

# War on the Welfare State

## Military spending has a high cost for the poor.

*Right-wing governments have gradually lessened social protection for the poorer classes while they have increased spending on weapons that threaten the very existence of the planet. Given that such a shift affects not only industrialized societies but also the developing nations who are their dependents, certain Mexican intellectuals are concerned about the repercussions of this trend. Well-known writer and political analyst Sol Arguedas, political science professor at Mexico's National Autonomous University, examines the decline of the Welfare State and the upsurge of savage capitalism. Her views are extensive, and here we present some of them:*

These would not seem to be the best of times to be writing about the welfare state. I realize I may appear to be either naive or indulging in wishful thinking when I predict a comeback of reformist capitalism just as the whole edifice built on Keynesian economics and liberal humanism is being torn asunder by economic neo-liberalism and the philosophy of social Darwinism.

Skepticism regarding the welfare state's survival would seem well grounded when the self-assurance and efficiency with which Reganomics advances everywhere —be it against partners or subordinates— is compared to the hesitancy and ambiguities of Social Democratic governments and even of the political parties that make up the Socialist International. These traits seem to show up in socialists when they come face to face in the arena of international realities with the champions of a contemporary neo-fascism based on the symbiosis between corporations and government and on the predominance of speculative financial capitalism.

No doubt an experienced actor's effective use of the most popular means of mass communication today can be considered an important reason for why North Americans vote for Ronald Reagan (his irresistible smile). Yet this is not the case with the British when

they vote for the graceless Mrs. Thatcher, nor is it true of the French and their un-charismatic Jacques Chirac, not to mention the support of the PRI's masses for the hapless Miguel de la Madrid.

The disconcerting phenomenon of great masses of people freely casting their votes for economic and political projects that favour large-scale capital, and are therefore contrary to popular interests, is an outstanding sign of our times. If it's wrong to try to explain this phenomenon on the basis of the success of the more or less seductive characters who personify these reactionary projects, it is equally wrong to attribute it exclusively to the absence of political criteria in the voting masses and their inability to discern the true sequence of cause and effect of the social and economic ills that burden them.

It is therefore necessary to look for more valid reasons. No doubt these are to be found in the decline and eventual deterioration of the form of social organization that flourished under the general term of Welfare State (*Estado de bienestar, Wohlfahrt Staat, Etat Providence*) during the largest and longest period of expansion capitalism has ever known: the period covering the post-war 50s up until the onset of the crisis in the early 70s. The incapacity of the controller of welfare state which took on patriarchal or populist features among us in the Third World— to find ways out of capitalism's great global crisis, appears to be a better explanation than Ronald Reagan's smile —or the charisma of any other leader, for that matter— when trying to understand the voters' preference in elections in democratic capitalist countries.

A state that was (is) increasingly forced to meet greater obligations in services (because of population increases or the growing appetite of those already benefiting) should have had (or should have) access to *all* of the national economy's income. This was not (is not) the case. This is not the time and place to explain how monopoly capitalism has managed to *socialize* its periodical deficits, not to mention the so-



cialization of expenditures in overall economic infrastructure. Rather, we mean to reach the core of the problem, and we believe this to be the capitalist contradiction that arises between increasingly socialized production and the growing private appropriation of its benefits, all of which comes about through the private ownership of the means of production. Precisely because of this private appropriation, the controller state—whatever its good intentions—is doomed to fiscal bankruptcy.

We would like to point out in passing how the above process implicitly describes what could be considered social democracy's basic contradiction (and generally valid for the social democrat proposition): socialism cannot be achieved unless at some point the logic of capitalism and its structures are *broken*. Obviously, social democrats have no intention of doing this, at least not in the short or medium terms. Thus, democratic socialism which is their mainstay is certainly democratic (in a capitalist sense), but it is not socialism. What they try to achieve—and have in fact done so—is a society with a high degree of security, a degree which is probably the highest that capitalist structures will allow. Yet this whole edifice tends to come tumbling down when its real source of financing—a booming economy—dries up, and the welfare state's fiscal crisis sets in.

The fiscal crisis eventually evolves into total bankruptcy. The following step in the catastrophe is the enthronement of the conservative reaction, *on the basis of popular consensus*. This has been the case recently in various countries.

Yet "savage" capitalism's present dubious triumphs (because they lead to greater imbalances) are precisely one of the basis for the hypothesis of the necessary comeback of capitalist reformism. In other words, the return of a new welfare state whose present day major vices have been corrected and which will be adequate to meet new historical circumstances in an undetermined future. Neither progressive economic paralysis in the poorer countries nor massive unemployment in wealthy countries, resulting from neo-liberal policies, can last indefinitely or for very long periods of time. The world economy can't stand it.

But the comeback of capitalist reformism cannot happen overnight. The world-wide crisis of capitalism in general, as well as the foreign debt crisis in particular, complicate the development of these trends in Latin America. On the other hand, the revolution in science and technology and the unstoppable transnationalization of capitalism are determinant factors of the complexity with which these trends will develop in the advanced capitalist countries.

A study of the changes taking place in the development of Latin American societies stated

that, "Just as the experiences of Portugal, Greece and Spain show, fascism (in a certain sense) is a premise for the rapid growth of social democracy during the period in which fascism is being sent to its grave by the blows of democratic forces. It is not out of the question for this variable to occur in Latin America." This was published in 1981. Since then, the prediction has been confirmed in the South American nations that have shaken off military rule. In these countries, a political phenomenon of increasing "Europeanization" of traditional Latin American populist currents is taking place in the sense that they are moving toward classical social democratic ideas. Of course, the economic maturation of capitalism in the region, even if it is dependent, is no stranger to this phenomenon.

On the other hand, besides the fact that to a good extent it meets the philosophical expectation of bourgeois humanism, the Welfare State is the most highly developed product of capitalism as a social, political and economic system. In other words, the Welfare State *justifies* capitalism, which is another way of saying that it *legitimizes* in the eyes of the majority, and in those of certain intellectual minorities as well. The political democracy that accompanies the Welfare State in today's advanced capitalist society is what usually inspires these minorities to defend "democracy" in the abstract vis a vis gross right-wing dictatorships as well as controversial leftist dictatorships.

It is important to bring to mind how the New Deal in the United States and social democracy in Europe sprung up and flourished on the basis of economic policies that appeared as saviours in the midst of the great shipwreck of liberal capitalism in 1929 and the following years (with a fascist interregnum in Europe.) According to Arthur Schlesinger, "When the bubble bursts, and it will, the public will turn to the affirmative government of Franklin D. Roosevelt, not to Ronald Reagan's free market." In other words: it will be necessary to put more money in the workers' pockets (which is to say, apply an economic policy that emphasizes *demand*) and no longer, as has been the case up until now with the "right-wing" revolution, continue to pour money into the pockets of capitalists (the economic policy that stimulates *supply*.)

This is where the cyclical nature of capitalism's problems comes into view. Capitalists basically resorted to supply-side economic policies (the conservative revolution's neo-liberal economic foundation) in order to stop spiralling inflation caused by the growth of demand (the Keynesian Welfare State's economic basis.) Now that inflation levels have been reduced, developed capitalist societies face massive unemployment and falling living standards for the majority of the population, brought about by supply-side economic policies. Solving these problems will eventually require increasing the real purchasing power



of wages, which is to say, "expanding" demand. That is the point when the Welfare State's edifice will rise again, both structurally and superstructurally.

*The New York Times* columnist Leonard Silk wrote that, "Some economists have realized that the greatest threat comes from the fact that many political and economic leaders in the main industrial countries have forgotten the lesson learned during the Great Depression —namely, John Maynard Keynes' doctrine— to the effect that in order to cure economic depression and massive unem-

tary and arms spending, thus shaping a totally different way of using surpluses. This is not to say the Welfare State doesn't use surpluses for armaments, but rather that it is a matter of the emphasis or intensity with which this political-economic phenomenon occurs.

All of this brings to mind capitalism's inexorable need to destroy wealth in order to perpetuate its own structural economic inequality and class differentiation (for otherwise it would find itself moving toward socialism.) Capitalism needs for all workers to *continue to be workers* and for all "salaried" countries to



"For that future which we desire, save in Bancomer (Commercial Bank)"

ployment, the government should act to increase the demand of both goods and labor."

Nonetheless, the matter of *what* economic policy is or should be applied is no simple one. In an apparent paradox, the Reagan Administration not all too surprisingly has abandoned rigid neo-liberal economics. "The only country that can be said to be applying the remedies for tax cut-backs, spending increases and huge budget deficits is the United States under the presidency of Ronald Reagan," adds Leonard Silk in the same article we have been quoting.

But we in turn must ask, toward what end are these measures applied? Unlike the case of the social or Welfare State, the Reagan administration has substituted a lot of social expenditures (on health, housing, education, recreation) for an exorbitant increase in mili-

*continue to be on the payroll.*

At this point we could boldly conclude that in Ronald Reagan's United States, social expenditures are not cut back in order to increase military spending but rather, on the contrary, military spending is increased in order to hinder social expenditures. (According to this hypothesis the specter of the USRR would merely be an effective ideological means of justifying the huge growth of armamentism in the eyes of the North American people. In the same vein, it would also serve to legitimize the U.S. government's interventionist conduct in the Third World.) This can be said without at all diminishing the ferociously militaristic spirit that inflames Reagan-style capitalism.

On the other hand, the determination to cut back social expenditure as much as possible—in other words reducing social protection of



## point of view

the weak— is a conduct congruent with the philosophy that justifies the victory of the strongest, the fittest, the best adapted to a society that means, once more, to govern itself by savage capitalism's laws of the jungle. Today the conservative socio-economic revolution, destroyer of the Welfare State, is spreading far and wide, and it is perfectly coherent with its own philosophical and ideological fundaments.

Of course, the United States' profoundly egoistical conduct toward the tribulations of Third World countries today —tribulations no doubt due to the imperialist relationship that joins both parts together— finds its rock-bottom and timeless justification in 'the spirit of capitalism and the protestant ethic.' But it can only really be explained in contemporary terms by the United States' pressing need, expressed in Reaganomania, to reestablish its economic and military hegemony over the rest of the world *at whatever cost*. Basically as of the early 60s, this hegemony was damaged by a complex series of economic and political phe-

nomena affecting the imperial power. Reaganomania has certainly managed to reestablish the country's economic might, though it has done so on such weak and unstable foundations that many economists believe it to be an artificial recovery. The Soviet Union, on the other hand, would have to say the final word in regard to military supremacy.

It has already been said that the activity of reformist capitalism (social democracy) seems to have a cyclical nature and to be determined by the ups and downs of capitalism's periodic crises and transformations. We could

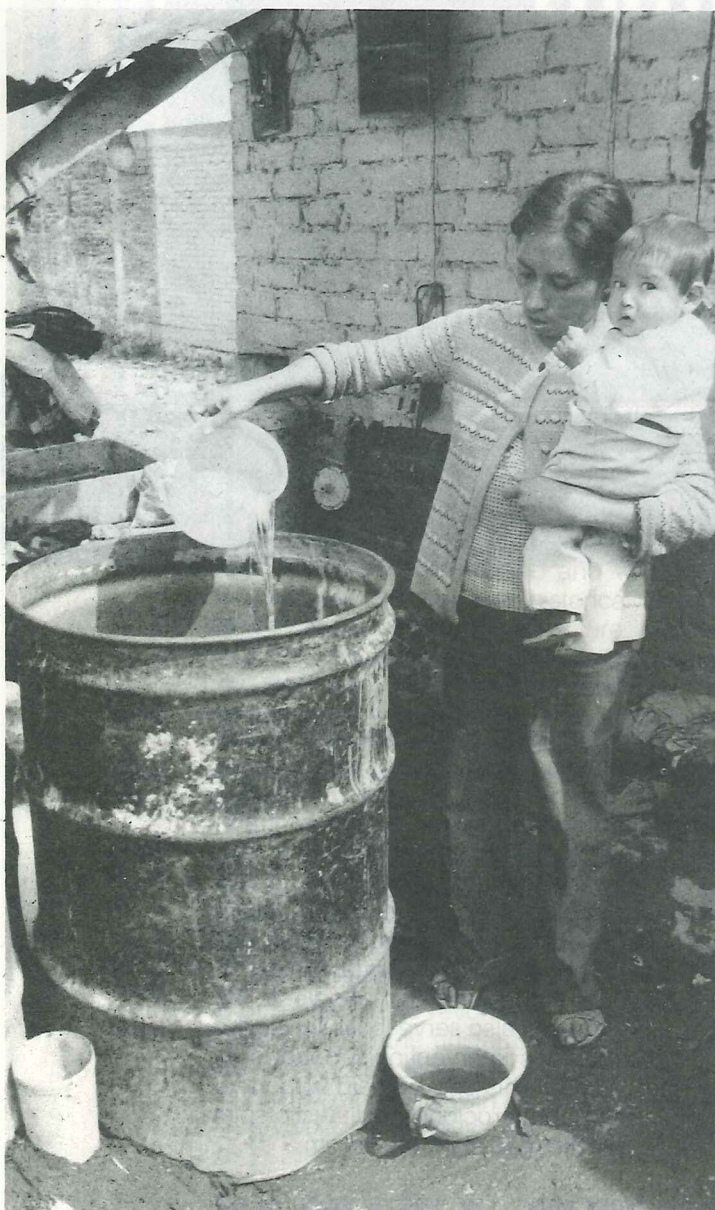


Photo by Sergio Dorantes

Getting water from a barrel; who would take care of public services if not for the welfare state?



Photo by Sergio Dorantes

In times of crisis the work load increases and social benefits diminish

say its effects are felt by both sides: it has a conjuncturely beneficial effect on the labor and grassroots movements that are periodically crushed and put down, which is precisely why they are defended and strengthened by social democracy (i.e. capitalist reformism); it also has a permanent beneficial effect for the ruling classes because it favours the system's perpetuation by correcting capitalism's course and returning it to the great evolutionary mainstram of history.



But before we continue we must take a stance on a very basic concept. We're referring to an old hypothesis which no longer requires formal justification because so much spontaneous evidence has accumulated in its favor. Few would disagree with the statement that the negation of the Welfare State—its deterioration, the ideological struggle against it, the imposition of antipodal economic policies in capitalist countries—is at the very core of capitalism's overall present crisis. There is room for doubt regarding whether the deterioration of the Welfare State is an effect or rather is a cause of the greater crisis. At any rate, taking notice of the conflict between the Welfare State or reformed capitalism, and "savage" (or unleashed) capitalism, constitutes an effective guideline through the maze of capitalism's global crisis.

The search for the mechanisms to procure so-called social welfare within the capitalist structures, the putting into practice and eventual rejection of the different mechanisms applied, is perhaps one of the most revealing characteristics of contemporary political societies. This is most visibly so in industrialized countries, and it appears in a more confusing form in backward capitalist societies such as those of Latin America. In other words: whoever sets out to analyze capitalism's global crisis should start out by examining the objective and subjective circumstances of the welfare state in the current situation. It should be kept in mind that this type of state expresses the changes that modern society has undergone before reaching its present-day condition.

The knowledge of the difficult objective circumstances in which the welfare state must operate at present, sheds light on the great economic changes that capitalism is undergoing, and on the ensuing social consequences. The subjective circumstances—or rather, the knowledge of them—will help understand the conservative ideological revolution—the "swing to the right"—taking place in the so-called Western world. And, we repeat the concatenation between these phenomena should yield the basis for stating that the appearance, peak development and downfall of the welfare state is a global phenomenon that appears cyclically and whose presence will alternate with various models of economic liberalism accompanied by social Darwinism.

These will at least be the prevailing trends. The assumption that both models would influence and condition one another as they take turns in history, is also an assumption that must be made. It would seem obvious that neither can the welfare state completely put an end to neo-liberal capitalism's savagery, nor will this type of state, itself, be completely dismantled by the right. It must be agreed that reformism has achieved irreversible gains, and this explains why it is difficult for Reagan, despite his best efforts, to completely dismantle the welfare state in the U.S.

Moving on to a somewhat different train of thought, it may be stated that the financial resources for today's great technological transformations and the resulting industrial reconversion or redeployment in advanced capitalist countries—particularly in the United States—has required and continues to demand a financial "revolution" capable of generating an increasingly greater concentration of capital. This, in turn, is facilitated by a new model or pattern of accumulation, and all of it is possible only if the welfare state is broken down. This type of state's social and political organization, its economic foundation and its moral philosophy (ethics), prevent the excesses of unbounded exploitation of labor—unbounded in conventional terms, not in terms of the surplus value which today is ever so necessary for the further development of capitalism.

Thus it can be understood how enacting liberal economic policies requires either previously or simultaneously weakening the labor unions and anything that expresses the force of organized labor which, as we know, even though it may be manipulated, is the Welfare State's bastion.

Wage war, then, on the Welfare State! Precisely what is taking place at this very moment: the defeat of unions, of the working class, of the forces of labor who in this process are losing a battle in the endless history of class struggle.

As we said before, a multiplicity of phenomena interrelate among themselves and to the global phenomenon known as the welfare state. It can be demonstrated how certain phenomena of contemporary capitalism—let's call it "Reagan-capitalism"—are converging in a harsh attack on the social gains *conquered* through the struggles of labor and grassroots forces (and *tolerated* by reformist capitalism whose interests these gains responded to at certain points in history.)

The difficult, slow and irregular development of the welfare state within U.S. society and its political and economic system, should be of special interest to us, since we should not deal only with the known ideological barriers being opposed to it. Why didn't social democracy flourish in the United States, as it did in Europe? Or better yet, why is there no *democratic* socialism in the U.S.? The conditions do apparently exist there for the appearance of democratic socialism: great economic development, social complexity and a longstanding democratic practice. But in addition to the North American labor movement's specific characteristics, there must be something intrinsically native-born, stemming from the country's national evolution, which sets the United States of North America apart from other advanced capitalist countries.