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SOCIAL CONTROL OR SOCIAL WAGE:
ON THE POLITICAL ECONOMY OF THE 'WELFARE STATE'

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Discussion between liberal apologists for the "welfare state" and their radical critics has tended in recent years to focus on the question of "social control." In this area the corporate liberals and social democrats (the "welfare statist") are weak. They talk of the "welfare state" as if, at least in principle, it represented the collective assumption by society of responsibility for the basic needs and dependencies of its members. Insofar as "social control" is relevant for them, it has to do with society's exercise of restraint over the selfish pursuit of private profit.¹ Radical critics of the "welfare state," on the other hand, point to its controlling and system-maintenance functions, but often neglect the real benefits it provides. They have exposed the police officer, the guard, or (to use the old Wobbly term) the head-fixer behind the caring smile of the social worker, the teacher, and the therapist. Even the provision of material benefits--social security, public welfare, health and housing subsidies--is seen as reinforcing or regulating market forces in the interests of order and efficiency, rather than modifying them to meet human need. Where conservatives have seen "creeping socialism," radicals have seen the intervention of the capitalist state to stabilize and reinforce the system.

To remain on this terrain in a period of economic instability, fiscal crises, welfare cuts, and the general collapse of New Deal liberalism in the face of these developments, is an indulgence. It reflects a one-sided and therefore inadequate understanding of the "welfare state." Government social welfare programs do certainly have a social control function, but they in many cases also constitute part of what may be called the "social wage." My purpose here is to distinguish these elements, to draw attention to the concept of the social wage and some of its difficulties, and to draw some political conclusions.

I want to begin with certain conditions which are necessary for the accumulation of capital. Starting with the simplest possible model of capitalism as a mode of production (that is, a way in which people cooperate together to produce the means of life), we can see that the owners of capital must pay for the labor-power they buy at least a certain minimum. This must be enough to ensure the maintenance and reproduction of labor-power at an adequate level of health, education, and security. Adequacy is here a matter of what is required at a given level of technological and cultural development to produce an efficient work force. These capital costs of production include the maintenance not only of the presently active labor force but also of past and future workers. They must, that is, be sufficient to support the worker and his or her family.² If the worker is to be fit for the job, and the work force is not to be depleted, capital must pay at least a certain minimum for the labor-power it hires.

We can imagine these costs being met entirely in the form of wages. Workers would then have to provide for their own immediate needs and those of their dependents (including their education), as well as insuring against the needs and dependencies of sickness, accidents, old age, unemployment, and so on--all from their paychecks.

On the other hand, workers must produce for their employers not only the value of their own labor-power (that is, enough to cover the costs of its production), and not only enough to cover wear and tear on physical plant, etc., but also a surplus which, if the product can be sold and certain other conditions met, will enable the employers to reinvest, buying more machinery or hiring more workers. Out of this surplus, however, various expenses must also be met, including those of the capitalists' own living and the hire of their personal servants. More significantly for our purposes, these expenses include the costs of maintaining the social conditions in which production and accumulation can proceed on the basis of capitalist property relations. We can imagine each capitalist meeting these expenses individually, hiring not only his/her own managers and security guards, but also ideologues and propagandists, private army, police, and human relations experts.

Historically, however, both the capital costs of production and the expenses of ensuring its taking place under capitalist relations have been met in part, an increasing part, through the state. This is so clearly the case with regard to the expenses of production that the state may be defined as that social institution with the primary function of maintaining order and harmony in the relations of production. The mechanisms for carrying out this function include army, police, courts, state bureaucracy, and schools insofar as they serve an ideological or "head-fixing" purpose. In whatever form these aspects of the state's activity are financed, they constitute in essence taxes on capital. That is, they are part of the price that capital has to pay for the maintenance of the system.

On the other hand, the state has also increasingly socialized the wage system, in the sense of taking over from individual capitals part of the task of providing for the production and reproduction of labor-power. Put differently, the worker's standard of living depends not only upon what he or she takes home in his or her paycheck, but also upon the goods and services provided by the state. Indeed, according to one minister in the British Labor government, Barbara Castle:

The most important part of the standard of living of most of us depends on the great complex of services we call "public expenditure." They are not only the key to the quality of life; they are the key to equality. . .The great advances...have come... from better education, better health services, better housing and better care of the old, the disabled and the handicapped in life.³

Castle gives special emphasis to that 60% of "public expenditure" which, in the government's calculations, goes to the "social wage." She goes so far as to claim that

"the taxman is the Robin Hood of our time, taking from those who can afford it the means whereby we can pay every worker the wage that really matters, the social wage."⁴

The social wage, as I am using the term, does not include all public expenditure. It is defined as those costs of labor-power which take the form of benefits and services provided by the state, and is distinguished both from other forms of wage paid directly by the employer (take-home and fringe benefits) and from other types of state activity (policing or "system-maintenance," as well as non-labor, or constant, social capital costs). The social wage is not, of course, co-extensive with government social welfare expenditures. These support a wide range of activities which may have either a "social control" function (helping to police the existing social and economic order) or a social wage function (providing real benefits to workers and their families which improve their standard of living); or they may combine both functions.

When we move from the apparently clear distinction between social control (social expenses of production) and social wage (the labor element of social capital costs), to particular cases of social welfare expenditures, the problems multiply. Governments which employ the concept of the "social wage" (these include Russia and New Zealand as well as Britain) tend to use it ideologically, to disguise the coercive or policing aspects of certain state activities. Thus, the British government calculates the social wage as the amount of current and capital public spending on a number of programs for each member of the working population. These programs include not only social security (both "insurance" and assistance programs), health, education, and certain subsidies, including food, nationalized industries' price restraint, and transportation--but also, law and order!⁵ The assumption is evidently that the primary function of the forces of law and order is the preservation of the lives and property of the working population.

James O'Connor, in The Fiscal Crisis of the State, distinguishes capital costs of production from expenses of production and describes how both have increasingly been socialized.⁶ In dealing with specific programs, however, he assigns social security insurance programs to the former category but "welfare" (assistance) programs to the latter. Here the assumption appears to be that welfare clients constitute a "surplus population" who exist outside production but must, from a capitalist viewpoint, be kept alive in the interest of public order. This may, in part, be correct. But most welfare clients have worked before going on welfare, and will work again when they are off, while many continue to work while receiving benefits. In 1973, only 22% of recipients of Aid to Families with Dependent Children (AFDC) had never been employed. Indeed, AFDC has been seen as the functional equivalent for low-paid work of maternity leave benefits in the better paid sector of the economy, or as a poor person's unemployment insurance.⁷ In any case, the dependent children aided by the program will in most cases enter the (secondary) labor market though they may well face long periods of unemployment: the cost of raising them is part of the cost of reproducing the labor force, rather than an expense of maintaining a permanently surplus population. At the same time, AFDC clearly does have strong

social control elements. Piven and Cloward argue that public welfare functions to maintain order and to regulate the labor market.⁸ While social insurance also functions this way, AFDC recipients are subject to an extraordinary degree of coercive social control over their lives as a condition of receiving aid.⁹

Education and personal social services are areas where it is particularly difficult to separate social control from social wage elements. Real benefits may be provided which constitute an enhancement of the recipient's standard of living, while reduced provision may constitute a cut in real living standards. While teachers and social workers provide these benefits, however, they may at the same time act as policing agents through the exercise of more or less open coercion or as ideological agents for the transmission of dominant norms and values.¹⁰

Further difficulties arise when one attempts, as the British government is doing, to quantify the social wage and measure increases and decreases in it. Very large rates of increase may appear--a recent Times (London) article was headed "Social Wage Trebled in Six Years"¹¹--without there being any real improvement in the level of provision made to individual recipients. The increase may go entirely to cover the effects of general inflation, as well as disproportionate increases in land costs and interest rates, increased drug prices or payments to physicians, or increases in numbers of recipients due to such factors as higher unemployment, or a higher proportion of the old and young in the total population.¹² An adequate empirical measure of the social wage would need to include only those forms of provision which constitute (or to the extent that they constitute) real benefits rather than policing expenses--and this is a political question to which we cannot expect to find a satisfactory answer from any existing government. It would also need to record and aggregate real, physical improvements or declines in the quality and quantity of provision. I do not know whether these problems are soluble. The political importance of the social wage, however, does not depend on its calculability.

In specific social welfare programs, I have suggested, social control and social wage elements may be inextricably entangled. The distinction is important nonetheless. Those who see all social services simply and inherently as policing or social control activities and for whom that is a condemnation, have no obvious grounds for opposing cutbacks in social welfare expenditures. Radicals would presumably have no objection to cuts in funding for the army, police, or Central Intelligence Agency. How is social welfare different?

It is different, in my view, because cutbacks in social welfare expenditures can amount to a disguised wage cut and be part of a government strategy to hold down personal and social consumption in order to maintain profitability and encourage investment.¹³ Such a strategy is difficult to resist, the more so if it is not perceived as an attack on workers' living standards. Cutbacks in education or health and welfare programs are not as direct or obvious (unless they involve transfer payments) as a reduction in one's take-home pay. They tend to affect most those least able to resist: the old, the young, the disabled, the sick. In the United States

especially, it is possible to present such cuts as an increase in the proportion of one's earnings which are disposable by oneself rather than by the state, even though they may in fact constitute an overall reduction in living standards.

The concept of the social wage draws attention to the fact that social security, education, health programs, and welfare are as much part of the real income of working class families as the paycheck. The income is disposed of by the capitalist state on behalf of those families, who exercise neither individual nor collective control over it, but a cutback is a reduction in real income for all that.

Given the obvious advantages of the social wage as the locus for an attack on consumption, it is somewhat surprising that the British Labor government should, in the course of such an attack, seek to give the concept wide currency. In part, its doing so reflects the uneasy co-existence of a real, if misguided, concern with social justice on one hand and a commitment to maintaining the competitiveness and profitability of British industry in a hostile world on the other. The "Joint Framework for Social Policies" developed by the Central Policy Review Staff for the government emphasizes the importance of developing an index of the social wage.¹⁴ But it does so in the context of a need to rationalize and prioritize social expenditure in a period of economic difficulty. That is, cuts must be made, so let us ensure that what is left goes with maximum effectiveness where we consciously decide it should go. (In a similar vein, the last Labor government, of 1964-70, introduced its incomes policy with much discussion of how the better off workers should restrain themselves so that more could go to the lower-paid. In the event, wage controls proved effective only against the weaker and lower-paid sections of labor. In general, advances by lower paid workers occur in the wake of and depend on the gains won by stronger and better paid sections of workers.¹⁵ In this case, too, we may be confident that business, not those in greatest need, will benefit from the prioritizing of cutbacks.)

Furthermore, the policy of relying on the cooperation of union bureaucrats to induce acceptance by their members of cuts in real wages, despite its current success, is uncertain and inadequate. The social wage provides another line of attack, and one which can be made to appear very reasonable. Government ministers and civil servants have pointed out the rapid rises in the social wage, while failing to mention some of the reasons for them discussed above. Thus Chancellor of the Exchequer Dennis Healey in his April 1975 Budget speech said that the social wage now amounted to £1000 for every adult member of the working population in Britain, and observed that the "social wage has been increasing very much faster than ordinary wages--much faster than prices too."¹⁶ The Central Policy Review Staff's report notes that

public expenditure has been growing faster than production as a whole, and expenditure on social programs has been growing faster than the rest of public expenditure.

"This," it affirms, "cannot go on."¹⁷ In this context it is to the government's

advantage to make the social wage visible, so that workers and others will feel personally responsible for the country's economic troubles and recognize the necessity of cuts in social spending so that inflation can be reduced and the economy restored to health.¹⁸

Cutting the social wage, then, is one way in which a government can try to switch resources from consumption to investment. It has many advantages, but is nevertheless a dangerous strategy because it translates the struggle over wages and profits from the economic to the political sphere. In doing so, it breaks down the reformist barriers between the economic and the political, between struggles over wages and conditions on one hand, and political power on the other. Many kinds of state intervention, from the use of police to break a picket line to the imposition of wage controls, involve workers in conflict with the state as well as the employer. The social wage has assumed such importance in the last forty years¹⁹ that the defense of living standards now leads beyond a conflict with employer over wages and conditions, and only incidentally with the state insofar as it actively intervenes. It also involves a struggle over social policy, over what proportion of the total social product should go to what purposes and who should decide. As both opponents of capitalism like O'Connor and supporters like Daniel Bell have pointed out, this increasing politicization of the economy holds dangers for the system in terms both of generating unmeetable demands and of undermining the legitimacy of the market.²⁰ What they usually have not pointed out is that while the economy has been politicized the state has in turn been increasingly subordinated to the demands of the economy. The competitive drive to accumulate capital is no less compulsive, and no less the central dynamic of the system, for being increasingly international in form, or for involving the state. Competition has not become subordinate to political decision-making, but rather the reverse. Governments are more and more held responsible for the functioning of the economy, but subject as they are to the pressures of international competition, they have less and less room to maneuver.

As governments, especially in Europe, have attempted to solve the problems of their economies by cutting the social wage, so they have elicited a more generalized and political response from workers. In recent years, with the faltering of the twenty year post-war expansion and stability, workers have found that they cannot make gains, or defend what they have, by relying on union bureaucrats or fragmented and localized struggles. They can no longer rely on being able to make up for reduced public provision with increased fringe benefits or higher wages as they did in the 1950's and 1960's.²¹ They are still far from a unified, class-wide political response, even in countries with a stronger socialist tradition and more socialist militants. But the experience that neither shop-floor militancy nor the negotiations of labor leaders have prevented the closure of schools and hospitals, or the decline of provision for the aging, has produced different kinds of action by industrial workers. In 1974, dockworkers, coalminers and others struck in support of nurses during their pay dispute in England. Construction workers went on strike in support of higher old age benefits in 1972, also in England. In Italy there have been major strikes over housing and social security, and other actions against rent, bus fare, and food price increases.²² These struggles have sometimes involved elements of

workers' control. That is, workers on the job and as consumers have demanded and in some instances taken some control of their "social" wage--not only how much it should be but how it should be spent. The demand for workers' control of the social wage is, of course, a quite different demand from that of the conservative "individualist" who wants it largely eliminated in favor of the individual pay-check, or higher corporate profits. This is true even though both demands express, from different perspectives, a suspicion of the state and its bureaucracy.²³

A one-sided emphasis on the social control aspects of the welfare state, then, leaves one ill-equipped for the actual battles which have to be fought in defense of social welfare programs. Cutbacks in social expenditures have to be opposed as strongly as if they were reductions in wages (although successful opposition to such cuts requires that the reformist separation of the economic--trade-union--from the political--Labor Party, etc.--struggle be overcome, and that the economic power of working people be politically organized and directed). This does not imply uncritical acceptance of social welfare programs in their present form, including their coercive "social control" aspects. Indeed, defending the social wage involves conflict with the state which is its guardian, but which at the same time subordinates it to other priorities. An effective defense is likely to bring that guardianship into question.

FOOTNOTES

¹For example, Richard M. Titmuss, Social Policy: An Introduction, London: George Allen and Unwin, 1974, as well as earlier essays.

²Of course, one may ask of any actual social formation, to what extent is capital subsidized by (rather than paying for) women's labor in the home. cf. Jean Gardiner, "Women's Domestic Labour," New Left Review, 89 (January-February 1975), 47-58. But this and related problems do not affect the very basic distinction I wish to make.

³Cited by Chris Trinder, "Inflation and the Social Wage," Chapter 4 of Peter Willmott, ed., Sharing Inflation? Poverty Report 1976, London: Temple Smith, 1976, 58.

⁴Ibid. The quote is from the Financial Times, 8 July 1975.

⁵Hansard, 22 April 1975.

⁶James O'Connor, The Fiscal Crisis of the State, New York: St. Martin's Press, 1973.

⁷The point is made by Jeffry H. Galper, The Politics of Social Services, Englewood Cliffs, N.J.: Prentice-Hall, 1975, 29. The 1973 figure is from Findings of the 1973 AFDC Study, HEW, SRS Publication #7403714, Washington, D.C.: Government Printing Office, June, 1974.

⁸F.F. Piven and R. Cloward, Regulating the Poor: The Functions of Public Welfare, New York: Random House, 1971.

⁹Norman N. Goroff, "Social Welfare as Coercive Social Control," Journal of Sociology and Social Welfare, 2, 1 (Fall, 1974), 14-26.

¹⁰Peter Leonard, "Social Control, Class Values and Social Work Practice," Social Work (UK), 22, 4 (October 1965), 9-13.

¹¹The Times (London), July 21, 1976.

¹²Chris Trinder, *op. cit.*, 59-60; Jim Kincaid, "The Decline of the Welfare State," in Nigel Harris and John Palmer, eds., World Crisis, London: Hutchinson, 1971; J.C. Kincaid, Poverty and Equality in Britain, Harmondsworth, England: Penguin, 1973, 81ff.

¹³Fine and Harris, in their critique of Ian Gough ("State Expenditure in Advanced Capitalism," New Left Review, 92 (1975), 53-92), reject the concept of the social wage and the notion that social services are an "integral part of the real wage level of the working class." Such a notion, they argue, rests upon a rejection of the law of value. The payment of wages by capital involves the exchange of commodities with equivalent values, whereas the state's social welfare provisions do not involve such an exchange of equivalents but instead is primarily determined by political struggle (Ben Fine, Laurence Harris, "State Expenditure in Advanced Capitalism: A Critique," New Left Review, 98 (1976), 96-112). But employers do not pay the full equivalent value of the labor-power they hire in the form of wages and fringe benefits. Part of the costs of the production of labor-power has been "socialized" via the state. At present, American auto companies pay a substantial proportion of their wage bill in the form of voluntary health insurance premiums. If these premiums are eliminated in favor of a national health insurance program along the lines of the Health Security Act, would the value of an autoworker's labor-power suddenly drop? No, the employers would have to pay for their workers' health care via a tax instead of a premium, and they might thereby succeed in shifting part of their costs on to other sections of capital. It is not that the law of value is wrong, as Gough believes. The shift in labor costs from individual employer to capitalist state is simply part of the process of "socialization" of capital, that is the process of the bureaucratic collectivization of capitalism, in which the law of value is partially negated, but on the basis of the law of value itself.

¹⁴Central Policy Review Staff, A Joint Framework for Social Policies, London: HMSO, 1975.

¹⁵T. Cliff and C. Barker, Incomes Policy, Legislation and Shop Stewards, London: London Industrial Shop Stewards Defense Committee, n.d. (1966); Michael Kidron, Western Capitalism Since the War, revised ed., Harmondsworth, England: Penguin, 1970.

¹⁶Hansard, 15 April 1976.

¹⁷Central Policy Review Staff, op. cit., paragraphs 4, 5.

¹⁸Counter Information Services and Community Development Project, Cutting the Welfare State (Who Profits), London: CIS, CDP, n.d. This special report unfortunately includes various items (such as defense) in their calculation of the social wage which the government excluded in its claim that every adult worker receives 1000 in social "wages."

¹⁹"The total social wage rose as a proportion of consumption from a third in the early 1950's (33% in 1955) to two-fifths in the early 1960's (40% in 1963) to a half in the late 1960's (53% in 1969) to three-fifths in the early 1970's (59% in 1973) (Hansard, 15 July 1975)."

²⁰James O'Connor, op. cit.; Daniel Bell, The Public Interest, 37 (Fall, 1974), 29-68; Claus Offe, "The Abolition of Market Control and the Problem of Legitimacy," Kapitalistate 1 (1973), 109-116, and 2 (1973), 73-83; Jurgen Habermas, Legitimation Crisis, Boston: Beacon Press, 1975, 62-3 et passim; Samuel Brittan, "The Economic Contradictions of Democracy," British Journal of Political Science, 5 (1975), 129-159.

²¹Kidron, op. cit.

²²Tony Cliff, The Crisis: Social Contract or Socialism, London: Pluto Press, 1975, 89-90.

²³Owners of capital, especially smaller and more conservative ones, tend to see the state as a drain on their investable resources and as encroaching on their individual prerogatives. Insofar as the state functions to maintain the environment in which they can operate, however, it is for them a necessary evil. For workers, on the other hand, this necessity does not exist.