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7-2019

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# The Capitalist Welfare State and its Causes: A Response

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Three distinct concerns have preoccupied critical welfare state research over the past 50 years. During the period of welfare expansion in the US, roughly dating to the second half of Carter's presidential term, much of the literature asked how welfare states and policies regulate poor and the working-class populations to govern for capitalist accumulation. Researchers in this vein identified the ways that welfare policies demobilize movements and restore legitimacy in governance (Offe, 1975; Piven and Cloward, 1971). Since the onset of welfare state retrenchment and political austerity, such that even social democracies like Sweden have set upon paths of liberalization, researchers have become nostalgic. This second research agenda instead concerns how welfare states are built and in turn retrenched, often with the normative implication of reversing the latter course. And finally, following Esping-Andersen's *Three Worlds of Welfare Capitalism* (1990) researchers have set upon classifying welfare regimes into types, to understand the varieties of configurations that they come in.

*Dismantling Solidarity* enters this second and third discussion, but it draws important lessons from the first. In precisely the period that capitalism was being unleashed, Theda Skocpol's critiques of neo-Marxian theory were gaining an increasing intellectual grip on the discipline of sociology and offered one avenue out for those

concerned with large historical processes (1980). State-centered theory, or what later became historical institutionalism, produced a large literature on policy change and welfare states that deeply influenced the scholarship in both American sociology and political science. Other turns away from political economy were also underway, namely the cultural and linguistic shifts in the 1990s and 2000s (Somers, 1991). In the 1990s and 2000s, many other theories of the welfare state flourished, power resources theory and employer-centered approaches chiefly among them. And though much was learned in these debates, they tended to pit mono-causal approaches against each other. Much of the research ignored how capitalism itself structures and constrains political action. As a result, capitalism faded to the background in the scholarly literature on policymaking and the defining insight of the first wave of welfare state research in the 1970s fell from view. It became commonplace, indeed a sign of a basic graduate education, to dismiss the earlier neo-Marxist theories as simply too reductionist, abstract and functionalist to be of use.

Set against this conceptual landscape, *Dismantling Solidarity* answers a specific question about a very large process in welfare state retrenchment: why since the establishment of the Social Security Act in 1935 and Roosevelt's articulation of the "freedom from want" during the Second World War, was the promise of a solidaristic, public, and egalitarian system of retirement provisioning not only unfulfilled but slowly eroded and increasingly replaced with mechanisms for allocating retirement income situated in capitalist markets? To answer this question, I found that I needed to explain three key episodes of marketization: (1) After WWII, instead of deep expansions of the public system the US turned to private employer pensions; (2) after they were established employer pension funds were then financialized and retirement assets were directed into the stock market, tying workers retirement income to the turbulence of financial markets; (3) finally, the traditional defined-benefit plans that were won after WWII went into decline and more employers turned to defined-contribution plans, which offset risk from firms onto their employees.

When I set out to make sense of each of these episodes, I did not do so intending to restore the basic insight pressed by neo-Marxian researchers in the 1970s mentioned above. But as I was confronted with comparative data from the business, labor and political archival records, considering how political actors made decisions in different contexts and across different times and in turn came to understand their own action environments, it became increasingly clear to me that, as de Leon writes, the "structural scope conditions" laid out by capitalist accumulation and crises were far too important to relegate to the background. Yet, as Harris points out, I am not particularly wistful about neo-Marxian state theory either. There were indeed problems of abstraction and functionalism in these theories, problems that can only be overcome by adopting a posture of theoretical ecumenism that was rare to find in the paradigm battles that define welfare state theory's past. To build on the insights of neo-Marxism, I found it crucial to afford causal weight to institutionalist processes in the conceptual framework. What I see as my main innovation upon these theories is to argue for a more causally dynamic account. In my view, structural factors establish a range of possible policy options to policymakers in capitalist societies, but more contingent historical processes select from within this range.

Through a comparison of each episode of marketization, *Dismantling Solidarity* makes three key arguments, which taken together casts some new light on the theory of the capitalist state and policymaking. The first I term the state regulated marketization argument. The marketization of old age security in America was political in its most proximate causes, in each case it was triggered by politicians and political bureaucrats. Changes occurring in the private system of retirement provisioning were, somewhat ironically, driven by a stronger hand of the state rather than a weaker one. Employing the notion of "trialectics," Schwartz develops a friendly reframing of not only this first argument, but indeed the entire conceptual approach. He suggests that at the heart *Dismantling Solidarity* are three "interconnected dialectical relationships": (1) labor versus capital, (2) labor versus the state, and (3) capital versus the state. I don't disagree with this characterization, but sometimes, Schwartz suggests, I misidentify the primary cause. Focusing on the postwar adoption of private

pensions, Schwartz argues that my emphasis on politicians as the proximate cause is somewhat misplaced. In his view, the government didn't have the leverage to impose changes in the pension system. Instead, Schwartz argues that in the adoption of private pensions after the Second World War, business conceded pensions in contracts because of the strike wave and union leverage instead.

Schwartz's alternative is certainly plausible, but I think is too weak a cause if left on its own and ultimately unsupported by the evidence. *Dismantling Solidarity* does show that the postwar strike wave had significant causal weight, even if not in precisely quite the way Schwartz suggests. And it is certainly the case that shop-floor labor power led to the adoption of some pension plans. But labor strikes were not as successful in compelling firms to offer pensions in contracts as they were at generating worry among politicians about capitalist growth and America's hegemonic position in the global economy. I agree with Schwartz that the government did not have "determinative power in implementing a negotiated settlement between capital and labor." But through its effort to resolve the strike wave, via plant seizures, fact-finding boards, contract settlement recommendations, and a National Labor Relations Board decision that was upheld by the Supreme Court in 1949, which made bargaining over pensions mandatory, the state used the power of law to force the issue onto the table in contract negotiations.

Prior to state intervention, most firms refused to even consider collectively bargained plans. But that changed once the state got involved. To quote the National Industrial Conference Board at the time, "The most important event in the field of company pension plans has been the ruling of several federal agencies and courts that pensions are a subject for collective bargaining" (cited in McCarthy, 2017: 65). Even the National Association of Manufacturers, previously staunchly against negotiated pensions, resigned itself after the Supreme Court refused to hear the NLRB decision, saying "mandatory bargaining is now a fact" (2017: 68). This bears out in the data on pension adoption, when the government made proclamations to adopt these plans through fact-finding boards it bore positively on the adoption rate in contract negotiations (2017: 69). Schwartz is certainly correct to suggest that strikes mattered; they absolutely did. Labor unrest created a context of crisis for policymakers and brought employers to the negotiation table. But it is hard to imagine that pension adoption would have been as common as it was had the government not played the role it did in the history.

A question follows this first argument. If policymakers were the proximate cause, then what *motivated* them intervene in the private affairs of firms in the first place? This question leads to the second argument of the book, the managing capitalism argument. *Dismantling Solidarity* finds that the policymakers in this story were not motivated to intervene because of their party affiliation (both Republicans and Democrats intervened with similar results), their political ideology, or interest group influence over them. In fact, policymakers weren't primarily concerned about retirement security at all. Above all else, politicians and political actors intervened to manage perceived crises in capitalism and to encourage capitalist accumulation for "professional self-preservation," as Harris rightly points out. A structural factor, the need to manage capitalism, is a recurrent theme in the book and core motivation for politicians' behavior.

Mudge suggests, however, that I might be engaging in something of a "conceptual sleight-of-hand" where my own "meanings are imposed on actors who may understand themselves to mean something very different." Perception, meanings, and motivations are indeed thorny issues. Intuiting a historical person's motivations and the meanings they give to their actions, let alone someone sitting directly in front of you, is a much more difficult task than simply identifying things that happened. And as Mark Blyth notes, "Structures do not come with an instruction sheet," politicians had to interpret their context and come up with solutions to the perceived issues that they confronted (2003). This points to a parallel concern in imputing motivations to political actors. The capitalist crises themselves need to be first perceived then interpreted by those same actors as well. While I do less conceptual work here, as Harris recognizes, this is an issue I am aware of throughout.

So, there are two interpretive challenges bound up with one another. To understand the motivations actors have for their own actions, we need to understand how actors make sense of their environments in the first place. Harris is surely correct when he notes that there is a consistent, if somewhat less obvious, constructivist dimension of the argument at work in *Dismantling Solidarity*. While structures set politicians into motion, it is the analyst's task to understand how politicians themselves understood and made sense of those structures and their own actions as they navigate the situation.

Then what makes me think, repeating Mudge's concern, that the meaning and motivations that political actors had were the ones I suggest here? While any historian faces considerable difficulty in identifying a historical subject's motivations, *Dismantling Solidarity* marshals a large amount of data to do precisely this—to provide a picture that politicians were indeed motivated to facilitate capitalist accumulation as best they could and believed that they faced crises or the looming threat of one. Focusing primarily on Presidential Administrations, I draw quite heavily from policymakers' own words, in both their public proclamations and private correspondences. The evidence suggests that politicians were indeed forward looking in their concern for capitalist accumulation, they both responded to and attempted to anticipate future crises. Sometimes they did this more so than capitalists themselves, as was the case in both the immediate postwar period and during the inflation crisis of the 1970s when many businesses were quite hostile to the Volcker shocks.

Returning to the postwar adoption of private pensions, consider Truman's words before representatives of business and unions at the Labor-Management Conference where in the context of industrial conflict he said, "The whole world now needs the produce of our mills and factories— everything stands ready and primed for a great future. But situations and circumstances can change rapidly. Our unparalleled opportunity may not long remain open. We must have production— vast production. We must have it soon" (cited in McCarthy, 2017: 62). It is entirely possible that they were driven by more subterranean concerns, but the available evidence points, somewhat overwhelmingly in my view, to a durable political attention to capitalist growth.

Mudge also raises issues about my conceptualization of politics. Policymakers and state bureaucrats are somewhat interchangeable and as Mudge says "undifferentiated" in my conceptual framing, while in the empirical history I lay out the complexities of institution and one's location in the state become more pronounced. The implication of my theory is that the peculiar goals and orientations of political actors are largely determined by the constellation of interests in their party, their state, their district, and so on—but even these are structured by the capitalist context. Mudge's argument is that once we begin to differentiate "the political" into parties, states, Federal Reserve governors, Cabinet members, technocrats, government agencies, presidential administrations, party politicians, and so on, we will begin to realize that each of these unique environments generates its own peculiar constraints. I have no doubt that Mudge is right in this. How do we understand how the variety of political action environments are informed and constrained? The way political institutions themselves constrain political actors has long been the focus of political scientists and scholars in the tradition of American political development. As Mudge rightly notes, my framework does not aim to do this; I am instead painting in broader strokes about elected officials more generally.

The fundamental question is to what degree do the constraints peculiar to particular positions within the state run counter to, or offset, the constraints imposed on governing in a capitalist society generally? This is a methodological question I do not take up, but doing so in future work would certainly be in the spirit of Mudge's comments. Comparative work might aim to consider the degree to which different political actors are exposed or shielded from the structural imperatives I discuss in the book. And how their institutional and professional context might mediate those structural imperatives. Furthermore, how do more constructivist dimensions vary with respect to an actor's location in the state apparatus? For instance, do state governors perceive crises

differently than Federal Reserve Board governors? And if so, what dimensions of their institutional location prove most salient in the construction of their views about the “national good”?

Indeed, this raises even bigger questions about the portability of this framework beyond American political institutions. Or as Harris asks, “Do nomenklatura dream of capital strikes?” To what degree does “structural contingency” drive political interventions in non-capitalist and less developed welfare state making and unmaking as well? Or were the systems adopted and built in these countries “due to emulation of perceived ‘modern’ institutions touted by Western states and international organizations” as Harris suggests? While these questions are beyond the scope of my own book, it certainly gestures toward them, and I hope scholars take them up. Finding new processes by which political agents are shielded or exposed to capitalist imperatives both across American political institutions and across other capitalist and non-capitalist country cases more broadly will not invalidate my book’s basic argument about elected politicians in capitalist societies. But it could certainly point to avenues to develop the conceptual framework and broaden the idea of structural. My own work is on capitalist contexts. In other systems of production and exchange, we will certainly find very different forms of structural constraint.

This raises a final set of questions that relate to the third core argument of my book—why does the state intervene in the particular ways that it does? And, how do those interventions actually drive marketization? In concrete terms, here I seek to explain the particular approaches that policymakers set upon to solve or avoid capitalist crises. *Dismantling Solidarity* finds that how the state matters and what policymakers do is contingent on the balance of class forces in society. This is my third argument, what I term the class forces as mediator argument. Both the form that state intervention took and how that state intervention drove marketization depended on the relative power of labor and capital, both in and out of formal politics. State action and the effects of that action, quite simply, cannot be reduced to the political aim of managing capitalism. To do so would be to slip into the functionalism we hope to avoid. This is a fundamental point, and a crucial oversight of many of in the neo-Marxist wave of welfare state theory in the 1970s. The structure of capitalism demarcates a range of policies available to the state to promote accumulation; class struggles select from within that range, what I refer to as “structural contingency.”

Here, de Leon raises a critical concern about the tension between structuralism and voluntarism in *Dismantling Solidarity*, putting me squarely on the structuralist side of things. I certainly put greater emphasis on structure, but this is largely in an effort to rescue it from the past. I don’t think my analysis points to a “fear of voluntarism” in precisely the way he suggests. I would argue that voluntarism, such as labor strategy—which Schwartz points to as well, and structuralism do not really operate in isolation from one another. The notion of structural contingency aims to show that there is a dialectical relationship between them. There are multiple forms of capitalist crisis, which as Harris points out policymakers perceive and react to in different ways depending on the context. But we can really classify these divergent crises into two types. In one, market volatility and economic breakdowns results because of capitalism’s own internal routines, by people simply pursuing their own interests and in doing so causing economic collapse. We can think of these forms of crisis as collective action failures. The ecological crisis that is well underway and hich threatens our very existence can be explained as a crisis of this sort. Yet my book points to another kind of crisis as well – one that policymakers are just as concerned with. This second form of crisis results from intentional collective action. Forms of concerted action such as strikes, boycotts, riots, protests, and sometimes even revolutions. This is the kind of crisis that was so central to poor people winning demands in Piven and Cloward’s classic, *Poor People’s Movements* (1977). Of course, business can do this as well, the “capital strike” being but one example.

The degree to which labor militants were able to cause political panic during the context of the Great Depression in the 1930s and in fact deepen that depression in the short term, was a critical component of the pro-labor

reforms in the package of New Deal legislation that followed. Returning to de Leon's concern, here we see voluntarism and structuralism turn in on each other, such that history's direction can't and shouldn't be reduced as a cause of one or the other. *Dismantling Solidarity* shows that the capitalist context structurally compels policymakers to promote capitalist growth. But sometimes labor strategy is the cause of the crisis compelling the state to act. If that strategy is strong enough, it may result in concessions from policymakers as was the case in the 1930s. But if it isn't, as was the case of the wage inflation crisis of the 1970s, policymakers may intervene to kill the source. But whether it is voluntarism or collective action failures that result from structurally informed patterns of behavior that are driving capitalist crises is not set in stone, one must do the historical work to see. Schwartz, Harris, Mudge and de Leon have my sincere gratitude for their informed and challenging thoughts on my book.

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