselves, on the commodity market; competition that they invoke and often with reason, to declare it

to be impossible, under penalty or bankruptcy, to make any increase in wages, and, moreover, the competition of workers between themselves on the labour market, where they find themselves alone, unorganized, in face of employers who, according to the expression used by Adam Smith, constitute, each one to himself, a natural coalition. The working class, in the end, stands all the competition on which rests the system."<sup>4</sup>

Thus if competition which gave life to the system, has produced prosperity, one may say that it has systematically excluded the working class.

At the same time, competition has not insured the automatic adjustments of the economic system that it was supposed to guarantee. Crises or relative over-production, starting chains of failures of entrepreneurs and widespread unemployment for the workers began to appear from the beginning of the 19th century and they have repeated themselves since then, about every eight years, with surprising regularity, which would seem to indicate that they are a phenomenon concerned with the operation of industrial capitalism.

If, therefore, to review the situation for most of the 19th century, the play of competitive industrial liberties in the economic arena has started a revolutionary development of production, it has also created for the various economic factors a state of insecurity which cannot be supported, and against which they must necessarily react.

Insecurity of the entrepreneurs constantly menaced with being passed by their competitors and without defence against economic depressions.

Insecurity of the workers always in fear of arbitrary dismissal or of lack of work due to a depression and

(2) Jean Marchal, Cours d'économie politique, Book I, p. 97.

mability to protect themselves with their meager wages against old age and the hazards of life.

Insecurity of the farmers who, to the extent they produce for the market, are also open to the risks of competition and cyclical economic fluctuations.

### **The process of consolidation of economic interests**

Insecurity is repugnant to human nature, therefore one and the other must try to get above it. But they could not do so without working and at the same time without restraining the competition to which it was inseparably joined. It is thus, that from the insecurity inherent to competitive capitalism, was born, by a sort of logical reasoning, two tendencies towards its elimination. A first tendency which pushes the various classes of producers to organize themselves to dominate the market, each one in his own sector. A second tendency which inclines them at the same time to make appeal to the protection of the law and to the assistance of the State in order to consolidate their position on the market.

These two tendencies, which hit at the very foundations of laissez-faire economy: free competition and its corollary, the non-interference of the State in the economic sphere, have begun to manifest themselves in the second half of the 19th century and have kept on increasing.

Let us see briefly how each one of these tendencies has developed and to what results it has led.

On the enterprise side, the progress towards control of the market took two directions, that of concentration and that of association.

Concentration itself followed three methods.

First of all, horizontal concentration, by means of which, in the more

important branches of production, the large enterprise, in the form of a monopoly or oligopoly, has assured itself of the domination of the market, by eliminating, absorbing or squeezing out similar enterprises not strong enough to resist their competition.

In the second place, the vertical concentration by which the large enterprise, in order to preserve itself against the risks and costs of the buyer-seller competition absorbs in its structure, complementary enterprises situated higher or lower than itself in the same process of production.

Finally the financial concentration which by the development of the limited company and holding company, permits a small number of administrators of capital to control great sectors of the economy.

In addition, in order to protect against drops in prices, competing enterprises, in spite of all legal restrictions, have more and more recourse to association in the form of agreements to fix prices, limit production and divide markets.

On the other side, the workers were obliged to dominate the labour market in attempting to eliminate competition which, in the beginnings of capitalism, had held them in the total insecurity called poverty. Then came the development of unionism, favoured by the grouping of the workers and the awakening of class consciousness which followed the phenomenon of concentration of enterprises and industrial urbanization.

Alone the workers were condemned to accept miserable wages and often very poor working conditions that their mutual competition and that of their employers between themselves, forced on them. Joined together, they are now strong enough, under the threat of striking, to force the employers to raise their wages and better their working conditions.

With the increase of unionism, and the legal and political helps of which they have assured themselves, the working-class in now more and more able to have its demands accepted and thus substitute its intervention to the automatic adjustment of the competition on the labour market.

The agricultural class has been longer to react, but it also now leans more and more by professional association and cooperation to surmount the competition in quite another important sector of the economy.

The same insecurity, which has pushed the various producing agents to try and protect themselves by organizing against the hardships of competition, has also inclined them towards calling more and more on the protection and assistance of the State in the economic struggle.

On the side of the capitalistic entrepreneurs, it must be noted in connection with the development of this second tendency against the classical tradition, the claiming of protective tariffs against foreign competition, the pressure put on the State for the initiation of a colonization or imperialistic policy susceptible to furnish to the national production access to raw materials and assured markets, the claiming of government subsidies to the profit of sub-marginal national industries, the request for tax exemption or exclusive concessions for the establishment of new industries, the recourse to the State for the saving of enterprises threatened with failure. In a general fashion, it might be said that since the end of the 19th century, the capitalistic entrepreneurs had recourse to State intervention each time and in every case, no matter how opposed it was to liberal principles, that it was judged to be favourable to their enterprise's interests.

The working class did not fail to call on the State either. This appeal has been that much more effective, since with the second half of the 19th

century all the capitalistic countries in the course of development of political liberalism, went from a system of qualified voters to one of universal suffrage. The liberal State had been up to this point a middle-class state, controlled by those with possessions, but with the extension of the right to vote, it became a popular state, obliged to take heed of the demands of the mass that it had incorporated politically. As R. M. MacIver puts it so well<sup>5</sup> the evolution or rather, this political revolution, has not allowed the capitalists, owners of the means of production to set themselves up as a governing class in the way the nobles, owners of the land, had done.

No matter how much influence they exercise politically, the State is henceforth called upon to serve also the interests of the other classes.

Strong with their political rights, the workers have used them not only to have their right to unionize recognized or even to strike, but also to gradually have adopted a whole series of laws tending to improve their working conditions and remuneration.

The agricultural class also making use of its political power, has followed the same road with the result that it has probably become the class receiving the most economic assistance from the State.

### **Emergence of the Welfare State**

However, this race towards the increase and stabilization of the revenues of the various categories of producers, by the double method of controlling the market and depending on state protection, could not reach any more successfully a balanced market and general prosperity than

(5) R. M. MacIver, *The Modern State*, Oxford University Press, London, 1941, p. 304 and following.

the competitive system at the beginning.

In fact, the interests of the various groups of economic agents are in opposition to each other and their consolidation could only accentuate their antagonism and lead to disastrous results for the whole of the economy.

These results manifested themselves in a particularly unfortunate manner during the depression of 1929, with its almost total paralysis of the economy, its widespread unemployment and the crash of all categories of earnings.

Capitalism with monopolistic tendencies having failed, just as had competitive capitalism, there was only one practical course open, recourse to the State as coordinating agent of the various economic interests and to take primary responsibility for common prosperity.

This, then, is the particular policy adopted by the government of the liberal democracies to meet this new responsibility which characterizes what is usually called the Welfare State.

It may be considered that the new system is the result of four complementary factors.

Fundamentally, it first presents itself as the consequence of the political demands of the popular masses of which the most urgent, welfare and security have not been satisfied by laissez-faire capitalism.

It appears secondly, as the result of the organic evolution of the State itself which only continues in a more systematic and comprehensive manner, the intervention towards which the various groups making up the population had already directed it with their ever-renewed demands of protection and assistance.

But it was not enough that the masses disappointed by laissez-faire capitalism, turned to the State to

regulate the economy and promote the common prosperity. It was not enough that the State had the necessary inclination to assume this part, it was necessary in addition that the State dispose of the necessary means towards this end.

It is at this point, that comes into the picture as a third factor in the building up of the Welfare State, the Keynesian revolution in economic science, since from the theory of the celebrated economist has been drawn a programme of political action destined to direct the free activities of various economic agents towards the maintenance of a high level of employment and national revenue, and to insure the distribution of this revenue according to the merits and needs of each category of citizens.

The adoption of this policy inspired by Keynes in preference to a policy of systematic state socialization of basic industries and general planning of the economy, is caused by a fourth factor, the survivance in public opinion in the democratic countries of the laissez-faire ideals with the attachment to the system of private enterprise they imply and its inalterable opposition to direct management of the whole economy by the State.

The Welfare State appears to us as a kind of an institutional compromise between the liberal tradition on one hand and on the other, the practical necessity of state intervention in order that the desires for welfare and security of the majority of its citizens be satisfied.

The Welfare State takes account of the liberal tradition in so far as it does not have a tendency to regulate the economy by authority but rather by way of compensation, in attempting to prevent, by means of its budget, the inflationary or deflationary tendencies which continually threaten to unbalance the various

economic factors in a free market economy.

According to the theory of the Welfare State, the volume of taxes and public expenditure should, in effect, vary inversely with the cyclical fluctuations, in such a way as to stimulate or discourage, as the case may be, private investments and thus to maintain at a stable level employment and national revenue.

On the other hand, in order that this stabilization does not operate at too low a level, and that the general prosperity be thus compromised, the theory includes the necessity of insuring that the low income classes who have the biggest tendency to consume, receive enough revenue to permit them to maintain a sufficient demand on the commodity and services market.

The method provided, to this latter end, consists, on one hand, in the reduction of indirect taxes of a general nature, and on the other hand, in financing by progressive direct taxes which put unproductive savings to work, a comprehensive programme of social security, of which the payments, by increasing

directly or indirectly the purchasing power of the masses, must insure a maximum utilization of productive forces.

The economic by-product that is expected from these programmes of social security in a general policy of stabilization of the economy at a high level of employment and revenue, must not make us forget that they are first of all inspired by social preoccupations, by the thought of guaranteeing to the economically weak classes, this supplementary welfare which they demand and which, even in an economy of full employment they cannot earn for themselves by their work.

While remaining within the limits of a sociological interpretation, we hope to have shown that the new system with the political-economic conception which inspires it, is the normal product of the classic economy state of the 19th century; that it is born, on one hand, from the unsatisfactory conditions and insecurity produced by the laissez-faire economy; on the other hand, from the incorporation of the popular classes to the democratic state in the development of political liberalism.

## Forced Labour Camps in Countries Under Communist Domination

by FRANÇOIS BRECHA, Member of the Czechoslovak Foreign Institute

In this second study, we shall strive to define the actual reasons for the establishment of the forced labour camps in basing our statements upon what we know and what we have received from various information sources.

The facts cited in the preceding study prove that, beyond all doubt, the FLC's are certainly not a means of instructing the idle, but an illegal

means of inspiring terror, wielded by the group in power against the entire Czechoslovakian population. Their aim is, on the one hand, the suppression of dangerous elements or simply of those who do not demonstrate a positive enough spirit toward the regime; on the other hand, it is the mass intimidation of a population which might some day reveal itself hostile to the regime. Those constitute