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THE POLITICAL ECONOMY OF SOCIAL WELFARE: A PERSPECTIVE

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Part I, Introductory

The social services are in trouble. After decades of expansion, we face retrenchment, fiscal pressures that threaten vital services, and unemployment among social service workers. The human services' traditional political champions offer only a timid and unconvinced resistance to the assaults from reactionary quarters.

This threatening environment is certainly disconcerting and doubly so because it follows a period when the steady growth which began with the progressive movement seemed to suddenly burgeon. Money was abundant, agencies proliferated, and there seemed to be a widespread public recognition of the need for an ever-increasing program of services.

But now the mood of optimism has vanished. Workers and consumers are scrambling to save some services from the fiscal wreckage. The mass media report a supposed reversal of public opinion -- a new feeling that the social services have "failed," that they are a senseless drain on the public treasury.

Clearly we are entering new and very trying times. But the problems the social services are committed to addressing still exist and in some ways are getting worse. What has changed? It is not enough to point to the new unpopularity of services. Everybody knows social welfare has a public relations problem and besides, this knowledge alone does not suggest any very new and more effective ways to fight for services or mount a counterattack against our antagonists. Traditionally the proponents of social services have lobbied for them on the basis that they were a rational way of addressing certain social problems. Suddenly, despite the persistence of the problems, the arguments seem inadequate. Examining some aspects of the history of social welfare, this article will show that social welfare's function has changed fundamentally in ways that have altered, and (temporarily, we hope) reduced its base of actual political support.

But what is social welfare's function? This is a matter of

long-standing dispute. The definition offered here is an attempt at concreteness and clarity. Hopefully its usefulness will become apparent in the course of the paper.

Social welfare in the modern United States is an aspect of the legitimation and accumulation functions of government. It is legitimated in that it works to ameliorate the economy's disastrous human consequences. It fulfills the accumulation function by maintaining and enhancing conditions for the profitable conduct of commerce.¹ These two basic functions can obviously be discharged in various ways and the social service worker's traditional commitment has co-existed with greater and lesser degrees of contentment with the nature of the existing society. Conscientious workers have always recognized that their role -- as mediators between individuals and organized society -- necessarily involves ambiguities. Certain "radical" writers of recent years have revealed a primitive political understanding by identifying social services entirely with the more repressive aspects of the legitimation function, particularly in the area of relief. As we shall see, the matter is not as simple as their diatribes would imply, but they have recognized an important issue. Relief has traditionally been the crucial social welfare service, to which all others are politically (and, often, administratively) allied. In recent decades, the political economy of American social welfare has evolved in close conjunction with the development of relief and has largely reflected changes in the nature of poverty itself. This analysis must, therefore, begin with a look at the economic and political forces that have formed the basis of the existing American social welfare system.

Part II, Traditional Social Welfare in Maturity

Social welfare assumed its modern form in the thirties when the Depression had disrupted most aspects of American life and many elements in society jockeyed for position and influence. The most significant contenders eventually arrived at a set of mutually acceptable compromises. One of these arrangements, important to several key groups, was the development of the social welfare system.

Some of the history of these events appears in Frances Fox Piven and Richard Cloward's Regulating the Poor, The Functions of Public Welfare.² Although they refer in passing to the Speenhamland system and other earlier experiences their conclusions are mainly based on a study of relief in the United States since the advent of the Depression, during the historical epoch of modern American public assistance. From this analysis they construct a general theory of the function of welfare. Briefly, they argue that relief serves to assure the availability of a large pool of cheap labor (the accumulation function), that relief is given in a manner calculated to

enforce passivity in the workforce (the legitimation function), and that relief administrators, historically, have vacillated between a hard and a soft approach according to the manpower needs of the ruling social strata.

Their analysis is largely valid as far as it goes, and discussions of social welfare cannot safely fail to use it as a point of departure. However, Piven and Cloward, concentrating on the labor force, ignore the evolution of the broader political economy, a process which forms the basis of all major developments in social welfare.

The Depression, for instance, was more than just a disruption -- even though a gigantic one -- in the progress of the labor force. In fact it marked a profound change in the American political economy. Up until then the economy had been able, albeit with mounting difficulty, to generate enough demand to absorb what industry produced. In the past there had been recurrent failures of this absorption process but these downturns in the business cycle, "panics" as our grandparents quaintly called them, had a serious but still only limited effect. The mass layoffs they occasioned would increase competition for jobs and would lower wage levels. At a certain point wage costs would have declined enough for business to see an advantage in expanding operations once again and hiring the jobless. A recovery would begin. Prosperity would bloom, unemployment would fall and the resulting competition among employers for the now-scarce workers would gradually raise wages to the point of cutting into profitability. Then there would be another panic and the cycle would repeat itself. This abstract schema is a general paradigm for the movements of the American economy in the period separating the Civil War and the Depression.

This simple pattern, however, was complicated by businessmen's constant effort to improve their profitability by replacing workers with an increasingly sophisticated technology. Their scrambling for an edge in competition made for an accelerating tendency towards chronic technological unemployment. The unprecedented severity of the cyclical downturn which began in the fall of 1929, occurred mainly because the economy had finally reached a point where fewer and fewer workers could produce more and more commodities. It was no longer realistic to assume that the recovery would naturally happen all by itself. By 1933 this fact was so strikingly obvious that the Roosevelt administration was forced by circumstances to intervene actively in most aspects of the economy. By the Federal Emergency Relief Act of May 12, 1933, the labor force was included in this intervention.

As the Depression deepened, relief continued in a variety of forms, including both the dole and several explicit and implicit types of work relief. Nearly every social element was for it in one form or another. Businessmen supported it, 4 although they came to think work relief less debilitating to the work ethic than the dole. The hordes of jobless were certainly in favor. In fact, their efforts were a significant element in the general insurgency of the period. Organized under leftist leadership into the Workers' Alliance of America, an early example of Popular Front cooperation, they fought for adequate relief and, to an extent, were successful.5

The disruptions caused by the Workers' Alliance, however, would have been politically insignificant without the concurrent strike wave among the employed. The number of man-days lost to strikes rose from a low of 3,320,000 in 1930 to 19,600,000 in 1934.6 Such serious disruptions of business activity could only be avoided with cooperation from the employees, and the reforms advanced by the New Deal were part of an effort to secure the acquiescence of a crucial part of the working class in forming a renovated capitalist social order.

This renovated social order, as one of its architects writes, ". . . began to assume its present form as a result of the crisis of 1933. Under stress of the Great Depression . . . the federal government assumed responsibility for the functioning of the economic system"7 In the past, laissez faire theory had held that government should discharge the legitimation function in a small way (providing police forces and armies when necessary) and that market mechanisms would pretty much take care of the problems of accumulation. But the Depression was solid evidence that the market could no longer be trusted to do any such thing. It was just this failure that made renovation of the social order so necessary and also showed that the key to the renovation lay in finding a way to create enough demand to support a reasonable level of production.

The Roosevelt administration initiated various mechanisms of economic stimulation which were not very successful -- full employment was only achieved with the beginning of war production. But the New Deal reforms were not simply irrelevant. However limited their success in generating economic recovery, they did succeed in establishing a social order which is only now beginning to disintegrate. The social welfare system was an important element in this new arrangement. Its establishment reflected the political dynamics of the time, a relationship of political forces which we must examine.

In the thirties, as in the present, American society was

dominated by its business elite. But the American business community falls into two parts: the monopoly sector and the competitive sector.⁸ The former comprises the largest corporations, including most basic manufacturing and mining; the latter comprises all other commercial enterprises. However, petty entrepreneurs like small shopkeepers, newsdealers, etc., are nearly powerless at a national level. In practice the competitive sector may, therefore, be taken to include only those secondary industries and smaller enterprises whose ownership is so dispersed and the scope of whose operations so local that they relate to each other and the consumer on the basis of the traditional mechanism of price competition.

The monopolistic corporation, by contrast, dominates its market either alone or in cooperation with a limited number of similar corporations.⁹ It is not subject to price competition because the major corporations set their prices on the basis of formal or informal mutual collusion.

Relations between the sectors have never been static and, in fact, the conflict between them has often been bitter. It arose a century ago with the advent of the first corporations, giants seeking to become monopolies. Since the competitive mechanism progressively eliminates the weaker firms (except in special cases), there is a natural tendency for the ownership of industry to become more concentrated.¹⁰ The eventual outcome of the conflict between large and small capital could then hardly be in doubt. The Depression, however, accelerated the process, profoundly weakening competitive capital.

The New Deal consolidated the monopoly sector's hegemony. The competitive sector retains some constantly shrinking areas of power -- Congress is perhaps the most significant -- but the monopoly sector has maintained effective control of the national administration since 1933.¹¹ Congress had had only marginal influence over the budgetary process since 1920,¹² and so the federal intervention in the economy inaugurated by the New Deal must thus be seen as a fairly exclusive project of the newly ascendant monopoly sector. It is true, of course, that public relief and the other New Deal reforms are often imagined to have been enacted over the furious opposition of business. This is a simplistic and incorrect view. To be sure, many businessmen did oppose the reforms, and their opinions were widely disseminated by organizations like the National Association of Manufacturers and the Chamber of Commerce. However, these are the very groups which most clearly ". . . reflect conservative elements within the power elite and represent their short run interests in specific geographical areas."¹³ This is competitive capital at work. By contrast, the monopolistic

". . . corporation has a longer time horizon . . . and it is a more rational calculator. Both differences are related to the incomparably larger scale of the corporation's operations."14 This broader perspective is also more liberal -- the monopolistic corporation, until recently, could afford to make concessions to labor and generally meet the needs of the underlying population, allowing greater attention to government's legitimation function. The competitive businessman, struggling to survive from day to day or at least from year to year, tends to believe that the government should guarantee accumulation and do no more.

Not surprisingly, the leaders of the monopoly sector worked for the reformist social legislation which began in the Progressive Era and culminated in the New Deal. The overt pressure for the reforms generally came from labor and other popular forces but the powerful influence of big capital was constantly present in such organizations as the National Civic Federation, a group of major business leaders and conservative trade unionists, and the American Association for Labor Legislation, a prototypical think tank of liberal intellectuals financed by corporate leaders. The National Association of Manufacturers on the other hand, was an organization which, according to the NCF's President and founder, Ralph Easley, ". . . 'included none of the great employers representing the basic industries, such as coal, iron and steel, building trades and railroads.'"15 The dissension on social questions between these two industrial strata had taken on a developed form as early as 1905 when leaders of the NCF intervened on the side of the Metal Polishers Union and the American Federation of Labor in the Buck's Stove and Range Case, an anti-labor court action brought by James W. Van Cleave, a leader of the National Association of Manufacturers. In this case, Andrew Carnegie surreptitiously subsidized the legal defense of the MPU and AFL which was conducted by Alton B. Parker, a Wall Street lawyer, Presidential candidate in 1904 and future NCF President.16

This political technique -- covert support by the monopolistic corporate elite for measures advanced by mass reform movements -- persisted into the thirties and still exists. It was employed, with conspicuous success, in the fight for the social reforms of the New Deal, particularly the two crucial enactments, the Wagner National Labor Relations Act and the Social Security Act. The Wagner Act established an assured, though subordinate position for the organized working class in the renovated capitalist polity. The explicit purpose of the Act was ". . . to diminish the causes of labor disputes burdening or obstructing . . . commerce. . . ." But it was not enough to give labor a voice. It was also necessary to address some real grievances of the working population. Hence, the Social

Security Act of 1935 established unemployment compensation, social insurance, and public assistance. It was an obvious and direct response to the mass unemployment of the Depression, an implicit recognition that the market mechanism and private social agencies could no longer deal with the problems of chronic joblessness. It was also the culmination of years of lobbying and agitation by popular groups like the Townsend Movement and the labor movement and also by elite groups like the American Association for Labor Legislation.

Both the Wagner Act and the Social Security Act are cornerstones of the existing social order. They grew out of political struggle and reflected the balance of forces at the time of their passage -- the leaders of the monopoly sector were consolidating their newly-won ascendancy in the midst of economic collapse. To do this they needed a measure of social tranquility at a time when the working class had reached an unprecedented level of organization and militancy and could only be repressed by armed violence. Intelligent leaders of the monopoly sector did not imagine, however, that the labor struggles constituted a revolutionary situation. After all, the better-informed among them probably knew that the Communist Party, the most significant radical organization of the period, had found little success in the uncompromisingly revolutionary policy it followed from 1928 to 1934.¹⁸ The two acts were passed not to head off revolution but to acknowledge that a tranquil environment for the conduct of business and the renovation of the social order was impossible without some attention to the needs of the workforce.

The social order formed by the renovation of the thirties still exists and has come to be called the liberal corporate state. It is liberal by contrast with laissez faire, which had prevailed earlier.¹⁹ It is corporate in that the giant corporation is its dominant economic unit. And within this social order the government has assumed a broad range of economic responsibilities. In fact, the Federal Government has become, in large part, an administrative device which uses a repertoire of techniques to guarantee, as much as possible, the smooth functioning of the economy. This, in effect, means that government must maintain conditions which guarantee the profitability of the major corporations. Preeminently, the government creates demand by actually buying vast quantities of industrial products. It acts to secure overseas markets and generally tries to assure an open field for corporate activity abroad. It pays for necessary research and development. It advances capital to prevent disruptive bankruptcies. And, as we shall see, it regulates the workforce.

Under laissez faire, of course, all these functions were almost entirely private responsibilities since it was believed

that the market would take care of the economy without intentional human direction.

The Depression showed the inadequacy of laissez faire and the need for conscious use of human intelligence in addressing the problems not only of the economy per se but also of society in general. Consequently corporate liberalism has a greater regard for expertise than the laissez faire approach, which valued knowledge and thought primarily when it was directly applicable to making money. Corporate liberalism believes that economic and social problems have solutions which technical experts can formulate as policies. Not surprisingly, social work started to flourish with the beginning of corporate liberal hegemony. As Walter Trattner says, it ". . . assumed a new prestige and importance in American life as a result of the Depression and the New Deal."²⁰ Social workers had important administrative positions in the Roosevelt administration and in both public and private agencies their numbers doubled during the thirties²¹ despite mass unemployment. It was one among many forms of expertise that the emerging corporate liberal order pressed into service in its effort to find technical solutions to social problems.²²

One of the first major projects of social workers in the liberal corporate state was in designing the public assistance provisions which formed an integral part of the Social Security Act. And just as the hegemony of corporate liberalism was built on an accommodation between various layers of society, so too the Social Security Act was a product of compromise. The working class got unemployment insurance, a basic national pension in OASI, a floor under wages in the newly organized public relief system, and some rudimentary social services. The corporate elite of the monopoly sector got a systematized disciplinary mechanism in the relief system which it could use in regulating the workforce. Some theorists expected, however, that public assistance would be a residual program, withering away as soon as OASI became thoroughly established. This was a vain hope. War did bring temporary decline, but after 1945 relief expanded once more. "Once an economic convulsion subsides and civil order is restored, relief systems are not ordinarily abandoned."²³ Although war production continued after 1945, it was held at a level sufficient to maintain wartime employment levels. Relief was institutionalized and ". . . made an important contribution toward overcoming these persistent weaknesses in the capacity of the market to direct and control men."²⁴ This was its traditional disciplinary function, a function it has fulfilled, using a very limited repertoire of techniques, since the decline of feudalism. But an historic change was in the making.

Part III, Traditional Social Welfare in Decline

In recent years the corporate liberal alliance for social welfare has weakened and partially broken down. A fundamental presupposition of the alliance was the availability of enough wealth to fund social welfare services. A basic premise was social welfare's regulatory function. Both of these necessary conditions have been seriously undermined -- the one, by certain broad economic trends, the other by profound demographic changes. These two new factors have come to act in concert in recent years, since the economic trends became apparent. The demographic changes emerged somewhat less recently. Partly understood, they began to arouse official concern in the early sixties.

Piven and Cloward²⁵ offer a partially valid analysis of the developments and their main point is correct: mechanization of southern agriculture forced great numbers of blacks off the land. (They ignore an analogous process which took place in Puerto Rico with greater intentional viciousness and similar results.) Productivity in cotton-growing increased 304% between 1950 and 1965, ²⁶ transforming what had previously been a very labor-intensive industry. An enormous unemployment rate developed in southern agricultural labor.²⁷ Millions of displaced farm workers left the countryside and flocked into urban areas. The southern relief system, which Piven and Cloward show to have exercised its traditional regulatory function with exceptional harshness, continued as before.²⁸ Great numbers, therefore, came north and settled in a relatively small number of cities.

In these areas the welfare systems were less restrictive than in the South and the rolls began an inexorable expansion. By 1957 the Aid to Dependent Children category overtook Old Age Assistance and became, permanently, the largest.²⁹ By December, 1963 the costs, in constant dollars, of public assistance had tripled over the level of December, 1936. ³⁰ Clearly, a significant proportion of these migrants were not finding jobs and settling into the traditional pattern of working class existence. Something had gone unprecedentedly wrong.

Rural populations have been leaving the land and coming to cities for centuries, of course. This urbanization process has always involved massive dislocations and, frequently, great suffering, but sooner or later, in times of prosperity, these populations were absorbed into the labor force. During recessionary periods, of course, they were often the first to suffer layoffs, but even so, they did have at least some organic relation to the workforce. As a result, most writers on the subject, and most politicians, see the

question of relief as one of regulating labor, getting people to work. Piven and Cloward only differ from the others in their more systematic analysis and greater humanitarian concern for the clients. But all these theorists, including Piven and Cloward, fail to grasp that a new epoch has begun.

Most welfare recipients are not simply unemployed workers. They are, in actuality, a kind of subproletariat³¹ whose exclusion from the workforce does not significantly change with fluctuations in the business cycle. The most basic reason for this change is the increasingly technological and capital-intensive character of American industry.

Traditionally, urbanized rural people have gotten jobs requiring little skill. This process has now broken down. The breakdown is a fairly recent phenomenon, corresponding, historically, to the expansion of public assistance.³²

This point may be empirically demonstrated. In the period 1950-1965, to use Piven and Cloward's periodization, the number of non-farm laborers (a category to which displaced farm workers are naturally recruited), only increased by an average of .6334% per annum,³³ far slower than the general labor force (1.28%)³⁴ and the U.S. population (1.84%).³⁵

These figures do not depict a situation in which an unskilled migrant from the Mississippi Delta could readily find a job, but they assume an even greater importance if compared with equivalent figures from the earlier period 1890-1950 when the labor force increased significantly faster (3.42% per annum)³⁶ than the population (2.34% per annum).³⁷ In other words the economy now has a decreasing capacity to absorb the natural increase of the whole population into the workforce. Its ability to absorb the unskilled has become negligible. They have truly become a superfluous population, rather than a necessary surplus population.

The rise of the subproletariat has had profound consequences. The presence of masses of black voters in northern cities created a powerful interest group pressing the Democratic Party to secure black rights in the South. This tended to detach the white South from its traditional Democratic allegiance,³⁹ and thus increased the importance of urban voters, especially since many blacks came to be concentrated in cities that are strategic in national elections.

In addition, not all the black and Latin migrants were voters. Many congregated in the cities, alienated from the established electoral political process. The political machines of these cities,

dominated by the regional business elites of the competitive sector, were not interested in organizing and politically integrating the new ghetto population which was unlikely to support them reliably and, if organized, might have worked against some of their local interests: e.g., the urban renewal schemes of competitive business interests.

This, then, was the situation in 1961 which confronted John F. Kennedy, a representative par excellence of the liberal corporate elite of the monopoly sector. His party had largely lost its secure political base in the South, and the narrowness of his victory in 1960 showed that the potential base among urban northern blacks was not yet fully realized. And the local Democratic organizations would not do much to remedy the situation. In addition, as the next few years would show, the presence of such numbers of impoverished and anomic people in northern cities was a potential source of serious disruption. Kennedy, Johnson and their entourage were, therefore, presented with a complicated set of problems. The situation was not so grave as the crisis of the thirties -- it was not an economic and social cataclysm requiring a full-scale renovation of the social order -- but it was serious nonetheless and could not be addressed by standard procedures.

The Democratic regime followed two distinct but related approaches to the dilemma presented by the newly urbanized ghetto population. The first, embodied in the 1962 Amendments to the Social Security Act, was an attempt to get people off welfare by providing rehabilitative services. The second, involving several pieces of legislation, found its clearest expression in the Economic Opportunity Act of 1964.

The Economic Opportunity Act was a conscious attempt to confront the dilemma that the growth of the subproletariat posed for the political and corporate leadership of the monopoly sector. This point is beautifully demonstrated by the writings of Daniel P. Moynihan,⁴⁰ a participant in the preparations for the poverty program. Moynihan describes the concerns of the program's architects with some clarity. As an early poverty warrior he was "... involved with ... the situation of those persons in the population whose life circumstances do not appear to respond, at least very quickly, to the large movements in the economy." (i.e., the business cycle).⁴¹ The problem was becoming so serious that it could not be overlooked. The economy "... seemed to be acquiring patterns sharply inhospitable to the poor, notably the Negro poor fleeing the depressed countryside."⁴² However, "... the poverty cycle was, at this point, still seen almost solely in terms of the individual,"⁴³ whose unemployment was thought to be a result of many cultural, environmental and motivational factors acting in concert to produce

a kind of vicious circle. (The economic side of the issue went largely unnoticed.)

The War on Poverty was, therefore, conceived as a massive exercise in environmental modification, "... 'a coordinated attack' to break the cycle through preventive, rehabilitative and ameliorative interventions."44 It included a large number of programs in job-training, education, legal services, day-care, etc., and also provided federal money for local groups to fund programs of their own. To "... ensure that persons excluded from the political process in the South and elsewhere would nonetheless participate in the benefits of the community action programs . . ."45 it required that they be "'developed and conducted with the maximum feasible participation of residents of the areas and members of the groups served . . .'"46 This was a clear attempt to bypass the local elites of the competitive sector, political forces which, of course, had already failed to integrate the ghettoized subproletariat into the established political process. The anticipation of a refractory attitude on their part is an obvious echo of the controversy around the Wagner and Social Security Acts.47 In fact, the Economic Opportunity Act, like its predecessors, was an example of enlightened social legislation developed by liberal experts (of the Ford, Russell Sage, and Kaplan Foundations)48 and supported on a federal level by the political representatives of the monopoly sector. In this sense it was a part of the traditional corporate strategy traced earlier.

The War on Poverty, however, became a sad example of the futility of mechanically applying a familiar response to a changed set of circumstances. The crisis of the thirties, although very serious, had been resolved by a combination of political compromise and (eventually) massive and permanent military spending, policies quite acceptable to the elites of the monopoly sector. The organized working class had thus been integrated through certain specific concessions. Its loyalty in practice was assured. No such specific measures suggested themselves in the sixties when it was clear that something had to be done to integrate the subproletariat.

The existence of the subproletariat obviously demanded a thorough re-ordering of the economy to create great numbers of jobs. Such a reform, although indispensable, would have been much more far-reaching than the concessions of 1935. It was, and is still, antithetical to the corporate elite's interests and hence unacceptable to them. Unable to really address the problem, the poverty warriors could only offer vital but inadequate services, illusory "participation" and a surfeit of rhetoric.

However, the Economic Opportunity Act was more than a mere assemblage of noble thoughts. In fact, it raised vast hopes and galvanized thousands of people into action, people who were organized with funds the Act had appropriated. Using a fairly small amount of money (relative to the total federal budget), the poverty program built a constituency. This constituency had a paid staff recruited from the natural leadership of the communities. The staff's pay did not, of course, come from the constituency itself and its accountability was therefore rather ambiguous.⁴⁹ Even so, an internal political structure had been brought into being, a structure with many characteristics of a big-city machine of the type that had traditionally integrated the urban working class into the American polity.

Some of the community action agencies' activities were disruptive but they were more of a nuisance to local politicians and public assistance agencies than to the monopolistic elites. As Moynihan shows,⁵⁰ moreover, even local politicians learned to live with community action which turned out to be less of a menace than they had expected.

All this activity failed, of course, to achieve the ostensible purpose of the War on Poverty. This ostensible purpose, however, was not a mere trivial obfuscation without social significance. It presupposed that certain services would change poor populations in ways that would move them toward self-support. A similar theory, on an individual level, informed the 1962 Amendments to the Social Security Act. The one approach was based on the rehabilitation of whole populations, the other of individuals. Although poor people do need many services, both as communities and as individuals, in their struggle for survival, it is also clear that success must forever elude any rehabilitative effort which aims "To move people off relief by renewing their spirit and creating economic and social opportunities for them,"⁵¹ when the entire emphasis is on the "spirit" and there is no serious effort to create anything like a sufficient number of jobs.

This extravagant rhetoric and vacuous content smacks clearly of a hidden purpose. In the case of the 1962 service amendments, however, the political ulterior motive is not as obvious as it was in the case of the war on poverty. Part of the reason probably is that the service program was designed by competent social workers in the Ad Hoc Committee on Public Welfare who certainly understood client needs.⁵² Unfortunately they also felt obliged to promise that services would materially reduce the welfare rolls by rehabilitating the clients. This promise was used to justify creating the beginnings of a comprehensive social service network, something Americans desperately need. Unfortunately, it depended on borrowed political

capital that could not be repaid. Since the rehabilitative effort could not possibly show any very satisfactory results in employment, there began to be political criticisms.⁵³

As the sixties continued, the welfare system came to be seen as an increasingly serious failure. Recipients and their sympathizers damned it as a dehumanizing quagmire which provided grossly inadequate benefits. Much "public opinion" and its representative politicians bewailed the mounting expense. Both had a strong factual basis for their discontent. All the agitation of the War on Poverty had not created substantially higher grant levels. It had, however, played a role in the dramatic expansion of the rolls which grew, nationally, by 107% from 1960 to 1969. ⁵⁴ A large part of the increase came even after the industrial boom of the Vietnam War began in 1965, further evidence for the existence of a mass subproletariat.

Piven and Cloward, who were deeply involved in the welfare rights movement, see the explosion of the welfare rolls as the result of three factors: the rise of community action agencies offering advocacy services, the setting up of legal services agencies which fought for recipients' legal rights, and the mobilizing of people in poor areas by community organization.⁵⁵ They demonstrate that all these elements were the result of federal action and that although there was no particular popular demand for them before their establishment⁵⁶ they very quickly generated an enthusiastic response from the impoverished populations which received the services. The response, as we have seen, was quite in keeping with the interests of the monopoly sector and the Democratic Party on a national level -- the subproletariat began to be integrated into the established political process. However, it was not enough to organize this group and given it a voice. Even in the paternalistic context of the poverty program, certain expectations were raised, expectations which had to be met in some way.

The simplest and most readily available palliative was welfare, which expanded at a furious rate. The great majority of new applicants had been eligible for some time.⁵⁷ What had changed was the ease with which their cases were accepted. Any person who worked in a public assistance agency in the later sixties was aware of the loosening eligibility standards, typified by the fact that a certain acceptance code was used in those years by the New York City Department of Welfare to designate cases which had become eligible through liberalization of agency policy.⁵⁸ Significantly, no code existed to fit a hypothetical opposite circumstance.

The expansion of welfare, however, could not fail to call forth a reaction. In some localities the local share of public

assistance was beginning to be a fiscal burden, resulting in rising taxes, a source of discontent among the working population whose declining living standard did not increase their receptivity to rising welfare outlays.⁵⁹

But the core of opposition to welfare was the local competitive sector business elites, who had always disapproved of relief and now had a certain mass following for their campaign against the "welfare mess."

Welfare's legislative defenders were in a dilemma. In 1962 they had enacted the service amendments. A few years later they had set up the poverty program. But poverty continued to exist and public assistance seemed to grow with no end in sight.

None of this is entirely surprising. The subproletariat could only have been employed with a major and very expensive effort at job creation and retraining. This would have required redistribution of wealth or a significant reduction in military spending or both. These solutions were politically tabu and so the legislative response followed the tradition of imposing work requirements on the recipient, setting up the "Work Incentive Program" (WIN) 60. Since this did not address the problem of job availability any more than earlier efforts, it must be viewed as a self-indulgent act of legislative petulance.

Attempts to enforce the work ethic on the subproletariat are essentially ideological exercises. But not all politicians are a prey to such illusions. After all, as we have seen, the declining ability of the labor market to absorb the potentially employable can be demonstrated with non-esoteric figures from the Bureau of Labor Statistics. Not surprisingly, some changes in public policy seem to signal the beginning of a new approach to relief.

Perhaps the most important of these changes is the administrative separation of social services from financial assistance, a clear break with the 1962 service amendments which had assumed that each recipient was employable unless proved otherwise. Separation implies an opposite assumption, relegating non-financial services to a relatively limited role and introducing the concept of "income maintenance" with its connotations of permanent dependency. To be sure, some authorities have envisioned separation as enhancing services (i.e., the accumulation function). "Why not," wrote Gordon Hamilton in an early statement of this theme, "take the albatross of 'relief' from the neck of social service?"⁶¹ This kind of thinking was current in many circles during the sixties. Why, it was asked, does one need a social worker just because one happens to be poor?

The abstract logic of these ideas is impeccable. Unfortunately, they have served, in practice, to give a propagandistic cover to the crippling of services.

Separation, under federal mandate, prevailed in most of the country by the early seventies. Its practical meaning quickly became apparent. One of its first victims was the insurgency of relief recipients that had seemed so powerful in the sixties. The kind of bureaucratic flexibility that the National Welfare Rights Organization had exploited (by demanding clothing and other discretionary special grants) is gone now and NWRO declined to the point that it was destroyed in 1973 by the National Caucus of Labor Committees.⁶² The public assistance rolls remain high, however, and it seems impossible to reduce them to anything like the levels prevailing before 1960 or 1965.

The welfare system, in practice, seems now to be moving towards being a custodial operation. It sustains life, minimally, to avoid the kind of mass starvation prevalent in underdeveloped countries. And it gives relief in a way that induces atomization and passivity. The custodial concept is not publicly acknowledged, of course, and indeed it is anathema to all politicians and much of the electorate. They do not realize yet that an epochal change has taken place, that for the first time since the decline of feudalism, there is a large and permanent subproletariat with no realistic prospect of absorption into the workforce. The custodial concept tacitly recognizes this historic fact. But since the concept has not yet been elaborated coherently by any of the theoreticians of public policy, one can only guess about the eventual mature form they will give it.

The development of the subproletariat and, derivatively, of the custodial principle, imply, most significantly, that the traditional function of relief as the disciplinarian of the workforce, has been eliminated, at least potentially. After all, the disciplinary function presupposes that the recipients, or at least the able-bodied among them, are members of the workforce who happen, momentarily, to be jobless. But events of the sixties clearly show that relief can expand even in boom times, irrespective of cyclical fluctuations in employment. Hence it is clear that most public assistance clients, not belonging to the workforce, can hardly be subject to its discipline. To this extent, then, it may be said that Piven and Cloward, the chroniclers of the disciplinary function, are obsolete.

There is, however, yet another development which confuses this whole issue. Just at the point when the development of the economy had created a permanent subproletariat, apart from the

labor force, it also entered a period of chronic stagnation and high unemployment, factors which tend to blur the distinction between the subproletariat and the more or less steadily employed workforce whose recurrent joblessness is still the result of cyclical changes. This working-class stratum has often belonged to the mass following of the anti-welfare demogogy of recent years. Now such people frequently find themselves receiving public assistance or, even more often, food stamps and unemployment insurance. This experience probably tends to alter their view of relief, but just as important, their obviously involuntary unemployment vitiates the argument that welfare clients are really shiftless loafers. How long this situation will continue is uncertain. The immediate result partly depends on the vicissitudes of party politics. However, the economic recovery now in progress has shown itself to be compatible with a level of officially reported unemployment so high that President Ford's spokesmen have resorted to vilification of his own Bureau of Labor Statistics.⁶³ Unemployment in the workforce is likely to be high for the foreseeable future.

The persistence of this joblessness, although a human tragedy, does at least have the potential merit of uniting in suffering the somewhat more regularly employed portion of the population with the subproletariat. An alliance of these two elements is the only possible basis for political resistance to the attack on the American living standard, a resistance which becomes more and more crucial all the time as the corporate liberal polity deteriorates.

The liberal corporate state, as we have seen, was founded on a number of compromises among social groups. The initial arrangements were the key legislative enactments of the mid-thirties. World War II brought national unity and prosperity, perpetuated in the later forties by the permanent war economy and political/economic domination of the rest of the world. This was a key accommodation. In effect, the corporate elite guaranteed the working population a rising living standard which formed the basis for integration of every social element into the corporate liberal social order. In the fifties social scientists celebrated the "end of ideology" and proclaimed that the material basis for social conflict had vanished in the United States, a nation in which nearly everybody was "middle class."

This conception of American reality was wildly exaggerated, of course, but it was true that the general living standard improved steadily enough that most Americans came to see continued improvement as an inalienable right of citizenship. In fact, this "right" existed only as long as the corporate elite could afford it. To be sure, they could afford it for two decades, but they cannot afford it any more. Hence, they have taken steps to protect their own financial position at the expense of almost everyone else. The Vietnam War stimulated business activity and as a result the living standard

declined only gradually for awhile.⁵⁹ The war is over now, however, and in recent years the American living standard has come under heavy attack from the business community.

In the social services we are painfully familiar with this corporate assault, which has taken the form of budgetary restrictions in the name of fiscal responsibility. Although there is a wide variety of ideological justifications for the attack on social welfare, most of them are rationalizations of fiscal pressures imposed by the centers of corporate and financial power. In some cases this power has been used quite openly, as in New York City, where an ultimatum from a well-organized group of banks forced the local government to yield control of the city administration to a board of financiers and corporate executives.

Nationally the corporate pressures have been more casual and covert. Still, the business press grows steadily more frenzied in proclaiming a "crisis in capital formation." Business Week,⁶⁴ for example, recently published a special issue with the banner headline: "Capital Crisis: The \$4.5 trillion America Needs to Grow." Other publications have sounded the same theme in recent months. The gist of their argument is that:

The jaws that threaten the nation's well-being are not those on the giant fish that loom up in front of movie-goers, but those on the yawning capital gap that faces the U.S. this year and as far ahead as anyone can see.⁶⁵

The shortage of investment capital, they believe, is so serious as to preclude further expansion of American industry. Their solutions include: reductions in government spending to release capital for corporate use, changes in the tax structure ". . . so that the cash flow to business increases,"⁶⁶ and other changes in public policy to benefit corporate interests. They acknowledge that "there is a problem in that any tax break for businesses comes on as a business welfare program while businessmen are not perceived by the general public as among the deserving poor."⁶⁷ Unpopular though it may be, however, a diminished living standard for most Americans is, they believe, the only solution. Business, which used to exhort us to increasing consumption, has been taken with an almost Calvinistic austerity and believes us to be ". . . a society that is too profligate in consuming rather than saving. . . ."⁶⁸

Social service workers, long used to working with insufficient resources among the desperately poor, may not recognize "profligacy" as a universal characteristic of American society. They may even imagine that the "crisis in capital formation" is only a propagandistic

deception. There is indeed a large measure of press agency in Business Week's florid language. Unfortunately, there is also enough reality to constitute a serious strategic problem for those who wish to preserve and extend the social services. It is the reality of the American political economy's essential irrationality, a system which can only avoid collapse by institutionalizing waste, war, and pointless destruction. Recognizing this fact, however, does not diminish the problem although we are not constrained by any inherent logic to accept Business Week's solutions.

It is true that money capital is relatively scarce, interest rates are high, and that great numbers of businesses are so deeply in debt that they constantly borrow to pay off their obligations. This is the reason for the calls of corporate spokesmen for government retrenchment, calls which find political echoes in the Baptist and Buddhist rhetoric of Jimmy Carter and Governor Brown.

The shortage of liquid capital would seem to be a purely economic problem, far removed from our concerns, and yet it is the basis for social welfare's most menacing political opposition. It is vital, therefore, to understand its origins in order to develop a strategy for social welfare.

The shortage developed slowly, reaching serious proportions only recently. Its roots, however, are in the corporate liberal response to the Depression, a crisis which, as shown earlier, arose out of the market's inability to absorb the products of industry. In the forties the government became the "consumer of last resort," buying war materiel to keep the economy going at a high level of prosperity. Although parts of Asia and Europe slipped from its grasp, the United States had emerged from the war as the dominant world power. Its military, despite a partial demobilization, was maintained to assure, among other things, that the "Free World" would be a secure market for American industry. Militarism, therefore, developed two important economic functions: in itself it consumed vast quantities of industrial products, and it enforced their consumption by people in other countries.

Military spending could not be financed entirely out of taxes. As a result, the Federal budget has been in deficit almost every year since the beginning of World War II. Economists at first believed that deficits were a healthy economic stimulus. More recently, however, deficits have become a source of concern, seen as inflationary. And the economists are right after all. When Washington spends more money than it receives in taxes it makes up the difference by selling bonds, notes and similar instruments. Banks and corporations buy most of this paper which can then be used in their transactions just

like ordinary currency. The total supply of dollars in circulation increases and is far greater than the gold reserves which supposedly back it.

Inflation is in fact just that -- a situation in which growth of the money supply outruns the growth of commodities (gold is only a specialized commodity, after all).

Deficit spending at home and economic expansion abroad became a fairly consistent Federal policy. For years they seemed to have "solved" those problems of American capitalism that seemed so disastrous in the thirties. In reality, the solution was only a palliative. Under the tranquil surface of prosperity the fundamental dilemmas persisted and in the end proved to have created new problems in addition to the old.⁶⁹

The policy of economic expansion embodied contradictory tendencies: a tendency to absorb American products by creating markets and a tendency to arouse opposition overseas which caused, derivatively, other political and economic problems at home and abroad. In Vietnam, the second tendency came decisively to the fore.

The military establishment is not simply an exercise in job creation after all. American economic dominance could never have been maintained by purely "peaceful" means like subsidies to conservative foreign politicians (as in Italy) or sponsorship of military coups (Guatemala, Iran, Chile, etc.). As a result, for more than a generation, the United States has maintained garrisons around the world. This vast military presence has been fairly successful. On the other hand, the victory in Vietnam showed that the Washington government and the corporate elite cannot afford many failures.

The Vietnam War was a logical consequence of a long-standing policy: 1) no part of the world would be abandoned which was open to domination by American commercial interests, and, 2) almost any area could be a potential market for American corporations. In fact, foreign sales grew more rapidly from 1950 to 1965 than sales in the more easily saturated domestic market.⁷⁰ The policy did not, of course, necessarily correspond to the particular needs of specific corporations, in each instance, but it did (and still does) reflect the general interests of the monopoly sector. The war increased military expenses, but its unpopularity meant that the Johnson regime dared not defray them with heavy taxes and austerity (as in World War II). Instead the Federal deficit grew from \$1.6 billion in 1965 to \$25.2 billion in 1968. ⁷¹ War production reduced unemployment to 3.5% in 1969, ⁷² greatly increasing labor's bargaining power. Following the lead of the unionized, workers in general raised their incomes

almost fast enough to keep up with inflation. American products, at inflated prices, could not compete well with those of other countries and in 1971, for the first time in the century, the United States imported more than it exported.⁷³ This decline in American economic hegemony and the loss of foreign markets threatened the whole policy of economic expansion which had helped "end" the crisis of the thirties. From 1965 to 1970 corporate profits (i.e., money capital) had declined by 10.6%.⁷⁴ From the corporate standpoint this situation was a disaster. It was the basis of the crisis in capital formation of today.

The American economy, a vast structure erected on shaky foundations, continues to confound its managers. Presidents Nixon and Ford saw inflation as the crucial enemy. They devalued the dollar to make the United States more competitive internationally, cut labor costs with a wage freeze and did little to relieve the most serious recession in forty years. Banks and corporations, with help from politicians of both parties, have used the New York City fiscal crisis to scare the citizens into accepting reduced levels of government services and permitting wealth to flow to the major commercial and financial centers. The elite is especially persistent in pursuit of this capital because nearly all large corporations are deeply in debt and most banks have abandoned sound business principles and ordinary common sense in making loans. They have built a precarious network of obligations in which a failure of any one participant could, at least in theory, precipitate a general collapse with bank failures, corporate bankruptcies, and other horrors.⁷⁵

There is a traditional myth which holds that businessmen, concerned with the stern realities of the world, are necessarily hard-headed and practical. Without much thinking about it, many of us still tend to assume that if these pragmatists think there is a capital shortage then there must be a capital shortage. If they and their economic experts say it exists because of our "profligacy" and must be relieved at our expense, we feel upset but do not presume to question their expertise.

As we have seen, there really is a shortage of money capital (not of other kinds though -- inventories are quite high at present) but it exists as an unintended consequence of policies designed to save business from the irresistible need of an unplanned, profit-oriented economy to produce more goods than the people can buy. Business is in a serious dilemma and the corporate pragmatists want the majority of Americans to sacrifice in order to get them out of trouble. It would be possible, of course, to resolve the crisis at their expense and not at the expense of the poor and working people. Various solutions are possible. The choice between them is a

political question.

The capital crisis and the development of the subproletariat, pose a serious threat to social welfare. Unable to regulate the subproletariat as it has traditionally disciplined the labor force, social welfare is correspondingly less useful to both the corporate elites. The leaders of the monopoly sector increasingly employ the hackneyed anti-relief rhetoric of the competitive sector elites. The capital crisis gives an urgency to their denunciations.

The American political economy has evolved, in recent decades, in a way that has destroyed the necessary conditions for existence of the corporate liberal alliance for social welfare. Social welfare's partisans must develop a completely new approach, based on the concrete realities of today, in their fight to preserve and extend services.

Part IV, Towards A Renewal of Social Welfare

The struggle for social welfare will have to be consciously political, and in unprecedented ways. Social welfare partisans must learn to recognize enemies as well as friends and to see political issues as questions of power. Since the traditional supporters in the business elite are unreliably friendly at best, social welfare must have a mass base of support in other areas of the population, among that great majority of Americans whose interests are fundamentally opposed to those of the elite. This means, of course, that social welfare must abandon the stance of the "expert" who is above politics, a relic from the heyday of corporate liberalism. In reality, social welfare's work has always had political implications and it was only the nearly total hegemony of the monopoly sector corporate elite which made it possible for that stratum's chosen policies to appear as the only conceivable products of science and intellect.

Nowadays social welfare can only advance if it makes a clear political commitment and follows a general strategic plan as part of a popular anti-corporate movement.

This proposition can only seem abstract at present. The majority of working people are fragmented and discouraged, divided very frequently around issues of social welfare itself, with relief the supposed object of mass hostility. It is entirely possible, however, that the opposition which many public opinion polls purport to demonstrate is an opposition to the cost of services rather than to the services themselves. In view of the staggering burden of prevailing taxation, this attitude is perfectly comprehensible. In the absence of any credible political force pushing for a thoroughgoing

reform of state finance and a redistribution of wealth, the average voter has little choice but to accept the fiscal stringency on which most of the significant centers of power in the U.S. seem to have agreed. Insofar as working people do oppose social welfare, it is probably because they see it as a set of programs for the subproletariat, a stratum they often resent as parasitic. Their feelings have a certain basis in reality -- the subproletarian poor do live off wealth produced by others, and the social services they use do tend to be separate from those used by the working class. Of course, it is not their fault that they have been excluded from the workforce and live off public assistance rather than wages, salaries, or unemployment insurance benefits. The fact remains, though, that the organization of social welfare reflects the division between these two social strata.

Working people need social services too, of course, and have fought hard for some of them, especially daycare and some ancillary services in medical and educational settings. These struggles have been difficult in recent years as the pressure of the capital crisis has intensified. The difficulties are increased by social welfare's subproletarian stigma.

On the other hand, there are programs which are entirely respectable because they are clearly established to help less fortunate members of the workforce. Social security and unemployment insurance are examples.

This fragmentation of both the social services and their political base is a serious source of divisiveness and weakness. The first task for partisans of social welfare is to overcome this disunity. It is possible that the blurring mentioned earlier of the distinction between subproletarians and unemployed workers may play a salutary role. In addition the partisans must propose policy changes to break down the distinction between the two types of programs. Some examples are the funding of Old Age and Survivors Disability and Health Insurance out of general revenue, the retention of the food stamp program for a wide stratum of working people, and a broad range of non-financial services under Title XX of the Social Security Act for both relief recipients and those who are better off.

The Social Security tax is regressive and a burden. In addition it seems insufficient to guarantee the program's long-range solvency.⁷⁶ Funding OASDHI out of general revenue raised by a supposedly progressive income tax would be an improvement in principle. More importantly, it would mean an abandonment of the insurance concept and convert OASDHI into a relief program, a relief program, however, with enormous popular support. Such a transformation of social security

would begin to undermine the pariah status of public assistance.

The unifying character of the broad food stamp and Title XX programs is obvious. It might be argued, of course, that a more narrowly focused effort would result in a better service for those most in need. As an abstract argument, this is true enough but in practice we must recognize that a narrowly focused program has a correspondingly narrow basis of popular support and is thus more subject to scapegoating and funding cutbacks. To demonstrate this one need only compare the relative popularities of public assistance and OASDHI. The possible changes in policy begin to address the question of how a new mass base for social welfare can be formed. They do not, however, speak to the question of funding and the crisis of capital formation. How can funding for social welfare be increased?

A partial answer lies in a thorough revision of governmental spending priorities, a turning away from militarism. It is not enough, however, to propose, for example, that the Pentagon forego two B1 bombers so that social service funding may be augmented by equivalent billions. What is needed instead is a thorough plan for demilitarization of the entire economy.

Discontent with militarism is a constant undercurrent in American political consciousness, although no established political tendency articulates it forcefully. Still, the Cold War could only be instituted after a systematic effort to delude and terrorize the American populace 77 who, even so, voted for what claimed to be peace candidates in 1952, 1964, 1968, and 1972. Opposition to militarism arouses the fury of red-baiting conservatives and the occasional support of certain liberals, who timidly propose marginal reductions in military procurement. The liberals have a long history of losing such arguments, mostly because their position is based on nothing more than a series of quibbles about the relative strength of Soviet vis-a-vis American military might. They do not challenge the purposes of militarism. Obviously, liberal anti-militarism, having conceded basic premises to the right, can only be feeble and tentative. A genuine anti-militarism, by contrast, must forthrightly attack militarism's premises. The Vietnamese fiasco has substantiatedly discredited the idea of the United States-as world-policeman. And the view of military spending as a creator of jobs is rapidly losing its basis in reality.

Military spending tends to create jobs. Its defenders always emphasize this fact. But they ignore another, paradoxical reality: that it also tends to eliminate jobs. In earlier years the first tendency prevailed, but recently the second has become increasingly

dominant. The constant effort to maintain military superiority over the USSR requires ever more technologically sophisticated armaments. More sophisticated weaponry implies more technologically advanced industries to build it, industries requiring a more skilled and less numerous workforce. Military spending thus fosters technological unemployment and compounds the problem created by sluggish growth in the number of low-skill jobs. The harm military spending does to the job market has recently been documented in a study which shows the differences in the number of jobs resulting from \$1 billion of federal expenditure in the military as opposed to several other areas.⁷⁸

In addition, military production, by failing to either meet consumers' needs, or produce equipment other manufacturers could use to meet them, does not generate as many jobs as civilian production. In fact, military production's products are either used up (i.e., destroyed), or become obsolete and get scrapped without ever being employed. Either way they are wasted without producing economic wealth that human beings could use.

Opponents of militarism are clearly in a position to make strong appeals to the self-interest of most Americans. Although the Vietnamese victory removed the immediate impetus for public debate on militarism, it is probable that a vague comprehension of these facts lies at the root of the considerable (though partly latent) distrust of the military which persists despite the jingoism of many politicians and the mass media.⁷⁹ There are grounds for cautious optimism, at least, in thinking that a coherent plan for conversion of the economy away from militarism could win many adherents. Certainly, it would have a more beneficial effect on inflation and unemployment than anything anyone else has suggested. And since militarism is mainly a mechanism for the care and feeding of corporations, a political effort against militarism is necessarily part of the growing anti-corporate movement.

Supporters of social welfare must attach themselves to the broad progressive coalition which is gradually evolving in opposition to the corporate attack on the American people. Some workers will disagree, arguing that they should continue in their traditional role as "dispassionate experts" trying to solve the problems of society. That role was somewhat relevant in the earlier years of the liberal corporate state. Unfortunately, that role was based on the willingness of the corporate elite of the monopoly sector to sponsor efforts at social amelioration -- the nicer side of regulating the workforce, legitimization. With the advent of the subproletariat, the custodial function, and the capital crisis, the elite is less friendly. The social welfare expert has less to offer them than

before. The corporate liberal order is crumbling.

If social welfare is to survive it must become part of a new force, the independent movement of the American people toward peace and prosperity. Social welfare need not go as a suppliant -- it has much to offer in training, experience, and program -- but it is a truism that social welfare needs friends and this is the only possibility.⁸⁰

FOOTNOTES

1. This formulation is derived from James O'Connor's The Fiscal Crisis of the State, New York, St. Martin's Press, Inc., 1973, P. 6.
2. New York, Vintage Books, 1972.
3. Piven and Cloward, op. cit. P. 71.
4. Ibid., P. 81-83.
5. Ibid., PP. 104-111.
6. U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957, Washington, D.C. 1960, Series D767, P. 99.
7. Berle, Adolph A., The American Economic Republic, New York Harcourt Brace and World, Inc., 1963, P. 95. Berle was a participant in the events his book so proudly hails. The work, written in the flush of optimism of the New Frontier, is a paean of praise that has not worn well with the passing of years.
8. O'Connor, op. cit. PP. 13-17.
9. A state of affairs technically called oligopoly.
10. Concentration occurs with varying rapidity in different industries and this uneven development often fosters the unrealistic belief that the process can be prevented or even reversed. Anti-trust legislation is a perennial expression of this nostalgic hope.
11. Domhoff, G. William, Who Rules America?, Englewood Cliffs, Prentice Hall, 1967 Chapter IV passim.
12. Ibid., P. 81 and P. 75.
13. Domhoff, G. William, The Higher Circles, New York, Vintage Books 1970, 1971, P. 352.
14. Baran, Paul and Sweezy, Paul, Monopoly Capital, New York, Monthly Review Press, 1966, PP. 47-48.
15. Quoted in Weinstein, James, The Corporate Ideal in the Liberal State, 1900-1918, Boston, Beacon Press, 1968, P. 16.
16. Ibid.
17. Commager, Henry Steele, Documents of American History, New York, Appleton-Century-Crofts, 1968, Document 500, P. 16.

18. Dimitroff, Georgi, United Front Against Fascism, New York, New Century Publishers, 1935. In fact the party quickly abandoned its intransigence in willing obedience to a decision of the Seventh World Congress of the Communist International of July 25 - August 20, 1935. By a nice irony, the new policy of United Front was adopted at about the same time as the Wagner and Social Security Acts were passed. In its American interpretation, the Front involved support of the New Deal.
19. Laissez faire theory has a perfectly legitimate claim to be called liberal too, derived as it is from the classical liberal tradition of John Locke, Adam Smith, and the American founding fathers. The theorists of the New Deal, of course, felt they were applying fundamental liberal principles to a changed reality. (See Berle, op. cit. P. ix) and they were right. Their changed reality was an economy dominated by monopolistic corporations just as the older reality of laissez faire had been an economy of many competing firms. "Conservatives" and "Liberals" in the United States are really exponents of different interpretations of traditional liberalism. Their underlying philosophical identity is a source of confusion in common political discourse and makes basic political distinctions less clear than in some other countries. In this paper the term "corporate liberalism" is used to denote the political theory of the New Deal and the liberal corporate state.
20. From Poor Law to Welfare State, The Free Press, New York, 1974, P. 244.
21. Ibid., P. 243.
22. Wilensky, Harold L. and Lebeaux, Charles N., Industrial Society and Social Welfare, Free Press, New York, 1965, P. 284. This standard textbook takes a clearly corporate liberal view of social work. Significantly, it originated as a project of the Russell Sage Foundation, a philanthropy endowed with the fortune of an early corporate figure which has had a considerable impact on the development of corporate liberalism in general and social services in particular. It supported the work of Mary Richmond and was instrumental in the establishment of social work education.
23. Piven and Cloward, P. 33.
24. Ibid.
25. Ibid., PP. 200-205.
26. Derived from US Bureau of the Census, Statistical Abstract of the United States, 1972, Table 1000.
27. Piven and Cloward, op. cit., P. 201.
28. Ibid., P. 209.
29. Steiner, Gilbert Y., Social Insecurity: The Politics of Welfare, Chicago, Rand McNally, 1966, P. 28.
30. Ibid., P. 26.
31. This is a new class with a new relation to the productive process and no very satisfactory term has been found to designate it.

"Subproletariat" seems the best compromise between descriptiveness and inoffensiveness. O'Conner, op. cit., prefers "surplus population." The stratum is indeed superfluous to the process of industrial production as presently constituted and the term is thus descriptive. However, it offends the sensibilities of many. "Underclass" sounds just as denigrating and is vaguer. "Lower class" is vaguer still. "Structurally unemployed class" and "permanently unemployed class" are cumbersome and not very evocative as is "marginalized population" a favorite of progressive circles in Latin America where the phenomenon is even more advanced than here. Finally, some propose "lumpenproletariat," an unfortunate choice. The original Parisian lumpenproletariat of 1849 was a quite different kind of population. (See Marx, Karl, Der Achtzehnte Brumaire des Louis Napoleon, in Marx-Engels Werke, Berlin, Dietz Verlag, 1960, Volume 8, Chapter V., PP. 160-161.

32. See Thompson, E.P., The Making of the English Working Class, New York, Vintage, 1963. This book would seem at first to be rather remote from our subject. However, it presents the formation of a working class in a schematic form that is easier to understand. In the United States the analogous process is complicated, incomplete and confusing. In addition, Thompson shows some cultural characteristics of impoverished ex-rural people that are startlingly reminiscent of the modern American subproletariat. In England, however, absorption into the workforce eliminated the more disruptive and dysfunctional characteristics, replacing them with a kind of "poor-but-honest" sobriety. In the United States the formation of the subproletariat seems to perpetuate them.

33. Derived from: U.S. Bureau of the Census, Statistical Abstract of the United States, 1972, Table 366.

34. Ibid.

35. Ibid.

36. Derived from: U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957. Washington, D.C., 1960, Series D. 1 and D. 2.

37. Ibid.

38. See Ostow, Miriam and Dutka, Anna B., Work and Welfare in New York City, Johns Hopkins University Press, Baltimore 1975. A study of public assistance case records prepared under contract with the U.S. Dep't of Labor. It is a valuable examination of stratification within the New York City caseload.

39. Piven and Cloward, op. cit., P. 201. More recently the pattern has changed again.

40. Maximum Feasible Misunderstanding, New York, The Free Press, 1969, 1970. Moynihan's gradual emergence as a militant spokesman for the far right should not blind us to his valuable reminiscences. To be sure, he presents community action only as a debacle in which an intellectual failure worked itself out in the local and national

politics of the country. He ignores the broader social and economic context of American politics and the interests of the monopoly and competitive sectors. He also fails to look clearly at the crucial issue of the subproletariat as a permanently unemployed stratum. However, he seems to have been a fairly accurate observer of whatever his conceptual blinders allowed him to see.

41. Ibid. P. lvi. He was then Assistant Secretary of Labor for Policy Planning and Research.

42. Ibid. P. 62.

43. Ibid. P. 79. My emphasis.

44. Ibid.

45. Ibid. P. 87.

46. Ibid. PP. 88, 89.

47. Ibid. P. 132.

48. Ibid. Passim.

49. Ibid. P. 129.

50. Ibid. PP. 157, 159.

51. Ribicoff, Abraham, "A New Look in Public Welfare," in The Social Welfare Forum, 1962, New York, Columbia University Press, 1962, P. 24.

52. Steiner, op. cit. PP. 37-38.

53. Ibid. P. 63.

54. Piven and Cloward, op. cit., Appendix.

55. Ibid. P. 250.

56. Ibid. P. 257.

57. Ibid. P. 219.

58. A recollection from personal experience.

59. This is an important point. Real wages, which had risen an average of 2.05% per annum from 1947 to 1965, fell steadily (by a yearly average of .27%) for the succeeding five years. See the Manpower Report of the President, 1972, Table c-11, from which these figures have been computed.

60. Coll, Blanche D., Perspectives in Public Welfare, Washington, D.C., USDHEW, 1969.

61. Social Work, VII, 2, 128 (1/62).

62. N.C.L.C. National Caucus of Labor Committees, Brownshirts of the Seventies, P. 4. Available from Terrorist Information Project (T.I.P.), P.O. Box 1424, Arlington, Virginia 22210. This pamphlet offers useful information about a very disturbing subject. The T.I.P.'s "research originated under the auspices of Fifth Estate, the publishers of Counterspy." (An acknowledgment appearing on the inside front cover of the pamphlet.)

63. Business Week, No. 2441, July 19, 1976. The unemployment rate B.L.S. reported in June, 1976, was 7.5% up from 7.3% in May. The Presidential Press Secretary, Mr. Ronald Nessen's, remarks were doubly inappropriate in view of the well-known conservatism of

B.L.S.' procedures in gathering data. A jobless person is not considered unemployed unless he has actively sought work in recent weeks. This narrow definition alone excludes millions from the unemployment figure. The exclusion is a matter of methodological rigor, not, as some believe, a politically motivated deception.

64. No. 2399, September 22, 1975.

65. Ibid. P. 42.

66. Ibid. P. 115.

67. Ibid. The business press is increasingly worried by the unpopularity of business and an extensive literature has grown up protesting that it is "misunderstood."

68. Ibid. P. 44.

69. This is a cursory survey of the contemporary economic predicament, oriented, of necessity, to the problems of social welfare. Baran and Sweezy, op. cit., offer a fine analysis of the fundamental theoretical issues. O'Connor, op. cit. a brilliant, though confusing account of its fiscal aspect. The Economic Crisis Reader (David Mermelstein, ed, New York, Vintage, 1975), is most accessible to the unsophisticated. For the ambitious, Joyce Kolko's America And The Crisis of World Capitalism (Boston, Beacon Press, 1974), traces the history of the crisis since the forties.

70. Magdoff, Harry, The Age of Imperialism, New York Monthly Review Press, 1969. The data are summarized from U.S. Department of Commerce publications.

71. U.S. Bureau of the Census, Statistical Abstract of the United States, 1971 (92nd Edition), Washington, D.C. 1971, Table 575.

72. Ibid. Table 327.

73. U.S. Bureau of the Census, Statistical Abstract of the United States, 1975, Washington, D.C. 1975. Table 1356.

74. Ackerman, Frank; MacEwan, Arthur, "Inflation, Recession and Crisis" in Upstart, No. 3, December, 1971. The data are computed from the Economic Report of the President, February, 1971.

75. In Mermelstein, op. cit.; Magdoff, Harry, and Sweezy, Paul, "Banks, Skating on Thin Ice." PP. 190-210. For example, they show (using Federal Reserve Data) that the large commercial banks in 1974 had loaned out an average of 82% of deposits. Obviously any loss of depositor confidence could cause mass withdrawals and massive bank failures. The recent collapses of the Franklin National, Security National and the German Herstatt Banks are not encouraging. Of course, these disasters were contained. Maybe subsequent ones will be too.

76. See "Propping up Social Security," in Business Week, No. 2441, July 19, 1976, P. 34.

77. See, for example, Belfrage, Cedric, The American Inquisition, 1945-1960, Indianapolis, New York, 1973, passim. This is only one of many accounts.

78. Public Interest Research Group in Michigan, The Empty Pork Barrel, Ann Arbor, 1975.

79. See Chace, James, "American Jingoism" in Harpers, 252:1512, May, 1976, P. 37.

80. In this connection it is important to mention Jeffrey Galper's brilliant and indispensable contribution, The Politics of Social Services, Englewood Cliffs, Prentice Hall, 1975. Galper offers an interesting strategic perspective.