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SOCIAL WELFARE AS A BY-PRODUCT:
THE EFFECT OF NEO-MERCANTILISM
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During the eighteenth and nineteenth centuries mercantilism was a predominant philosophy, theory, or guide to action in many western countries. Emphasis on measures leading to national wealth was pronounced--in some cases, almost exclusive--and the results for social welfare were marginal programs at best, and anti-welfare programs in some cases. In contradistinction to individual needs or aspirations, considerations of national wealth and power were paramount to the point that, in Britain at least, it seemed that here was "nothing to fight for, nothing to support, nothing to augment but...commerce." (1) Whether national wealth was seen as leading to national power, or whether power was a means for acquiring wealth, (2) concerns for the national economy, seen as the ultimate good, "came more and more to recommend amoral means to amoral ends." (3) This general mercantilist conception of society led statesmen to even greater ruthlessness than would have been possible without such a conception, (4) and as a result mercantilism not only ignored individuals, but in some cases was actually linked to the destruction of the central machinery of welfare. (5) Rarely has the drive for national wealth, as distinct from national welfare, predominated to the extent that it did during the ascendancy of mercantilism. (6) ...

A changing conception of commerce, which no longer saw the world's resources as limited to a fixed amount requiring ruthless pursuit of a certain share; the emergence of progressive and reform movements; two world wars; a massive depression and several subsequent recessions; and rising demands for human rights as well as a concern for a better quality of life have moved the twentieth century away from mercantilism and in the direction of welfare states. This has been marked by shifts from the residual function of social welfare, in which the government or voluntary sources come to the rescue only when the family and the marketplace have failed, to a more structural concept, (7) in which services are offered to everyone as a right, usually without a means test, and in which preventive services are seen as at least as important as rehabilitative ones. Thus, whereas children's or family allowances were paid by only seven countries in 1940, in 1975 they were paid by 66 countries. (8) Every western, industrialized country except the United States, now has such a universal, structured, preventive program to aid children, as do such developing countries as Chad, Naura, Togo, and others. (9)

Further, in 1975 all of the 128 countries reporting to the United Nations had programs to compensate for work injuries; 108 had old age, invalidity, and survivors' insurance; 71 had sickness and maternity programs; and 27 had unemployment compensation plans. (10) In addition to these insurance-type programs, many countries had supplementary programs, like superannuation in Britain.

In the United States, which offers all of the latter programs, one-parent families, and even families in which the breadwinner is unemployed, receive grants based on income and needs through the Aid for Dependent Children-Program, (11) while other people are entitled to variously-termed general assistance and home relief. There are also in-kind programs which include commodity distribution, food stamps, special milk programs, and school lunches. For the indigent and the elderly there are Medicare and Medicaid. (13) And for anyone in need of non-material services, there are family planning agencies, marital relations counseling, legal aid, and a host of other services to individuals, families, and groups.

This proliferation of programs to aid individuals and families would seem to bespeak an abandonment---or at least, a substantial diminution in importance---of mercantilist concern with the wealth of the nation as such. Indeed, one of the phenomena of the modern world is the proliferation of social welfare programs, and their growth. In 1928-29 American state and federal social welfare services cost \$4 billion, and in 1967-68 this had increased twenty-eight-fold to \$112 billion. The latter made up 40% of all government expenditures, and was well over half the total expenditures of many states. (14) The total cost of social welfare expenditures, including those of voluntary agencies, rose from 13.5% of the Gross National Product in 1968 (15) to 23% in 1971. (16)

Nevertheless, neo-mercantilist thinking which is primarily concerned with costs, productivity, consumption, and the growth of the GNP has operated in such a manner that despite forty years of experience, growth, and change in social welfare programs (most of which date back at least to the Social-Security Act of 1935), 26 million Americans remain below a poverty line which is fixed at 41¢ per person per meal. (17) Put another way, although anyone having 41¢ per meal is not officially considered poor, there remains 13% of the population without even that meagre figure. (18)

The majority of these people are destined to remain in poverty---as measured in absolute number of calories, and not simply in relation to any other time, place, or people---as long as they live, and to be replaced by others in like amount and the same circumstances, unless the elements of mercantilist thinking are replaced by some happier, more humane philosophy.

The influence of neo-mercantilism can be identified in four areas:

- 1) attempts to reduce the costs of social problems, rather than the problems themselves;
- 2) improving productivity, rather than raising satisfactions;
- 3) increasing consumption according to the needs of the economy rather than the desired of the consumers;
- 4) in the link between work and welfare.

There are social policies and programs based squarely on cost-benefit analyses, which pay little regard to their impact on the individuals or groups affected. Probation, for example, has been preferred to incarceration because the former costs only 38¢ a day, and the latter, \$5.24. (19) Vocational rehabilitation programs are explained on the basis that, "For every federal dollar spent in their rehabilitation, the rehabilitated employed person pays from \$7 to \$10 in federal income taxes each year for the remainder of his working life." (20) Similarly, it is no mere coincidence that the shift from institutional to community care for the mentally ill (which has been described as "releasing people to community care within a community that doesn't care") comes at a time when the rising cost of institutionalization meets declining revenues for social welfare purposes. Even crime has been defended as "a bargain for society," since the cost of eliminating, or almost eliminating, criminal activity would be greater than the cost of crime to the community. (21) The costs of poverty are thus attacked---mental illness, physical illness, delinquency, etc.---rather than poverty itself.

Efforts to increase productivity through social welfare are no less widespread. Direct measures include counseling programs, training programs, employment programs, and others. Turning or returning the client to the labor force is the goal and the measure of success in many such programs. The indirect methods are no less precise:

"Increasing welfare payments...frequently...is the factor that will permit a child to stay in school or a mother to work or become literate, and hence will have a payoff in increased productivity of labor." (22)

Similarly:

"Funds devoted to pre-schools and schools in...low-income areas are sound investments and will result in increased employment and productivity."(23)

The neo-mercantilist basis of such thinking often expressed itself in terms of a high GNP. A growing GNP---or, in other words, an affluent society---it is felt, is the surest guarantee of relative prosperity for everyone. In negative terms, this has been expressed as, "You can't distribute poverty." In more positive formulations, this is called the "trickle-down theory"---the more prosperity at the top, the more that will eventually reach the bottom strata of the income distribution. This, it will be recognized, is a variation of "What is good for General Motors is good for the country." Thus, the growth of the GNP becomes a talismanic incantation, and a reciprocal relationship between national prosperity and social welfare is postulated: If social welfare increases production, the resultant increase in prosperity will enable better social welfare, which will in turn reduce social costs and improve production, ad infinitum.

There is some empirical evidence, which at first glance seems to support this contention. Cutright, in a study of sixty-nine countries, found social insurance coverage to be correlated with national affluence, other variables being held constant. (24) Wilensky, however, re-worked the same data and arrived at a "sociologically uninteresting" finding---coverage is related to age of the programs, and even to the age of the populations. (25) Affluence, in other words, even if a necessary condition, is not a sufficient one to assure good welfare programs.

The corollary to production is consumption---that which is produced must be consumed, or the result is a depression caused by underconsumption. In this area, the neo-mercantilist base for much social welfare becomes even clearer. A publication of the Department of Health, Education and Welfare makes this quite clear:

"It is basic to the good health of a market-oriented economy that consumption keep pace with production . . . industrial societies thus learned to place a high value on the role of social welfare programs in helping to maintain a stable and progressive growth in the total economy." (26)

Consumption patterns are not, however, trusted to the whim of welfare clients. Food stamps are a case in point -- they may not be used to purchase imported foods, cleaning materials, paper goods, cigarettes, beer, or alcohol. They can only be used for products which directly aid the American farmer. (27) The Special Milk Program provides an extra half-pint of milk for school children, and as most children have learned, it is better to take the carton of milk and throw it away, or leave it on the table, than to try to refuse it when offered.

Perhaps the most influential area of neo-mercantilist thinking, however, is that which is connected to work. There is an asymmetrical relationship between work and welfare. When employment policies, for example, are prepared and considered, the effect which they will have on the welfare population is a minor factor. If this were not so, minimum wages would be pegged at a point where working people would not be below the poverty line. However, a person who works a forty-hour week all year long at the minimum wage of \$2.30 per hour remains 12% below the poverty line if he has a wife and two children. Similarly, a 5% unemployment rate, which is considered not only normative but a desideratum during normal times in the United States, results in an actual unemployment rate of 8-10%, taking into consideration underemployment and those not included in the official figure. In other words, a "healthy" economy requires that eight to ten people out of every hundred ready, willing, and able to work not be able to find jobs.

The rationale behind low minimum wages, and a high unemployment rate, is that changes in either would result in large numbers of marginally-productive people being employed, or paid out of proportion to their output; both of which, despite the help it would give to workers and would-be workers, would presumably damage the national economy.

These are minor matters, however, as compared to the feeling that welfare as high as wages would reduce incentives to work. In earlier days this was referred to as the concept of "less eligibility," and explained as making sure that no man would acquire a shilling which he was able to earn himself, (28) or, as stated in Britain in 1834:

"His situation on the whole shall not be made really or apparently so eligible as the situation of the independent laborer of the lowest class." (29)

The inclusion of the word "apparently" is indicative of the force, or the fear, of public opinion, which might misjudge the situation of the pauper as being the equivalent of the non-pauper, and react accordingly. This fear that the situation of the poor might approximate that of the non-poor now marks most social welfare programs, and its apparent violation is sometimes the object of the deepest and most emotional anti-welfare expressions.

In modern terms, less eligibility is often referred to as the "wage-stop," or, when discussing various proposals for a guaranteed income, the "notch." Almost all social welfare programs throughout the world, whether in the guise of insurance or grants, are implicitly pegged at rates which do not match wage rates. In Israel, social welfare payments are limited to 40% of the annual wage. (30)

In France, old age pensions are limited to 25% of the annual wage on retirement at age 60, and 50% of the annual wage at age 65; (31) and unemployment benefits can only be 70% of the annual wage. In the United-States, unemployment insurance payments compensate for only 24% of wages lost; retirement pay covers about 30% of the recent earnings of single retired people, and 45% of the earnings of couples; while only 20% of the population over 65 have any type of supplementary benefits, such as private insurance or pension plans. (32) Local relief payments are almost invariably limited to a small proportion of the average or the lowest salary, and this proportion seems to be growing smaller. (38)

The real human tragedy connected to the wage-stop is that although it is intended to encourage employable people to go to work, it is also extended to the unemployable:

40% of the poor in the United States are less than
16 years old

20% are aged 65 or more

25% are women heads of families

5% are disabled

1% are unemployed

9% are already employed (half of these are working
full-time and year-round). (34)

Nevertheless, the income of all the poor is limited by the fear of work disincentives.

The influence of neo-mercantilism is perhaps more easily identified in the social welfare programs which arose, or exist, for reasons or goals irrelevant to social welfare as such. The Social Security Act of 1935, for example, included OASDHI as a result of a confluence of three influences. One was the political motivation exemplified by the desire to undercut the powerful and growing Townsend movement. A second motivation was the humanitarian desire to provide older people with a decent and dignified old age. The third motivation was a desire to reduce the labor force by making it possible (read: necessary) for men to retire at 65, and women at 60. (35) Today, however, there is no organized political movement of the aged in the United States. The humanitarianism which expressed itself in payments of 30% of previous wages, the isolation of the aged in ghettos or "rest" homes, crimes against and swindles of the elderly, speaks for itself. The major remaining reason for old age pensions is the desire to keep them out of the labor market.

This is clearly discernible in the fact that when the Social Security-Act was passed in 1935, life expectancy in the United States was 55 years. (36) By 1972, life expectancy had risen to almost seventy - years. (37) Throughout the world, there is a high correlation between life expectancy in a given country and the date at which retirement pay begins. (38) Thus, it would be logical to extend the retirement date to 70, or even to 75. To do so, however, would require provision of jobs for an unknown proportion of over 5 1/2 million people now drawing social security benefits who would prefer to work. Given the "normal" 5% unemployment rate in the United States, for whom jobs cannot be found, an influx of the elderly into the job market would simply raise the unemployment rate by the number of older people who would prefer, or who need, to work.

In short, OASDHI has become a by-product of employment policies. Despite the outcries of the elderly and the best efforts of social-workers, studies which indicate material need, psychosocial problems, mental illness, and just plain unhappiness among the aged poor are irrelevant in terms of creating massive changes: labor force participation, job provision, and unemployment figures are the bases on which decision concerning the program will be made.

Similarly, the food stamp program. The extent to which it increases nutrition, or even avoids hunger, is basically irrelevant. The Food-Stamp Act of 1964 was very clear in its intent. As adopted, it began: "An act to strengthen the agricultural economy . . ." (39) The program was, and continues to be, lodged in the Department of Agriculture, and not that of Health, Education, and Welfare. Reports on the efficacy and efficiency of the program are available from the Department of Agriculture, and it is this Department which reports to Congress. (40)

Further, the Special Milk Program, mentioned previously, was described by the chairman of the Senate Agricultural Committee in these words: "The Special Milk Program was for the producer, rather than a program to assist children." (41) In both these cases, effective evaluation intended to create basic changes should be directed to the farm, and to the milk surplus problem in the United States, i.e., to the well-being of farmers, for these are the levers which move the machinery of the milk program, and not the nutrition of the poor or their children.

The same thing can be said for the newest and fastest growing social service in the United States today--the day care program for small children. Despite some modest programs by voluntary organizations, and the Head Start program which was coeval with the War on Poverty, the latest and most massive impetus to day-care centers does not have child development, family health, or pre-school education as its motivation and goal.

The recent movement has been in response to the Work Incentive Program in AFDC, in which parents are required to undertake training and/or employment. The day-care centers are basically intended to remove an excuse for not working by providing for the children during (part of) the working hours. Although the WIN program specifies that mothers of children under six do not have to undertake such training or employment, those with children in school do, and regardless of when the children come home, as compared to the parent's working hours. In addition, the pressure of on-the-line social workers to get parents off the AFDC rolls results in this provision being ignored, obscured, bent, and violated, so that the existence of a day-care center in the neighborhood becomes another form of pressure on the AFDC mother to get onto educational subsidy rolls, or unemployment rolls, and thus allow a reduction to be shown in social welfare rolls. Consequently, to evaluate day-care centers in terms of the quality of care, educational supports, or gains in socialization, is to measure policy-irrelevant artifacts. The number of AFDC mothers who have been moved off the welfare rolls due to the existence of day-care centers is the "bottom-line." Other factors are camouflage.

Incidentally, cuts in day-care funding, underway at this writing, can be understood best in light of the finding that the WIN program was successful in getting jobs for only about 2% of the total eligible welfare population. (42)

There are many other examples of social welfare programs arising or continuing for non-social-welfare reasons: New York state urges persons to apply for food stamps because: "If every eligible person used Food Stamps, it could mean many millions of dollars in new Federal money for the state economy." (43) Children's allowances were instituted in many countries, not as a means of guaranteeing the well-being of the young, but as a means of increasing the birth-rate in labor-short economies. It is perhaps inevitable that these neo-mercantilist measures-- concern for national wealth rather than for national welfare--- should come more strongly to the fore in times of economic difficulties and it is this periodic re-emergence of mercantilist philosophy which provides the central dilemma of social welfare:

"When we can afford it, we don't think we need it;
when we need it, we don't think we can afford it."

FOOTNOTES

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